



Hightown Housing Association Limited

**Report & Financial Statements
For The Year Ended
31 March 2016**

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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, EXECUTIVE DIRECTORS, ADVISERS AND BANKERS

Board:

Chair

Tony Keen

Vice Chairs

Oliver Burns (from 17/09/2015)
James Steel (from 17/09/2015)
Mary Pedlow (until 16/09/2015)
Donald Bell (until 16/09/2015)

Other Elected Members

Claire Blunt (from 17/09/2015)
Richard Calvert
Philip Day (until 25/07/2016)
Cliff Hawkins
Steve Johnson (from 17/09/2015)
Frances Kneller
Bob Macnaughton (from 17/09/2015)
Althea Mitcham
Andrew Rose

Co-opted Members under rule D5

Richard Calvert (from 16/04/2015 to 16/09/2015)
Brian Ellis
Carol Green (until 07/05/2015)
Steve Johnson (from 16/04/2015 to 16/09/2015)
Bob Macnaughton (from 16/04/2015 to 16/09/2015)

Executive Directors:

Chief Executive

David Bogle

Director of Financial Services & Company

David Skinner

Secretary

Director of Development

George Edkins

Acting Director of Care & Supported Housing

Dave Black (from 09/12/2015)

Director of Care & Supported Housing

Sheelagh Jones (until 11/03/2016)

Director of Operations

Susan Wallis

Director of Business Transformation

Mark Carter

Property & Commercial Director

Linda Middleton (until 04/11/2015)

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	Pennington Manches LLP
Minerva House	9400 Garsington Road
5 Montague Close	Oxford Business Park
London, SE1 9BB	Oxford, OX4 2HN

Principal Bankers:

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

Chairman's statement

During a period of considerable political uncertainty and change, we are pleased to report that Hightown has had another successful and productive year in 2015/16.

Highlights include:

- Delivering 343 new affordable homes
- Winning two major social care contracts in Buckinghamshire
- Achieving a £14 million financial surplus for investment in new homes and services
- Continual improvement in Hightown's key performance indicators for service delivery
- Reaching the milestone of 5,000 homes in management

The new government elected in May 2015 introduced a number of measures that are likely to impact substantially on housing associations. These included ending the ten year CPI plus 1% rent guarantee and replacing it with a 1% rent cut for four years from April 2016 and introducing the Right to Buy for housing association tenants.

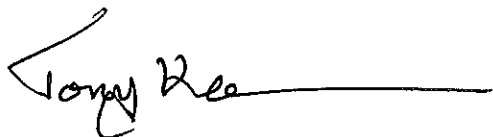
We rapidly reviewed our business plan in the autumn in the light of the projected rent cuts. Despite the overall reduction in our forecast future income, we concluded that we could accommodate the rent cuts and still maintain a significant investment programme, through careful control of costs and becoming more efficient as we grow, in the short term.

Until we see the details of the voluntary Right to Buy arrangements that the sector is negotiating with Government, it is difficult to evaluate the likely impact for Hightown.

But, of course, there remains a very strong need and demand for affordable rented housing in Hertfordshire and Buckinghamshire where we operate and we hope that some form of subsidy will be available from government, from local authorities, from Right to Buy receipts, through S.106 agreements etc. to allow us to continue to build affordable homes for rent in the medium and longer term.

Hightown is a developer of new affordable homes and a social landlord. But it is also a provider of homes and support services for people who are vulnerable or disabled. With the continued support of County Councils, local Councils and communities, we anticipate growing these services in the year ahead.

We are grateful to our partners and stakeholders in local authorities and government, to our funders, to our consultants and contractors and to our staff and voluntary Board members for their support during 2015/16 and look forward with confidence to the year ahead.



Tony Keen
Chairman
11 August 2016

Strategic Report

The Board presents its report and audited financial statements for the year ended 31 March 2016.

a) Objectives and strategies to achieve those objectives

The Board's objectives are contained in the Strategic Plan Objectives 2016-2019 and are as follows:

Property Development

- Develop at least 350 new affordable homes a year and maintain a two year forward supply of at least 350 homes a year
- Develop each year an average of 150 of those new affordable homes on Hightown sites
- Achieve development outcomes in line with or in excess of appraisal parameters
- Achieve at least 80% customer satisfaction with new homes

Financial Viability

- Achieve an annual return on investment of at least 3.5%
- Maintain gearing at less than 60%
- Maintain interest cover at more than 140%
- Ensure not less than 40% of overall funding is at fixed rates
- Ensure sufficient loan facilities are in place to cover the next 12 months' anticipated spend and sufficient properties have been charged to cover the next 6 months' anticipated spend
- Achieve an average sales period of 4.5 months for new shared ownership properties

Asset Management

- Achieve an Energy Performance Certificate minimum rating of Band D for all homes
- Raise £1 million each year from the disposal of underperforming assets

Resident Services

- Achieve upper quartile performance for resident satisfaction with overall service provided.
- Reduce management costs per rented unit each year during the four year period of the minus 1% rent reductions
- Reduce the basic fee for the standard management service to our shared owners and leaseholders and introduce charges for any additional services requested or required
- Increase interaction with general needs residents through the 'MyHightown' portal by 15% a year

Care and Supported Housing

- Deliver a 5% annual surplus on our Care & Supported Housing (C&SH) activities each year
- Maintain C&SH activities at between 30% and 50% of Hightown's overall turnover
- Reduce use of agency staff by 20% a year
- Devise and deliver a system that measures outturns for service users
- Extend services to older people
- Develop a large care home to replace small care homes

Corporate

- Maintain a G1/V1 rating from HCA
- With regard to the cost v performance matrix, position all Hightown Key Performance Indicators in either the low cost/high quality quartile or in the high performance or low cost portions of the matrix
- Improve staff satisfaction levels
- Commission each year an external audit to confirm that appropriate IT security practices and disaster recovery provisions are in place
- Purchase a site for a retirement village

b) Business Model

Hightown Housing Association Limited ('the Association' / "Hightown") is a not-for-profit housing association governed by a voluntary Board providing benefit to the community. 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.

Hightown is a single legal entity – there are no subsidiary companies.

Following a Special General Meeting of Hightown members, the Financial Conduct Authority approved a name change for the Association on 18 June 2015 from Hightown Praetorian and Churches Housing Association Limited to Hightown Housing Association Limited.

c) Development and performance throughout the financial year and position at the end of the financial year

Turnover in the year was £50.7 million (2015: £46.2 million). Underlying rental income increased and sales of new, first tranche shared ownership properties totalled £7.7 million (2015: £6.6 million).

The Association generated a surplus of income of £14.3 million (2015: £12.6 million) for investment in new affordable homes. At the year-end the Association's reserves stood at £82.9 million (2015: £68.6 million).

During the year, we completed 343 new affordable homes consisting of 275 homes for rent and 68 homes for shared ownership.

The Association spent £49.9 million (2015: £52.3 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 5,076 homes in management (2015: 4,723 homes). An analysis of homes in management is shown in note 5 of the 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 3.76% to 3.11%.

Recognition of future pension fund deficit recovery payments.

This year sees the introduction of Financial Reporting Standard 102 (FRS 102). The Association has an obligation to make future payments to the Social Housing Pension Fund (SHPS) under a number of deficit recovery plans.

Under previous UK GAAP, the value of these future payments was not recognised in the balance sheet, but instead appeared by way of a note to the financial statements. As payments were made each year, so they were recorded as operating costs.

Under FRS 102, the Statement of Financial Position recognises the value of these payments as a contractual liability, discounted. The value of these discounted future payments at 31 March 2016 was £4.6 million (2015: £3.5 million) as set out in note 22 of the financial statements.

The SHPS is revalued on a triennial basis. Following the 2014 revaluation additional payments were agreed under the deficit recovery plan and the 31 March 2016 year end recognises the increase in the value of this liability in the Statement of Financial Position. The operating costs within the Statement of Comprehensive Income have therefore increased in 2015/16 by £1.5 million to reflect the increase in the deficit payments. This process will continue in future years as revaluations and changes to the deficit payments occur.

This 3 year cycle will introduce increased volatility in operating costs in future years. The next revaluation of SHPS is due 30 September 2017. If the SHPS Trustees determine that additional deficit recovery payments are then required, this will produce additional operating costs in 2018/19.

In calculating the value of the future payments in the Statement of Financial Position, a discount factor is applied to the payments (2016 2.06%; 2015 1.92%). In each financial year, in addition to the deficit payments made, any adjustment to the discount rate applied in measuring the liability produces a movement in value which is recognised in the Statement of Comprehensive Income. In 2016 this reduced costs by £28,000 (2015: £169,000 increased cost).

Further pensions information is contained within note 30.

d) Future prospects

Hightown is well placed to continue to grow in future years. The development programme is currently forecast to deliver 380 new affordable homes in 2016/17 and in excess of 400 homes in 2017/18.

We believe this level of growth should allow Hightown to defray the effects of the government 1% rent reductions (2016-2020) through the increased efficiency arising from our larger asset base in order to avoid cutting staff or services.

Turnover in Hightown's Care and Supported Housing will rise considerably in 2016/17 mainly as a result of the transfer of care and support contracts from another provider in Buckinghamshire and Berkshire by around £7 million on an annualised basis from 1 July 2016.

e) Principal risks and uncertainties

Treasury Management Policy

The Association closely monitors its forward development programme against available financing facilities and seeks at all times to maintain committed facilities sufficient to cover at least 12 months' anticipated forward expenditure after allowing for anticipated income and receipts.

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 2016 was 38.7% (2015: 31.9%). The Association has no free standing derivatives and no exposure to margin calls on such instruments.

On April 30, 2015, the Association drew down £27 million by way of loan being the proceeds of a Retail Charity Bond issued by Retail Charity Bond plc 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 rates, the Association has been able to benefit from continued low interest rates. The Association remains able to fix the interest rate payable within existing loan facilities if required by changing market conditions and has fixed interest rates on £30 million of borrowings since the year end. The Treasury Management Policy and practice is kept under review by the Finance, Risk & Audit Committee and the Board. Since year end the Association has changed the treasury policy to a minimum level of fixed rate debt of 40%.

Financial Instruments

The Association has reviewed its loan agreements and classified all loans as 'Basic' financial instruments. The Association considers any fixed rate debt with two-way early redemption indemnity clauses to be held for the long term and non-speculative. In addition the commercial substance of the transaction is neutral to the lender such that should a prepayment event occur the full principal and interest will be due and no economic benefit will accrue to the Association. This satisfies the 'Basic' requirements as set out in Paragraph 11.9 of FRS 102.

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.

Rent Reductions

The Board believes that the reduction in costs per unit resulting from the growth in the number of Hightown's homes under management should enable it to defray the Government's 1% rent reductions.

Voluntary Right to Buy

The Board believes that, subject to more information about the operation of the voluntary Right to Buy, the level of take up amongst Hightown tenants is likely to be low. Proceeds from any sales that do occur can be used to fund the ongoing development programme thus replacing the lost units. Property price inflation in Hertfordshire and Buckinghamshire in recent years means that any negative financial effects for the Association arising from this policy are, in the Board's opinion, likely to be limited.

f) Analysis using financial and non-financial key performance indicators

Hightown's financial performance was excellent in 2015/16. Annual turnover increased by 9.7% to £50.7 million and the surplus for the year increased by 12.8% to £14.3 million. This is after posting the movement in the Social Housing Pension Fund deficit payments of £1.0 million and other changes resulting from the introduction of Financial Reporting Standard 102 as set out in note 29. The surplus is invested in new affordable homes and reduces the borrowing requirement for Hightown's development programme.

We spent £49.9 million during the year on building new affordable homes in Hertfordshire and Buckinghamshire. The total number of homes under ownership/management increased by 369 to 5,037 and we were pleased to let our 5,000th home in February at our Park Lane development in central Hemel Hempstead. Our 8% annual rate of growth in properties owned/managed is one of the highest in the sector.

We were delighted to hear in October 2015 that we had retained our Home Options care and support contract with Buckinghamshire County Council. At the same time, we heard that we had won a new contract ('Homes for Living') to provide support to 45 residents with learning disabilities in the county. The Homes for Living contract began in March 2016 and involved the transfer of 84 staff from the previous provider, Radian Support Ltd. We expect further growth in our Care and Supported Housing activities in 2016/17.

Critical to Hightown's continuing success as the organisation grows is our ability to recruit, train and develop excellent staff. Staff numbers increased during the year from 400 to 488. Two performance bonuses were paid during the year.

As part of Hightown's commitment to promoting the Five Ways of Wellbeing amongst our staff and in our Care and Supported Housing activities, a staff gym was opened on the top floor at our central office, Hightown House.

We maintained our excellent performance as a social landlord during the year. We are members of the HouseMark benchmarking club which compares our performance with a large number of other similar housing associations.

Overall, these comparisons show that we provide excellent value for money across a range of services including management and maintenance, overheads and lettings. Our performance for the average time taken to let a void property in 2015/16 was 14 days, in the top quartile for lettings performance amongst our peers. Our rent arrears reduced in the year from 3.76% to 3.11%. Satisfaction with our repairs performance remains high at 92%.

We sold 67 new shared ownership properties during the year and ended the year with 24 shared ownership homes which had been handed over but not yet sold. Most of these were already reserved and going through the sales process.

During the year our borrowings increased by £27.5 million (net of repayments) to £258.9 million representing a year end net gearing ratio of 52.1% (2015: 52.2%) and our interest cover improved slightly to 2.8 times (2015: 2.6 times). These figures remain well within our covenanted levels, typically 65% gearing and 1.15 times interest cover. The weighted average interest rate paid on our loans during the year was 3.37% (2015: 3.14%).

Following the year end and an In depth Assessment by the Homes and Communities Agency (HCA), the Association was rated G1 / V1, the HCA's highest governance and financial viability categories.

Further information on performance is contained in the Value for Money Self-Assessment later in the report.

g) Governance

The Board

The Board currently comprises eleven elected non-executive members and one co-optee. The Board is the governing body of the Association, sets the strategic direction of the Association and monitors performance. The Board meets, formally, approximately 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.

Following the launch of the new NHF Code of Governance in early 2015, Hightown has carried out work to ensure that it complies with the new requirements in the Code. Since the year end, the Board membership has reduced to twelve, the maximum permitted in the Code.

Three new Board members were recruited in April 2015 (Richard Calvert, Bob Macnaughton and Steve Johnson) who served as co-opted members until they were elected on to the Board at the Annual General Meeting in September 2015.

Mary Pedlow and Donald Bell retired as Board members in September 2015 having served for nine years. Mary Pedlow served as Chair of the Housing Scrutiny Committee and Donald Bell as Chair of the Finance Risk and Audit Committee. The Board thanks them for their major contribution to Hightown's development and achievements.

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 work to ensure compliance with the new NHF Code of Governance and 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 the policy and processes for allocating and letting Hightown's new and existing homes; considered anti-social behaviour policies and legislative changes; reviewed maintenance budgets and expenditure; reviewed the rent setting policy and made recommendations to the Board; and reviewed performance reports including reports through the HouseMark service which benchmarked Hightown's performance against that of other similar organisations and surveys 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 Hightown care and supported housing services, reviewed the results of surveys of residents and service users; considered the tender submissions to Buckinghamshire County Council and other commissioners; and considered future new building projects for care and supported housing schemes. It also received presentations from Managers about Hightown's existing services and on future legislative and commissioning changes.

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 new affordable housing developments before they went to the Board; reviewed the financial appraisal parameters for new schemes and the outturn figures for completed schemes; reviewed satisfaction reports from residents; reviewed the list of approved consultants and contractors and reviewed the new development appraisal toolkit.

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 received reports on tenders and plans to raise additional debt finance. 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.

Hightown Housing Association Limited
BOARD REPORT
For the year ended 31 March 2016

Committee Memberships

The current committee memberships are as follows:

Governance

Tony Keen (Chair)
Oliver Burns
Cliff Hawkins
Althea Mitcham
Andrew Rose
James Steel

Housing Scrutiny

Andrew Rose (Chair)
Richard Calvert
Frances Kneller
Althea Mitcham
James Steel

Residents:

Philip Day
Kathryn Hallett
Anna Maria Peel
Ragini Shah

Care and Supported Housing

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

Development

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

Finance, Risk and Audit

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

Remuneration

Oliver Burns (Chair)
Cliff Hawkins
Tony Keen
Althea Mitcham
Andrew Rose
James Steel

Residents:

Philip Day
Ron Symons

Resident:

Kathryn Hallett

Executive Directors

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 2016, the Association had 488 (2015: 400) 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. The aim is to ensure that 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.

