



# **Hightown Housing Association Limited**

(formerly known as "Hightown Praetorian and Churches Housing Association Limited")

## **ANNUAL REPORT AND FINANCIAL STATEMENTS**

**31 MARCH 2015**

Co-Operative and Community Benefit Society Registration No. 18077R  
Homes and Communities Agency Registration No. L2179

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**MISSION**

*As a charity, we build new homes and provide excellent housing and support.*

**VISION**

*We believe everyone should have a home and the support they need.*

**VALUES**

- *Our residents and service users come first*
- *We treat people with respect, promoting independence and choice*
- *We value our staff who are key to delivering excellent service*
- *We are cost effective without compromising standards or safety*

**BOARD MEMBERS, EXECUTIVE DIRECTORS, ADVISORS AND BANKERS**

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**Board:**

Chair	Tony Keen Mike Bailey, CBE	(from 18/09/2014) (until 18/09/2014)
Vice Chairs	Tony Keen Mary Pedlow	(until 18/09/2014)
Other Elected Members	Donald Bell Claire Blunt (from 18/09/2014) Oliver Burns (from 18/09/2014) Monica Cashman (until 18/09/2014) Philip Day	Peter Fix (until 18/09/2014) Cliff Hawkins Frances Kneller Althea Mitcham Richard Ronald (until 18/09/2014) Andrew Rose (from 18/09/2014) James Steel (from 18/09/2014)
Co-opted Members under rule D5	Richard Calvert (from 16/4/2015) Brian Ellis Carol Green (until 7/05/2015) Steve Johnson (from 16/4/2015) Bob Macnaughton (from 16/4/2015)	

**Executive Directors:**

Chief Executive	David Bogle
Secretary	David Skinner
Director of Business Development	George Edkins
Director of Care & Supported Housing	Sheelagh Jones
Director of Financial Services	David Skinner
Director of Operations	Susan Wallis
Director of Systems & Processes	Mark Carter
Property & Commercial Director	Linda Middleton (from 01/09/2014)

**Registered Office:**

Hightown House  
Maylands Avenue  
Hemel Hempstead  
Herts HP2 4XH

**External Auditor:**

BDO LLP , 55 Baker Street, London, W1U 7EU

**Principal Solicitors:**

Winckworth Sherwood LLP Minerva House 5 Montague Close London SE1 9BB	Pennington Manches LLP 9400 Garsington Road Oxford Business Park Oxford OX4 2HN
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**Principal Bankers:**

Lloyds Bank Plc  
Public & Community Sector  
25 Gresham Street  
London  
EC2V 7HN

Registered as a charitable social landlord under the Co-Operative and Community Benefit Societies Act 2014 No.18077R.

Registered as a Registered Provider with the Homes and Communities Agency No. L2179.

Hightown Housing Association Limited  
**FOUR YEAR FINANCIAL SUMMARY**

For the year ended 31 March	2015 £'000	2014 £'000	2013 £'000	2012 £'000
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**ASSOCIATION INCOME AND EXPENDITURE**

Turnover from continuing activities	44,607	45,296	43,671	33,339
Operating surplus	15,134	14,367	11,571	8,220
Surplus for the year before transfers	11,461	9,538	6,691	4,668

**ASSOCIATION BALANCE SHEET**

Housing Properties at cost less depreciation	432,966	390,920	361,092	339,986
Social Housing Grant and other capital grants	144,824	142,419	139,602	136,142

Total loan debt	233,482	212,148	189,026	178,393
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Reserves	64,824	52,953	43,568	37,026
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**ACCOMMODATION FIGURES**

	No.	No.	No.	No.
Total housing stock owned at year end :				
General Needs – units	2,842	2,602	2,505	2,234
Leasehold and shared ownership – units	1,218	1,164	1,105	971
Supported Housing & Care Home – bed spaces	663	667	678	688
Total	4,723	4,433	4,288	3,893

**RATIOS AND STATISTICS**

Operating surplus as % of turnover	33.9%	31.7%	26.5%	24.7%
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Surplus for the year before transfers as % of turnover	25.7%	21.1%	15.3%	14.0%
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Return on Capital Employed (net surplus divided by average capital employed in year)	4.1%	3.7%	3.0%	2.3%
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Average cost of funds (note 16)	3.1%	3.1%	3.3%	3.3%
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Interest cover (Operating surplus, interest receivable, and housing property depreciation divided by interest payable plus capitalised interest)	265%	266%	237%	196%
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Gearing (total loans as % of housing properties at cost)	51.4%	51.8%	49.6%	50.4%
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Adjusted Gearing (total loans less cash as % of housing properties at cost)	49.3%	48.0%	48.4%	48.1%
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### **Chairman's statement**

I was appointed as Hightown Chair in October 2014 having been a Hightown Board Member for four years prior to that. I must publicly thank my predecessor Mike Bailey for his calm stewardship of the organisation for eight years until he stood down as Chair at our Annual General Meeting in September. Mike was a very hard working Chair who provided great wisdom as leader of the organisation and was much more than just a figure-head. Mike was much appreciated by his Board colleagues as well as by management and staff at Hightown and will be a very hard act to follow.

I am also most grateful for the work of three other retiring Board members – Richard Ronald, Peter Fix and Monica Cashman.

I am delighted to be able to report on another successful year for Hightown. The financial statements in this report show we have made a good surplus on our activities over the year, ahead of the budget we set. This is part of our strategy. For an organisation of our size we have an ambitious development target to grow our estate by 300 each year. Our annual surplus is re-invested into that development programme, which helps us to reduce the proportion of investment that we need to borrow from bankers and investors, which in turn helps to minimise our borrowing costs.

Towards the end of the financial year we started the process to launch a Retail Charity Bond to enable us to borrow money against development work in progress, helping us to grow our number of unencumbered properties. Writing this report after the end of our financial year, we are pleased that this was a successful initiative.

The management team has enjoyed a successful year, as the results in this report reflect. During 2014/15 Hightown has built 315 new affordable homes, provided care and supported housing services to more than 800 people per month, managed and maintained 4,700 homes and remained strong financially. We have also improved a number of our key performance indicators.

The Board is very grateful for the dedication of the management team in helping the business to grow whilst continuing to prioritise the needs of our residents and service users.

One of the most enjoyable tasks for a Board member is to keep in touch with the needs of our clients. Every time I go to an opening of a new Hightown development I am really impressed by the quality of the homes that have been created, by the improved lifestyles offered to those who have spent years on Council housing lists and who just can't afford market rents and by the great start Hightown has given to shared owners in their first step on the housing ladder. I find visiting Hightown's Care and Supported Housing schemes overwhelming and most humbling. I have huge admiration for the work carried out by the Hightown staff as it is not something that I or many in society would be able to do with anything approaching the care, compassion and dedication they display. The Board thanks the staff for their professionalism.

I am also proud of our Board as I like to think it is effective and supportive. We have recently completed a Board recruitment exercise to fill vacancies caused by members getting to the end of their maximum term of nine years. The quality of applicants was very impressive, many of whom also serve as paid members of other Boards. It is a positive reflection of Hightown that we can attract such talent to a voluntary, unpaid role.

One piece of work that the Board has been involved in is the review of the Hightown's mission, vision and values. In some organisations this is a top down exercise with the Board setting the strategic direction and culture. At Hightown it is a much more democratic process with all stakeholders consulted. The sentiment of the Mission, Vision and Values has not changed, they are just more modern and concise.

Another Board issue has been our Regulator's assessment of our performance. The Homes and Communities Agency has confirmed no change to our previous grading of V2 for viability and G1 for Governance. V2 reflects we are in accordance with the standard in their regulatory framework. G1 is a better grade than G2 and suggests our Governance is of a good standard. The HCA is ratcheting up pressure for Registered Providers, stressing Board responsibility for performance. I have some sympathy with the HCA approach. If we are to be amongst the very best Housing Associations we need to take full responsibility and be confident in facing the

Hightown Housing Association Limited  
**CHAIRMAN'S STATEMENT**  
For the year ended 31 March 2015

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constant need for change brought about by political influence, our Regulator and by the needs of the communities we serve.

Hightown can only succeed if it has the active support of its staff, its Board members, its local authority partners, its funders, its consultants and contractors and, not least, its residents and service users. On behalf of Hightown, I would like to thank all of those 'stakeholders' for working constructively with us during 2014/15.

A handwritten signature in black ink, appearing to read 'Tony Keen', followed by a horizontal line.

Tony Keen  
Chairman  
2 July 2015

## **Board Report**

The Board presents its report and audited financial statements for the year ended 31 March 2015.

### **Principal activities**

Hightown Housing Association Limited ('the Association') is a not-for-profit housing association governed by a voluntary Board. The Association operates mainly in Hertfordshire, Bedfordshire and Buckinghamshire. The Association's principal activities are the development and management of social/affordable housing, supported housing, care homes and nursing homes.

### **Performance for the year**

Turnover in the year was £44.6 million (2014: £45.3 million). Although underlying turnover increased, fewer shared ownership properties were developed for sale during the year than in 2013/14 and consequently total turnover decreased by £0.7 million (2014: £1.6 million increase).

However, the Board was pleased to see that the Association generated a surplus of £11.5 million (2014: £9.5 million) which was invested in new affordable homes. By the year-end the Association's reserves stood at £64.8 million (2014: £53.0 million).

During the year, 315 new affordable homes were completed consisting of 255 homes for rent and 60 homes for shared ownership.

The Association spent £52.3 million (2014: £39.6 million) on the acquisition and development of housing properties financed by social housing grant, shared ownership and other property sales receipts, bank loans, and operating cash flow.

At the end of the year, the Association had 4,723 homes in management (2014: 4,433 homes). Further details are shown on page 49 of these financial statements.

The Association maintained its performance of letting vacant general needs homes on average within 15 working days and new homes within 5 working days. Rent arrears performance improved from 3.99% to 3.76%.

### **The Board**

The Board currently comprises eleven elected non-executive members and four co-optees. The Board is the governing body of the Association and sets the strategic direction of the Association and monitors performance. The Board meets, formally, every six weeks for regular business. It has six Committees; Governance, Housing Scrutiny, Care and Supported Housing, Development, Finance Risk and Audit, and Remuneration. The Board also meets once a year to review the Association's Strategic Plan.

The present Board members of the Association are set out on page 2. The Board members are drawn from a wide background bringing together relevant professional and commercial experience. The Board has undertaken a skills audit this year to identify gaps in experience and aptitude which might be filled through future recruitment, training or external advice. All the Board members served throughout the year unless otherwise stated.

The Board is responsible for the Association's strategy and policy framework. Day to day management and implementation of that framework is delegated to the Chief Executive and then to the other executive directors and through them to management staff. The Chief Executive meets regularly with the Chairman between Board meetings and meets bi-weekly with the executive directors.



Board members are elected at the Annual General Meeting for a three year term and may serve for a maximum of three consecutive terms. Under the rules, the Board may consist of between seven and twelve elected members and up to five co-optees (appointed by the Board). The Board may appoint co-optees and new members during the year but they must retire at the next annual general meeting.

### **Committees**

The Committees provide advice to the Board and scrutinise operational activities. They have no delegated authority.

The Governance Committee - consists of the Chair and six other Board members and usually meets two or three times a year and when required. It reviews and makes recommendations to the Board on the governance of the Association. During the year the Committee led the Board Member Skills Audit exercise, had oversight of the process for recruiting three new Board members to replace those who were retiring and monitored the review of the Association's branding and marketing. It also scrutinised reports on the I.T and Systems Review strategy and its implementation and on the Health and Safety Audit and action plan.

The Housing Scrutiny Committee - consists of up to six Board members plus up to eight co-opted members including residents and other parties interested in service provision. It meets four times a year. It monitors and reviews the services provided by the Association to its general needs residents and others and reports back to the Board. During the year, the Committee reviewed twelve Hightown policies relating to the management and maintenance of Hightown estates and made recommendations to the Board. The Committee received presentations on handover processes for new developments, Value for Money in management and maintenance, rent arrears recovery and court processes and Anti-Social Behaviour management. The Committee reviewed performance reports including reports through the HouseMark service which benchmarked Hightown's performance against that of other similar organisations and the survey of Hightown's residents.

The Care and Supported Housing Committee - consists of up to six Board members plus up to eight co-opted members. It meets four times a year. It monitors and reviews the services provided by the Association to its care and supported housing residents and others and reports back to the Board. During the year the Committee considered inspection reports from regulators and commissioners on eleven Hightown services, the results of the survey of supported housing residents and annual reports on service user involvement and Value for Money. The Committee received presentations on working with Herts Police, Deprivation of Liberties legislation and the work of the Open Door Nightshelter in St. Albans. It also received a presentation from service users at Hightown's Napier Close scheme in Stevenage. The Committee received regular reports on performance in the department and on commissioning activity.

The Development Committee - consists of a minimum of three Board members and up to six members in total and meets four times a year. It monitors and reviews the Association's development strategy and programme and reports its conclusions and recommendations to the Board. During the year, the Committee scrutinised proposals for 13 new affordable housing developments, reviewed the list of approved consultants and contractors and reviewed the new development appraisal toolkit. The Committee also discussed reports and proposals for improving sound insulation in new schemes and for obtaining 'customer' feedback. The impact on Hightown of the Government's new Housing Standards was also considered.

The Finance, Risk and Audit Committee - consists of a minimum of four Board members and up to six members in total and meets four times a year and when necessary. It monitors and reviews the financial operations and policies of the Association including the annual budget and accounts. It considers the Association's borrowing strategy, including principal terms of individual loans and reports back to the Board. It receives reports from the Internal Auditors, reviews the effectiveness of the Association's internal control systems and makes recommendations to the Board on audit practice and on the appointment of the internal and external auditors. During the year the Committee closely monitored the Association's interest rate exposure and plans to raise additional debt finance. It recommended to the Board the Retail Charity Bond issue as a way of raising unsecured debt to finance new developments without depleting the Association's stock of

## **BOARD REPORT**

For the year ended 31 March 2015

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uncharged properties. The Committee works in partnership with the Development Committee to review the parameters for assessing new development proposals and make recommendations to the Board.

The Remuneration Committee - consists of the Board Chair and Vice-Chairs, chairs of other committees, and up to two other Board Members. It is chaired by one of the Vice-Chairs and makes recommendations to the Board on the remuneration and conditions of service of the senior staff of the Association and on the pay structure and key conditions of service of the staff. During the year, the Committee oversaw benchmarking exercises which compared Hightown salaries with the salaries for similar posts in similar organisations and made subsequent recommendations to the Board for salary adjustments to keep Hightown salaries at a comparable level with the rest of the sector.

### Committee Memberships

The current committee memberships are as follows:

#### **Governance**

Tony Keen (Chair)  
Donald Bell  
Cliff Hawkins  
Althea Mitcham  
Mary Pedlow  
Andrew Rose

#### **Housing Scrutiny**

Mary Pedlow (Chair)  
Richard Calvert  
Philip Day  
Frances Kneller  
Althea Mitcham  
Andrew Rose  
James Steel

#### **Care and Supported Housing**

Althea Mitcham (Chair)  
Claire Blunt  
Philip Day  
Cliff Hawkins  
Steve Johnson  
Bob Macnaughton  
Andrew Rose

#### *Residents:*

Kathryn Hallett  
Polly Lowles-Hourigan  
Anna Maria Peel  
Ragini Shah  
Sumy Tharakan

#### *Non-Board members:*

Hazel Cannon

#### **Development**

Cliff Hawkins (Chair)  
Oliver Burns  
Frances Kneller  
Steve Johnson  
Bob Macnaughton  
Mary Pedlow

#### **Finance, Risk and Audit**

Donald Bell (Chair)  
Claire Blunt  
Oliver Burns  
Richard Calvert  
Brian Ellis  
James Steel

#### **Remuneration**

Mary Pedlow (Joint Chair)  
Donald Bell (Joint Chair)  
Cliff Hawkins  
Tony Keen  
Althea Mitcham

#### *Resident:*

Ron Symons

#### *Resident:*

Kathryn Hallett

### **Executive**

The executive directors are listed on page 2. The executive directors hold no interest in the Association's shares and act as executives within the authority delegated by the Board

### **Employees**

At 31 March 2015, the Association had 400 (2014: 379) full time equivalent employees (excluding "bank" staff who cover temporary vacancies and staff leave) most of whom are engaged in providing front line housing and support services to our residents. The Association is accredited for Investors in People and continues to invest

in the training of its employees. Our aim is to ensure that our staff are given the support necessary to enable them to provide high quality, professional services.

The Association keeps its staff informed about the Association's objectives, progress and activities through regular office and departmental meetings; through newsletters and written communications; and through staff briefings and an annual staff conference. A Staff Forum of elected staff representatives meets quarterly to discuss issues relevant to staff.

The Association is committed to equality and diversity for all its employees and complies with all relevant legislation and best practice.

### **Treasury Management Policy**

The Association manages its exposure to interest rate risk through closely monitoring the financial markets and through its treasury management policy. The policy sets parameters for both fixed and variable rate debt. The proportion of fixed rate debt at 31 March 2015 was 31.9% (2014: 35.2%). This includes an embedded callable fixed option of £10m. The Association has no free standing derivatives and no exposure to margin calls on such products.

On April 30, 2015, the Association drew down £27 million from a loan being the proceeds of a Retail Charity Bond issued by Retail Charity Bond plc on its behalf and offering 4.4% fixed rate interest for ten years. This increased the proportion of fixed rate debt.

By retaining a proportion of debt at variable rate, the Association is able to benefit from current low rates. The Association remains able to fix borrowings within existing loan facilities if required by changing market conditions. The Treasury Management policy and practice is kept under review by the Finance, Risk & Audit Committee and the Board.

### **Health and safety**

The Board is aware of its responsibilities on all matters relating to health and safety. The Association has prepared detailed health and safety policies and procedures and provides staff training and education on health and safety matters. Performance on health and safety compliance is closely monitored with reporting through to the Governance Committee

### **National Housing Federation Code of Governance**

The Association complies with the principal recommendations of the National Housing Federation (NHF) Code of Governance (*Promoting board excellence for housing associations* 2015) except in respect of the number of Board members where the Association considers that a larger Board is required for the effective business of the Association and to provide for adequate succession planning. Some of the ways in which Hightown seeks to achieve good Housing Association governance are outlined in this report

### **NHF Excellence in Standards of Conduct**

The Association has policies and procedures to demonstrate compliance with the NHF *Excellence in Standards of Conduct: Code for Members* 2010.

### **Internal controls assurance**

The Board has 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, risk, to achieve business objectives, and to provide reasonable, but not absolute, assurance against material misstatement or loss.

In meeting its responsibilities the Board has adopted a risk-based approach to establishing and maintaining internal controls which are embedded within day to day management and governance processes. This approach includes the regular evaluation of the nature and extent of risks to which the Association is exposed.

The process for identifying, evaluating and managing the significant risks faced by the Association is ongoing and has been in place throughout the period commencing 1 April 2014 up to the date of approval of the annual report and financial statements. The Board and the Committees and in particular the Finance, Risk and Audit Committee receive and consider reports from management on these risk management and control arrangements.

The Board has established a set of key policies and strategies that are regularly reviewed.

The arrangements adopted by the Board in reviewing the effectiveness of the system of internal controls, together with some of the key elements of the control framework include:

#### Identifying and evaluating key risks

The Association's risk management strategy, setting out the Board's attitude to risk in the achievement of its objectives, underpins the risk management, business planning and control arrangements. These arrangements clearly define management responsibility for the identification, evaluation and control of significant risks. The executive directors regularly consider reports on these risks and the Chief Executive is responsible for reporting to the Board any significant changes affecting key risks.

#### Control environment and internal controls

The processes to identify and manage the key risks to which the Association is exposed are an integral part of the internal control environment. Such processes, which are reviewed annually and revised where necessary, include strategic planning, the recruitment of executive directors and senior staff, regular performance monitoring, control over developments and the setting of standards and targets in key areas including health and safety, data protection, fraud prevention and detection, and environmental performance.

#### Information and reporting systems

Financial reporting procedures include detailed budgets for the year ahead and forecasts for subsequent years. These are reviewed and approved by the Board and monitored throughout the year by the Finance, Risk and Audit Committee. The Board receives quarterly management accounts and key performance indicators. The Housing Scrutiny Committee, the Care and Supported Housing Committee, the Development Committee and the Finance, Risk and Audit Committee regularly receive reports on key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes. The outcomes of these reviews are reported to the Board at each meeting throughout the year. Board members have access to monthly reports from the Chief Executive, the executive directors and the senior managers.

#### Monitoring arrangements

Regular management reporting on control issues provides assurance to successive levels of management and to the Board. It is supplemented by regular reviews by internal audit who provide independent assurance to the Board, via its Finance, Risk and Audit Committee. The arrangements include a rigorous procedure, monitored by the Finance, Risk and Audit Committee, for ensuring that corrective action is taken in relation to any significant control issues.

