



# **Hightown Housing Association Limited**

## **Annual Report and Financial Statements For The Year Ended 31 March 2019**

Co-Operative and Community Benefit Society Registration No. 18077R  
Regulator of Social Housing Registration No. L2179

[www.hightownha.org.uk](http://www.hightownha.org.uk)

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**Board**

Chair	Bob Macnaughton	Chartered Accountant and former company Chief Executive
Vice Chairs	Oliver Burns James Steel	Former Chief Financial Officer Commercial Consultant and former banker
Other Elected Members	Steve Johnson  Tony Keen Frances Kneller Cordelia Pace Sarah Pickup MBE  Andrew Rose	Former Property Infrastructure Director for International Data Centre & former Chartered Surveyor (to 20/09/18) Former Business Owner & CEO Housing Consultant Senior Legal Counsel Deputy Chief Executive Local Government Association Former IT Director
Co-opted Members	Nick Grundy Alan Head Gina Small	Barrister (from 01/01/19) Chartered Building Surveyor (from 01/01/19) Care & Supported Housing professional (from 01/01/19)

**Executive Directors**

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

Chief Executive	David Bogle	
Executive Directors	Mark Carter Andrew Royall David Skinner Susan Wallis Dave Black	Director of Care & Support Director of Development Director of Financial Services Director of Operations Director of Care & Supported Housing (to 10/09/18)
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 Minerva House 5 Montague Close London, SE1 9BB	Pennington Manches LLP 9400 Garsington Road Oxford Business Park Oxford, OX4 2HN
Principal Bankers	Lloyds Bank plc Public & Community Sector 25 Gresham Street London, EC2V 7HN	

## CHAIR'S STATEMENT

Hightown has enjoyed another good year in 2018/19. We have added over 400 new homes to our stock of affordable housing making a total of 1,048 new affordable homes and ten commercial units developed in the two year period 2017/19. We currently expect to deliver a further 1,000 homes in the next two year period thus maintaining our position as one of the fastest growing housing associations in the country.

Demand remains high for our new affordable/intermediate rent properties - demonstrated by our excellent performance on lettings - and for our shared ownership homes which have sold quickly throughout the year.

The Board is very conscious of the risks associated with developing new homes at our current pace and keeps a close watch on forward funding, covenant compliance, security cover and sales progress as well as the risks associated with the site acquisition and construction process.

Our Operations team have to manage the existing estates whilst also dealing with the handover of many new homes. The particular priorities this year have been on fire safety on new and existing properties and on dealing with the issues arising from the rollout of universal credit. The Board takes particular note, tracking Hightown's operational performance using HouseMark and our performance remains strong in all areas.

Hightown is a major provider of care and support to vulnerable and disabled people in Buckinghamshire, Hertfordshire and Berkshire. In the face of continued pressure on social care budgets, we have had a major overhaul of our systems so as to improve workflow, reduce paperwork and become more efficient especially in areas such as the recruitment of permanent and bank staff, the forward planning of staff shifts and the filling of service user vacancies. This has helped us to win new contracts during the year and achieve a small overall surplus in our care and support work. The Board remains committed to Hightown's work in care & supported housing providing services to some of the most vulnerable people.

Nationally, of course, there is a homelessness crisis with increasing rough sleeping and families in temporary accommodation. This year, Hightown has again been a major supporter of the 'Homes for Cathy' group which challenges housing associations to do even more to end homelessness. We have expanded our own work in housing and supporting homeless people during the year, for example by providing additional resources to financial inclusion services. It is through the delivery of new homes that Hightown is able to make a substantial contribution towards tackling homelessness.

The Board was pleased to maintain our top Governance and Viability ratings from the Regulator of Social Housing. Our finances remain in good shape despite 2018/19 being the third year of rent cuts. We have increased our annual turnover to £84.7 million and delivered a surplus similar to last year of £18.7 million before adjustment for the SHPS pension provision - all of which has been invested in new affordable homes.

Our progress would not be possible without the dedication and commitment of our staff, our Board members and our contractors and consultants. Hightown is most grateful to them all and to our residents, service users, funders, local authorities and other stakeholders who hold us to account and challenge us to improve the services we provide and to keep developing affordable homes for those who cannot afford to rent or buy at market rates.

Looking forward, Hightown has the expertise, resources and commitment to continue to deliver more much needed new homes and to maintain the high quality of our services.



**Bob Macnaughton**  
Chair

11 July 2019

## **STRATEGIC REPORT**

### **Our Mission, Values and Culture**

#### **Mission**

Building homes. Supporting people.

#### **Values**

- Put residents and service users first
- Treat people with respect
- Be cost effective
- Don't compromise standards or safety
- Develop passionate and committed teams

#### **Culture**

Hightown's aim is to provide as many homes as we can at below market rates and a wide range of housing and support for people who are vulnerable and/or disabled. Hightown's history over more than 50 years shows our continuing focus on our strong social purpose.

We are rated highly for financial and operational performance; and have the highest grading (G1 V1) from the Regulator of Social Housing.

Hightown is committed to retaining its distinctiveness and its reputation for making projects happen which demonstrate Hightown's values and contribution to society.

We believe that, by developing decent homes and supporting individuals to live with confidence, independence and choice, our work delivers a tangible positive impact for local communities.

### **Our Objectives and Strategy**

#### **Background and objectives**

Hightown is a charitable housing association which was founded in Hemel Hempstead in 1967. It has merged with a number of local housing associations in west Hertfordshire, including Praetorian H.A. (1995) and St. Albans District and Churches H.A. (2003), which were also founded by volunteers in the late 1960's in response to the homelessness crisis at that time.

Hightown owns and manages 6,383 homes and provides care and supported housing in 85 projects. It operates mainly in Hertfordshire and Buckinghamshire but also has affordable housing in Bedfordshire and care and support projects in Berkshire. In the last two years, Hightown has built over 1,000 new affordable homes.

Hightown's central office is on the Maylands Business Park in Hemel Hempstead and all operational activities are contained within an area which is no more than one hour's travel from that office.

Hightown's primary objectives are:

- to provide excellent services to its existing residents and service users; and
- to develop new affordable housing and services to meet the urgent needs of people who are vulnerable or disabled or who cannot afford to buy or rent housing at market rates in the area.

Along with other 'traditional' housing associations, Hightown has responded to local housing needs for over 50 years by developing a wide range of housing and services for different client groups.

Hightown has a culture of being an agile, 'can do' organisation that can move quickly in response to changing local housing and support needs.

## **Strategic Plan Objectives**

The Strategic Plan Objectives 2018-21 are as follows:

### Property Development

- Develop at least 400 new affordable homes a year and maintain a three year rolling average of at least 400 homes a year
- Develop an average of 200 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 3.7% or better Return on Capital Employed
- Achieve annual surplus of at least £16m
- Maintain gearing at less than 60%
- Maintain interest cover at more than 140%
- Ensure that fixed rate funding is between 40% and 60% of overall borrowing
- Ensure loan facilities in place for next 12 months' anticipated spend and charged properties for next 6 months
- Achieve an average sales period of 4 months for new shared ownership properties

### Asset Management

- Achieve Energy Performance Certificate minimum rating of Band C for all homes
- Dispose of unviable single properties

### Resident Services

- Achieve upper quartile performance for resident satisfaction with overall service provided.
- Keep management costs per rented unit in lower quartile compared to peers
- Improve satisfaction levels amongst shared owners and leaseholders
- Increase interaction with general needs residents through the 'MyHightown' portal by 15% a year

### Care and Supported Housing

- Deliver annual surplus on Care & Supported Housing (C&SH) activities each year
- Reduce use of agency staff by 20% a year
- Report annually to Board on outcomes for service users
- Increase interaction with commissioners
- Develop new and innovative models of care and support

### Corporate

- Maintain a G1/V1 rating from Regulator of Social Housing
- Use the Homes for Cathy group to develop our action plan for homelessness
- With regard to the cost vs performance matrix, to position all Hightown Key Performance Indicators in either the low cost/high quality quartile, or in the high performance half of the high cost/high performance quartile, or in the low cost half of the low cost/ low performance quartile
- Improve staff satisfaction levels
- Commission each year an external audit to confirm that appropriate IT security practices and disaster recovery provisions are in place
- Establish a research programme



## **Our Business Model**

Hightown Housing Association Limited ('the Association' / 'Hightown') is a charitable 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 and affordable housing, supported housing and the provision of care services.

Hightown is a single legal entity – it has no subsidiary companies or joint ventures.

### **General Housing**

The majority of Hightown's properties are let on social or affordable rents at sub-market rents. The properties range from 1 bedroomed flats to 4 bedroomed houses with the typical property being a 2 bedroomed flat. Hightown also provides shared ownership properties, manages leasehold properties including some retirement leasehold estates, and runs a social lettings agency for homeless families.

### **Care and Supported Housing**

Hightown provides housing and/or support to people who are vulnerable, through its Care and Supported housing department. The support ranges from a few hours a week, to 24 hour services depending on the needs of the service user. Client groups include people with learning disabilities, people with mental health problems, homeless people, young people, women fleeing domestic violence, mothers and babies and refugees. In most cases, Hightown provides both the housing and the support services. In some cases Hightown owns the property and another organisation provides the support or another organisation owns the property but Hightown provides the support.

### **Charitable Giving**

Alongside Hightown's day-to-day operations, our staff give their time and money to support other charities. At the annual Staff Conference, large numbers of staff members give up their time to volunteer at several local charities across the region.

In 2018 Hightown's staff chose to support the Herts MIND Network Ltd a mental health charity (number 1112487), as their beneficial charity. The charity provides support to people suffering with mental health issues predominantly within Hertfordshire. Through a range of fundraising events, such as cake sales, Couch to 5k runs, quiz nights, Hightown's staff raised £5,415 for the charity in 2018/19.

## **Our Performance**

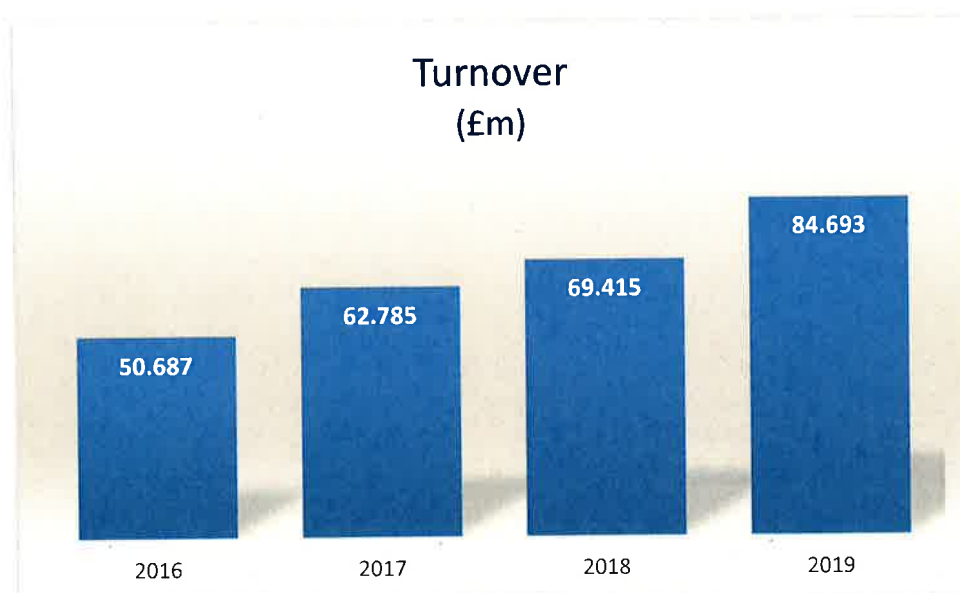
### **Finances**

Hightown has grown its turnover every year despite the 1% rent income reduction imposed by the government in 2016. The results for this year again show a strong financial performance by Hightown, with continued growth in turnover and an increase in the housing stock reflecting the strong pipeline of developing new homes.

The accompanying charts and tables show how Hightown's annual turnover has risen over recent years. Surpluses have also risen and are re-invested in building new affordable homes.

<b>4 Year Financial Summary</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
	£'000	£'000	£'000	£'000
Turnover	84,693	69,415	62,785	50,687
Operating Surplus	29,437	24,532	22,466	19,844
Interest payable	10,840	8,108	6,530	7,100
Total Comprehensive Income	14,045	18,314	15,947	14,285
Gross Margin %	35%	35%	36%	39%
Net Margin %	22%	26%	25%	28%
Interest cover (times)	2.7	3.0	3.4	2.8
Housing Properties at cost	719,209	624,228	560,280	489,587
Total Assets less short term liabilities	735,020	613,142	536,712	479,737
Total Debt less fees	444,283	354,314	297,099	258,940
Total Reserves	131,183	117,138	98,824	82,877

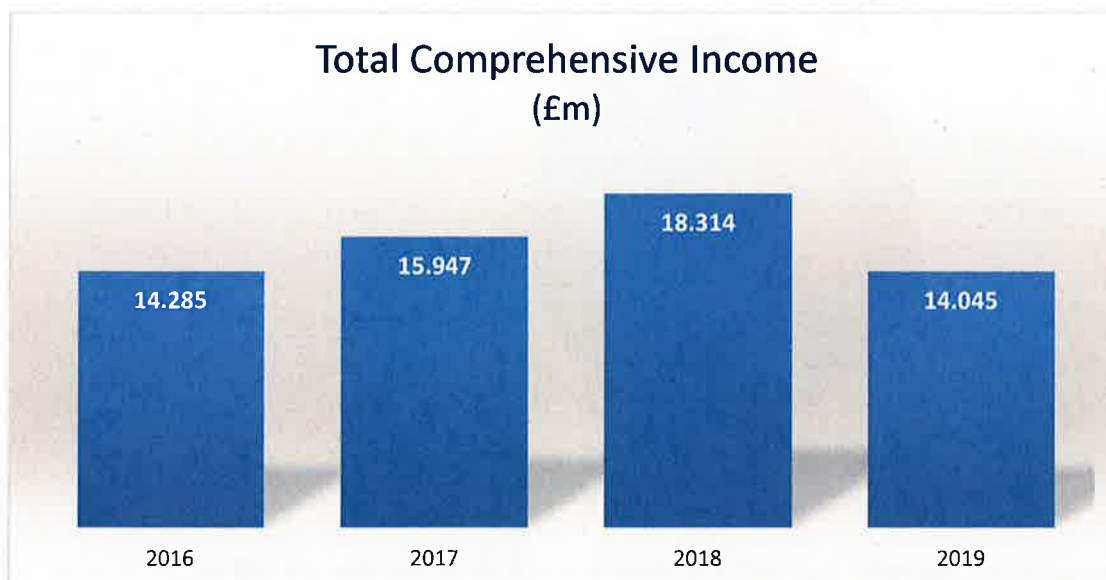
The result for the last four years show continued growth in turnover as a result of the investment in new homes from the development pipeline, even after the rent reductions of 1% imposed by the government.