Compliance with Governance and Financial Viability Standard

The Association has carried out an assessment against the requirements of the Homes and Communities Agency's Governance and Financial Viability Standards. The Association complies with all the requirements of the Standard, following the reduction in Board membership to twelve after the year end.

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*.

Anti-Slavery and Human Trafficking Statement

The Modern Slavery 2015 Act requires companies with a turnover of £36 million or more to publish an 'anti-slavery and human trafficking statement' setting out the steps it has taken to ensure that slavery and human trafficking is not taking place in its supply chains or within its business and ensure that internal processes are appropriate to prevent slavery and trafficking'.

The following statement gives a concise overview of the steps Hightown is taking to ensure that slavery and trafficking is not part of its business practices, or those of its contractors and suppliers. This statement relates to actions and activities during the financial year 1 April 2015 to 31 March 2016.

Hightown Statement

Hightown expects its suppliers to value people, and by doing so not to use slave labour or engage in human trafficking. Suppliers must comply fully with all the applicable legislation including, but not limited to that relating to: slavery, human trafficking, forced labour, immigration, health and safety, and the environment.

Hightown requires all new suppliers to confirm by submitting their tender or by a short statement that they are not in breach of the Act.

Existing repairs contractors will be asked during 2016 to confirm that they are not in breach of the Act. Our new tender documentation will include a provision for the mandatory exclusion of any bidder who has been convicted of an offence under sections 1, 2 or 4 of the Modern Slavery Act 2015.

We will seek to impose in new contracts that we enter into, provisions for termination in the event of a modern slavery or human trafficking compliance breach by the supplier.

Compliance

Hightown may instruct its agents to conduct audits of key suppliers where there are suspicions that there may be non-compliance with the above legislation. Should a breach be identified, Hightown may provide the supplier with an opportunity to rectify the problem and implement a corrective action plan. Hightown may, though, remove such suppliers from its supply chain, should such concerns be identified.

Training

Hightown's internal processes for Recruitment and Procurement will address compliance with The Modern Slavery Act 2015. Recruitment staff will receive appropriate training to enable them to conduct checks on documents such as passports and other forms of identification, to avoid being party to trafficking.

All staff will have access to E Learning covering Anti-Slavery and Human Trafficking. Staff can also visit the Modern Slavery website www.modernslavery.co.uk to gain further information about the types of slavery, signs to spot, online or telephone reporting and referral processes for victims.

Relevant policies

Hightown operates the following policies that describe its approach to the identification of modern slavery risks and steps to be taken to prevent slavery and human trafficking in its business practices, or those of our contractors and suppliers:

- **Whistleblowing Policy** – Hightown encourages all of its workers to report any concerns relating to Hightown or its supply chains and has processes in place to allow this.
- **Procurement code of conduct** – Hightown is committed to ensuring that its suppliers adhere to the highest standards of ethics. Suppliers are required to demonstrate that they provide safe working conditions where necessary, treat workers with dignity and respect, and act ethically and within the law in their use of labour.
- **Recruitment policy** – Hightown uses only specified, reputable employment agencies to source labour and always verifies the practices of any new agency it is using before accepting workers from that agency.

Hightown's Whistleblowing policy is designed to make it easy for workers to make disclosures, without fear of discrimination.

Hightown works closely with other agencies and will report any suspected incidences of slavery or trafficking to the relevant authorities.

Board approval

This statement has been approved by Hightown's Board and will be reviewed annually.

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 2015 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 and theft register annually. A copy of the fraud and theft register is also provided to the Regulator, the Homes & Communities Agency.

Effects Of Material Estimates And Judgements Upon Performance

The preparation of these financial statements requires management to make significant judgements and estimates. The items where management judgements and estimates have been made are shown in note 2 of these financial statements. Further information on the most significant judgements are as follows:

- **Capitalisation of property development costs**
Judgement is required to identify the point in a development scheme project where the scheme is more likely to go ahead than not to continue thus allowing capitalisation of the associated development costs. After capitalisation, management monitor the asset and consider whether any changes indicate that any impairment has arisen. During the year the amount capitalised for development spend was £49.9 million (2015: £52.3million).

Information about estimates and assumptions that may have the most significant effect on recognition and measurement of assets, liabilities, income and expenditure is as below. Actual results may be substantially different.

- **Useful lives of depreciable assets**
Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to the potential technological obsolescence that may change the utility of IT equipment and software, changes to decent homes standards which may require more frequent replacement of key components and changes to the ability to let the property may reduce the economic life of the property. The total of accumulated depreciation at 31 March 2016 was £34.4 million (2015: £23.0 million).

Approval

This Strategic Report was approved by order of the Board on 11 August 2016.



David Skinner
Secretary

Value for Money Self-Assessment

1. Summary

Hightown aims to build new homes and to provide excellent housing and support services that are good value for money. We are cost effective without compromising standards or safety. Hightown's Value for Money Self-Assessment for 2015/16 demonstrates that we are continuing to achieve Value for Money (VfM) in service delivery and in using our assets and income to build new homes, so meeting our key business objectives.

Hightown's Board considers that true efficiency and value for money is best demonstrated through maximising the use of Hightown's resources to deliver a significant number of new homes to help meet the high demand for affordable housing in our area of operation; an area where property and construction costs and demand are influenced by our proximity to London.

This assessment highlights VfM achievements in 2015/16 and our plans for 2016/17 and beyond. It shows how we are meeting the requirements of the Regulatory Standard set by the Homes & Communities Agency (HCA). This report has been approved by our involved residents who have added explanations of terms and highlighted matters that are important to them in the Preface to this document, available on the Hightown website.

From April 2016 the Government has required social housing providers to reduce general needs rents by 1% for each of the next four years; even so Hightown's Board remain focused on the delivery of as many new homes as our assets and income will allow. The Board want Hightown to continue to play its part in meeting the considerable national demand for more homes.

Hightown has modelled the effect of the rent reductions on its business plan. Although there is a reduction in the expected surplus over the four year period, by carefully managing costs as our income grows from rents for our new homes, the Board believes Hightown will be able to deliver its investment plans and maintain a strong surplus.

Having an ambitious development programme for the size of our organisation has been the Board's strategy for 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. Our current development programme continues to be significant; the Board's strategy is to increase our number of homes each year by at least 350; around 6% growth.

Hightown's significant planned growth means that year-on-year operating costs are very unlikely to reduce in absolute terms, so Hightown will seek to 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 19%. The Board also wants to improve the quality of services provided whilst keeping costs down.

The Board's development strategy 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. As part of our asset management strategy we have disposed of 8 homes this year to ensure that money is invested wisely in decent, efficient, well-managed homes for our residents.

Hightown has been a provider of housing and support to vulnerable and disadvantaged people for almost fifty years. Currently, the service operates in Hertfordshire and Buckinghamshire and has an annual turnover of c. £19 million - which is about one third of the Association's total turnover. This part of our business operates in a highly competitive market and has to continually demonstrate to commissioners that our services represent excellent value for money. The need to keep costs down in all parts of the business to maintain the viability of Hightown's considerable supported housing offer has driven the VfM culture throughout the whole Association.

With a focus on excellent quality services we have taken the decision, where necessary, to withdraw from contracts where we do not feel able to continue to provide such services within the budget available to the commissioners.

Hightown's recent success in retaining the 'Home Options' contract and winning the new 'Homes for Living' contract in Buckinghamshire for people with learning disabilities, has shown that we can be competitive in both quality and costs. The Home Options contract was originally awarded to us in 2006 and included the development of 87 new homes for people with mental health problems, replacing outdated local authority provision. Our success in retaining this support contract following a re-tendering exercise demonstrates that commissioners have confidence in our ability to provide high quality services at competitive prices.

Key points to note:

- The Board's efficiency aims for the coming year and beyond are that Hightown should 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.
- Hightown has the lowest central overheads cost per property of all 53 organisations in its HouseMark benchmarking peer group.
- Hightown's comparative performance on costs over the last three years has been top quartile for housing management, estate services, responsive and major repairs.
- Costs per property have reduced by 19% over the last 4 years.
- Hightown is delivering over 300 new homes each year – 343 in 2015/16.
- Hightown has low rent arrears; fast letting times and high tenant satisfaction levels.
- Hightown continues to maintain reasonable financial headroom and to operate well within its loan covenants while delivering its objectives.
- Hightown is led by a Board of volunteers with current and past experience of working in both the public and commercial sectors with significant responsibility for delivering value for money in their own organisations.
- Hightown's directorates have been restructured during 2015 so that the number of Director posts has been reduced.
- The creation of a Business Transformation Team has brought a commercial focus to drive more efficient ways of working, improved performance, reduction in costs, and increased income.
- To keep staff costs down there will be no cost of living increase for staff salaries for the year 2016/17 and increases in pension contributions to address pension fund deficits are being met by the staff affected rather than Hightown.
- The past year has seen some channel shifting for digital access to services, which has the potential to reduce costs. Residents have been encouraged to use the 24/7 MyHightown portal for self-service on rent accounts, repairs reporting and other housing management matters; current users number over 800.
- Active asset management is demonstrated by the disposal of 8 underperforming properties in 2015/16.
- To ensure consistency of service and to eliminate duplication, workflows and mobile working applications have been implemented and are being rolled out further.
- A new contract was won to provide support to over 45 people with learning disabilities (Homes for Living).
- Efficiencies were found which enabled Hightown to offer a reduced price to the commissioners for a support contract for over 70 people with mental health issues.
- Loss making schemes, where income streams were insufficient to support the service, were wound up, with the commissioners agreement, including a small scheme providing support to older people with learning disabilities who require nursing care, and a scheme supporting those with mental health issues back into work.

2. 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 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 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 trends in Hightown's performance over three years and performance 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 VfM 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 performance and action plans to improve services and Value for Money.

3. 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. For key customer-facing contracts, residents are involved in interviewing contractors as part of the tendering process, helping us to assess quality as well as the cost of the service.

The way we procure our day-to-day repairs service means that average works order costs per property are low 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. Hightown's Residents Panel commended Hightown's approach to procuring repairs at its January 2016 meeting and Hightown was ranked number 1 in its peer group for First Time Fix in the HouseMark benchmarking statistics for 2014/15 (the most recent data available).

Hightown is a member 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, Fusion 21 and the Crown Commercial Service. 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. Residents are actively involved each year through the wide range of ways they can input into the management of their homes. Feedback from surveys and from residents involved in the tendering process; from those who undertake on-site inspections, 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 2015/16 is work undertaken to improve our approach to dealing with anti-social behaviour.

3.3 Partnership working

We work closely with local authorities to understand their priorities and deliver Value for Money services to meet their communities' needs. Some examples are: the regeneration of a town centre and an industrial estate where Hightown is helping to fulfil the local authority's ambitions to create new vibrant residential areas; the transformation of unused office blocks into much needed residential accommodation to meet local housing needs, and the provision of temporary accommodation for homeless people, in particular to address the numbers of street homeless in one town centre.

Working in partnership with other organisations means costs can be shared, for example on training of staff and the provision of community development and community safety initiatives.

We purchased a development site in partnership with a builder/developer, and being the landowner of the whole site, were able to secure, at a very good price, the affordable housing element of eight new homes at a social rent, a level of rent that is now increasingly rare and much welcomed by the local authority.

3.4 Making the best use of our staff

Due to our consistent growth we keep staffing levels and structures under continuous review. During 2015/16 a major restructuring took place of internal support services, including IT, Communications and Business Transformation as well as a key front line services to homeowners– this resulted in the deletion of a Director level post and 2 lower grade management redundancies.

We have been investing in technological solutions to help front-line staff work more efficiently so that best use is made of their time and staffing levels can be kept at the minimum number needed to deliver excellent services with the growth in the number of homes and services we provide. We make sure that tasks are undertaken at the right pay scale so that higher paid staff carry out more skilled work and costs support the ongoing viability of our care and supported housing scheme. We are gradually channel shifting some services, such as repairs reporting, provision of rent and service charge account statements and change of personal details, to digital access and now have over 800 residents accessing these services through the new residents portal, MyHightown.

Hightown embeds VfM in the day to day work of the staff teams through departmental operating plans which set 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 eight years staff have recorded their savings in an "Efficiency Log" on the Intranet. During 2015/16 a 'Waste of Money' log was also introduced and this attracted over 30 suggestions for areas to be investigated that may lead to future savings and more efficient ways of working. Several changes have already been implemented or are underway. This approach follows Kaizen principles of continuous improvement, which recognises that small incremental changes in processes accumulated over time improve efficiency and quality, that everyone should be involved and that big results can be achieved from small changes.

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 2015/16 include:

- We attracted Social Housing Grant of £1.83 million from the HCA and £1.87 million from Local Authorities, to build new homes
- We received a similar level of revenue grants as last year, approximately £12 million, to provide support for a wide range of people including those with learning disabilities and mental health problems
- We have increased income and reduced costs in an existing supported housing scheme by providing two extra flats - partly by extending the building and partly by including surplus common parts. In so doing rental income was increased, the service costs for the common parts were reduced and charges are now apportioned over more homes bringing costs down for residents.

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- We continue to receive renewable heat incentive grant for having carried out energy efficiency improvements to our homes.

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.

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 anti-social behaviour service. In 2015/16 a specialist independent consultant looked at service charges for home owners. Recommendations are considered by the Committee and they agree any improvement action plan.

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

In addition to external assessment Hightown has a cost-effective Business Transformation 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. During 2015/16 their main area of focus has been helping to channel shift some services to digital access and to develop applications that reduce duplication and the number of hours spent on everyday tasks to free up staff time to absorb increasing workloads.

4. 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).

Performance	** 2015/16	2014/15	2013/14	2012/13	2011/12	HouseMark median 2014/15	HCA Global Accounts 2014/15 Average	Comments
Return on Assets (operating surplus as a % of average total assets)	3.5%	3.6%	5.5%	4.9%	3.8%	Not available	Not available	This figure has reduced as Hightown now records the remeasurement of future pension deficit payments within operating costs in the year.
Debt per unit (debt/units owned)	£52,595	£50,592	£49,823	£46,036	£47,875	£32,660	£23,931	This is higher than our peers and rising as Hightown has built many new homes in recent years with increasingly little or no capital grant.

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Adjusted net gearing (net borrowing, as a percentage of housing properties)	52.1%	52.2%	48.0%	49.9%	48.1%	Not available	43.7%	This has been rising as we have borrowed a higher proportion of new home costs due to lower government grants.
Average cost of borrowing	3.37%	3.14%	3.12%	3.25%	3.10%	4.3%	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	9.7%	-1.5%	3.5%	31.6%	4.2%	Not available	4.1%	Turnover in 2014/15 was lower due to fewer shared ownership property sales.
Turnover to total operating assets	10.2%	9.7%	10.3%	11.4%	9.2%	Not available	Not available	Increased turnover due to more shared ownership units in the year.
Growth in total assets	10.4%	10.8%	14.8%	5.5%	8.3%	Not available	6.0%	This reflects the development programme of new build homes.
Operating margin (as percentage of turnover)	32.9%	35.5%	31.7%	26.5%	24.7%	27.9%	28.3%	The operating margin fell in 2015/16 due to the increase in costs associated with movement in remeasurement of pension costs and increase in care and supported activity which do not generate a high margin.
Interest Cover (Adjusted operating surplus divided by net interest payable)	280%	260%	266%	237%	196%	Not available	155.6%	This is the relationship of net interest paid to operating surplus. A higher interest cover reflects the greater affordability of our borrowings.

HouseMark Peer Group - Traditional housing associations in England. *HCA Global Accounts 2015 Housing Providers.

** Figures for 2015/16 and 2014/15 may have been affected by the new accounting SORP and so may not be directly comparable for previous years.

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. It is a key responsibility to use assets to deliver the business objectives.

Hightown's largest asset is our stock base, which in 2015/16 reached a milestone of 5,000 homes. To ensure that we manage our stock effectively we need to understand its 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. We carry out an annual Net

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Present Value (NPV) review of our rented properties. The NPV review looks at the future projected rental income of Hightown's properties versus the future projected expenditure for these properties over the next 30 years.