#### Fraud register

The Board reviews the fraud register annually. A copy of the fraud register is also provided to the Regulator, the Homes & Communities Agency.

## **Value for Money Self-Assessment**

### **1.0 Summary**

Hightown's Value for Money Self-Assessment for 2014/15 demonstrates that we are achieving Value for Money (VfM) in service delivery and in using our assets and income to build new homes which helps us to meet our business objectives. Hightown's mission is to build new homes and provide excellent housing and support. The Board recognises that nationally a lot more homes need to be built and we have a role to play in helping to deliver as many new homes as our assets and income will allow.

This assessment highlights the VfM achievements in 2014/15 and plans for 2015/16 and beyond. It demonstrates how we are meeting the requirements of the Regulatory Standard set by the Homes & Communities Agency (HCA). To see a version of this report approved by our residents, with explanations of terms and matters that they have highlighted as important to Hightown's residents, please visit the publications section of our website; [www.hightownha.org.uk](http://www.hightownha.org.uk).

The Board recognise that as Hightown is developing significant numbers of new homes for rent and for shared ownership this growth means that absolute reductions in year-on-year operating costs are very unlikely but Hightown will demonstrate Value for Money through reduced average costs on a per unit basis over a time continuum. In the last 4 years the average cost of Housing Management per property has reduced by 24%.

Hightown operates within an area of significant housing demand where property and construction costs are influenced by our proximity to London. Our business model reflects this context, with a focus on providing much needed mixed tenure developments and maximising the use of our income and assets to meet the high demand for affordable housing of all types in our areas of operation.

Our development programme is significant for the size of our organisation; the Board's strategy is to increase our number of homes each year by around 300, around 7% growth. This ambitious level of development has been the Board's strategy for almost 10 years, so Hightown staff are experienced in managing both the size of the development programme and taking this number of new homes into management while continuing to provide excellent services to our existing residents.

During 2014/15, as well as new developments in Hightown's core areas of Hemel Hempstead and St Albans, we have expanded into a few new areas - including Milton Keynes, Puckeridge and Ware in East Hertfordshire and Ampthill and Stotfold in Central Bedfordshire, all within the area covered by Hightown's development strategy, which aims to provide new homes within an hour's drive of our main office in Hemel Hempstead. This strategic decision to operate within a limited geographical area helps us to provide consistently good services across all of our homes and to build good working relationships with local authorities and other local partners.

A significant part of Hightown's work is as a provider of care and support, this part of our business already operates in a highly competitive market. Hightown has continued to prove to commissioners that we provide excellent value for money; we continue to win new contracts and have contracts renewed. We have lost few contracts, though we have chosen to withdraw from contracts where prices have been driven so low that we do not feel able to continue to provide excellent quality services within the budget available to the commissioners. To remain competitive our operating environment and staff structures and roles are kept continuously under review. We also reconfigure our services and client groups to best meet the needs of our commissioners as their priorities change over time.

Hightown has continued to develop supported housing to meet its objective of providing excellent homes and support. For example, since 2006 Hightown has been working with Buckinghamshire County Council to provide new housing and deliver care to people with mental health problems by redeveloping existing unsuitable housing. This 'Home Options' project has delivered 87 homes – exceeding the original target of 74 - and supported significant numbers of people with mental illness to move from registered care homes to live more independently in their own homes. Supported housing staff and service users have been involved in the design of their new homes.

## **2.0 Value for Money Strategy**

The Board's Value for Money Strategy sets out how Hightown will deliver Value for Money and make best use of scarce and competing resources. During the budget setting and business planning process the Board and Executive consider service provision options and carry out robust stress tests to understand the potential impact of different risks to the viability of the Association.

Development investment opportunities are reviewed in detail by a sub-committee of the Board (the Development Committee, which includes a resident as a member) before recommendation to the Board where they undergo further scrutiny to ensure that they meet Hightown's objectives, the required cost and performance benchmarks and deliver VfM.

The Board understands the importance and value of measuring its costs and performance against other housing providers. Hightown participates in the independent HouseMark benchmarking service and uses data provided by the Social Housing Regulator, the Homes and Communities Agency (HCA) and data from the Placeshapers group of 100 housing providers.

The Board receives the HouseMark benchmarking comparisons each year along with management explanations of the results. This tracks changes in performance both year on year and relative to other housing providers. It also informs the Board on how decisions taken impact Hightown's key performance data. This data is shared with residents through the Housing Scrutiny Committee and in publications.

The Board receives assurance on the delivery of Value for Money through regular management information from the Executive, through the management accounts, key performance indicator reports, monthly information reports, and benchmarking reports. The production of this data is subject to periodic internal audits undertaken by an independent auditor. The Board also receives annual VfM reports on maintenance procurement and care and supported housing activities.

The Board uses its sub-committees to monitor action plans to improve services and value for money. An example of how monitoring arrangements focus attention on value for money is the decision to arrange an assignment of the lease of one of our two charity shops after it was identified that the income generated was trending down to a point where it would not be sustainable to continue to operate them both. A number of charities have had this difficulty due to the economic climate.

In May 2014 Baker Tilly Risk Assurance Services LLP carried out an internal audit review of Value for Money within Hightown. The audit produced a positive "Green" rating concluding that the Board can take substantial assurance that the controls in place are suitably designed, consistently applied and effective to deliver and monitor Value for Money. The report also assessed that Hightown was "early transformational" in its approach to Value for Money with an evaluation score of 8 out of 10. The report identified areas where Hightown could improve performance. The Finance & Audit Committee will ensure that the recommendations are implemented.

## **3.0 The different ways that Hightown achieves Value for Money (VfM)**

### **3.1 Procurement**

Hightown achieves value for money through the way we buy services and arrange work to our homes (this is called procurement). We have a small procurement team who make sure that larger contracts are properly tendered and that bids are robustly evaluated to strike a balance between cost and quality. Residents are involved in evaluating the bids and interviewing contractors on major repair works and other key contracts.

The way we procure our day-to-day repairs service means that average works order costs per property are low when compared to other providers. Reliable local contractors are used who are knowledgeable about our stock and who achieve a good level of 'right first time' fixes, keeping costs down and satisfaction levels high. Having a planned works programme helps to keep day-to-day repairs costs down.

Hightown are members of a number of buying consortia that help us to achieve economies of scale through buying with others; these are Procurement for Housing, the Northern Housing Consortium, the London Housing

Consortium, the Eastern Shires Purchasing Organisation and the Crown Commercial Service. During 2014/15 we also joined Fusion21 to be able to access framework agreements for external decorations and our window and door replacement programme. Using these consortia also saves Hightown staff-time and the costs associated with the tendering process.

### **3.2 Residents' involvement**

Hightown recognises that involving residents maintains a focus on driving down costs. More residents are becoming actively involved each year through the wide range of ways they can input into the management of their homes. Feedback from residents who undertake on-site inspections, who mystery-shop our services, who attend meetings or who make complaints helps us to target resources at improving the services that residents identify as important. An example of this in 2014/15 is the work on improving parking and bin storage arrangements in neighbourhoods where people were least satisfied; this led to a 7% increase in resident satisfaction with neighbourhoods. Residents are involved in the tendering process for our key contracts, helping us to assess value for money when awarding the contracts taking into account the quality as well as the cost of the service.

### **3.3 Partnership working**

Working in partnership with other organisations means our costs can be shared with them. Examples of this include working with Hertfordshire County Council on the 'Thriving Families' initiative and our work with community safety partnerships to address antisocial behaviour issues. We work closely with local authorities to understand their priorities and deliver value for money services to meet their communities' needs; just some examples are the provision of accommodation and street outreach for homeless people in St Albans; a support service for people in temporary accommodation in Hatfield; young people's services in Hemel Hempstead and Watford; domestic abuse refuges in Stevenage and Dacorum; and mother and baby accommodation in St Albans City and District and Dacorum. We have accessed free training for staff in a number of areas including Legal Remedies for Domestic Violence, through our involvement in the Hertfordshire County Thriving Families project, and Identifying and Supporting Victims of Domestic Abuse, following the secondment of a member of staff to a partner local authority.

### **3.4 Making the best use of our staff**

In our care and supported housing service we make sure that tasks are undertaken at the right pay scale so that higher paid staff are freed up to carry out more skilled work and costs are kept at a level to help ensure the ongoing viability of each scheme.

We have been concentrating on more efficient ways of working, using technology available, to support front line staff to deliver a higher quality service in less time. Examples of this are given in cases studies that can be found on our website.

Hightown embeds VfM in the day to day work of the staff teams. Each department creates an operating plan setting out actions to be taken in order to deliver Hightown's strategic plan. All identified tasks are assessed for delivery of VfM. For the last seven years staff have recorded their savings in an "Efficiency Log" on the Intranet. During 2015/16 we plan to introduce a 'Waste of Money' log to enable staff to bring to our attention areas for investigation that may lead to future savings and more efficient ways of working.

### **3.5 Income generation**

Hightown reacts quickly to access grants to support new developments and services and finds ways to generate income to support our work. Examples from 2014/15 include:

- We attracted Social Housing Grant from the HCA totalling £2.52 million to build new homes
- We have maximised the income from multiple sources of funding on two development sites by being creative in the way we have increased the density of the sites and reused empty buildings. In one we added floors to an empty office block enabling us to access new homes grant, empty homes grant and Local Authority top-up grant to create 37 new homes. At another site we built 4 flats on undercroft parking below an empty office building that we were converting to residential use, enabling us to access both HCA and Local Authority grant.

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- WorkSkills, a scheme run by Hightown to help those with mental health issues prepare for the workplace, carried out work for external customers generating income of £14,788 to support that service.
- Grants of approximately £12 million for Care and Supported Housing schemes e.g. to provide support for street homeless, victims of domestic violence and young mothers and babies.
- Renewable heat incentive grant for carrying out energy efficiency improvements to our homes have been accessed at a rate of c£134 per quarter for the next 7 years.
- The sales team have managed 17 completions on re-sale properties generating fee commission income of £17,423.

### **3.6 Independent assessments of Hightown's services**

Our care and supported housing services and training services are inspected and accredited by a variety of organisations, including the Care Quality Commission, Adult Care Services, Children's services, and a number of smaller grant funding bodies. We use independent organisations to help assess our services, such as Housing Quality Network, the Association of Retirement Housing Managers and the Chartered Institute of Housing.

Our approach to investing in the development of our staff to enable them to deliver high quality services is accredited by Investors in People.

Through the Housing Scrutiny Committee, the Board annually commissions an in-depth report by an independent organisation into a key area of service, agreed with residents who sit on the Committee. In 2013/14 a report by Housing Quality Network on Value for Money in Maintenance was received; in 2014/15 the Chartered Institute of Housing produced a report on the antisocial behaviour service. Recommendations are considered by the Committee and they agree any improvement action plan.

In addition to external testing of our services Hightown has a cost-effective Service Review Team to produce performance data independently of the front line services and to help managers review the operation of their services and bring about efficiencies. This year their main area of focus has been assisting the Supported Housing Teams in improving the efficiency of their ways of working.

## **4.0 Return On Assets**

### **4.1 Financial measures**

Hightown recognises the importance of understanding the return on assets in order to achieve its strategic objectives and to ensure that the use of our assets represents good value for money. The key financial output measures in this area are provided below. The table compares our financial performance over the last 5 years to show the trend of improvements over time and compared to similar sized traditional housing associations from both HouseMark and the HCA Global Accounts of Housing Providers data (where such data is available and comparable).



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<b>Performance</b>	<b>2014/15</b>	<b>2013/14</b>	<b>2012/13</b>	<b>2011/12</b>	<b>2010/11</b>	<b>HouseMark median # 2013/14</b>	<b>HCA Global Accounts * 2013/14 Average</b>	<b>Comments</b>
Return on Assets (operating surplus as a % of average total assets)	5.5%	5.5%	4.9%	3.8%	4.0%	Not available	Not available	This shows how well Hightown has been using its housing properties to generate growth for new build and reinvestment.
Debt per unit (owned)	£50,658	£49,823	£46,036	£47,875	£46,219	£29,336	£22,474	This is higher than our peers as Hightown has built many new homes in recent years with increasingly little or no capital grant.
Adjusted net gearing (borrowing, as a percentage of assets)	50.1%	48.0%	49.9%	48.1%	43.8%	Not available	42.8%	This has been rising as we have borrowed a higher proportion of new home costs due to lower government grants.
Average cost of borrowing	3.14%	3.12%	3.25%	3.10%	3.00%	4.4%	4.7%	This shows that we are paying low rates of interest for the money we borrow compared to most of our peers.
Growth in Turnover	-1.5%	3.5%	31.6%	4.2%	3.7%	Not available	5.2%	Turnover in 2014/15 was lower due to fewer shared ownership property sales.
Turnover to total operating assets	9.7%	10.3%	11.4%	9.2%	9.5%	Not available	Not available	A reduction due to reduce sales of shared ownership properties.
Growth in total assets	10.8%	14.8%	5.5%	8.3%	31.5%	Not available	5.3%	This reflects our development programme of new build homes.
Operating margin (as percentage of turnover)	33.9%	31.7%	26.5%	24.7%	22.2%	27.3%	26.5%	We have improved our operating margin each year and this is higher than most of our peers.
Interest Cover	265%	266%	237%	196%	254%	Not available	153.7%	This is the relationship of interest paid to operating surplus. A strong interest cover reflects our desire to borrow less from banks to build new homes.

# HouseMark Peer Group - Traditional housing associations with fewer than 5,000 homes across the country.

\*HCA Global Accounts 2014 Housing Providers

#### 4.2 Asset Management

Hightown recognises that the Return on Assets is more than just the financial calculation of the accounting surplus generated from the asset costs. The way in which it uses the assets to deliver the business objectives is a key responsibility.

Hightown's largest asset is our stock base which is currently just over 4,700 homes. To ensure that we can manage our stock effectively we need to understand their performance and sustainability.

Hightown has a good asset register, good knowledge of the stock and an understanding of the return provided by evaluating the contribution made by each property and groups of properties.

To enable us to do this we carry out a Net Present Value (NPV) review of our stock database. This review looks at what expenditure is required to each property across the next 30 years against the financial return in the same period. The expenditure required is an evaluation of the anticipated responsive repair, planned repair and major works costs for the property, combined with the anticipated void losses and the costs for managing the property. This information is then compared to the income received per property over that same period. The NPV calculation is a forward look i.e. the Net Present Value of future net income streams. It identifies whether we have any homes that do not meet future costs from future rents.

We use the results to inform business decisions on: retention and investment for current use, conversion, change of tenure or disposal, in order to deliver Hightown's objective of providing people with a home and support that they need. We have been developing this approach further during the last year.

The following charts show some of the information we hold that helps us to take these decisions.

**Figure 1** – NPV value for each individual rented property.

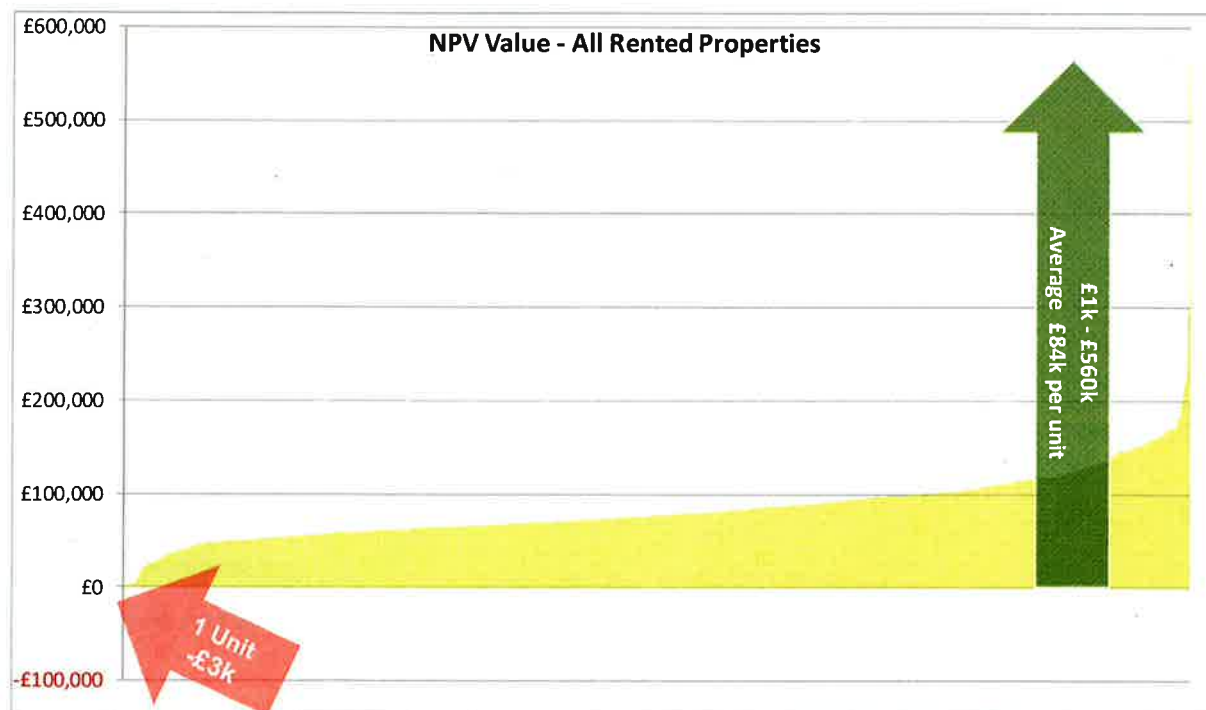
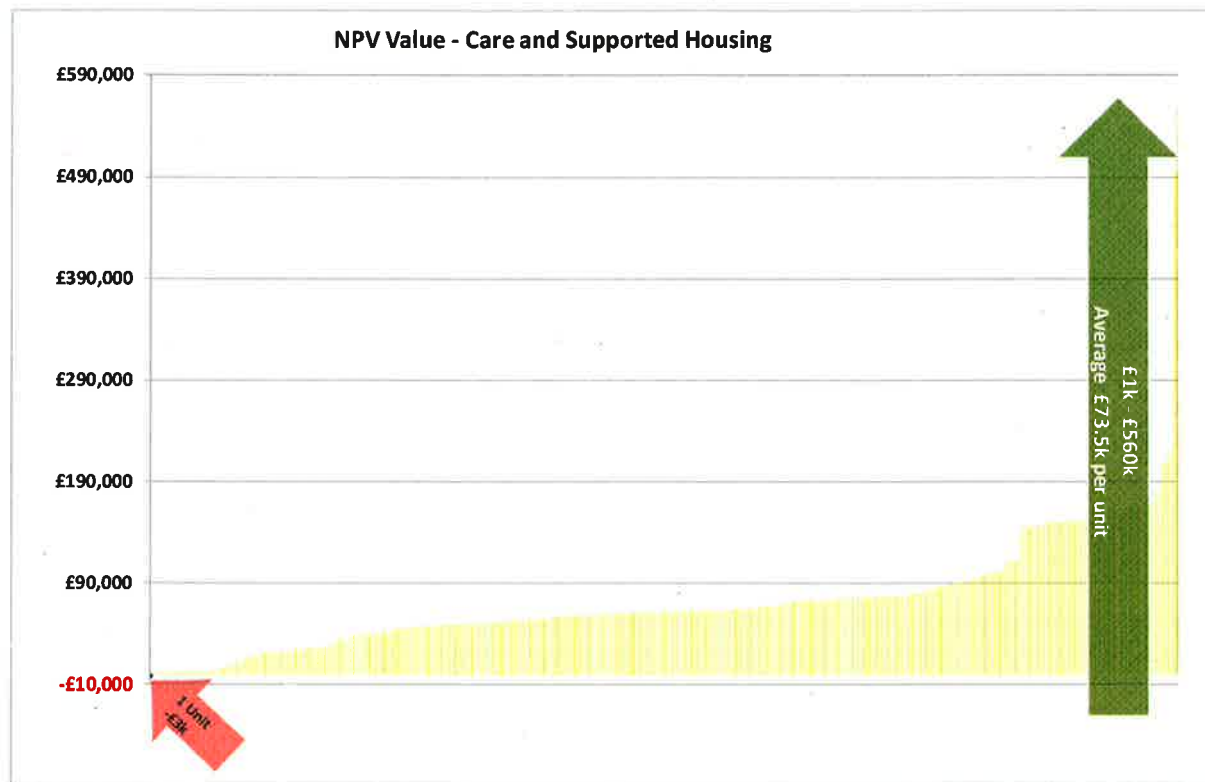
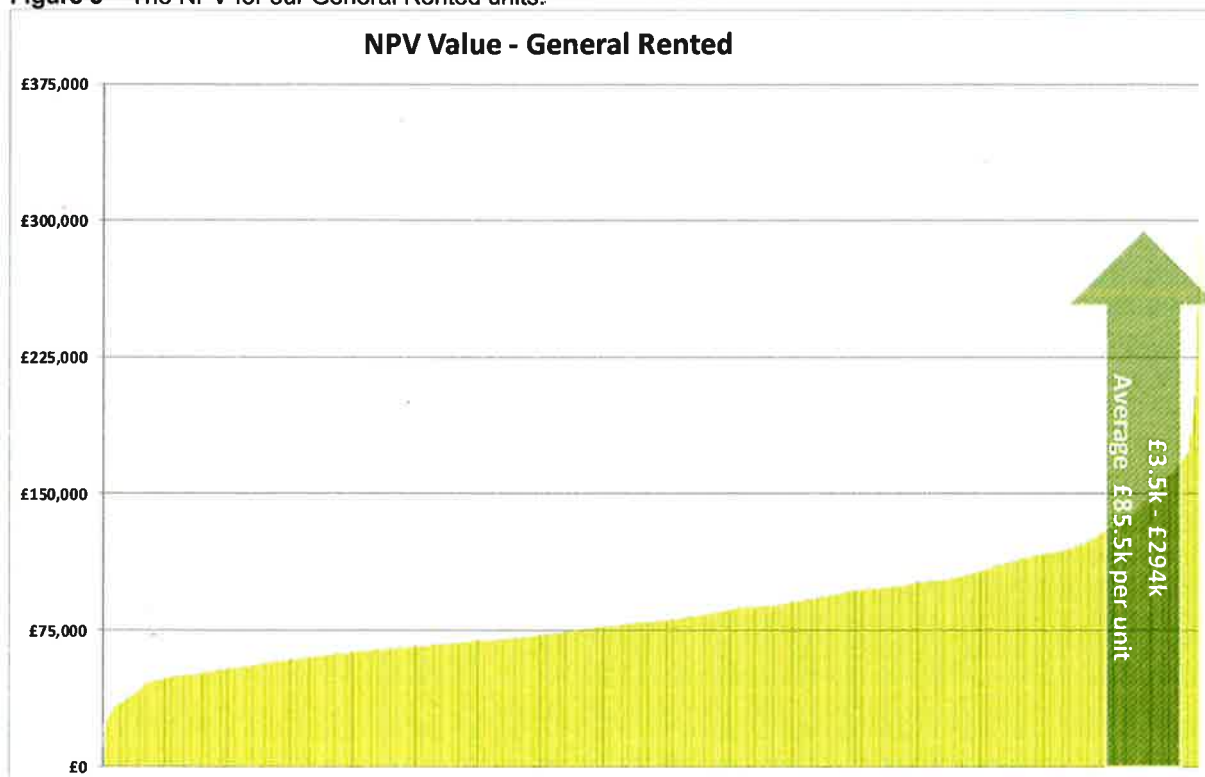


Figure 1 above shows the NPV return across all our rented assets with the average being £84,000 per unit. This is further analysed into different asset groups which can be used to identify which areas may be underperforming and are of particular concern or to show which types of properties are offering the best Value for Money. Figures 2 and 3 show what the NPV return is for both our Care and Supported Housing stock and our General Rented stock.

