



Hightown Housing Association Limited

Annual Report and Financial Statements For The Year Ended 31 March 2020

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

www.hightownha.org.uk

	Page
Board Members, Executive Directors, Advisors and Bankers	1
Chair's Statement	2
Strategic Report	4
<ul style="list-style-type: none">• Our Mission, Values and Culture• Our Objectives and Strategy• Our Business Model• Our Performance• Value for Money• Risks and Uncertainties• Employees• Governance• Anti-Slavery and Human Trafficking Statement• Statement of Internal Controls• Board Members Responsibilities	
Financial Statements	
Independent Auditor's Report to the members of Hightown Housing Association Ltd	41
Statement of Comprehensive Income	43
Statement of Changes in Reserves	44
Statement of Financial Position	45
Statement of Cash Flows	46
Notes to the Financial Statements	47

Board of Management

Chair	Bob Macnaughton	Chartered Accountant and former company Chief Executive
Vice Chairs	Cordelia Pace Andrew Rose	Senior Legal Counsel Former IT Director
Other Elected Members	Oliver Burns Nick Grundy Alan Head Frances Kneller Sarah Pickup OBE Gina Small James Steel Tony Keen	Former Chief Financial Officer Barrister Chartered Building Surveyor Housing Consultant Deputy Chief Executive Local Government Association Care & Supported Housing professional Commercial Consultant and former banker Former Business Owner & CEO (to 24/09/2019)
Co-opted Member	David Matthews	Banker (from 09/01/2020)

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	Director of Care & Support Director of Development Director of Financial Services Director of Operations
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 Cooper 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

Another excellent year for Hightown has ended with a bump, the health crisis, which has had a huge effect on the life of the nation and on Hightown's residents, service users, staff and stakeholders. At the time of writing and while the 'lockdown' is in operation, the Association is trying to maintain 'business as usual' as far as possible while constantly reviewing our services to ensure that they are safe. Also, we have to consider how this may affect our future plans and assumptions. Many of the people who work at Hightown are involved in the frontline, delivering essential services and we are truly grateful for their efforts.

Regardless of the current crisis the demand for our affordable housing and services is unlikely to decline. Indeed, in past economic crises, housing associations have been well placed to lead the recovery. We believe that Hightown's primary purpose of providing good quality affordable housing remains unchanged and we are confident that we have the capability and resources to continue to offer high quality services to our existing tenants and services users and to develop new homes in these challenging times. Our activities may have to be modified in the short term, but our long term ambitions are undiminished.

Hightown maintained its strong development programme during 2019/20. We built 477 new affordable homes including 357 homes for rent and 120 for shared ownership. The majority of homes (56%) were built on sites acquired by Hightown directly or in discrete package deals with the remainder developed through S.106 arrangements. The forward programme remains healthy, with Hightown on track to deliver around 500 new affordable homes in each of the next four years. We have a number of large sites at various stages of planning. The lockdown will delay the completion of some projects, but overall we remain confident that we can achieve our long term objectives for development.

Hightown houses and supports over 850 people who are vulnerable or disabled. The COVID-19 health crisis has increased the challenges for our staff who have displayed unwavering commitment to our service users. So far, we have managed staff and service user sickness and isolation issues, protective equipment shortages and food and medicine supply problems. Everyone involved in delivering these essential services deserves the highest praise for their hard work, resilience and commitment in these difficult times. We hope that at the end of all this that a greater value will be placed on social care work, which continues to be financially challenged due to real terms reductions in funding from our commissioning partners.

The activities of social landlords have received increased national focus in recent times due to concerns about fire safety, resident scrutiny and carbon reduction. However, we are pleased to report that Hightown has met its target to have each social housing service delivery output in the HouseMark high performance, low costs quadrant. Our lettings performance in 2019/20 was excellent once again although rent arrears have grown marginally in the year due to the roll-out of Universal Credit in areas where we have high numbers of homes. This excellence in operational activities has been achieved whilst also handling the rapid expansion of the portfolio from our development programme.

The HouseMark data shows that Hightown continues to be run efficiently and this allows us to generate consistent surpluses each year to re-invest in new affordable homes – in 2019/20, our surplus was £20.5 million (2018/19 £14.0 million) following an actuarial gain on the pension schemes of £4.7 million (2019: loss £4.6 million). Our development programme is funded by these surpluses and new borrowing of around £70-£80 million each year. We recently obtained a credit rating for Hightown for the first time. The A3 rating from Moody's is a reflection of Hightown's strong finances and will allow us to access funds from a wider range of investors.

Hightown has grown rapidly in recent years as a consequence of the development programme and the expansion of the C&SH business. It is important that as the business grows the organisation evolves as it becomes larger and more complex. Periodic external review of the Association's activities has an important role in evaluating how we are doing. During this year we had an In Depth Assessment (IDA) from the Regulator of Social Housing and a review of Board Effectiveness by an external consultant. The IDA resulted in the Association maintaining its V1 rating, but being downgraded from G1 to G2 for

governance. The downgrade means that Hightown still has a compliant rating, but areas for improvement have been identified. The Board is confident that the Association can address the issues identified in the IDA and move back swiftly to a G1 rating. There were two changes to the Board during the year with David Matthews, joining the Board whilst Tony Keen stepped down as a Board Member after nine years, including as Hightown's Chair from 2014 to 2017 – we thank him for his valuable service.

The Board has been pleased to see the Homes for Cathy group of housing associations extending its membership numbers and influence. Hightown has expanded its own homelessness support activities with a new Housing First project in St. Albans and Dacorum.

Hightown cannot operate effectively without the support and commitment of its partners and stakeholders, including our residents and service users, our staff, our voluntary Board members, our funders, our local authority partners and our contractors and consultants. I am most grateful to everyone for their contribution in another excellent year.

Clearly, there are major challenges ahead in 2020/21 but with a proven management team and resilient financial position, we are well placed to manage them effectively and play a major part in the recovery effort.



Bob Macnaughton
Chair

13 July 2020

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.

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 6,818 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 three years, Hightown has built over 1,500 new affordable homes.

Hightown's central office is on the Maylands Business Park in Hemel Hempstead, Hertfordshire 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 and performance to March 2020 are as follows:

Strategic Plan Objective	Progress at March 2020	Flag
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	477 new homes delivered in 2019/20. Rolling average future 3 year programme 400+	
Develop an average of 200 of those new affordable homes on Hightown sites	2019/20 265 homes on Hightown sites. Future 3 year programme 200+pa	
Achieve development outcomes in line with, or in excess of, appraisal parameters	All schemes completed in year exceeded appraisal parameters.	
Achieve at least 80% customer satisfaction with new homes	September 2019 survey 79%.	
Financial Viability		
Achieve 3.7% or better Return on Capital Employed	2019/20 budget of 3.3% achieved	
Achieve annual surplus of at least £16m	2019/20 Surplus £20.5 million after pension provision.	
Maintain gearing at less than 60%	Gearing 55.7%	
Maintain interest cover at more than 140%	Interest Cover 213.3%	
Ensure that fixed rate funding is between 40% and 60% of overall borrowing	Fixed proportion 50.2%	
Ensure loan facilities in place for next 12 months' anticipated spend and charged properties for next 6 months	In excess of 24 months facilities on committed expenditure.	
Achieve an average sales period of 4 months for new shared ownership properties	2019/20 performance on 120 sales was 114 days.	
Asset Management		
Achieve Energy Performance Certificate minimum rating of Band C for all homes	On track. Average rating is band C. Average SAP rating 80.1. 47 units lifted from band D in 2019/20. 70 units remain below band C.	
Dispose of unviable single properties	Properties identified. Two properties awaiting sale.	