To establish the true reflection of the expenditure required, we incorporate the expected responsive repair, planned repair and major works costs for the property over the next 30 years together with the costs of managing the property and its anticipated void losses. This information is then compared to the income we expect to receive per property over the 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.

To continue to deliver Hightown's objective of providing people with a home and support that they need we use the results to inform business decisions on: retention and investment for current use, conversion, change of tenure or disposal. We have been developing this approach further over the past year to enable us to have a more in depth understanding of how our properties perform. 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.

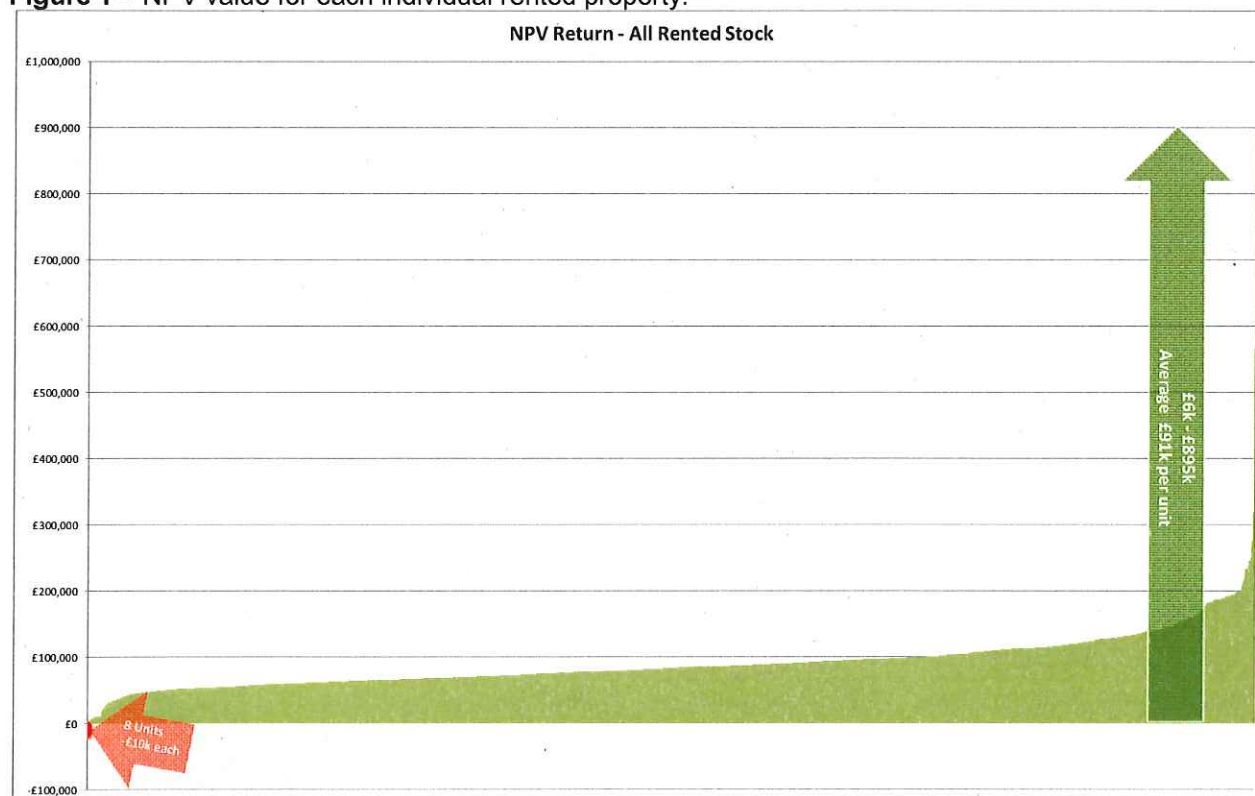


Figure 1 above shows the NPV return across all our rented stock. The average return across the next 30 years is £91,000 per unit. This is an increase of £7,000 per unit when compared to the results from March 2015. The detail behind these results allows us to analyse the information further and split properties into different asset groups which may then identify different parts of the business that may be underperforming or of particular concern. These results also help us to identify where we are achieving the best value for money.

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

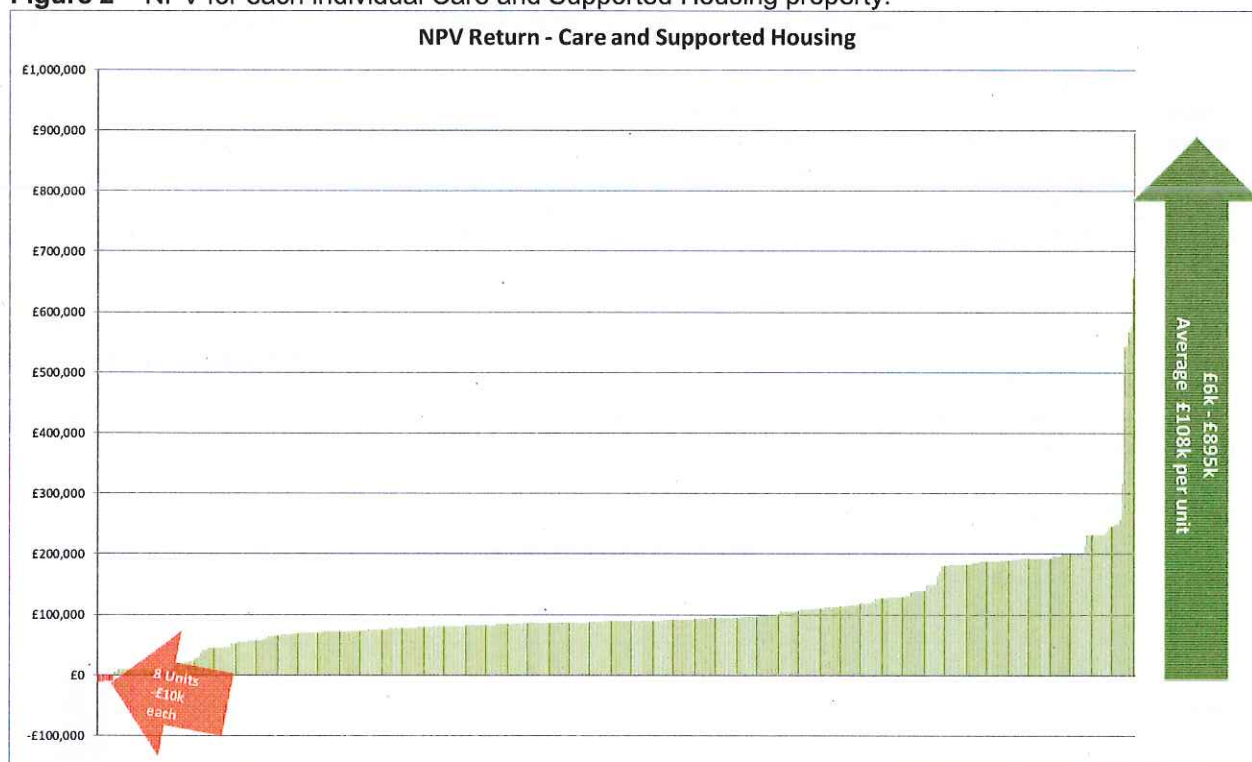
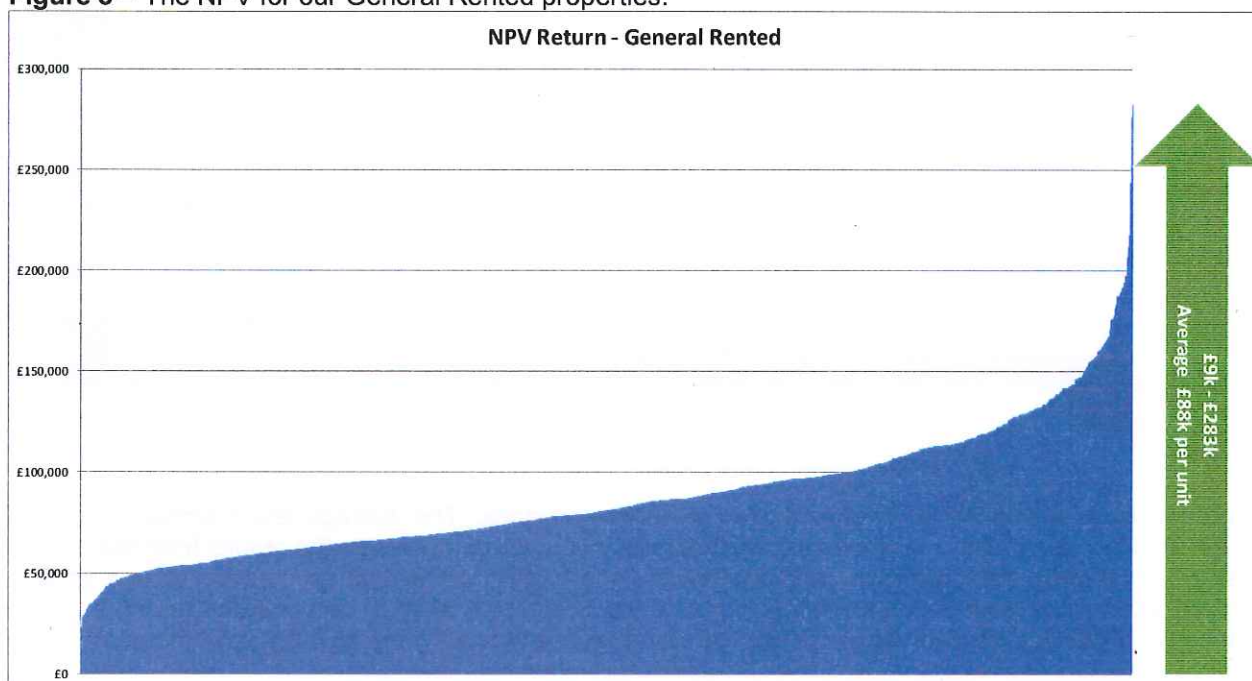


Figure 3 – The NPV for our General Rented properties.

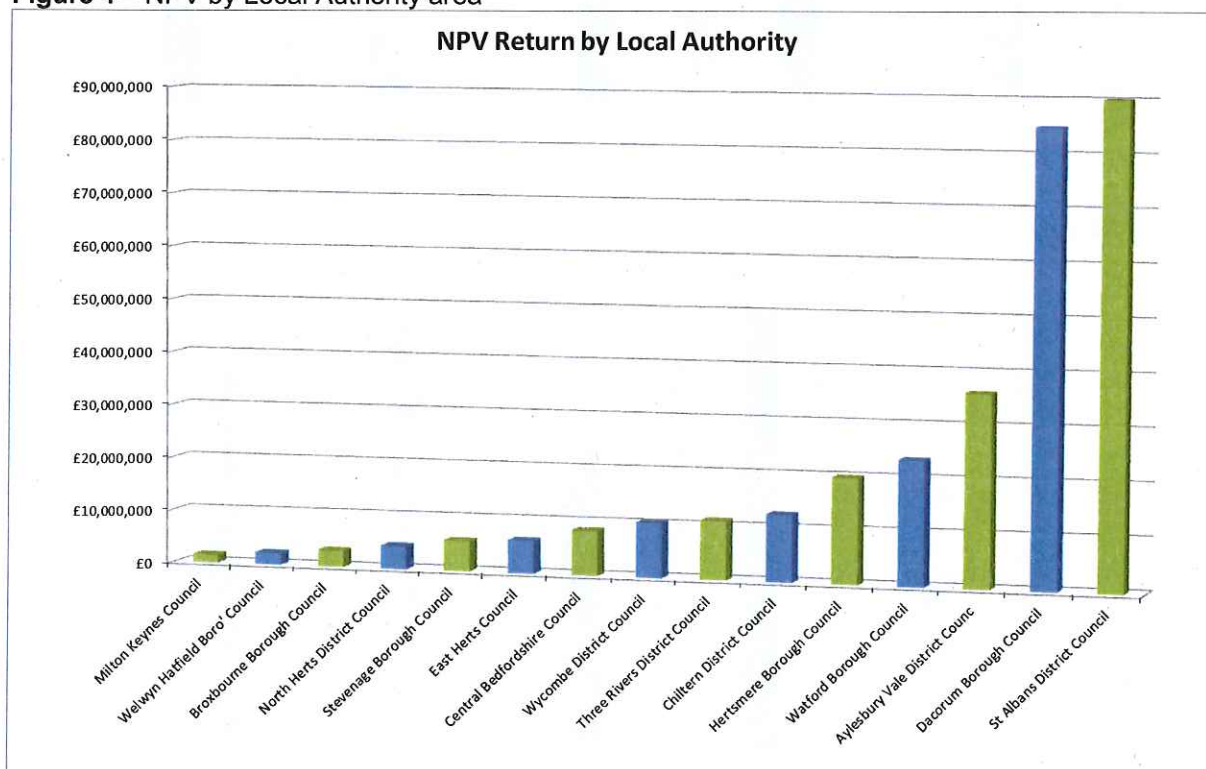


The information shown above in figures 2 and 3 show the NPV return for both our Care and Supported Housing and our General Rented stock. As can be seen from these charts, we currently have eight care and supported housing units with a negative NPV. The remainder of our rented stock is showing a positive return over the 30 year period.

Understanding how a property performs allows Hightown to effectively plan for the future and achieve its strategic objectives. A positive NPV return on a property will add value to the Association. Properties with a negative return are prioritised for review to understand why they are underperforming, although there may be justifiable reasons as to why we would not wish to consider their disposal or change of use. Hightown owns some homes of very high value as a result of neighbourhoods where demand and house prices are high. The Board generally wishes to retain such 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, we also consider high value properties for disposal where it makes sense to release equity to be reinvested in more replacement homes.

From our detailed analysis of the data we can establish which geographical areas provide the best return on investment. As can be seen in figure 4, St. Albans and Dacorum continue to produce the best return on investment. Here we are achieving better economies of scale from managing large numbers of properties in a small geographical area. We are able to look at which areas are underperforming and need further investigation; this aids strategic decision making on further investment in areas where we can achieve economies of scale in the management of homes and so achieve long term sustainability of groups of properties.

Figure 4 – NPV by Local Authority area



Using this NPV model we can further drill down into the data and see which types of properties, see figures 5 and 6, are performing the best. By doing this we have the ability to make informed decisions for future development projects based against need in a particular area and the expected return on investment.