**Figure 2 – NPV for each individual Care and Supported Housing property.**



**Figure 3 – The NPV for our General Rented units.**



As shown in the above charts, all but one of our properties is showing a positive return; we can drill down into the data to identify the property, why it is underperforming and to devise a forward strategy. In this case the property is a shared ownership home bought on the open market under the HOLD (Home Ownership for people with Long term Disabilities) scheme where Hightown is responsible for the repair and replacement of the property components. When we drill into the data, a positive return is produced across the next 29 years but in year 30, due to the number of planned component replacements that year and the lower income returns received from these types of property, the negative NPV is produced. We will be reviewing the responsive repair costs as these are potentially lower than the average for our rented stock and this may influence the NPV return.

We have determined from our NPV analysis that there are 58 properties with a financial return of less than £20,000. Many of these properties are supported housing units which tend to have higher management costs and therefore produce a lower financial return.

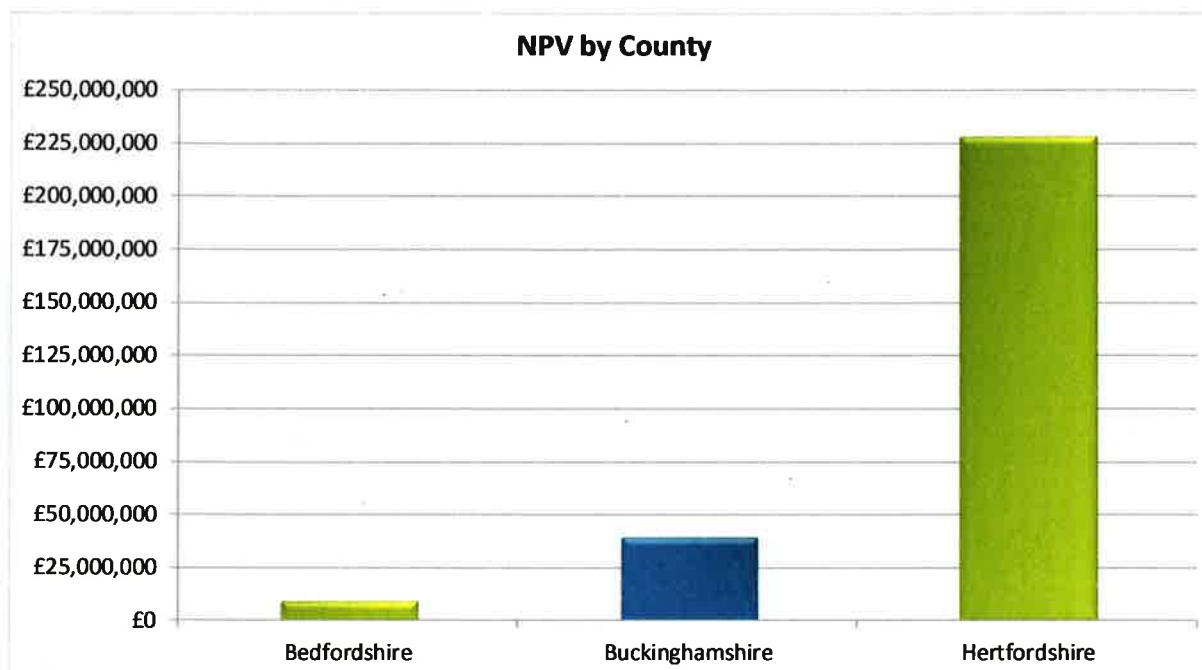
The areas in which we have the most properties provide the best return on investment. This is due to economies of scale that arise from a concentration of management in those areas and means that new units can be delivered with only marginal increases in management costs. These areas are also those where rent levels are higher thus improving the investment potential. As can be seen in figure 4, our principal area of business, Hertfordshire, offers the best return on investment when compared to those in Bedfordshire and Buckinghamshire.

The Board approves the disposal of underperforming properties where it is considered uneconomic to retain the property. As well as reducing future spend this has also released locked-up capital value to provide more funds to re-invest in new replacement units with less public grant, allowing us to deliver more or better standard homes to meet housing demand.

Hightown owns some homes of very high value as a result of the areas within which we work, where house prices are high and there is huge demand. The Board wishes to retain these homes, which would be difficult to replace within the local area, in order to continue to meet our charitable objectives of providing homes for those who are unable to afford such high housing costs. However, where individual high value properties become vacant we will consider possible release of equity for reinvestment in replacement provision within the area.

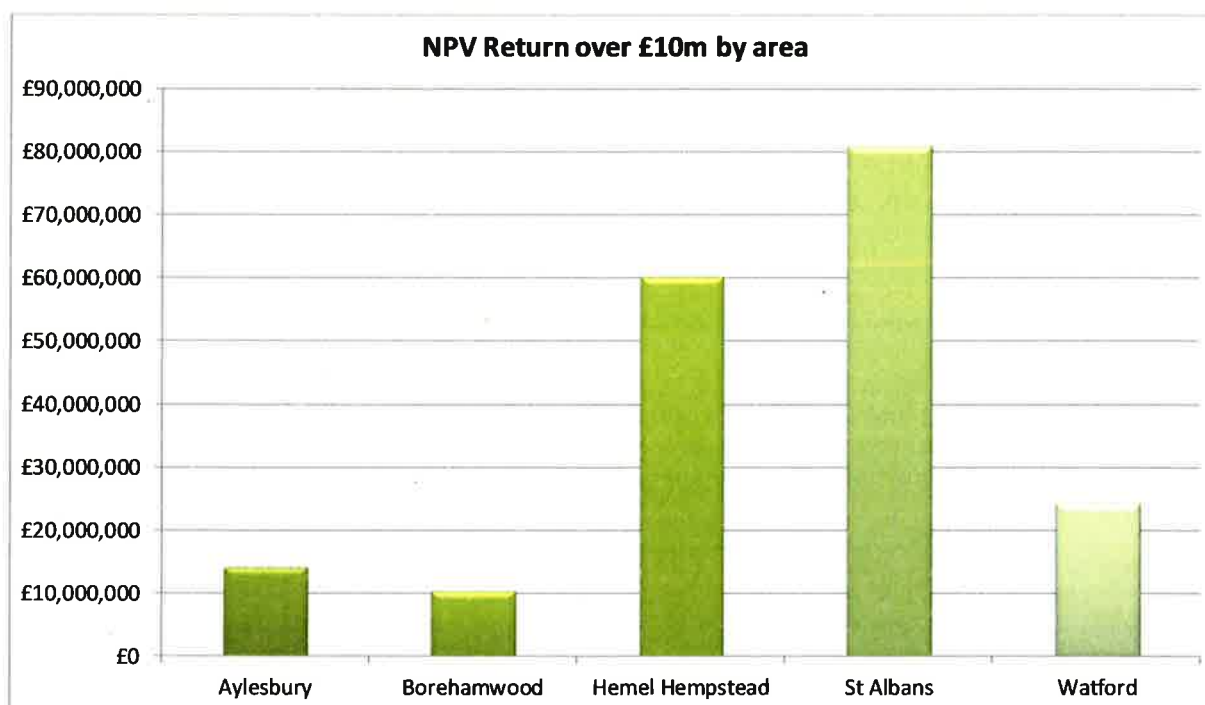
We make sure that our new homes are only built or bought if they will have a long term future and Hightown only develops in locations that are within an hour's drive of the head office at Hemel Hempstead. This focuses resources in an area of acute housing need where Hightown feels it is able to make the most impact whilst not increasing management costs disproportionately.

**Figure 4 – NPV by County area**

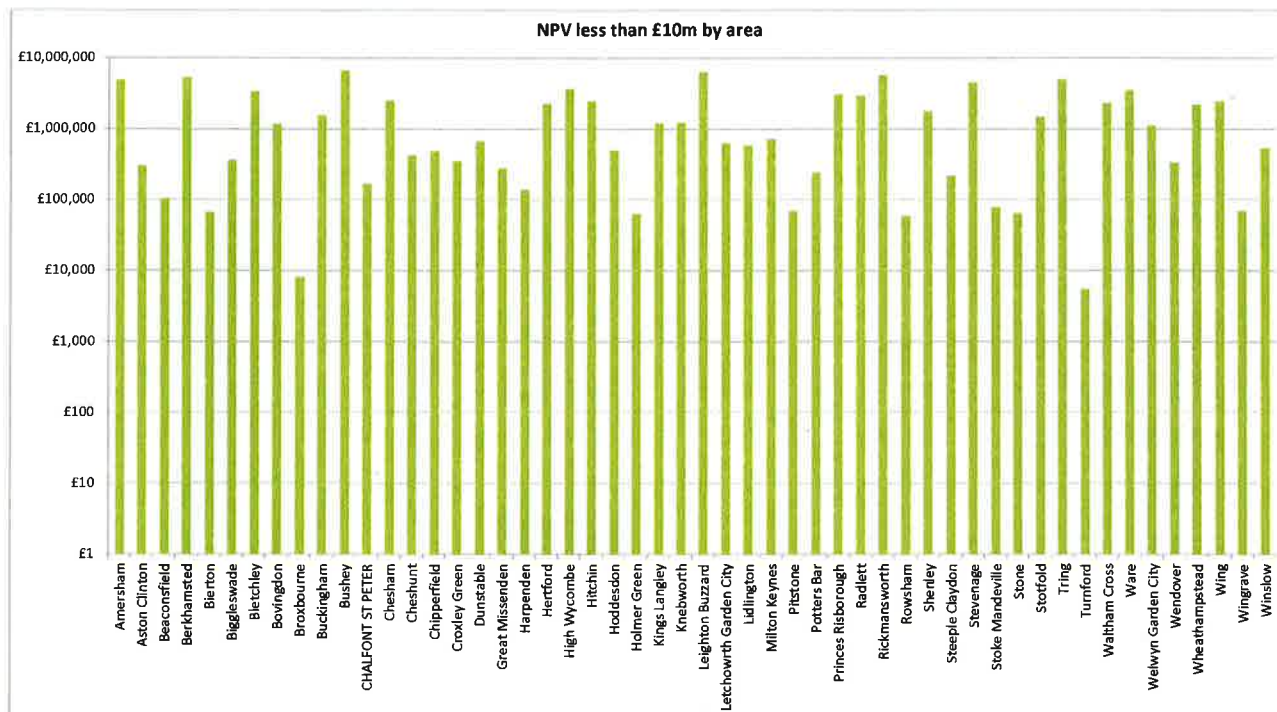


Using this model we can further analyse the data to review particular regions within each of the counties, see figures 5 and 6. By doing this we have the ability to look at whether there are particular areas that are underperforming and need further investigation. This also informs strategic decision making on further investment in areas where we can achieve economies of scale and so achieve long term sustainability of groups of properties.

**Figure 5 – NPV over £10m**



**Figure 6 – NPV less than £10m**



We identify homes that it would be more economical to sell as they cannot easily or economically be brought up to the Decent Homes Standard and where investing in new homes in the area offers better value for money. Our Land and Asset Management Group looks at alternatives for such properties including change of tenure and sale.

This year the Board approved the sale of 7 flats in blocks that Hightown does not own and the sale of a one-off street property in a high value area, in order to reinvest this money (c£1.3m) locally in modern homes of a higher quality and more suited to meet local housing need. We also disposed of an 8 room Care Home where the residents had been relocated in a new home we built under the Home Options package for Buckinghamshire County Council.

Hightown is building up its stock of homes in key areas within Hertfordshire, Bedfordshire and Buckinghamshire, and this helps to achieve economies of scale in the management of Hightown's homes. Even within the limited geographical area in which Hightown operates there are significant differences in property values due to the location and type of stock; however all are within areas of high demand for our affordable homes or for supported housing of the type provided by Hightown.

Where an alternative use for a property makes more economic sense and fits in with the relevant Local Authority's strategy to meet their particular housing need, we implement a change of use. An example of this would be the decision to change the use of two shared houses for those with mental health issues into self-contained temporary accommodation for homeless households. The demand for temporary accommodation and the forecast financial and social returns arising from this change of use were fully discussed with the Council, resulting in a significant allocation of grant, both capital and revenue, from the local authority to effect the change.

Increasing the number of homes we manage through development opportunities and acquiring homes from other providers as part of their stock rationalisation spreads Hightown's costs per property. We continue to look at opportunities to purchase more homes, having previously bought around 200 homes from another housing association. This year we submitted a bid to purchase 44 homes from another housing provider but we were unsuccessful.



#### 4.2.1 Asset and Liability registers

In line with the new regulatory requirements we have developed asset and liability registers to make sure that it is possible to quickly access detailed information on our assets. We hold detailed information of past repairs and future programmed works expenditure for each property, and record information on the assets we own, what they have cost, whether they are charged as security to the bank, or available for new borrowings. We are also aware of the liabilities to others including our loans and major contracts. In 2014/15 the Board commissioned an independent internal audit of Hightown's asset and liability registers and the audit produced a positive "Green" rating concluding that the Board can take substantial assurance that Hightown has good quality information on its assets and liabilities.

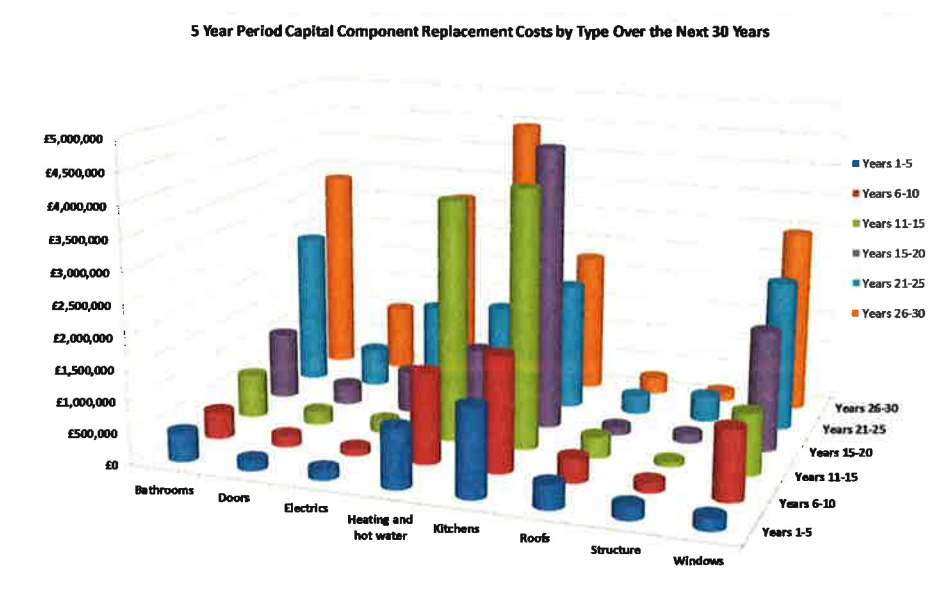
#### 4.2.2 Stock condition

We have a robust method of planning and programming works using data from our ongoing stock condition surveys and our asset management software, Integrator. This feeds into the business plan and ensures that we will be able to continue to maintain our homes in good condition in the future.

In 2014/15 Hightown invested £678,000 in major works to keep homes in good condition and spent a further £1,084,000 on capital works, replacing property components such as boilers, bathrooms and kitchens. The way we arrange for works to be carried out (our methods of procurement) has made sure that we achieve Value for Money and is detailed elsewhere. At the end of 2014/15 all Hightown's properties met the Regulator's Decent Homes Standard meaning all properties are in good condition.

The NPV analysis has shown that very little stock is underperforming, which reflects the fact that almost half our stock is less than 12 years old, with strong rent levels locally. The relatively young age of our stock can be seen in our 30 year component replacement plan, figure 7; the anticipated expenditure more than doubles in years 11-15 from years 1-5.

**Figure 7 – 5 year capital component replacements**



We have over 2,600 homes with an Energy Efficiency Banding of grade C or higher, with only 21 properties lower than a band D, which will be targeted for energy efficiency improvements in 2015/16. Our continued energy efficiency investment in our stock provides our residents with reduced energy bills and warmer homes. On a number of new build properties we have installed solar PV panels and we have been rolling out air source heat pumps as a replacement for oil fired heating. We have installed solar PV panels on the roof of our main office building in Hemel Hempstead and this capital investment is helping to reduce our overhead running costs and reduce our carbon emissions. This investment will pay for itself in 7 years and immediately reduced our carbon footprint. Since the installation of the panels, in excess of 7,800kg of CO<sub>2</sub> has been saved and over 13,800kwh of energy has been generated. Our electricity costs have reduced by £4,200 and we received feed-in tariff payments of £3,000.

We continuously improve the specification for new homes taking into account feedback from residents and managers of new developments. Development Quality Circle meetings use this feedback and a Learning Log is kept, from which Development technical documents are improved.

#### **4.2.3 Best use of stock**

Hightown was involved in the Chartered Institute of Housing's Best Use of Stock initiative and we have supported a significant number of households facing a loss of housing benefit through under-occupation to move through swapping their homes (called a mutual exchange). Following an 86% surge in exchanges during 2013/14, with 78 completed moves, a high level of activity continued this year with 69 exchanges completed during 2014/15.

We offer incentives to move to those who are under occupying their home in order to free up larger homes for those who are over occupying.

### **5.0 Financial Capacity**

Hightown is using its assets and resources to meet its strategic housing objectives. The Board budgets to produce a healthy surplus each year to allow it to continue to invest in the delivery of new homes and reduce the amount of new borrowing needed, thus saving interest costs in future years.

Hightown's Strategic Plan is to use its financial capacity to develop around 300 new homes each year to help meet local housing need for stakeholders – local residents, local authority partners, and the HCA. We delivered 315 new homes in 2014/15. The 2015-45 business plan shows this continued commitment to deliver new homes, with 1,269 planned in the next 3 years. Within the business plan there is further capacity to deliver more units.

