



Hightown Housing Association Limited

Report & Financial Statements For The Year Ended 31 March 2017

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

Hightown Housing Association Limited
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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
James Steel

Other Elected Members Claire Blunt (to 23/02/2017)
Richard Calvert (to 01/11/2016)
Philip Day (to 25/07/2016)
Cliff Hawkins
Steve Johnson
Frances Kneller
Bob Macnaughton
Althea Mitcham (to 29/09/2016)
Andrew Rose

Co-opted Members under rule D5 Brian Ellis (to 29/09/2016)

Executive Directors:

Chief Executive David Bogle
Director of Financial Services David Skinner
Director of Development George Edkins (to 14/06/2017)
Director of Development Andrew Royall (from 15/06/2017)
Director of Care & Supported Housing Dave Black
Director of Operations Susan Wallis
Director of Business Transformation Mark Carter

Company Secretary David Skinner

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

It has been a year of considerable growth and activity for Hightown. We increased our annual turnover by 24%, welcomed 507 new staff into the Association and developed 265 new affordable homes.

Our growth has helped us to cope with the effects of the Government's rent cuts without having to reduce services.

The year has seen us invest considerable sums in building new affordable housing, the results of which will become apparent in 2017/18 and beyond as those homes become ready for occupation.

Our key objective is to provide affordable homes for people who are homeless or who cannot afford to buy or rent at market rates. The operating surplus we generate is invested in building new homes and we look forward to working positively and collaboratively with the new Government and other housing associations to build more homes.

Working with the Homes for Cathy group of housing associations, the Cardboard Citizens theatre group and others, we have been involved in highlighting the 50th anniversary of the first showing of Ken Loach's BBC drama documentary, Cathy Come Home, and drawing attention both to the rising numbers of homeless families in temporary accommodation today and the rising numbers of rough sleepers. Although housing associations have built hundreds of thousands of new homes in the last 50 years, there is still much more to be done and Hightown will play its part.

A major part of our work is in providing housing and support to vulnerable and disabled people (including homeless people). In 2016/17, we took over social care contracts from another housing association in Buckinghamshire and Berkshire, mainly for the support of people with learning disabilities. These new services increased our turnover in care and supported housing from around £17 million to £25 million. . We took on 130 new service users and 241 new staff. We also opened a new housing development in Hemel Hempstead in partnership with Herts County Council to provide supported living to ten people in their own specially designed flats with staff based on the development.

Early in the year, we were one of the first housing associations to be subject to an In Depth Assessment by our regulator, the Homes and Communities Agency, under their new regime. The regulatory team visited Hightown, reviewed data on our performance and interviewed staff and Board members. We were pleased that, following the assessment, our Governance rating of G1 was confirmed and our Financial Viability rating was raised from V2 to V1.

During the year the Board commissioned an external review of our governance and its effectiveness. This concluded that while Board oversight was effective and proportionate some amendments to the Committee structure and general governance support arrangements might help prioritise the more strategic aspects of the Board's work. These changes have now been implemented.

We expect to complete over 1,000 new homes in the next two years so it is important that our governance arrangements and our systems and processes are able to cope with this considerable and ongoing growth. Our Business Transformation team, set up two years ago, has made considerable progress in reviewing the way we work and introducing wide-ranging improvements benefitting all parts of the organisation. This has helped us to deliver performance in 2016/17 that ranks amongst the highest in the sector.

But we also need the continued support of our funders, commissioners, local authority partners and our many other stakeholders. Our strong operating performance has helped us to put new lending facilities in place to fund our building development programme. We also continue to benefit from appropriate grant funding from the commissioners of our care and supported housing work.

There are challenges ahead from further welfare benefit cuts, from uncertainty over rent levels from 2020 onwards and from the effect of Local Housing Allowance caps particularly in supported housing. With a clear strategic vision, experienced management team and focus on performance however we look forward with confidence to the year ahead.

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BOARD REPORT
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I am grateful for the hard work and dedication of our staff and of our Board and Committee members during a very busy but rewarding year for Hightown.

A handwritten signature in blue ink, appearing to read 'Tony Keen', with a stylized flourish at the end.

Tony Keen
Chairman
6 July 2017

STRATEGIC REPORT

The Board presents its report and audited financial statements for the year ended 31 March 2017.

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.

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

Turnover in the year was £62.8 million (2016: £50.7 million) including £9.4 million (2016: £7.7 million) arising from the sale of new first tranche shared ownership properties. Underlying rental income increased significantly due to the new units emerging from our development programme. Turnover in our Care and Supported Housing operations also rose substantially through the acquisition of contracts worth approximately £7 million per year from another housing association operating in Buckinghamshire and Berkshire in July 2016.

The Association generated a surplus for the year of £15.9 million (2016: £14.3 million) for investment in new affordable homes. At the year-end the Association's reserves stood at £98.8 million (2016: £82.9 million).

During the year, we completed 265 new affordable homes consisting of 215 homes for rent and 50 homes for shared ownership. We also acquired 40 leasehold units.

The Association spent £69.6 million (2016: £39.2 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 5,386 homes in management (2016: 5,076 homes). An analysis of homes in management is shown in note 5 of the financial statements.

The Association maintained its strong performance of letting vacant general needs homes on average within 15 working days and improved new homes lettings to 4 working days (2016: 5 working days). Rent arrears performance improved from 3.11% to 2.55%.

d) Future prospects

The Board believes Hightown is well placed to continue to grow in future years. The Association has a strong management team, has generated significant surpluses for reinvestment, is operating well within its funding covenants and has access to significant unused funding facilities. The development programme is forecast to deliver almost 700 new affordable homes in 2017/18 and in excess of 500 new homes in 2018/19.

e) Principal risks and uncertainties

Availability of funding

The Association closely monitors its forward development programme against available financing facilities and seeks at all times to maintain sufficient cash and undrawn facilities to cover at least 12 months' anticipated forward expenditure after allowing for anticipated income and receipts. During the year, the Association agreed terms for further bank funds and for a private placement and ended the year with £13 million free cash and £112m of unused facilities, sufficient to fund the development programme well into 2018/19.

Exposure to interest rate risk

The Association manages its exposure to interest rate risk through close monitoring of the financial markets and through its treasury management policy. The policy provides that at least 40% of our debt should be at fixed interest rates. The proportion of fixed rate debt at 31 March 2017 was 43.5% (2016: 38.7%). The Association has no free standing derivatives and no exposure to margin calls on such instruments.

Impact of continuing 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. It is important, however, that the new Government takes early action to provide certainty about the rent regime from April 2020 onwards if it wants to encourage investment in new homes.

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

Hightown's financial performance in 2016/17 was excellent. Annual turnover increased by 23.9% to £62.8 million and the surplus for the year increased by 12.7% to £16.1 million. The surplus is invested in the development of new affordable homes.

We spent £69.6 million during the year on building new affordable homes in Hertfordshire and Buckinghamshire. The total number of homes under ownership/management increased by 310 to 5,386. Our 6.1% rate of growth in properties owned/managed is amongst the highest in the sector.

On 1 July 2016 we accepted the transfer of social care contracts, predominantly for the support of learning disabilities clients, in Buckinghamshire and Berkshire, from Radian Support Ltd.

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 488 to 674 mainly due to the transfer of almost 250 full time equivalent staff as part of the transfer of contracts from Radian Support.

Hightown's policy is to set staff salaries in line with the 'going rate in the sector'. A pay review took place in 2016 which led to a 2% salary increase for Hightown staff. Staff satisfaction rates are high with almost 70% of all staff rating Hightown at 8 out of 10 or better as an employer.

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. 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 2016/17 was 15 days (2016: 15 days), in the top quartile for lettings performance amongst our peers. Our rent arrears reduced in the year from 3.11% to 2.55%. Satisfaction with our repairs performance remains high at 92.3% (2016: 92%).

We sold 63 (2016: 67) new shared ownership properties during the year and ended the year with just 9 (2016: 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 £38.2 million (net of repayments) (2016: £27.5 million) to £297.1 million representing a year end net gearing ratio of 54.3% (2016: 52.1%) and our interest cover improved to 3.05 times (2016: 2.8 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 3.03% (2016: 3.37%).

During February 2017, the Homes and Communities Agency (HCA), reaffirmed the Association's G1 / V1 rating following the In-depth Assessment in May 2016. These are 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 eight elected non-executive members. The present Board members of the Association are set out on page 2. Four Board members resigned during the year – Claire Blunt, Richard Calvert, Philip Day and Althea Mitcham.. Cllr. Brian Ellis (St. Albans) stood down as a co-opted member of the Board following the Board's decision to cease to seek Councillor co-options from Dacorum and St. Albans Councils in view of the much wider geographic area of operation that the Association had expanded into in recent years.

The Board members are drawn from a wide background bringing together relevant professional and commercial experience. The Board is currently seeking to recruit one or two new members to improve the skills mix and to increase the diversity of the Board.

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. There is also an annual Board 'away day' to review the strategic direction of the Association and the three year plan with an outside facilitator.

While 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 Chair 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 Association's 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.

The Board commissioned a Board Effectiveness Review from Altair consultancy in July 2016. The consultants interviewed Board members and senior executives and observed Board and Committee meetings. The review concluded that 'there is no doubt that governance at Hightown works in the sense of demonstrating leadership and control; the organisation delivers against its corporate objectives in a very effective fashion and, in development terms, shows one of the highest growth rates as a proportion of existing asset base in the sector. It also demonstrates regulatory compliance and self-awareness'.

The report made recommendations to improve the efficiency of the governance arrangements in Hightown. Consequently, we have reduced the number of Committees from six to four and have delegated further to officers. The Board considered whether to introduce payment for Board members and appoint officers to the Board but in both cases decided to maintain current arrangements.

Committees

The Committees scrutinise operational activities and provide advice to the Board. Since November 2016, the Development Committee has had delegated authority from the Board to approve certain new developments with a total cost of less than £5 million that meet agreed development parameters. The remaining committees have no delegated authority.

During the year and following the Board Effectiveness review, the Board decided to introduce a new Board/Committee structure. It was agreed that finance and key governance issues should be reserved for consideration at the main Board. The number of Committees was reduced to four – Development; Risk and Audit; Operations; and Nominations and Remuneration. The Operations Committee largely combined the

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previous remit of the Housing Scrutiny and Care and Supported Housing Committees. Meetings of the new Committees did not commence until after the end of the financial year.

Set out below are details of the Committees and their operations for 2016/17:

- The Governance Committee - consisted of the Chair and five other Board members and met twice during the year. The main task of the Committee during the year was to oversee the Board Effectiveness Review. The Committee also considered the NHF Merger Code, reviewed regulatory compliance against the Homes and Communities Agency's Code and reviewed Health and Safety and Human Resources practices, systems and processes in the Association.
- The Housing Scrutiny Committee - consisted of four Board members and four co-opted members including residents and other parties interested in service provision. It met four times in 2016/17. The Committee's role was to monitor and review the services provided by the Association to its general needs residents and others. During the year, the Committee reviewed HouseMark data about the Association's performance in comparison to other similar associations; reviewed the Tenant Satisfaction Survey results; reviewed Hightown's policies on voids, tenure and tenancy management, allocations and lettings, and anti-social behaviour; and scrutinised the setting up of the Social Lettings Agency and the annual report to residents;
- The Care and Supported Housing Committee - consisted of five Board members and met four times in the year. It monitored and reviewed the services provided by the Association to its care and supported housing residents and others. 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; reviewed the transfer of contracts from Radian Support to Hightown and the setting up of the new Fletcher Way learning disability scheme; and reviewed existing contracts for social care. It also received presentations from Managers about Hightown's existing services and on likely future legislative, regulatory and commissioning changes.
- The Development Committee - consisted of five Board members and one co-opted member. It met four times in the year but also considered certain projects before they went to the main Board by means of conference calls between the members. The Committee's role was to monitor and review the Association's development strategy and programme and make recommendations to the Board about new development projects. During the year, the Committee 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 operations of the new development appraisal and monitoring system.
- The Finance, Risk and Audit Committee - consisted of four Board members and a co-opted member. It met five times in the year. The Committee's role was to monitor and review the financial operations and policies of the Association including the annual budget and accounts. It considered the Association's borrowing strategy, including the principal terms of individual loans. Members of the Committee together with the Chair of the Association formed a Funding Committee to consider and approve under delegated authority the terms of loan facilities and private placement arrangements that the Association was putting in place. The Committee received reports from the internal auditors and the external auditors; reviewed the effectiveness of the Association's internal control systems; and made recommendations to the Board on audit practice. During the year the Committee closely monitored the Association's interest rate exposure and loan security. The Committee worked in partnership with the Development Committee to review the parameters for assessing new development proposals and made recommendations to the Board.
- The Remuneration Committee - consisted of six members of the Board including the Chair and Vice-Chairs. It was chaired by one of the Vice-Chairs. The Committee met four times during the year. Its main task was to set the terms of reference and oversee the operation of the Staff Salary Review that took place in summer 2016 and then to make recommendations to the Board on revisions to the staff salaries. The review incorporated a senior staff salary review. The Committee also reviewed the pension arrangements for Association staff and the operation of the defined benefit and defined contribution schemes. In both the staff salary review and the pensions review, external consultants were appointed to give independent advice to Committee members.