Figure 5 – NPV by Property Size for Care and Supported Housing Units

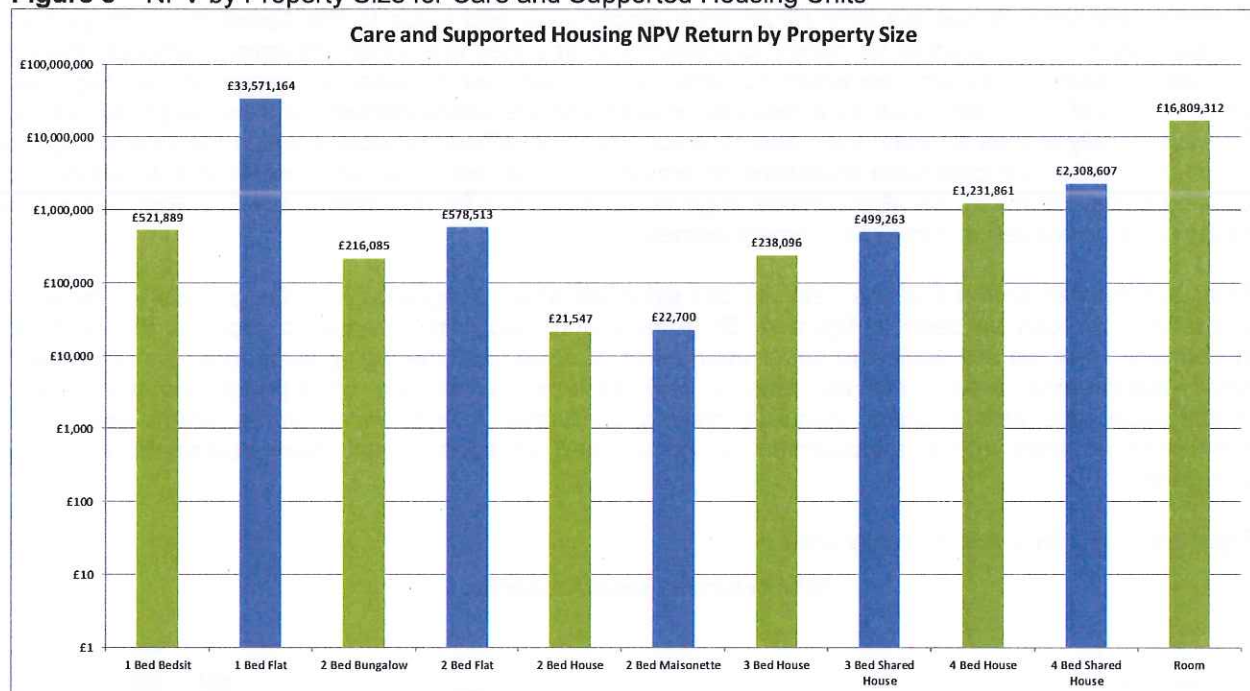
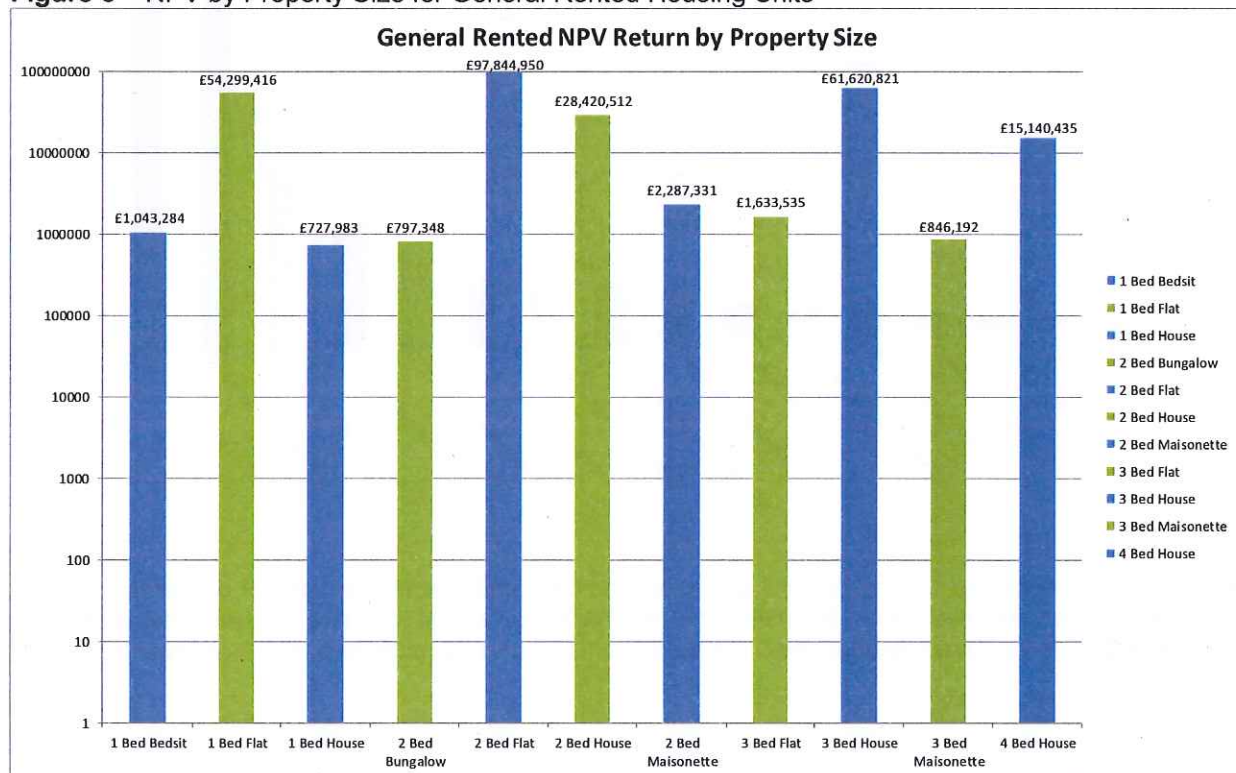


Figure 6 – NPV by Property Size for General Rented Housing Units



Whilst 1 bedroom flats work well for both types of stock, 2 bedroom houses are one of the top performing categories for the general rented stock but one of the lowest for the care and supported housing stock. This information highlights which properties will offer the best investment for future new developments.

Our Land and Asset Management Group looks at options for individual properties, such as change of tenure and disposal, and makes recommendations to the Board. This year the Board approved the sale of eight properties, mainly flats in blocks that Hightown does not own. Seven were sold in the year at a price of £2.0 million, and released a surplus of £1.3 million, to reinvest locally in modern homes of a higher quality and more suited to meeting local housing need. We also identified for disposal a four bedroom bungalow, which had been used to provide a home for older people with learning disabilities who require nursing care where funding was insufficient to prevent the service from making a loss and, with the commissioners agreement, the service was withdrawn. We also agreed with a local authority to change the client group for one scheme from those recovering from alcohol and drug misuse to mother and baby accommodation, in order to better meet local needs. The number of properties identified for future disposal has significantly increased.

We continue to look at opportunities to purchase more homes, having previously bought around 200 homes from another housing association 5 years ago, or to take on services from other providers, such as the £2.5 million contract for the provision of support to people with learning disabilities taken over from another provider in March 2016. Increasing the number of homes we manage spreads Hightown's costs per property.

Over the coming year we will be refining the work being undertaken and will be looking at the market value of our homes; we have been loading our database with vacant possession values and plan to carry out detailed analysis and comparisons later in the year.

4.2.1 Asset and Liability registers

To build on the work undertaken last year on our asset and liability registers we have been developing a dashboard to make it even easier to quickly access detailed information. 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.

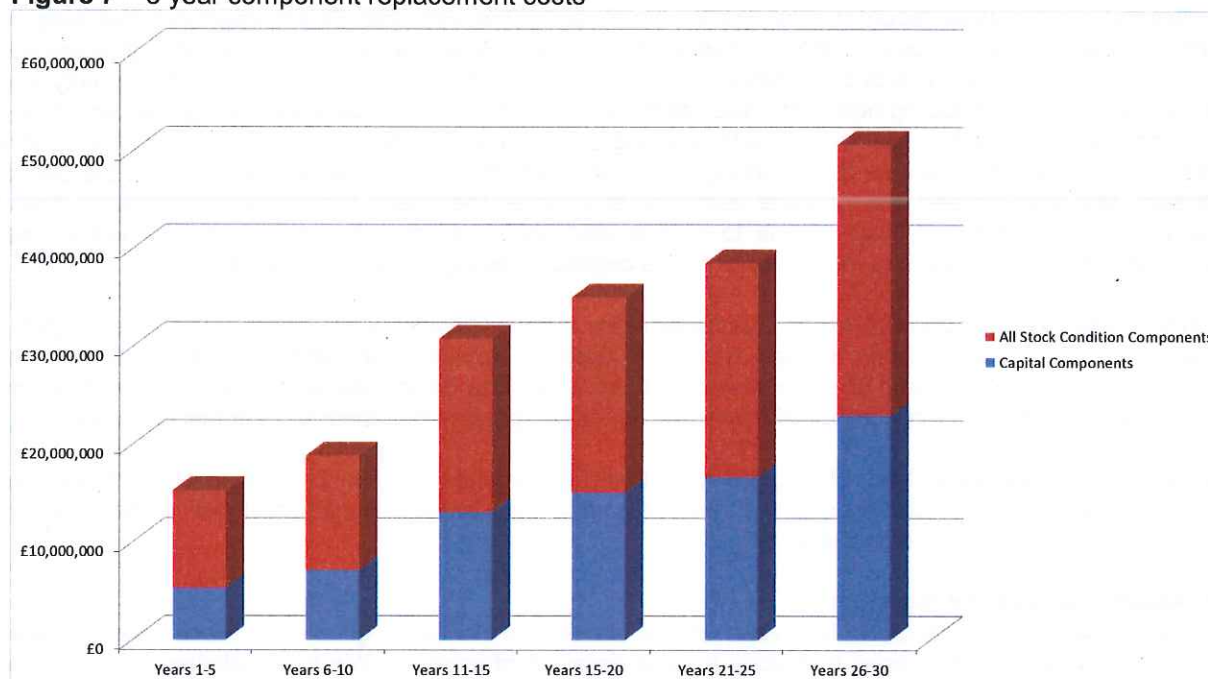
4.2.2 Stock Condition

We have a robust method of planning and programming works using information from our rolling programme of 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 2015/16 Hightown invested £706,481 in major works to keep homes in good condition and spent a further £1,358,257 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 2015/16 all Hightown's properties met the Regulator's Decent Homes Standard meaning all properties are in good condition.

The fact that very little stock is underperforming reflects that over 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. This is modelled into the business plan.

Figure 7 – 5 year component replacement costs



We have continued our drive to invest in the energy efficiency of our stock; the average energy efficiency rating of our rented stock is an EPC Band C and we now have over 2,800 homes with an energy efficiency banding of grade C or above and only 2 properties lower than a band D, where we will look at the feasibility of carrying out work to increase performance.

Works have included upgrading homes from electric heating systems to gas central heating systems; windows replaced with new double glazed windows. A number of new build properties have had solar PV panels installed, which reduces tenants energy bills. This investment in energy efficiency helps to reduce our residents' energy bills whilst providing warmer homes in which to live.

During 2015/16 the PV panels on the roof of our main office building in Hemel Hempstead, installed in 2014, saved in excess of 24,600kg of CO2 and generated 43,000kwh of energy. We received feed-in tariff payments in excess of £4,000.

Our Development Quality Circle uses feedback from residents and housing managers to continuously improve technical documents and the specification for new homes.

4.2.3 Best use of stock

We continue to support households facing a loss of housing benefit through under-occupation, to consider a move through swapping their homes (called a mutual exchange); so far 32 (28%) of those affected have moved to properties more suitable for their needs.

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.

Following an 86% surge in exchanges during 2013/14, with 78 completed moves, and 69 exchanges in 2014/15; a high level of activity continued this year with 65 exchanges completed during 2015/16.

While waiting for planning permission on a site with an empty office building we used the building for operational storage without cost; and when this ended, it triggered a grace period for nil business rates.

5. Financial Capacity

As set out in the introduction, Hightown uses its assets and resources to meet its strategic housing objectives. The Board aims 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.

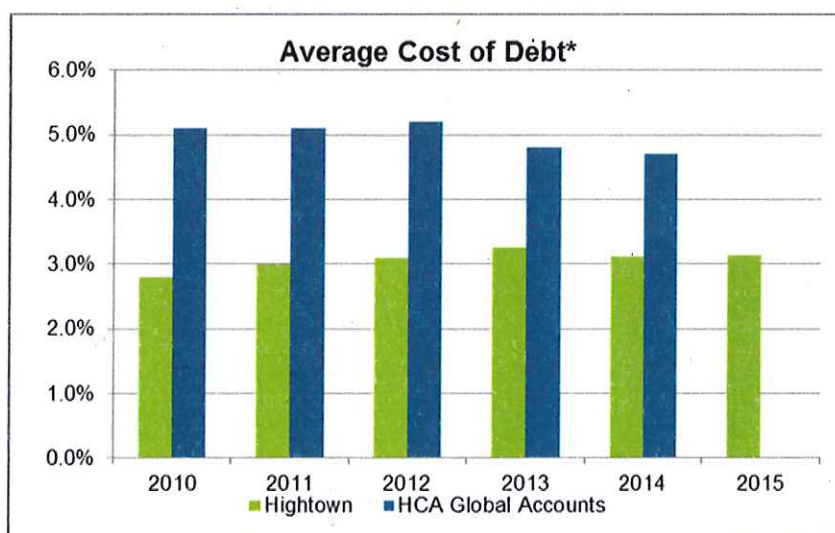
Hightown's Strategic Plan is to use its financial capacity to develop over 350 new homes each year to help meet local housing need for stakeholders – local residents, local authority partners, and the HCA. We delivered 343 new homes in 2015/16. The 2016/17 business plan shows this continued commitment to deliver new homes, with over a 1,000 planned in the next 2 years. In 2015/16 an independent audit was carried out on Business and Strategic Planning; the auditor was able to give substantial assurance to the Board.

Hightown seeks at all times to maintain committed but undrawn financing facilities sufficient to cover at least 12 months' anticipated forward expenditure after allowing for anticipated income and receipts. At 31 March 2016, we had access to £42.5 million of undrawn loan finance and cash of £15.3 million to meet our borrowing needs for 2016/17. As further funds are required we seek to raise these from banks and by accessing the capital markets and since the year end have signed a new £35 million loan facility to provide additional finance for the development programme.

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 net gearing ratio at 31 March 2016 was almost unchanged at 52.1% (2015: 52.2%), still well within the typical 65% gearing ratio set by our lending banks. In addition, our interest cover, which measures the ongoing affordability of our borrowings, strengthened during the year to 280% (2015: 260%).

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.

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. Performance

For the last six 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 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

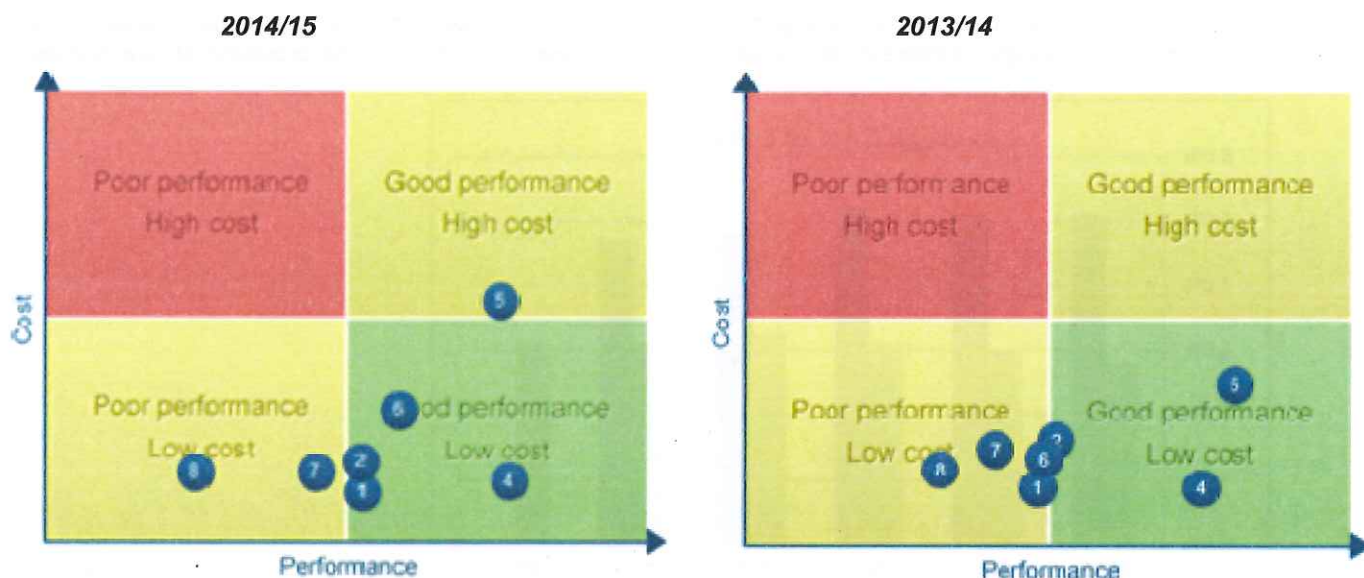
The latest published HouseMark Value for Money data is for 2014/15 and shows that Hightown continues to deliver low cost services when compared with those providers selected by HouseMark as its peer group, with all but one of Hightown services showing low cost, with, in the main, either good or average performance.

The HouseMark data (below) can be viewed on an efficiency chart and as a "scorecard" showing how the main areas of Hightown's housing activity compare against other associations.

6.2 Value for Money Dashboard















These charts show how Hightown compares in cost and performance to around 50 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 via the Intranet. Almost all of Hightown's activities are low cost and most performance is good or moving towards good. The one area that has seen a marked increase in cost is the lettings function, but this is to be expected with the large number of new homes being taken into management and the additional staff time spent on this activity.








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Movement in performance since last year:

Measure		Movement in performance from 2013/14 to 2014/15	Movement in Cost from 2013/14 to 2014/15
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:

Cost reduction compared to peer group		Lower performance compared to peer group		No change	
Cost increased compared to peer group		Better performance compared to peer group			

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6.3 Overheads

Hightown is now the lowest cost provider amongst 53 organisations in the peer group allocated by HouseMark in terms of back office costs (overheads) -see the table below.