Working in partnership with local authorities to deliver a large number of new homes, Hightown is having a significant social impact in those local areas, reducing the use of expensive temporary accommodation and improving the quality of life of a significant number of households. An analysis by the National Housing Federation in 2013<sup>1</sup> concluded that 'for every £1 spent on housing, £2.41 is generated in the wider economy and every new home creates 2.3 jobs.

At 31<sup>st</sup> March 2015, Hightown had access to £45 million of loan finance and cash of £8 million to meet its borrowing needs for 2015/16. Our business plan is financially secure and we are confident that the banks are willing to grant access to further loan finance and that Hightown will be able to access the capital markets to raise finance also.

As Hightown builds more homes with less Government grant, so the amount of money borrowed has grown both in absolute terms and on a per property basis. This can be seen in the rise in the gearing ratio in the accounts, which is the relationship of money borrowed as a proportion of the cost of the homes built. The higher the percentage, the more Hightown is borrowing as a proportion of each home built. Hightown's

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<sup>1</sup> National Housing Federation analysis of Centre for Economic and Business Research Economic Impact Database, 2013

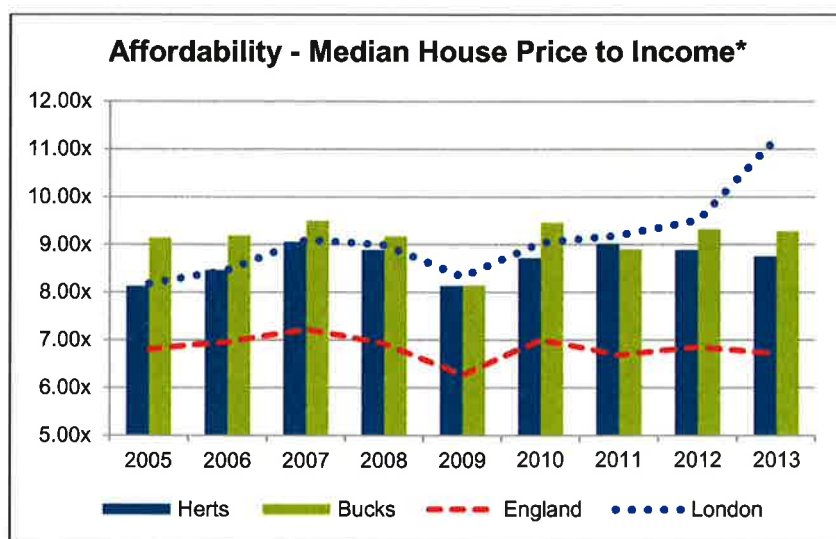


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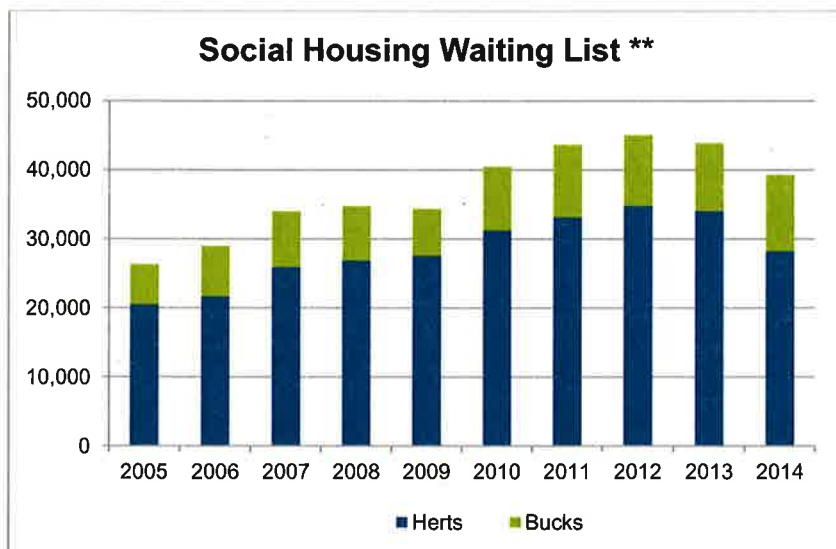
gearing ratio at 31<sup>st</sup> March 2015 was 51.4%. Our funding banks are comfortable with a gearing ratio of up to 65% for Hightown so there still remains capacity to borrow more money to build more homes in future years.

The rising gearing ratio reflects the Board's commitment to maximise development opportunities locally and to increase the supply of new housing in areas of very high demand whilst retaining Hightown's financial strength.

**Demand for our homes - House prices and social housing waiting lists in two of our key areas:**

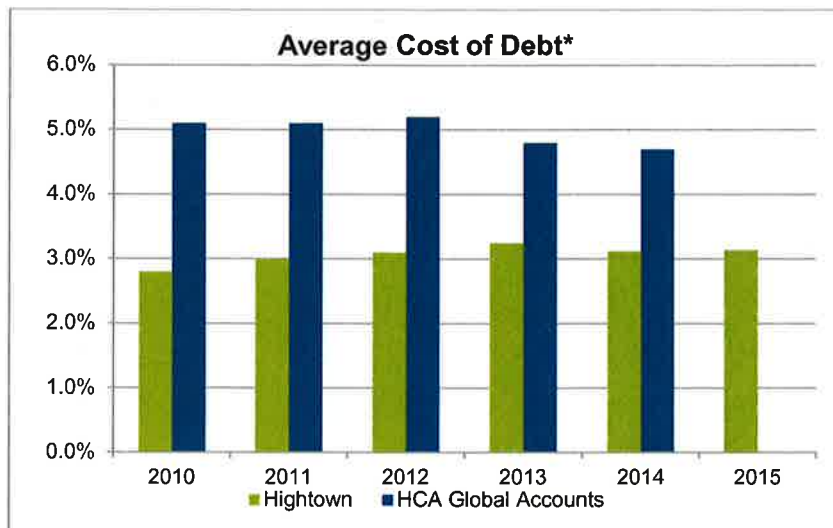


Source: HM Land Registry



Source: www.gov.uk

Hightown's approach to treasury management has led to much lower interest rates than the sector average, delivering large savings on interest payments which have been reinvested in the provision of new homes.



\* Source: HCA 2014 Global Accounts of Housing Providers

## 6.0 Performance

For the last five years Hightown has participated in the independent HouseMark benchmarking club in order to measure our costs and performance to understand how Hightown's service to our general needs tenants compares with other housing providers. This helps us to focus attention on which services we might be able to improve; we also share best practice with HouseMark partners to learn lessons that we can use at Hightown.

We have a good understanding of our cost base and how it compares with similar housing associations. The STAR<sup>1</sup> satisfaction survey results are used to assess and benchmark service delivery and customer satisfaction in general needs services.

HouseMark does not assist with benchmarking of our care and supported housing services but these are delivered within a competitive tendering environment and we continue to win bids to deliver services, so we consider that they demonstrate value for money for commissioners within that market

### 6.1 HouseMark Benchmarking Summary

The latest published HouseMark Value for Money data is for 2013/14 and shows that Hightown continues to deliver low cost services when compared with those providers selected by HouseMark as its peer group, with all Hightown services showing low cost, several reducing in cost per property this year, with, in the main, either good or average performance. Over time Hightown has been able to continually reduce costs per property both in absolute terms and relative to its peers.

The HouseMark data (below) can be viewed as a "scorecard" showing how the main areas of Hightown's housing activity compare against other associations. All these activities are at comparatively low cost and most performance is good or moving towards good. There has been a significant increase in satisfaction with neighbourhoods in the STAR (standardised Survey of Tenants and Residents) survey undertaken in 2014 which has improved the previously low rating for Estate Services. This had been targeted for improvement, together with efforts to increase satisfaction with resident involvement and to improve response times for responsive repairs. All of these services have seen an improvement in satisfaction rates compared to the last survey in 2012.

<sup>1</sup> Housing providers use the STAR survey so they can compare responses to the same questions.

## 6.2 Value for Money Dashboard






These charts show how Hightown compares in cost and performance to 44 Housing Associations in the south of England on a number of key service areas. More detailed analysis of these costs appears later. The HouseMark dashboard is made available to all Hightown staff on the Intranet.



### Movement in performance since last year: (key overleaf)

Measure	Movement in performance from 2012/13 to 2013/14	Movement in Cost from 2012/13 to 2013/14
1 Responsive Repairs and Void Works	↑	↓
2 Rent Arrears and Collection	↓	↔
3 Anti Social Behaviour	No data	No data
4 Major Works & Cyclical Maintenance	↓	↓
5 Lettings	↑	↔
6 Tenancy Management	↔	↓
7 Resident Involvement	↑	↔
8 Estate Services	↑	↓

*Key to table:*

<i>Cost reduction compared to peer group</i>		<i>Lower performance compared to peer group</i>		<i>No change</i>	
<i>Cost increased compared to peer group</i>		<i>Better performance compared to peer group</i>			

### 6.3 Comparison with PlaceShaper organisations

Hightown has also compared cost performance on five key measures with over 100 organisations that are part of the PlaceShapers network of social housing providers. The latest figures, 2013/14, show that Hightown had the second highest operating surplus per property; was in the upper quartile for operating margin; upper middle quartile for responsive repairs and void works costs per property (cpp) and also for major works and cyclical maintenance direct cpp; and lower middle quartile for housing management direct cpp. Hightown's lower major works costs are in the main due to the average age of the stock.

### 6.4 Global Accounts 2014

The HCA publishes top level performance data on the 336 housing associations which owned or managed over 1,000 units, in its Global Accounts 2014 publication.

The Global Accounts Data published by the HCA is also used by Hightown to review our performance against the rest of the sector.

### 6.5 Overheads

Hightown continues to be amongst the lowest cost social housing providers in terms of back office costs (overheads) -see the table below. Notably our office costs per property have continued to reduce and we had the lowest overheads compared to the peer group. Our office energy bills have reduced this year by £4,200 and we have received feed-in tariff payments of £3,000 after the first full year following the installation of photovoltaic panels on the roof of Hightown House. A case study on this value for money saving is provided on Hightown's website.


## 7.0 Absolute and comparative costs of services

The extracted HouseMark table below provides an illustrative view of how Hightown's performance compares with other similar housing providers in 2013/14 and how we have made improvements in the last 5 years.

Apart from data on development that is affected by the timetable of unit delivery between financial years, in all areas Hightown's comparative performance is either improving or has stayed within the upper quartile (top 25%).

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**7.1 HouseMark efficiency summary for Hightown**

Business Activity	Cost Key Performance Indicator (KPI)	Performance Quartile				
		2013/14	2012/13	2011/12	2010/11	2009/10
Overheads	Overhead costs as % adjusted turnover					
Major works and cyclical maintenance	Total Cost Per Property of Major Works & Cyclical Maintenance					
Responsive Repairs & Void Works	Total Cost Per Property of Responsive Repairs & Void Works					
Housing Management	Total Cost Per Property of Housing Management					
Development	Staff involved in standard units developed per 100 units					
Estate Services	Total Cost Per Property of Estate Services					

Quartile Key				
Upper Quartile	Middle Upper	Median	Middle Lower	Lower Quartile
				

The movement from middle upper quartile to middle lower quartile for the development indicator has occurred because during 2013/14 less homes were delivered and the Development Team staffing levels remained static; however with the number developed this year and ongoing we are expecting to return to a higher quartile position.

The following table gives numerical information about how the cost of Hightown's key general needs services compare with the HouseMark peer group of 44 other traditional housing associations in the south of England.

Performance Indicator	Comparison with the best performing 2013/14 (latest available figures)		Hightown results for the last four years			
	Top 25% (Upper Quartile)	Top 50% (Median)	2013/14	2012/13	2011/12	2010/11
Total Housing Management	£481	£572	£378	£405	£473	£497
Direct Housing Management	£290	£330	£272	£287	£326	£348
Direct Rent Arrears & Collection	£75	£88	£84	£87	£93	£97
Direct Resident Involvement	£37	£45	£36	£40	£44	£54



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Direct Anti-Social Behaviour	£33	£48	£32	£36	£50	£55
Direct Lettings	£34	£47	£47	£44	£47	£48
Direct Tenancy Management	£61	£91	£70	£79	£92	£94

This table shows that Hightown's costs per property have been decreasing for the last four years, and by 24% over the last 4 years. Our costs generally compare favourably with other housing associations. In most cases our costs per property have reduced over the last four years. In 2013-2014 Hightown was in the median to top quartile performance band across most indicators.

In 2013/14 our non-pay costs relating to Housing Management were less than £33 per property compared to the mid-point of our peer group which was £54. The majority of anti-social behaviour (ASB) cases are resolved without getting to the expensive court stage and our practice of training staff to represent Hightown at straightforward court cases is delivering Value for Money through lower legal costs than other housing providers.

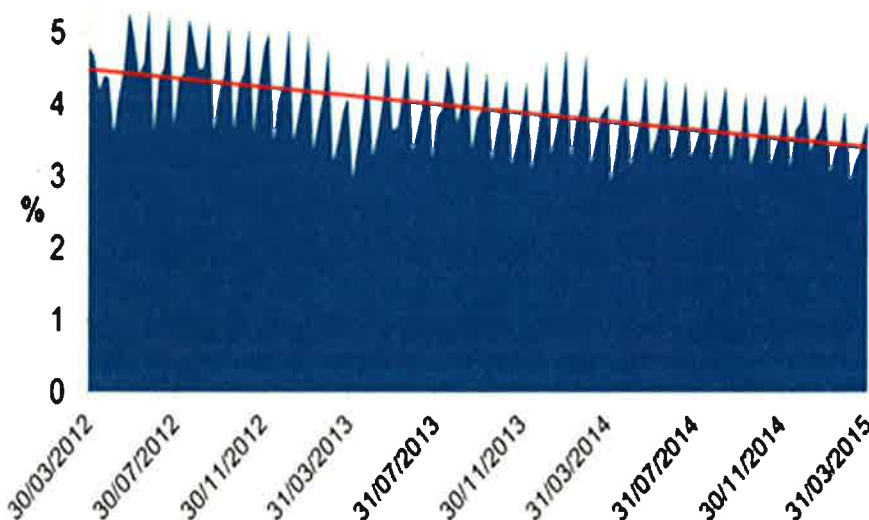
Overall resident satisfaction of 83% places Hightown in the upper middle quartile nationally. The 2014 Survey of Tenants And Residents (STAR) reported that 73% of residents were satisfied that they obtain good value for money from their rent (just 14% said they did not), against the peer group average of 79%.

One cost that has significantly increased this year is insurance; this resulted in the main from an unusually large claim made following a sink hole appearing on one of our estates, which affected both general needs tenants and shared owners. Claims from leaseholders were also up on previous years.

## 7.2 General needs rented housing management key performance indicators

Hightown has a small specialist team focussed on maximising general needs rental income through good control and prevention of rent arrears. Despite a large number of new homes coming into management and the welfare reform issues faced by our residents the ongoing downward trend in rent arrears continued over 2014/15. Our position on rent collection and arrears recovery within our peer group has moved down this year due to performance on former tenant arrears; this is an area that will be explored during 2015/16 with the aim of improving our performance.

Figure 8 – General needs rent arrears trend



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Performance remains strong in key management areas, placing Hightown as one of the top performers in keeping empty properties to a minimum. We concentrate on keeping re-let times low and remaining top quartile performers to keep void losses down, both benefiting applicants waiting for homes and our income stream.

	HouseMark latest available top 25% 2013/14 (top quartile)	HCA Global Accounts 2014 Average	Hightown's results over five years				
			2014/15	2013/14	2012/13	2011/12	2010/11
Void Loss - % of income lost due to empty homes	0.48%	1.80%	0.47%	0.48%	0.45%	0.46%	0.43%
Average no of days taken to re-let a home excluding major works	20 days	Not available	15 days	14 days	13 days	13 days	17 days
Arrears (rent owed) - % of rent due	3.39%	4.70%	3.76%	3.99%	4.06%	4.60%	4.55%
Arrears attributable to unpaid housing benefit	0.70%	Not available	1.62%	2.5%	1.72%	2.80%	2.00%

Hightown tries to continuously reduce operating costs through increased efficiencies. Over many years we have concentrated our resources into front-line teams rather than back-office support services and this is shown below in the results of the HouseMark benchmarking. This highlights that we continue to keep our overhead costs low compared to others. In 2013/14 Hightown was ranked as the top performer for ICT, Finance & Central overhead costs with the lowest overhead costs per employee in the peer group:

Performance Indicator	Comparison with the best performing 2013/14 (latest available figures)		Hightown results for the last four years			
	Top 25% (Upper Quartile)	Top 50% (Median)	2013/14	2012/13	2011/12	2010/11
Overhead cost breakdown per direct user						
Premises	£5,196	£6,382	£6,279	£7,908	£8,992	£9,446
ICT	£5,288	£7,096	£4,208	£3,132	£3,263	£3,113
Finance	£2,815	£4,427	£1,740	£1,673	£1,814	£1,985
Central	£6,737	£10,005	£3,038	£3,425	£3,645	£3,741

The increase in ICT expenditure shows that we are prioritising investment in new technology to help staff to work more efficiently, enabling us to continue to grow the number of homes we manage without exponentially increasing staff costs.

## 8.0 Value for Money Gains – 2014/15

As an organisation that is growing rapidly in the number of homes managed and in turnover, Hightown is seeking to achieve efficiencies through delivering more for either the same or less cost and by investing to make efficiency savings in the future. We have demonstrated in this report that we are keeping costs under control and have maintained low cost services despite the growth in the number of homes managed of around 7% this financial year. Managing direct costs and overheads so that they do not increase at the same rate as the growth in stock leads to increased efficiencies and improvements in value for money.

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In line with our development strategy we delivered 315 new build homes; including shared ownership, affordable rented homes as well as social rented homes to support our continuing development programme to meet our business objectives.

'Subject to planning' deals or 'golden brick' package deals on new developments regularly keep our initial costs down and mitigate our exposure to risk. At the same time, close controls are exercised on spending on any development projects that might be at risk of not going forward. During 2014/15 the total of fees on aborted projects was £28,584 a notably low figure when set in the context of a development programme of over £50 million.

To control costs on sites awaiting development Hightown has expanded its use of Guardians because this provides temporary housing for people, provides onsite security, stops the site from looking derelict and saves thousands of pounds on the cost of security measures. This year the savings have been around £900 per property per month. On suitable empty sites we offer temporary car parking to raise income, provide additional security without cost, and save on rates.

We continued our programme of making better use of existing technology by introducing simple workflows to make our services more efficient, and by providing more easily accessible management information through the use of dashboards for key performance indicators. Savings in staff time are redirected to the better delivery of and improvements to front line services.

We have attended free training sessions run by the Department of Work and Pensions to prepare for the rollout of Universal Credit. Our proactive approach to preventing arrears has enabled us to continue to improve our performance in arrears collection and to make better use of stock. By facilitating mutual exchanges potential void costs are reduced.

The following table provides feedback on the actions that were planned that were expected to lead to efficiencies and improved value for money during the year.

Making these gains has helped us to achieve our wider business performance and objectives of building new homes and providing excellent value for money housing and support. Total savings made from the actions below are in the region of £690,000; this is around a 1.6% saving against turnover. Some of this has been reinvested to drive significant change in the use of new technology to lead to more efficient and effective ways of working.

#### 8.1 Service Improvements

Service Area	Action	Costs / Savings	Service improvements / Effectiveness and Efficiency gains over time
Care & Supported Housing (C&SH)	<p>Process re-engineering – rostering and employee timesheets: Investment in software to bring about new ways of working in schemes.</p> <p>Finish roll out of Business Manager software system to all C&amp;SH services.</p> <p>Creation of on-line care support plans. Improvements in contract information and invoicing.</p>	<p>£18k pa</p> <p>See case study on website*</p>	<p>The element of this project relating to rotas and electronic timesheets has been completed, which, as expected, has improved the efficiency of dealing with rotas.</p> <p>The support plan element has been rolled out to 22 schemes so far and those working under the new system have reported a reduction in time spent which will lead to improvements in service delivery to individuals.</p>
Insurance	Self-insurance for employment practice insurance.	£16k pa.	Complete – savings achieved and this will be an ongoing saving.
Training	Change process for providing C&SH induction training.	Estimated £10k pa	Complete – changes made have resulted in greater consistency of training and less additional training courses. It is too soon to evidence the expected £10k annual savings but it is felt this will be easily achieved.