Resident Services		
Achieve upper quartile performance for resident satisfaction with overall service provided.	STAR survey October 2018 80%. Third quartile among peers. Action plan implemented. Next survey due in late 2020.	
Keep management costs per rented unit in lower quartile compared to peers	HouseMark performance for 2018/19 shows Hightown in the lower cost quartile at £315 per unit, down from £333.	
Improve satisfaction levels amongst shared owners and leaseholders	October 2018 action plan has been implemented. Next survey due late 2020.	
Increase interaction with general needs residents through the 'MyHightown' portal by 15% a year	March 2020 27% increase. 3,755 registered users.	
Care and Supported Housing		
Deliver annual surplus on Care & Supported Housing (C&SH) activities each year	Surplus 2020 of £396k.	
Reduce use of agency staff by 20% a year	Use of agency reduced by almost 50%.	
Report annually to Board on outcomes for service users	New Growth Model rolled out. First report will be made once at least 6 months data available in late 2020.	
Increase interaction with commissioners	Contacts made with commissioners in new areas resulting in bids for new business.	
Develop new and innovative models of care and support	Housing First project commenced in November. New homelessness project in St. Albans.	
Corporate		
Maintain a G1/V1 rating from Regulator of Social Housing (RSH)	In June 2020 the RSH awarded G2/V1 rating. The Board are working through a governance action plan to restore the G1 rating.	
Use the Homes for Cathy group to develop our action plan for homelessness	The Board approved the Homes for Cathy commitments.	
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	In the latest HouseMark report for 2018/19, all five measures are in the good performance, low cost quadrant.	
Improve staff satisfaction levels	Satisfaction levels increased from 75% to 77%.	
Commission each year an external audit to confirm that appropriate IT security practices and disaster recovery provisions are in place	Completed June 2020.	
Establish a research programme	We have recruited a Business Information Analyst who is currently reviewing our tenant and lettings data.	

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 at social or affordable rents, so 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, staff give their time and money to support other charities. 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, dress-down days, couch to 5k runs, quiz nights, Hightown's staff have so far raised £7,624 for the charity.

Five Ways to Well Being

Hightown supports and promotes the Five Ways to Well Being as a tool for maintaining physical and mental health, learning and interaction with the wider community. Staff champions organise a series of events and promotions each year and the annual staff conference is based around the five themes. The model has also been adopted for some of our Care and Supported Housing activities including a very successful Bucks Wellbeing event in summer 2019.

Our Performance

Finances

Hightown has grown its turnover every year despite the 4 years of 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 arising from a very active development programme.

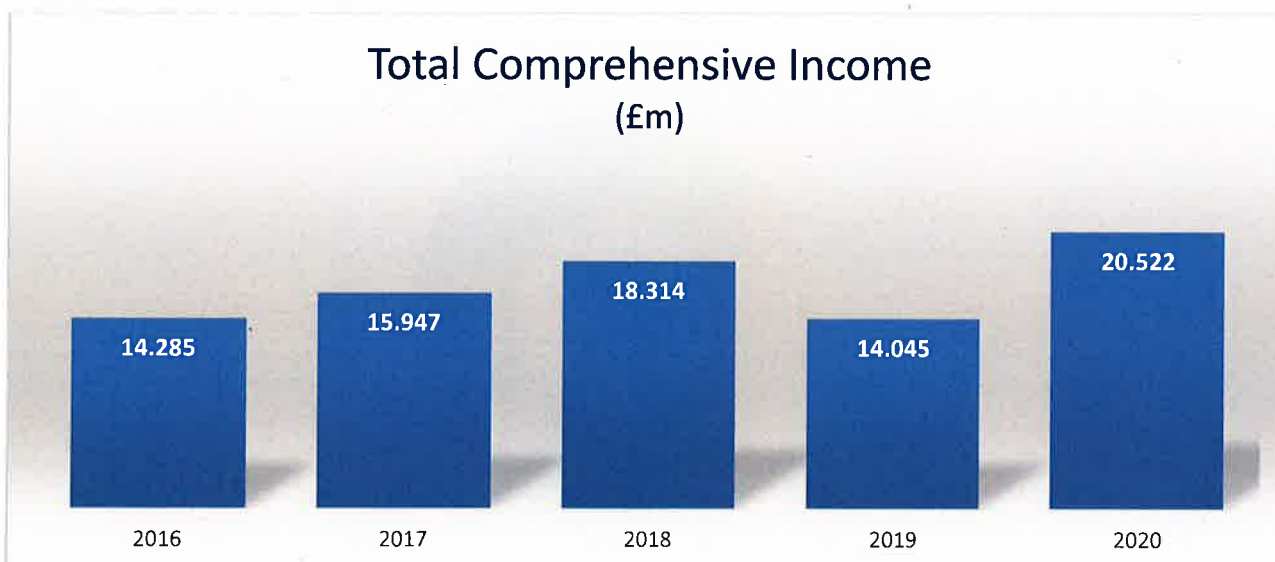
The following tables and charts show how Hightown's annual turnover has risen over recent years and how the operating surplus in the Total Comprehensive Income has been invested in new affordable homes funded mainly by increased borrowings.

5 Year Financial Summary	2020	2019	2018	2017	2016
	£'000	£'000	£'000	£'000	£'000
Turnover	85,536	84,693	69,415	62,785	50,687
First Tranche Shared Ownership sales (included in turnover)	17,642	20,703	10,522	9,412	7,699
Operating Surplus	27,412	29,437	24,532	22,466	19,844
Interest payable	11,750	10,840	8,108	6,530	7,100
Surplus for the year	15,746	18,691	16,702	16,074	14,266
Total Comprehensive Income	20,522	14,045	18,314	15,947	14,285
Gross Margin %	32%	35%	35%	36%	39%
Net Margin %	18%	22%	24%	26%	28%
Interest cover (times)	2.3	2.7	3.0	3.4	2.8
Housing Properties at cost (GBV)	825,284	719,209	624,228	560,280	497,824
Housing Properties at cost (NBV)	770,314	670,820	581,861	523,033	465,088
Total Assets less short term liabilities	824,085	735,020	613,142	536,712	480,419
Total Debt after fees	505,506	444,283	354,314	297,099	258,940
Total Reserves	151,705	131,183	117,138	98,824	82,877
Units Owned and managed	6,818	6,380	6,000	5,374	5,063

Turnover, including sales of First Tranche Shared Ownership properties has risen over the last five years as shown below.



The Total Comprehensive Income for the year has risen from £14 million in 2019 to £20.5 million in 2020. Both years results were impacted by the movement in the accounting provision for the liability to the Social Housing Pension Scheme and Buckinghamshire County Council Pension Fund which reduced the Total Comprehensive Income in 2019 by £4.6 million and increased it by £4.7 million in 2020.