6.4 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 2014/15 and how we have made improvements in the last 5 years.

In all areas Hightown's comparative performance is within the upper quartile (top 25%).

6.4.1 HouseMark efficiency summary for Hightown

Business Activity	Cost Key Performance Indicator (KPI)	Performance Quartile				
		2014/15	2013/14	2012/13	2011/12	2010/11
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
★	👉	○	👈	●

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The following table gives numerical information about how the cost of Hightown's key general needs services compare with the HouseMark peer group of 53 other traditional housing associations in the south of England.

Performance Indicator	Comparison with the best performing 2014/15 (latest available figures)		Hightown results for the last four years			
	Top 25% (Upper Quartile)	Top 50% (Median)	2014/15	2013/14	2012/13	2011/12
Cost per property of:						
Total Housing Management	£485	£582	£390	£387	£414	£484
Direct Housing Management	£289	£317	£291	£278	£294	£333
Direct Rent Arrears & Collection	£78	£90	£84	£86	£89	£95
Direct Resident Involvement	£36	£48	£37	£39	£41	£45
Direct Anti-Social Behaviour	£31	£43	£32	£33	£37	£51
Direct Lettings	£38	£49	£60	£48	£45	£48
Direct Tenancy Management	£71	£87	£79	£72	£81	£94

This table shows that whilst Hightown's costs per property increased slightly this year as housing management (lettings) staff levels increased in anticipation of the handover of over 300 new homes, our costs still compare very favourably.

This table shows that Hightown's costs per property (cpp) are well below the cpp from four years ago, and have decreased by 19% over the last 4 years. Our costs generally compare favourably with other housing associations. In most individual housing management service areas our costs per property have reduced over the last four years. In 2014/15 Hightown was in the median to top quartile performance band across most indicators.

Overall resident satisfaction of 83% places Hightown in the middle upper quartile. 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%. The survey is due to be undertaken again in 2016.

6.4.2 General needs rented housing management key performance indicators

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.

Hightown has a small specialist team focussed on maximising rental income through good control and prevention of rent arrears. Our arrears levels continue to trend downwards and our position on rent collection and arrears recovery within our peer group has improved this year. This has been achieved even with the significant increase in activity for the team with the large number of new homes coming into management and the welfare reform issues faced by our residents.

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	HouseMark latest available top 25% 2014/15 (top quartile)	HCA Global Accounts 2015 Average	Hightown's results over five years				
			2015/16	2014/15	2013/14	2012/13	2011/12
Void Loss - % of income lost due to empty homes	0.51%	1.70%	0.48%	0.47%	0.49%	0.44%	0.46%
Average no of days taken to re-let a home excluding major works	17 days	Not available	14 days	15 days	14 days	13 days	13 days
Arrears (rent owed) - % of rent due	3.43%	4.60%	3.11%	3.78%	4.03%	4.12%	4.70%
Arrears attributable to unpaid housing benefit	0.80%	Not available	1.1%	0.8%	2.5%	1.72%	2.80%

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 2014/15 Hightown was ranked as the top performer for ICT, Finance & Central overhead costs with the lowest overhead costs per employee and cost per property in the peer group:

Performance Indicator	Comparison with the best performing 2014/15 (latest available figures)		Hightown results for the last four years			
	Top 25% (Upper Quartile)	Top 50% (Median)	2014/15	2013/14	2012/13	2011/12
Overhead cost breakdown per direct user						
Premises	£4,986	£6,344	£7,270	£6,418	£8,087	£9,196
ICT	£4,461	£7,219	£2,451	£4,303	£3,203	£3,337
Finance	£2,473	£4,117	£1,814	£1,779	£1,711	£1,855
Central	£6,346	£9,241	£3,083	£3,106	£3,503	£3,728

6.5 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, for 2014/15, show Hightown in the top quartile for operating surplus per property (the third highest); top quartile for operating margin; top quartile for responsive repairs and void works costs per property (cpp) and top quartile for major works and cyclical maintenance direct cpp; and lower middle quartile for housing management direct cpp. Hightown's lower major works and repairs costs are in the main due to the average age of the stock.

6.6 Global Accounts 2015

The HCA publishes top level performance data on the 331 housing associations which owned or managed over 1,000 units, in its Global Accounts 2015 publication. The Global Accounts Data published by the HCA is also used by Hightown to review our performance against the rest of the sector.

6.7 NHF Report – HA Operational Efficiency

The NHF and HouseMark recently jointly published a report on the operational efficiency of housing associations. The data included within the report shows that Hightown delivers general needs housing management at a much lower cost than the median across the country, as shown in the graph below.



6.8 HCA Report Delivering Better Value for Money – understanding differences in unit costs

The Board has considered the information provided by the HCA on Hightown's unit costs in conjunction with the HCA report on understanding differences in unit cost. After taking into account Hightown's 14% supported housing and proximity to London, which have an impact on Hightown's costs, the Board considers that the information supports the view that Hightown is delivering value for money services.

7. Value for Money Gains – 2015/16

The information in this report demonstrates that we are keeping costs under control and have maintained low cost services despite the growth in the number of homes managed of around 6% this financial year.

In line with our development strategy we delivered 343 new build homes; including shared ownership, affordable and social rented homes to support our continuing development programme to meet our business objectives.

We are careful to keep our initial costs down and mitigate our exposure to risk and closely control spend on any development projects that might be at risk of not going forward. During 2015/16 fees spent on aborted projects was just 0.17% of a development programme of over £50 million.

Our Business Transformation Team continued the programme of making best use of existing technology; this includes simple workflows to support staff to make our services more efficient, the use of mobile applications to assist visiting officers reduce duplication and management information dashboards for easily accessible key performance indicators. Savings in staff time that result are redirected to the better delivery of and improvements to, front line services.

We have continued to take advantage of a variety of free training sessions to keep staff updated on legal matters and to prepare staff to support tenants in the rollout of Universal Credit. Our proactive approach to making better use of stock by facilitating mutual exchanges helps to keep potential void costs and arrears levels down.

The following table provides feedback on actions that were expected to lead to efficiencies and improved value for money during 2015/16, most of which were set out in last year's VfM self-assessment.

Making VfM gains helps us to achieve our wider business performance and objectives. Total savings made from the actions below are in the region of £550k, around 1.6% saving against operating costs. This excludes the £2.7 million saving from completed new developments that have come in below budget (by 3.62%) and surpluses on sales.

7.1 Service Improvements

Service Area	Action	Costs / Savings	Service improvements / Effectiveness and 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	Mobile apps are now being used by the Estate Quality Team to carry out Voids and Estate Inspection in addition to Stock Surveys. Care and Supported housing schemes now have tablets to carry out 8 different weekly and monthly health and safety inspections.
Care and Supported Housing	Roll out of thin client technology to 54 sites during 2015/16.	c.£35k	50 working days saved and did not recruit to vacant post as time savings made in IT support.
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	It was not possible to source alternative income for the project and the County Council agreed that the scheme should close – alternative placements were found for service users. The scheme made a loss in 2015/16 and closure of the project has prevented further losses.

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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.	c.£15k	The Income Recovery Team halved the current debt owed by intermediate rent tenants after taking on responsibility for these accounts. A new tracing agency for former tenants was appointed from Autumn 2015; the process has been reviewed and the impact of these measures is expected to be seen in 2016/17.
Recruitment	Implement an Applicant Tracking system to improve processes to ensure that good and suitably trained staff are employed.	Up to 50% reduction in staff time spent on recruitment anticipated.	The tracking system was put in place towards the end of the year. Significant staff time savings are expected, which will limit the need for extra staff resource to deal with the large growth in numbers of staff due to the transfer of a £7m contract to Hightown in July 2016.
Charity Shop	Follow up the decision from the review of the financial performance of the 2 charity shops by assigning the lease of the shop in Tring.	£25k	Assignment was completed and shop closed.
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 was not implemented due to other priorities and will be progressed in the next financial year.
IT Systems and Processes Restructuring of depts	Reorganise working arrangements by June 2015 to reduce staff team by one post so not recruiting to vacant post.	c.£100k	The reorganisation was completed and in addition to the deletion of a post, as expected, a Director level post and two other posts were also deleted.
Finance	Loan refinancing and renegotiation of terms.	£250k	This is also a £250k recurring saving for each of the next 4 years.
Communications	Channel shifting to use of portal for self service .	c.£2k estimated for first year.	Over 800 residents moved to using the MyHightown portal – this should result in less demand on staff answering calls and lower postage and printing costs.

7.2 Key Savings Achieved Through Procurement Processes During 2015/16

Contract	Saving achieved	Service improvements / efficiency gains over time
Telecommunications	£33k	Reduced costs through retendering contract.
IT out-sourced Support Services	£22k	Tendered Contract on the open market. Previous contractor tender price £40k + vat, winning contractor £18k + vat per annum.
Utilities Contract	c.£19.5k	Gas Contract to 30/06/16- £2.4k savings Gas Contract 01/07/16 to 30/06/18: £17k lower per annum. Approximately 17% saving. Electricity Contract to 30/06/16 - £3.6k savings Electricity Contract 01/07/16 to 30/06/18: £3.5k higher per annum -Approximately a 1% increase.
Boiler Replacement Programme	See next column.	Contract pricing was kept the same for the additional year of the contract. 30 additional properties had work carried out to take advantage of this.
Gas Servicing Contract	See next column.	OJEU Open Tender. Fixed 3 year contract procured . Cost of the LSGR has risen by 15% (£37.50 to £43.00 + vat) but we have included renewable servicing into the new contract and where there is a servicing of both items the cost is reduced. Also we are not using separate contractors for different elements of the servicing so overall the contract value is expected to be lower over the term of the contract. Administration of the contract will be easier as dealing with one contractor instead of multiple contractors.
Gas Central Heating Installation	c.£10k	Installation of the Gas Main and Gas Central Heating came in at £26k incl vat, much lower than the anticipated costs originally budgeted for.
Procurement card	Expected to achieve annual savings of approximately £5k.	This was not in place by the end of the financial year but is ready to be introduced early in 2016/17.
Internal Audit	See next column.	Tendered Contract on the open market. Previous contract 2010 was £17k + vat per annum, new contract awarded at £21k per annum but this is fixed for the first three years of the contract.
Window and door replacements	c.£28k	Procured through Fusion 21 framework enabling 14 more properties to have works carried out within the available budgets.

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

The social and environmental outcomes from Hightown's work that benefit Hightown's residents, service users and the wider community can be more difficult to calculate and quantify but nevertheless are as important as measurable financial outcomes. In previous years our VfM self-assessments have reported on the benefits of our services with reference to independent research into other organisations providing similar outcomes. This year Hightown engaged RSM Consulting (RSM) to produce an impact report relating to three Hightown projects working with homeless people across Hemel Hempstead and St Albans in Hertfordshire.

The projects are two temporary accommodation schemes providing rooms for individuals and couples for up to two years; and 'Open Door' which provides temporary overnight accommodation for street homeless, drop in services and hot meals on a daily basis. Hightown wanted to understand how these services deliver value for the wider community and local services as well as the individual service users.

RSM were able to map out the outcomes Hightown are delivering as well as financially evaluating a range of cost savings and value creation these projects deliver to the local area. In total from the support given to approximately 80 individuals over a 12 month period at the three facilities are calculated to have delivered cost savings to local partners of almost £600,000 split across Healthcare (£300,000), Policing (£80,000) and the local authority encompassing housing and employment (£220,000). This saving results in an average of over £7,500 per individual.

The savings modelled are as a result of reduced hospital stays, reduced demands on police time and an increase in individuals able to take up long term accommodation due to the support provided by Hightown staff. The team from RSM commented that the savings modelled represent a prudent figure and the total impact delivered through the three facilities will be in excess of this once non-financially evaluated outcomes are taken into account.

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 (NHF) in 2013 concluded that 'for every £1 spent on housing, £2.41 is generated in the wider economy and every new home creates 2.3 jobs'.

In 2015/16 we rented homes to 418 general needs households, mainly through choice based lettings schemes, 37% of these were homeless; and facilitated 64 exchanges. We provided 66 new shared ownership homes. This has transformed the lives and well-being of 484 households.

We spent £49.9 million on the construction of new homes in 2015/16, including homes still under construction at the 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 2015/16 has therefore supported over 1,100 jobs.

Through the delivery of our care and supported housing services we improve the quality of life of a large proportion of our 890 service users. We provide around 23,000 hours of support each week.

Here are a few, more smaller scale illustrations of how Hightown's work has achieved a social return on assets during 2015/16:

Four young homeless scheme residents were supported to complete a 12 week Princes Trust Programme, which culminated in a qualification awards ceremony. This included a 1 week residential programme, team building and confidence building, life skills training, employability / getting into work, interviewing and CVs, English & Maths Skills, a Group Community project and 2 weeks work experience. All of the attendees commented on their growth in confidence and the drive it has given them to go on to further training or job opportunities; one person has now moved into independent accommodation with another Housing Association.

We received funding from the St. Albans District Council Community Grants Fund to carry out a series of 'Pathway to Employment' courses for service users across our three homeless projects. The aim was to

improve the chances of course participants gaining paid or voluntary employment. The project is a series of workshops initially focused on practical skills such as improving participants IT skills; skills analysis; job searches; signing up with recruitment agencies. As participant's progress along the pathway, the workshops focus on 'soft skills' such as confidence building; interview preparation, identifying what employers are looking for in successful applicants and effective budgeting. ICT equipment was made available for participants to check job applications and emails and volunteering opportunities were set up with local organisations such as a local radio station, and a wood recycling project. There was also a contingency fund available for those who completed the course to assist with work related costs, such as train fares to interviews, and work boots. Eleven service users successfully completed the course.

Hightown held sessions for service users with the aim of reducing costs to the NHS including: health and wellbeing, oral hygiene, healthy eating and smoking cessation sessions. Around 150 people, mainly service users but also staff, attended a mental health event at our central office.

Ten service users attended Keeping Safe in the home/outside of the home sessions organised by Hightown.

Individual success stories include a tenant from a homeless families scheme who has been supported into regular voluntary work, driving people to attend hospital appointments, so benefitting other members of the community and a tenant with addictions who is now attending a support service 4 times a week, which has reduced the number of calls to SPA (Single point of Access) and the emergency services.

We have run initiatives to support people into work in conjunction with partner organisations and our use of local contractors for repairs and catering helps the local economy.

We have been coordinating a GP rota at Open Door direct access hostel where we refer new clients to GP surgeries in St Albans on a weekly rotation – GP surgeries do not accept anyone using our address unless we have referred them – thus reducing the instances of clients seeing different GPs and obtaining multiple prescriptions. By referring individuals with chaotic lifestyles we are reducing the impact on A&E services.

We have seen significant increases in the number of people supported through some of our key projects; for example:

- Our **St Albans support and resettlement service** worked with 86 people to sustain their tenancies this year, compared to 70 last year, with 34 reaching a stage where support could be withdrawn.
- Our **Young People's Housing Services** provided safe accommodation and support to 114 young people in 2015/16, compared to 99 in the last year, across Dacorum and Watford. This scheme helps to tackle youth homelessness, unemployment and antisocial behaviour.
- Our **Supported Housing Mother and Baby services** for teenage mothers and their babies in St Albans and Hemel Hempstead supported 53 mothers, compared to 47 last year. This project reduces pressure on Social Services.
- Our **Domestic Abuse services** for women fleeing domestic abuse, have helped 74 women this year, compared to 66 last year, and their children. 38 have moved on from our two refuges to safe accommodation, a further 12 have returned home with safety measures in place.

Energy efficiency / heating improvements – to reduce heat loss and energy used, improve the warmth of people's homes and to keep residents' utility bills down we have continued to install gas central heating to replace electric systems, upgrade boilers and carry out window replacements.

Hightown is a member of PlaceShapers, a national network of community-based housing associations. One member piloted a project entitled Boilers on Prescription – which has been shown to reduce GP appointments by 60%, A&E attendances by 30% and emergency admissions by 25% among participants. As a result, in March 2015 the Government announced funding of £3million to roll the scheme out across the UK. Hightown's programme of upgrading boilers within its homes, as well as the other works detailed above is thought to contribute similarly to the health and wellbeing of its residents.

Decent Homes work – Hightown continues to ensure that our homes meet the Government's Decent Homes standard. An independent value for money report carried out into the impact of Bassetlaw's Decent Homes programme found that two winter deaths a year were avoided. 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. Hightown carries out these types of works to its homes and this will have positively impacted Hightown residents and local communities in similar ways.