The total comprehensive income for the year has also continued to rise, from £18.3m in 2018 to £18.7m in 2019 before a £4.6m charge for the initial recognition and in year movement of the SHPS pension



deficit. The net surplus has also increased showing increases in efficiency and value for money. The net surplus is reinvested in the delivery of new housing units and helps to reduce future borrowings. The net margins and interest cover metrics have remained strong indicating the financial resilience of Hightown.



Hightown is spending around £100m on developing new homes each year. After financing from capital grant, shared ownership sales and the net surplus, around £60m of new borrowing is required each year to fund the development programme. In 2018/19 new borrowing facilities of £140 million were arranged from Santander plc (£30 million), Lloyds Bank plc (£60 million), and bLEND Funding plc (£50 million).

### Development Programme

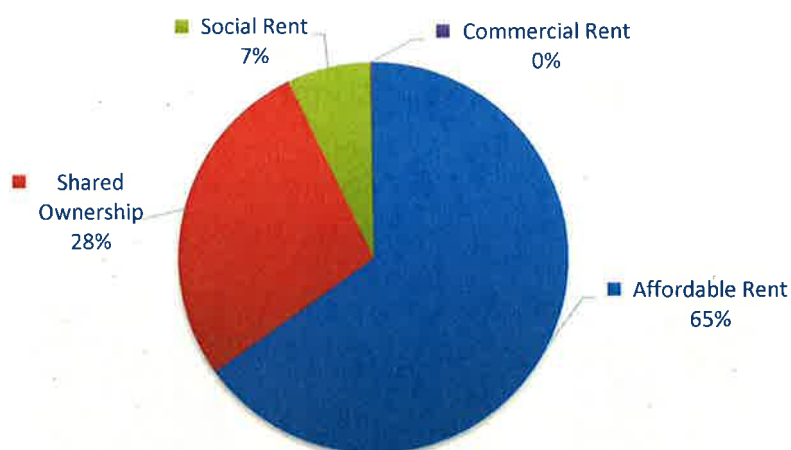
The financial year 2018/19 was another very active year in Hightown's development programme. Hightown built 407 new homes and 1 commercial shop - a growth rate of 7.5%. In the last two years Hightown has built over 1,000 new homes.

A summary of the 2018/19 development programme is as below:

- a) **Tenure** - Hightown predominantly built properties let at Affordable Rent (65%) and for Shared Ownership (28%) in 2018/19. Only 28 homes (7%) of homes were developed at social rent which reflects the low level of Social Housing Grant available to subsidise this tenure.

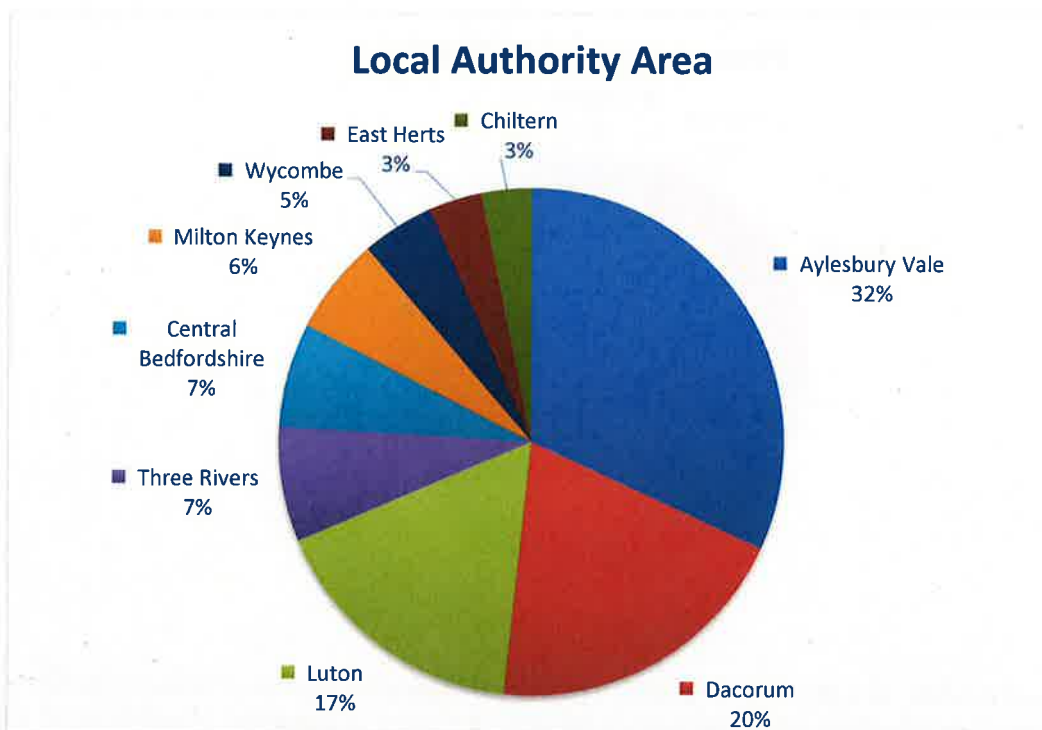
Rent Tenure	Apr-Jun 18	Jul-Sep 18	Oct-Dec 18	Jan-Mar 19	Total	
<b>Total</b>	<b>101</b>	<b>69</b>	<b>185</b>	<b>53</b>	<b>408</b>	
Affordable Rent	63	40	136	27	266	65.2%
Shared Ownership	22	29	42	20	113	27.7%
Social Rent	16		6	6	28	6.9%
Commercial Rent			1		1	0.2%

## Rent Tenure



b) Local Authority - Hightown built 408 properties in 9 local authority areas as follows:

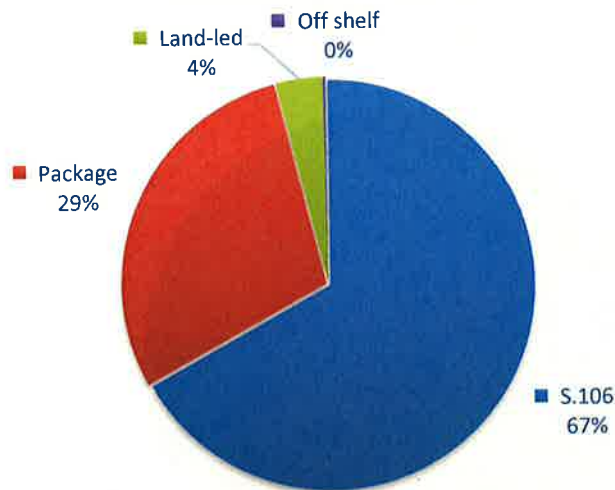
Local Authority	Apr-Jun 18	Jul-Sep 18	Oct-Dec 18	Jan-Mar 19	Total	
<b>Total</b>	<b>101</b>	<b>69</b>	<b>185</b>	<b>53</b>	<b>408</b>	
Aylesbury Vale	44	28	34	24	130	31.9%
Dacorum	16	20	38	7	81	19.9%
Luton	0	4	65	0	69	16.9%
Three Rivers	3	2	19	6	30	7.4%
Central Bedfordshire	0	3	22	2	27	6.6%
Milton Keynes	11	0	6	8	25	6.1%
Wycombe	0	12	1	6	19	4.7%
East Herts	14	0	0	0	14	3.4%
Chiltern	13	0	0	0	13	3.2%



- c) **Procurement Method** – Two thirds of Hightown's new build homes came from successful contract bids to housebuilders under the S.106 planning requirements to provide affordable housing:

Procurement Method	Apr-Jun 18	Jul-Sep 18	Oct-Dec 18	Jan-Mar 19	Total	
<b>Total</b>	101	69	185	53	408	
S.106	81	31	108	53	273	66.9%
Package	20	24	75	0	119	29.2%
Land-led	0	14	1	0	15	3.7%
Off The Shelf	0	0	1	0	1	0.2%

### Procurement Method



As a registered provider of social and affordable housing, Hightown is regulated by the Regulator of Social Housing. This regulation takes the form of regular monitoring and grading of governance and financial viability. The challenges faced by the Association include regulated rents where growth is set by government along with changes to welfare reform through Universal Credit. As part of the wider context, government housing policy can have a direct impact on how the Association operates its housing management activity, and the development of new homes. Some new housing developments are part funded by social housing grant from Homes England.

Hightown's policy is to maximise the numbers of new affordable homes it can provide while maintaining strong finances and managing associated risks. Its preference is to deliver social rented properties where these can be supported by social housing grant or other subsidy. Where this is not possible, Hightown will develop sub-market rented properties let at Affordable or Intermediate Rent and homes for Shared Ownership. It will restrict the proportion of new shared ownership properties to not more than 30% of the pipeline and use the subsidy to support social rent where possible. As a charitable housing provider, Hightown does not build for market rent or market sale.

Hightown expects to deliver another 1,000 new affordable homes over the next two years 2019/20 and 2020/21. Around 40% of the new homes will be on sites purchased by Hightown for affordable housing with around 60% being the affordable housing element on sites developed by private housebuilders under S.106 planning requirements.

### Asset Management

Sound business planning so that we have the resources to keep our homes in good condition is core to meeting Hightown's commitment to provide decent affordable homes. We ensure our stock is kept in good condition by managing the short and long term maintenance requirements of these assets. As a business Hightown works to the principles of:

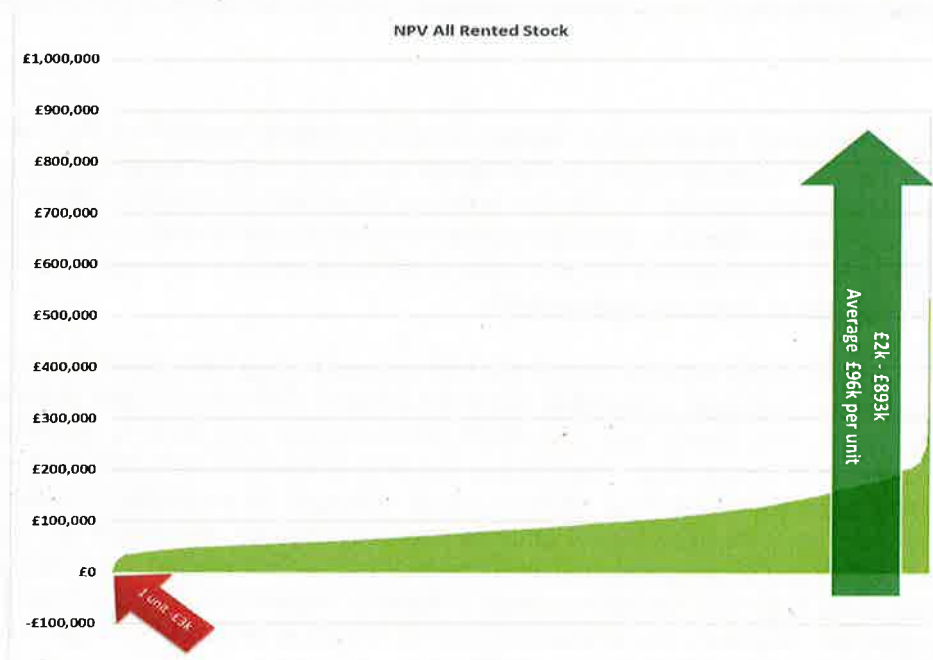
- Achieving a minimum quality standard, agreed with our involved residents, across all properties owned by Hightown;
- Understanding the performance and sustainability of individual properties across the portfolio and maximising the use of property assets by considering disposal of poor quality, low demand, expensive to maintain or poorly located housing and reinvesting into new development opportunities;
- Having homes that continually meet all Health and Safety requirements.

We understand that the return on assets is not just the financial return generated but also social and environmental impacts and the ability to deliver business objectives. Our largest asset is our stock of properties, which in 2018/19 rose to over 6,300 properties. To manage and utilise our stock effectively, we need to understand its performance and sustainability.