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 2017, the Association had 674 (2016: 488) 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 increase during the year was due to the transfer of staff from Radain Support under care and supported housing contracts in July 2016. Including casual bank staff, the Association now employs over 1,100 people.

The Association is accredited by Investors in People and continues to invest heavily in the training of its employees. A new Learning Hub has been set up to facilitate and monitor staff training and development and to make it easier for employees to undertake training on-line from their home or workplace. The aim is to ensure that staff are given the support necessary to enable them to provide high quality, professional services to our service users.

Hightown has adopted the 'Five Ways to Wellbeing' model both for staff development and interaction but also to inform the delivery of services to our Care and Supported Housing service users. The Five Ways are: Give; Take Notice; Connect; Keep Learning; Be Active. As part of Hightown's commitment to promoting the Five Ways of Wellbeing amongst our staff and in our Care and Supported Housing activities, we opened a staff gym on the top floor at our central office, Hightown House. This facility has been very well used.

The Association engages with its staff about the Association's objectives, progress and activities through regular office and departmental meetings; through newsletters and written communications; and through staff briefings and 'Meet the Chief Executive' events. The Association also has an internal communications platform "Yammer". A Staff Forum of elected staff representatives meets quarterly to discuss issues relevant to staff and give feedback to management.

During the year the Association held a Staff Conference which included volunteering activities and a House of Commons reception with MP Mike Penning.

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.

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*).

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 following statement gives a concise overview of the steps Hightown has taken 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 2016 to 31 March 2017.

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 have been asked to confirm that they are not in breach of the Act. Our tender documentation includes a provision for the mandatory exclusion of any bidder convicted of an offence under sections 1, 2 or 4 of the Modern Slavery Act 2015.

Where we enter into new contracts we seek to impose 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 but reserves the right to remove the supplier from its supply chain.

Training

Hightown's internal processes for Recruitment and Procurement address compliance with The Modern Slavery Act 2015. Recruitment staff 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 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.

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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 the 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 2016 up to the date of approval of the annual report and financial statements. The Board and the Committees and in particular the 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. Each department has a Risk Register which is reviewed regularly and feeds into the Association-wide High Risk and General Risk registers. The Board and senior officers have spent time looking at Business Assurance and particularly how the Board gets internal and external assurance in respect of the key risks facing the association and its operations.
- 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. The Board Away Day in March 2017 reviewed the Board's risk appetite with external assistance from Savills consultants and taking in to account performance information from other housing associations of a similar size and with a similar range of operations.
- 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 Risk and Audit Committee.

The Board receives quarterly management accounts and key performance indicators. The Operations Committee, the Development Committee and the Risk and Audit Committee regularly receive reports and dashboards 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.

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- 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 the Risk and Audit Committee. The arrangements include a rigorous procedure, monitored by the Risk and Audit Committee, for ensuring that corrective action is taken in relation to any significant control issues.

The Board also receives external assurance through benchmarking reviews carried out by Housemark and others; through briefings at Board meetings and Away Days; through attendance at conferences and seminars; and through reports from external valuers, solicitors, funding advisors and other independent experts.

The In Depth Assessment by the Homes and Communities Agency in early 2016/17 which confirmed the G1/V1 rating for Hightown, was an additional form of external assurance. This rating was reaffirmed by the HCA in February 2017.

- 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.

Approval

This Strategic Report was approved by order of the Board on 6 July 2017.



David Skinner
Secretary

VALUE FOR MONEY SELF-ASSESSMENT 2016/17

1. Summary

Hightown aims to build new homes and to provide excellent housing and support services that are good value for money.

The Government's Housing White Paper 2017 urges Housing Associations to "explore every avenue for building new homes" and acknowledges that housing associations have "a vital role to play if we are to build the homes we need."

Despite the Government's requirement for social housing providers to reduce general needs rents by 1% for each of the four years from April 2016 Hightown's Board has remained focused on the delivery of as many new homes as our assets and income will prudently allow.

This is because Hightown's Board has recognised for over 10 years that true efficiency and value for money is best demonstrated through maximising the use of resources to deliver 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 heavily influenced by our proximity to London. The Board's Strategic Plan captures its ambition to develop a significant number of homes for an association of Hightown's size. Over the next two years Hightown has over 1,200 new homes in the development pipeline. 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 to satisfy its lenders.

The Board also invests in existing homes and our values include being cost effective without compromising standards or safety. Hightown staff are experienced in managing both the size of the development programme and taking large numbers of new homes into management while continuing to provide excellent services to existing residents.

Hightown's Value for Money Self-Assessment for 2016/17 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. It highlights VfM achievements in 2016/17 and our plans for 2017/18 and beyond. It shows how we are meeting the requirements of the Regulatory Standard set by the Homes & Communities Agency (HCA).

Our involved residents have added explanations of terms and highlighted matters that are important to them in the Preface to this document, available on the Hightown website.

Hightown's significant planned growth of around 700 new units in 2017/18 means that year-on-year our average operating costs will reduce and Hightown will continue to demonstrate Value for Money through reduced average costs on a per unit basis. In the last 4 years the average cost of Housing Management per property has reduced by 12%. The Board also wishes 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 this year we have disposed of vacant properties identified for sale releasing surpluses of just under £3 million. This money is invested wisely in decent, efficient, well-managed new homes for our residents.

Hightown's successful transfer of a significant number of support contracts from another housing association working in our area during 2016 led to a large increase in Hightown's annual turnover in its care and supported housing services; from £17 million to £25 million in 2016/17, rising from one third to almost 40% 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.

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 will be taking part in the pilot for the new Value for Money Sector Score Card that is being developed to offer a consistent approach to capturing and benchmarking performance between housing organisations.
- Hightown has had the lowest central overheads cost per property of the organisations in its HouseMark benchmarking peer group for the last three years.
- Hightown has achieved top quartile performance on costs over the last three years for housing management, estate services, responsive and major repairs.
- Hightown has low rent arrears; fast letting times and high tenant satisfaction levels. Costs per property have reduced by 12% over the last 4 years.
- Hightown's stock grew by 6.1% in 2016/17 delivering 265 new homes.
- Hightown has increased its turnover by c£7m by taking a transfer of support contracts from another housing provider.
- Active asset management is demonstrated by the disposal of higher value properties and underperforming properties in 2016/17 realising funds of £860k which it invested in new homes.
- Hightown continues to maintain very good financial headroom and to operate well within its loan covenants.
- 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.
- Following an independent review of the Board's effectiveness, which was highly complimentary about the current effectiveness of the Board, it was decided to reduce the number of Board sub-committees by two to further improve efficiency in governance arrangements.
- A new Social Lettings Agency set up in April 2016 is helping to add to the number of homes available locally for homeless households needing more settled temporary accommodation.
- We continue to develop the services that customers can use through digital access, which has the potential to reduce costs. Residents are being encouraged to use the 24/7 MyHightown portal for self-service on rent accounts, repairs reporting and other housing management matters; we have over 1,400 current users.
- A supported housing scheme was remodelled to house an alternative client group where the local need had changed; this increased the availability of move on accommodation from homelessness services for those with mental ill health.
- An independent report into the social value provided by Hightown through our homelessness services in our core area of St Albans concluded that Hightown achieved savings in excess of £600k for other agencies, such as the police, social services and NHS.
- Hightown has adopted the Five Ways to Wellbeing approach for both its care and support services and its staff. By focussing on the wellbeing of staff, it is believed that staff motivation will improve and the costs and business impact associated with staff sickness and turnover can be reduced.

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 robust stress tests are carried out 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 further scrutiny is carried out to ensure that they meet Hightown's objectives, the required cost and performance benchmarks and deliver VfM.

The Board understands the importance and value of measuring its costs and performance against other housing providers. Hightown participates in the independent HouseMark benchmarking service and uses data provided by the Social Housing Regulator, the Homes and Communities Agency (HCA), National Housing Federation (NHF), 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 has been 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. Board members 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)

The housing sector score card that is being piloted this year captures 15 value for money indicators across five categories: business health, development (capacity and supply), outcomes delivered, effective asset management and operating efficiencies.

These measures will be benchmarked later in the year with other organisations who are taking part in the pilot.

3.1 Procurement

Hightown achieves Value for Money through the way we buy services and arrange work to our homes (this is called procurement). Our small procurement team makes 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 is a member of a number of buying consortia so we can 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

Involving residents maintains a focus on driving down costs. Residents are actively involved in a wide range of ways. 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 2016/17 is an independent review commissioned into our approach to dealing with items left in void properties to support those with low incomes.

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: further 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.

3.4 Making the best use of our staff

Due to our consistent growth we keep staffing levels and structures under continuous review. During 2016/17 the structure of the Finance Team was reviewed and work was re-organised to better meet the needs of our fast growing organisation .

We have been investing in Business Transformation through new process design using technological solutions to help front-line staff work more efficiently, making best use of their time. This allows staffing levels to be kept at the minimum number needed to deliver excellent services given the growth in the number of homes and services we provide. We make sure tasks are undertaken at the right pay scale so that higher paid staff carry out more skilled work and our costs support the ongoing viability of our care and supported housing schemes. We have been successfully channel-shifting some services onto electronic platforms such as the repairs and other reporting and provision of rent statements. We have 1,450 residents accessing these services through the new residents portal, MyHightown. Services available through the portal are being developed further over the coming year.

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 nine years staff have recorded their savings in an "Efficiency Log" on the Intranet. 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 2016/17 include:

- We received £4.6 million of new Social Housing Grant from the HCA and Local Authorities, to build new homes. Grant funded schemes that are on site and are due to be handed over in 2017/18 have attracted grant of £6.8 million.
- Revenue grants for our care and supported housing services increased from £12 million in the previous year to £20 million due to expansion in our learning disability services in Buckinghamshire and into Bracknell Forest.
- We worked with adult social care commissioners to close an outdated and loss making scheme successfully relocating the service users to more suitable accommodation, redeploying the staff team without redundancies and creating a more efficient management structure across remaining services.

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- We continue to receive renewable heat incentive grant for having carried out energy efficiency improvements to our homes, and solar panels on our main office.

3.6 Independent assessments of Hightown's services

Our care and supported housing 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. We commission an in-depth report by an independent organisation into a key area of service each year as agreed with involved residents. Previous such reports have looked at Value for Money in Maintenance; our approach to dealing with anti-social behaviour; and service charges for home owners. This year the report covered how Hightown deals with items left in vacant homes so that may be of benefit to the next tenant, such as carpets. Recommendations from the reports result in an 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 who produce performance data independently of the front line services and to help managers review the operation of their services and bring about efficiencies. During 2016/17 their main area of focus has been helping staff to work smarter by developing IT solutions that reduce the number of hours spent on tasks; improving logging and monitoring of key services and housing development activity; surveying general needs tenants for their views and improving accounts information for home owners.