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Human Resources	Consolidate employee data into Business Manager database. Decommission existing software.	£15k per annum See case studies on website*	Better reporting, more easily and promptly produced, facilitating better decisions. Annual saving on this software achieved but part of wider project – see case studies. Better service expected as a result.
Marketing	Improve marketing of shared ownership properties by reviewing current contract arrangements	£1.4k in 2014/15 and ongoing savings expected	Complete and will bring ongoing savings. Reduced cost per property of promoting shared ownership homes on the major portals from £390 to £248.40 per property by using third party agents rather than dealing directly. A saving of £141.60 per property advertised.
Finance	Process re-engineering. Devise an on-line, paper-free staff expenses claim process.	Anticipated £2k in postage. Other savings to be measured when complete.	This project was delayed due to the upgrading of the Finance IT system, which was required to enable the changed process. The project will be moved forward in the coming year
Development	Process re-engineering: Implement an in-house more streamlined reporting system for development schemes.	Not yet quantifiable Time savings and improved decision - making	Project is well advanced and should be completed in 2015/16 leading to better reporting, more easily and promptly produced, facilitating decision making.
Human Resources	Process re-engineering of recruitment process.	Saving of c£32k pa.	Complete –a significant restructure of the HR department has occurred, moving responsibility for recruitment, which is expected to lead to faster recruitment and less reliance on bank or agency staff.
Human Resources	Reduce sickness levels through improved monitoring reports to managers.	It is too soon to calculate the lower cost by not using bank or agency staff	The reports have been introduced and have made it much easier to monitor and act upon absence. Managers are being trained to use the 'Bradford factor' and absence processes are being reviewed which should reduce absence levels and less reliance on bank or agency staff.
Procurement	Seek additional Buying Club opportunities and more Framework agreements.	See figures in table at 8.2	Savings in price due to volume business. Less administration. Quicker process. We have added a framework agreement through the Fusion21 consortium to existing framework agreements. In 2014/15. We used this for External Decorations and the window & door replacement programme
Website functionality	Improve the website to allow customers to check their rent account and progress with repairs online. Increase the use of emails and text messaging as methods of communication.	Savings in postage & staff time expected from 15/16 onwards	Testing stage complete – the Residents Portal is being launched in April 2015. This is expected to lead to reduced postage and telephone costs; a quicker and more convenient method of communication for residents and a reduction in call volumes.
Development	Negotiate changes in s106 agreements to raise the basis of security valuation above Existing Use Value. We renegotiated s106 agreements for several schemes under construction in four Local Authority areas.	See next column	When these projects come to be charged, based on valuations of similar cases in the past, we anticipate an increase of around 80% in the loan security generated from the same stock.

## 8.2 Key savings from contracts achieved through procurement processes during 2014/15

Contract	Saving achieved	Service improvements / efficiency gains over time
Utilities Contract	Gas: £11.5k 2014/15  Electricity: £15.6k (see case study*)	Buying power through the Monarch Framework gives a far better price than going to the market ourselves. Controlling the costs of utilities helps us to deliver value for money services to our residents by keeping their service charges down. Lower service charges for our tenants due to lower energy bills. Good customer satisfaction. Gas – 18.6% reduction from previous contract. Electricity - 7.6% increase on previous contract (price increase was expected) but £15,600 saving against standard rate (5.4% saving).
External decorations	£142k	Through a mix of competitive tendering and use of a framework agreement total savings were achieved against higher potential costs.
Internal Decorations	£3k	Competitive tender, savings made against higher potential costs
Boiler Replacements	£1.3k	More efficient boilers. Reduced running costs for tenants, reduced maintenance costs for Hightown.
Kitchen & Bathroom Replacement Programme	Kitchens £128k Bathrooms £101k	Planned works keeps responsive repair costs down through reduced ongoing maintenance costs. Better customer satisfaction. Contracts were split across two lots with significant savings across both lots against potential higher costs and against average costs from 2013/14.
Refurbishment of Bunkers Farm Cottages	£35.6k	Reduced ongoing maintenance costs for Hightown. Better customer satisfaction. Works tendered.
IT Support Contract	n/a	This project was delayed to 2015/16 Expected to result in fixed term contract certainty; savings and efficiencies on current agreement.
Communal area & window cleaning	£8k pa	Lower service charges for our tenants.
Void contract	£96.5k	Formal EU tender
Fixed wire testing	£4.5k	Procured through framework agreement to achieve value for money
Mobile telephone contract	£14k 2014/15 Ongoing saving of £0.6k pa	Procured through PSN framework to achieve value for money
Communal flooring replacement	£11k	Works tendered, savings achieved against higher potential price
Gutter clearance programme	£12.7k	Works tendered, savings achieved against higher potential price
Electronic payments	£4k	Net saving from procuring through the Northern Housing Consortium to achieve value for money
Windows and doors replacements	Doors: £1k Windows: £4k	Procured through framework agreement to achieve value for money. Measurable savings achieved for replacement doors against previous year's prices and for windows against alternative quote for large site.

\*Detailed case studies providing detailed information on some of the value for money savings made during 2014/15 will be available on the Hightown website later this year.

### **8.3 Social and Environmental Return on Assets - examples of Hightown's Value for Money achievements that impact Hightown's residents and wider society:**

Outcomes are not always financial or just for Hightown and its residents, but can also benefit the local community and wider society – social and environmental outcomes can be more difficult to calculate and quantify but nevertheless are as important as measurable financial outcomes.

This year we rented homes to 320 general needs households, mainly through choice based lettings schemes, 45% of these were homeless; and facilitated 69 exchanges. We provided 60 new shared ownership homes. This has transformed the lives and well-being of 449 households.

Independent research carried out for Shepherd's Bush Housing Association<sup>1</sup> calculated that for every £1 spent providing a new affordable rental home a cost benefit ratio of £1.80 is created; for shared ownership that rose to £2.70. Similar benefits to individuals and society as a whole will apply wherever affordable homes are built in areas of high demand so would apply to Hightown.

We spent £54.01m on the construction of new homes in 2014/15, including 333 homes still under construction at end of March. The DCLG has estimated that for every £1 million of housing output, 20 workers are needed for a year, and that one construction job supports 0.78 elsewhere. Our output in 2014/15 has therefore supported over 1,900 jobs.

Through the delivery of our care and supported housing services we improve the quality of life of a large proportion of our 860 service users. We provide around 10,000 hours of support each week.

A study of the cost benefit of Supporting People funding, undertaken by Capgemini<sup>2</sup>, showed that, on average, for every £1.60 invested in a preventative service £3.40 is saved through reduced demand on the NHS, Social Services, Local Authority and emergency services. Hightown's services have social and environmental outcomes and lead to less use of costly services. Here are a few examples:

- **Outreach work for street homeless** – In 2014/15 our Street Homeless worker engaged with 37 rough sleepers helping them to access homeless services and support. This resulted in less input from police, emergency services and the anti-social behaviour team and less perceived and actual anti-social behaviour (ASB) in central St Albans.
- **Tenancy sustainment work** – we have preventative schemes to help people in a range of accommodation to maintain their tenancies. We support people to manage their anti-social behaviour, pay rent, manage alcohol and drug dependencies and make positive lifestyle choices. This leads to less input from public services such as the police or ASB teams and evictions are avoided. As an example, our St Albans support and resettlement service worked with 70 people this year, with 28 reaching a stage where support could be withdrawn as it was no longer required.
- **Young People's Housing Services (YPHS)** – 99 young people were supported across Dacorum and Watford during 2014/15 through our YPHS where safe accommodation is provided with support to increase independence through life skills, training and employment, enabling them to move on to independent accommodation. This scheme helps to tackle youth homelessness, unemployment and antisocial behaviour.
- **Supported Housing Mother and Baby services** – we operate teenage mother and baby services in St Albans and Hemel Hempstead. We support the mothers from the early stages of pregnancy to prepare for motherhood and tenancy management. Mothers stay with us until they can manage independently without a high level of support. This has provided success in young mothers being able to cope with their children and tenancies without Social Services intervention and possible evictions. This year we supported 47 mothers in Hemel Hempstead and St Albans.

- **Domestic Abuse services** – we have two refuges for women fleeing domestic abuse and this year we have helped 66 women and their children. 40 have moved on to safe accommodation.
- **Energy efficiency / heating improvements** – to reduce heat loss and energy used and to keep residents' utility bills down we install gas central heating to replace electric systems; carry out window replacements; cavity wall and loft insulation. We have also rolled out the use of air source heat pumps as an alternative to oil fired heating and fitted solar PV panels to our head office.

Evidence of the benefits achieved by improving the warmth of people's homes is building up. Hightown is a member of PlaceShapers, a national network of community based housing associations. One member has been piloting a project entitled <sup>3</sup>Boilers on Prescription – early results from this 3 year project showed that patients who received upgrades to their homes had reduced GP appointments by 28% and outpatient appointments by 33%. Improving the thermal comfort of homes has always been thought to have a positive effect on health and this work is starting to measure that impact. They also anticipate reducing emergency admissions and re-admissions; improvements in self-care and sustainability; better quality of life for people with long term conditions; and increase in life expectancy.

An initial <sup>4</sup>analysis of an NHS-backed initiative with another group of social landlords to tackle fuel poverty suggests it has saved the health service tens of thousands of pounds. Oldham Council, Oldham Clinical Commissioning Group (CCG) and ten social landlords co-invested in the 'Warm Homes Oldham' programme, from 2013. The initiative, expected to reduce the cost of health care and social services, has helped 1,000 people. A survey of nearly 800 people showed emergency hospital admissions had gone down by 32% - with an estimated saving of almost £40,000 to the CCG; accident and emergency attendances dropped 2%. Five individuals who had their GP and prescription use analysed revealed total visits to GP dropped 8%. 48 out of 50 of those who self-reported as being at 'high risk' of mental illness moved to 'low risk', following the initiative.

- **Decent Homes work** – Hightown carries out works to ensure that all our homes continue to meet the Government's Decent Homes standard. These works will have positively impacted Hightown residents and local communities in ways similar to those described below.

An independent value for money report<sup>5</sup> carried out into the impact of Bassetlaw's Decent Homes programme found two winter deaths a year have been avoided since 2007. Works such as heating upgrades, double-glazed windows, loft and wall insulation, new doors, kitchens, bathrooms and solar panels, not only had a positive impact on the health and wellbeing of tenants, but also saved residents money and improved the communities in which they live.

Other notable points were: Living in a warmer home has positive effects on health, reducing the risk of heart problems; easing breathing problems such as asthma; adaptations reduced falls; homes with new windows and/or doors had lower rates of attempted burglary than other properties; Decent Homes investment boosted the local economy and created jobs, most of which were filled by local people. They estimated that every £1 invested generated £1.62 spending across the County, of which £1.40 was spent locally.

We are considering which method of evaluating social value best suits Hightown's services with a view to collecting our own data over the next 12 – 18 months.

<sup>1</sup>CAN invest (2014) *Shepherds Bush Housing Group Consolidated Impact Report 2013/2014-A report on the estimated economic and social value created by Shepherds Bush Housing Group* [on line] Available from < CAN-invest-SBHG-Impact.pdf > [Last accessed 08042015]

<sup>2</sup>Cappemini / Tom Ashton and Claire Hempenstall (2009) *Research into the financial benefits of the Supporting People programme, 2009* [pdf] Available from: < [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/16136/1274439.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/16136/1274439.pdf) > [Last accessed 08042015]

<sup>3</sup>Excel Publishing/ Mark Cantrell (2014) *Gentoo's 'Boiler on prescription' pilot proves its health and wealth benefits* [on line] Available from < <http://www.housingexcellence.co.uk/news/gentoo%E2%80%99s-%E2%80%98boiler-prescription%E2%80%99-pilot-proves-its-health-and-wealth-benefits> > [Last accessed 08042015]

<sup>4</sup>Inside Housing / Heather Spurr (2015) *Ground breaking landlord schemes saves thousands for NHS* [on line] Available from: < <http://www.insidehousing.co.uk/business/asset-management/repairs-and-maintenance/groundbreaking-landlord-scheme-saves-thousands-for-nhs/7007693.article> > [Last accessed 08042015]

<sup>5</sup>Impact Consulting / Alice Jones (2013) *Al Housing Decent Homes Impact report* [pdf] Available from < [http://www.resources.pihomebuild.com/sites/.../Al\\_Exec\\_summary\\_FINAL\\_small.pdf](http://www.resources.pihomebuild.com/sites/.../Al_Exec_summary_FINAL_small.pdf) > [Last accessed 08042015]

## 9.0 Planned Value for Money improvements in 2015/16

Hightown's annually reviewed Strategy for Improving Service Delivery, available on Hightown's website, takes into account feedback from residents and service users as well as the needs of the business, to focus service reviews and the use of resources to improve services. This feeds into the planned value for money gains for the financial year alongside the longer term objectives of the Board. Expected value for money gains for 2015/16 and beyond are summarised in the tables in this section.

In 2015/16 Hightown is planning to deliver a net financial surplus. This surplus will be used to part fund the expected development spend on new housing. We expect to complete a further 366 new homes in 2015/16 meeting our strategic objective of delivering around 300 homes per year.

We expect to attract social housing grant in the delivery of our new homes.

We expect to manage the extra homes with only marginal increases in our operating costs, reducing both our absolute management cost per unit and improving our comparative performance against our peers. This approach, which has continued over the years as demonstrated earlier in this document, is the reason why Hightown is such a low cost organisation. Total housing management costs per property have decreased since 2010/11 by 24%).

The Board plans to reduce the risk of a future rise in interest rates by fixing more of its borrowings during 2015/16. Though this will initially increase interest payments and unused facility charges this will be balanced against potential future rate increases which would increase outgoings.

We will continue to make changes to our internal systems and processes taking advantage of IT and technology to improve front line service delivery, reduce back office overhead costs and improve efficiency.

The main thrust of the Board's efficiency expectations for the coming year and beyond is that we will continue to grow while keeping costs down so that direct costs and overheads do not increase at the same rate as the growth in stock and services to be managed.

In addition we will report the outcome of the tenders and initiatives in the following tables in our 2015/16 self-assessment.

### 9.1 Key contracts to be tendered during 2015/16:

Contract	Estimated savings	Service improvements / efficiency gains over time
Telecommunications -	Minimum £20k per annum	Working with Adept to secure reductions in line rental and broadband costs should yield significant savings of at least £20k each year against current expenditure.
IT Support Services Contract	Savings are dependent on tender outcome but expected to be around £20k	This project was delayed from 2014/15. Expected to result in fixed term contract certainty; savings and efficiencies on current agreement.
Grounds Maintenance Contract	Savings are dependent on tender outcome but expected to be within RPI increase of existing contract.	To be tendered on the open market to obtain best value for money. Service improvements.
Utilities Contract	c £10k	Moving non-contract and new communal sites onto the existing contract expected to keep costs down. Lower service charges for our tenants due to lower energy bills. Good customer satisfaction.
Boiler Replacement Programme	New contract price expected to be no higher than last contract price so no inflation in costs.	More efficient boilers. Reduced running costs for tenants, reduced maintenance costs for Hightown.

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Gas Servicing Contract	Dependent on tender outcome. Expect savings and efficiencies on current agreement.	To be tendered on the open market. Fixed term contract certainty.
Gas Central Heating Installation	To be tendered on the open market to obtain best value for money.	To be tendered on the open market. Reduced running costs for tenants as gas is a cheaper fuel than electricity
Procurement card	Approximately £5k	Retendering expected to lead to receipt of a percentage rebate on all purchase transactions and an improved system for users

## 9.2 Service Improvements:

Service Area	Action	Estimated savings / income	Service improvements / efficiency gains over time
Estates Quality, Housing and C&SH Teams	Invest to save : Roll out of mobile working devices to field and scheme based staff during 2015/16	See next column	Reduce duplication of actions allowing work to be carried out on site and improved service to residents through immediate access to information during visits, on site meetings
Care and Supported Housing	Roll out of thin client technology to 54 sites during 2015/16	c£35k	Improved IT access speeds in schemes, more security for the data held by schemes, more efficient ways of working
WorkSkills Project –Work experience for those recovering from mental health issues	Renegotiation of funding for scheme by the County Council and explore additional income from alternative sources, including potential roll-out to Hertfordshire	c£5k	More clients to be helped by the scheme and viability of the scheme secured for an extended period of time.
Income Recovery	Reorganise tasks to concentrate more income recovery activity into one team by June 2015. Review of arrangements to recover former tenant debt to increase income to follow during 2015/16.	Increase in income to be measured after 1 year	Improved collection rates for intermediate rented homes and former tenant debts in particular.
Recruitment	Implement an Applicant Tracking system to improve processes to ensure that good and suitably trained staff are employed.	See next column	This should speed up the recruitment process and ensure that suitable applicants are not lost through delays.
Charity Shop	Follow up the decision from the review of the financial performance of the two charity shops by assigning the lease of the shop in Tring.	£25k	Prevent financial losses
Finance	Process re-engineering:  Devise an on-line, paper-free staff expenses claim process.	Anticipated £2k in postage. Other savings to be measured when complete.	Expected time savings on processing being utilised elsewhere instead of requiring additional resources. No paper or postage costs. Quicker and more efficient payment process. Faster payment of expenses. Greater control of claims.
IT Systems and Processes	Reorganise working arrangements by June 2015 to reduce staff team by one post so not recruiting to vacant post	c £40k	More efficient way of working to achieve same output ; salary savings of one post

### **Statement of the responsibilities of the Board for the financial statements**

The Board is responsible for preparing the report of the Board and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law and social housing legislation require the Board to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The Board 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 of the Association for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by Registered Social Housing Providers (Update 2010) have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board is responsible for keeping 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 Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act and the Accounting Direction for Private Registered Providers of Social Housing 2012. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for ensuring that the report of the Board is prepared in accordance with the Statement of Recommended Practice: Accounting by Registered Social Housing Providers (Update 2010).

Financial statements are published on the Association's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Association's website is the responsibility of the Board. The Board's responsibility also extends to the ongoing integrity of the financial statements contained therein.

### **Going concern**

After making enquiries the Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in the preparation of the financial statements.

### **Annual General Meeting**

The annual general meeting will be held on 17 September 2015.

### **Auditor**

A resolution to re-appoint BDO LLP as external auditor will be proposed at the forthcoming annual general meeting.

### **Approval**

The report of the Board was approved on 2 July 2015 and signed on its behalf by:



David Skinner  
Secretary 2 July 2015

Hightown Housing Association Limited  
**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS  
OF HIGHTOWN HOUSING ASSOCIATION LIMITED**  
For the year ended 31 March 2015

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We have audited the financial statements of Hightown Housing Association Limited for the year ended 31 March 2015 which comprise the income and expenditure account, the balance sheet, the statement of total recognised surpluses and deficits, the cash flow statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

**Respective responsibilities of the board and auditors**

As explained more fully in the statement of board member responsibilities, the board members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the FRC's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

**Opinion on financial statements**

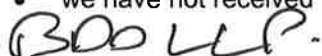
In our opinion the financial statements:

- give a true and fair view of the state of the association's affairs as at 31 March 2015 and of its surplus 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 April 2012.

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

We have nothing to report in respect of the following matters where we are required to report to you if, in our opinion:

- the information given in the Report of the Board for the financial year for which the financial statements are prepared is not consistent with the financial statements;
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- a satisfactory system of control has not been maintained over transactions; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.



BDO LLP, statutory auditor

London

United Kingdom

Date: 6 July 2015

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).



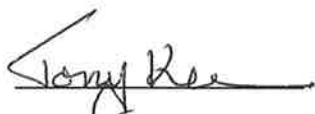
Hightown Housing Association Limited  
**INCOME AND EXPENDITURE ACCOUNT**  
For the year ended 31 March 2015

	Notes	2015 £'000	2014 £'000
<b>TURNOVER</b>	<b>1</b>	<b>44,607</b>	<b>45,296</b>
Operating costs	1	(29,473)	(30,929)
<b>OPERATING SURPLUS</b>	<b>1,4</b>	<b>15,134</b>	<b>14,367</b>
Surplus on sale of properties & other fixed assets		2,178	1,068
Interest receivable and other income		106	175
Interest payable and similar charges	5	(5,957)	(6,072)
<b>SURPLUS ON ORDINARY ACTIVITIES</b>	<b>18</b>	<b>11,461</b>	<b>9,538</b>

All activities are continuing.

The notes on pages 42 to 71 form part of these financial statements.