Hightown's asset register provides a sound knowledge of 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 looking at the future projected rental income of the properties against 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 each property over the next 30 years together with the costs of managing the property and any anticipated void losses. This information is then compared to the income we expect to receive over the same period. The NPV calculation measures the Net Present Value of future net income streams and identifies whether any homes do not cover 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 chart shows the NPV value for each individual rented property which helps inform our reinvestment decisions:





The chart above shows the NPVs across all our rented stock. The average return from each rented unit over the next 30 years is £96,000 per unit. This is an average increase of £14,000 per unit compared to the end of March 2018. The detail behind these results allows analysis of the information and splits properties into different asset groups to identify any that may be underperforming or are of particular concern. These results also help us to identify where Hightown is achieving the best value for money.

There is 1 unit that shows a negative return across the next 30 years which is a shared ownership unit acquired as part of a government initiative whereby Hightown is responsible for certain repairs and major works.

### **Corporate**

In May 2016, the Regulator of Social Housing published a regulatory judgement for Hightown following an in-depth assessment which concluded that both the governance and viability standards were met. The Regulator graded Hightown "G1" for governance, meaning that it meets the Regulator's governance requirements, and "V1" for financial viability. This means that Hightown has the highest rating from the Regulator. This rating was reaffirmed by the Regulator in October 2018.

### **Social Landlord Operations**

Hightown manages 3,715 homes for social/affordable rent let to families, couples and single people nominated by the local authority from the housing register. Satisfaction levels are in the upper middle quartile and management costs are low compared with Hightown's peers. Hightown maintains good levels of performance on collecting rent and letting properties.

### **Rents**

Around 37% (2018 39%) of Hightown's properties are let at Social Rents (a Government imposed formula rent which takes into account property values but also local earnings) which equate to a rent of around 60% of market rents. Many of these properties were built with social housing grant funding. It is Hightown's policy to continue to re-let these properties at Social Rent when they become vacant.

However, most new properties since 2012 have been let at Affordable Rents which equate to 80% of market rents. The Government approved these higher rents for new developments when social housing grants were reduced in 2011. Hightown has 1,340 homes (21%) let at Affordable Rents (2018 1,069 homes (17.8%).

Wherever sufficient capital subsidy (e.g.: capital grant) is available, Hightown will develop new homes at Social Rents.

### **Hightown Lettings**

To help to meet the increasing demand for temporary housing, in 2016 Hightown established 'Hightown Lettings', a service that results in private sector rented properties being made available to local authorities to use to house homeless families. The service provides 68 properties. However, whilst the service delivers life changing improvements for homeless people and savings against bed and breakfast costs for local authorities, the margin between the rent paid to landlords and the rent paid by local authorities has proved insufficient to make the service viable.

One example of a family helped by the scheme would be 2 care leavers in their early twenties with 3 children under the age of 5 who had been completely reliant on benefits. One child is blind and two were born addicted to drugs. The family had only lived within hostels and Bed & Breakfast accommodation, so this was their first tenancy. They lacked the skills to maintain and clean a home and were making poor financial decisions. The Housing Officer arranged for Hightown's cleaning contractor to coach the tenant on a cleaning regime and has been working with the tenants to make sure it is adhered to. As neither had good reading and writing skills they have been working with a local provider to improve these skills. Hightown helped the tenant to apply for relevant benefits, such as PIP and with financial management. Hightown also assisted one of the tenants to complete an application



for a painter and decorator apprenticeship with the Local Authority. The application was successful and he started work in April.

### Care and Supported Housing

Around £26.5m, 31% of Hightown's turnover comes from the provision of care and supported housing. Care and supported housing operations provide support services to vulnerable and disabled people and are central to Hightown's strategic and charitable goals.

In recent years, cuts and freezes to local government social care budgets and NHS funding commissioners' financial constraints have made it difficult to keep these schemes viable against a backdrop of rising wage costs, including pension provision.

Hightown's policy is that revenue grant income from social care and health commissioners should at least meet the C&SH support costs and overheads while income from the supported housing rents should cover property depreciation, repairs and interest.

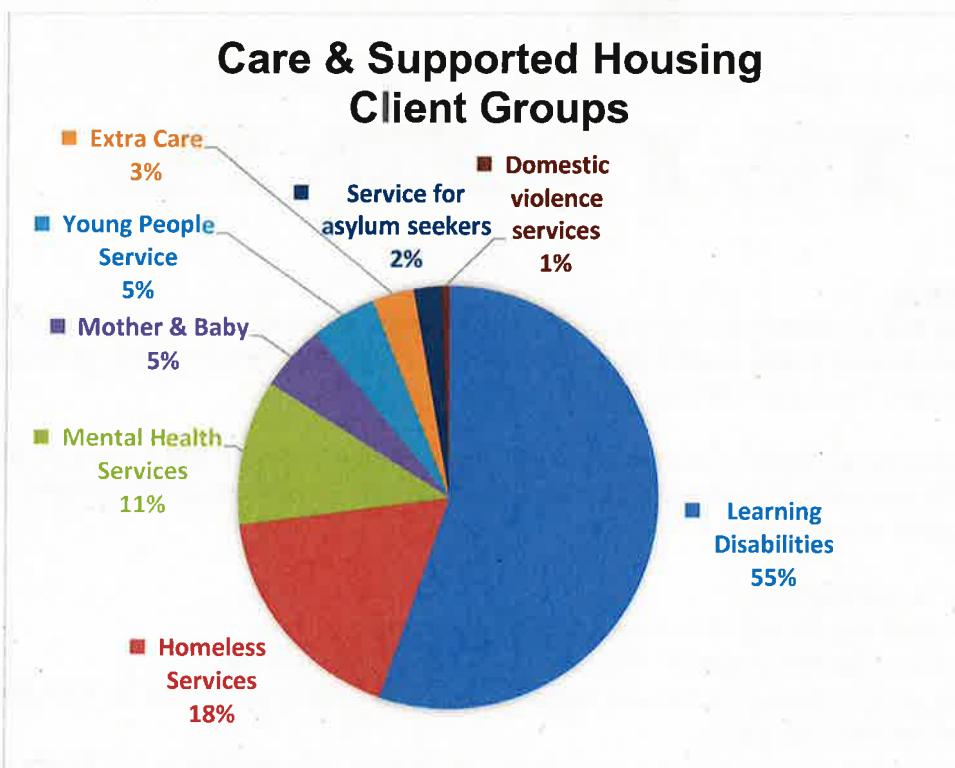
The Association is prepared to consider handing contracts back or closing projects if they are not viable because of funding cuts or grant levels not increasing in line with cost inflation.

### New Support Services

As a result of Hightown's strong relationships with local authority partners, Hightown has won contracts to provide supported housing services to a further 16 people with learning difficulties this year at three new sites in Buckingham:

- Spring Gardens
- Kite House
- Ivory House.

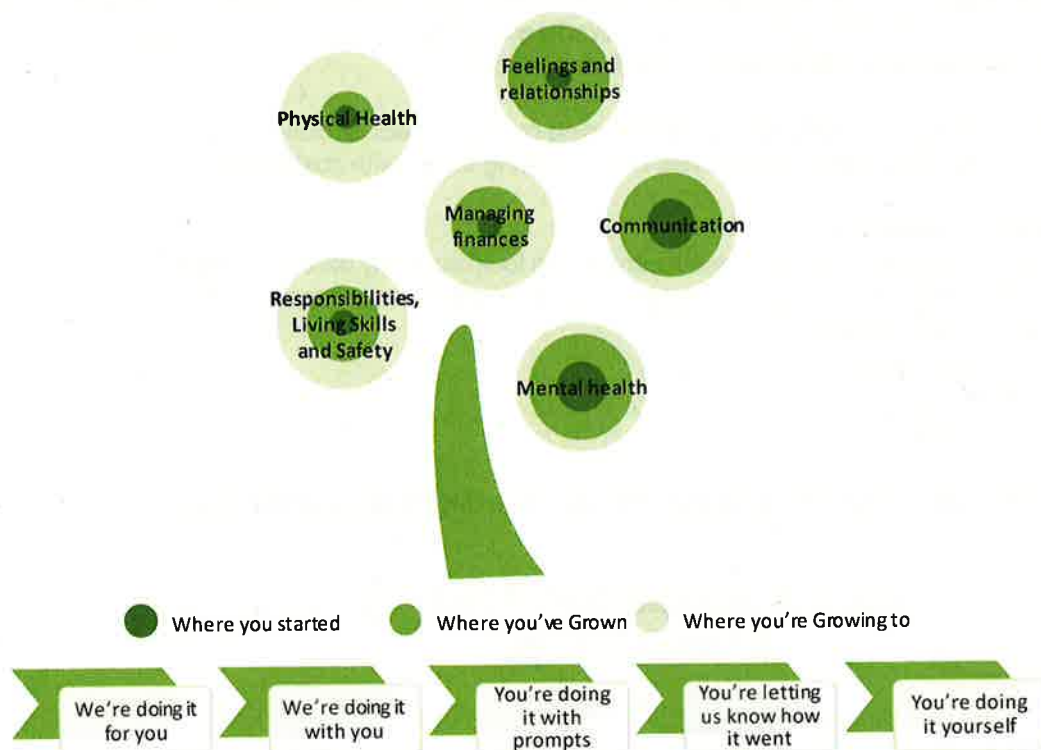
At 31 March 2019, Hightown supported 857 clients in the following service groups:



### Person-Centred Support and Growth to Independence.

Hightown's care and supported housing services all provide high quality personalised support to help each individual service user to live a full and meaningful life with a strong focus on giving people as much independence as possible. For one service user this might be giving them the ability to choose what they want to eat each day, for others it might be supporting them to cook or get dressed for themselves. In other cases, we have supported people to full independence in a home of their own.

We monitor each Service User's progress using Hightown's Growth Model in which everyone has a Growth Tree showing their development in 6 key areas since coming under Hightown's support. The example below is of a service user who started with us living in a room in one of our Registered Care Homes. Through our support, they now live in their own flats within an Extra Care scheme in Aylesbury with much greater independence and with far fewer hours of support than before.



### Social Impact Reporting

As a charity providing social housing and care & supported services with a substantial development programme, Hightown delivers a very significant social impact to its tenants, service users, residents and the local community in the areas in which it works.

Hightown produces a separate Social Impact report each year detailing the work that it does in this area, providing real life examples of where Hightown has delivered high, life changing social impact to its tenants, service users, and residents.

In summary for 2018/19 Hightown has:

- Tackled homelessness through the delivery of 407 new homes;
- Let 200 (36.4%) of the 549 properties let in the year, to homeless persons;
- Reduced fuel poverty through continued investment in energy efficiency such as PV solar panels and air source heat pumps;
- Helped tenants receive over £115,000 in entitlements through 600 referrals to our Financial Inclusion team and so helped tenants to retain their tenancies;

- Delivered a wide range of care & support to over 800 service users helping them with their day to day needs ,supporting them to be more independent and to improve access to choice and activities that enhance quality of life;
- Designed and introduced an outcome based Growth Model to measure progress towards greater independence.

The full 2018/19 report is available on the website [www.hightownha.org.uk](http://www.hightownha.org.uk).

### **Homes for Cathy**

Hightown has played a leading role in the Homes for Cathy group – a membership body of 83 housing associations campaigning for more homes and support for homeless people. The group wants to see housing associations using their skills and resources to make a difference to the lives of homeless people. By sharing good practice, the members can help to prevent homelessness and provide permanent homes.

## **Value for Money**

### **Hightown's Approach to Value for Money (VfM)**

Hightown is a strong performer on Value for Money and continues to deliver strong operational performance and invests the annual surplus into delivering a substantial development programme of new affordable homes. The Board see this commitment to use resources to deliver as many much needed affordable new homes as possible as key to delivering value for money.

We see the delivery of value for money throughout the work of the organisation as a continuous process, which is embedded into Hightown's culture and operations.

Hightown's approach to value for money is driven by the main principles below.

- Embed a culture of achieving VfM throughout Hightown, including Board members, staff and involved residents;
- A commitment and understanding to constantly challenge the status quo and to seek new, more efficient and effective ways to deliver services through the deployment of IT and through process workflows;
- Involve residents in the delivery of VfM services through the Resident Voice and Scrutiny Panel;
- Improve procurement methods and deliver cost savings on contract renewals;
- Understand the financial and social return on our assets and use this to make decisions;
- Maximise Hightown's financial capacity to deliver our strategic aims and objectives and deliver a strong development programme;
- Use the golden thread of performance management to ensure that everything we do helps to achieve our purpose and strategic objectives;
- Make use of external validation and report on our performance to stakeholders including residents, the Regulator of Social Housing, central government, the local authorities we work with and other partners;
- Develop new homes efficiently and economically that meet the needs of those who live in the areas in which we operate;
- Understand how we are performing by benchmarking Hightown over time and against others;
- Continuously seeking to improve customer service and customer satisfaction.

### **How we have done**

For each of the last 13 years, Hightown has maintained an Efficiency Log, completed by staff and managers, to record the Value for Money savings made during the everyday course of business and to embed Value for Money.

In 2018/19 the entries in the log from across the breadth of the business ranged from minor changes in daily processes, enabling staff to use time saved to improve the service provided to residents and service users, to financial savings in excess of £350k, achieved through procurement and the restructuring of services.