Hightown is spending around £130 million gross on developing new homes each year. After financing from capital grant, shared ownership sales and the net surplus, around £60 million - £70 million of new borrowing is required each year to fund the development programme. In 2019/20 new borrowing facilities of £30 million were arranged from First Abu Dhabi Bank PJSC, following £140 million arranged with funders last financial year.

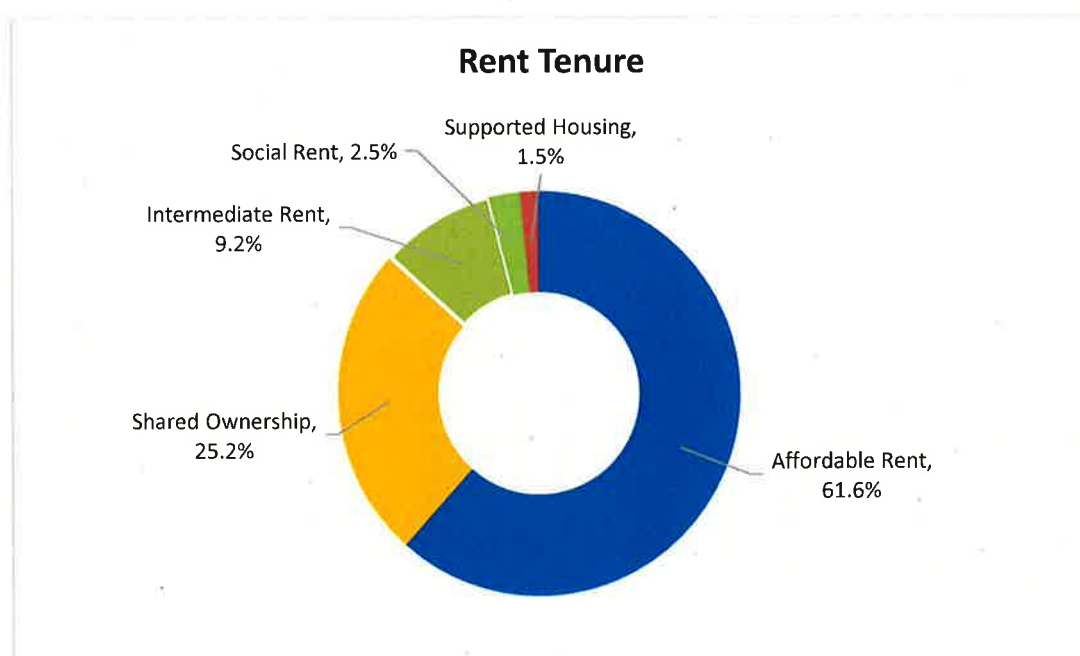
Development Programme

The financial year 2019/20 was another very active year in Hightown's development programme. Hightown built 477 new homes - a growth rate of 8.2%. In the last three years Hightown has built over 1,500 new homes.

A summary of the 2019/20 development programme is as below:

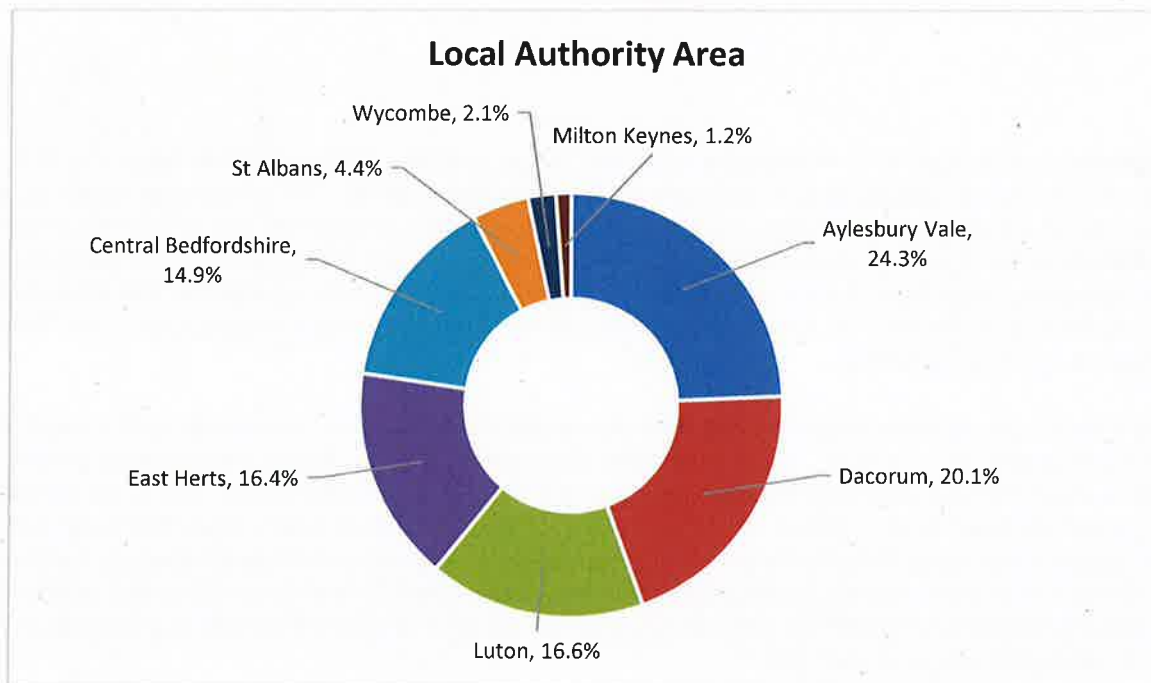
- a) **Tenure** - Hightown predominantly built properties to let at Affordable Rent 62% (2019: 65%) and for Shared Ownership 25% (2019: 28%) in 2019/20. 12 homes (3%) (2019: 28 homes 7%) were developed at social rent which reflects the low level of Social Housing Grant available to subsidise this tenure.

Rent Tenure	Apr-Jun 19	Jul-Sep 19	Oct-Dec 19	Jan-Mar 20	Total	
Total	68	101	183	125	477	
Affordable Rent	39	48	114	93	294	61.6%
Shared Ownership	29	49	16	26	120	25.2%
Intermediate Rent	0	4	40	0	44	9.2%
Social Rent	0	0	6	6	12	2.5%
Supported Housing	0	0	7	0	7	1.5%