8. Planned Value for Money improvements in 2016/17

In keeping with the Board's efficiency expectations for the coming year and beyond, Hightown plans to reduce management costs per rented property each year over the coming four years whilst the Government's -1% rent reduction is in force.

Hightown aims to achieve performance that falls within the low cost / high performance quadrant of the HouseMark Value for Money matrix for all key general needs services. Where costs are low, performance must be at least middle lower quartile, where performance is good costs must be at least middle lower quartile.

Hightown aims to reduce the overheads cost per property for central services charged to both its Care and Supported housing schemes and general needs housing. This will be done through efficiencies realised by Hightown's expansion of operations, full use of the Business Manager system that has been implemented and other invest-to-save decisions in IT systems, software and infrastructure. Hightown's Business Transformation team is expected to be instrumental in delivering greater efficiencies in working arrangements.

Hightown plans to reduce the basic fee for the standard management service to shared owners and leaseholders and to introduce charges for additional services requested or required to ensure the income from allowable fees covers the cost of the service.

Hightown is embracing digital service delivery and the channel shift to self – service, via its residents portal, MyHightown, without impacting satisfaction with service levels. The aim is to increase interaction with general needs residents through the MyHightown portal by at least 15% in the coming financial year.

In 2016/17 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 435 homes in 2016/17 meeting our new strategic objective from 2016/17 of delivering over 350 new homes per year. We expect to attract some local authority social housing grant in the delivery of our new homes.

We intend to manage the extra homes with only marginal increases in our operating costs, reducing both our management cost per unit and if possible improving even further 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.

The Board plans to reduce the risk of a future rise in interest rates by fixing more of its borrowings during 2016/17. Although this may initially increase interest payments this will guard against potential future rate increases which would otherwise increase outgoings.

Hightown will continue to operate in a competitive environment for Care and Supported Housing. It will endeavour to work with commissioning bodies to deal with the impact of cost increases created by the increase in the National Living Wage.

Hightown's annually reviewed Service Improvement Strategy 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. The information below sets out in more detail the specific initiatives that will be

implement from that strategy and the contracts that will be procured during 2016/17 to achieve VfM improvements. We will report the outcome of these in our 2016/17 self-assessment.

8.1 Key contracts to be procured during 2016/17:

Over the coming year our Procurement Team, who are tasked with obtaining value for money from Hightown's key contracts, will be procuring the following: kitchen, bathroom, window and door replacements; internal and external decorations; service contracts and cleaning and window cleaning services. They will be tendering works and procuring through framework agreements as appropriate.

8.2 Service Improvements:

The following areas have been identified for action during 2016/17 as part of our business transformation process to lead to further service improvements and efficiencies.

Key Projects involving significant changes to working practices:

- More efficient and consistent reporting of Development handover dates and new property information using DevApp and Reports (software designed to support relevant work areas).
- More efficient production of and clearer Leaseholder Service Charge Accounts.
- Review of the Sales and Lettings Application Process.
- Restructure of the Leasehold Management Fee.
- Development of on - line and mobile forms for use across the business.

Continuous improvement of live and automated management reporting:

- Creation of further Management Dashboards, including, but not exclusively, Responsive Repairs, Contractors Performance, Sales, Lettings and Customer Contact.

Digital Communications and Access to Services:

- New Hightown website.
- Further development of online forms on the Hightown website and residents portal.
- Increase in use of the residents portal by 15%.
- Replacement of Intranet to assist staff to locate relevant information more efficiently.
- Increasing the use of texts in key processes (reminder appointments) and surveys.
- Move publication of newsletters and Tenants Annual Report on-line, with the ability to request a hard copy.

Other Projects:

- Review of the Complaints Log to increase the efficiency of monitoring of response times and progress.
- Responsibility for income recovery in Supported Housing schemes and non-rent debts transferring to well-established specialist in-house team to improve recovery rates; bespoke IT solutions will support this.

The expected savings in staff time will be redirected to the additional workload caused by the significant growth in the number of homes to be managed and services to be delivered, so that staff resource does not have to increase at the same rate, keeping costs per property down.

We will report the outcome of these initiatives in next year's Value for Money Self-Assessment.

Board Members' Responsibilities

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 for registered social housing providers; Housing SORP 2014 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 2008 and the Accounting Direction for private registered providers of social housing 2015. 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 for registered social housing providers; Housing SORP 2014.

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 29 September 2016.

Auditors

All of the current Board Members have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Association's auditors for the purposes of their audit and to establish that the auditors are aware of any relevant audit information of which the auditors are unaware.

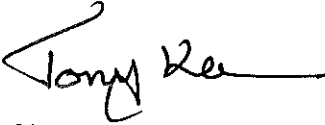
BDO LLP have expressed their willingness to continue. A resolution to re-appoint BDO LLP as auditors of the Association is to be proposed at the forthcoming Annual General Meeting.

Hightown Housing Association Limited
BOARD REPORT
For the year ended 31 March 2016

Approval

The report of the Board was approved on 11 August 2016 and signed on its behalf by:

By Order Of The Board

A handwritten signature in black ink, appearing to read 'Tony Ree', with a long horizontal stroke extending to the right.

Chair
11 August 2016

Hightown Housing Association Limited
**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS
OF HIGHTOWN HOUSING ASSOCIATION LIMITED**
For the year ended 31 March 2016

We have audited the financial statements of Hightown Housing Association Limited for the year ended 31 March 2016 which comprise the association statement of comprehensive income, the association statement of financial position, the association statement of changes in equity, 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.

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 2016 and of the association's 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 2015.

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 by the association; or
- a satisfactory system of control has not been maintained over transactions; or
- the association 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

BDO LLP, statutory auditor
Gatwick, West Sussex, United Kingdom

Date: *24 August 2016*

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

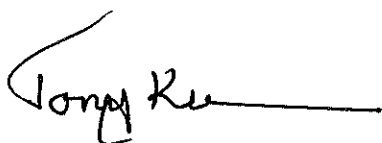
Hightown Housing Association Limited
STATEMENT OF COMPREHENSIVE INCOME
As at 31 March 2016

	<i>Note</i>	2016 £'000	Restated 2015 £'000
TURNOVER	3	50,687	46,213
Operating costs	3	(34,033)	(29,791)
OPERATING SURPLUS	3,6	16,654	16,422
Surplus on sale of properties & other fixed assets		3,190	2,178
Interest receivable and similar income		1,522	106
Interest and financing costs	7	(7,100)	(6,061)
SURPLUS FOR THE YEAR		14,266	12,645
Actuarial (loss)/gain on defined benefit pension scheme		38	(88)
Unrealised gain/(loss) on revaluation of investments	12	(19)	444
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		14,285	13,001

All activities are continuing.

The notes on pages 48 to 78 form part of these financial statements.

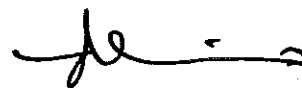
The financial statements were approved by the Board on 11 August 2016.



Tony Keen - Chair



James Steel - Board Member



David Skinner - Secretary

Hightown Housing Association Limited
STATEMENT OF CHANGES IN RESERVES
As at 31 March 2016

	Income and Expenditure Reserve £'000	Restricted Reserve £'000	Revaluation Reserve £'000	Total £'000
Balance as at 1 April 2014	55,167	125	299	55,591
Surplus for the year 2014/15	12,645	-	-	12,645
	67,812	125	299	68,236
Actuarial gains/(losses) relating to defined benefit pension scheme	(88)	-	-	(88)
Surplus on revaluation of investment	-	-	444	444
Other comprehensive income for the year	(88)	-	444	356
Transfer of restricted expenditure from unrestricted reserve	(38)	38	-	-
Balance at 31 March 2015	67,686	163	743	68,592
Balance as at 1 April 2015	67,686	163	743	68,592
Surplus for the year 2015/16	14,266	-	-	14,266
	81,952	163	743	82,858
Actuarial gains/(losses) relating to defined benefit pension scheme	38	-	-	38
Surplus on revaluation of investment	-	-	(19)	(19)
Other comprehensive income for the year	38	-	(19)	19
Transfer of restricted expenditure from unrestricted reserve	(4)	4	-	-
Balance at 31 March 2016	81,986	167	724	82,877

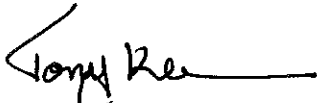
The notes on pages 48 to 78 form part of these financial statements.

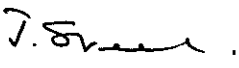
Hightown Housing Association Limited
STATEMENT OF FINANCIAL POSITION
As at 31 March 2016

	Note	2016 £'000	Restated 2015 £'000
TANGIBLE FIXED ASSETS			
Housing properties	10	465,088	425,493
Other fixed assets	11	5,680	5,690
Investments - other	12	2,630	2,649
TOTAL FIXED ASSETS		473,398	433,832
CURRENT ASSETS			
Properties awaiting sale	13	3,053	2,483
Trade and other debtors	14	2,942	3,476
Cash and cash equivalents	15	16,536	9,350
		22,531	15,309
CREDITORS: Amounts falling due within one year	16	(15,510)	(11,613)
NET CURRENT ASSETS		7,021	3,696
TOTAL ASSETS LESS CURRENT LIABILITIES		480,419	437,528
CREDITORS: Amounts falling due after more than one year	17	392,490	364,995
PROVISION FOR LIABILITIES			
Pension Liability		4,916	3,860
Other Provisions		136	81
TOTAL NET ASSETS		82,877	68,592
CAPITAL AND RESERVES			
Share capital	23	-	-
Income and Expenditure Reserve		81,986	67,686
Restricted reserve		167	163
Revaluation reserve		724	743
TOTAL RESERVES		82,877	68,592

The notes on pages 48 to 78 form part of these financial statements.

The financial statements were approved by the Board and authorised for issue on 11 August 2016.


Tony Keen - Chair


James Steel - Board Member


David Skinner - Secretary

Hightown Housing Association Limited
STATEMENT OF CASH FLOW
For the year ended 31 March 2016

	Note	2016 £'000	Restated 2015 £'000
CASH FLOWS FROM OPERATING ACTIVITIES			
SURPLUS/(DEFICIT) FOR THE FINANCIAL YEAR		14,285	13,001
Adjustments for:			
Depreciation of fixed assets – housing properties	10	4,239	3,609
Depreciation of fixed assets – housing component write off	10	183	102
Depreciation of fixed assets – other	11	255	250
Amortised grant	29	(1,635)	(1,606)
Net fair value losses/(gains) recognised in profit or loss		19	(444)
Interest payable and finance costs	7	7,100	6,061
Interest received and income from investments		(1,522)	(106)
Actuarial (gain)/loss on defined benefit scheme		(38)	88
Surplus on sale of fixed assets – housing properties		(3,187)	(2,181)
Surplus on sale of fixed assets - other		(3)	3
Receipt of donated land/assets	10	-	(550)
Decrease / (increase) in stocks	13	60	(63)
Decrease / (increase) in trade and other debtors	14	(183)	(246)
Increase / (decrease) in trade creditors	16	123	221
Increase / (decrease) in provisions	22	1,149	(104)
Net cash from operations		20,845	18,035
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of fixed assets – housing properties	10	8,632	6,974
Transaction costs for sale of housing properties		(207)	(41)
Proceeds from sale of fixed assets – other	11	13	-
Purchase of fixed assets – housing properties	10	(47,531)	(49,731)
Purchase of fixed assets – other	11	(255)	(169)
Receipt of grant	10	4,564	2,911
Interest received and income from investments		1,522	106
Net cash from investing activities		(33,262)	(39,950)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid	7	(7,915)	(6,475)
New loans	21	49,500	23,000
Debt issue costs incurred	21	(725)	(384)
Repayment of loans	21	(21,257)	(1,325)
Net cash used in financing activities		19,603	14,816
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		7,186	(7,099)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		9,350	16,449
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		16,536	9,350

The notes on pages 48 to 78 form part of these financial statements.

1 LEGAL STATUS

Hightown Housing Association Limited (the Association) is registered with the Financial Conduct Authority under the Co-operative and Community Benefit Societies Act 2014 with registration 18077R and registered with the Homes and Communities Agency as a registered housing provider with registration L2179. It is an exempt charity.

2 ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Association are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS102) and the Housing SORP 2014: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015. This is the first year in which the financial statements have been prepared under FRS102. Please see note 29.

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

Significant Judgements and Estimates

Preparation of the financial statements require management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

- Allocation of costs for mixed tenure developments
On scheme with a mixed tenure development ie it includes both Affordable rented properties and Shared Ownership properties, an allocation of the land cost, property build costs, professional fees and other costs is made between the relevant units.
- Allocation of costs for shared ownership properties
Where costs are not separately invoiced, costs are allocated to shared ownership properties on the basis of floor area.
- Recoverability of the cost of properties developed for shared ownership sale.
Management review the housing market regularly and carry out

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 1st 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.

Holiday Pay Accrual

A liability has been recognised to record any unused holiday pay entitlement accrued at the balance sheet date and accrued to future periods.

Hightown Housing Association Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

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), 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.

The Buckinghamshire County Council Pension Fund is accounted for under FRS102. 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 main pension fund and 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 relevant commissioning 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 3).

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

Hightown Housing Association Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

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 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.

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 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.

Property partially sold under shared ownership leases are no longer depreciated as the responsibility for repair and maintenance are held by the shared owner and the market value of Hightown's retained equity exceeds the book cost. This is a change in accounting policy in this financial year. As a result of the change in policy an adjustment was made to increase the book cost of shared ownership properties shown under fixed assets at 1 April 2014 by £1.89 million.

Land Received At 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.

Hightown Housing Association Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

Social Housing Grant

Social Housing Grant (SHG) is receivable from the Homes and Communities Agency and local authorities. The amount of SHG receivable is calculated on a fixed basis depending on the size, location and type of housing property. SHG due or received in advance is included as an 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 using the accrual model set out in FRS102 and the Housing SORP 2014 for government grants.

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 Grant

These include grants from local authorities and other organisations. Government Grants are dealt with under the accrual model within FRS102 and are credited to the income and expenditure account in the same period as the expenditure to which they relate. Other grants are dealt with under the performance method and recognised to income and expenditure once the conditions for the grant are complete.

Impairment

Properties depreciated over a period in excess of 50 years are, in accordance with Financial Reporting Standard 102 and the SORP 2014, 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 Comprehensive Income.

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 depreciated over the lives of those components.

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.

Hightown Housing Association Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

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 2014 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.

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 2014. 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 Statement of Financial Position within debtors or creditors as appropriate.

Hightown Housing Association Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

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

Continuing activities

	Turnover £'000	2016 Operating costs £'000	Operating surplus £'000	Turnover £'000	Restated 2015 Operating costs £'000	Operating surplus £'000
SOCIAL HOUSING LETTINGS (See Note B)	40,159	(24,193)	15,966	37,265	(22,105)	15,160
OTHER SOCIAL HOUSING ACTIVITIES						
Current asset property sales	7,699	(6,526)	1,173	6,639	(5,432)	1,207
Supporting People contract income	1,402	(1,402)	-	1,006	(1,006)	-
Management services	487	(998)	(511)	451	(390)	61
Aborted development costs	-	(85)	(85)	-	(30)	(30)
Other	269	(86)	183	147	(67)	80
	9,857	(9,097)	760	8,243	(6,925)	1,318
ACTIVITIES OTHER THAN SOCIAL HOUSING						
Registered nursing homes	547	(603)	(56)	553	(591)	(38)
Other - Charity Shop	124	(140)	(16)	152	(170)	(18)
	671	(743)	(72)	705	(761)	(56)
TOTAL	50,687	(34,033)	16,654	46,213	(29,791)	16,422

Hightown Housing Association Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

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

NOTE B - INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	General Needs Housing £'000	Supported Housing £'000	Low Cost Home Ownership £'000	Residential Care Homes £'000	2016 Total £'000	Restated 2015 Total £'000
INCOME						
Rent receivable net of identifiable service charges	19,911	3,267	2,262	156	25,596	22,797
Service charge income	1,102	1,409	649	-	3,160	3,093
Charges for support services	-	84	-	-	84	469
Amortised Government Grants	1,271	232	132	-	1,635	1,606
Other revenue grants [C&SH]	9	6,864	1	2,810	9,684	9,300
TURNOVER FROM SOCIAL HOUSING LETTINGS	22,293	11,856	3,044	2,966	40,159	37,265
EXPENDITURE						
Management	(2,550)	(321)	(231)	(405)	(3,507)	(3,115)
Support Service costs	(269)	(7,374)	(2)	(2,377)	(10,022)	(9,072)
Service charge costs	(1,005)	(1,126)	(382)	(150)	(2,663)	(2,870)
Routine maintenance	(1,935)	(355)	(11)	(47)	(2,348)	(2,192)
Planned maintenance	(298)	(42)	(1)	(3)	(344)	(343)
Major repairs expenditure	(466)	(240)	(3)	(52)	(761)	(723)
Bad debts	(104)	(21)	-	-	(125)	(80)
Depreciation of housing properties	(3,848)	(522)	(31)	(22)	(4,423)	(3,710)
OPERATING EXPENDITURE ON SOCIAL HOUSING LETTINGS	(10,475)	(10,001)	(661)	(3,056)	(24,193)	(22,105)
OPERATING SURPLUS / (DEFICIT) ON SOCIAL HOUSING LETTINGS	11,818	1,855	2,383	(90)	15,966	15,160
Void losses	(155)	(182)	(102)	(3)	(442)	(435)

Hightown Housing Association Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

4 SUPPORTED HOUSING MANAGED BY AGENCIES

The Association has 114 supported housing tenancies (2015:108) 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.