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 below 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	2016/17	2015/16	2014/15	2013/14	2012/13	HouseMark median * 2015/16	HCA Global Accounts * 2015/16 Average	Comments
Return on Assets (operating surplus before property sales as a % of average total assets)	3.7%	3.6%	3.6%	5.5%	4.9%	Not available	Not available	A rise of 0.1%. Pre 2014/15 figures are pre-SORP 2014 accounting changes
Debt per unit (debt/units owned)	£57,876	£52,595	£50,592	£49,823	£46,036	£34,956	£24,299	This is higher than our peers and rising as Hightown has built many new homes in recent years with little or no capital grant.

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Performance	2016/17	2015/16	** 2014/15	2013/14	2012/13	HouseMark median # 2015/16	HCA Global Accounts * 2015/16 Average	Comments
Adjusted net gearing (net borrowing, as a percentage of housing properties)	54.7%	53.6%	52.2%	48.0%	49.9%	Not available	49.5%	This has been rising as we have borrowed a higher proportion of new home costs due to lower government grants.
Average cost of borrowing	3.03%	3.37%	3.14%	3.12%	3.25%	Not available	4.9%	This shows that we are paying low rates of interest for the money we borrow compared to most of our peers.
Growth in Turnover	23.9%	9.7%	-1.5%	3.5%	31.6%	6.9%	7.6%	Increased turnover due to new Care & Support contracts and new build units
Turnover to total operating assets	11.2%	10.2%	9.7%	10.3%	11.4%	10.9%	Not available	Increased turnover due to new Care & Support contracts
Growth in total assets	12.6%	8.6%	10.8%	14.8%	5.5%	3.5%	Not available	This reflects the development programme of new build homes.
Operating margin (before property sales) (as percentage of turnover)	31.0%	32.9%	35.5%	31.7%	26.5%	29.8%	27.6%	A slight fall reflecting the increase in Care & Support contracts at low margins
Interest Cover (Adjusted operating surplus before property sales divided by net interest payable)	305%	280%	260%	266%	237%	Not available	170%	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 South England. *HCA Global Accounts 2016 Housing Providers. ** Figures from 2014/15 onwards are reported under the Housing SORP 2014 and so previous years may not be directly comparable in all areas.

4.2 Asset Management

Hightown understands that the Return on Assets is not just the financial return generated from its assets but also social and environmental impacts and the ability to deliver business objectives.

Hightown's largest asset is its stock of properties, which in 2016/17 passed over 5,300 homes. To manage and utilise our stock effectively, we need to understand its performance and sustainability.

Hightown holds a good asset register and has a good knowledge of both the stock and its condition. This detailed knowledge allows for a better understanding of the contribution made by each property, its energy efficiency and the return on the investment made. To understand how each property contributes we carry out an annual Net Present Value (NPV) review of our rented properties. This 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.

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.

We use the results to inform business decisions on: retention and investment for current use, conversion, change of tenure or disposal. 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.

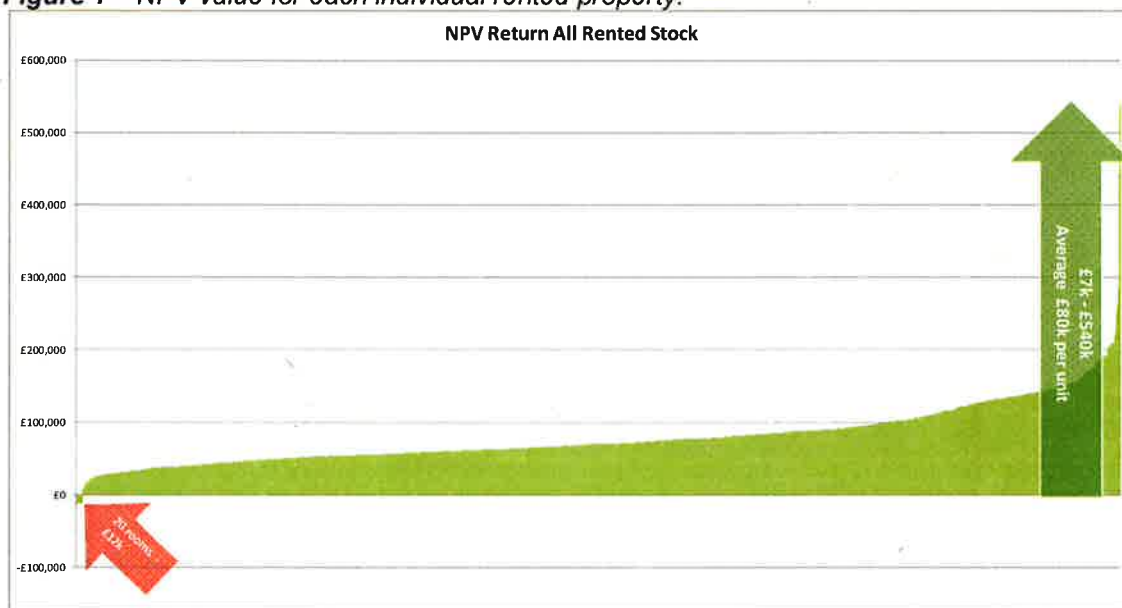


Figure 1 above shows the NPV across all our rented stock. The average value across the next 30 years is £80,000 per unit. Due to a higher discount rate in the calculation to reflect current market conditions, this is a decrease of £11,000 per unit when compared to the results from March 2016. The detail behind these results allows us to analyse the information further and split properties into different asset groups which may then identify any that may be underperforming or are 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.

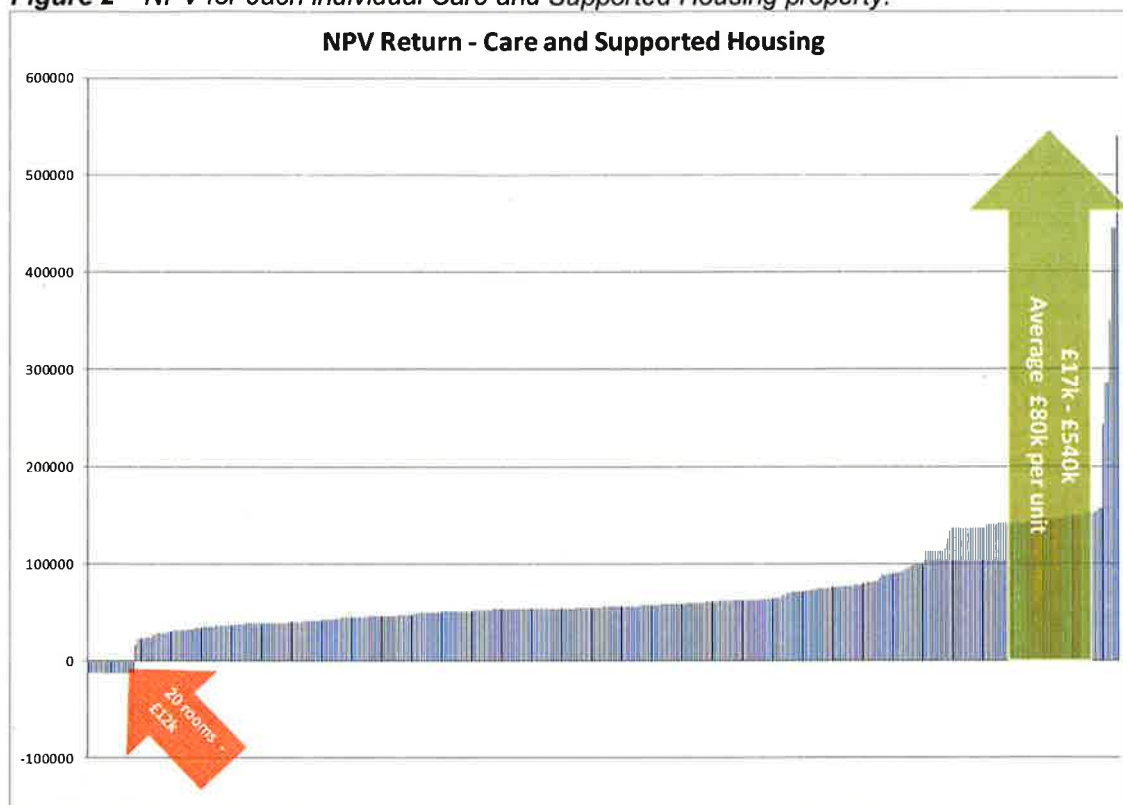
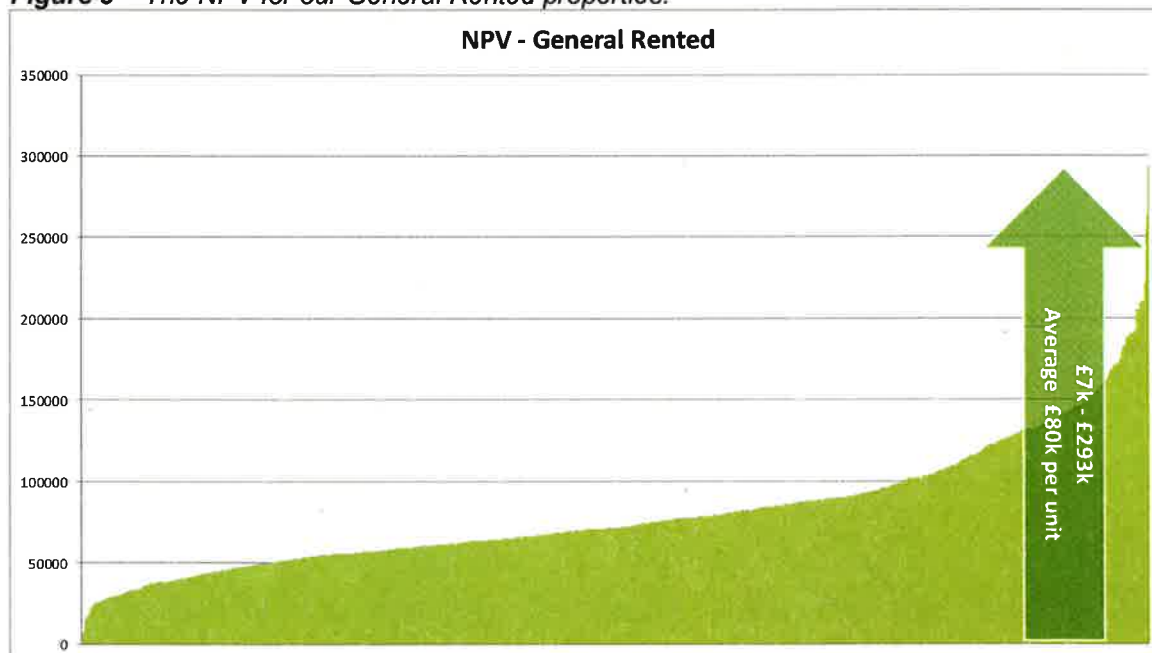


Figure 3 – The NPV for our General Rented properties.



The information shown above in figures 2 and 3 show the NPV return for our Care and Supported Housing and our General Rented stock. It can be seen from these charts that currently there are twenty care and supported housing room units with a negative NPV. The remainder of our rented stock is showing a positive return over the 30 year period.