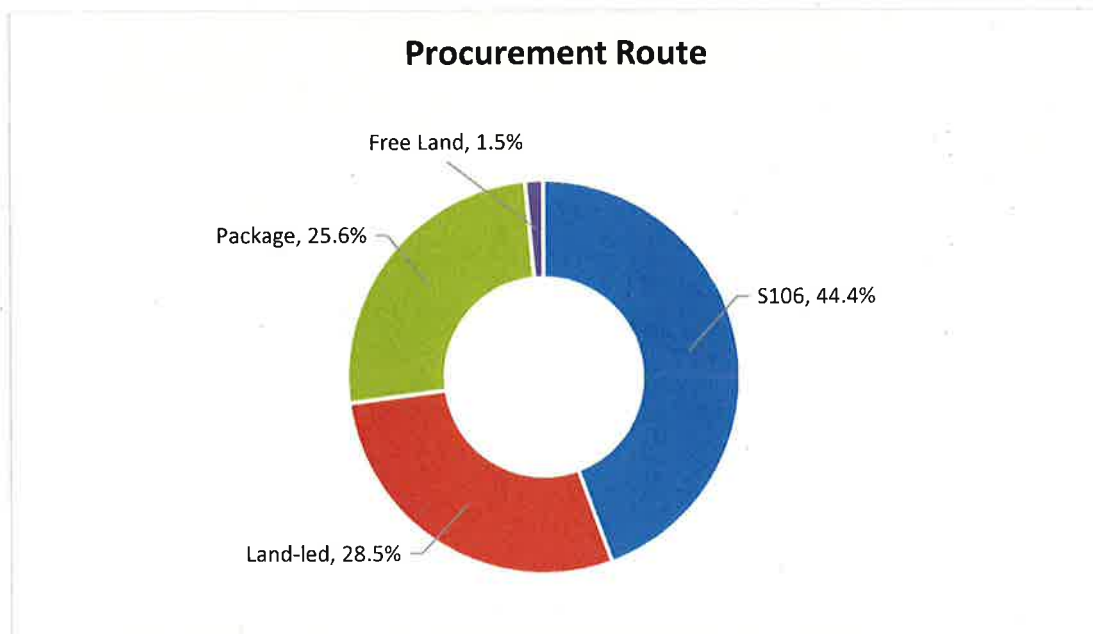
b) Local Authority - Hightown built 477 properties in 8 local authority areas:

Local Authority	Apr-Jun 19	Jul-Sep 19	Oct-Dec 19	Jan-Mar 20	Total	
Total	68	101	183	125	477	
Aylesbury Vale	11	28	34	43	116	24.3%
Dacorum	0	9	87	0	96	20.1%
Luton	49	0	8	22	79	16.6%
East Herts	0	35	30	13	78	16.4%
Central Bedfordshire	2	19	17	33	71	14.9%
St Albans	0	10	7	4	21	4.4%
Wycombe	0	0	0	10	10	2.1%
Milton Keynes	6	0	0	0	6	1.2%



c) Procurement Method – A total of 56% of Hightown's new build homes came from land purchased and developed by Hightown and package deals. The remaining 44% were developed by housebuilders under S.106 planning requirements to provide affordable housing:

Procurement Method	Apr-Jun 19	Jul-Sep 19	Oct-Dec 19	Jan-Mar 20	Total	
Total	68	101	183	125	477	
S106	19	79	64	50	212	44.4%
Land-led	49	0	87	0	136	28.5%
Package	0	22	25	75	122	25.6%
Free Land	0	0	7	0	7	1.5%



Hightown is regulated by the Regulator of Social Housing (RSH). 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 rental growth is set by government, social care funding and welfare benefits including Universal Credit. Consequently government policy has a direct impact on how the Association operates as a social landlord, a care and supported housing provider and a developer of new homes. Some new housing developments are part funded by social housing grant from Homes England and local authorities.

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. Housing needs in Hightown areas of operations are overwhelmingly for homes to rent at sub-market rents so the Association aims to have at least 70% of its development programme producing homes for rent with the remaining proportion being for shared ownership. Hightown does not build for market rent or market sale.

Hightown expects to deliver around 1,100 new affordable homes over the next two years 2020/21 and 2021/22. Around 43% of the new homes will be on sites purchased by Hightown for affordable housing with around 57% coming from the affordable housing element on sites developed by private housebuilders under S.106 planning requirements.

Asset Management

Hightown has the resources to keep its homes in good condition and to meet its obligations to residents to keep their homes safe. Making sure it has the funds to do this is part of the prudent business planning process. Works to properties are planned through regular stock condition surveys and financial modelling so as to anticipate and meet statutory and contractual obligations.

As a business Hightown works to the principles of:

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

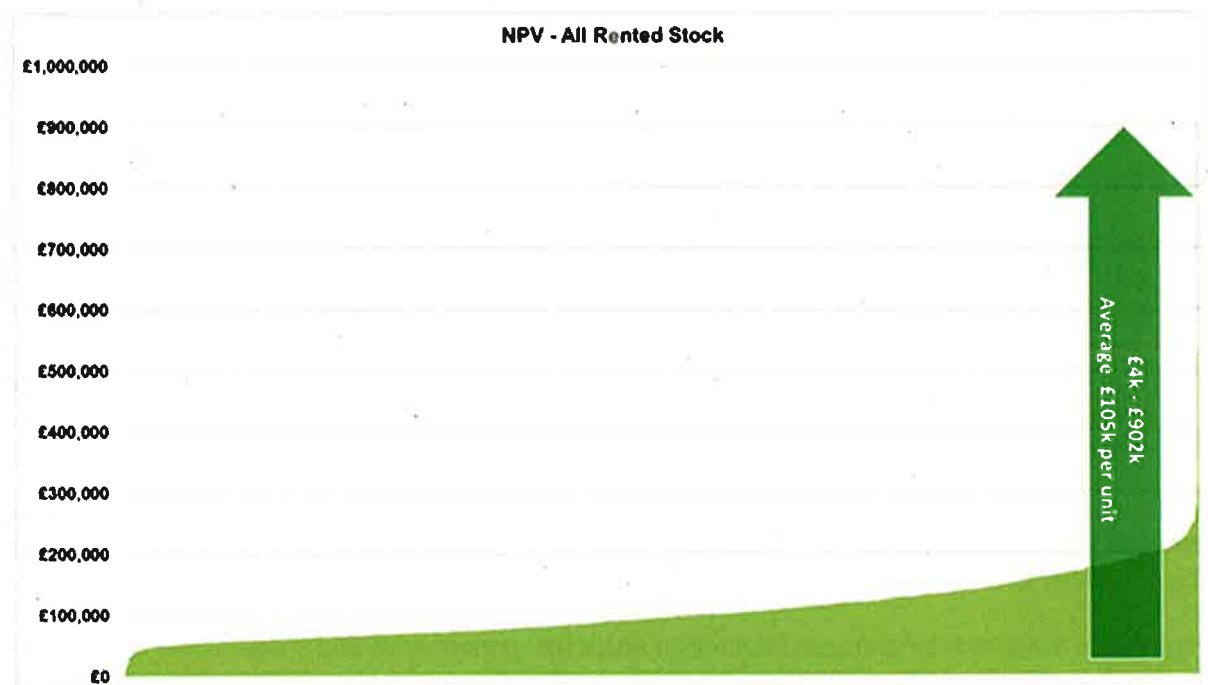
Hightown aims to maximise social and environmental gains from its property investments while delivering its business objectives. Hightown's stock of properties is its largest asset, and in 2019/20, this increased to over 6,800 homes.

Hightown's asset register captures information about the performance and sustainability of the stock, its condition, and its energy efficiency. This detailed knowledge allows for a better understanding of the return on investment from each property.