5 ACCOMMODATION IN MANAGEMENT

	2016 No.	2015 No.
At the end of the year accommodation in management for each class of accommodation was as follows:		
Social housing		
General needs housing		
- Social rent	2,301	2,283
- Affordable rent	463	209
	2,764	2,492
Intermediate rent	240	249
Supported housing	551	547
Housing for older people	81	81
Low Cost Home Ownership (Shared Ownership)	659	633
Leasehold	652	591
Held for development	13	14
Total Owned	4,960	4,607
Accommodation managed for others	108	108
Total Managed	5,068	4,715
Non-social housing		
Registered nursing home bed spaces	8	8
Total owned and managed	5,076	4,723
Units under development at the year end	734	345

6 OPERATING SURPLUS

	2016 £'000	Restated 2015 £'000
This is arrived at after charging / (crediting):		
Depreciation of housing properties	4,239	3,082
Accelerated depreciation on replaced components	183	102
Depreciation of other tangible fixed assets	255	250
Operating lease rentals	103	107
Auditors' remuneration (excluding VAT)		
- fees payable to the Association's auditor for the audit of the financial statements	32	25
- for non-audit services	10	21

Hightown Housing Association Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

7 INTEREST PAYABLE AND SIMILAR CHARGES

	2016 £'000	Restated 2015 £'000
Loans and bank overdrafts	8,308	6,942
Recycled Capital Grant Fund	9	3
Disposal Proceeds Fund	-	-
Net interest on net defined benefit pension liability	64	104
	<u>8,381</u>	<u>7,049</u>
Interest capitalised on construction of housing properties	(1,281)	(988)
	<u>7,100</u>	<u>6,061</u>
Capitalisation rate used to determine the amount of finance costs capitalised during the period	3.34%	2.84%

8 EMPLOYEES

	2016 £'000	Restated 2015 £'000
<u>Employee costs:</u>		
Wages and salaries	12,566	11,921
Social security costs	972	900
Other pension costs	1,787	515
	<u>15,325</u>	<u>13,336</u>

During the year the Association paid £118,798 (2015: £24,900) in respect of redundancy and severance payments. These values are included within the analysis above.

In 2016, the Association agreed to make further deficit plan recovery payments to the Social Housing Pension Fund. The additional liability of £1.5 million appears in the Statement of Financial Position and is recognised within other pension costs above. Further information on pensions appears at note 30.

	2016 No.	2015 No.
<u>Average monthly number of employees (full time equivalents):</u>		
Administration	63	47
Development	12	10
Housing, support and care	413	343
	<u>488</u>	<u>400</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.

9 BOARD MEMBERS AND EXECUTIVE DIRECTORS

Board members

None of the Board members received emoluments. Total expenses reimbursed during the year to Board members were £3,836 (2015: £2,035).

Executive Directors

The aggregate emoluments of the executive directors including pension contributions amounted to £797,308 (2015: £691,695).

The emoluments of the highest paid director, the chief executive, excluding pension contributions, were £147,814 (2015: £136,868). Pension contributions in the year were £11,188 (2015: £10,501).

The aggregate amount of compensation payable to directors for loss of office during the year was £60,000 (2015: nil).

Employees

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	2016 No.	2015 No.
£ 60,000 - £ 69,999	4	3
£ 70,000 - £ 79,999	-	1
£ 80,000 - £ 89,999	1	1
£ 90,000 - £ 99,999	1	1
£100,000 - £109,999	2	2
£110,000 - £119,999	-	-
£120,000 - £129,999	1	-
£130,000 - £139,999	-	1
£140,000 - £149,999	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.

The key management personnel of the Association are defined as the members of the Board of Management, the Chief Executive and the executive management team as disclosed on page 2.

Hightown Housing Association Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

10 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
<u>COST</u>					
At 1 April 2015 (Restated)	347,352	35,113	18,864	53,138	454,467
Additions	78	44,400	4,146	0	48,624
Properties completed	39,922	(39,922)	(6,535)	6,535	0
Components capitalised	1,261	0	0	0	1,261
Transfer to properties held for sale	(630)	0	0	0	(630)
Disposals	(1,062)	(165)	0	(4,671)	(5,898)
As at 31 March 2016	<u>386,921</u>	<u>39,426</u>	<u>16,475</u>	<u>55,002</u>	<u>497,824</u>
<u>DEPRECIATION</u>					
As at 1 April 2015 (Restated)	28,974	0	0	0	28,974
Charge for the year	4,239	0	0	0	4,239
Eliminated on Disposals	(477)	0	0	0	(477)
As at 31 March 2016	<u>32,736</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>32,736</u>
<u>NET BOOK VALUE</u>					
As at 31 March 2016	<u>354,185</u>	<u>39,426</u>	<u>16,475</u>	<u>55,002</u>	<u>465,088</u>
As at 31 March 2015 (Restated)	<u>318,378</u>	<u>35,113</u>	<u>18,864</u>	<u>53,138</u>	<u>425,493</u>

Expenditure on works to existing properties:

	2016 £'000	2015 £'000
Components capitalised	1,261	1,084
Amounts charged to income and expenditure account	706	678
	<u>1,967</u>	<u>1,762</u>

Hightown Housing Association Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

Social Housing Grant	2016 £'000	2015 £'000
Deferred Capital Grant	130,938	129,969
Recycled Capital Grant Fund	2,516	1,260
Disposal Proceeds Fund	124	124
Revenue Grant – I&E	1,635	1,606
Revenue Grant - Reserves	14,855	13,249
	<hr/>	<hr/>
	150,068	146,208
	<hr/>	<hr/>

<u>Housing properties book value, net of depreciation, comprises:</u>	2016 £'000	Restated 2015 £'000
Freehold land and buildings	412,213	376,892
Long leasehold land and buildings	52,875	48,601
	<hr/>	<hr/>
	465,088	425,493
	<hr/>	<hr/>

<u>Additions to properties include:</u>	2016 £'000	2015 £'000
Development overheads capitalised	1,443	1,367
Capitalised interest	1,284	988

11 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 2015	6,032	253	225	624	35	7,169
Additions	13	19	35	148	40	255
Disposals	0	0	(4)	0	(35)	(39)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 March 2016	6,045	272	256	772	40	7,385
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<u>Less: Depreciation</u>						
As at 1 April 2015	683	66	202	508	20	1,479
Charged in year	115	25	13	95	7	255
Released on disposal	0	0	(2)	0	(27)	(29)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 March 2016	798	91	213	603	0	1,705
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<u>Net book value</u>						
As at 31 March 2016	5,247	181	43	169	40	5,680
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 March 2015	5,349	187	23	116	15	5,690
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Hightown Housing Association Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

12 INVESTMENTS

UK Government Gilt

The Association has a £30 million maturity loan with The Housing Finance Corporation Ltd (THFC). Under the agreement the Association is required to maintain an Interest Service Reserve Fund (ISRF) at least equal to 12 months interest on the loan (£1.9m).

This sum is invested in a UK Government Gilt to minimise risk. To minimise any interest cost between the loan rate and the investment rate, a Gilt that closely matches the maturity date of the underlying bond (July 2039) was purchased, namely the 4.75% UK Treasury due 2038. It is intended to hold this Gilt to maturity.

Movement in investment:	2016 £'000
Value 1 April 2015	2,649
Valuation movement in year	(19)
Value 31 March 2016	<u>2,630</u>

The historic cost of the investment was £1,905,943 with a nominal value of £1,808,000.

13 PROPERTIES AWAITING SALE

	2016 £'000	2015 £'000
Shared Ownership properties	2,423	1,949
Vacant properties awaiting sale	630	534
	<u>3,053</u>	<u>2,483</u>
	No.	No.
Shared Ownership properties	24	24
Vacant properties awaiting sale	6	7
	<u>30</u>	<u>31</u>

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

Hightown Housing Association Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

14 DEBTORS

	2016 £'000	Restated 2015 £'000
Due within one year		
Rent and service charge arrears	1,141	1,098
Less: Provision for bad and doubtful debts	(817)	(769)
	<u>324</u>	<u>329</u>
Estate service charges recoverable	605	525
Revenue grants receivable	389	1,106
Other debtors	198	170
Prepayments and accrued income	1,426	1,346
	<u>2,942</u>	<u>3,476</u>

15 BANK AND CASH

	Note	2016 £'000	2015 £'000
Bank accounts held on trust	2	1,261	1,116
Other bank accounts		15,274	8,233
Cash in hand		1	1
		<u>16,536</u>	<u>9,350</u>

16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Note	2016 £'000	Restated 2015 £'000
Debt	21	2,879	1,319
Trade creditors		1,418	1,668
Rent and service charges received in advance		1,274	1,146
Revenue grants received in advance		77	98
Recycled Capital Grant Fund	19	384	125
Other taxation and social security		290	223
Deferred Grant income	18	1,657	1,635
Other creditors		541	233
Development and works retentions		5,294	3,803
Accruals and deferred income		1,696	1,363
		<u>15,510</u>	<u>11,613</u>

Hightown Housing Association Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

17 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

		2016	Restated 2015
	Note	£'000	£'000
Debt	21	256,061	230,103
Recycled Capital Grant Fund	19	2,132	1,135
Disposal Proceeds Fund	20	124	124
Premium on THFC Loan Issue *		3,362	3,506
Deferred Grant income	18	129,281	128,334
Leaseholder Sinking Funds		97	81
Leaseholder Trust Funds		1,102	963
Development and works retentions		331	749
		<u>392,490</u>	<u>364,995</u>

* 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 remaining life of the loan (23 years) to offset interest paid.

18 DEFERRED CAPITAL GRANT

		2016	2015
	Note	£'000	£'000
At 1 April		129,969	128,068
Grant received in year		3,699	4,195
Grant recycled from RCGF and DPF		125	60
Grant recycled to RCGF		(1,220)	(748)
Released to income in the year	3	(1,635)	(1,606)
At 31 March		<u>130,938</u>	<u>129,969</u>

		2016	2015
	Note	£'000	£'000
Amounts to be released within one year	16	1,657	1,635
Amounts to be released in more than one year	17	129,281	128,334
		<u>130,938</u>	<u>129,969</u>

19 RECYCLED CAPITAL GRANT FUND

		2016	2015
		£'000	£'000
Opening balance 1 April		1,260	569
Additions:			
Grant recycled from Deferred Capital Grant		1,220	748
Grant recycled from Statement of Comprehensive Income		152	-
Interest accrued		9	3
Drawdown:			
New build		(125)	(60)
Closing balance 31 March		<u>2,516</u>	<u>1,260</u>

Hightown Housing Association Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

20 DISPOSAL PROCEEDS FUND

	2016 £'000	2015 £'000
Opening balance 1 April	124	-
Additions:		
Grant recycled	-	124
Closing balance 31 March	124	124

21 DEBT ANALYSIS

	2016 £'000	2015 £'000
<u>Bank loans</u>		
Due within one year	3,368	1,693
Between one and two years	3,976	48,451
Between two and five years	42,207	37,201
After five years	211,743	146,137
Total after one year	257,926	231,789
Total bank loans	261,294	233,482
<u>Unamortised loan costs</u>		
Due within one year	(489)	(374)
Between one and two years	(465)	(330)
Between two and five years	(453)	(491)
After five years	(947)	(865)
Total after one year	(1,865)	(1,686)
Total unamortised loan costs	(2,354)	(2,060)
<u>Total</u>		
Due within one year	2,879	1,319
Between one and two years	3,511	48,121
Between two and five years	41,754	36,710
After five years	210,796	145,272
Total after one year	256,061	230,103
Total	258,940	231,422

Security

Loans are secured by fixed charges on individual housing properties and the central office building except for the £27 million loan from Retail Charity Bonds plc where unencumbered assets of £35 million are retained.

Terms of repayment and interest rates

The loans are repayable at intervals varying from half yearly to annually, and on maturity. Final instalments of loans fall to be repaid in the period 2016 to 2039 (2015: 2016 to 2039).

Hightown Housing Association Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

Fixed interest rates payable at 31 March 2016 averaged 5.30% (2015: 5.63%) ranging from 4.38% to 10.50% (2015: 4.40% to 10.50%). Variable interest rates are based on LIBOR plus agreed loan margin. The weighted average cost of interest in 2015/16 was 3.37% (2015: 3.14%).

At 31 March 2016 the Association had £42.5 million of undrawn loan facilities (2015: £45.0 million).

On 30 June 2016 the Association signed a £35 million loan agreement with Northern Bank Ltd (t/a Danske Bank).

22 PROVISIONS FOR LIABILITIES – OTHER PROVISIONS

	SHPS Pension Deficit Contribution £'000	Growth Fund Deficit Contribution £'000	Leave Pay £'000	Total £'000
As at 1 April 2015	3,486	45	82	3,613
Additions	-	-	54	54
Amendment to contribution schedule	1,444	14	-	1,458
Remeasurement	(28)	-	-	(28)
Utilised	(393)	(5)	-	(398)
Unwinding of discount	63	-	-	63
At 31 March 2016	<u>4,572</u>	<u>54</u>	<u>136</u>	<u>4,762</u>

The Leave Pay provision represents holiday balances accrued as a result of services rendered in the current period and which employees are entitled to carry forward. The provision is measured as the salary cost payable for the period of absence.

The SHPS Pension and Growth Plan Deficit Contributions are referred to in note 30. The provisions are based on the net present value of payments agreed at the year end under the recovery plans. The provision may be adjusted following the triennial valuations of the schemes. Any change in the provision will be shown within operating costs in the income and expenditure account. The unwinding of the discount is shown as a finance cost. The discount rate used in calculating the SHPS pension deficit contribution provision changed from 1.92% at 31 March 2015 to 2.06% at 31 March 2016, as a result the provision reduced.

23 SHARE CAPITAL

	2016 No.	2015 No.
<i>Shares of £1 each issued and fully paid</i>		
As at 1 April	27	35
Shares issued in the year	3	3
Shares surrendered during the year	(1)	(11)
As at 31 March	<u>29</u>	<u>27</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.

Hightown Housing Association Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

24 FINANCIAL COMMITMENTS

	2016 £'000	2015 £'000
Capital Expenditure		
Expenditure contracted for but not provided in the accounts	105,219	59,399
Expenditure authorised by the Board but not contracted	43,367	89,754
	<u>148,586</u>	<u>149,153</u>

The Association is forecasting to spend £64.4 million of the contracted commitments in 2016/17. This will be financed by use of the undrawn committed loan facilities (£42.5 million) referred to in note 21 above, first tranche shared ownership sales, social housing grant, site sub-sales, cash in hand, surplus revenue cash generated in the year and new borrowing facilities. A £35 million loan facility has been arranged since the year end (note 28).

A further £29.4 million contracted commitment is forecast to be spent in 2017/18 with the remaining £11.4 million forecast to be spent over the 4 years thereafter. The Association's policy is to ensure that expenditure is committed as funding resources are made available.