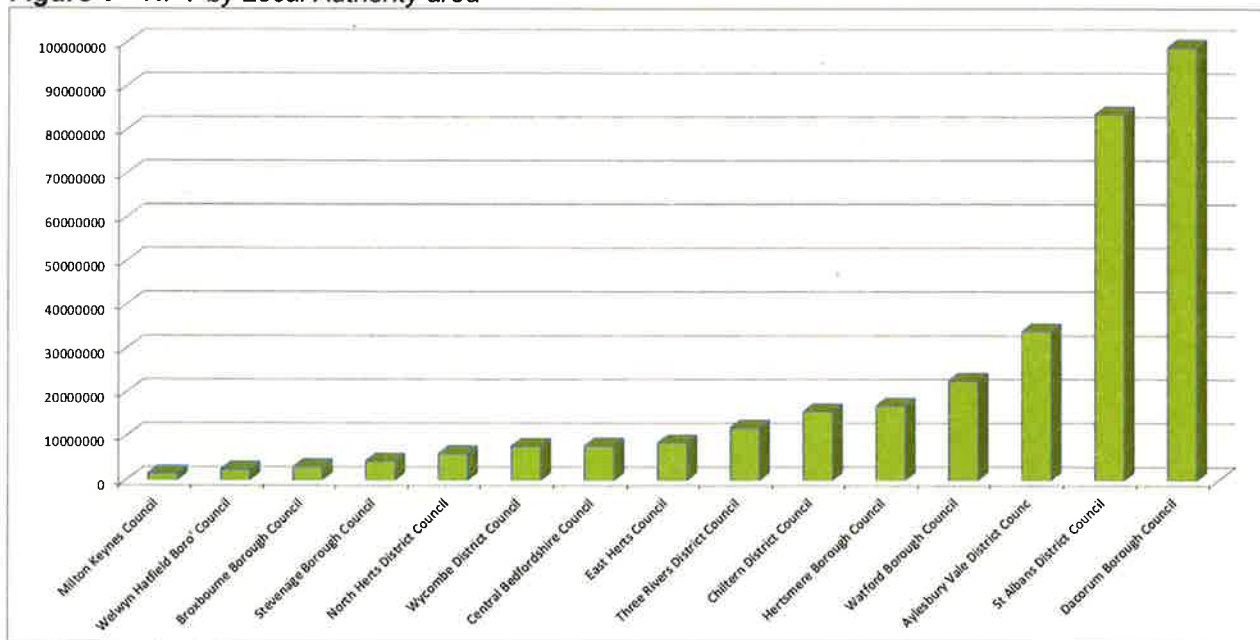
Properties with a negative or marginal positive return are prioritised for further analysis to understand why they are underperforming and whether an options appraisal is required. There could of course be justifiable reasons as to why we would not wish to consider their disposal or change of use. Hightown owns some homes of very high value as a result of the neighbourhoods in which we operate 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 the development of more replacement homes.

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 5 properties, mainly flats in blocks that Hightown does not own. Three of the properties were sold during the year for £862,000 with the proceeds reinvested locally in modern homes of a higher quality and more suited to meeting local housing need.

From our detailed NPV data analysis we can establish the geographical areas which provide the best return on investment. Figure 4 shows that the St. Albans and Dacorum local authority areas, where we have the most properties, continue to produce the best return on investment. As we manage a large number of properties in a limited geographical area we are able to achieve economies of scale by adding more local stock. By analysing the area data we are able to look at which areas are underperforming, which 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.

We also continue to look at opportunities to purchase more homes, having previously bought around 200 homes from another housing association, or to take on services from other providers. In July 2016 we took over contracts for the provision of support to people with learning disabilities from another provider with income of around £7m pa. Increasing the number of homes we manage without significantly increasing staffing levels and other overheads reduces Hightown's costs per property.

Figure 4 – NPV by Local Authority area



4.2.1 Asset and Liability Register

Hightown has an Asset and Liability Dashboard to make it possible to quickly access detailed information on our assets and liabilities. 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.

4.2.2 Stock Condition

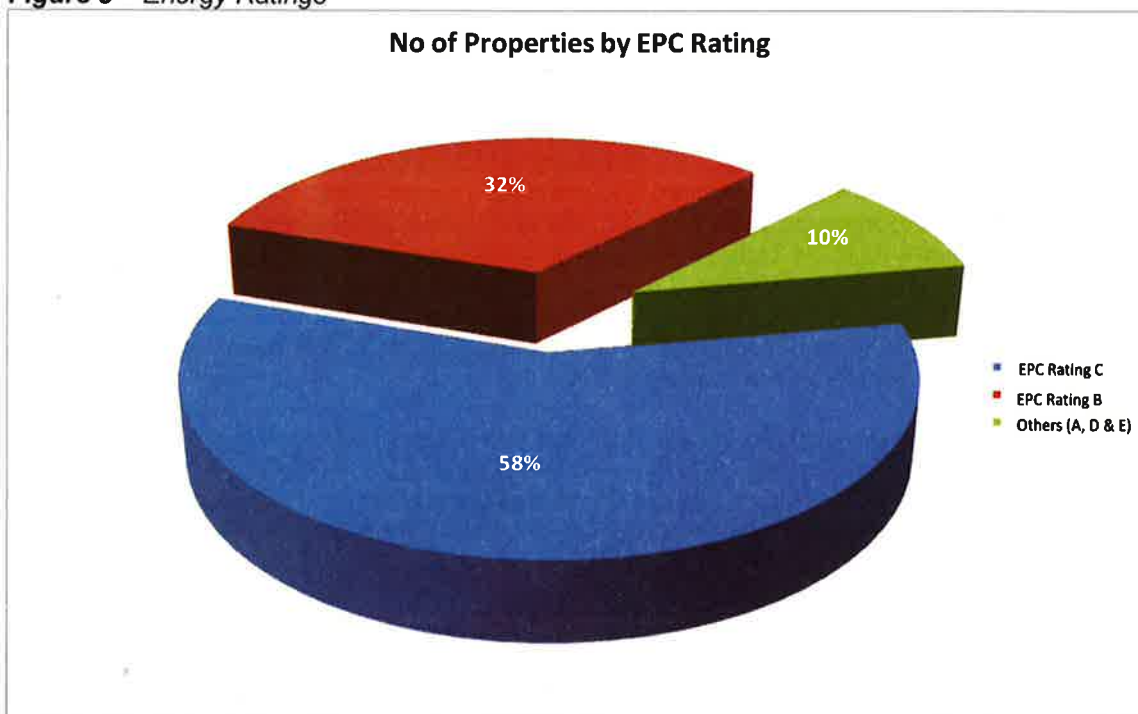
We have a robust method of planning and programming works using information from our rolling programme of stock condition surveys and our asset management software, Integrator. This feeds into the business plan and ensures that we will be able to continue to maintain our homes in good condition in the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

In 2016/17 Hightown invested £736,000 in major works to keep homes in good condition and spent a further £1,065,000 on capital works, replacing property components such as boilers, bathrooms and kitchens. The way we arrange for works to be carried out (our methods of procurement) has made sure that we achieve Value for Money and is detailed elsewhere. At the end of 2016/17 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 approximately 46% of our stock is only 10 years old with strong rent levels locally.

We have continued our drive to invest in the energy efficiency of our stock to both help with reducing our properties carbon footprint and residents' fuel bills; the average energy efficiency rating of our rented stock is an EPC Band C and we now have over 3,300 homes with an energy efficiency banding of grade C or above and only 1 property lower than a band D. We will look at the feasibility of carrying out work to increase its performance in 2017/18. Figure 5 below clearly shows that over 50% of our stock is rated a band C with 90% of the stock either a band C or band B. The remaining 10% is mostly made up of properties with a D banding.

Figure 5 – Energy Ratings



The energy efficiency works carried out during the year includes upgrading homes from electric heating systems to gas central heating systems, windows replaced with new double glazed windows and boilers replaced with more energy efficient models. In addition to this, 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.

The PV panels on the roof of our main office building in Hemel Hempstead installed in 2014, has saved in excess of 36,000kg of CO₂ and generated 82,798 kWh of energy (nearly 39,798 kWh in 2016/17). This has reduced the annual running costs of our office by around £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); 69 mutual exchanges were completed during 2016/17.

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.

In 2016/17 whilst waiting for planning permission for a new development, we negotiated with an existing commercial tenant to remain on site for a further 3 months after the land was bought. This raised £15,000 in rental income for premises that would otherwise have remained empty and meant there was also a saving of business rates liability.

5. Financial Capacity

The Board aims to produce a healthy surplus each year to allow it to continue to invest in the delivery of new homes and to reduce the amount of new borrowing needed, thus saving interest costs in future years.

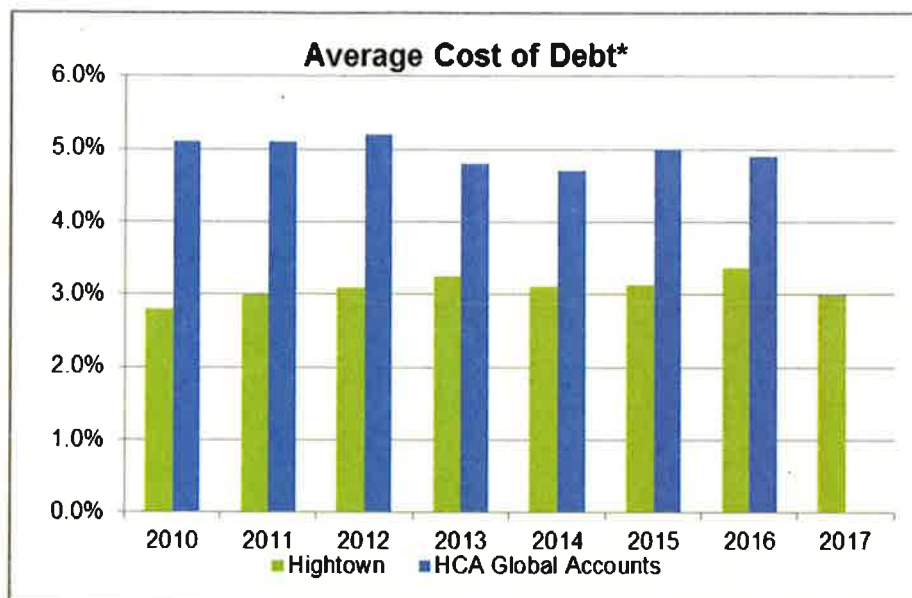
Hightown's Strategic Plan is to use its financial capacity to develop over 350 new homes each year to help meet local housing need for stakeholders – local residents, local authority partners, and the HCA. We delivered 265 new homes in 2016/17, with many more on-site due to be handed over in the coming year. The 2017/47 business plan shows this continued commitment to deliver new homes, with over 1,200 units planned for delivery in the next 2 years. In 2016/17 an independent audit was carried out on Business and Strategic Planning; the auditor was able to give assurance to the Board on the process.

Hightown seeks at all times to maintain sufficient cash and committed but undrawn financing facilities (subject to the availability of security) to cover at least 12 months' anticipated forward expenditure after allowing for anticipated income and receipts. At 31 March 2017, we had £112 million of undrawn loan facilities and free cash of £13 million which should be sufficient to meet our borrowing needs well into 2018/19. These compare with our contracted capital commitments at 31 March 2017 of £74.9 million. As further funds are required we seek to raise these from banks or by accessing the capital markets.

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 and the debt per unit figures. The higher the percentage, the more Hightown is borrowing as a proportion of each home built. Hightown's net gearing ratio at 31 March 2017 rose slightly to 54.3% (2016: 52.1%), still well within the 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 305% (2016: 280%).

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 us paying much lower interest rates than the sector average for at least the last 8 years, delivering large savings on interest payments which have been reinvested in the provision of new homes. Hightown's average cost of debt has been 3.1% over the last 7 years compared with 4.97% across the rest of the sector.



Source: HCA 2016 Global Accounts of Housing Providers

6. Performance

For the last seven 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 very competitive tendering environment. We continue to win bids to deliver services, so we consider that they demonstrate value for money for commissioners within that market place.

6.1 HouseMark Benchmarking Summary

The latest published HouseMark Value for Money data is for 2015/16. This shows that Hightown continues to deliver low cost services when compared with those providers selected by HouseMark as its peer group, with all Hightown services showing as low cost with, in the main, either good or average performance. The area of service that will receive a particular focus for improvement relates to satisfaction with dealing with anti social behaviour, which was included in the HouseMark reporting by Hightown for the first time in 2015/16.

The HouseMark data (below) shows how the main areas of Hightown's housing activity compare against other associations.