In summary Hightown has:

- Reorganised the structure of the Care & Supported Housing department in a number of different work areas to improve service delivery and saving over £320k pa;
- Continued to invest in the development and roll-out of IT systems workflows and reporting including casual workers for bank shifts, on-line staff expenses, staircase sales and resales trackers, so improving information and leading to savings in processing time;
- Reduced the number of Executive Directors from 6 to 5 employees;
- Expanded the use of Framework agreements for procurement, saving £34k in costs;
- Retained HouseMark performance in the low cost/good performance quadrant;
- Delivered a large net financial surplus and invested that surplus into the delivery of new homes. In the year, Hightown delivered a surplus of £18.7m and 407 new homes, bringing the number

of new homes delivered in the last two years to over 1,000. It also took delivery of the final commercial unit at Maylands Plaza, Hemel Hempstead;

- Managed these extra homes with marginal increases in costs, achieving a low operating cost per unit, as detailed elsewhere in the report;
- Increased the use of digital service delivery and the interaction with tenants through the MyHightown Portal with the increase in usage rising 39% in year, with 2,950 residents using the portal;
- Introduced an electronic system for staff expenses making the process quicker and more efficient removing all paper from the process;
- Continued to develop new IT workflows and information reporting to drive more efficient and effective processes.

### Performance Against The Regulator's Value for Money Metrics

In April 2018 the Regulator of Social Housing published a Value for Money Standard setting out the approach to Value for Money expected from Registered Providers. In addition a Value for Money Code of Practice was published to amplify the requirements of the standard explaining and elaborating on the content.

The Regulator of Social Housing published seven metrics which it will use to measure the three "E's" of Value for Money - Economy, Efficiency and Effectiveness, on a comparative basis across the sector.

The Regulator of Social Housing has published a summary report to allow Hightown to measure its performance against peer groups and the sector average. This comparative data is for the year to March 2017. The table below shows Hightown's performance over the last three years and compares performance for March 2017 against other providers:

	Value for Money Metric	VfM Cost Chain Measure	March 2019	March 2018	March 2017	Peer Group 2017 **	Quartile All Data 2017*
1	Reinvestment %	Efficiency	22.8%	28.2%	20.7%	6.7%	Upper
2a	New Supply Delivered Social Housing Units %	Effectiveness	7.5%	11.5%	5.4%	1.4%	Upper
2b	New Supply Delivered Non-social Housing Units %	Effectiveness	0%	0%	0%	0%	Upper
3	Gearing %	Efficiency	54.5%	53.2%	50.4%	48.0%	Median
4	(EBITDA MRI) Interest Cover % Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included	Efficiency	248.1%	258.4%	271.9%	246.0%	Median
5	Headline Social Housing Cost Per Unit	Economy	£6,990	£6,898	£7,019	£3,290	Lower
6a	Operating Margin % – Social Housing Lettings	Efficiency	33.5%	33.5%	34.1%	37.0%	Lower
6b	Operating Margin % – Overall	Efficiency	30.9%	31.7%	31.0%	33.3%	Median
7	Return on Capital Employed (ROCE) %	Efficiency	4.0%	4.0%	4.2%	5.1%	Lower

(\* RSH Value for Money Metrics – Summary Report September 2018. Data as March 2017.)

(\*\* Peer group 5,000-9,999 units)



#### Metric 1 – Reinvestment %

This metric looks at the reinvestment of financial resources into housing stock, showing the proportion of the year end housing assets invested in the year. It is a measure of effectiveness. In 2018/19, Hightown invested £98.6m and delivered 407 new homes. The reinvestment metric score of 22.8% is a reduction on the 28.2% last year. From comparator information provided by the Regulator of Social Housing (RSH) it is clear that Hightown's performance in this area is impressive and demonstrates Hightown's continued commitment to provide new homes to people in housing need in furtherance of its primary charitable objectives.

#### Metric 2 – New Supply Delivered

This supply metric measures the proportion of properties at year end that were created during the year. It is a measure of effectiveness. There are two measures: the proportion of new social housing delivered and the proportion of non-social housing delivered in the year.

The percentage of new supply of social housing delivered in 2018/19 was 7.5%, 11.5% last year and 5.4% in 2016/17. This reflects the substantial development programme in recent years with 1,323 new properties in the last three years.

Hightown did not deliver any Non-Social Housing units in the year. This reflects Hightown's Strategic Plan of delivering affordable social housing in keeping with its charitable objectives.

#### Metric 3 – Gearing

This metric measures the amount of debt as a proportion of the gross cost of housing assets at the year end. It is a measure of efficiency. It shows the proportion of assets funded by borrowing and its growth demonstrates the growth delivered by Hightown from leveraging in debt finance supported by its surpluses. Gearing has again risen in the year, from 53.2% to 54.5% as a consequence of building 407 new homes and 1 commercial unit and the funding of 811 units in the development pipeline.

With most new homes now being built for affordable rent without government grant, or social rent with low grant, new homes require higher borrowing per unit than in the past, and so over time the average level of gearing will rise. This is a direct and inevitable consequence of the affordable rents regime. As Hightown makes a significant annual surplus, it is able to reinvest that surplus into the provision of new housing, thus reducing the level of new borrowing required and the rise in gearing. There is still significant headroom for further borrowing against covenants within bank loan agreements.

#### Metric 4 – Interest Cover EBITDA MRI

The metric measures Interest Cover using an adjusted measurement of earnings after taking account of non-cash accounting entries - Earnings before Interest, Tax, Depreciation and Amortisation, Major Repairs Included (EBITDA MRI). This is a measure of efficiency. The reduction from 258.4% in 2018 to 248.1% in 2019 is a marginal one and in part reflects the increased investment in major repairs in the year and a slight increase in average interest arising from fixing debt at higher rates than the previous average rate. Hightown continues to deliver a strong EBITDA MRI metric, demonstrating capacity to fund additional borrowings.

#### Metric 5 – Headline social housing cost per unit

As a major provider of Care and Supported Housing, Hightown will always show a high headline social housing cost per unit compared to the average for other Registered Providers. The high cost relative to the sector of £6,990 (2018 £6,898) reflects the fact that Hightown delivers a substantial amount of Care & Supported Housing which requires more intensive management and thus distorts the headline costs on a per unit basis. This relatively high cost has been apparent in all past data analysis from the RSH Global Accounts comparison, the RSH operating costs analysis and from the PlaceShapers group benchmarking. However, benchmarking of our general housing management costs within the HouseMark benchmarking club shows that Hightown's housing management cost per unit were in the upper quartile in 2017/18.



The unit cost rose in the year by 1.3% compared to 2018 but this is a 0.4% reduction on the 2017 value. In part this is explained by the growth in unit numbers but also shows that Hightown has been able to manage the growth in management costs and achieve greater efficiency on a per unit basis.

#### Metric 6 – Operating margin

This metric measures the proportion of turnover that is retained after deduction of operating costs. It is a measure of operational efficiency. There are two measures: a) Social Housing Lettings margin and b) the Association margin.

The first measure a) *Operating margin on social lettings* for 2019 is unchanged at 33.5%. Hightown continues to demonstrate strong performance on value for money in the delivery of management of its lettings activity. The Care & Supported Housing activity operates on a very low margin in a very difficult commissioning environment.

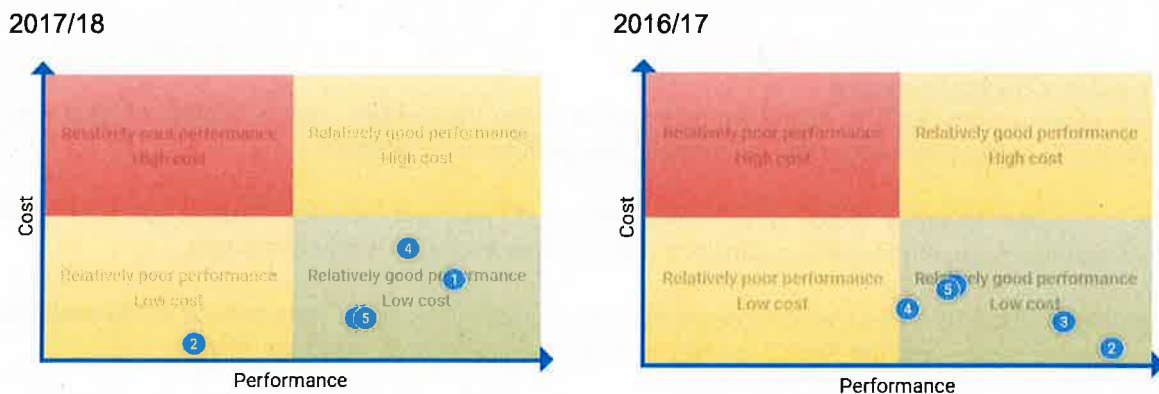
The second measure b) *Operating Margin % - Overall* has also fallen slightly to 30.9% from 31.7%.

#### Metric 7 – Return on Capital Employed (ROCE)

This metric measures the return on capital assets in use by the Association. It is an efficiency measure on the income generated from the assets. The 2019 figure is unchanged on 2018 at 4.0%. In part this reflects the continued impact of falling income from existing rental properties subject to the -1% rent reduction imposed by the government and also affected by the substantial investment into housing assets from new units and component re-investment in the year. However, net rental income is only a part year on the new units.

#### **HouseMark and other benchmarking performance**

Hightown has, for at least the last 9 years, benchmarked its housing management costs and performance against its peers through the independent HouseMark benchmarking service. This has always shown that Hightown delivers a strong and cost efficient performance. The benchmarking results for 2017/18, the latest available, clearly shows that Hightown continues to be a strong, low cost, good performing housing association, delivering services in a very economic, efficient and effective way. The last two years performance against the peer group is as follows:



**Key:**

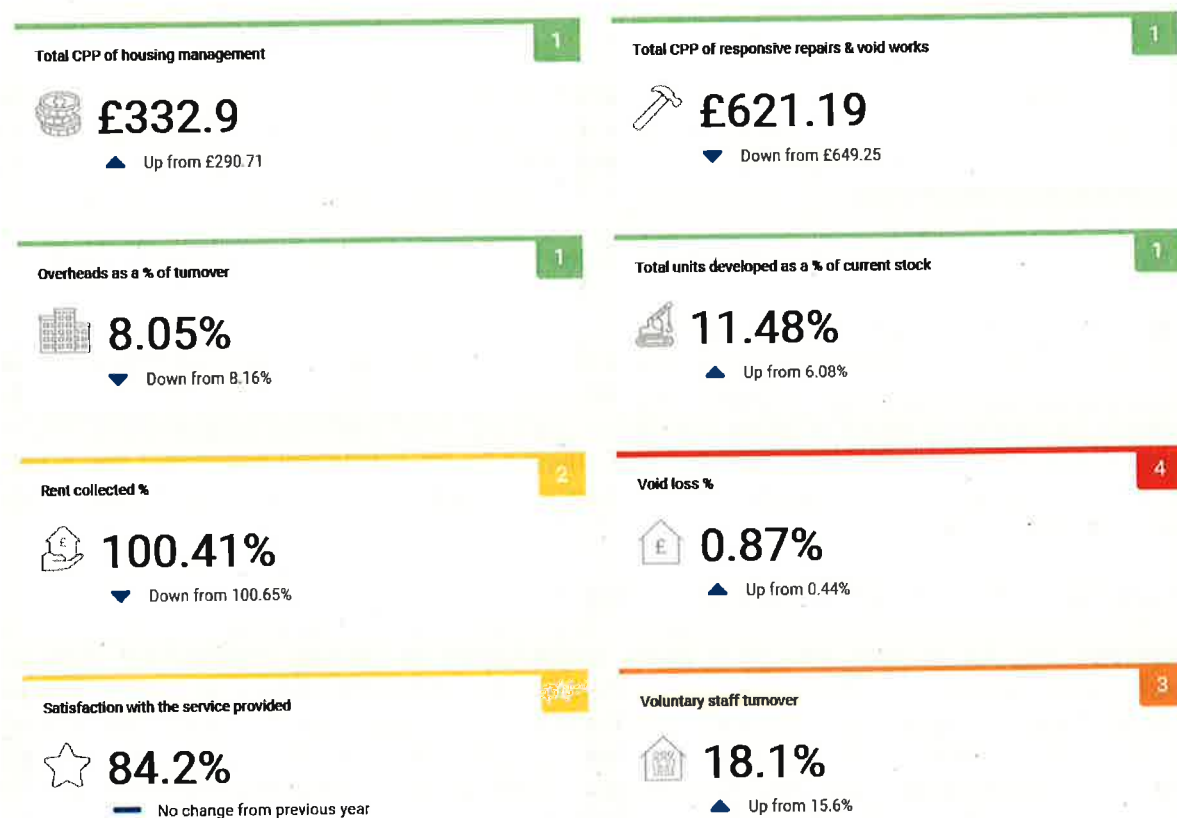
1 *Responsive Repairs*; 2 *Voids & Lettings*; 3 *Rent Arrears & Collection*; 4 *Tenancy Management*; 5 *Resident Engagement*.

The comparison shows that Hightown continues to deliver good performance services at low cost aside from voids and lettings. The performance on voids and lettings declined in 2017/18 due to delays in receiving housing nominations from the local authority. This appears to have been resolved in 2018/19 and performance is good once again. In 2019/20 further improvements are to be piloted, bringing some of this work in-house to an expanded direct works team.

### HouseMark Efficiency Summary

Hightown's HouseMark performance summary in its peer group for 2017/18 continues to show upper quartile performance on cost measures and development activity. Rent collection and satisfaction are 2<sup>nd</sup> quartile, staff turnover is 3<sup>rd</sup> quartile, and void loss 4<sup>th</sup> quartile. As reported above, poor void performance issues have been resolved in 2018/19 and further improvements are expected in 2019/20.

HouseMark Results 2017/18 dataset:



### HouseMark Sector Scorecard

Once again, during 2018/19 Hightown participated in the HouseMark Sector Scorecard as a way to benchmark against the sector and its peers on key performance metrics.

The scorecard measures 15 key performance metrics and as it was developed before publication of the RSH metrics, some of the metric definitions are calculated on slightly different bases.