To understand how each property contributes, an annual Net Present Value (NPV) review of the rented properties is carried out looking at the future projected rental income of the properties against the future projected expenditure for these properties over the next 30 years. This incorporates 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 expected 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.

These results are used 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 reinvestment decisions:



The chart above shows the NPVs across all rented stock.

The average return from each rented unit over the next 30 years is £105,000 per unit. This is an average increase of £9,000 per unit compared to the end of March 2019. The detail behind these results allows analysis of the information and splits properties into different asset groups and types to help identify any that may not be performing as well as expected or are of particular concern.

These results also help to identify where Hightown is achieving the best value for money and where Hightown may need to direct more resources.

All properties show a positive return across the next 30 years.

Corporate

In June 2020 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 "G2" for governance and "V1" for financial viability. The Board are working through an action plan to return Hightown to a G1 governance rating.

Moody's Credit Rating

In January 2020, Hightown received a public credit rating of A3 stable outlook, from Moody's Investment Services. This investment grade rating illustrates the financial strength of the Association.

Social Landlord Operations

Hightown manages 4,021 (2019 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 at 80% are in the lower middle quartile. Management costs are very low compared with Hightown's peers. Hightown maintains very good levels of performance on collecting rent and letting properties.

Rents

Around 37% (2019 37%) of Hightown's properties are let at Social Rents (a Government 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 1,635 homes (24%) let at Affordable Rents (2019 1,340 homes (21%).

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 is in run-off now since, although the service delivers life-changing improvements for homeless people and cost 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 for Hightown.

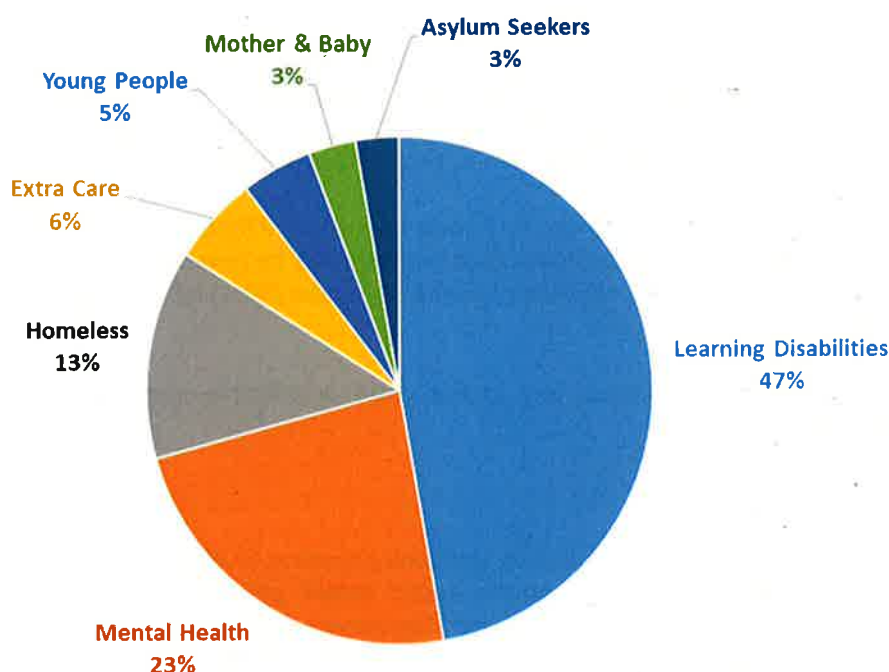
Care and Supported Housing

Around £27 million (32%) of Hightown's turnover comes from the provision of care and supported housing. Its operations provide housing and support services to vulnerable and disabled people and are central to Hightown's strategic and charitable goals. A large proportion of the Association's 1,100 staff are employed in care and supported housing.

The Association's aim is to 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 supporting them 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, Hightown has supported people to full independence in a home of their own.

At 31 March 2020, Hightown was supporting 761 clients in the following service areas:

Care & Supported Housing Client Groups

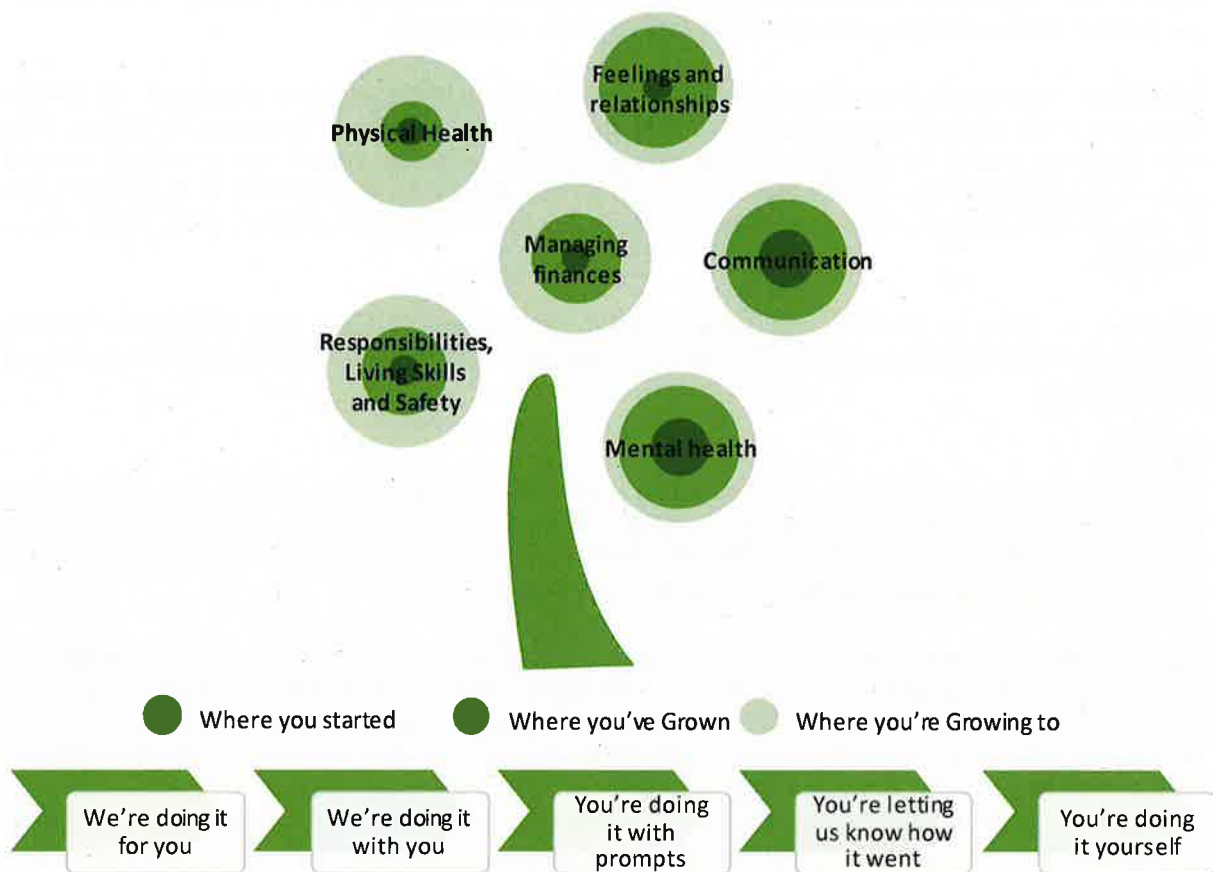


Support Planning and Risk Assessments

All of our service users have support plans and risk assessments detailing the support being provided and the important decisions being made around reducing risk and increasing independence. Hightown staff are recording individual goals for service users which, when achieved, can lead to the support provided being gradually reduced. It is important that these plans and assessments are accurate, regularly updated and reflect the changing needs of the service user over time.