6.2 Value for Money Dashboard

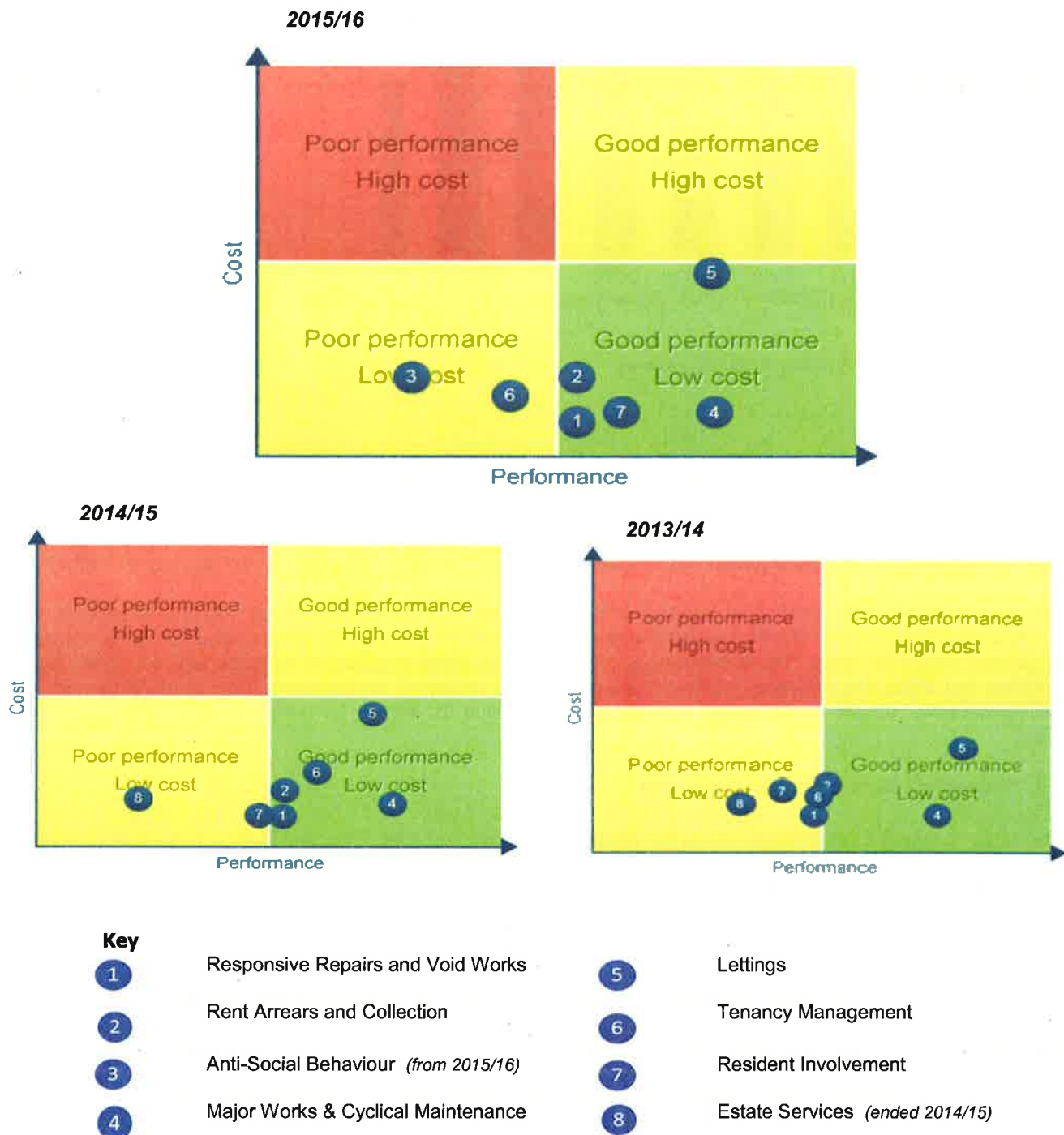
The HouseMark dashboard is made available to all Hightown staff via the Intranet.

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The charts below show how Hightown compares in cost and performance to around 40 Housing Associations in the south of England on a number of key service areas. More detailed analysis of these costs appears later.

Almost all of Hightown's activities are low cost and most performance is good or moving towards good. The higher cost of the lettings function this year is to be expected with the large number of new homes being taken into management and the additional staff time spent on this area of activity compared to past years.

Value for Money Dashboard



6.3 Overheads

Hightown is still the lowest cost provider amongst the peer group allocated by HouseMark in terms of back office costs (overheads) -see 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 2015/16 and how we have made improvements in the last 5 years.

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

6.4.1 HouseMark efficiency summary for Hightown

Business Activity	Cost Key Performance Indicator (KPI)	Performance Quartile				
		2015/16	2014/15	2013/14	2012/13	2011/12
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 other traditional housing associations in the south of England.

Performance Indicator	Comparison with the best performing 2015/16 (latest available figures)		Hightown results for the last four years			
	Top 25% (Upper Quartile)	Top 50% (Median)	2015/16	2014/15	2013/14	2012/13
Total Housing Management	£453	£531	£369	£393	£390	£417
Direct Housing Management	£279	£310	£279	£294	£281	£296
Direct Rent Arrears & Collection	£82	£89	£83	£85	£87	£90
Direct Resident Involvement	£34	£44	£27	£37	£40	£42
Direct Anti-Social Behaviour	£34	£38	£37	£32	£33	£37
Direct Lettings	£36	£49	£60	£61	£48	£46
Direct Tenancy Management	£68	£83	£68	£79	£72	£81

This table shows that Hightown is achieving its objective of keeping management costs per property down as the organisation grows. Hightown's costs per property (cpp) are well below the cpp from four years ago, and have decreased by 12% over the last 4 years. Our costs compare very favourably with other housing associations. In most individual housing management service areas our costs per property have reduced over the last four years, with an expected increase in lettings costs given the large number of new homes to be let and relet.

Overall resident satisfaction of 84% places Hightown in the middle upper quartile. The 2016 Survey of Tenants And Residents (STAR) reported that 78% of residents were satisfied that they obtain good value for money from their rent; up from 73% in 2014.

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 general needs rent arrears levels are top quartile. 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.

	HouseMark latest available top 25% 2015/16 (top quartile)	HCA Global Accounts 2016 Average	Hightown's results over five years				
			2016/17	2015/16	2014/15	2013/14	2012/13
Void Loss - % of income lost due to empty homes	0.47%	1.60%	0.40%	0.51%	0.47%	0.49%	0.44%
Average no of days taken to re-let a home excluding major works	18 days	Not available	15 days	15 days	15 days	14 days	13 days
Arrears (rent owed) - % of rent due	2.70%	4.5%	2.6%	3.10%	3.70%	3.99%	4.06%
Arrears attributable to unpaid housing benefit	0.70%	Not available	0.4%	1.1%	0.8%	2.5%	1.72%

Hightown aims 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 2015/16 Hightown was again ranked as the top performer for overhead costs per property.

Performance Indicator	Comparison with the best performing 2015/16 (latest available figures)		Hightown results for the last four years			
	Top 25% (Upper Quartile)	Top 50% (Median)	2015/16	2014/15	2013/14	2012/13
Overhead cost breakdown per direct user						
Premises	£4,996	£6,260	£7,074	£7,327	£6,467	£8,150
ICT	£4,745	£7,775	£2,310	£2,470	£4,337	£3,228
Finance	£2,776	£4,488	£1,957	£1,828	£1,793	£1,724
Central	£6,752	£9,183	£3,121	£3,107	£3,130	£3,530

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 2015/16 taken from data in the HCA Global accounts, show Hightown remains in a favourable position within the group. However, Hightown has one of the highest debt per unit figures reflecting the continued growth of the Association in times of reduced development grant.

6.6 Global Accounts 2016

The HCA publishes top level performance data on the 334 housing associations which owned or managed over 1,000 units, in its Global Accounts 2016 publication. Again this shows Hightown in a favourable position within the sector. The Global Accounts Data published by the HCA is used by Hightown to review 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 published last June 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.

Cost per property - total housing management (includes overheads)



Hightown's figure for 2015/16 has fallen to £369 and although the comparators have yet to be published, we believe it is very likely that Hightown continues to deliver upper quartile performance.

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. Hightown will continue to review updated reports in this area as they are made available.

7. Value for Money Gains – 2016/17

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 almost 6% this financial year.

We delivered 265 new build homes; including shared ownership and affordable rented homes, to help 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 2016/17 fees spent on aborted project cost were just 0.10% of a development programme of over £69.6 million.

Our Procurement Team has continued to obtain best value through the use of framework agreements, the tendering of works and obtaining of quotes, in line with our financial regulations. During 2016/17 the contract for kitchen and bathroom replacements was awarded through the LHC EU Framework Agreement; the external and internal decoration programmes and window and door replacements were awarded through the Fusion 21 Framework agreement, leading to quantifiable savings at this stage of at least £100,000, and likely to be significantly more. Office cleaning and window cleaning was tendered on the open market and resulted in a contract with prices fixed at the current rate with no increases for the next three years, despite known wage inflation and other employee costs. The same process resulted in prices being held for servicing contracts and fire and alarm maintenance costs. By being vigorous in obtaining quotes for non-planned works costing in excess of £500 we have added value through cost avoidance of almost £350,000.

Completed new developments have come in below budget by 3.62% and the surplus on first tranche sales of shared ownership units was £2.1 million.

7.1 Service Improvements

We expected to make efficiencies and savings across a range of services and contracts during 2016/17. The following were achieved:

- The implementation of DevApp and Reports (software designed to support relevant work areas) to lead to more efficient and consistent reporting of Development handover dates and new property information
- Clearer and more efficiently produced Leaseholder Service Charge Accounts
- A restructure of the Home Ownership Team and improved management of leases and charging of properties
- Changes to the Leasehold Management Fee
- The creation of further management information dashboards for live and automated reporting
- A new Hightown website
- Further development of the Residents Portal and a large increase in users
- Newsletters and Tenants Annual Report moved on-line, with the ability to request a hard copy
- New 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 transferred to well-established specialist in-house team to improve recovery rates; supported by bespoke IT solution
- Efficiencies in business support for schemes transferred from another provider

Implementation of the following was also started during 2016/17 and will continue during 2017/18:

- A review of Sales and Lettings management and the Application Process
- Replacement of the Intranet to assist staff to locate relevant information more efficiently

7.2 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.

Our VfM self-assessments have reported on the benefits of our services, with reference to independent research into other organisations providing similar outcomes, and from research commissioned by Hightown from RSM Consulting (RSM) to assess the impact of Hightown projects working with homeless people in Hertfordshire. That report evaluated a range of cost savings and value creation to the local area of almost £600,000 split across Healthcare (£300,000), Policing (£80,000) and the local authority, encompassing housing and employment (£220,000).

Working in partnership with local authorities to deliver a large number of new homes, Hightown is having a significant social impact, reducing the use of expensive temporary accommodation and improving the quality of life of a significant number of households. Government figures estimate that the average annual cost to a Local Authority of providing temporary accommodation for a homeless family is £18,000 per year. In 2016/17, Hightown provided general needs rented accommodation to 137 homeless households, 110 of these households were statutory homeless and owed a duty by the Local Authority; if they had not accessed permanent accommodation the Local Authority would have had an obligation to provide temporary accommodation to them, representing a potential saving to the Local Authorities of up to £1.98 million.

In 2016/17 Hightown rented homes to 317 general needs households, mainly through choice based lettings schemes, 43% of these were homeless; and facilitated 69 exchanges. We provided 63 new shared ownership homes. This has transformed the lives and well-being of 449 households.

From the Government's Housing Benefit Caseload Statistics claimants living in the Private Rented Sector (PRS) cost £23.41 per week more in housing benefit than in the social rented sector. The provision of affordable housing therefore reduces public costs. Hightown currently has 1404 working age tenants in receipt of Housing Benefit paid directly to Hightown. Many others will have housing benefit paid to them. The direct payments received alone represent a saving in housing costs to Local Authorities in our areas of operation of £32,868 per week, (£1.7million annually) compared to PRS accommodation.

A report for The Institute of Public Policy Research in 2014 found that for every "£1 of spending on construction a further £2.60–£2.84 in gross output will be generated across the economy as a whole". In 2016/17, Hightown invested approximately £70 million in developing new homes, which according to this research will have generated in the region of £182 million for the wider economy.

In 2016/17 Hightown invested over £200,000 in a range of measures, such as gas central heating to replace electric systems, boiler and hot water cylinder replacements, and loft insulation, to reduce heat loss and energy used, improve the warmth of people's homes and to provide savings in utility costs to residents. From The Energy Saving Trust figures it is estimated that individual households will save up to £560 per year on utility bills.