Hightown's 2017/18 metrics outperformed the peer group of traditional associations in the south-east and eastern region, and the Sector median once again, in almost all areas as follows:

Sector Scorecard: Hightown Housing Association 2017/18

Hightown Sector Median



### Global Accounts

The Regulator of Social Housing (RSH) publishes annual data from the accounts of Registered Providers. Hightown uses this data analysis to compare its performance and to seek to understand reasons for any apparent under performance.

### PlaceShapers

Hightown uses the 2018 Global Accounts data analysis produced by the PlaceShapers group of associations to assess its performance relative to the sector and its peer group. The analysis confirms that Hightown has again delivered top quartile performance in the key business activities of stock reinvestment, new unit growth, maintenance and major repairs costs per unit. It continues to show lower quartile performance on debt per unit and level of gearing as a result of meeting its strategic objective of delivering new housing. It has top quartile performance on the cost of borrowing which, at 2.92%, was amongst the lowest in the sector. The headline management cost per unit is high but is distorted by Hightown's substantial care & supported housing function relative to most other associations.

#### Value for Money in 2019/20

In 2019/20 Hightown expects to continue to deliver Value for Money in provision of its services. It expects to continue to meet the demand for new homes for people on low incomes who are unable to rent or buy a home on the open market, using its financial capacity to deliver around 480 new homes in the year through the investment of a strong operating surplus, social housing grants, and new borrowings.

In addition Hightown aspires to:

- Continue to deliver strong operational performance on the Regulator of Social Housing's metrics, aside from debt per unit and gearing where we will remain as data outliers due to the level of investment in building new homes.
- Continue to improve the HouseMark cost per unit for housing management.
- Employ our own fixed wire operatives to improve access to carry out this work and to make savings on the costs of employing contractors.
- Expand the use of its own operatives into a small Direct Labour Organisation (DLO) to carry out void property repair works that once established, will lead to savings in repair costs and improve the void period between re-letting.
- Increase the range of services and information offered to our residents through the residents' portal 24/7.
- Further simplifying the way residents make on-line payments.
- Continue to assist tenants who are in arrears and struggle with their finances through our Financial Inclusion Officers. We will assist tenants who are in debt to Hightown, to help maximise their income and improve their ability to pay rent to Hightown help retain tenancies.
- Continue to roll out new IT workflow process and dashboards to improve the information for employee and managers.

#### Key contracts to be procured during 2019/20

Over the coming year our Procurement Team, who are tasked with obtaining value for money from Hightown's key contracts, will be procuring contracts for goods and services using competitive tenders and framework agreements. The following major areas of spend are due to be competitively tendered in 2019/20:

- Electronic Payments Contract
- External Audit
- Gas Servicing
- Insurance Services
- Fire Appliance & Alarm Servicing & Maintenance
- Servicing Contract
- ICT Support Services
- Mobile Devices

#### Areas of underperformance

As has been demonstrated earlier in this report, Hightown's overall performance on Value of Money is very good. We will continue to improve our efficiency on management costs as we grow and expect to continue to deliver upper quartile performance.

Underperformance identified in the HouseMark benchmarking in 2017/18 on general needs voids has already been improved from 0.87% to 0.45% in 2018/19. Further improvements to the service are expected when elements of the void repair works move in-house during 2019/20.

We will continue to deliver a strong development programme of new affordable homes as this meets the Association's primary purpose. We recognise that this will mean that the overall average debt per unit and gearing will rise and that Hightown is likely to remain an outlier from its peers.



## Risks and Uncertainties

As a Registered Provider of social housing, Hightown is exposed to many similar risks to other Registered Providers around the potential impacts of rent controls and welfare benefit reforms, from inflation movements, and interest rate risks.

Hightown's own specific risks arise due to it being a very active developer of housing. It is therefore exposed to risks around the funding of the development programme, delivery of the schemes on-site, market impact on sales of shared ownership properties, and the treasury risks associated with borrowings.

Additionally, Hightown has a significant Care and Supported Housing (C&SH) activity which exposes it to different risks than solely general needs based housing associations. Operational risks relate to managing the C&SH contracts, managing C&SH staff issues including recruitment, retention and remuneration, and managing health and safety for service users and staff.

A summary of the key risks facing Hightown and the mitigations is as follows:

<b>Corporate</b>	
<i>Risk</i>	<i>Mitigation</i>
<b>Failure to understand and respond appropriately to changes to the external environment leads to significant reduction in reputation e.g. lower viability or poor publicity</b>	Skilled and experienced board members, effectiveness reviews of board and governance.
	Engagement of the board and Directors Group to anticipate and respond to external changes and understand the regulatory environment.
	Engagement with National Housing Federation, other housing associations, stakeholders and peers to identify key social housing issues.
	30 year Business Plan in place and reviewed regularly.
	Continued development of risk methodology to ensure risks are understood and managed.
	Impact of EU exit assessed and monitored.
<b>Serious breach of Health &amp; Safety regulations resulting in legal action against company or officers, external investigation, financial penalties</b>	Dedicated Recruitment team, recruitment and retention of competent staff, bi-annual salary benchmarking.
	Effective staff development, secondment and succession planning.
	Awareness of Corporate Manslaughter/Corporate Homicide responsibilities at board and senior management levels.
	Staff trained in individual responsibilities where they are responsible person.
	Specialist training provided as required by role, e.g. Construction (Design and Management) CDM Regulations.
	Gas servicing and maintenance programme.
	Annual Fire Risk Assessment & Fire Equipment Maintenance programmes.
	Health & Safety and fire risks included in Estate Inspection programme.
	Specialist water hygiene testing programme.
	Asbestos survey programme.
	Lift maintenance programme managed by specialist contractor.
	Effective out-of-hours management arrangements.
	Provision of lone working devices.
	Procurement process ensures contractors have necessary skills & expertise.

<b>Business Continuity Plan is inadequate and not successfully tested, causing serious financial and/or reputational damage</b>	Documented business continuity plans in place for main office and C&SH sites, reviewed and updated regularly.
	Crisis Management Team with access to alternative contact details for emergency contact with staff.
	External Disaster Recovery site with facility for switchover by external IT contractor.
<b>Failure to deliver an effective IT strategy and service, causing inefficiencies, potential data breaches and reduced assurance to stakeholders</b>	Recent improvements to infrastructure e.g. Citrix agile environment installed in main office and C&SH sites, Wi-Fi at main office.
	Virus software regularly updated to protect against major virus infection.
	Specialist IT network support by third party supplier.
	Data Protection Officer appointed at Director level to oversee GDPR compliance.
	Subject access requests and data breach log maintained.
	Business Support function ensures accurate management reports are available to support operational functions.
<b>Finance</b>	
<i>Risk</i>	<i>Mitigation</i>
<b>Loss of external investment leads to higher borrowing costs and reduced access to new funding</b>	Liquidity maintained to meet cashflow requirements.
	Loan covenant requirements met.
	Adequate loan security to support development programme.
	Close scrutiny of market trends.
	Prudent interest rate management.
	Funding portfolio has capacity to deliver development programme and maintain covenant headroom.
	Ongoing engagement with current and potential lenders.
	Funder's appetite to lend is strong.
	Good relationships and headroom with existing banks/lenders.
<b>Development</b>	
<i>Risk</i>	<i>Mitigation</i>
<b>Reduced development opportunities or lack of funding causes reduction in Development programme</b>	Hightown's strong financial performance is creating own funds to invest.
	Demonstrated experience and reputation e.g. new Shared Ownership, staircasing & vacant sales.
	Grant allocations received from Homes England and local authorities.
	Schemes developed for a range of tenures and local needs with option to change tenure where possible.
<b>Cyclical change in local property market causes slow-down in sales and lower property prices</b>	Development Policy currently excludes development for outright sale.
	Shared Ownership limited to maximum 30% of Development programme.
	Sales project review & feedback assesses demand and satisfaction for each development and what could be improved.
	Strong Shared Ownership sales in 2018/19.



<b>Operations/C&amp;SH</b>	
<i>Risk</i>	<i>Mitigation</i>
<b>Roll-out of Universal Credit has adverse financial impact of residents, resulting in higher rent arrears and reduced revenue</b>	Trade body membership and peer discussions to identify and implement best practice and raise issues of common concern.
	Identification of tenants at risk of arrears and early contact to advise of potential impact.
	Affordability checks for all new tenants and advice as required.
	Effective process for referring customers at risk of arrears due to universal credit to third party support.
	Strengthening of Income Recovery Team and appointment of Financial Inclusion Officers.
	Effective liaison with local authorities to clarify Discretionary Housing Payments for general needs tenants.
	Hightown has Trusted Partner status from October 2018 giving access to the Universal Credit Landlord Portal to provide more support for new claimants.
<b>Care &amp; Supported Housing</b>	
<i>Risk</i>	<i>Mitigation</i>
<b>Rising C&amp;SH wage costs and developments in working time measurements in the C&amp;SH service, making some contracts unviable – failure to pay going rate.</b>	Target to deliver annual surplus for C&SH each year.
	Structuring of services and teams under review to ensure viability and identify potential savings.
	Monitoring court hearings and appeals regarding sleep-in shift payments for potential impact on Hightown services.
	Some unviable schemes have closed.
<b>Death, serious injury or serious abuse of a service user / resident due to neglect or abuse.</b>	Trained and competent staff and managers with clear guidance and expectations.
	Support agreements for all schemes clarifying client expectations.
	Individual care plans agreed with service users/families.
	Accurate recording and investigation of incidents and accidents.

## Employees

During 2018/19 Hightown employed an average of 687 full time equivalent employees (2018: 668), excluding casual "bank" staff who cover temporary vacancies and staff absences, most of whom are engaged in providing front line housing and support services to our residents. Including casual bank staff, the Association employs over 1,100 people.

Hightown continues to invest in the training of its employees through a number of internal and external training courses delivered by the learning and development team, and external facilitators. It continues to embed the '*Five Ways to Wellbeing*' model into the workplace. The aim is to ensure that staff are encouraged to seek the support necessary to take care of their own physical and mental wellbeing and so enable them to provide high quality, professional services to our service users and residents.

The Five Ways to Wellbeing are to:

- #Give
- #Take Notice
- #Connect
- #Keep Learning
- #Be Active

As part of Hightown's commitment to promoting the Five Ways of Wellbeing amongst staff and in the Care & Supported Housing activities, Hightown has worked to raise awareness of key topics among staff, such as stress and mental health. During the year, Hightown also hosted several staff events to promote fitness, build relationships between staff members and encourage further learning and development.

Hightown engages with its staff about the Association's objectives, progress and activities through regular office and departmental meetings; through newsletters and written communications; through staff briefings; the "MyTown" intranet and Yammer communication channels; through induction programmes for new staff; through the annual staff conference; and face-to-face 'Meet the Chief Executive' forums.

A Staff Forum of elected staff representatives meets quarterly to discuss issues relevant to staff and give feedback to management.

Hightown is committed to equality and diversity for all its employees.

## Governance

Hightown is managed by a voluntary Board of eight elected members and three co-opted members, with a range of skills and experience relevant to provide oversight of the Association's operational activities and major risks. All Board members are shareholders. The Board is supported by four Committees for Development, Risk & Audit, Operations and Nominations & Remuneration.

A Governance Effectiveness review was conducted by external consultants in late 2016. It concluded that overall Board oversight was effective and proportionate. Some amendments to the Committee structure and Board support arrangements were made as a result of the review. The Board carried out a detailed review of its effectiveness in early 2019 culminating in a Board strategy day in March 2019.

Hightown has the top assessment ratings for Governance (G1) and Viability (V1) from the Government-appointed regulator, The Regulator of Social Housing.

Hightown complies with all relevant legislation.

Compliance with Governance and Financial Viability Standard

Hightown has carried out a compliance self-assessment against the requirements of the Regulator of Social Housing's Governance and Financial Viability Standards, reported to the Risk & Audit Committee in June 2019. The Board considers that the Association complies with all requirements of the Regulatory Framework.

National Housing Federation Code of Governance

Hightown complies with the principal recommendations of the National Housing Federation (NHF) Code of Governance (*Promoting board excellence for housing associations 2015*).

National Housing Federation Code of Conduct

Hightown has policies and procedures to demonstrate compliance with the NHF Code of Conduct 2012.

## **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 2018 to 31 March 2019.

### Hightown's 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](http://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.
- **Equality and Diversity policy** – Hightown works to eliminate discrimination, harassment and victimisation on the grounds of age, disability, gender reassignment, marriage and civil partnership, race, religion or belief, sex and sexual orientation.

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

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

Board approval

This statement has been approved by the Hightown Board and is reviewed annually.



## **Board Statement On The Effectiveness Of The System Of Internal Control For The Period Ending 31 March 2019**

The Board of Management of Hightown Housing Association Limited is the governing body of the Association. It is committed to the highest standards of business ethics and conduct and seeks to maintain these standards across all operations.

The Board is responsible for ensuring that sound systems of internal control exist throughout the Association which focus on the significant risks that threaten its ability to meet its strategic objectives, and to provide reasonable – but not absolute – assurance against material misstatement or loss.

