

**South Tyneside Housing Ventures Trust Limited**

Financial statements  
for the year ended 31 March 2020  
Homes England  
Registration number: 4786  
Registered number: 08626890

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## **Board Management and Advisors**

### **Independent board members**

Peter Davidson  
Richard Porthouse  
Sheila Stephenson (resigned 21<sup>st</sup> August 2020)  
Anne Hetherington (appointed 21<sup>st</sup> August 2020)  
Daniel Gibson (appointed 22<sup>nd</sup> October 2020)  
Angela McClen (appointed 22<sup>nd</sup> October 2020)  
Kenneth Fudge  
Helen James  
Kate Maughan  
Lorraine Masters  
Julie Allison (resigned 15<sup>th</sup> June 2020)  
Paul Fellows (resigned 16<sup>th</sup> June 2020)

### **Company Secretary**

Elaine Sherriff

### **External Auditor**

KPMG LLP  
Quayside House  
110 Quayside  
Newcastle upon Tyne  
NE1 3DX

### **Bankers**

National Westminster  
South Shields Branch  
40 King Street  
South Shields  
Tyne & Wear  
NE33 1HF

### **Solicitors**

DWF LLP  
Great North House  
Sandyford Road  
Newcastle upon Tyne  
NE1 8ND

### **Registered office**

One Trinity Green  
Suite 2.26  
Eldon Street  
South Shields  
Tyne and Wear  
NE33 1SA

Registered Provider Number: 4786

Registered number: 08626890

## Report of the Board of Management

The Board of Management presents its annual report and financial statements for the year ended 31 March 2020.

### Date of incorporation

South Tyneside Housing Ventures Trust Limited (“STHVT”) (“The Association”) was incorporated on 26 July 2013. The Association is limited by guarantee and was registered with the Homes and Communities Agency on 27 February 2015 as a Registered Provider under the Housing Act 1996.

### Board members

The Board members who were appointed on incorporation and have held office throughout the period are stated on page 3. Where the term director is used within these financial statements this includes the board of members of the company.

### Principal activity

STHVT is a Registered Provider. It principally covers the geographical area of South Tyneside. The principal activities are the provision of rented accommodation to the social housing market and the regeneration of its communities. STHVT also aims to construct or acquire properties and provide services of maintenance and repair to its houses.

### Business review

The Company made an operating profit of £1,033,016 (2018/19 £901,620).

We continue to focus on building new homes and refurbishing empty homes for the benefit of South Tyneside. We are developing great services for our tenants, both in terms of quality and choice but also in terms of improving levels of performance. Significant progress was made in all areas of our business during the year, reflecting the enormous amount of work and effort that staff from our partners South Tyneside Homes, tenants and Council colleagues have contributed.

We have delivered on our agreed revised business plan which has the primary objective to provide 400 homes within five years. 2019/20 was our sixth year of operation and by the end of the year we have completed 404 houses, with a further 36 under construction.

Our developments were on the following sites:

Simonside, South Shields	Beechbrook	20 bungalows
Biddick Hall, South	Shields Biddick Park	18 houses
Riverside, South Shields	Trinity South	32 houses and apartments
Various, South Tyneside	Empty Homes Project	55 houses
Central Jarrow	Stanley Street	26 houses and apartments
Central Jarrow	Saxon Way	29 houses and apartments
West Park, South Shields	West Way	33 houses, bungalows and apartments
Central Jarrow	Ormonde Street	47 apartments
Riverside, South Shields	River Drive	50 apartments
Hebburn, South Tyneside	College Mews	29 houses
Simonside, South Shields	Edhill Avenue	4 bungalows and apartments
Jarrow	Wark Crescent	6 apartments
Jarrow	Lakes Estate	35 houses, bungalows and apartments
Jarrow	Salcombe Avenue	20 houses, bungalows and apartments
		<b>404</b>

We also carried out work on the following sites

Whitburn	Croftside	<u>36</u> apartments
		<b>36</b>

There are a number of projects currently being looked at.

## Report of the Board of Management (*continued*)

### Coronavirus

Whilst the virus commenced its spread in the UK before the year end of March 31<sup>st</sup> 2020, the organisation had not been significantly affected by the impact of lockdown measures until the subsequent financial year starting April 2020. Since the escalation of lockdown restrictions we have taken specific actions to reduce the risk to our customers, especially those in vulnerable situations. Some of our actions which were implemented at the appropriate times have included:

- suspension of housing allocations in line with guidance;
- initial scaling back repairs to statutory servicing, urgent and emergency;
- closing communal areas in supported housing schemes and restriction to essential visitors into the schemes;
- initial reduced provision of grounds maintenance activities;
- increased tenant communication such as regular newsletters and social media posts to provide information on the guidance;
- individual contact with tenants in supported housing deemed vulnerable; and
- weekly updates with Board around latest regulations and actions.

We scaled back on court action in line with government guidance on dealing with rent arrears during the period of the corona virus when tenants were affected by job losses and reduced hours working. This has not materially affected the level of rent arrears debt, perhaps as a result of the government support to individuals during the lockdown periods this year.

In addition to these operational actions, we have assessed the business capacity to sustain an adverse financial impact and have modelled increases in arrears and bad debts. We believe our going concern assessment is not jeopardised by such a deterioration of our cash flows.