Tenants living in affordable housing can also use the provision of a stable high quality home to improve their financial circumstances. In general needs rented housing the lower cost rents can enable them to save to move into private sector housing. In 2016-17, twelve general needs tenants who gave notice on their tenancies moved into the private rented sector and two were moving out to buy a property. Two residents left their general needs accommodation to take up employment in the Army. One of these tenants had been unemployed throughout their tenancy. Over the coming year Hightown will be gathering more information from tenants to be able to evaluate the impact for individuals of accessing a stable home.

In our shared ownership homes 41 residents were able to increase the share of the property they owned with Hightown to 100%. This indicates that their financial circumstances had improved to enable them to do this.

Through the delivery of our care and supported housing services we improve the quality of life of a large proportion of our 950 service users. We provide around 21,000 hours of support each week.

Here are a few, more smaller scale illustrations of how Hightown's care and supported housing services has achieved a social return on assets during 2016/17:

None of the residents of our Buckinghamshire mental health services have been readmitted to hospital in over two years. This has been achieved by providing the residents with person centred support and developing skills to progress to more independence. Previously tenants with poor mental health had been on a revolving door in and out of hospital and institutional care services.

Our Watford based young people's services have built links with a local supermarket who now regularly donate food and toiletries to the service which make a significant difference in improving the wellbeing of individuals who often arrive at these services with nothing.

We have increased our focus on health and wellbeing in the past year with a view to improving the lives of our service users in terms of both overall health and participation in the community. Initiatives include:

- A walking group in High Wycombe that brought people together from a number of our mental health and learning disability services as well as partner agencies.
- Yoga classes in our Mably House homelessness service in Hatfield
- The introduction of exercise classes in one of our learning disability services in Tring
- Mindfulness sessions in our Kent House homelessness service in St Albans
- Cookery and healthy eating classes in numerous services

The results of these initiatives have been so impressive in transforming the lives of our service users that we will be incorporating health and wellbeing objectives into the support plan objectives of every service user.

8. Planned Value for Money improvements in 2017/18

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 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 lower middle quartile; where performance is good costs must be at least lower middle 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. Their work plan for 2017/18 is shown at 8.2 below.

In 2017/18 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 almost 700 new homes in 2017/18, meeting our strategic objective of delivering over 350 new homes per year. The schemes that are on site and will handover in 2017/18, have attracted £6.8 million in grant funding.

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.

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 again, by at least 15% in the coming financial year. In 2016/17 the number of users grew by 81% from 800 to 1,450.

Hightown has reduced the basic fee for the standard management service to shared owners and leaseholders and introducing charges for additional services requested or required, and will need to ensure the income from allowable fees covers the cost of the service.

The Board has reduced the risk of a future rise in interest rates by fixing more of its borrowings during 2016/17. This initially increased interest payments but 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.

The information below sets out in more detail the specific initiatives that will be implemented and the contracts that will be procured during 2017/18 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 2017/18

Over the coming year our Procurement Team, who are tasked with obtaining value for money from Hightown's key contracts, will be procuring, for example, the following: lift servicing; internal and external decorations; communal cleaning and window cleaning on estates; corporate telephony and mobile devices; ICT Support; and multifunctional devices for managed print. These will be tendering works and procuring through framework agreements as appropriate.

8.2 Service Improvements

The following areas have been identified for action during 2017/18 as part of our business transformation process to lead to further service improvements and efficiencies.

Key Projects involving significant changes to working practices:

- Implementation of application for managing Mutual Exchanges, Intermediate & Supported Lettings.
- Further development of on - line and mobile forms for use across the business.
- Deliver a system to measure outturns for Service Users
- Implement Microsoft Dynamics to manage the sales process

Continuous improvement of live and automated management reporting:

- Creation of further Management Dashboards, including, but not exclusively, C&SH Scheme Managers, Responsive Repairs, Contractors Performance, Sales, Lettings and Customer Contact
- Produce Solicitors Enquiry Packs from Report Manager
- Create a direct link between Windip (document management system) and Report Manager

Digital Communications and Access to Services:

- Further development of online forms on the Hightown website and functionality of the residents portal to further increase the use of the residents portal by at least 15%
- Further development of the new Intranet to assist staff to locate relevant information more efficiently

Other Projects:

- Produce a range of video training tutorials on in house applications
- Application to more efficiently monitor actions from Internal Audits and Peer Audits
- Review of Finance software applications

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.

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 28 September 2017.

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.

Approval

The report of the Board was approved on 6 July 2017 and signed on its behalf by:

By Order Of The Board

A handwritten signature in blue ink, appearing to read 'Tony Lee', followed by a long horizontal line.

Chair
6 July 2017

Hightown Housing Association Limited
**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS
OF HIGHTOWN HOUSING ASSOCIATION LIMITED**
For the year ended 31 March 2017

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 2017 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, statutory auditor
Gatwick, West Sussex, United Kingdom

Date: 12 Jun 2017

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 2017

	<i>Note</i>	2017 £'000	2016 £'000
TURNOVER	3	62,785	50,687
Operating costs	3	(43,294)	(34,033)
Surplus on sale of properties & other fixed assets		2,975	3,190
OPERATING SURPLUS	3,6	22,466	19,844
Interest receivable and similar income		138	1,522
Interest and financing costs	7	(6,530)	(7,100)
SURPLUS FOR THE YEAR		16,074	14,266
Actuarial (loss)/gain on defined benefit pension scheme		(127)	38
Unrealised gain/(loss) on revaluation of investments	12	-	(19)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		15,947	14,285

All activities are continuing.

The notes on pages 42 to 69 form part of these financial statements.

The financial statements were approved by the Board on 6 July 2017.



Tony Keen - Chair



James Steel - Board Member



David Skinner - Secretary

Hightown Housing Association Limited
STATEMENT OF CHANGES IN RESERVES
As at 31 March 2017

	Income and Expenditure Reserve £'000	Restricted Reserve £'000	Revaluation Reserve £'000	Total £'000
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
Balance as at 1 April 2016	81,986	167	724	82,877
Surplus for the year 2016/17	16,074	-	-	16,074
	98,060	167	724	98,951
Actuarial gains/(losses) relating to defined benefit pension scheme	(127)	-	-	(127)
Other comprehensive income for the year	(127)	-	-	(127)
Transfer of unrealised profit, realised on disposal of investment	724	-	(724)	-
Balance at 31 March 2017	98,657	167	-	98,824

The notes on pages 42 to 69 form part of these financial statements.


Hightown Housing Association Limited
STATEMENT OF FINANCIAL POSITION
As at 31 March 2017

	Note	2017 £'000	Restated 2016 £'000
TANGIBLE FIXED ASSETS			
Housing properties	10	523,033	456,851
Other fixed assets	11	5,740	5,680
Investments - other	12	1,905	2,630
TOTAL FIXED ASSETS		530,678	465,161
CURRENT ASSETS			
Properties for sale	13	7,765	11,290
Trade and other debtors	14	5,568	2,942
Cash and cash equivalents	15	14,484	16,536
		27,817	30,768
CREDITORS: Amounts falling due within one year	16	(21,783)	(16,192)
NET CURRENT ASSETS		6,034	14,576
TOTAL ASSETS LESS CURRENT LIABILITIES		536,712	479,737
CREDITORS: Amounts falling due after more than one year	17	(437,471)	(396,570)
PROVISION FOR LIABILITIES			
Pension Liability	27	(417)	(290)
TOTAL NET ASSETS		98,824	82,877
CAPITAL AND RESERVES			
Share capital	22	-	-
Income and Expenditure Reserve		98,657	81,986
Restricted reserve		167	167
Revaluation reserve		-	724
TOTAL RESERVES		98,824	82,877

The notes on pages 42 to 69 form part of these financial statements.

The financial statements were approved by the Board and authorised for issue on 6 July 2017.


Tony Keen - Chair


James Steel - Board Member


David Skinner - Secretary

Hightown Housing Association Limited
STATEMENT OF CASH FLOW
For the year ended 31 March 2017

	Note	2017 £'000	2016 £'000
CASH FLOWS FROM OPERATING ACTIVITIES			
SURPLUS FOR THE FINANCIAL YEAR		15,947	14,285
Adjustments for:			
Depreciation of fixed assets – housing properties	10	4,768	4,239
Depreciation of fixed assets – housing component write off		85	183
Depreciation of fixed assets – other	11	311	255
Amortised grant	3/10/18	(1,659)	(1,635)
Net fair value losses recognised in profit or loss		-	19
Interest payable and finance costs	7	6,530	7,100
Interest received and income from investments		(138)	(1,522)
Actuarial loss/(gain) on defined benefit scheme	27	127	(38)
Surplus on sale of fixed assets – housing properties		(2,632)	(3,187)
Surplus/(deficit) on sale of fixed assets - other		3	(3)
Proceeds from sale of fixed assets – housing properties		7,578	8,632
Transaction costs for sale of housing properties		(208)	(207)
Proceeds from sale of fixed assets – other	11	-	13
Surplus on disposal of Fixed Asset Investment		(347)	-
Decrease/(increase) in stocks	13	3,525	(8,178)
Increase in trade and other debtors	14	(2,625)	(183)
Increase in trade and other creditors	16/17	887	1,272
Net cash from operations		32,152	21,045
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets – housing properties		(69,564)	(39,293)
Purchase of fixed assets – other	11	(374)	(255)
Receipt of grant		4,746	4,564
Interest received and income from investments		138	1,522
Proceeds from Disposal of Investments		2,976	-
Transfer of funds to Investments	12	(1,905)	-
Net cash from investing activities		(63,983)	(33,462)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(8,380)	(7,915)
New loans	21	42,500	49,500
Debt issue costs incurred	21	(1,276)	(725)
Repayment of loans	21	(3,065)	(21,257)
Net cash used in financing activities		29,779	19,603
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(2,052)	7,186
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		16,536	9,350
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		14,484	16,536

The notes on pages 42 to 69 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.

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:

- 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.
- Allocation of costs for mixed tenure developments
On a 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 the split of the scheme units.
- Recoverability of the cost of properties developed for shared ownership sale
Management review the housing market regularly and ensure that properties remain in demand.
- 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 appears in Note 10.

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.

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 each 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.

Hightown Housing Association Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

Interest Rate Fixings

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

Housing Properties

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

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

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

Hightown Housing Association Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

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.

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.

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.

Hightown Housing Association Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

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 Statement of Comprehensive Income 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 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".