The key means of identifying, evaluating and managing the systems of internal control are:

- The corporate governance arrangements.
- Written financial regulations and delegated authorities.
- Policies and procedures for all key areas of the business which are reviewed periodically to ensure their continued appropriateness.
- An Internal Audit function using the services of a professional firm of auditors to deliver the Risk & Audit Committee's risk-based audit plan. All audit reports are reviewed by the Executive Directors' Group and by the Risk & Audit Committee, which also receives updates on the implementation of agreed external and internal audit recommendations.
- The Health and Safety policy.
- A risk management and business assurance process, which enables management to manage risk so that residual risk, after appropriate mitigation, can be absorbed without serious permanent damage to the Association. Risk management is considered at each Risk & Audit Committee meeting, through reviews of individual risk areas, as well as being considered regularly by the Board.
- The Association has a long-term business plan which is stress-tested and approved by the Board.
- The Association and its departments have annual budgets. Throughout the year, the Board and managers regularly monitored performance against budgets, value for money and other quality indicators. The key components of reporting are the monthly management accounts, monthly performance reports from senior managers and Directors, and the monthly information pack which includes measurement against key performance indicators. The Association has also developed a series of service performance IT dashboards to monitor performance. Management accounts are reported to the Board at each meeting and along with monthly information reports, are made available on the Board members portal each month.
- Managers' service objectives ensure that variances are investigated and acted upon.
- An anti-fraud and anti-bribery culture supported by policy and procedure for dealing with suspected fraud, bribery, anti-money laundering, and whistleblowing.
- All new housing investment decisions were subject to appraisal and scrutiny. New schemes with an investment below £2 million which meet the Board agreed approval parameters, may be agreed by the Chief Executive. All other schemes are scrutinised by the Development Committee who may approve schemes up to £5m under delegated authority. The Board will scrutinise and approve all new schemes where investment exceeds £5 million. Where schemes above £5 million require approval between Board meetings, these may be agreed through Chair's Action after review by the Development Committee. The Board receives reports on all approved schemes at each meeting.
- The treasury management activity is reported to the Board at each meeting.



The Chief Executive has reviewed the internal control and assurance arrangements and a report made to the Board confirming the effectiveness of the control systems for the year ended 31 March 2019 and up to the date of approval of the Annual Report and Financial Statements. The Risk & Audit Committee and the Board have expressed their satisfaction with these arrangements.

Status

No weaknesses were found in internal controls which resulted in material losses, contingencies or uncertainties that require disclosure in the financial statements for the year ended 31 March 2019 and up to the date of approval of the financial statements.

Strategic Report Approval

This Strategic Board Report was approved by order of the Board on 11 July 2019.

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

David Skinner FCCA, FCT  
Secretary

### **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 24 September 2019.

### **Auditor**

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 auditor for the purposes of their audit and to establish that the auditor is aware of any relevant audit information of which the auditor is unaware.

BDO LLP have expressed their willingness to continue as external auditor to the Association.

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 11 July 2019 and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'Bob Macnaughton', written in a cursive style.

**Bob Macnaughton**

**Chair**

**11 July 2019**

**By Order Of The Board**





### **Opinion**

We have audited the financial statements of Hightown Housing Association Limited ("the Association" for the year ended 31 March 2019 which comprise the Association statement of comprehensive income, the Association statement of financial position, the Association statement of changes in reserves, the cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2019 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 properly prepared in accordance 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.

### **Basis for opinion**

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

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the board members use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

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

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

We have nothing to report in this regard.

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

We have nothing to report in respect of the following matters where we are required by the Co-operative or Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 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.

### **Responsibilities of the board**

As explained more fully in the board members responsibilities statement set out on page 32, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Use of our report**

This report is made solely to the members of the Association, as a body, in accordance with the Housing and Regeneration Act 2008 and 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 members as a body, for our audit work, for this report, or for the opinions we have formed.



BDO LLP

Statutory Auditor

Gatwick



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 2019

	Note	2019 £'000	2018 £'000
<b>TURNOVER</b>	3	<b>84,693</b>	<b>69,415</b>
Operating costs	3	(58,564)	(47,404)
Surplus on sale of properties & other fixed assets	3	3,308	2,521
<b>OPERATING SURPLUS</b>	3,6	<b>29,437</b>	<b>24,532</b>
Interest receivable and similar income		94	278
Interest and financing costs	7	(10,840)	(8,108)
<b>SURPLUS FOR THE YEAR</b>		<b>18,691</b>	<b>16,702</b>
Net impact of the initial recognition of multi -employer defined benefit scheme		(2,776)	-
Actuarial (loss)/gain on defined benefit pension scheme	28	(1,819)	26
Unrealised (loss) / gain on revaluation of investments	12	(51)	1,586
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>14,045</b>	<b>18,314</b>

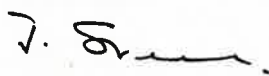
All activities are continuing.

The notes on pages 41 to 67 form part of these financial statements.

The financial statements were approved by the Board on 11 July 2019



Bob Macnaughton – Chair



James Steel – Board Member



David Skinner - Secretary

Hightown Housing Association Limited  
**Statement of Changes in Reserves**  
As at 31 March 2019

	Income and Expenditure Reserve £'000	Restricted Reserve £'000	Total £'000
<b>Balance as at 1 April 2017</b>	98,657	167	<b>98,824</b>
<b>Surplus for the year 2017/18</b>	16,702	-	<b>16,702</b>
	<u>115,359</u>	<u>167</u>	<u><b>115,526</b></u>
Actuarial gain relating to defined benefit pension scheme	26	-	26
Unrealised gain on revaluation of investment properties	1,586	-	1,586
<b>Other comprehensive income for the year</b>	<u>1,612</u>	<u>-</u>	<u><b>1,612</b></u>
<b>Balance at 31 March 2018</b>	<u>116,971</u>	<u>167</u>	<u><b>117,138</b></u>
<b>Balance as at 1 April 2018</b>	116,971	167	<b>117,138</b>
<b>Surplus for the year 2018/19</b>	18,691	-	<b>18,691</b>
<b>Transfer from restricted reserve to income and expenditure reserve</b>	167	(167)	-
	<u>135,829</u>	<u>-</u>	<u><b>135,829</b></u>
Net impact of the initial recognition of defined benefit scheme	(2,776)	-	(2,776)
Actuarial loss relating to defined benefit pension scheme	(1,819)	-	(1,819)
Unrealised loss on revaluation of investment properties	(51)	-	(51)
<b>Other comprehensive income for the year</b>	<u>(4,646)</u>	<u>-</u>	<u><b>(4,646)</b></u>
<b>Balance at 31 March 2019</b>	<u><b>131,183</b></u>	<u><b>-</b></u>	<u><b>131,183</b></u>

The notes on pages 41 to 67 form part of these financial statements.



Hightown Housing Association Limited  
**Statement of Financial Position**  
As at 31 March 2019


	Note	2019 £'000	2018 £'000
<b>TANGIBLE FIXED ASSETS</b>			
Housing properties	10	670,820	581,861
Other fixed assets	11	5,622	5,637
Investment properties	12	3,050	3,050
Investments	13	30	-
<b>TOTAL FIXED ASSETS</b>		<b>679,522</b>	<b>590,548</b>
<b>CURRENT ASSETS</b>			
Properties for sale	14	20,334	13,274
Trade and other debtors	15	7,468	7,465
Cash and cash equivalents	16	51,960	21,919
		<b>79,762</b>	<b>42,658</b>
<b>CREDITORS: Amounts falling due within one year</b>	17	<b>(24,264)</b>	<b>(20,064)</b>
<b>NET CURRENT ASSETS</b>		<b>55,498</b>	<b>22,594</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>735,020</b>	<b>613,142</b>
<b>CREDITORS: Amounts falling due after more than one year</b>	18	<b>(595,485)</b>	<b>(495,613)</b>
<b>PROVISION FOR LIABILITIES</b>			
Pension Liability	28	<b>(8,352)</b>	<b>(391)</b>
<b>TOTAL NET ASSETS</b>		<b>131,183</b>	<b>117,138</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	23	-	-
Income and Expenditure Reserve		131,183	116,971
Restricted reserve		-	167
<b>TOTAL RESERVES</b>		<b>131,183</b>	<b>117,138</b>

The notes on pages 41 to 67 form part of these financial statements.

The financial statements were approved by the Board and authorised for issue on 11 July 2019



Bob Macnaughton – Chair



James Steel – Board Member



David Skinner – Secretary

Hightown Housing Association Limited  
**Statement of Cash Flows**  
For year ended 31 March 2019

	Note	2019 £'000	2018 £'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
SURPLUS FOR THE FINANCIAL YEAR		14,045	18,314
Adjustments for:			
Depreciation of fixed assets – housing properties	10	6,600	5,612
Depreciation of fixed assets – housing component write off		171	177
Depreciation of fixed assets – other	11	379	345
Depreciation of fixed assets – other (net book value write-off)	11	43	-
Amortised grant	3,10,19	(1,825)	(1,699)
Unrealised loss/(gain) on revaluation of investment properties		51	(1,586)
Interest payable and finance costs	7	10,840	8,108
Interest received and income from investments		(94)	(278)
Actuarial loss/(gain) on defined benefit scheme	28	1,819	(26)
Net impact of defined benefit scheme		2,776	-
Surplus on sale of fixed assets – housing properties		(3,351)	(2,521)
Proceeds on sale of fixed assets – housing properties		6,242	5,186
Transaction costs for sale of housing properties		(119)	(96)
Proceeds from sale of fixed assets – other	11	-	38
Surplus on disposal of Fixed Asset Investments		-	1,905
Increase in stocks	14	(6,978)	(5,509)
Decrease/(increase) in trade and other debtors	15	1,320	(1,897)
Increase/(decrease) in trade and other creditors		2,010	(835)
Increase in provisions		(315)	-
<b>Net cash from operations</b>		<b>33,614</b>	<b>25,238</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets – housing properties		(93,799)	(68,025)
Purchase of fixed assets – other	11	(407)	(246)
Purchase of investment properties	12	(51)	(1,464)
Receipt of grant		13,237	4,103
Interest received and income from investments	7	94	278
Purchase of shares	13	(30)	-
<b>Net cash from investing activities</b>		<b>(80,956)</b>	<b>(65,354)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Interest paid		(12,586)	(9,665)
New loans	22	94,882	111,500
Debt issue costs incurred	22	(460)	(676)
Repayment of loans	22	(4,453)	(53,608)
<b>Net cash used in financing activities</b>		<b>77,383</b>	<b>47,551</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>30,041</b>	<b>7,435</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>		<b>21,919</b>	<b>14,484</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>		<b>51,960</b>	<b>21,919</b>

The notes on pages 41 to 67 form part of these financial statements.

## 1 LEGAL STATUS

Hightown Housing Association Limited (the "Association"; "Hightown") is registered with the Financial Conduct Authority under the Co-operative and Community Benefit Societies Act 2014 with registration 18077R and registered with the Regulator of Social Housing 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

The 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 (i.e. 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 1<sup>st</sup> Tranche Shared Ownership properties is recognised as properties are sold.

### **Value Added Tax**

The Association charges value added tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Association and not recoverable from Her Majesty's 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 financial years ending on or before 28 February 2019, it was not possible for Hightown to obtain sufficient information to enable it to account for SHPS as a defined benefit scheme. As a result, and as required by FRS 102, the obligation was accounted for as a defined contribution scheme.

For financial years ending on or after 31 March 2019 sufficient information is available to account for the obligations on a defined benefit basis. The information provided during the year gives the liability at 31 March 2018 however, as this information only became available in the current year and after the financial statements for the prior year had been authorised for issue, the change in accounting has been recorded on the first day of the current year, with no restatement of comparatives, in accordance with the requirements set out in: "Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland: Multi-employer defined benefit plans.

The true comparative information is represented by de-recognition of the liability recognised for the present value of the deficit agreement (£3.681 million) and the net pension deficit at 31 March 2018 (£6.457 million) been recognised through other comprehensive income in the year.



In the preparation of these financial statements, the requirements set out in: "Amendments to FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland: Multi-employer defined benefit plans" have been adopted early.

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 pension fund for most employees and auto-enrolment vehicle for the Association.

### **Supported Housing**

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

Where the Association holds the support contract with the relevant commissioning authority and carries the financial risk, all the project's income and expenditure is included in the Association's income and expenditure account (see Note 3).

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

### **Interest Rate Fixings**

The Association uses interest rate fixes to reduce its exposure to future increases in the interest rates on floating rate loans. Payments made under such fixes are accrued over the payment period on a straight-line basis and adjusted against interest payable on the loans. The interest rate fixes with banks are embedded within loan agreements and are not free-standing derivatives.

### **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.

Details of the cost of housing properties is shown at Note 10.

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:

Asset Component	Useful Life	Annual Depreciation Rate %
<b>Building Structure</b>		
- Houses	100 years	1.00%
- Flats	80 years	1.25%
<b>Roof</b>	80 years	1.25%
<b>Windows and external doors</b>	30 years	3.33%
<b>Bathrooms</b>	30 years	3.33%
<b>Electrical systems</b>	30 years	3.33%
<b>Lifts</b>	30 years	3.33%
<b>Kitchens</b>	20 years	5.00%
<b>Heating systems</b>	15 years	6.66%

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

Property partially sold under shared ownership leases are not depreciated as the responsibility for repair and maintenance is 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 Homes England (formerly 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 Homes England. SHG released on sale of a property is normally available to be recycled and is credited to a Recycled Capital Grant Fund and included in the balance sheet in creditors. Although SHG is treated as grant for accounting purposes, it may nevertheless become repayable if the conditions under which the grant was made are not complied with, for example if the properties to which grant was designated cease to be used for the provision of affordable rental accommodation.