### Value for Money

The Company has Value for Money at the core of its operations. As part of our strategy we have developed:

- A robust capital appraisal model for each project.
- Set up authorisation procedures which are applied prior to any decision to invest.
- Set up systems to manage costs and income on a regular and timely basis.
- Entered into contracts for the efficient management of new developments with our main contract South Tyneside Homes.
- Entered into contracts for the provision of housing management, repairs and maintenance with our main contract South Tyneside Homes.
- Utilised recognised and effective procurement routes for our new developments.

We have also carried out a review of the Housing Sector Scorecard and where we stand in relation to the results for 2019/20. This scorecard is split up into five themes:

- **Business Health** – This demonstrates how we are meeting the challenge of running successful businesses while fulfilling our social mission.
- **Development** – Capacity and supply – This demonstrates the capacity of the organisation to develop new homes.
- **Outcomes Delivered** – This measure the services delivered to existing tenants.
- **Effective Asset Management** – This is how the organisation looks after the assets we manage.
- **Operating Efficiencies** – This demonstrates how we deliver value for money through our strategic and operational choices.

## Report of the Board of Management *(continued)*

### Value for money *(continued)*

<b>Business Health</b>	<b>Housing Ventures 2018/19</b>	<b>Housing Ventures 2019/20</b>	<b>Quartile 1</b>	<b>Median</b>	<b>Quartile 3</b>	<b>RAG</b>	<b>Narrative</b>
Operating margin (overall)	46.71%	42.86%	18.0%	25.5%	31.7%	Green	A continued good performance in 2019/20
Operating margin (social housing lettings)	46.71%	42.86%	19.8%	27.2%	34.0%	Green	We only have social housing lettings at present
Earnings before Interest Tax, Depreciation and Amortisation – Major Repairs Included (EBITDA MRI) (as % interest)	114.15%	133.21%	148.8%	197.9%	282.6%	Red	We remain in the bottom quartile due to the size of our development programme.

<b>Development (Capacity &amp; Supply)</b>	<b>Housing Ventures 2018/19</b>	<b>Housing Ventures 2019/20</b>	<b>Quartile 1</b>	<b>Median</b>	<b>Quartile 3</b>	<b>RAG</b>	<b>Narrative</b>
Units developed (absolute)	74	18	N/A	18	N/A	Green	We are on target
Units developed (as % units owned)	23.7%	4.46%	N/A	4.46%	N/A	Green	In line with forecast/budget
Gearing	77.91%	80.73%	20.8%	33.8%	47.8%	Red	This high gearing is due to the recent establishment of the Company plus the size of the development programme

## Report of the Board of Management *(continued)*

### Value for money *(continued)*

Outcomes Delivered	Housing Ventures 2018/19	Housing Ventures 2019/20	Neighbourhood	Condition of Home	Repairs & Maintenance	RAG	Narrative
Customer satisfaction	88%	86%	87.5%	89.4%	81.25%	Amber	Down on last year and down compared to the sector standard of 87.5%. However, steps to address this are on-going
Reinvestment	14.41%	22.48%	3.0% Quartile 1	5.4% Median	9.1% Quartile 3	Green	We are significantly higher than top quartile due to our development programme
Investment in Communities	N/A	N/A	We have not made any decision to invest in communities yet beyond building new homes			Red	

Effective Asset Management	Housing Ventures 2018/19	Housing Ventures 2019/20	Quartile 1	Median	Quartile 3	RAG	Narrative
Return on capital employed (ROCE)	2.09%	2.17%	2.36%	3.2%	4.45%	Red	This is an improvement on the previous year but is low due to the size of the development programme
Occupancy	89.6%	99.0%	98.9%	99.5%	99.8%	Green	Empty properties are kept to a minimum.
Ratio of responsive repairs to planned maintenance	N/A	N/A	N/A	N/A	N/A	N/A	We do not have a planned maintenance programme yet

## Report of the Board of Management *(continued)*

### Value for money *(continued)*

<b>Operating Efficiencies</b>	<b>Housing Ventures 2018/19</b>	<b>Housing Ventures 2019/20</b>	<b>Quartile 1</b>	<b>Median</b>	<b>Quartile 3</b>	<b>RAG</b>	<b>Narrative</b>
Headline social housing cost per unit	£1,340	£1,991	£3,170	£3,725	£4,697	Green	We are in top quartile
Management	£243	£234	£842	£1,059	£1,319	Green	We are in top quartile
Major Repairs	£0	£0	£470	£703	£1,020	Green	Our Major repairs programme does not start until year 2024
Maintenance	£475	£527	£766	£951	£1,160	Green	We are in top quartile
Service Charges	£286	£472	£208	£365	£648	Amber	We are in second quartile.
Other	£367	£758	£80	£218	£597	Green	We are in top quartile due to the increased operations.
Rent collected	99.09%	99.03%	99.1%	99.8%	100.5%	Red	Performance reduced slightly and we are still in the lower quartile
Overheads as % adjusted turnover	11.01%	17.56%	10.2%	12.8%	15.8%	Green	In the top quartile despite the small size of the stock



## Report of the Board of Management *(continued)*

### Value for money *(continued)*

South Tyneside Housing Ventures Trust Limited is providing good and in some instances excellent Value for Money (VfM.) for its tenants.