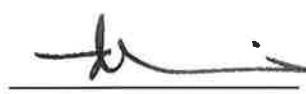
The financial statements were approved by the Board and authorised for issue on 2 July 2015 and are signed on its behalf by:



Tony Keen - Chair



Donald Bell - Board Member



David Skinner - Secretary

**STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS**

	Notes	2015 £'000	2014 £'000
<b>Surplus for the financial year</b>		<b>11,461</b>	<b>9,538</b>
Actuarial surplus/(deficit) relating to pension scheme	27	(88)	13
Unrealised (deficit)/surplus on revaluation of investments	10,18	444	(166)
<b>TOTAL RECOGNISED SURPLUSES AND DEFICITS RELATING TO THE YEAR</b>		<b>11,817</b>	<b>9,385</b>

## Hightown Housing Association Limited

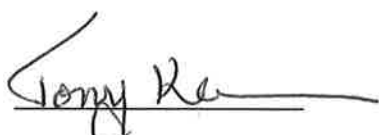
**BALANCE SHEET**

As at 31 March 2015

	Notes	2015 £'000	2014 £'000
<b>TANGIBLE FIXED ASSETS</b>			
Housing properties	8	432,966	390,920
Social housing and other grants	8	(144,824)	(142,419)
		<u>288,142</u>	<u>248,501</u>
Investments	10	2,649	2,205
Other tangible fixed assets	9	5,690	5,774
		<u>296,481</u>	<u>256,480</u>
<b>TOTAL FIXED ASSETS</b>			
<b>CURRENT ASSETS</b>			
Properties awaiting sale	11	2,483	1,886
Debtors	12	3,476	3,074
Cash at bank and in hand	13	9,350	16,449
		<u>15,309</u>	<u>21,409</u>
<b>CREDITORS: Amounts falling due within one year</b>	14	<u>(9,852)</u>	<u>(10,505)</u>
<b>NET CURRENT ASSETS</b>		<u>5,457</u>	<u>10,904</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>301,938</u>	<u>267,384</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	15	236,786	214,191
<b>PENSION LIABILITY</b>	27	328	240
		<u>237,114</u>	<u>214,431</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	17	-	-
Revaluation reserve	18	743	299
Restricted reserve	18	164	126
Revenue reserve	18	63,917	52,528
		<u>64,824</u>	<u>52,953</u>
<b>ASSOCIATION'S RESERVES</b>	18	<u>64,824</u>	<u>52,953</u>
		<u>301,938</u>	<u>267,384</u>

The notes on pages 42 to 71 form part of these financial statements.

The financial statements were approved by the Board and authorised for issue on 2 July 2015 and are signed on its behalf by:



Tony Keen - Chair



Donald Bell - Board Member



David Skinner - Secretary

Hightown Housing Association Limited  
**CASH FLOW STATEMENT**  
For the year ended 31 March 2015

	Notes	2015 £'000	2014 £'000
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	20	<b>22,665</b>	<b>18,962</b>
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest received		106	175
Interest paid		(6,731)	(6,382)
<b>Net cash outflow from returns on investment and servicing of finance</b>		<b>(6,625)</b>	<b>(6,207)</b>
<b>CAPITAL EXPENDITURE</b>			
Purchase and construction of housing properties		(51,767)	(32,494)
Social Housing Grant received		2,819	2,160
Purchase of other fixed assets		(94)	(170)
Sales of housing properties		4,570	3,882
Sales of other fixed assets		-	8
<b>Net cash outflow from capital expenditure</b>		<b>(44,472)</b>	<b>(26,614)</b>
<b>Net cash outflow before use of liquid resources and financing</b>		<b>28,432</b>	<b>(13,859)</b>
<b>FINANCING</b>			
Loans received		23,000	25,000
Loans repaid		(1,667)	(1,878)
<b>Net inflow from financing</b>		<b>21,333</b>	<b>23,122</b>
<b>INCREASE / (DECREASE) IN CASH IN THE PERIOD</b>	21	<b>(7,099)</b>	<b>9,263</b>

The notes on pages 42 to 71 form part of these financial statements.

## **ACCOUNTING POLICIES**

For the year ended 31 March 2015

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### **LEGAL STATUS**

Hightown Housing Association Limited (the Association) (formerly known as "Hightown Praetorian and Churches Housing Association Limited" until 18 June 2015), is registered under the Co-operative and Community Benefit Societies Act 2014 and registered with the Homes and Communities Agency as a registered housing provider. It has charitable status.

### **BASIS OF ACCOUNTING**

The financial statements of the Association are prepared under the historical cost convention except for investments at valuation, in accordance with applicable accounting standards and the Statement of Recommended Practice: "Accounting by registered social housing providers – Update 2010" (SORP 2010), and comply with the Accounting Direction for Private Registered Providers of Social Housing 2012 issued by the Homes and Communities Agency.

The Board is satisfied that the current accounting policies are the most appropriate for the Association.

### **TURNOVER**

Turnover comprises rental income receivable in the year, income from property sales, other services included at the invoiced value (excluding VAT) of goods and services supplied in the year and revenue grants. Turnover is recognised on the following basis:

- Rental income is recognised on a time apportioned basis and is stated net of losses from void properties;
- Fees and income from the provision of Residential Care, Supporting People and Management Services are recognised as the services are provided;
- Income paid in respect of cyclical and major repairs is deferred until such time as the related expenditure is incurred;
- Income from the sale of 1<sup>st</sup> Tranche Shared Ownership properties is recognised as properties are sold.

### **VALUE ADDED TAX**

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 and Customs. The balance of VAT payable or recoverable at the year end is included as a current liability or asset.

Irrecoverable VAT is charged to the income and expenditure account and is allocated to the different activities on the same basis as the corresponding costs are allocated.

### **INTEREST PAYABLE**

Interest is capitalised on borrowings to finance developments to the extent that it accrues in respect of the period of development if it represents either:

- a) Interest on borrowings specifically financing the development programme after deduction of interest on social housing grant (SHG) in advance; or
- b) Interest on borrowings of the Association as a whole after deduction of interest on SHG in advance to the extent that they can be deemed to be financing the development programme.

Interest is capitalised from the date of the site acquisition to the date of practical completion. Other interest payable is charged to the income and expenditure account in the year.

### **PENSIONS**

The Association participates in four multi-employer defined benefit schemes; the Social Housing Pension Scheme (SHPS) – its main scheme, the Pensions Trust Growth Plan, the Buckinghamshire County Council Pension Fund and the NHS Pension Scheme. The latter two schemes relate to employees who transferred to the Association under the Transfer of Undertakings (Protection of Employment) Regulations (TUPE).

For the SHPS, Growth Plan scheme, and NHS scheme, it has not been possible to identify the share of underlying assets and liabilities belonging to individual participating employers. The income and expenditure charge represents the employer contribution payable to the scheme for the accounting period.

Hightown Housing Association Limited  
**ACCOUNTING POLICIES**  
For the year ended 31 March 2015

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The Buckinghamshire County Council Pension Fund is accounted for under FRS17. The operating costs of providing retirement benefits to participating employees are recognised in the accounting periods in which the benefits are earned. The related finance costs, expected return on assets, and any change in fair value of the assets and liabilities are recognised in the accounting period in which they arise. The operating costs, finance costs and expected return on assets are recognised in the income and expenditure account with any changes in fair value of assets and liabilities being recognised in the statement of total recognised surpluses and deficits.

The Association also participates in a Defined Contribution Scheme with the Social Housing Pension Scheme. This is the auto-enrolment vehicle for the Association.

#### **SUPPORTED HOUSING**

The treatment of income and expenditure in respect of supported housing projects depends on whether the Association carries the financial risk or not.

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 Association's income and expenditure account (see note 1).

Where the Association has appointed an agent to provide support to the service users and the agent holds the support contract with the Commissioning Authority (and carries the financial risk), the income and expenditure account includes only that income and expenditure which relates solely to the Association.

#### **INTEREST RATE FIXINGS**

The Association uses interest rate fixes to reduce its exposure to future increases in the interest rates on floating rate loans. Payments made under such fixes are accrued over the payment period on a straight-line basis and adjusted against interest payable on the loans.

#### **HOUSING PROPERTIES**

Housing properties are principally properties available for rent and are stated at cost less depreciation. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of improvements.

Improvements are works to existing properties, and component replacements which have been treated separately for depreciation purposes, which result in an increase in the net rental income, such as a reduction in future maintenance costs, or result in a significant extension of the useful economic life of the property in the business. Only the direct overhead costs associated with new developments or improvements are capitalised. Direct overhead costs comprise the costs of staff time, including salary costs and other apportioned direct costs, incurred on the developments from the date from which it is reasonably likely that the development will go ahead, to the date of practical completion.

Shared Ownership properties are split proportionately between current and fixed assets based on the first tranche proportion. The first tranche proportion is accounted for as a current asset and the related sales proceeds shown in turnover. The remaining element of the Shared Ownership property is accounted for as a fixed asset and any subsequent staircasing is treated as a part disposal of a fixed asset. Shared Ownership properties are included in housing properties at cost less depreciation and any provisions needed for impairment.

The net surplus on the sale of housing properties (including Shared Ownership property staircasing) represents proceeds less applicable cost and expenses. Any applicable social housing grant is transferred to the Recycled Capital Grant Fund held in long term creditors. Right to Acquire and Right to Buy sales are accounted for by transfer of the net surplus and the associated grant to the Disposal Proceeds Fund also held in long term creditors.

## ACCOUNTING POLICIES

For the year ended 31 March 2015

### DEPRECIATION OF HOUSING PROPERTIES

Housing properties under construction are stated at cost and are not depreciated. Freehold land is not depreciated.

The Association depreciates freehold housing properties by component so as to write down the net book value of housing properties to their estimated residual value, on a straight-line basis, over their estimated useful economic lives in the business. The depreciable amount is arrived at on the basis of original cost, less the proportion of Social Housing Grant (SHG) and other grants attributable to housing properties, less residual value.

Major components are treated as separable assets and depreciated over their expected useful economic lives or the lives of the structure to which they relate if shorter, at the following annual rates:

<u>Asset Component</u>	<u>Useful lives</u>	<u>Rate</u>
Building Structure		
- houses	100 years	1.00%
- flats	80 years	1.25%
Roof	80 years	1.25%
Windows and external doors	30 years	3.33%
Bathrooms	30 years	3.33%
Electrical systems	30 years	3.33%
Lifts	30 years	3.33%
Kitchens	20 years	5.00%
Heating systems	15 years	6.66%

Properties held on leases are amortised over the life of the lease or their estimated useful economic lives in the business if shorter.

### LAND RECEIVED FOR LESS THAN MARKET VALUE

Where land is transferred by local authorities and other public bodies for consideration below market-value, the difference between the market value and the consideration given is added to cost at the time of the donation and credited to other capital grants.

### SOCIAL HOUSING GRANT

Social Housing Grant (SHG) is receivable from the Homes and Communities Agency and is utilised to reduce the capital costs of housing properties, including land costs. The amount of SHG receivable is calculated on a fixed basis depending on the size, location and type of housing property. SHG due from the Homes and Communities Agency or received in advance is included as a current asset or liability as appropriate. SHG received in respect of revenue expenditure is credited to the income and expenditure account in the same period as the expenditure to which it relates.

SHG is subordinated to the repayment of loans by agreement with the Homes and Communities Agency. SHG released on sale of a property is normally available to be recycled and is credited to a Recycled Capital Grant Fund and included in the balance sheet in creditors. Although SHG is treated as grant for accounting purposes, it may nevertheless become repayable if the conditions under which the grant was made are not complied with, for example if the properties to which grant was designated cease to be used for the provision of affordable rental accommodation.

### OTHER GRANTS

These include grants from local authorities and other organisations. Grants in respect of revenue expenditure are credited to the income and expenditure account in the same period as the expenditure to which they relate.

#### IMPAIRMENT

Properties depreciated over a period in excess of 50 years are, in accordance with Financial Reporting Standard No 11 and the SORP 2010, subject to impairment reviews annually.

Other assets are reviewed for impairment if there is an indication that impairment may have occurred. Where there is evidence of impairment, fixed assets are written down to the recoverable amount. Any such write down is charged to operating surplus.

#### INVESTMENTS

Investments are held at market value. Any movement in the value of investments is recorded in the Revaluation Reserve and the Statement of Total Recognised Surpluses and Deficits.

#### OTHER TANGIBLE FIXED ASSETS

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land. The principal annual rates used for other assets are:

Freehold office building	2%
Furniture, fixtures and fittings	2½% to 10%
Computers / office equipment	33% / 20%
Motor vehicles	25%

Where assets comprise separate components as set out under housing properties depreciation policy earlier, these components are then depreciated over those component lives.

#### LEASED ASSETS

Assets held under finance leases are included in the balance sheet and depreciated in accordance with the Association's normal accounting policies. The present value of future rentals is shown as a liability. The interest element of rental obligations is charged to the income and expenditure account over the period of the lease in proportion to the balance of capital repayments outstanding.

Rentals payable under operating leases are charged to the income and expenditure account on a straight line basis over the lease term.

#### RESERVES

Any unexpended income which is restricted as to its use, is treated as a restricted reserve. Transfers are made between the revenue reserve and the restricted funds to represent the receipt of restricted income and the subsequent expenditure of such income.

#### TRUST FUNDS

Funds held by the Association on trust for leaseholders are recognised as an asset of the Association where the Association has control of the funds. A corresponding creditor is also recognised. Leaseholders' funds held for major repairs are maintained in separate interest bearing accounts for this purpose and fall under a deed of trust dated 23rd June 1993. Any income received on the funds so held is credited to leaseholders.

#### LOAN ISSUE COSTS AND PREMIUM

In accordance with SORP 2010 the issue costs of loans have been deducted from the gross loan values. Issue costs are amortised over the period of the loan to which they relate. Similarly the premium received on the loan proceeds from The Housing Finance Corporation (THFC) bond issue is amortised into the income and expenditure account to offset interest paid over the life of the loan in accordance with FRS4.

## **ACCOUNTING POLICIES**

For the year ended 31 March 2015

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### **ALLOCATION OF COSTS**

Costs are allocated to the different categories of social housing activities on the following basis:

- Direct costs are allocated to the relevant activity.
- Where direct costs relate to a number of different activities they are apportioned to those different activities on a fair basis.
- Overhead costs are allocated to different activities, primarily based on the estimated time spent by the Association's staff in managing the different activities.

### **RECYCLED CAPITAL GRANT FUND**

The Recycled Capital Grant Fund (RCGF) contains social housing grant released by property sales (other than Right to Acquire or Right to Buy) for re-use on funding new developments. If unused within a three year period, it will be repayable to the Homes and Communities Agency with interest. Any unused capital grant held which it is anticipated will be either repaid or used within one year is disclosed in the balance sheet under "creditors: amounts falling due within one year". The remainder is disclosed under "creditors: amounts falling due after one year".

### **DISPOSAL PROCEEDS FUND**

The Disposal Proceeds Fund (DPF) contains social housing grant released by property sales under Right to Acquire or Right to Buy for re-use on funding new developments. If unused within a three year period from the start of the following financial year, it will be repayable to the Homes and Communities Agency with interest. Any unused capital grant held which it is anticipated will be either repaid or used within one year is disclosed in the balance sheet under "creditors: amounts falling due within one year". The remainder is disclosed under "creditors: amounts falling due after one year".

### **MIXED TENURE SCHEMES**

The surplus on sales of properties on mixed tenure development schemes is reduced in accordance with SORP 2010. Where a development is evaluated as a single scheme with more than one element and where one or more of those elements are expected to generate a surplus and one or more of the other elements has an EUV-SH value that is below cost less attributable grant (a shortfall), then it is not appropriate to recognise all of the surplus on sale from that scheme. The sales surplus is reduced by the shortfall through the apportionment of costs to each element of the scheme.

### **SERVICE CHARGES**

All service charges are variable service charges. Where there is any difference between the estimated cost recovered from tenants and leaseholders and the actual cost incurred, any such shortfall or surplus arising is carried forward and either collected or refunded against the future years charge. Any shortfall or surplus arising is shown in the balance sheet within debtors or creditors as appropriate.



Hightown Housing Association Limited  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 March 2015

**1 NOTE A – PARTICULARS OF TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS**

*Continuing activities*

	2015 Turnover £'000	2015 Operating costs £'000	Operating surplus £'000	Turnover £'000	2014 Operating costs £'000	Operating surplus £'000
<b>SOCIAL HOUSING LETTINGS (Note B )</b>	<b>35,659</b>	<b>(21,787)</b>	<b>13,872</b>	<b>33,189</b>	<b>(20,395)</b>	<b>12,794</b>
<b>OTHER SOCIAL HOUSING ACTIVITIES</b>						
Supporting People contract income	1,006	(1,006)	-	1,155	(1,155)	-
Management services	451	(390)	61	373	(308)	65
Aborted development costs	-	(30)	(30)	-	(85)	(85)
Other	147	(67)	80	756	(36)	720
Current asset property sales	6,639	(5,432)	1,207	9,282	(8,356)	926
	<b>8,243</b>	<b>(6,925)</b>	<b>1,318</b>	<b>11,566</b>	<b>(9,940)</b>	<b>1,626</b>
<b>NON-SOCIAL HOUSING ACTIVITIES</b>						
Registered nursing homes	553	(591)	(38)	493	(538)	(45)
Charity Shop	152	(170)	(18)	48	(56)	(8)
	<b>705</b>	<b>(761)</b>	<b>(56)</b>	<b>541</b>	<b>(594)</b>	<b>(53)</b>
<b>TOTAL</b>	<b>44,607</b>	<b>(29,473)</b>	<b>15,134</b>	<b>45,296</b>	<b>(30,929)</b>	<b>14,367</b>

Hightown Housing Association Limited  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 March 2015

**1 PARTICULARS OF TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS (continued)**

**NOTE B - PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS**

	General Housing £'000	Supported Housing £'000	Shared Ownership £'000	Residential Care Homes £'000	2015 Total £'000	2014 Total £'000
<b>INCOME FROM SOCIAL HOUSING LETTINGS</b>						
Rent receivable net of identifiable service charges	17,489	3,038	2,120	150	22,797	20,446
Charges for support services	23	446	-	-	469	747
Service charge income	1,147	1,343	603	-	3,093	2,912
Other revenue grants	-	6,513	-	2,787	9,300	9,084
<b>TURNOVER FROM SOCIAL HOUSING LETTINGS</b>	<b>18,659</b>	<b>11,340</b>	<b>2,723</b>	<b>2,937</b>	<b>35,659</b>	<b>33,189</b>

**EXPENDITURE ON SOCIAL HOUSING LETTINGS**

Management	(1,930)	(759)	(228)	(406)	(3,323)	(2,897)
Support Service costs	(185)	(6,573)	-	(2,314)	(9,072)	(8,868)
Service charge costs	(1,028)	(1,258)	(413)	(171)	(2,870)	(2,586)
Routine maintenance	(1,826)	(298)	(6)	(62)	(2,192)	(2,156)
Planned maintenance	(292)	(44)	(3)	(4)	(343)	(267)
Major repairs expenditure	(687)	(21)	-	(15)	(723)	(368)
Bad debts	(65)	(63)	48	-	(80)	(215)
Depreciation of housing properties	(2,544)	(328)	(291)	(21)	(3,184)	(3,038)
<b>OPERATING COSTS ON SOCIAL HOUSING LETTINGS</b>	<b>(8,557)</b>	<b>(9,344)</b>	<b>(893)</b>	<b>(2,993)</b>	<b>(21,787)</b>	<b>(20,395)</b>

**OPERATING SURPLUS ON SOCIAL HOUSING LETTINGS**

	<b>10,102</b>	<b>1,996</b>	<b>1,830</b>	<b>(56)</b>	<b>13,872</b>	<b>12,794</b>
Void losses	(147)	(190)	(98)	-	(435)	(414)

Hightown Housing Association Limited  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 March 2015

**2 SUPPORTED HOUSING MANAGED BY AGENCIES**

The Association has 108 supported housing tenancies (2014:104) that are managed on its behalf under management agreements by other bodies that carry the financial risk. The Association's income and expenditure account includes only the income and expenditure for which it retains responsibility.

**3 ACCOMMODATION IN MANAGEMENT**

At the end of the year accommodation in management for each class of accommodation was as follows:

Social housing

	2015 No.	2014 No.
General needs housing (including housing for older people)	2,842	2,602
Supported housing (including agency managed)	608	602
Shared ownership	633	598
Leasehold	585	566
Residential care home bed spaces	47	57
Total in management	4,715	4,425

Non-social housing

Registered nursing home bed spaces	8	8
Total owned and managed	4,723	4,433

**4 OPERATING SURPLUS**

	2015 £'000	2014 £'000
This is arrived at after charging:		
Depreciation of housing properties	3,082	2,904
Accelerated depreciation on housing components	102	134
Depreciation of other tangible fixed assets	250	240
Operating lease rentals	107	111
Auditor's remuneration (excluding VAT)		
- for audit services	25	32
- for non-audit services	21	9

**5 INTEREST PAYABLE AND SIMILAR CHARGES**

	2015 £'000	2014 £'000
Loans and bank overdrafts	6,945	6,608
Interest payable capitalised on housing properties under construction	(988)	(536)
	5,957	6,072
Capitalisation rate used to determine the amount of finance costs capitalised during the period	2.84%	2.82%

Hightown Housing Association Limited  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 March 2015

**6 EMPLOYEES**

	2015 No.	2014 No.
<u>Average monthly number of employees</u> (full time equivalents):		
Administration	47	38
Development	10	12
Housing, support and care	343	329
	<u>400</u>	<u>379</u>

Staff numbers in Care & Supported Housing schemes are expressed against their standard 37.5 hour per week. Other staff numbers are expressed against their standard 35 hour week.