### Other Grants

These include grants from local authorities and other organisations. 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 of social housing properties

The housing property portfolio is assessed for indicators of impairment at each balance sheet date. Where indicators are identified then a detailed assessment is undertaken to compare the carrying amount of assets or cash generating units for which impairment is indicated to their recoverable amounts. An option appraisal is carried out to determine the option which produces the highest net realisable value. Valuations on rental return or potential sale proceeds are obtained and used to inform the options. The Association looks at the net realisable value, under the options available, when considering the recoverable amount for the purposes of impairment assessment. The recoverable amount is taken to be the higher of the fair value less costs to sell or value in use of an asset or cash generating unit. The assessment of value in use may involve considerations of the service potential of the assets or cash generating units concerned or the present value of future cash flows to be derived from them appropriately adjusted to account for any restrictions on their use. No properties have been valued at VIU-SP.

### Investment Properties

Investment properties consist of commercial properties not held for social benefit or for use in the business. Investment properties are measured at cost on initial recognition and subsequently carried at fair value determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in income or expenditure as appropriate.

### 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:

Asset Type	Useful Life	Annual Depreciation Rate %
Freehold office building	50 years	2%
Furniture, fixtures and fittings	10-40 years	2½% to 10%
Computers / office equipment	3 to 5 years	33% / 20%
Motor vehicles	4 years	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.

### 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 Homes England 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 Homes England 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". As of 1 April 2018 revised guidance from the Regulator has resulted in the cessation of this fund.

### **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.



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

*Continuing activities*

	2019		2018	
	Turnover £'000	Operating costs £'000	Operating surplus £'000	Turnover £'000
				Operating costs £'000
				Operating surplus £'000
<b>SOCIAL HOUSING LETTINGS (See Note 3 B )</b>	<b>60,358</b>	<b>(40,167)</b>	<b>20,191</b>	<b>55,468</b>
				<b>(36,894)</b>
				<b>18,574</b>
<b>OTHER SOCIAL HOUSING ACTIVITIES</b>				
Current asset property sales	20,703	(15,349)	5,354	10,522
Supporting People contract income	1,290	(1,290)	-	997
Management services	1,408	(1,418)	(10)	1,126
Aborted development costs	-	(31)	(31)	-
Other	493	(124)	369	553
	<b>23,894</b>	<b>(18,212)</b>	<b>5,682</b>	<b>13,198</b>
				<b>(9,755)</b>
				<b>3,443</b>
<b>ACTIVITIES OTHER THAN SOCIAL HOUSING</b>				
Commercial Properties	304	(82)	222	119
Registered nursing home	-	-	-	520
Other – Charity Shop	137	(103)	34	110
	<b>441</b>	<b>(185)</b>	<b>256</b>	<b>749</b>
				<b>(755)</b>
				<b>(6)</b>
<b>SURPLUS ON SALE OF PROPERTIES &amp; OTHER FIXED ASSETS</b>	<b>84,693</b>	<b>(58,564)</b>	<b>26,129</b>	<b>69,415</b>
				<b>(47,404)</b>
				<b>22,011</b>
<b>TOTAL</b>			<b>3,308</b>	<b>2,521</b>
			<b>29,437</b>	<b>24,532</b>

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	2019 Total £'000	2018 Total £'000
<b>INCOME</b>						
Rent receivable net of identifiable service charges	29,053	3,279	3,116	155	35,603	31,045
Service charge income	1,350	1,306	678	-	3,334	3,326
Charges for support services	-	68	-	-	68	111
Amortised Government Grants	1,430	257	130	7	1,824	1,699
Other revenue grants	8	14,818	6	4,697	19,529	19,287
	<b>31,841</b>	<b>19,728</b>	<b>3,930</b>	<b>4,859</b>	<b>60,358</b>	<b>55,468</b>
<b>TURNOVER FROM SOCIAL HOUSING LETTINGS</b>						
<b>EXPENDITURE</b>						
Management	(2,712)	(1,589)	(556)	(656)	(5,513)	(4,673)
Support Service costs	(342)	(14,265)	-	(3,752)	(18,359)	(17,963)
Service charge costs	(1,695)	(1,396)	(510)	(418)	(4,019)	(3,658)
Routine maintenance	(3,014)	(511)	(82)	(104)	(3,711)	(2,932)
Planned maintenance	(436)	(75)	-	(15)	(526)	(784)
Major repairs expenditure	(720)	(136)	-	(104)	(960)	(850)
Bad debts	(246)	(55)	1	(6)	(306)	(245)
Depreciation of housing properties	(6,175)	(559)	(12)	(27)	(6,773)	(5,789)
	<b>(15,340)</b>	<b>(18,586)</b>	<b>(1,159)</b>	<b>(5,082)</b>	<b>(40,167)</b>	<b>(36,894)</b>
<b>OPERATING EXPENDITURE ON SOCIAL HOUSING LETTINGS</b>						
<b>OPERATING SURPLUS / (DEFICIT) ON SOCIAL HOUSING LETTINGS</b>	<b>16,501</b>	<b>1,142</b>	<b>2,771</b>	<b>(223)</b>	<b>20,191</b>	<b>18,574</b>
Void losses	(236)	(267)	(197)	2	(698)	(836)



#### 4 SUPPORTED HOUSING MANAGED BY AGENCIES

The Association has 13 supported housing tenancies (2018: 16) that are managed on its behalf under management agreements by other bodies that carry the financial risk. The Association's Statement of Comprehensive Income includes only the income and expenditure for which it retains responsibility.

#### 5 ACCOMMODATION IN MANAGEMENT

	2019 No.	2018 No.
At the end of the year accommodation in management for each class of accommodation was as follows:		
Social housing		
General needs housing		
- Social Rent	2,375	2,355
- Affordable Rent	1,340	1,069
	<hr/>	<hr/>
	3,715	3,424
Intermediate rent	379	369
Supported housing	480	486
Housing for older people	81	81
Low Cost Home Ownership (Shared Ownership)	823	742
Leasehold properties	759	737
Held for development	3	2
	<hr/>	<hr/>
Total Owned	6,240	5,841
Accommodation managed for others	143	153
	<hr/>	<hr/>
Total Managed	6,383	5,994
Non-social housing		
Registered nursing home bed spaces	-	8
	<hr/>	<hr/>
Total Owned and Managed	6,383	6,002
	<hr/>	<hr/>
Units in development at the year end	811	1,083

#### 6 OPERATING SURPLUS

	2019 £'000	2018 £'000
This is arrived at after charging / (crediting):		
Depreciation of housing properties	6,600	5,612
Accelerated depreciation on replaced components	171	177
Depreciation of other tangible fixed assets	379	345
Accelerated depreciation of other tangible fixed assets	43	-
Operating lease rentals	851	386
Auditors' remuneration (excluding VAT)		
- fees payable to the Association's auditor for the audit of the financial statements	29	28
- for non-audit services	5	15
- for leaseholder audits	15	14

**7 INTEREST PAYABLE AND SIMILAR CHARGES**

	Note	2019 £'000	2018 £'000
Loans and bank overdrafts		12,555	10,281
Recycled Capital Grant Fund	20	18	11
Net interest on net defined benefit pension liability		160	52
		<u>12,733</u>	<u>10,344</u>
Interest capitalised on construction of housing properties	10	(1,893)	(2,236)
		<u>10,840</u>	<u>8,108</u>
Capitalisation rate used to determine the amount of finance costs capitalised during the period		3.19%	3.01%

**8 EMPLOYEES**

	2019 £'000	Restated 2018 £'000
<u>Employee costs:</u>		
Wages and salaries	21,590	20,521
Social security costs	1,677	1,624
Other pension costs	820	555
	<u>24,087</u>	<u>22,700</u>
	2019 No.	2018 No.
<u>Average monthly number of employees (full time equivalents):</u>		
Administration	80	79
Development	12	14
Housing, support and care	595	575
	<u>687</u>	<u>668</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 £1,332 (2018: £880).

### **Executive Directors**

The aggregate emoluments of the executive directors including pension contributions amounted to £751,836 (2018: £756,045).

The emoluments of the highest paid director, the Chief Executive, excluding pension contributions, were £163,230 (2018: £159,803). Pension contributions in the year were £11,265 (2018: £10,060).

The aggregate amount of compensation payable to directors for loss of office during the year was £15,348 (2018: £ nil).

The executive directors are members of the Social Housing Pension Scheme (SHPS) as ordinary members of the defined benefit pension scheme and no enhanced or special terms apply. During the year the Chief Executive became a deferred member of the SHPS scheme.

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 1.

### **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	2019 No.	2018 No.
£ 60,000 - £ 69,999	2	3
£ 70,000 - £ 79,999	3	2
£ 80,000 - £ 89,999	1	-
£100,000 - £109,999	-	4
£110,000 - £119,999	3	1
£120,000 - £129,000	1	-
£150,000 - £159,999	-	1
£160,000 - £169,000	1	-

**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
<b><u>COST</u></b>					
At 1 April 2018	505,349	44,884	7,594	66,401	624,228
Additions	-	74,024	21,277	-	95,301
Capitalised Interest	-	1,316	577	-	1,893
Components Capitalised	1,390	-	-	-	1,390
Properties Completed	41,825	(41,825)	(12,308)	12,308	-
Transfer to properties held for sale	(82)	-	-	-	(82)
Disposals	(1,077)	-	-	(2,444)	(3,521)
As at 31 March 2019	<u>547,405</u>	<u>78,399</u>	<u>17,140</u>	<u>76,265</u>	<u>719,209</u>
<b><u>LESS: DEPRECIATION</u></b>					
As at 1 April 2018	42,367	-	-	-	42,367
Charge for the year	6,600	-	-	-	6,600
Eliminated on Disposals	(578)	-	-	-	(578)
As at 31 March 2019	<u>48,389</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,389</u>
<b><u>NET BOOK VALUE</u></b>					
As at 31 March 2019	<u>499,016</u>	<u>78,399</u>	<u>17,140</u>	<u>76,265</u>	<u>670,820</u>
As at 31 March 2018	<u>462,982</u>	<u>44,884</u>	<u>7,594</u>	<u>66,401</u>	<u>581,861</u>

**Expenditure on works to existing properties:**

	2019 £'000	2018 £'000
Components capitalised	1,390	1,130
Amounts charged to income and expenditure account	914	767
	<u>2,304</u>	<u>1,897</u>

Hightown Housing Association Limited  
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<b>Social Housing Grant</b>	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
Deferred Capital Grant	149,176	136,106
Recycled Capital Grant Fund	2,327	2,726
Revenue Grant – I&E	1,825	1,699
Revenue Grant - Reserves	19,713	18,014
	<u>173,041</u>	<u>158,545</u>

<u>Housing properties book value, net of depreciation, comprises:</u>	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b> Restated
Freehold land and buildings	627,508	537,260
Long leasehold land and buildings	43,312	44,601
	<u>670,820</u>	<u>581,861</u>

<u>Additions to properties include:</u>	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
Development overheads capitalised	2,106	1,810
Capitalised interest	1,893	2,236

# 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
<b><u>COST</u></b>						
As at 1 April 2018	6,099	399	280	1,002	40	7,820
Additions	109	13	37	247	-	406
Disposals	-	(55)	(36)	(231)	-	(322)
As at 31 March 2019	<u>6,208</u>	<u>357</u>	<u>281</u>	<u>1,018</u>	<u>40</u>	<u>7,904</u>
<b><u>LESS: DEPRECIATION</u></b>						
As at 1 April 2018	1,029	147	216	777	14	2,183
Charged in year	120	35	23	194	7	379
Released on disposal	-	(18)	(36)	(226)	-	(280)
As at 31 March 2019	<u>1,149</u>	<u>164</u>	<u>203</u>	<u>745</u>	<u>21</u>	<u>2,282</u>
<b><u>NET BOOK VALUE</u></b>						
As at 31 March 2019	<u>5,059</u>	<u>193</u>	<u>78</u>	<u>273</u>	<u>19</u>	<u>5,622</u>
As at 31 March 2018	<u>5,070</u>	<u>252</u>	<u>64</u>	<u>225</u>	<u>26</u>	<u>5,637</u>



**12 INVESTMENT PROPERTIES**

	2019 £'000	2018 £'000
At 1 April	3,050	-
Additions	51	1,464
(Decrease)/Increase in value	(51)	1,586
At 31 March	<u>3,050</u>	<u>3,050</u>

Investment properties are valued annually on 31 March at fair value, determined by an independent, professionally qualified valuer. The valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual. Details on the assumptions made and the key sources of estimation uncertainty are given in Note 2.

The (deficit)/surplus on revaluation of investment property arising of £0.05m (2018: £1.6m) has been credited to the Statement of Comprehensive Income for the year. The construction cost of the investment properties is £1.515m.

**13 INVESTMENTS**

	2019 £'000	2018 £'000
At 1 April	-	1,905
Transfer to bank	-	(1,905)
Share purchase	30	-
At 31 March	<u>30</u>	<u>-</u>

**14 PROPERTIES FOR SALE**

	2019 £'000	2018 £'000
Shared Ownership properties under construction	17,140	7,594
Shared Ownership properties awaiting sale	3,112	5,471
Other vacant properties awaiting sale	82	209
	<u>20,334</u>	<u>13,274</u>
	No.	No.
Shared Ownership properties awaiting sale	32	46
Other vacant properties awaiting sale	2	2
	<u>34</u>	<u>48</u>

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

**15 DEBTORS**

	2019 £'000	2018 £'000
<b>Due within one year</b>		
Rent and service charge arrears	1,830	1,489
Less: Provision for bad and doubtful debts	(1,318)	(1,080)
	<hr/>	<hr/>
	512	409
Estate service charges recoverable	529	337
Trade debtors	3,236	1,913
Other debtors	961	807
Prepayments and accrued income	2,230	3,999
	<hr/>	<hr/>
	7,468	7,465
	<hr/>	<hr/>

**16 BANK AND CASH**

	Note	2019 £'000	2018 £'000
Bank accounts held in trust	2	1,748	1,606
Other bank accounts		50,212	20,313
Cash in hand		-	-
		<hr/>	<hr/>
		51,960	21,919
		<hr/>	<hr/>

Under loan agreements with The Housing Finance Corporation (THFC) and bLEND Funding plc, the Association is required to deposit cash funds equivalent to 12 months interest. This sum of £2.8 million is included above.