Overall, out of nineteen applicable indicators Housing Ventures is in Green (Top Quartile) for twelve of them, Amber (Median Quartile) for two of them and Red (Bottom Quartile) for five of them.

The main red indicators are due to the age and size of the organisation and the extensive development programme carried out over the last five years. We will be working with our main contractor to improve the performance of the rent collection indicator.

### Employees

There were no employees employed directly by South Tyneside Housing Ventures Trust Limited. The Company Secretary currently operates on an unpaid basis.

### Officer's insurance

STHVT has employers' liability insurance in place.

### Political and charitable contributions

The company made no charitable or political donations during the period.

### Policy and practice on payment of creditors

Wherever possible, the applicable invoice terms set out are complied with. STHVT pays invoices 14 days from issue of agreed monthly valuation for contractor payments and 30 days from the invoice date for other operational contractors.

### Principal risks and uncertainties

South Tyneside Housing Ventures Trust operates a strategic risk register to identify and take action against key risks to the business.

The risks that form South Tyneside Housing Ventures Trust Corporate Risk Register were identified in meetings collaboratively by the South Tyneside Housing Ventures Trust Company Secretary and South Tyneside Homes and South Tyneside Council (STC) staff.

Impact (I)	Example of Impact	Likelihood (L)	Timing
1 - Minor	Minor service disruption / short term, inconvenience, minor injury, Financial loss under £25k, Isolated service user complaints	1 – Unlikely	Over 12 months
2 - Moderate	Service disruption, lost time through injury, Financial loss over £25k, Adverse local media coverage	2 – Moderate	6 - 12 months
3 - Major	Significant service failure, major or disabling injury, financial loss of over £50k, adverse national media coverage	3 – Likely	3 - 6 months
4 - Severe	Total service loss, fatality, financial loss of over £200k, HCA / STC intervention	4 – Almost certain	less than 3 months

The total risk score is calculated in the following way:

*Impact x Likelihood = Total Risk Score.*

## Report of the Board of Management *(continued)*

### Principal risks and uncertainties *(continued)*

South Tyneside Housing Ventures Trust operates a strategic risk register to identify and manage risks, during 2019/20 it decided to organise risks under themes. The themes used are:-

- Consumer
- Finance
- Governance
- Health and Safety
- Assets
- Compliance

These themes largely follow the Regulatory Framework requirements under both the Economic and Consumer standard, with the elements of each standard shown below:-

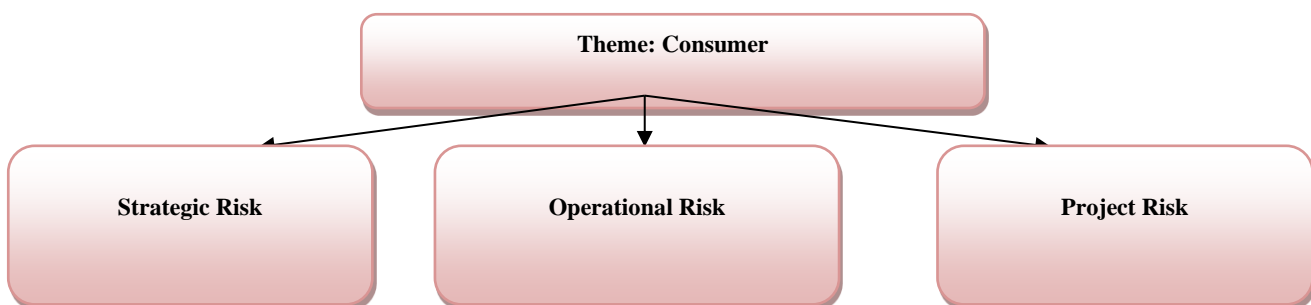
#### Economic standards

- Governance and Financial Viability Standard
- Value for Money Standard
- Rent Standard

#### Consumer Standard

- Tenant Involvement and Empowerment Standard
- Home Standard
- Tenancy Standard
- Neighbourhood and Community Standard

Risks will be organised under themes and then further organised at levels , which will be Strategic , Operational and Project as shown in the Table below



## Report of the Board of Management *(continued)*

### Principal risks and uncertainties *(continued)*

Based on the system, the top risks faced by the entity and the actions taken to mitigate them are:

Risk Title	Theme	Risk Score	Risk Impact	Risk likelihood	Action taken to mitigate
Failure to secure appropriate land for development	Asset	12	4	3	1 Develop a Land Acquisition Strategy 2 Deliver Land Acquisition Strategy
Inability to respond to the impacts of changes in government policy and legislation	Asset	12	4	3	1 Respond to requirements under Social Housing Green Paper
Failure to have in place a robust development plan	Asset	8	4	2	1 Develop and implement a Development Plan 2 Deliver and update development plan
Failure to manage the potential impact of Brexit	Finance	12	4	3	1 Assess the impact of Brexit on Housing market conditions 2 Monitor and assess the impact of Brexit on interest and inflation rates
Failure to be a VFM housing provider	Finance	12	4	3	1 Establish robust Procurement Procedure rules 2 Produce a Value for Money statement 3 Adhere to Procurement procedure rules 4 Implement and monitor effective performance methods 5 Assessment against VFM Standard 6 Produce an annual VFM report
Failure to maintain rent collection levels (perhaps due to corona virus)	Finance	16	4	4	1 Intensively manage impact of Welfare Reform 2 Intensively manage Universal Credit 3 Intensively manage void properties 4 Intensively manage and monitor the impact of Corona virus
Failure to have an effective business plan	Finance	12	4	3	1 Implement Treasury Management practices 2 Determine resources required and ensure resources are deployed appropriately 3 Active monitoring of inflation and interest rates to ensure swift reactions when necessary 4 Ensure we maximise all funding opportunities
Failure to observe building compliance requirements	Compliance	12	4	3	1 Identify actions to ensure compliance with regulatory reform (Fire Safety) Order 2005 2 Identify actions to ensure compliance with Gas Safety (Installation & Use) Regs 1998 3 Identify actions to ensure compliance with the control of legionella bacteria in water systems ACOP L8
Failure to effectively manage Health and Safety	Health & Safety	12	4	3	1 Ensure effective Health and safety governance arrangements are in place 2 Intensively manage mid-rise properties
A major health and safety incident occurs	Health & Safety	12	4	3	1 Risk assessments are carried out at each site before work commences

## Report of the Board of Management *(continued)*

### Principal risks and uncertainties *(continued)*

Risk Title	Theme	Risk Score	Risk Impact	Risk Likelihood	Action taken to mitigate
One or more of our strategic partners goes into administration and is unable to deliver contractual arrangements	Asset	9	3	3	<ul style="list-style-type: none"> <li>1 In depth appraisal of company accounts during selection</li> <li>2 Procurement strategy</li> <li>3 Regular credit checks on long term partners post contract award</li> <li>4 Staged payment methods and breakdown for contracts</li> <li>5 Optional elemental procurement</li> <li>6 Evaluation of sub -contractors</li> </ul>
Failure to have robust Governance arrangements in place	Governance	6	3	2	<ul style="list-style-type: none"> <li>1 A new Managing Director has been appointed</li> <li>2 The NHF Code of Governance has been adopted</li> <li>3 An independent review of compliance with the code is underway</li> <li>4 STHVTL has committed to achieving excellence in governance</li> </ul>
Failure to develop and effectively deliver the Asset Management Strategy and plan	Asset	8	4	2	<ul style="list-style-type: none"> <li>1 Produce an Asset Management Strategy</li> <li>2 Develop the Asset Management Plan for STH to adhere to (STH Action)</li> </ul>
Failure to procure long term strategic construction partners	Asset	8	4	2	<ul style="list-style-type: none"> <li>1 Undertake robust Procurement exercise to achieve best contractors</li> <li>2 Robust management of build contracts</li> </ul>
Failure to comply with the consumer standard	Consumer	8	4	2	<ul style="list-style-type: none"> <li>1 Complying with the Home Standard</li> <li>2 Complying with the Neighbourhood and Community Standard</li> <li>3 Complying with the Tenancy Standard</li> <li>4 Complying with the Tenant Involvement and Empowerment Standard</li> </ul>
Failure to secure a Managing Agent during the re-procurement that is due to take place in 2020	Asset	8	4	2	<ul style="list-style-type: none"> <li>1 Re-procurement process began in July 2020.</li> <li>2 A new Management and Maintenance contract is expected to begin in Summer 2021</li> <li>3 Several organisations expressed an interest in the opportunity and took part in early engagement sessions ahead of the specification being drafted</li> </ul>

## Report of the Board of Management (*continued*)

### Corporate governance

The Board adopted the current NHF Code of Governance at its meeting on 21<sup>st</sup> July 2020; and has reviewed its compliance with all applicable aspects of the Code. The Board considers that it is broadly compliant with the Code and is continuing to improve its governance arrangements for example through the appointment of new Board Members with reference to an agreed Skills Matrix; and through a refresh of the Board Members Handbook, Induction and Appraisal Programme.

### Going concern

The Association's business activities, together with the factors likely to affect its future development, performance and position are set out in the Report of the Board of Management on pages 4 to 13.

The Association meets its day to day working capital requirements through the current account and loan facility, which South Tyneside Council have confirmed is available to fund cashflow deficits forecasted in the current business plan. The current account is cash positive at the year end. The Association meets its development programme requirements through a combination of grant and debt funding. Note 11 to the accounts highlights the current level of debt and repayment terms. The current economic conditions create a degree of uncertainty over the longer term availability of grant and bank finance.

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

After making enquiries, the Board of Management has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

### Disclosure of information to auditor

The directors who held office at the date of approval of this Report of the Board of Management confirm that, so far as they are each aware, there is no relevant audit information of which the Association's auditor is unaware; and each member has taken all the steps that he/she ought to have taken as a member to make himself/herself aware of any relevant audit information and to establish that the Association's auditor is aware of that information.

### Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board

Approved by the Board of Management and signed on its behalf by:



**Peter Davidson**  
Chairman



**Elaine Sherriff**  
Company Secretary

10<sup>th</sup> December 2020

## **Statement of directors' responsibilities in respect of the Board of Management Report and the Financial Statements**

The directors are responsible for preparing the report of the board of management and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the association and of the surplus or deficit for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- assess the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the association or to cease operations or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the association's transactions and disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that the financial statements comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

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



## KPMG LLP

Quayside House  
110 Quayside  
Newcastle upon Tyne  
NE1 3DX  
United Kingdom

# **Independent auditor's report to the members of South Tyneside Housing Ventures Trust Limited**

## **Opinion**

We have audited the financial statements of South Tyneside Housing Ventures Trust Limited (“the association”) for the year ended 31 March 2020 which comprise the profit and loss account and other comprehensive income, balance sheet, statement of changes in equity, cash flow statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of affairs of the association as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

## **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the association in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## **Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the association or to cease its operations, and as they have concluded that the association’s financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements (“the going concern period”).

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors’ conclusions, we considered the inherent risks to the association’s business model, including the impact of

Brexit, and analysed how those risks might affect the association’s financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor’s report is not a guarantee that the association will continue in operation.

## **Independent auditor's report to the members of South Tyneside Housing Ventures Trust Limited** *(continued)*

### **Other information**

The directors are responsible for the other information, which comprises the report of the board of management. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 15, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the association or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).



## **Independent auditor's report to the members of South Tyneside Housing Ventures Trust Limited** *(continued)*

### **The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the association's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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.



**Tara Stonehouse (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
Quayside House  
110 Quayside  
Newcastle upon Tyne  
NE1 3DX

17 December 2020

**Profit and loss account and other comprehensive income**  
*for the year ended 31 March 2020*

	<i>Note</i>	<b>2020</b>	2019
		<b>£</b>	<b>£</b>
<b>Turnover</b>	2	<b>2,410,276</b>	1,930,071
Operating costs	2	<b>(1,380,152)</b>	(1,034,270)
Other operating income	2	<b>2,892</b>	5,819
		<hr/>	<hr/>
<b>Operating profit</b>		<b>1,033,016</b>	901,620
Interest payable and similar charges	4	<b>(1,207,603)</b>	(1,239,233)
		<hr/>	<hr/>
<b>Loss before taxation</b>		<b>(174,587)</b>	(337,613)
Tax on loss	6	<b>(80,165)</b>	(34,465)
		<hr/>	<hr/>
<b>Loss for the financial year</b>		<b>(254,752)</b>	(372,078)
		<hr/>	<hr/>
<b>Other comprehensive income</b>		<b>-</b>	-
		<hr/>	<hr/>
<b>Total comprehensive expense for the financial year</b>		<b>(254,752)</b>	(372,078)
		<hr/> <hr/>	<hr/> <hr/>

All income and expenditure shown above relate to continuing activities.

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**Balance sheet**  
*at 31 March 2020*

	<i>Note</i>	<b>2020</b>		<b>2019</b>	
		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Fixed assets</b>					
Housing properties	7		47,571,039		43,429,857
<b>Current assets</b>					
Debtors	8	230,478		293,060	
Cash at bank and in hand		1,615,400		1,832,567	
		<u>1,845,878</u>		<u>2,125,627</u>	
<b>Creditors: amounts falling due within one year</b>	9	<u>(1,778,172)</u>		<u>(2,427,874)</u>	
<b>Net current assets/ (liabilities)</b>			<u>67,706</u>		<u>(302,247)</u>
<b>Total assets less current liabilities</b>			<u>47,638,745</u>		<u>43,127,610</u>
<b>Creditors: amounts falling due after more than one year</b>	10		<u>(48,603,028)</u>		<u>(43,837,141)</u>
<b>Net liabilities</b>			<u>(964,283)</u>		<u>(709,531)</u>
<b>Reserves</b>					
Profit and loss account			<u>(964,283)</u>		<u>(709,531)</u>
			<u>(964,283)</u>		<u>(709,531)</u>

These financial statements were approved by the Board of Directors on 10 December 2020 and were signed on its behalf by:



**Peter Davidson**  
*Chairman*

Registered number: 08626890



## Statement of changes in equity

	<b>Profit and loss account £</b>
<b>Balance at 31 March 2017</b>	<b>(351,252)</b>
Total comprehensive expense for the year	13,799
<b>Balance at 31 March 2018</b>	<b>(337,453)</b>
Total comprehensive expense for the year	(372,078)
<b>Balance at 31 March 2019</b>	<b>(709,531)</b>
Total comprehensive expense for the year	(254,752)
<b>Balance at 31 March 2020</b>	<b><u>(964,283)</u></b>