The Care and Supported Housing department is currently half way through a 2 year project to improve its ability to monitor and manage this support work with 75% of service users now on a new system of digital support plans. The remaining year is to be spent getting the final 25% of service users onto the system and establishing the use of KPIs and monitoring to ensure that the highest quality of support and the best outcomes are being achieved throughout the organisation. To identify the areas of greatest improvement in outcomes Hightown has developed a Growth model to talk through this using the

concept of a tree graph as shown. This is expected to become intrinsic to the Association's work going forward.



New Support Services

As a result of Hightown's strong relationships with local authority partners, it has won contracts during 2019/20 to provide new supported housing services. Firstly providing support to 13 people with learning difficulties at Willow House in Aylesbury. This is a contract won while retaining the support services contract for 29 service users nearby at The Elms. In addition Hightown was chosen as the preferred partner with Dacorum and St Albans Councils for a Housing First project providing housing and support to rough sleepers. This project is already providing intensive support to five service users.

Financing

Almost £22 million of the £27 million turnover in Hightown's Care & Supported Housing is contract income generated from the provision of care and support commissioned by local government and, more recently the NHS. The remaining income comes from rents. Hightown's policy is that revenue income from social care and health commissioners should at least cover the support costs and overheads while income from the supported housing rents should cover management, property repairs, depreciation and interest (as with General Rented Housing).

In recent years, cuts and freezes to local government social care budgets and financial constraints on NHS funding have made it difficult to keep these schemes viable against a backdrop of rising wage costs driven by above inflation rises in the National Living Wage. Whilst recent uplifts from commissioners have been welcome (averaging 2%), the National Living Wage has increased by 6.2%. This puts considerable pressure on the viability of the Care and Supported Housing operations and, particularly on the funding of the Care Assistant roles that are now only just positioned above this National Living Wage and for which staff turnover and vacancy rates are high.

Hightown's strategy to deal with this issue is to take the lead in finding different and innovative ways of providing care and support without compromising the quality of care being provided. To this end, it is to expand two Registered Care Services at Wendover Road, Aylesbury and Litlade Farm, Newton Longville to accommodate seven and eight service users respectively.

In addition, Hightown is increasing its focus on finding self-contained move-on properties for service users who have gained independence and no longer need the same levels of support as before. This then frees up space for higher need service users into schemes where that provision is most economical. Recently two service users have moved from Mental Health Services at Culverton Court in Princes Risborough into newly built independent accommodation at Hightown's Tring Road site in Aylesbury.

However, in order to maintain the overall viability of Hightown's Care and Supported Housing operations, it has to be prepared as a last resort to hand contracts back or close projects if they are not financial viable.

Staffing

Hightown employs over 600 permanent staff and around 250 non-permanent bank staff on a 24/7 basis across its Care and Supported Housing operations. The mix of permanent and non-permanent staff in addition to TUPE rules ensuring frontline staff transfer over when the Provider changes significantly mitigates any risk associated with closing schemes or losing contracts.

Managing and motivating this staff team is also a critical part of providing high quality services and performance in this area is monitored closely. The Association has invested significant resources in establishing a centrally managed rota system monitoring unfilled shifts, agency usage, working time breaches etc. and has been successful in reducing the use of costly agency staff for the last two years from 180 shifts a week in 2018, to 100 shifts a week in 2019, to 50 shifts a week in 2020. In addition, a management focus on filling staff vacancies has yielded significant success with a reduction in vacancy rate from 26% to 23% at the end of March 2020. Recent trends reversing this process have, we believe, been the result of pressures from the rising National Living Wage mentioned above.

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 2019/20 Hightown has:

- Helped to alleviate homelessness through the delivery of 477 new homes including the provision of a new scheme of seven flats in St. Albans and the commencement of Hightown's first Housing First project
- Let 549 properties in the year, of which 200 (36.4%) were let to homeless households;
- Reduced fuel poverty through continued investment in energy efficiency such as PV solar panels and air source heat pumps;
- Improved the energy efficiency rating of properties with an average band C rating of 80.1 moving 47 units out of band D leaving 43 buildings containing 70 homes to be improved;
- 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;
- Continued the rollout of an outcome based Growth Model for care and supported housing to measure progress towards greater service user independence.

The full 2019/20 Social Impact Report is available on the website www.hightownha.org.uk.

Homes For Cathy

Hightown has played a leading role in the Homes For Cathy group – a membership body of 105 housing associations and housing charities 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.

Hightown is a founder member of Homes For Cathy Limited and provides support services. Hightown's Chief Executive David Bogle, is Chair of Homes For Cathy Limited as a representative of Hightown.

Value for Money

Hightown's Approach to Value for Money (VfM)

Hightown is able to evidence its performance on Value for Money through comparisons with both local peer organisations and nationally. Hightown continues to deliver strong operational performance and invests the annual surplus into delivering a substantial development programme of new affordable homes. The Board sees this commitment to use resources to deliver as many much needed affordable new homes as possible as key to delivering value for money.

The delivery of value for money throughout the work of the organisation is a continuous process, 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 to 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;
- Use available procurement methods to 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 a visible link from the Board's strategic plan to departmental operating plans and personal staff objectives;
- Make use of external validation and report on performance to stakeholders including residents, the Regulator of Social Housing, central government, the local authorities and other partners;
- Develop new homes efficiently and economically that meet the needs of those who live in the areas in which Hightown operates;
- Understand performance by benchmarking Hightown over time and against others;
- Continuously seek to improve customer service, customer engagement and customer satisfaction.

Hightown's Performance

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 2019/20 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 impacts totalling almost £300k, mainly achieved through procurement and income generation.

In summary Hightown has:

- 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;
- Expanded the use of Framework agreements for procurement, saving £186k in costs;
- Delivered all general needs services in the HouseMark VFM matrix within the low cost/good performance quadrant;
- Delivered a large net financial surplus and invested that surplus into the delivery of new homes. Before pension provision adjustments, Hightown delivered a surplus for the year of £15.7 million (2019 £18.7 million) and 477 (2019 407) new homes, bringing the number of new homes delivered in the last three years to over 1,500;

- Managed these 477 new homes with only a marginal increase in cost, achieving a low and reduced operating cost per unit, as detailed elsewhere in the report;
- Continued to increase the use of digital service delivery and the interaction with tenants through the MyHightown Portal with the increase in usage rising 27% (2019 39%) in year, with 3,755 (2019 2,950) residents using the portal;
- Continued to develop new IT workflows and information reporting to drive more efficient and effective processes including the rollout of mobile support plans for care & supported housing;
- Introduced an electronic system for managing and delivering Board and Committee papers in a more efficient and effective, paperless solution;
- Improved the average SAP energy efficiency rating of homes to 80.1 (2019 79.9). The average rating for all properties is band C with most new homes in band B. This year 47 properties were lifted out of band D rating leaving only 70 homes (43 properties) rated below band C.
- Reduced the use of agency staff in Care & Supported Housing to 50 shifts a week (2019: 100, 2018:180).