	2015 £'000	2014 £'000
<u>Employee costs:</u>		
Wages and salaries	11,921	11,588
Social security costs	900	875
Other pension costs	728	641
	<u>13,549</u>	<u>13,104</u>

During the year the Association paid £24,900 (2014: £57,139) in respect of redundancy and severance payments. These values are included within the analysis above.

Information on pensions appears at Note 27.

**7 BOARD MEMBERS AND EXECUTIVE DIRECTORS**

The aggregate emoluments of the executive directors including pension contributions amounted to £691,695 (2014: £626,246). None of the Board members received emoluments. Total expenses paid during the year to Board members were £2,035 (2014: £3,364).

The emoluments of the highest paid director, the chief executive, excluding pension contributions, were £136,868 (2014: £130,013). Pension contributions in the year were £10,501 (2014: £9,840).

The aggregate amount of compensation payable to directors for loss of office during the year was £nil (2014: nil).

The full time equivalent number of staff whose remuneration payable in respect of the year excluding pension contributions was more than £60,000, by salary band was as follows:

Salary band	2015 No	2014 No
£ 60,001 - £ 70,000	3	1
£ 70,001 - £ 80,000	1	1
£ 80,001 - £ 90,000	1	1
£ 90,001 - £100,000	1	1
£100,001 - £110,000	2	2
£130,001 - £140,000	1	1

The executive directors are members of the Social Housing Pension Scheme as ordinary members of the pension scheme and no enhanced or special terms apply.

Hightown Housing Association Limited  
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**8 TANGIBLE FIXED ASSETS – HOUSING PROPERTIES**

	Housing Properties held for lettings £'000	Properties in the course of completion Rental Units £'000	Properties in the course of completion Shared Ownership £'000	Shared Ownership properties £'000	Total £'000
<b><u>COST</u></b>					
As at 1 April 2014	318,493	31,541	10,234	49,341	409,609
Additions	76	34,663	14,671	-	49,410
Properties completed	28,662	(28,662)	(6,041)	6,041	-
Components capitalised	1,084	-	-	-	1,084
Transfer to current assets	(534)	-	-	-	(534)
Disposals	(429)	(2,429)	-	(2,244)	(5,102)
As at 31 March 2015	347,352	35,113	18,864	53,138	454,467
<b><u>Less: Depreciation</u></b>					
As at 1 April 2014	17,657	-	-	1,032	18,689
Charge for the year	2,848	-	-	234	3,082
Disposals	(189)	-	-	(81)	(270)
As at 31 March 2015	20,316	-	-	1,185	21,501
Depreciated cost at 31 March 2015	327,036	35,113	18,864	51,953	432,966
Depreciated cost at 31 March 2014	300,836	31,541	10,234	48,309	390,920
<b><u>SOCIAL HOUSING AND OTHER CAPITAL GRANTS</u></b>					
As at 1 April 2014	121,417	6,774	10	14,218	142,419
Received in year	13	3,211	194	-	3,418
Properties completed	2,410	(2,410)	(204)	204	-
Disposals	(313)	-	-	(700)	(1,013)
As at 31 March 2015	123,527	7,575	-	13,722	144,824
<b><u>NET BOOK VALUE</u></b>					
As at 31 March 2015	203,509	27,538	18,864	38,231	288,142
As at 31 March 2014	179,419	24,767	10,224	34,091	248,501

All Social Housing Grant receivable is capital grant, there being no revenue SHG receivable.

**Expenditure on works to existing properties:**

	2015 £'000	2014 £'000
Components capitalised	1,084	1,421
Amounts charged to income and expenditure account	678	332
	1,752	1,753

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**8 TANGIBLE FIXED ASSETS – HOUSING PROPERTIES (continued)**

<u>Housing properties book value, net of depreciation, comprises:</u>	2015 £'000	2014 £'000
Freehold land and buildings	384,259	342,850
Long leasehold land and buildings	48,707	48,070
	<u>432,966</u>	<u>390,920</u>

<u>Additions to properties include:</u>	2015 £'000	2014 £'000
Development overheads capitalised	1,367	1,307
Capitalised interest	988	536

**9 TANGIBLE FIXED ASSETS - OTHER**

	Freehold land and buildings £'000	Fixtures and fittings £'000	Furniture and equipment £'000	Computer equipment £'000	Motor vehicles £'000	Total £'000
<u>Cost</u>						
As at 1 April 2014	6,020	177	215	567	35	7,014
Additions	12	87	13	57	-	169
Disposals	-	(11)	(3)	-	-	(14)
As at 31 March 2015	<u>6,032</u>	<u>253</u>	<u>225</u>	<u>624</u>	<u>35</u>	<u>7,169</u>
<u>Less: Depreciation</u>						
As at 1 April 2014	568	50	173	436	13	1,240
Charged in year	115	25	31	72	7	250
Released on disposal	-	(9)	(2)	-	-	(11)
As at 31 March 2015	<u>683</u>	<u>66</u>	<u>202</u>	<u>508</u>	<u>20</u>	<u>1,479</u>
<u>Net book value</u>						
As at 31 March 2015	<u>5,349</u>	<u>187</u>	<u>23</u>	<u>116</u>	<u>15</u>	<u>5,690</u>
As at 31 March 2014	<u>5,452</u>	<u>127</u>	<u>42</u>	<u>131</u>	<u>22</u>	<u>5,774</u>

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**10 INVESTMENTS**

(a) UK Government Gilt

The Association is required to maintain an Interest Service Reserve Fund (ISRF) with The Housing Finance Corporation Ltd (THFC) at least equal to 12 months interest on the £30m loan. This is invested in a UK Government Gilt. To minimise the interest cost between the loan rate and the investment rate, a Gilt that closely matches the maturity date of the underlying bond (July 2039) has been purchased, namely the 4.75% UK Treasury due 2038. It is intended to hold this gilt to maturity.

<u>Movement in investments</u>	2015 £'000
Value 1 April 2014	2,205
Revaluation in year	444
Value 31 March 2015	2,649

The historic cost of the investment was £1,905,943.

(b) Community Meeting Point Harpenden

On 1 April 2014, the Trustees of Community Meeting Point Harpenden (CMP) transferred all the assets and liabilities of the CMP Charity to Hightown Housing Association Ltd, who carried out the services undertaken by CMP from that date.

The value of incoming resources was £58,771 of which £4,378 was expended in the year.

The charity Community Meeting Point Harpenden did not trade in 2014/15 and on 4 November 2014 the Trustees dissolved the Charity.

**11 PROPERTIES AWAITING SALE**

	2015 £'000	2014 £'000
Shared Ownership properties awaiting sale	1,949	1,667
Vacant properties awaiting sale	534	219
	2,483	1,886
	No.	No.
Shared Ownership properties awaiting sale	24	21
Vacant properties awaiting sale	7	1
	31	22

The stock of Shared Ownership properties is the cost of the anticipated first tranche sale to shared owners.

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**12 DEBTORS**

	2015 £'000	2014 £'000
Due within one year		
Rent and service charges receivable	1,098	1,011
Less: Provision for bad and doubtful debts	(769)	(785)
	<u>329</u>	<u>226</u>
Estate service charges recoverable	525	526
Revenue grants receivable	1,106	950
Other debtors	170	52
Prepayments and accrued income	1,346	1,320
	<u>3,476</u>	<u>3,074</u>

**13 BANK AND CASH**

	2015 £'000	2014 £'000
Bank accounts held on trust (see accounting policies)	1,116	945
Other bank accounts	8,233	15,503
Cash in hand	1	1
	<u>9,350</u>	<u>16,449</u>

**14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2015 £'000	2014 £'000
Debt (note 16)	1,319	1,313
Trade creditors	1,668	1,288
Rent and service charges received in advance	1,146	966
Revenue grants received in advance	98	255
Other taxation and social security	223	242
Other creditors	232	212
Development and works retentions	3,803	5,027
Accruals and deferred income	1,363	1,202
	<u>9,852</u>	<u>10,505</u>

**15 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2015 £'000	2014 £'000
Debt (note 16)	230,103	208,818
Recycled Capital Grant Fund (note 24)	1,260	569
Disposal Proceeds Fund (note 25)	124	-
Premium on THFC Loan Issue	3,506	3,651
Leaseholder Sinking Funds	81	76
Leaseholder Trust Funds	963	800
Development and works retentions	749	277
	<u>236,786</u>	<u>214,191</u>



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In January 2011 the Association received by way of loan, the proceeds of a bond issued by The Housing Finance Corporation (THFC) at a premium to par. This premium will be amortised to the income and expenditure account over the life of the loan (28.5 years) to offset interest paid, in accordance with FRS4.

**16 DEBT ANALYSIS**

	2015 £'000	2014 £'000
<u>Bank loans</u>		
Due within one year	1,693	1,610
Between one and two years	48,451	1,690
Between two and five years	37,201	58,567
After five years	146,137	150,281
Total after one year	231,789	210,538
Total bank loans	233,482	212,148
<u>Unamortised loan costs</u>		
Due within one year	(374)	(297)
Between one and two years	(330)	(297)
Between two and five years	(491)	(824)
After five years	(865)	(599)
Total after one year	(1,686)	(1,720)
Total unamortised loan costs	(2,060)	(2,017)
<u>Total</u>		
Due within one year	1,319	1,313
Between one and two years	48,121	1,393
Between two and five years	36,710	57,743
After five years	145,272	149,682
Total after one year	230,103	208,818
Total	231,422	210,131

All loans are secured by fixed charges on individual housing properties and the central office building. The loans are repayable at intervals varying from half yearly to annually. Final instalments of loans fall to be repaid in the period 2016 to 2039 (2014: 2016 to 2039).

Fixed interest rates payable at 31 March 2015 averaged 5.63% (2014: 5.64%) ranging from 4.40% to 10.50% (2014: 4.40% to 10.50%). Variable interest rates are based on LIBOR plus agreed loan margin. The weighted average cost of interest in 2014/15 was 3.14% (2013/14 3.12%).

After the year end, on 30 April 2015, Hightown drawdown a £27 million loan from Retail Charity Bonds plc being the proceeds of a retail charity bond issued by Retail Charity Bonds plc. This loan is at a fixed rate of 4.40% and is legally repayable on 30 April 2025.

Hightown Housing Association Limited  
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**17 SHARE CAPITAL**

	2015 No.	2014 No.
<i>Shares of £1 each issued and fully paid</i>		
As at 1 April	35	33
Shares issued	3	2
Shares surrendered during the year	(11)	-
As at 31 March	<u>27</u>	<u>35</u>

The shares provide members with the right to vote at general meetings, but do not provide any rights to dividends or distributions on a winding up.

**18 RESERVES**

	Revaluation Reserve £'000	Restricted Reserve £'000	Revenue Reserve £'000	Total £'000
As at 1 April 2014	299	126	52,528	52,953
Surplus for the year 2014/15	-	-	11,461	11,461
Actuarial loss relating to pension scheme	-	-	(88)	(88)
Reserves acquired from CMP	-	38	16	54
Surplus on revaluation of investment	444	-	-	444
As at 31 March 2015	<u>743</u>	<u>164</u>	<u>63,917</u>	<u>64,824</u>

The Restricted Reserve represents monies bequeathed to Hightown and reserves transferred by the charity Community Meeting Point Harpenden (CMP).

**19 FINANCIAL COMMITMENTS**

	2015 £'000	2014 £'000
<b>CAPITAL EXPENDITURE</b>		
Expenditure contracted for but not provided in the accounts	<u>59,399</u>	<u>59,261</u>
Expenditure authorised by the Board but not contracted	<u>89,754</u>	<u>26,108</u>

At 31 March 2015 the Association has total undrawn committed loan facilities of £45.0 million (2014: £33.0 million). These commitments will be financed by use of the above loan facilities (£45.0 million), social housing grant (£6.0 million), first tranche shared ownership sales (£9.8 million), and the balance from cash in hand, surplus revenue cash generated and new borrowing facilities to be arranged.

**OPERATING LEASES**

The payments which the Association is committed to make under operating leases are as follows:

	2015 £'000	2014 £'000
Office equipment and vehicles:		
- Within one year	22	-
- Between one and two years	35	42
- Between two and five years	17	50
- After five years	1	1
	<u>75</u>	<u>93</u>

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**20 RECONCILIATION OF OPERATING SURPLUS  
TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	2015 £'000	2014 £'000
Operating surplus	15,134	14,367
Depreciation of tangible fixed assets	3,332	3,145
Accelerated depreciation of Components	102	133
Amortisation of THFC premium	(145)	(145)
	<u>18,423</u>	<u>17,500</u>
Working capital movements:		
Stock of properties for sale	(597)	1,863
Debtors	(402)	(872)
Creditors	5,241	3,123
	<u>22,665</u>	<u>21,614</u>
Net cash inflow from operating activities		

**21 RECONCILIATION OF NET CASH FLOW  
TO MOVEMENT IN NET DEBT**

	2015 £'000	2014 £'000
(Decrease) / Increase in cash	(7,099)	9,263
Cash inflow from increase in debt	(21,333)	(23,122)
	<u>(28,432)</u>	<u>(13,859)</u>
Change in net debt from cash flows	(28,432)	(13,859)
Change in net debt from non-cash flows	42	176
Net debt at 1 April	(193,682)	(179,999)
	<u>(222,072)</u>	<u>(193,682)</u>
Net debt at 31 March		

**22 ANALYSIS OF CHANGES IN NET DEBT**

	1 April 2014 £'000	Cash Flow £'000	Non-Cash Movement £'000	31 March 2015 £'000
Cash at bank and in hand	16,449	(7,099)	-	9,350
Loans	(210,131)	(21,333)	42	(231,422)
	<u>(193,682)</u>	<u>(28,432)</u>	<u>42</u>	<u>(222,072)</u>
Net debt				

The non-cash movement represents the write –off of loan fees.

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**23 FINANCIAL ASSETS AND LIABILITIES**

The Association's financial liabilities are sterling denominated. After taking into account interest rate fixings, the interest rate profile of the Association's financial liabilities at 31 March is as below:

	2015 £'000	2014 £'000
Floating rate	159,012	137,369
Fixed rate	74,470	74,779
	<u>233,482</u>	<u>212,148</u>
Loan costs	(2,060)	(2,017)
Total (note 16)	<u>231,422</u>	<u>210,131</u>

The fixed rate financial liabilities have a weighted average interest rate of 5.63% (2014: 5.64%) and the weighted average period for which it is fixed is 20.5 years (2014: 21.6 years).

The floating rate financial liabilities comprise bank loans and overdrafts that bear interest at rates linked to the London Interbank Offered Rate (LIBOR) plus agreed loan margin.

**24 RECYCLED CAPITAL GRANT FUND**

	2015 £'000	2014 £'000
Opening balance 1 April	569	260
Additions:		
Grant recycled	748	384
Interest accrued	3	-
Drawdown:		
New build	(60)	(75)
Closing balance 31 March	<u>1,260</u>	<u>569</u>

**25 DISPOSAL PROCEEDS FUND**

	2015 £'000	2014 £'000
Opening balance 1 April	-	-
Additions:		
Grant recycled	124	-
Interest accrued	-	-
Drawdown:		
New build	-	-
Closing balance 31 March	<u>124</u>	<u>-</u>

## **26 RELATED PARTIES**

### Board and Committee Members

One board member, Philip Day, is a tenant board member and his tenancy is let on a standard Association tenancy agreement at normal commercial terms.

Two Board members are local authority Councillors:

Brian Ellis	St Albans District Council
Carol Green	Dacorum Borough Council (until 7/05/2015)

Monica Cashman, an employee of Welwyn Hatfield Community Housing Trust (Welwyn Hatfield Borough Council's ALMO), was a Board member until the AGM on 18/09/2014.

All transactions with local authorities are made at arm's length, on normal commercial terms.  
No Board member is able to use his/her position on the Board to their advantage.

The Association does not consider its Resident committee members to be related parties as the committees are advisory only.

## **27 PENSIONS**

Hightown Housing Association Ltd (Hightown) participates in four multi-employer Defined Benefit schemes: the Social Housing Pension Scheme (SHPS), the Pensions Trust Growth Plan, the Buckinghamshire County Council Pension Fund and the NHS Pensions Scheme. The latter two schemes relate to employees who transferred to the association under the Transfer of Undertakings (Protection of Employment) Regulations (TUPE).

Hightown also participates in the Social Housing Pension Scheme Defined Contribution as its auto-enrolment scheme.

### **A. SOCIAL HOUSING PENSION SCHEME**

Hightown Housing Association (Hightown) participates in the Social Housing Pension Scheme (the Scheme). The Scheme is funded and is contracted-out of the State Pension scheme.

The Scheme is a multi-employer defined benefit scheme. Employer participation in the Scheme is subject to adherence with the employer responsibilities and obligations as set out in the 'SHPS House Policies and Rules Employer Guide'.

The Scheme operated a single benefit structure, final salary with a 1/60th accrual rate until 31 March 2007. From April 2007 three defined benefit structures have been available, namely:

- Final salary with a 1/60th accrual rate.
- Final salary with a 1/70th accrual rate.
- Career average revalued earnings (CARE) with a 1/60th accrual rate.

From April 2010 a further two defined benefit structures have been available, namely:

- Final salary with a 1/80th accrual rate.
- Career average revalued earnings (CARE) with a 1/80th accrual rate.

A defined contribution benefit structure was made available from 1 October 2010.

A Career Average Revalued Earnings (CARE) structure with a 1/120<sup>th</sup> accrual rate was made available from 1 April 2013. This structure is contracted-in to the State Second Pension scheme.

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An employer can elect to operate different benefit structures for their active members and their new entrants. An employer can only operate one open defined benefit structure plus CARE 1/120<sup>th</sup>, plus the defined contribution benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

Hightown operates a Defined Contribution benefits section within SHPS from 1 November 2013. Prior to this date, Hightown operated defined benefits structures - a Career Average Revalued Earnings (CARE) with 1/80<sup>th</sup> accrual; a Career Average Revalued Earnings (CARE) section with 1/60<sup>th</sup> accrual for staff employed prior to 1 April 2010; and a Final Salary Scheme section 1/60<sup>th</sup> accrual for staff employed prior to 1 April 2007. These defined benefit section are now closed to new entrants but there remain active employees who continue to accrue future benefits.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, in respect of each benefit structure, so that the Scheme can meet its pension obligations as they fall due. From April 2007 the split of the total contribution rate between member and employer is set at individual employer level, subject to the employer paying no less than 50% of the total contribution rate. From 1 April 2010 the requirement for employers to pay at least 50% of the total contribution rate no longer applies.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period 1 April 2014 to 31 March 2015 Hightown paid contributions at the rate of 1% to 8.25% of active members' pensionable pay; member contributions varied between 1% and 11.55%.

As at 31 March 2015, there were 361 active members of the Scheme employed by Hightown 85 of whom were in the Defined Benefit sections. The annual pensionable payroll in respect of all members was £8,191,325. Hightown ceased to offer Defined Benefit section to new employees from November 2013 and offers membership of the Defined Contribution section to all new employees.

It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. The Scheme is a multi-employer scheme, where the assets are co-mingled for investment purposes, and benefits are paid out of total Scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The last formal valuation of the Scheme was performed as at 30 September 2011 by a professionally qualified Actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £2,062 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £1,035 million, equivalent to a past service funding level of 67.0%.

The Scheme Actuary is currently finalising the 2014 valuation but key provisional results have been confirmed. As at 30 September 2014, the market value of the Scheme's assets was £3,123 million. There was a shortfall of assets compared to the value of liabilities of £1,323 million, equivalent to a past service funding level of 70%.

The financial assumptions underlying the valuation as at 30 September 2011 were as follows:

Valuation Discount Rates:	% p.a.
Pre-Retirement	7.0
Non Pensioner Post Retirement	4.2
Pensioner Post Retirement	4.2
Pensionable Earnings Growth	2.5 per annum for 3 years, then 4.4
Price Inflation (RPI)	2.9
Pension Increases:	
Pre 88 GMP	0.0
Post 88 GMP	2.0
Excess Over GMP	2.4

Expenses for death-in-service insurance, administration and Pension Protection Fund (PPF) levy are included in the contribution rate.

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The valuation was carried out using the following demographic assumptions:

- Mortality pre-retirement – 41% SAPS S1 Male / Female All Pensioners (amounts), Year of Birth, CMI\_2009 projections with long term improvement rates of 1.5% p.a. for Males and 1.25% p.a. for Females.
- Mortality post retirement – 97% SAPS S1 Male / Female All Pensioners (amounts), Year of Birth, CMI\_2009 projections with long term improvement rates of 1.5% p.a. for Males and 1.25% p.a. for Females.