**Cash flow statement**  
*for year ended 31 March 2020*

	<i>Note</i>	<b>2020</b> £	2019 £
<b>Cash flows from operating activities</b>			
(Loss)/profit for the year		(254,752)	(372,078)
<i>Adjustments for:</i>			
Depreciation	7	575,624	512,924
Interest payable and similar charges		1,207,603	1,239,233
Amortisation of government grant		(122,459)	(145,365)
Taxation		80,165	34,465
		<hr/>	<hr/>
		<b>1,486,181</b>	1,269,179
Decrease / (increase) in trade and other debtors		62,582	(216,731)
(Decrease) / increase in trade and other creditors		(671,863)	1,190,478
		<hr/>	<hr/>
		<b>876,900</b>	2,242,926
Tax paid		(35,097)	(106,051)
		<hr/>	<hr/>
<b>Net cash from operating activities</b>		<b>841,803</b>	2,136,875
		<hr/>	<hr/>
<b>Cash flows from investing activities</b>			
Acquisition of tangible fixed assets		(4,716,806)	(6,458,409)
Proceeds from receipt of government grant		281,927	3,024,770
Lift sinking fund		17,028	12,547
		<hr/>	<hr/>
<b>Net cash from investing activities</b>		<b>(4,417,851)</b>	(3,421,092)
		<hr/>	<hr/>
<b>Cash flows from financing activities</b>			
Proceeds from loans		4,884,981	3,955,737
Interest paid		(1,207,603)	(1,239,233)
Repayment of borrowings		(318,497)	(216,437)
		<hr/>	<hr/>
<b>Net cash from financing activities</b>		<b>3,358,881</b>	2,500,067
		<hr/>	<hr/>
<b>Net increase/decrease in cash</b>		<b>(217,167)</b>	1,215,850
		<hr/>	<hr/>
<b>Cash and cash equivalents at 1 April</b>		<b>1,832,567</b>	616,717
		<hr/>	<hr/>
<b>Cash and cash equivalents at 31 March</b>		<b>1,615,400</b>	1,832,567
		<hr/> <hr/>	<hr/> <hr/>

## Notes

*(forming part of the financial statements)*

### 1 Principal accounting policies

South Tyneside Homes Ventures Trust Limited (the “Association”) is a company limited by guarantee and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (“*FRS 102*”) and the Statement of Recommended Practice ‘Accounting by registered social housing providers Update 2014’ (‘SORP 2014’), and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015. The presentation currency of these financial statements is sterling.

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 16.

#### *Measurement convention*

The financial statements are prepared on the historical cost basis.

#### *Going concern*

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The Association prepares a 30 year business plan which is updated and approved on an annual basis. The most recent business plan was approved in July 2020 by the Board. As well as considering the impact of a number of scenarios on the business plan the Board also adopted a stress testing framework against the base plan. The stress testing impacts were measured against loan covenants and peak borrowing levels compared to agreed facilities, with potential mitigating actions identified to reduce expenditure. Following the outbreak of Covid-19 the Association has undertaken a series of further scenario testing including severe but plausible downsides in the worst case assessment.

The board, after reviewing the Association budgets for 2020/21 and the Association’s medium term financial position as detailed in the 30-year business plan, including changes arising from the Covid-19 pandemic, is of the opinion that, taking account of severe but plausible downsides, the Association has adequate resources to continue to meet its liabilities over the period of 12 months from the date of approval of the financial statements (the going concern assessment period). In order to reach this conclusion, the Board has considered the following factors:

- Maintenance costs – budget and business plan scenarios have been modelled to take account of cost increases and delays in maintenance expenditure, with major works being phased into future years;
- Rent and service charge receivable – arrears and bad debts have been increased to allow for customer difficulties in making payments and budget and business plan scenarios to take account of potential future reductions in rents;
- Liquidity – current available cash and unutilised loan facilities of £3.3m which gives significant headroom for committed expenditure and other forecast cash flows over the going concern assessment period;
- Development costs – commitment to any future housing developments would only be made following approval of the relevant funding;
- The Association’s ability to withstand other adverse scenarios such as higher interest rates and increases in the number of void properties.

The board believe the Association has sufficient funding in place in severe but plausible downside scenarios.

## Notes (continued)

### *Going concern (continued)*

Consequently, the Directors are confident that the Association will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

### *Trade and other debtors / creditors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. 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 in the case of trade debtors.

### *Interest-bearing borrowings classified as basic financial instruments*

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

### *Housing properties held for letting*

Housing properties are principally properties available for rent and are stated at deemed cost less accumulated depreciation and accumulated impairment losses. Additions include the cost of acquiring land and buildings, development costs and expenditure incurred in respect of enhancements to existing properties. Depreciation is charged to the profit and loss and other comprehensive income statement to write down the value of housing properties on a straight line basis over the following useful economic lives as follows:

Structure	100 years		
Roof	65 years	Bathroom	25 years
Heating systems	30 years	Kitchen	20 years
Electrics	30 years	Gas boiler	15 years
Windows and external doors	20-30 years		

No depreciation is charged for land. Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Association expects to consume an asset's future economic benefits.

Costs of improvement works to existing properties are only capitalised when there is a demonstrable enhancement of the economic benefits of the asset.

Housing properties in the course of construction are stated at cost and not depreciated.

### *Social Housing Grant*

Social Housing Grant (SHG) is initially recognised at fair value as a long term liability, specifically as deferred government grant income and released through the profit and loss as turnover income over the life of the structure of housing properties in accordance with the accrual method applicable to registered providers of social housing accounting for housing properties at cost.

On disposal of properties which have been financed wholly or partly by Social Housing Grant, the grant may become repayable but only as a junior unsecured debt. Social Housing Grant in respect of properties in the course of construction is shown as a current liability to the extent that it has not yet been absorbed by expenditure.

## Notes (continued)

### 1 Accounting policies (continued)

#### **Capitalisation of interest and administration costs**

Interest on mortgage loans financing housing property developments is capitalised up to the date of practical completion of each development.

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.

#### **Repairs, planned maintenance, major repairs**

The costs of day to day repairs are included in operating expenses, together with expenditure incurred on minor improvements. Non-Social Housing Grant funded major improvements, together with the non-qualifying element of Social Housing Grant assisted major repairs, are capitalised.