25 LEASING COMMITMENTS

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

	2016 £'000	2015 £'000
Office equipment and vehicles:		
- Within one year	17	22
- Between one and two years	17	35
- Between two and five years	9	17
- After five years	-	1
	<u>43</u>	<u>75</u>

26 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:

	Note	2016 £'000	2015 £'000
Floating rate		160,135	159,012
Fixed rate		101,159	74,470
		<u>261,294</u>	<u>233,482</u>
Loan costs		(2,354)	(2,060)
Total	21	<u>258,940</u>	<u>231,422</u>

The fixed rate financial liabilities have a weighted average interest rate of 5.30% (2015: 5.63%) and the weighted average period for which it is fixed is 16.8 years (2015: 20.5 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.

27 RELATED PARTIES

Board and Committee Members

One board member, Philip Day, was a tenant board member throughout 2015/16 and his tenancy was let on a standard Association tenancy agreement at normal commercial terms. The total amount payable was £5,540 (2015: £5,758).

Two Board members are local authority Councillors:

Brian Ellis	St Albans District Council
Carol Green	Dacorum Borough Council (until 07/05/2015)

The local authorities have nomination rights over tenancies for certain Association properties. 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 scrutiny committees are advisory only.

28 POST BALANCE SHEET EVENTS

Loan Finance

On 30 June 2016, the Association signed a £35 million, 10 year loan agreement with Northern Bank Limited t/a Danske Bank.

Care & Supported Housing Contracts

On 1 July 2016, the Association took over the delivery of contracts for support to 142 clients with learning disabilities from Radian Support Ltd. In total 237 staff transferred under TUPE arrangements. The annualised contract value of these services is c.£7 million.

29 ADOPTION OF FRS 102

The Association has adopted Financial Reporting Standard 102 (FRS 102) for the year ended 31 March 2016 and has restated the comparative prior year amounts. The changes are:

SHPS Pension

The Association is now required to recognise the net present value of any contractual agreements to make payments for a past deficit using an appropriate discount factor at March 2014 of 3.02%. As a result a liability of £3.641 million has been recognised as a provision in the opening reserves.

Holiday Pay Provision

A provision is now made for entitlement to holiday pay at the year end which has not been taken by employees. This has been calculated as £76,000 and is shown as a liability in opening reserves.

Grant Accounting

Social Housing Grant can no longer be offset against housing property within fixed assets. Government grants must be accounted for using the accrual model or the performance model. As the Association accounts for properties at cost, it has adopted the accrual model as required under SORP 2014. Non-government grants are accounted for under the performance model.

Under the accruals method, government grants have been allocated to the related asset and amortised over the useful economic life of the asset. The unamortised amount is held within deferred income, split between less than 1 year and greater than 1 year. The amount of amortised grant that has been recognised in opening reserves is £13.249 million.

Hightown Housing Association Limited
NOTES TO THE FINANCIAL STATEMENTS
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Change in Accounting Policy

As stated in Accounting Policies, the Association has changed it's past policy of depreciating shared ownership units. Property sold under shared ownership leases are no longer depreciated as the responsibility for repair and maintenance are held by the shared owner and the market value of Hightown's retained equity exceeds the book cost. This is a non FRS102 change in policy.

Transition to FRS 102

	31 March 2015 £'000	1 April 2014 £'000
Restated consolidated statement of financial position		
Original reserves	64,824	52,953
Amortisation of government grants	14,855	13,249
Holiday pay accrual	(82)	(76)
SHPS Pension	(3,532)	(3,641)
Additional Depreciation to structure	(9,332)	(8,374)
Non FRS102 change in accounting policy	1,859	1,427
Other immaterial FRS 102 adjustments	-	53
Restated Reserves	68,592	55,591

Restated surplus or deficit for the year ended 31 March 2015

	£'000
Original surplus on ordinary activities before tax	11,817
Holiday Pay Accrual	(5)
SHPS Pension	109
Amortisation of government grants	1,606
Additional depreciation to structure	(958)
Non FRS 102 change	432
Restated surplus for the financial year	13,001

Hightown Housing Association Limited
NOTES TO THE FINANCIAL STATEMENTS
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30 PENSIONS

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

Hightown operates a Defined Contribution (DC) section within SHPS for all new staff from 1 November 2013.

Prior to this date, Hightown operated Defined Benefits structures within SHPS - a Career Average Revalued Earnings (CARE) with 1/80th accrual; a Career Average Revalued Earnings section with 1/60th accrual for staff employed prior to 1 April 2010; and a Final Salary Scheme section 1/60th accrual for staff employed prior to 1 April 2007. These defined benefit sections are closed to new entrants but there remain active employees who continue to accrue future benefits. The discounted agreed future contributions towards the past service deficit under the Final Salary and CARE sections is shown in Provisions note 22.

An analysis of the SHPS membership is as follows:

31 March 2016	SHPS DC	Final Salary	CARE 1/60ths	CARE 1/80ths	Total
Active	439	24	27	20	510
Deferred	11	102	29	22	164
Pensioner	0	91	12	0	103
Total	450	217	68	42	777

31 March 2015	SHPS DC	Final Salary	CARE 1/60ths	CARE 1/80ths	Total
Active	359	28	32	24	443
Deferred	1	105	27	19	152
Pensioner	0	87	10	0	97
Total	360	220	69	43	692

Hightown Housing Association Limited
NOTES TO THE FINANCIAL STATEMENTS
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A. SOCIAL HOUSING PENSION SCHEME – The Pensions Trust

Hightown participates in the scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for Hightown to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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

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

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows:

Deficit contributions

Tier 1	£40.6m per annum
From 1 April 2016 to 30 September 2020:	(payable monthly and increasing by 4.7% each year on 1st April)
Tier 2	£28.6m per annum
From 1 April 2016 to 30 September 2023:	(payable monthly and increasing by 4.7% each year on 1st April)
Tier 3	£32.7m per annum
From 1 April 2016 to 30 September 2026:	(payable monthly and increasing by 3.0% each year on 1st April)
Tier 4	£31.7m per annum
From 1 April 2016 to 30 September 2026:	(payable monthly and increasing by 3.0% each year on 1st April)

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2011; this valuation was certified on 17 December 2012 and showed assets of £2,062m, liabilities of £3,097m and a deficit of £1,035m. To eliminate this funding shortfall, payments consisted of the Tier 1, 2 & 3 deficit contributions.

Where the scheme is in deficit and where Hightown has agreed to a deficit funding arrangement, the Association recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate of 2.06% (2015: 1.92%). The unwinding of the discount rate is recognised as a finance cost.

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 2015. At this date the estimated employer debt for Hightown was £25,952,397 (30 September 2014: £23,031,324).

B. THE PENSIONS TRUST - GROWTH PLAN

Hightown participates in the scheme, a multi-employer scheme which provides benefits to some 1,300 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for Hightown to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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

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

A full actuarial valuation for the scheme was carried out at 30 September 2011. This valuation showed assets of £780m, liabilities of £928m and a deficit of £148m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2013 to 31 March 2023:	£13.9m per annum (payable monthly and increasing by 3% each on 1st April)
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A full actuarial valuation for the scheme was carried out at 30 September 2014. This valuation showed assets of £793m, liabilities of £970m and a deficit of £177m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2016 to 30 September 2025:	£12,945,440 per annum (payable monthly and increasing by 3% each on 1st April)
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From 1 April 2016 to 30 September 2028:	£54,560 per annum (payable monthly and increasing by 3% each on 1st April)
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The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Series 1 and Series 2 scheme liabilities.

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

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 2015. As of this date the estimated employer debt for Hightown was £64,451.

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 12 years from 1 April 2016.

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, is contracted out of the State Second Pension and currently provides benefits 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 three 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; and
- 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 2016 amounting to £5,748 (2015: £5,291) at a contribution rate of 20.1% (2015: 20.1%) of pensionable salaries.

Hightown Housing Association Limited
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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 2016;
- Estimated Fund returns based on Fund asset statements provided (or estimated where necessary) as at 31 March 2013, 31 March 2015 and 31 December 2015, Fund income and expenditure as noted above, and estimated market returns thereafter for the period to 31 March 2016;
- Estimated Fund income and expenditure in respect of Hightown for the period to 31 March 2016; and
- Details of any new early retirements for the period to 31 March 2016 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 as 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

The service cost for the year ending 31 March 2016 is calculated using an estimate of the average total pensionable payroll during the year. The estimated average total pensionable payroll during the year is £30,000. The projected service cost for the year ending 31 March 2017 has been calculated assuming payroll remains at this level over the year.

Scheduled Contributions

Minimum employer contributions due for the period beginning	1 April 2014	1 April 2015	1 April 2016
Percent of payroll	20.1%	20.1%	20.1%
Plus monetary amount	-	-	-

Early Retirements

There were no early retirements for the year ending 31 March 2016.

Hightown Housing Association Limited
NOTES TO THE FINANCIAL STATEMENTS
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Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2016 is estimated to be 2%. The actual return on Fund assets over the year may be different.

The estimated asset allocation for Hightown as at 31 March 2016 is as follows:

Asset Share – bid value	31 March 2016		31 March 2015	
	£'000	%	£'000	%
Gilts	70	12%	72	12%
UK Equities	307	54%	316	55%
Other bonds	70	12%	75	13%
Property	54	9%	50	9%
Cash	15	3%	11	2%
Alternative assets	8	1%	9	1%
Hedge Funds	24	4%	22	4%
Absolute return portfolio	26	4%	24	4%
Total	574	100%	579	100%

Bid values have been estimated where necessary. The final asset allocation of the Fund assets as at 31 March 2016 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%.

Actuarial Methods And Assumptions

Valuation Approach

To assess the value of Hightown's liabilities at 31 March 2016, 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 FRS102.

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 2016 without completing a full valuation. However, the reporting actuary Barnett Waddingham LLP is satisfied that the approach of rolling forward the previous valuation data to 31 March 2016 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, assets allocated to Hightown have been rolled forward 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.

Demographic/Statistical Assumptions

The demographic assumptions are consistent with those used for the most recent funding valuation carried out 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.

Hightown Housing Association Limited
NOTES TO THE FINANCIAL STATEMENTS
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The assumed life expectations from age 65 are:

Life expectancy from age 65 (years)		31 March 2016	31 March 2015
Retiring today	Males	23.8	23.7
	Females	26.2	26.1
Retiring in 20 years	Males	26.1	26.0
	Females	28.5	28.4

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.

Financial Assumptions

Assumptions as at:	31 March 2016		31 March 2015		31 March 2014	
	%pa	Real	%pa	Real	%pa	Real
RPI increases	3.3%	-	3.2%	-	3.6%	-
CPI increases	2.4%	(0.9%)	2.4%	(0.8%)	2.8%	(0.8%)
Salary increases	4.2%	0.9%	4.2%	1.0%	4.6%	1.0%
Pension increases	2.4%	(0.9%)	2.4%	(0.8%)	2.8%	(0.8%)
Discount rate	3.7%	0.4%	3.3%	0.1%	4.5%	0.9%

These assumptions are set with reference to market conditions at 31 March 2016. 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 FRS102 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 market implied inflation curve. The RPI assumption is therefore 3.3%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 0.9% below RPI i.e. 2.4%. This is a slightly higher differential than last year. It is believed to be a reasonable estimate for the future differences in the indices, based on the different calculation methods and recent independent forecasts.

Salary are assumed to increase at 1.8% p.a . above CPI in addition to a promotional scale.

Expected Return On Assets

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

Hightown Housing Association Limited
NOTES TO THE FINANCIAL STATEMENTS
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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 2016.

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

<u>Net pension deficit as at</u>	31 March 2016 £'000	31 March 2015 £'000	31 March 2014 £'000
Present value of the defined benefit obligation	864	907	769
Fair value of Fund assets (bid value)	574	579	529
Deficit	290	328	240

Statement Of Profit or Loss For The Year

The UK's Financial Reporting Council have published FRS102, which applies for company accounting periods beginning on or after 1 January 2015 and replaces the reporting standard FRS17. In summary the main changes that affect the statement of profit or loss are :

- Removal of the expected return on assets, to be replaced by a net interest cost comprising interest income on the assets and interest expenses on the defined benefit obligation, which are both calculated with reference to the discount rate; and
- Minor labelling changes to the statement of profit and loss.

FRS102 does not give a firm steer on how to account for administration expenses but these have been accounted for within the statement of profit or loss in line with IFRS requirements; previously these were shown as a deduction to the actual and expected return on assets.

The figures below show the application under the new standard for the year to 31 March 2016, the figures as they would have been under the new standard for the year to 31 March 2015 and the disclosed figures for the year to 31 March 2015.

<u>The amounts recognised in the income and expenditure statement</u>	Year to 31 March 2016 £'000	Year to 31 March 2015 £'000 Had FRS102 applied	Year to 31 March 2015 £'000 Disclosed
Service Cost	10	9	Separated below 9
Current service cost	Included above	Included above	n/a
Net interest on the defined liability (asset)	11	11	34
Interest on obligation	n/a	n/a	(33)
Expected return on Fund assets	n/a	n/a	-
Past service costs	Included above	Included above	-
Losses(gains) on settlements/curtailments	Included above	Included above	n/a
Administration expenses	-	-	
Total loss	21	20	10

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Asset and benefit obligation reconciliation

<u>Reconciliation of opening & closing balances of the present value of the defined benefit obligation</u>	Year to 31 March 2016 £'000	Year to 31 March 2015 £'000 Had FRS102 applied	Year to 31 March 2015 £'000 Disclosed
Opening defined benefit obligation	907	769	769
Current Service cost	10	9	9
Interest cost	30	34	34
Change in financial assumptions	(61)	114	Combined below
Change on demographic assumptions	-	-	Combined below
Experience loss(gain) on DB obligation	-	-	Combined below
Total actuarial losses (gains)	Separated above	Separated above	114
Losses (gains) on curtailments	Combined below	Combined below	-
Liabilities assumed / (extinguished) on settlements	-	-	-
Estimated benefits paid net of transfers in Past service cost	(24) Combined below	(21) Combined below	(21) -
Past service costs, including curtailments	-	-	Separated above
Contributions by Fund participants	2	2	2
Unfunded pension payments	-	-	-
Closing Defined Benefit obligation	<u>864</u>	<u>907</u>	<u>907</u>

<u>Reconciliation of opening and closing balances of the fair value of Fund assets</u>	Year to 31 March 2016 £'000	Year to 31 March 2015 £'000 Had FRS102 applied	Year to 31 March 2015 £'000 Disclosed
Opening fair value of Fund assets	579	529	529
Expected return on Fund assets	n/a	n/a	33
Interest on assets	19	23	n/a
Return on assets less interest	(8)	41	n/a
Other actuarial gains/(losses)	-	-	n/a
Total actuarial gains/(losses)	n/a	n/a	31
Administration expenses	-	-	n/a
Contributions paid by employer included unfunded	6	5	5
Contributions by Fund participants	2	2	2
Estimated benefits paid net of transfers in Settlement prices received/(paid)	(24) -	(21) -	(21) -
Closing fair value of Fund assets	<u>574</u>	<u>579</u>	<u>579</u>

The total return on the fund assets for the year to 31 March 2016 is £11,000.

Hightown Housing Association Limited
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Sensitivity Analysis

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

	£'000	£'000	£'000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	848	864	880
Projected service cost	10	10	10
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	864	864	864
Projected service cost	10	10	10
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	880	864	848
Projected service cost	10	10	10
Adjustment to life expectancy assumptions	+1 year	None	-1 year
Present value of total obligation	893	864	836
Projected service cost	10	10	10

For the life expectancy assumption, it is assumed that members will live a year longer or a year less.

Re-measurements in other comprehensive income

<u>Remeasurement of the net assets / (defined liability)</u>	Year to 31 March 2016 £'000	Year to 31 March 2015 £'000 Had FRS102 applied
Return on Fund assets in excess on interest	(8)	41
Other actuarial gains/(losses) on assets	-	-
Change in financial assumptions	61	(114)
Change in demographic assumptions	-	-
Experience gain/(loss) on defined benefit obligation	-	-
Changes in effect of asset ceiling	-	-
Remeasurement of the net assets / (defined liability)	<u>53</u>	<u>(73)</u>

Hightown Housing Association Limited
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Projected Pension Expense For The Year To 31 March 2017

<u>Projections for the year to 31 March 2017</u>	Year to 31 March 2017 £'000
Service cost	10
Net interest on the defined liability	11
Administration expenses	-
Total loss	<u>21</u>
Employer contributions	6

D. NHS PENSION SCHEME

At the 31 March 2016, there was one 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.