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, 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 2017

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

Continuing activities

	2017 Turnover £'000	2017 Operating costs £'000	Operating surplus £'000	Turnover £'000	2016 Operating costs £'000	Operating surplus £'000
SOCIAL HOUSING LETTINGS (See Note 3 B)	50,134	(33,045)	17,089	40,159	(24,193)	15,966
OTHER SOCIAL HOUSING ACTIVITIES						
Current asset property sales	9,412	(7,319)	2,093	7,699	(6,526)	1,173
Supporting People contract income	1,305	(1,305)	-	1,402	(1,402)	-
Management services	756	(665)	91	487	(998)	(511)
Aborted development costs	-	(109)	(109)	-	(85)	(85)
Other	588	(119)	469	269	(86)	183
	12,061	(9,517)	2,544	9,857	(9,097)	760
ACTIVITIES OTHER THAN SOCIAL HOUSING						
Registered nursing home	490	(604)	(114)	547	(603)	(56)
Other - Charity Shop	100	(128)	(28)	124	(140)	(16)
	590	(732)	(142)	671	(743)	(72)
	62,785	(43,294)	19,491	50,687	(34,033)	16,654
SURPLUS ON SALE OF PROPERTIES & OTHER FIXED ASSETS			2,975			3,190
TOTAL			22,466			19,877

Hightown Housing Association Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

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	2017 Total £'000	2016 Total £'000
INCOME						
Rent receivable net of identifiable service charges	21,874	3,382	2,370	210	27,836	25,596
Service charge income	1,196	1,383	670	-	3,249	3,160
Charges for support services	-	75	-	-	75	84
Amortised Government Grants	1,274	248	137	-	1,659	1,635
Other revenue grants	1	13,131	3	4,180	17,315	9,684
TURNOVER FROM SOCIAL HOUSING LETTINGS	24,345	18,219	3,180	4,390	50,134	40,159
EXPENDITURE						
Management	(2,078)	(1,304)	(228)	(589)	(4,199)	(3,507)
Support Service costs	(250)	(12,906)	(2)	(3,174)	(16,332)	(10,022)
Service charge costs	(1,259)	(1,440)	(530)	(337)	(3,566)	(2,663)
Routine maintenance	(2,107)	(431)	(7)	(94)	(2,639)	(2,348)
Planned maintenance	(339)	(57)	-	(5)	(401)	(344)
Major repairs expenditure	(575)	(203)	-	(35)	(813)	(761)
Bad debts	(197)	(41)	(2)	(3)	(243)	(125)
Depreciation of housing properties	(4,299)	(530)	(1)	(22)	(4,852)	(4,423)
OPERATING EXPENDITURE ON SOCIAL HOUSING LETTINGS	(11,104)	(16,912)	(770)	(4,259)	(33,045)	(24,193)
OPERATING SURPLUS / (DEFICIT) ON SOCIAL HOUSING LETTINGS	13,241	1,307	2,410	131	17,089	15,966
Void losses	(164)	(185)	(83)	(3)	(435)	(442)

Hightown Housing Association Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

4 SUPPORTED HOUSING MANAGED BY AGENCIES

The Association has 105 supported housing tenancies (2016:114) 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

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

Social housing

General needs housing

- Social rent	2,333	2,301
- Affordable rent	670	463

3,003 2,764

Intermediate rent

251 240

Supported housing

460 551

Housing for older people

81 81

Low Cost Home Ownership (Shared Ownership)

659 659

Leasehold properties

717 652

Held for development

12 13

Total Owned

5,183 4,960

Accommodation managed for others

195 108

Total Managed

5,378 5,068

Non-social housing

Registered nursing home bed spaces

8 8

Total owned and managed

5,386 5,076

Units in development at the year end

906 734

6 OPERATING SURPLUS

This is arrived at after charging / (crediting):

Depreciation of housing properties

4,768 4,239

Accelerated depreciation on replaced components

85 183

Depreciation of other tangible fixed assets

311 255

Operating lease rentals

210 103

Auditors' remuneration (excluding VAT)

- fees payable to the Association's auditor for the audit of the financial statements

27 32

- for non-audit services

10 10

Hightown Housing Association Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

7 INTEREST PAYABLE AND SIMILAR CHARGES

	Note	2017 £'000	2016 £'000
Loans and bank overdrafts		8,404	8,308
Recycled Capital Grant Fund	19	14	9
Net interest on net defined benefit pension liability		90	64
		<u>8,508</u>	<u>8,381</u>
Interest capitalised on construction of housing properties	10	(1,978)	(1,281)
		<u>6,530</u>	<u>7,100</u>
Capitalisation rate used to determine the amount of finance costs capitalised during the period		3.24%	3.34%

8 EMPLOYEES

	2017 £'000	2016 £'000
<u>Employee costs:</u>		
Wages and salaries	18,099	12,566
Social security costs	1,457	972
Other pension costs	627	1,787
	<u>20,183</u>	<u>15,325</u>

During the year the Association paid £17,034 (2016: £118,798) in respect of redundancy and severance payments. These values are included within the analysis above.

In July 2016 the Association took over a number of care and supported housing contracts from another housing association. As a result 237 employees transferred to the association.

The 2015/16 pension costs reflected the recognition of new deficit reduction payments to The Social Housing Pension Fund following the September 2014 valuation.

	2017 No.	2016 No.
<u>Average monthly number of employees (full time equivalents):</u>		
Administration	71	63
Development	11	12
Housing, support and care	592	413
	<u>674</u>	<u>488</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 £2,583 (2016: £3,836).

Executive Directors

The aggregate emoluments of the executive directors including pension contributions amounted to £703,327 (2016: £797,308).

The emoluments of the highest paid director, the Chief Executive, excluding pension contributions, were £152,355 (2016: £147,814). Pension contributions in the year were £9,960 (2016: £11,188).

From April 2016 The Social Housing Pension Trust reduced the employer pension contribution rate to reflect the introduction of an annual expense charge.

The aggregate amount of compensation payable to directors for loss of office during the year was £ Nil (2016: £60,000).

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	2017 No.	2016 No.
£ 60,000 - £ 69,999	5	4
£ 80,000 - £ 89,999	-	1
£ 90,000 - £ 99,999	1	1
£100,000 - £109,999	3	2
£110,000 - £119,999	1	-
£120,000 - £129,999	-	1
£140,000 - £149,999	-	1
£150,000 - £159,999	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 2017

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 2016	386,921	39,426	8,238	55,002	489,587
Additions	-	68,929	4,216	-	73,145
Capitalised Interest	-	1,694	284	-	1,978
Components Capitalised	1,065	-	-	-	1,065
Properties Completed	33,344	(33,344)	(6,315)	6,315	-
Transfer to properties held for sale	(413)	-	-	-	(413)
Disposals	(807)	-	-	(4,275)	(5,082)
As at 31 March 2017	<u>420,110</u>	<u>76,705</u>	<u>6,423</u>	<u>57,042</u>	<u>560,280</u>
<u>DEPRECIATION</u>					
As at 1 April 2016	32,736	-	-	-	32,736
Charge for the year	4,768	-	-	-	4,768
Eliminated on Disposals	(257)	-	-	-	(257)
As at 31 March 2017	<u>37,247</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,247</u>
<u>NET BOOK VALUE</u>					
As at 31 March 2017	<u>382,863</u>	<u>76,705</u>	<u>6,423</u>	<u>57,042</u>	<u>523,033</u>
As at 31 March 2016	<u>354,185</u>	<u>39,426</u>	<u>8,238</u>	<u>55,002</u>	<u>456,851</u>

Expenditure on works to existing properties:

	2017 £'000	2016 £'000
Components capitalised	1,065	1,261
Amounts charged to income and expenditure account	736	706
	<u>1,801</u>	<u>1,967</u>

Hightown Housing Association Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

Social Housing Grant	2017 £'000	2016 £'000
Deferred Capital Grant	133,324	130,938
Recycled Capital Grant Fund	3,225	2,516
Disposal Proceeds Fund	124	124
Revenue Grant – I&E	1,659	1,635
Revenue Grant - Reserves	16,315	14,855
	<u>154,647</u>	<u>150,068</u>

<u>Housing properties book value, net of depreciation, comprises:</u>	2017 £'000	2016 £'000
Freehold land and buildings	469,086	403,976
Long leasehold land and buildings	53,947	52,875
	<u>523,033</u>	<u>456,851</u>

<u>Additions to properties include:</u>	2017 £'000	2016 £'000
Development overheads capitalised	1,524	1,443
Capitalised interest	1,978	1,284

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 2016	6,045	272	256	772	40	7,385
Additions	25	61	27	261	-	374
Disposals	-	(10)	-	-	-	(10)
As at 31 March 2017	<u>6,070</u>	<u>323</u>	<u>283</u>	<u>1,033</u>	<u>40</u>	<u>7,749</u>
<u>Less: Depreciation</u>						
As at 1 April 2016	798	91	213	603	-	1,705
Charged in year	115	27	12	150	7	311
Released on disposal	-	(7)	-	-	-	(7)
As at 31 March 2017	<u>913</u>	<u>111</u>	<u>225</u>	<u>753</u>	<u>7</u>	<u>2,009</u>
<u>Net book value</u>						
As at 31 March 2017	<u>5,157</u>	<u>212</u>	<u>58</u>	<u>280</u>	<u>33</u>	<u>5,740</u>
As at 31 March 2016	<u>5,247</u>	<u>181</u>	<u>43</u>	<u>169</u>	<u>40</u>	<u>5,680</u>

Hightown Housing Association Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

12 INVESTMENTS

UK Government Gilt

Under the loan agreement with The Housing Finance Corporation (THFC), the Association is required to maintain an Interest Service Reserve Fund (ISRF) of £1.9m. This had been invested in the 4.75% UK Treasury due 2038 Gilt. During 2016/17 the Association sold the Gilt holding and realised the surplus. At 31 March the ISRF was held in an interest bearing account with a UK clearing bank.

Movement in investment:	2017 £'000
Value 1 April 2016	2,630
Movement in value 2016/17	374
Gilt disposal proceeds	(3,004)
	<hr/>
Addition to UK clearing bank account	1,905
	<hr/>
Investment at 31 March 2017	1,905
	<hr/>

13 PROPERTIES FOR SALE

	2017 £'000	2016 £'000
Shared Ownership properties under construction	6,423	8,237
Shared Ownership properties awaiting sale	929	2,423
Vacant properties awaiting sale	413	630
	<hr/>	<hr/>
	7,765	11,290
	<hr/>	<hr/>

	No.	No.
Shared Ownership properties awaiting sale	9	24
Vacant properties awaiting sale	5	6
	<hr/>	<hr/>
	14	30
	<hr/>	<hr/>

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

14 DEBTORS

	2017 £'000	2016 £'000
Due within one year		
Rent and service charge arrears	1,275	1,141
Less: Provision for bad and doubtful debts	(918)	(817)
	<hr/>	<hr/>
	357	324
Estate service charges recoverable	362	605
Trade debtors	2,154	389
Other debtors	356	198
Prepayments and accrued income	2,339	1,426
	<hr/>	<hr/>
	5,568	2,942
	<hr/>	<hr/>

Hightown Housing Association Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

15 BANK AND CASH

	<i>Note</i>	2017 £'000	2016 £'000
Bank accounts held on trust	2	1,471	1,261
Other bank accounts		13,013	15,274
Cash in hand		-	1
		<u>14,484</u>	<u>16,536</u>

16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<i>Note</i>	2017 £'000	Restated 2016 £'000
Debt	21	3,663	2,879
Trade creditors		1,893	1,418
Rent and service charges received in advance		1,436	1,274
Revenue grants received in advance		69	77
Recycled Capital Grant Fund	19	682	384
Disposal Proceeds Fund	20	124	-
Other taxation and social security		452	290
Deferred Capital Grant	18	1,666	1,657
Other creditors		987	677
Pension deficit reduction payments		567	546
Development and works retentions		8,375	5,294
Accruals and deferred income		1,869	1,696
		<u>21,783</u>	<u>16,192</u>

17 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<i>Note</i>	2017 £'000	Restated 2016 £'000
Debt	21	293,436	256,061
Recycled Capital Grant Fund	19	2,543	2,132
Disposal Proceeds Fund	20	-	124
Premium on THFC Loan Issue *		3,217	3,362
Deferred Capital Grant	18	131,658	129,281
Leaseholder Sinking Funds		113	97
Leaseholder Trust Funds		1,295	1,102
Pension deficit reduction payments		3,727	4,080
Development and works retentions		1,482	331
		<u>437,471</u>	<u>396,570</u>

* In January 2011 the Association received 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 (22 years) to offset interest paid.

Hightown Housing Association Limited
NOTES TO THE FINANCIAL STATEMENTS
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18 DEFERRED CAPITAL GRANT

	<i>Note</i>	2017 £'000	2016 £'000
At 1 April		130,938	129,969
Grant received in year		4,565	3,699
Grant recycled from RCGF and DPF		452	125
Grant recycled to RCGF		(972)	(1,220)
Released to income in the year	3	(1,659)	(1,635)
At 31 March		133,324	130,938

	<i>Note</i>	2017 £'000	2016 £'000
Amounts to be released within one year	16	1,666	1,657
Amounts to be released in more than one year	17	131,658	129,281
		133,324	130,938

19 RECYCLED CAPITAL GRANT FUND

	2017 £'000	2016 £'000
Opening balance 1 April	2,516	1,260
Additions:		
Grant recycled from Deferred Capital Grant	972	1,220
Grant recycled from Statement of Comprehensive Income	175	152
Interest accrued	14	9
Drawdown:		
New build	(452)	(125)
Closing balance 31 March	3,225	2,516

20 DISPOSAL PROCEEDS FUND

	2017 £'000	2016 £'000
Opening balance 1 April	124	124
Additions:		
Grant recycled	-	-
Closing balance 31 March	124	124

Hightown Housing Association Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

21 DEBT ANALYSIS

	2017 £'000	2016 £'000
<u>Loans</u>		
Due within one year	3,977	3,368
Between one and two years	3,984	3,976
Between two and five years	67,691	42,207
After five years	224,783	211,743
Total after one year	296,458	257,926
Total loans	300,435	261,294
<u>Unamortised loan costs</u>		
Due within one year	(314)	(489)
Between one and two years	(314)	(465)
Between two and five years	(1,183)	(453)
After five years	(1,525)	(947)
Total after one year	(3,022)	(1,865)
Total unamortised loan costs	(3,336)	(2,354)
<u>Total</u>		
Due within one year	3,663	2,879
Between one and two years	3,670	3,511
Between two and five years	66,508	41,754
After five years	223,258	210,796
Total after one year	293,436	256,061
Total	297,099	258,940

Security

Loans are secured by fixed charges on individual housing properties and the central office building except for a £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. Instalments of loans fall to be repaid in the period 2017 to 2039 (2016: 2016 to 2039).