#### **Impairment**

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Association would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

#### **Turnover**

Turnover is recognised when it is receivable or when conditions associated with the income have been met. Turnover represents all rental and service charge income receivable.



**Notes** (continued)

**1 Accounting policies** (continued)

**Taxation**

Tax on the loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

**VAT**

The company is not registered for VAT. A large proportion of its income, including rents, is exempt from VAT. The majority of expenditure is subject to VAT, which cannot be reclaimed, and expenditure is therefore shown inclusive of VAT.

**2 Turnover, operating costs and operating profit by class of business**

	2020			2019		
	Turnover	Operating costs	Operating Profit	Turnover	Operating costs	Operating profit
	£	£	£	£	£	£
<b>Income and expenditure from lettings:</b>						
Social housing lettings	2,410,276	(1,380,152)	1,030,124	1,930,071	(1,034,270)	895,801
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Other operating income			2,892			5,819
			<hr/>			<hr/>
<b>Operating profit</b>			<b>1,033,016</b>			<b>901,620</b>
			<hr/> <hr/>			<hr/> <hr/>

**Notes** (continued)

**2 Turnover, operating costs and operating profit by class of business** (continued)

	2020	2019
	£	£
<b>Income from lettings:</b>		
Rents receivable	2,313,739	1,816,547
	<hr/>	<hr/>
Gross rents	2,313,739	1,816,547
Less voids	(25,922)	(31,841)
Amortised government grants	122,459	145,365
	<hr/>	<hr/>
Total income from lettings	2,410,276	1,930,071
	<hr/>	<hr/>
<b>Expenditure on letting activities:</b>		
Maintenance	212,969	183,314
Services	185,311	134,074
Depreciation of housing properties	575,624	512,924
Provision for Bad debts	-	3,961
Other costs	406,248	199,997
	<hr/>	<hr/>
Total expenditure on lettings	1,380,152	1,034,270
	<hr/>	<hr/>
Operating profit on lettings	1,030,124	895,801
	<hr/>	<hr/>
Other operating income	2,892	5,819
	<hr/>	<hr/>
<b>Operating profit before interest and tax</b>	<b>1,033,016</b>	<b>901,620</b>
	<hr/> <hr/>	<hr/> <hr/>

All income and expenditure on letting activities relates to general needs housing accommodation.

Other operating income relates to insurance monies received during the year in respect of security and other additional costs incurred on two developments following the contractor entering liquidation.

<b>Total units</b>	2020	2019
	Number	Number
Under development at end of period	36	44
Rented units – general needs	404	386
	<hr/>	<hr/>
	440	430
	<hr/> <hr/>	<hr/> <hr/>

**3 Directors' emoluments**

	2020	2019
	£	£
Non-Executive Directors' Remuneration (commenced 19 <sup>th</sup> July 2018)	17,199	12,141
Salary Banding for Non-Executive Directors	<b>No. Directors</b>	
£0 - £10,000	2	2

Peter Davidson received £9828 and Cllr Richard Porthouse received £7371 gross payments in the financial year. The directors did not receive any emoluments, expenses or pension contributions during the year (2019:£nil). The company had no other employees during the year or prior year.

**Notes** *(continued)*

**4 Interest payable and similar charges**

	2020 £	2019 £
Interest payable on financial liabilities at amortised cost	1,207,603	1,239,233
	<u>                    </u>	<u>                    </u>

**5 Profit on ordinary activities before taxation**

(Loss)/profit on ordinary activities before taxation is stated after charging:

	2020 £	2019 £
Depreciation of housing properties	575,624	519,924
	<u>                    </u>	<u>                    </u>
	£	£
External auditor's remuneration: Audit of these financial statements	17,500	17,000
	<u>                    </u>	<u>                    </u>

**6 Taxation**

*Total tax expense recognised in the profit and loss account*

	2020 £	2019 £
<i>Current tax</i>		
Current tax on income for the period	79,533	34,465
Adjustments in respect of prior periods	632	-
	<u>                    </u>	<u>                    </u>
Total current tax	80,165	34,465
<i>Deferred tax</i>		
Origination/reversal of timing differences	-	-
	<u>                    </u>	<u>                    </u>
Total deferred tax	-	-
	<u>                    </u>	<u>                    </u>
Total tax charge	80,165	34,465
	<u>                    </u>	<u>                    </u>

## Notes (continued)

### 6 Taxation (continued)

	2020 £	2019 £
<i>Reconciliation of effective tax rate</i>		
(Loss)/profit for the year	(254,752)	(372,078)
Total tax expense	<b>80,165</b>	34,465
<hr/>		
(Loss)/profit excluding taxation	<b>(174,587)</b>	(337,613)
Tax using the UK corporation tax rate of 19% (2018: 19%)	<b>(33,172)</b>	(64,146)
Non-deductible expenses	<b>1,169</b>	333
Fixed asset differences	<b>111,536</b>	98,278
Adjustments for prior years	<b>632</b>	-
<hr/>		
Total tax expense included in profit or loss	<b>80,165</b>	34,465
<hr/> <hr/>		