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

	Note	2019 £'000	2018 £'000
Debt	22	3,352	3,609
Trade creditors		2,914	1,547
Rent and service charges received in advance		2,288	1,939
Revenue grants received in advance		95	31
Recycled Capital Grant Fund	20	1,162	1,130
Other taxation and social security		466	502
Deferred Capital Grant	19	1,801	1,666
Other creditors		1,210	1,129
Pension deficit reduction payments		6	589
Development and works retentions		8,300	5,664
Accruals and deferred income		2,670	2,258
		<hr/>	<hr/>
		24,264	20,064
		<hr/>	<hr/>

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

	Note	2019 £'000	2018 £'000
Debt	22	440,931	350,705
Recycled Capital Grant Fund	20	1,165	1,596
Premium on THFC Loan Issue *		2,927	3,072
Deferred Capital Grant	19	147,375	134,440
Leaseholder Sinking Funds		89	122
Leaseholder Trust Funds		1,561	1,389
Pension deficit reduction payments		29	3,138
Development and works retentions		1,408	1,151
		<u>595,485</u>	<u>495,613</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 (20 years) to offset interest paid.

**19 DEFERRED CAPITAL GRANT**

	Note	2019 £'000	2018 £'000
At 1 April		136,106	133,324
Grant received in year		14,385	3,779
Grant recycled from RCGF		1,130	1,059
Grant recycled to RCGF		(620)	(357)
Released to income in the year	3	(1,825)	(1,699)
		<u>149,176</u>	<u>136,106</u>
At 31 March			

	Note	2019 £'000	2018 £'000
Amounts to be released within one year	17	1,801	1,666
Amounts to be released in more than one year	18	147,375	134,440
		<u>149,176</u>	<u>136,106</u>

**20 RECYCLED CAPITAL GRANT FUND**

	2019 £'000	2018 £'000
Opening balance 1 April	2,726	3,225
Additions:		
Grant recycled from Deferred Capital Grant	620	356
Grant recycled from Statement of Comprehensive Income	93	68
Interest accrued	18	11
Drawdown:		
New build	(1,130)	(934)
	<u>2,327</u>	<u>2,726</u>
Closing balance 31 March		

**21 DISPOSAL PROCEEDS FUND**

	2019 £'000	2018 £'000
Opening balance 1 April	-	124
Additions:		
Grant recycled	-	-
Drawdown:		
New build	-	(124)
	<hr/>	<hr/>
Closing balance 31 March	-	-
	<hr/>	<hr/>

**22 DEBT ANALYSIS**

	2019 £'000	2018 £'000
<u>Loans</u>		
Due within one year	3,856	3,995
	<hr/>	<hr/>
Between one and two years	9,157	4,011
Between two and five years	84,312	21,105
After five years	351,430	328,858
	<hr/>	<hr/>
Total after one year	444,899	353,974
	<hr/>	<hr/>
Total loans	448,755	357,969
	<hr/>	<hr/>
<u>Unamortised loan costs</u>		
Due within one year	(504)	(386)
	<hr/>	<hr/>
Between one and two years	(901)	(386)
Between two and five years	(1,337)	(1,308)
After five years	(1,730)	(1,575)
	<hr/>	<hr/>
Total after one year	(3,968)	(3,269)
	<hr/>	<hr/>
Total unamortised loan costs	(4,472)	(3,655)
	<hr/>	<hr/>
<u>Total</u>		
Due within one year	3,352	3,609
	<hr/>	<hr/>
Between one and two years	8,256	3,625
Between two and five years	82,975	19,797
After five years	349,700	327,283
	<hr/>	<hr/>
Total after one year	440,931	350,705
	<hr/>	<hr/>
Total	444,283	354,314
	<hr/>	<hr/>

Security

Loans are secured by fixed charges on individual housing properties and the central office building except for £58.5 million loans from Retail Charity Bonds plc where unencumbered assets of £76.05 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 2019 to 2039 (2018: 2018 to 2039).

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The average interest rates payable on fixed rate loans at 31 March 2019 was 3.85% (2018: 3.98%) ranging from 0.96% to 10.47% (2018: 0.96% to 10.47%). Variable interest rates are based on LIBOR plus agreed loan margin. The weighted average cost of all interest in 2018/19 was 2.91% (2018: 3.04%).

At 31 March 2019 the Association had £105.0 million of undrawn loan facilities (2018: £82.0 million).

## 23 SHARE CAPITAL

	2019 No.	2018 No.
<i>Shares of £1 each, issued and fully paid</i>		
As at 1 April	20	24
Shares issued in the year	2	-
Shares surrendered during the year	(2)	(4)
	<hr/>	<hr/>
As at 31 March	20	20
	<hr/>	<hr/>

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.

## 24 FINANCIAL COMMITMENTS

	2019 £'000	2018 £'000
Capital Expenditure		
Expenditure contracted for but not provided in the accounts	140,854	128,711
Expenditure authorised by the Board but not contracted	188,328	133,929
	<hr/>	<hr/>
	329,182	262,640
	<hr/>	<hr/>

The Association is forecasting to spend £93.1 million of the contracted commitments in 2019/20. This will be financed by use of first tranche sales of shared ownership units, social housing grant, cash in hand, revenue cash surpluses generated in the year and the balance from the undrawn committed loan facilities.

A further £30.0 million contracted commitment is forecast to be spent in 2020/21 and the remaining £17.8 million forecast to be spent over the 5 years thereafter. The Association's policy is to ensure that expenditure is only committed as funding resources are available subject to complying with its policy on maintaining financial headroom on loan facilities.

## 25 LEASING COMMITMENTS

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

	2019 £'000	2018 £'000
Office equipment and vehicles:		
- Within one year	679	560
- Between one and five years	601	672
	<hr/>	<hr/>
	1,280	1,232
	<hr/>	<hr/>



## 26 FINANCIAL ASSETS AND LIABILITIES

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

	<i>Note</i>	2019 £'000	2018 £'000
Floating rate		212,333	151,133
Fixed rate		236,421	206,836
		<u>448,754</u>	<u>357,969</u>
Loan costs		(4,471)	(3,655)
Total	21	<u>444,283</u>	<u>354,314</u>

The fixed rate financial liabilities have a weighted average interest rate of 3.85% (2018: 3.98%) and the weighted average period for which it is fixed is 11.5 years (2018: 11.9 years).

## 27 RELATED PARTIES

There were no related party transactions.

## 28 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 since 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 with 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 Pensions Trust Growth Plan is shown under creditors in notes 17 and 18 previously.

An analysis of the SHPS membership is as follows:

18 June 2019*	Final Salary	CARE 1/60ths	CARE 1/80ths	Sub Total Defined Benefit	SHPS DC	Total
Active	14	19	17	50	727	777
Deferred	98	34	23	155	532	687
Pensioner	100	13	0	113	0	113
Total	212	66	40	318	1,259	1,577

31 March 2018	Final Salary	CARE 1/60ths	CARE 1/80ths	Sub Total Defined Benefit	SHPS DC	Total
Active	18	21	17	56	720	776
Deferred	97	32	24	153	301	454
Pensioner	99	13	0	112	0	112
Total	214	66	41	321	1,021	1,342

\*Data at March 2019 not available

## 28A. SOCIAL HOUSING PENSION SCHEME – TPT Retirement Solutions

Hightown participates in the Social Housing Pension Scheme (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.

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 last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1,522m. A Recovery Plan has been put in place with the aim of removing this deficit by 30 September 2026.

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.

For financial years ending on or before 28 February 2019, it has not been possible for the Association to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore Hightown has accounted for the Scheme as a defined contribution scheme.

For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the Association to account for the Scheme as a defined benefit scheme.

For accounting purposes, two actuarial valuations for the scheme were carried out with effective dates of 31 March 2018 and 30 September 2018. The liability figures from each valuation are rolled forward to the relevant accounting dates, if applicable, and are used in conjunction with Hightown's fair share of the Scheme's total assets to calculate the Association's net deficit or surplus at the accounting period start and end dates.

### PRESENT VALUES OF DEFINED BENEFIT OBLIGATION, FAIR VALUE OF ASSETS AND DEFINED BENEFIT ASSET (LIABILITY)

	31 March 2019	31 March 2018
	£'000	£'000
Fair value of plan assets	22,763	21,434
Present value of defined benefit obligation	30,754	27,891
Surplus (deficit) in plan	(7,991)	(6,457)
Unrecognised surplus	-	-
Defined benefit asset (liability) to be recognised	(7,991)	(6,457)
Deferred tax	-	-
Net defined benefit asset (liability) to be recognised	(7,991)	(6,457)

**RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION**

	Period ended 31 March 2019 £'000
Defined benefit obligation at start of period	27,891
Current service cost	279
Expenses	25
Interest expense	714
Contributions by plan participants	218
Actuarial losses (gains) due to scheme experience	85
Actuarial losses (gains) due to changes in demographic assumptions	87
Actuarial losses (gains) due to changes in financial assumptions	1,963
Benefits paid and expenses	(508)
Defined benefit obligation at end of period	30,754

**RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE FAIR VALUE OF PLAN ASSETS**

	Period ended 31 March 2019 £'000
Fair value of plan assets at start of period	21,434
Interest income	555
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	286
Contributions by the employer	778
Contributions by plan participants	218
Benefits paid and expenses	(508)
Fair value of plan assets at end of period	22,763

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2019 was £841,000.

**DEFINED BENEFIT COSTS RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME (SOCI)**

	Period from 31 March 2018 to 31 March 2019
	£'000
Current service cost	279
Expenses	25
Net interest expense	159
Defined benefit costs recognised in statement of comprehensive income (SOCI)	463

**DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME**

	Period ended 31 March 2019
	£'000
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	286
Experience gains and losses arising on the plan liabilities - gain (loss)	(85)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	(87)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	(1,963)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	(1,849)
Total amount recognised in other comprehensive income - gain (loss)	(1,849)



## ASSETS

	31 March 2019	31 March 2018
	£'000	£'000
Class of Asset		
Global Equity	3,830	4,234
Absolute Return	1,970	2,618
Distressed Opportunities	414	207
Credit Relative Value	417	-
Alternative Risk Premia	1,313	813
Fund of Hedge Funds	102	706
Emerging Markets Debt	785	864
Risk Sharing	687	198
Insurance-Linked Securities	653	563
Property	512	987
Infrastructure	1,194	549
Private Debt	305	191
Corporate Bond Fund	1,062	880
Long Lease Property	335	-
Secured Income	815	795
Liability Driven Investment	8,325	7,809
Net Current Assets	44	20
<b>Total Assets</b>	<b>22,763</b>	<b>21,434</b>

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

## KEY ASSUMPTIONS

	31 March 2019	31 March 2018
	% per annum	% per annum
Discount Rate	2.30%	2.56%
Inflation (RPI)	3.30%	3.19%
Inflation (CPI)	2.30%	2.19%
Salary Growth	3.30%	3.19%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2019 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2019	21.8
Female retiring in 2019	23.5
Male retiring in 2039	23.2
Female retiring in 2039	24.7

**28B. THE SHPS GROWTH PLAN – TPT Retirement Solutions**

Hightown participates in the scheme, a multi-employer scheme which provides benefits to some 950 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 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 at 30 September 2017. This valuation showed assets of £794.9m, liabilities of £926.4m and a deficit of £131.5m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

**Deficit contributions**

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From 1 April 2019 to 31 March 2025:	£11,243,000 per annum (payable monthly and increasing by 3% each on 1st April)
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Unless a concession has been agreed with the Trustee the term to 31 January 2025 applies.

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2014. This valuation showed assets of £793.4m, liabilities of £969.9m and a deficit of £176.5m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

**Deficit contributions**

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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 1.39% (2018: 1.71%). 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 2018. As of this date the estimated employer debt for Hightown was £56,685.

Hightown must recognise a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the income and expenditure account i.e. the unwinding of the discount rate as a finance cost in the period in which it arises.

## 28C. 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.

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.

### 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 2019 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 2020 has been calculated using an estimated payroll of £27,000.

### 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 2019	1 April 2019	1 April 2018
Percent of payroll	18.8%	18.8%	18.8%
Plus monetary amount (£'000)	7	5	4

### Statement Of Financial Position

<u>Net pension deficit as at</u>	31 March 2019 £'000	31 March 2018 £'000	31 March 2017 £'000
Present value of the defined benefit obligation	1,081	1,086	1,086
Fair value of Fund assets (bid value)	720	695	669
<b>Deficit</b>	<b>361</b>	<b>391</b>	<b>417</b>

### Statement Of Profit or Loss For The Year

<u>The amounts recognised in the income and expenditure statement</u>	Year to 31 March 2019 £'000	Year to 31 March 2018 £'000
Service Cost	11	11
Net interest on the defined liability (asset)	9	11
Administration expenses	1	1
<b>Total loss</b>	<b>21</b>	<b>23</b>

### 28D. NHS PENSION SCHEME

At the 31 March 2019, there were 9 active members in the NHS scheme (2018: 12) 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.