Fixed interest rates payable at 31 March 2017 averaged 4.37% (2016: 5.30%) ranging from 0.96% to 10.50% (2016: 4.38% to 10.50%). Variable interest rates are based on LIBOR plus agreed loan margin. The weighted average cost of interest in 2016/17 was 3.00% (2016: 3.37%).

At 31 March 2017 the Association had £112 million of undrawn loan facilities (2016: £42.5 million).

Hightown Housing Association Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

22 SHARE CAPITAL

	2017 No.	2016 No.
<i>Shares of £1 each, issued and fully paid</i>		
As at 1 April	29	27
Shares issued in the year	-	3
Shares surrendered during the year	(5)	(1)
As at 31 March	<u>24</u>	<u>29</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. All Board members are shareholders.

23 FINANCIAL COMMITMENTS

	2017 £'000	2016 £'000
Capital Expenditure		
Expenditure contracted for but not provided in the accounts	74,913	105,219
Expenditure authorised by the Board but not contracted	87,419	43,367
	<u>162,332</u>	<u>148,586</u>

The Association is forecasting to spend £60.8 million of the contracted commitments in 2017/18. This will be financed by use of the undrawn committed loan facilities, first tranche shared ownership sales, social housing grant, site sub-sales, cash in hand, and surplus revenue cash generated in the year.

A further £13.2 million contracted commitment is forecast to be spent in 2018/19 with the remaining £0.9 million forecast to be spent over the 2 years thereafter. The Association's policy is to ensure that expenditure is only committed as funding resources are made available subject to complying with its policy on maintaining financial headroom.

24 LEASING COMMITMENTS

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

	2017 £'000	2016 £'000
Office equipment and vehicles:		
- Within one year	34	42
- Between one and five years	13	26
- After five years	-	1
	<u>47</u>	<u>69</u>

Hightown Housing Association Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

25 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:

	<i>Note</i>	2017 £'000	2016 £'000
Floating rate		169,687	160,135
Fixed rate		130,748	101,159
		<u>300,435</u>	<u>261,294</u>
Loan costs		(3,336)	(2,354)
Total	21	<u>297,099</u>	<u>258,940</u>

The fixed rate financial liabilities have a weighted average interest rate of 4.37% (2016: 5.30%) and the weighted average period for which it is fixed is 14.6 years (2016: 16.8 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.

26 RELATED PARTIES

Board and Committee Members

One board member, Philip Day, was a tenant board member until 25 July 2016 and his tenancy was let on a standard Association tenancy agreement at normal commercial terms. The amount payable up to his resignation was £1,816 (2016: £5,540).

Brian Ellis, a St.Albans District Councillor was a co-opted Board Member until 29 September 2016.

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.

There were no related parties at 31 March 2017.

Hightown Housing Association Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

27 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 Hightown under the Transfer of Undertakings (Protection of Employment) Regulations (TUPE).

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

Hightown has operated a Defined Contribution (DC) section within SHPS for all new employees 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 under creditors in notes 16 and 17 previously.

An analysis of the SHPS membership is as follows:

* 31 May 2017	SHPS DC	Final Salary	CARE 1/60ths	CARE 1/80ths	Total
Active	675	22	23	19	739
Deferred	147	98	32	23	300
Pensioner	0	95	12	0	107
Total	822	215	67	42	1,146

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

* Data at 31 March 2017 not available

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 1.33% (2016: 2.06%). 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 2016. At this date the estimated employer debt for Hightown was £33,553,231 (30 September 2015: £25,952,397).

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 of 1.32% (2016: 2.07%). 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 2016. As of this date the estimated employer debt for Hightown was £75,279.

The 2011 valuation revealed a deficit of £148m (84.1% funded). Under the deficit recovery plan Hightown is required to pay £5,563 per annum rising by 3% per annum compound for a further 12 years from 1 April 2017.

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 and currently provides benefits based on career average revalued earnings.

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 Investment Strategy Statement. 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 2019 and will set contributions for the period from 1 April 2020 to 31 March 2023. 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 Hightown is 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 future liability cashflows.. 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 2017 amounting to £5,694 (2016: £5,748) at a contribution rate of 20.1% (2016: 20.1%) of pensionable salaries.

Hightown Housing Association Limited
NOTES TO THE FINANCIAL STATEMENTS
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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 2016 which was carried out for funding purposes;
- Estimated whole Fund income and expenditure items for the period to 31 March 2017;
- Estimated Fund returns based on Fund asset statements provided (or estimated where necessary) as at 31 March 2016 and 31 December 2016, Fund income and expenditure as noted above, and estimated market returns thereafter for the period to 31 March 2017;
- Estimated Fund income and expenditure in respect of Hightown for the period to 31 March 2017; and
- Details of any new early retirements for the period to 31 March 2017 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. Further it is believed there were no material changes of events since the data was received.

Employer Membership Statistics

The membership data as at 31 March 2016 is as follows:

Member data	Number	Salaries/Pensions £'000	Average Age
Actives	1	28	53
Deferred Pensioners	2	16	52
Pensioners	5	22	66

The service cost for the year ending 31 March 2017 is calculated using an estimate of the total pensionable payroll during the year. The estimated total pensionable payroll during the year is £26,000. The projected service cost for the year ending 31 March 2018 has been calculated assuming payroll remains at this level over the year.

Scheduled Contributions

The table below summarises the minimum employer contributions due from Hightown to the Fund over this inter-valuation period. The calculated cost of accrual of future benefits is 18.8% of payroll p.a.

Minimum employer contributions due for the period beginning	1 April 2017	1 April 2018	1 April 2019
Percent of payroll	18.8%	18.8%	18.8%
Plus monetary amount £'000	4	5	7

Early Retirements

There were no early retirements for the year ending 31 March 2017.

Hightown Housing Association Limited
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Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2017 is estimated to be 17%. The actual return on Fund assets over the year may be different.

The estimated asset allocation for Hightown as at 31 March 2017 is as follows:

Asset Breakdown	31 March 2017		31 March 2016	
	£'000	%	£'000	%
Gilts	79	12%	70	12%
UK Equities	377	56%	307	54%
Other bonds	82	12%	70	12%
Property	51	8%	54	9%
Cash	23	3%	15	3%
Alternative assets	8	1%	8	1%
Hedge Funds	24	4%	24	4%
Absolute return portfolio	25	4%	26	4%
Total	669	100%	574	100%

Bid values have been estimated where necessary. Individual percentages shown are to the nearest percentage point for each asset class and may not sum to 100%. The final asset allocation of the Fund assets as at 31 March 2017 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 2017, the value of Hightown's liabilities calculated for the funding valuation as at 31 March 2016 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 2017 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 2017 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 2016 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 Fund valuation, which was carried out as at 31 March 2016. The post retirement mortality tables adopted were the S2PA tables with a multiplier of 85%. These base tables are then projected using the CMI 2015 Model, allowing for a long term rate of improvement of 1.5% p.a.

Hightown Housing Association Limited
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The assumed life expectations from age 65 are:

Life expectancy from age 65 (years)		31 March 2017	31 March 2016
Retiring today	Males	23.9	23.8
	Females	26.0	26.2
Retiring in 20 years	Males	26.1	26.1
	Females	28.3	28.5

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
- The proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same.

Financial Assumptions

Assumptions as at:	31 March 2017 % p.a.	31 March 2016 % p.a.	31 March 2015 % p.a.
Discount rate	2.7%	3.7%	3.3%
Pension increases	2.6%	2.4%	2.4%
Salary increases	4.1%	4.2%	4.2%

These assumptions are set with reference to market conditions at 31 March 2017. The estimated duration of the Employer's liabilities is 18 years.

The discount rate is the annualised yield at the 18 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 Hightown'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 using data published by the Bank of England (BoE), specifically the 18 year point on the BoE market implied inflation curve. The RPI assumption is therefore 3.5%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. 2.6%. 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. This approach is consistent with the approach used at the last accounting date.

Salaries are assumed to increase at 1.5% p.a. above CPI in addition to a promotional scale. However a short-term overlay from 31 March 2016 to 31 March 2020 has been applied for salaries to rise in line with CPI.

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 2017.

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.

Hightown Housing Association Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

1. Statement Of Financial Position

<u>Net pension deficit as at</u>	31 March 2017 £'000	31 March 2016 £'000	31 March 2015 £'000
Present value of the defined benefit obligation	1,086	864	907
Fair value of Fund assets (bid value)	669	574	579
Deficit	417	290	328

2. Statement Of Profit or Loss For The Year

<u>The amounts recognised in the income and expenditure statement</u>	Year to 31 March 2017 £'000	Year to 31 March 2016 £'000
Service Cost	8	10
Net interest on the defined liability (asset)	11	11
Administration expenses	-	-
Total loss	19	21

3. 3. 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 2017 £'000	Year to 31 March 2016 £'000
Opening defined benefit obligation	864	907
Current Service cost	8	10
Interest cost	32	30
Change in financial assumptions	203	(61)
Change on demographic assumptions	(15)	-
Experience loss(gain) on DB obligation	14	-
Estimated benefits paid net of transfers in	(22)	(24)
Contributions by scheme participants and other employers	2	2
Closing Defined Benefit obligation	1,086	864

Hightown Housing Association Limited
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<u>Reconciliation of opening and closing balances of the fair value of Fund assets</u>	Year to 31 March 2017 £'000	Year to 31 March 2016 £'000
Opening fair value of Fund assets	574	579
Interest on assets	21	19
Return on assets less interest	78	(8)
Other actuarial gains/(losses)	9	-
Contributions paid by employer included unfunded	7	6
Contributions by scheme participants and other employers	2	2
Estimated benefits paid net of transfers in Settlement prices received/(paid)	(22)	(24)
	-	-
Closing Fair Value of Fund assets	669	574

The total return on the fund assets for the year to 31 March 2017 is £99,000.

4. 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	1,068	1,086	1,105
Projected service cost	11	11	11
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	1,086	1,086	1,086
Projected service cost	11	11	11
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	1,105	1,086	1,068
Projected service cost	11	11	11
Adjustment to life expectancy assumptions	+1 year	None	-1 year
Present value of total obligation	1,128	1,086	1,046
Projected service cost	11	11	11

Hightown Housing Association Limited
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5. Re-measurements in other comprehensive income

<u>Remeasurement of the net assets / (defined liability)</u>	Year to 31 March 2017 £'000	Year to 31 March 2016 £'000
Return on Fund assets in excess on interest	78	(8)
Other actuarial gains/(losses) on assets	9	-
Change in financial assumptions	(203)	61
Change in demographic assumptions	15	-
Experience gain/(loss) on defined benefit obligation	(14)	-
Remeasurement of the net assets / (defined liability)	(115)	53

6. Projected Pension Expense For The Year To 31 March 2018

<u>Projections for the year to 31 March 2018</u>	Year to 31 March 2018 £'000
Service cost	11
Net interest on the defined liability	11
Administration expenses	1
Total loss	23
Employer contributions	9

These figures exclude the capitalised cost of any retirements or augmentations which may occur after 31 March 2017. These projections are based on the assumptions as at 31 March 2017, as described earlier in this report.

D. NHS PENSION SCHEME

At the 31 March 2017, there were 13 active members 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.