#### *Factors that may affect future current and total tax charges*

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

### 7 Tangible fixed assets

	Rented housing properties £	Housing properties in the course of construction £	Total £
<i>Cost</i>			
At 31 March 2019	42,351,900	2,470,698	44,822,598
Additions	18,351	4,698,455	4,716,806
Transfers	2,259,669	(2,259,669)	-
<hr/>			
At 31 March 2020	44,629,920	4,909,484	49,539,404
<hr/> <hr/>			
<i>Depreciation</i>			
At 31 March 2019	(1,392,741)	-	(1,392,741)
Charge for the year	(575,624)	-	(575,624)
<hr/>			
At 31 March 2020	(1,968,365)	-	(1,968,365)
<hr/> <hr/>			
<i>Net book value</i>			
<b>At 31 March 2020</b>	<b>42,661,555</b>	<b>4,909,484</b>	<b>47,571,039</b>
<hr/> <hr/>			
At 31 March 2019	40,959,159	2,470,698	43,429,857
<hr/> <hr/>			

All housing properties are freehold properties. Additions to housing properties during the period included capitalised interest of £69,293 (2019: £104,157)

**Notes** (continued)

**8 Debtors**

	2020	2019
	£	£
Rental debtors	227,797	21,000
Other debtors	2,681	272,060
	230,478	293,060
	230,478	293,060

Other debtors includes £nil (2019: £181,104) of Grant Income from Homes England, received post year end.

**9 Creditors: amounts falling due within one year**

	2020	2019
	£	£
Housing loan from South Tyneside Council (note 11)	346,156	312,206
Accruals and deferred income	645,708	1,108,212
Deferred capital grant	122,459	145,365
Trade creditors	583,684	827,626
Corporation tax	80,165	34,465
	1,778,172	2,427,874
	1,778,172	2,427,874

**10 Creditors: amounts falling due after more than one year**

	2020	2019
	£	£
Housing loan from South Tyneside Council (note 11)	38,403,263	33,836,778
Deferred capital grant	10,170,190	9,987,817
Lift sinking fund	29,575	12,546
	48,603,028	43,837,141
	48,603,028	43,837,141

Included within deferred capital grants is an amount of £1,619,500 relating to donated land (2019: £1,224,500)

**11 Housing loans**

The housing loan amounts drawn down from the facility with South Tyneside Council are secured by specific charges on the Association's housing properties. Interest is charged on the loan at 0.5% above the core rate at which the Council is able to borrow from the Public Works Loan Board. The loan is repayable by instalments.

	2020	2019
	£	£
These fall to be repaid as follows:		
In one year or less, or on demand	346,156	312,206
In more than one year but not more than two years	346,156	312,206
In more than two years but not more than five years	1,038,468	936,617
In more than five years	37,018,639	32,587,955
	38,749,419	34,148,984
	38,749,419	34,148,984

**Notes** *(continued)*

**12 Members' subscriptions**

Each member of the Association has subscribed £1, which is forfeited in the event of membership ceasing. Subscriptions carry no right to dividends or repayment of capital. Members are entitled to vote at the Association's Annual General Meeting. The number of members at 31 March 2020 was nine.

**13 Capital commitments**

	2020	2019
	£	£
Capital expenditure that has been contracted for but has not been provided for in the financial statements:	<b>716,310</b>	4,872,991
	<u>          </u>	<u>          </u>
Capital expenditure that has been authorised but has not yet been contracted for:	-	-
	<u>          </u>	<u>          </u>

The directors expect the expenditure they have authorised to be fully financed by the Homes England and the Association's reserves.

**14 Financial instruments**

The carrying amounts of the financial assets and liabilities include:

	2020	2019
	£	£
<b>Assets measured amortised cost</b>	<b>230,478</b>	293,060
<b>Liabilities measured at amortised cost</b>	<b>39,419,840</b>	34,976,609
	<u>          </u>	<u>          </u>

**15 Related parties**

Transactions with South Tyneside Council (STC) are classed as related party transactions. During the year, interest of £1,207,603 (2019: £1,239,233) was charged on loans owed to South Tyneside Council, and at the year end the outstanding balance owed on the loans was £38,749,419 (2019: £34,148,984), with a balance of £346,156 (2019: £312,206) being repayable within one year.

During the year the company made purchases of £636,601 (2019: £146,543) from STC, of which £0 (2019: £3,438) remained owed to STC at the year end.

Transactions with South Tyneside Homes (STH) are also related party transactions. During the year the company made purchases of £1,603,685 (2019: £1,318,616) from STH, of which £204,289 (2019: £457,044) remained owed to (STH) at the year end.

## Notes (continued)

### 16 Accounting estimates and judgements

The preparation of financial statements requires the Board to make judgements, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets and liabilities, and income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The key areas requiring the use of estimates and judgements which may significantly affect the financial statements are considered to be:

#### *Estimation of the useful life of assets*

The board is required to estimate the useful economic life of each component of its housing properties. These estimates are based on experience of the housing stock compared to wider sector practice.

#### *Valuation of donated land*

Donated land is valued by qualified specialists within South Tyneside Council who use their professional knowledge and experience to assess the value of the land.

#### *Impairment of social housing properties*

The association has to make an assessment as to whether an indicator of impairment exists. In making the judgement, management considered the detailed criteria set out in the SORP.