Performance Against The Regulator's Value for Money Metrics

The Regulator of Social Housing's Value for Money Standard sets out the approach to Value for Money expected from Registered Providers and this is amplified in the complementary Code of Practice.

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

Hightown's performance under the Regulator's metrics for 2019/20 against the targets metrics derived from the 2019/20 approved budget is as follows:

VFM Table 1

	Value for Money Metric	VfM Cost Chain Measure	March 2020	Budget Target 2019/20	Indicator Flag
1	Reinvestment %	Efficiency	25.2%	30.3%	
2a	New Supply Delivered Social Housing Units %	Effectiveness	8.2%	7.1%	
2b	New Supply Delivered Non-social Housing Units %	Effectiveness	-	-	
3	Gearing %	Efficiency	60.7%	61.6%	
4	EBITDA MRI Interest Cover % (#)	Efficiency	201.5%	190.0%	
5	Headline Social Housing Cost Per Unit (£'000)	Economy	£7.07	£7.16	
6a	Operating Margin % – Social Housing Lettings	Efficiency	33.3%	31.9%	
6b	Operating Margin % – Overall	Efficiency	29.8%	30.3%	
7	Return on Capital Employed (ROCE) %	Efficiency	3.3%	3.3%	

(# Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included)

The Regulator of Social Housing has published a report *Value for money metrics and reporting 2019: Annex to 2019 Global Accounts*. This allows Hightown to measure performance against a national peer group and to the sector average. The table below shows Hightown's performance over the last three years and compares the March 2020 performance with the most recent published performance:

Hightown Housing Association Limited
Strategic Report
For the year ended 31 March 2020

VFM Table 2

	Value for Money Metric	VfM Cost Chain Measure	March 2020	March 2019	March 2018	Peer Group 2019 *	Quartile All Data 2019 *
1	Reinvestment %	Efficiency	25.2%	22.8%	28.2%	6.7%	Upper
2a	New Supply Delivered Social Housing Units %	Effectiveness	8.2%	7.5%	11.1%	1.4%	Upper
2b	New Supply Delivered Non-social Housing Units %	Effectiveness	0%	0%	0%	0%	Median
3	Gearing %	Efficiency	60.7%	58.7%	57.1%	46.3%	Upper
4	EBITDA MRI (#) Interest Cover %	Efficiency	201.5%	237.2%	247.1%	203.0%	Median
5	Headline Social Housing Cost Per Unit (£0'000)	Economy	£7.07	£7.15	£6.90	£3.55	Upper
6a	Operating Margin % – Social Housing Lettings	Efficiency	33.3%	33.5%	33.5%	29.7%	Median
6b	Operating Margin % – Overall	Efficiency	29.8%	30.9%	31.7%	28.5%	Median
7	Return on Capital Employed (ROCE) %	Efficiency	3.3%	4.0%	4.0%	4.1%	Lower

(# Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included)

(* RSH Value for Money Metrics and Reporting 2019 - data at 31 March 2019. Peer group 5,000-9,999 units - 55 Providers, 14.4% of sector social units)

Commentary

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 2019/20, Hightown invested £127.7 million and delivered 477 new homes. The 2020 out-turn metric of 25.2% is lower than the target of 30.3% due to delays in capital spend on some schemes in the development programme, lower major repairs capitalised and lower capitalised interest costs due to continued lower interest rates. The reinvestment metric score of 25.2% is an increase on the 22.8% last year and remains upper quartile performance against the latest reported metrics. Hightown's performance in this area is impressive for its size 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 newly created during the year. It is a measure of effectiveness. There are two measures: a) the proportion of new social housing delivered and b) the proportion of non-social housing delivered in the year.

a) The percentage of new supply of social housing delivered

In 2019/20 Hightown's performance was 8.2%, up from 7.5% last year and above the 7.2% target in the budget. This reflects the substantial development programme in recent years with over 1,500 new properties in the last three years. At 31 March 2020 there are 868 homes under construction.

b) The proportion of non-social housing

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 net book cost of housing assets at the year end under the Regulator's definition. 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. Hightown's gearing remains top quartile having risen in the year from 58.7% to 60.7% as a consequence of building 477 new homes, funding works in progress of 868 homes under construction and land banking for future delivery. Gearing was slightly lower than the budget gearing metric of 61.6%.

With most new homes now being built for affordable rent without, or with little, government grant, each unit requires higher borrowing than in the past; thus the overall level of gearing will rise as development continues. This is a direct and inevitable consequence of the affordable rent regime. As Hightown makes a significant annual surplus, the Board choose to reinvest this surplus into the provision of new affordable housing, thus reducing the level of new borrowing required and dampening the rise in gearing. There is still significant headroom for further borrowing against covenants within bank loan agreements.

Metric 4 – Interest Cover EBITDA MRI

This metric measures Interest Cover using an adjusted measurement of earnings after taking account of non-cash accounting entries ie Earnings before Interest, Tax, Depreciation and Amortisation, Major Repairs Included (EBITDA MRI). This is a measure of efficiency. Performance at year end was 213.9%, a reduction from 248.1% last year but above the 199.9% target. This reflects the overall reduction in major repairs on a year on year basis. 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 has always shown a high headline social housing cost per unit compared to the average for other Registered Providers, many of whom have little or no care services. In the year, Hightown's cost of £7,073 was lower than the budgeted £7,159 per unit. Hightown has a substantial of Care & Supported Housing service that requires more intensive management and 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, Hightown continues to win new contracts and to retain re-tendered business in a very competitive market place. The benchmarking of general housing management costs within the HouseMark benchmarking club shows that Hightown's housing management cost per unit was once again in the upper quartile in 2019/20.

The unit cost rose this year by 1.7% compared to 2019. This low growth rate demonstrates Hightown's commitment 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 retained after deduction of operating costs. It is a measure of operational efficiency. There are two measures:

- a) Operating margin on social lettings
This has fallen slightly from 33.5% to 33.1% but is above the target of 31.9%. 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 and this dilutes the overall operating margin compared to peers with little or no care & support activity.
- b) Operating Margin % - Overall
This has also fallen slightly from 30.9% to 29.7% but is above the target of 30.3%. This is still a very strong margin and is median performance.