The long-term joint contribution rates required from April 2013 from employers and members to meet the cost of future benefit accrual were assessed at:

Benefit Structure	Long-term Joint Contribution Rate (% of pensionable salaries)
Final salary with a 1/60th accrual rate	19.4
Final salary with a 1/70th accrual rate	16.9
Career average revalued earnings (CARE) with a 1/60th accrual rate	18.1
Final salary with a 1/80th accrual rate	14.8
Career average revalued earnings (CARE) with a 1/80th accrual rate	14.0
Career average revalued earnings (CARE) with a 1/120th accrual rate	9.7

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a Recovery Plan setting out the steps to be taken to make up the shortfall.

Following consideration of the results of the actuarial valuation it was agreed that the shortfall of £1,035 million would be dealt with by the payment of deficit contributions as shown in the table below:

From 1 April 2013 to 30 September 2020	A cash amount (*) equivalent to 7.5% of Members' Earnings per annum (payable monthly and increasing by 4.7% per annum each 1 April)
From 1 October 2020 to 30 September 2023	A cash amount (*) equivalent to 3.1% of Members' Earnings per annum (payable monthly and increasing by 4.7% per annum each 1 April)
From 1 April 2013 to 30 September 2026	£30,640,000 per annum (payable monthly and increasing by 3% per annum each 1 April; first increase on 1 April 2014)

(\*) The contributions of 7.5% will be expressed in nominal pound terms (for each Employer), increasing each year in line with the Earnings growth assumption used in the 30 September 2008 valuation (i.e. 4.7% per annum). The contributions of 3.1% will be calculated by proportioning the nominal pound payment at the time of the change. Earnings at 30 September 2008 (for each Employer) will be used as the reference point for calculating these contributions.

These deficit contributions are in addition to the long-term joint contribution rates set out above.

Employers that participate in the Scheme on a non-contributory basis pay a joint contribution rate (i.e. a combined employer and employee rate).

Employers that have closed the defined benefit section of the Scheme to new entrants are required to pay an additional employer contribution loading of 2.5% to reflect the higher costs of a closed arrangement.

A small number of employers are required to contribute at a different rate to reflect the amortisation of a surplus or deficit on the transfer of assets and past service liabilities from another pension scheme into SHPS.

New employers that do not transfer any past service liabilities to the Scheme pay contributions at the ongoing future service contribution rate. This rate is reviewed at each valuation and new employers joining the Scheme between valuations up until 1 April 2010 do not contribute towards the deficit until two valuations have been completed after their date of joining. New employers joining the Scheme after 1 April 2010 will be liable for past service deficit contributions from the valuation following joining. Contribution rates are changed on the 1 April that falls 18 months after the valuation date.

A copy of the Recovery Plan, setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to The Pensions Regulator. The Regulator has the power under Part 3 of the Pensions

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Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or Recovery Plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the Scheme liabilities and hence impact on the Recovery Plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the Recovery Plan).

As a result of pension scheme legislation there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

Hightown has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Scheme, based on the financial position of the Scheme as at 30 September 2014. At this date the estimated employer debt for Hightown was £23,031,324 (30 September 2013: £17,943,595).

Deficit Recovery Plan Payments

During 2014/15 Hightown made payments into the pension fund under the above Deficit Recovery Plans as follows:

Scheme Valuation Date	Deficit Recovery Payments 2014/15 £	Deficit Recovery Payments due 2015/16 £	Annual Increase	Payments Cease
2008 Valuation	248,436	260,112	4.7%	30 September 2023
2011 Valuation	128,574	132,431	3.0%	30 September 2026
Total paid /due	377,010	392,543		

The total future sum payable by Hightown under the deficit recovery plan from 1 April 2015 is £3,815,298.



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**B. THE PENSIONS TRUST GROWTH PLAN**

Hightown participates in The Pensions Trust Growth Plan (the Plan). The Plan is funded and is not contracted-out of the State scheme. The Plan is a multi-employer pension plan.

Contributions paid into the Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Plan or by the purchase of an annuity.

The rules of the Plan allow for the declaration of bonuses and/or investment credits if this is within the financial capacity of the Plan assessed on a prudent basis. Bonuses/investment credits are not guaranteed and are declared at the discretion of the Plan's Trustee.

The Trustee commissions an actuarial valuation of the Plan every three years. The purpose of the actuarial valuation is to determine the funding position of the Plan by comparing the assets with the past service liabilities as at the valuation date. Asset values are calculated by reference to market levels. Accrued past service liabilities are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

The rules of the Plan give the Trustee the power to require employers to pay additional contributions in order to ensure that the statutory funding objective under the Pensions Act 2004 is met. The statutory funding objective is that a pension scheme should have sufficient assets to meet its past service liabilities, known as Technical Provisions.

If the actuarial valuation reveals a deficit, the Trustee will agree a recovery plan to eliminate the deficit over a specified period of time either by way of additional contributions from employers, investment returns or a combination of these.

The rules of the Plan state that the proportion of obligatory contributions to be borne by the member and the member's employer shall be determined by agreement between them. Such agreement shall require the employer to pay part of such contributions and may provide that the employer shall pay the whole of them.

Hightown paid no contributions into the fund during the accounting period as the only active members participate by making AVC contributions only into the fund under Series 4.

As at the balance sheet date there were 3 active members of the Plan employed by Hightown. Hightown continues to offer membership of the Plan under Series 4 to its employees for the purposes of AVC's only.

It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. The Plan is a multi-employer scheme, where the assets are co-mingled for investment purposes, and benefits are paid out of the Plan's total assets. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

The valuation results at 30 September 2011 were completed in 2012 and have been formalised. The valuation of the Plan was performed by a professionally qualified Actuary using the Projected Unit Method. The market value of the Plan's assets at the valuation date was £780 million and the Plan's Technical Provisions (i.e. past service liabilities) were £928 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £148 million, equivalent to a funding level of 84%.

The financial assumptions underlying the valuation as at 30 September 2011 were as follows:

Assumptions	% p.a.
Rate of return pre retirement	4.9
Rate of return post retirement:	
- Active/Deferred	4.2
- Pensioners	4.2
Bonuses on accrued benefits	0.0
Inflation: Retail Prices Index (RPI)	2.9
Inflation: Consumer Prices Index (CPI)	2.4

In determining the investment return assumptions the Trustee considered advice from the Scheme Actuary relating to the probability of achieving particular levels of investment return. The Trustee has incorporated an element of prudence into the pre and post retirement investment return assumptions; such that there is a 60%

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expectation that the return will be in excess of that assumed and a 40% chance that the return will be lower than that assumed over the next 10 years.

The Scheme Actuary is currently finalising the 2014 valuation and the results will be communicated in due course. At 30 September 2013, the market value of the Plan's assets was £772 million and the Plan's Technical Provisions (i.e. past service liabilities) was £927 million. The update, therefore, revealed a shortfall of assets compared with the value of liabilities of £155 million, equivalent to a funding level of 83%.

If an actuarial valuation reveals a shortfall of assets compared to liabilities, the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

The Pensions Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example, the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the Plan liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Plan (which would effectively amend the terms of the recovery plan). A copy of the recovery plan in respect of the September 2011 valuation was forwarded to The Pensions Regulator on 2 October 2012, as is required by legislation.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Plan and The Pensions Act 2011 has more recently altered the definition of Series 3 of the Growth Plan so that a liability arises to employers from membership of any Series except Series 4. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

The debt for the Plan as a whole is calculated by comparing the liabilities for the Plan (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Plan. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Plan's liability attributable to employment with the leaving employer compared to the total amount of the Plan's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Plan liabilities, Plan investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

When an employer withdraws from a multi-employer defined benefit pension scheme which is in deficit, the employer is required by law to pay its share of the deficit, calculated on a statutory basis (known as the buy-out basis). Due to a change in the definition of money purchase contained in the Pensions Act 2011 the calculation basis that applies to the Growth Plan will be amended to include Series 3 liabilities in the calculation of an employer's debt on withdrawal.

The Growth Plan is a "last man standing" multi-employer scheme. This means that if a withdrawing employer is unable to pay its debt on withdrawal the liability is shared amongst the remaining employers. The participating employers are therefore, jointly and severally liable for the deficit in the Growth Plan.

Hightown has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 30 September 2014. As of this date the estimated employer debt for Hightown was £74,325.

The 2011 valuation revealed a deficit of £148m (84.1% funded). Under the deficit recovery plan Hightown is required to pay £5,512 per annum rising by 3% per annum compound for a further 8 years from 1 April 2015. The total sum payable from 1 April 2015 is £49,016.

**C. BUCKINGHAMSHIRE COUNTY COUNCIL PENSION FUND**

**Plan characteristics and associated risks**

The LGPS is a defined benefit statutory Fund administered in accordance with the Local Government Pension Scheme Regulations 2013/14, is contracted out of the State Second Pension and benefits accrued up to 31 March 2015 are currently based on career average revalued salary and length of service on retirement.

The Administering Authority for the Fund is Buckinghamshire County Council. The Pension Fund Committee oversees the management of the Fund whilst the day to day fund administration is undertaken by a team within the Administering Authority. Where appropriate some functions are delegated to the Fund's professional advisers.

As Administering Authority to the Fund, Buckinghamshire County Council, after consultation with the Fund Actuary and other relevant parties, is responsible for the preparation and maintenance of the Funding Strategy Statement and the Statement of Investment Principles. These should be amended when appropriate based on the Fund's performance and funding.

Contributions are set every 3 years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 2016 and will set contributions for the period from 1 April 2017 to 31 March 2020. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

On an Employer's withdrawal from the plan, a cessation valuation will be carried out in accordance with Regulation 64 of the LGPS Regulations 2013 which will determine the termination contribution due by Hightown, on a set of assumptions deemed appropriate by the Fund Actuary.

In general, participating in a defined benefit pension scheme means that Employers are exposed to a number of risks:

- Investment risk. The Fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges.
- Interest rate risk. The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way.
- Inflation risk. All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.
- Longevity risk. In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

In addition, as many unrelated employers participate in the Buckinghamshire County Council Pension Fund, there is an orphan liability risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

All of the risks above may also benefit Employers e.g. higher than expected investment returns or employers leaving the Fund with excess assets which eventually get inherited by the remaining employers.

Hightown paid employer's contribution to the BCCPF during the year ended 31 March 2015 amounting to £5,291 (2014: £6,394) at a contribution rate of 20.1% (2014 17.8%) of pensionable salaries.

This is the third year that the actuarial FRS17 figures are included in the accounts. Prior to 31 March 2013, no FRS17 disclosure was made on the basis of immateriality. Historical comparatives have been shown back to 2013 only, owing to the lack of availability of complete comparatives for 2012.

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**Valuation Data**

Data Sources

In completing calculations for pension accounting purposes the following items of data from Buckinghamshire County Council have been used:

- The results of the valuation as at 31 March 2013 which was carried out for funding purposes.
- Estimated whole Fund income and expenditure items for the period to 31 March 2015.
- Estimated Fund returns based on Fund asset statements provided (or estimated where necessary) as at 31 March 2013, 31 March 2014 and 31 December 2014, Fund income and expenditure as noted above, and estimated market returns thereafter for the period to 31 March 2015.
- Estimated Fund income and expenditure in respect of Hightown for the period to 31 March 2015; and
- Details of any new early retirements for the period to 31 March 2015 that have been paid out on an unreduced basis, which are not anticipated in the normal employer service costs.

Although some of these data items have been estimated, they are not likely to have a material effect on the results of this report.

Employer Membership Statistics

The membership data at 31 March 2013 is as follows:

Member data	Number	Salaries/Pensions £'000	Average Age
Actives	2	43	59
Deferred Pensioners	2	15	49
Pensioners	4	15	62
Unfunded Pensioners	n/a	n/a	n/a

The service cost for the year ending 31 March 2015 is calculated using an estimate of the average total pensionable payroll during the year. The estimated average total pensionable payroll during the year is £28,000. The projected service cost for the year ending 31 March 2016 has been calculated assuming payroll remains at this level over the year.

Early Retirements

There were no early retirements for the year ending 31 March 2015.

Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2015 is estimated to be 12%. The actual return on Fund assets over the year may be different.

The estimated asset allocation for Hightown as at 31 March 2015 is as follows:

Asset Share – bid value	31 March 2015		31 March 2014	
	£'000	%	£'000	%
Gilts	72	12%	26	5%
UK Equities	316	55%	361	68%
Other bonds	75	13%	53	10%
Property	50	9%	42	8%
Cash	11	2%	5	1%
Alternative assets	9	1%	n/a	n/a
Hedge Funds	22	4%	21	4%
Absolute return portfolio	24	4%	21	4%
Total	579	100%	529	100%

Bid values have been estimated where necessary. The final asset allocation of the Fund assets as at 31 March 2015 is likely to be different from that shown due to estimation techniques. Based on the above, Hightown's share of the assets of the Fund is less than 1%.

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**Actuarial methods and assumptions**

Valuation Approach

To assess the value of Hightown's liabilities at 31 March 2015, the value of Hightown's liabilities calculated for the funding valuation as at 31 March 2013 have been rolled forward, using financial assumptions that comply with FRS17.

The full actuarial valuation involved projecting future cashflows to be paid from the Fund and placing a value on them. These cashflows include pensions currently being paid to members of the Fund as well as pensions (and lump sums) that may be payable in future to members of the Fund or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

It is not possible to assess the accuracy of the estimated liability as at 31 March 2015 without completing a full valuation. However, the approach of rolling forward the previous valuation data to 31 March 2015 should not introduce any material distortions in the results provided that the actual experience of Hightown and the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information received there appears to be no evidence that this approach is inappropriate.

To calculate the asset share we have rolled forward the assets allocated to Hightown at 31 March 2013 allowing for investment returns (estimated where necessary), contributions paid into, and estimated benefits paid from, the Fund by and in respect of Hightown and its employees.

Valuation Method

As required under FRS17, the projected unit method of valuation has been used to calculate the service cost.

Demographic/Statistical Assumptions

The demographic assumptions are consistent with those used for the funding valuation as at 31 March 2013. The post retirement mortality tables adopted were the S1PA tables with a 90% multiplier. These base tables are then projected using the CMI 2012 Model, allowing for a long term rate of improvement of 1.5% per annum.

The assumed life expectations from age 65 are:

Life expectancy from age 65 (years)		31 March 2015	31 March 2014
Retiring today	Males	23.7	23.6
	Females	26.1	26.0
Retiring in 20 years	Males	26.0	25.8
	Females	28.4	28.3

It has also been assumed that:

- Members will exchange half their commutable pension for cash at retirement
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age; and
- 10% of active members will take up the option under the new LGPS top pay 50% of contributions for 50% of benefits.

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Financial Assumptions

Assumptions as at:	31 March 2015		31 March 2014		31 March 2013	
	%pa	Real	%pa	Real	%pa	Real
RPI increases	3.2%	-	3.6%	-	3.3%	-
CPI increases	2.4%	(0.8%)	2.8%	(0.8%)	2.5%	(0.8%)
Salary increases	4.2%	1.0%	4.6%	1.0%	4.7%	1.4%
Pension increases	2.4%	(0.8%)	2.8%	(0.8%)	2.5%	(0.8%)
Discount rate	3.3%	0.1%	4.5%	0.9%	4.0%	0.7%

These assumptions are set with reference to market conditions at 31 March 2015. The estimated duration of the Employer's liabilities is 19 years.

The discount rate is the annualised yield at the 19 year point on the Merrill Lynch AA rated corporate bond yield curve which has been chosen to meet the requirements of FRS17 and with consideration of the duration of the Employer's liabilities. This approach is consistent with the approach used at the last accounting date.

The Retail Prices Index (RPI) increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England, (BoE) specifically the 19 year point on the BoE spot inflation curve. The RPI assumption is therefore 3.2%pa. This approach is consistent with the approach used at the last accounting date.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, it is assumed that CPI will be 0.8% below RPI i.e. 2.4%. This is believed to be a reasonable estimate for the future differences in the indices, based on the different calculation methods.

Salary increases are then assumed to increase at 1.8% per annum above CPI in addition to a promotional scale. However a short-term overlay has been used from 31 March 2013 to 31 March 2015 for salaries to rise in line with CPI.

Expected Return On Assets

For accounting years beginning on or after 1 January 2015, the expected return and the interest cost will be replaced with a single net interest cost, which will effectively set the expected return equal to the discount rate.

Therefore no expected return assumption is required for the year to March 2016.

For the year to 31 March 2015, the expected return was 6.4% per annum, which has been used to determine the profit and loss charge for the year ended 31 March 2015.

Past Service Costs/Gains, Curtailments and Settlements.

Past service costs/gains arise as a result of introduction or withdrawal of, or changes to, member benefits. There have been no additional benefits granted over the year ending 31 March 2015.

No employees were permitted to take unreduced early retirement.

There were no liabilities settled at a cost materially different to the accounting reserve during the year.

**Statement of Financial Position**

Net pension assets as at	31 March 2015 £'000	31 March 2014 £'000	31 March 2013 £'000
Present value of the defined benefit obligation	907	769	827
Fair value of Fund assets (bid value)	579	529	574
Deficit	328	240	253

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**Statement of profit or loss for the year**

<u>The amounts recognised in the income and expenditure statement</u>	Year to 31 March 2015 £'000	Period to 31 March 2014 £'000
Current service cost	9	10
Interest on obligation	34	32
Expected return on Scheme assets	(33)	(32)
<b>Total loss</b>	<b>10</b>	<b>10</b>
Actual return on Fund assets	64	36

**Asset and benefit obligation reconciliation**

<u>Reconciliation of opening &amp; closing balances of the present value of the defined benefit obligation</u>	Year to 31 March 2015 £'000	Period to 31 March 2014 £'000
Opening defined benefit obligation	769	827
Current Service cost	9	10
Interest cost	34	32
Actuarial losses (gains)	114	(43)
Estimated benefits paid net of transfers in	(21)	(59)
Contributions by Fund participants	2	2
<b>Closing Defined Benefit obligation</b>	<b>907</b>	<b>769</b>

<u>Reconciliation of opening and closing balances of the fair value of Fund assets</u>	Year to 31 March 2015 £'000	Period to 31 March 2014 £'000
Opening fair value of Fund assets	529	574
Expected return on Fund assets	33	32
Actuarial gains (losses)	31	(27)
Contributions paid by employer included unfunded	5	6
Contributions by Fund participants	2	2
Estimated benefits paid net of transfers in and including unfunded	(21)	(59)
<b>Fair value of Fund assets at end of year</b>	<b>579</b>	<b>529</b>

<u>Reconciliation of opening and closing surplus</u>	Year to 31 March 2015 £'000	Year to 31 March 2014 £'000
Deficit at beginning of the year	(240)	(253)
Current Service Cost	(9)	(10)
Employer contributions	5	6
Other finance income	(1)	-
Actuarial gains (losses)	(83)	17
<b>Deficit at end of the year</b>	<b>(328)</b>	<b>(240)</b>

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**Sensitivity Analysis**

This table sets out the impact of a small change in the assumptions.

Adjustment to discount rate	+0.1%	0.0%	-0.1%
	£'000	£'000	£'000
Present value of total obligation	891	907	924
Projected service cost	10	10	10
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
	£'000	£'000	£'000
Present value of total obligation	907	907	907
Projected service cost	10	10	10
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
	£'000	£'000	£'000
Present value of total obligation	924	907	890
Projected service cost	10	10	10
Adjustment to mortality age rating assumption	+1 year	None	-1 year
	£'000	£'000	£'000
Present value of total obligation	876	907	939
Projected service cost	10	10	10

**Amounts For The Current And Previous Periods**

<u>Amounts for the current and previous periods</u>	Year to 31 March 2015 £'000	Year to 31 March 2014 £'000	Period to 31 March 2013 £'000
Defined Benefit obligation	(907)	(769)	(827)
Fund assets	579	529	574
Deficit	(328)	(240)	(253)
Experience adjustments on Fund liabilities	-	68	-
Percentage of liabilities	-	8.8%	-
Experience adjustments on Fund assets	31	(27)	9
Percentage of assets	5.4%	(5.0%)	1.6%
Cumulative actuarial gains and (losses)	(179)	(96)	(113)



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**Statement of Recognised Surpluses and Deficits**

<u>Statement of total recognised surpluses and deficits (STRSD)</u>	Year to 31 March 2015 £'000	Year to 31 March 2014 £'000
Actual return less expected return on Fund assets	31	4
Experience gains and losses	-	38
Changes in assumptions underlying the present value of the Fund liabilities	(114)	(25)
Actuarial gains (losses) in pension scheme	(83)	17
Actuarial gains (losses) recognised in STRSD	(83)	17

**Projected Pension Expenses For The Year To 31 March 2016**

<u>Projections for the year to 31 March 2016</u>	Year to 31 March 2016 £'000
Service cost	10
Net interest on the defined liability	11
Total loss	21
Employer contributions	6

**D. NHS PENSION SCHEME**

There is 1 active member in the NHS scheme who transferred to Hightown under TUPE arrangements when services were transferred to Hightown. The NHS scheme is an unfunded Government scheme and no pension fund deficit liability arises to Hightown.