Metric 7 – Return on Capital Employed (ROCE)

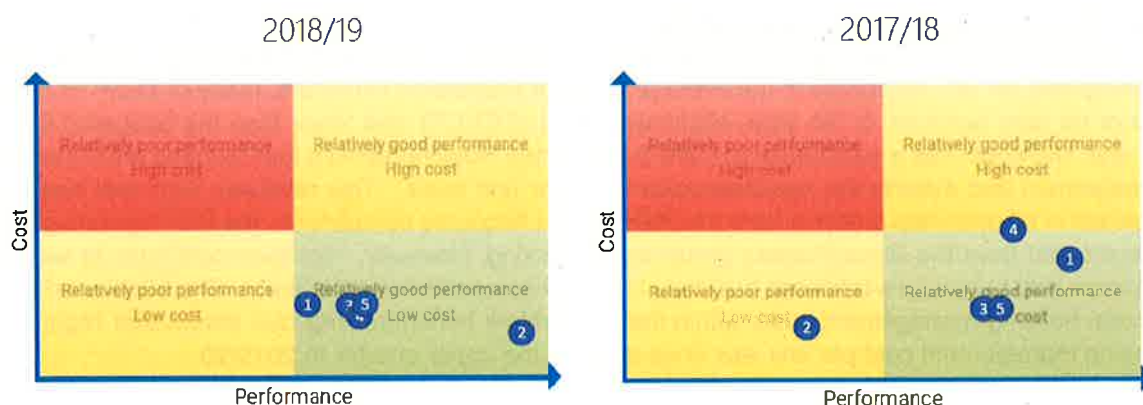
This metric measures the return on capital assets in use by the Association. It is an efficiency measure on the income generated from the assets. The 2020 figure of 3.3% meets the budget set for the year and is lower than last year's 4.0%. This reflects the continued impact of falling income from existing rental properties subject to the -1% rent reduction imposed by the government and is also affected by the substantial investment into housing assets from new units and component re-investment in the year. In addition, as Hightown continues to invest in the acquisition of land-bank sites for future development, so the ROCE is impacted by the interest costs incurred prior to the scheme delivering new units.

Other Performance Benchmarking Comparatives

HouseMark

Since 2009, Hightown has used HouseMark to benchmark Hightown's housing management costs and performance against its peers. The housing management service is the largest element of Hightown's lettings activity.

In its Strategic Plan, Hightown aims to continue to deliver housing services within either the HouseMark low cost, good performance quadrant or the outer part of the low cost, poor performance quadrant. The benchmarking results for 2018/19, 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 of similar housing associations is as follows:



Key: 1 Responsive Repairs; 2 Voids & Letting; 3 Rent Arrears & Collection; 4 Tenancy Management; 5 Resident Engagement.

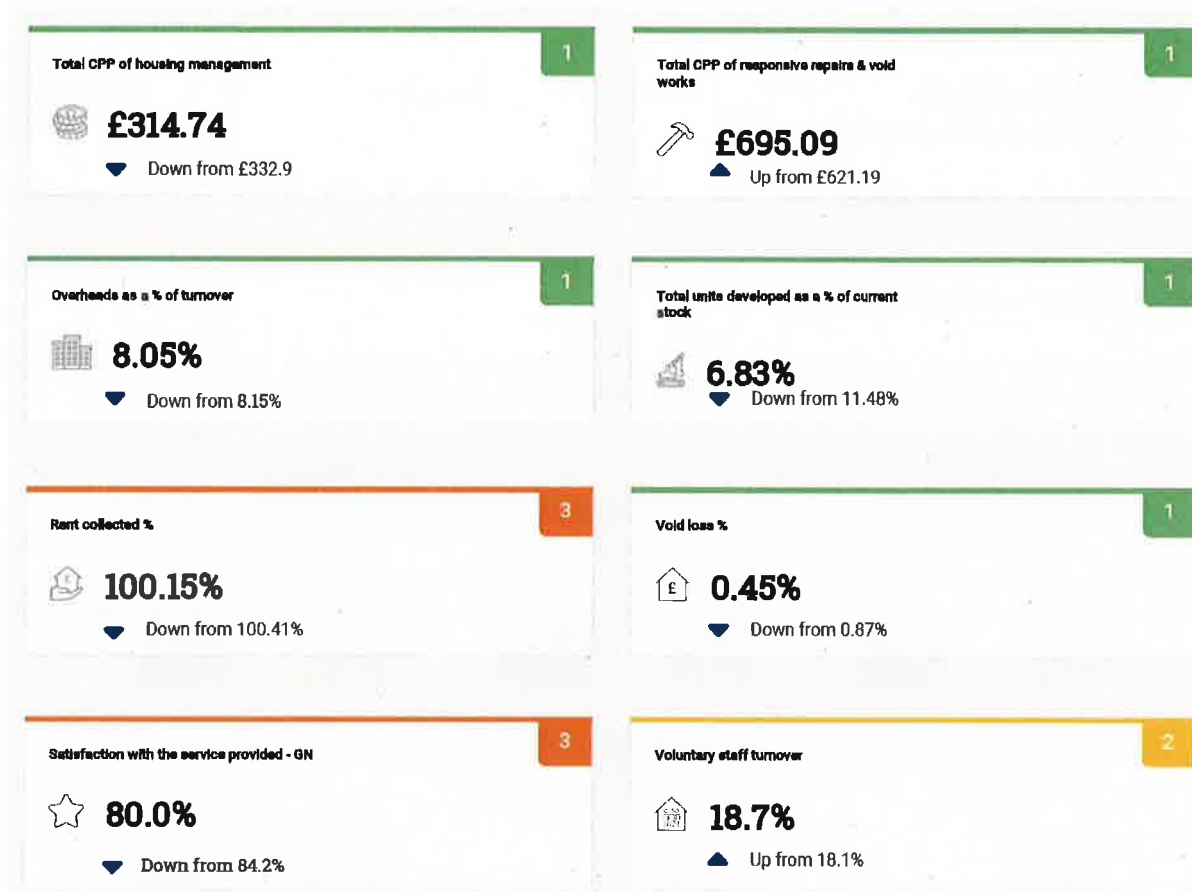
The comparison shows, in each of the business activity areas, Hightown is achieving its aim of delivering all services in the good performance, low cost quadrant. The voids and lettings service which had delivered good performance in past years, declined in 2017/18 due to delays in receiving allocations from local authorities and delays of repairs contractors bringing void properties up to a lettable standard. Performance in 2018/19 recovered significantly due to bringing elements of the voids repairs service in-house and local authority allocations improving. The voids repairs service in 2019/20 has continued to improve performance and this will be reflected in the HouseMark data released later in 2020. The comparative efficiency of the housing management and responsive repairs has also improved.

HouseMark Efficiency Summary

Hightown's HouseMark performance summary in its peer group for 2018/19 continues to show upper quartile performance on overheads, lettings, cost measures and development activity. Rent collection is 2nd quartile, satisfaction and staff turnover is 3rd quartile, and void loss 4th quartile. As reported above, already good void performance improved in 2019/20 with re-letting times of just 14 days.

Hightown Housing Association Limited
Strategic Report
 For the year ended 31 March 2020

HouseMark Results 2018/19 dataset:



HouseMark Sector Scorecard

Hightown continues to participate in the HouseMark Sector Scorecard to benchmark against the sector and similar peer Associations on key performance metrics.

The scorecard compares costs and performance of 304 associations who manage around 80% of the sector stock. It measures 15 key performance metrics, more than the RSH, covering broader areas of performance. Whilst there are differences in the definition of some metrics, Hightown performance remains very strong in the both the scorecard and the RSH metrics.

Hightown's 2018/19 performance against the sector is as follows:

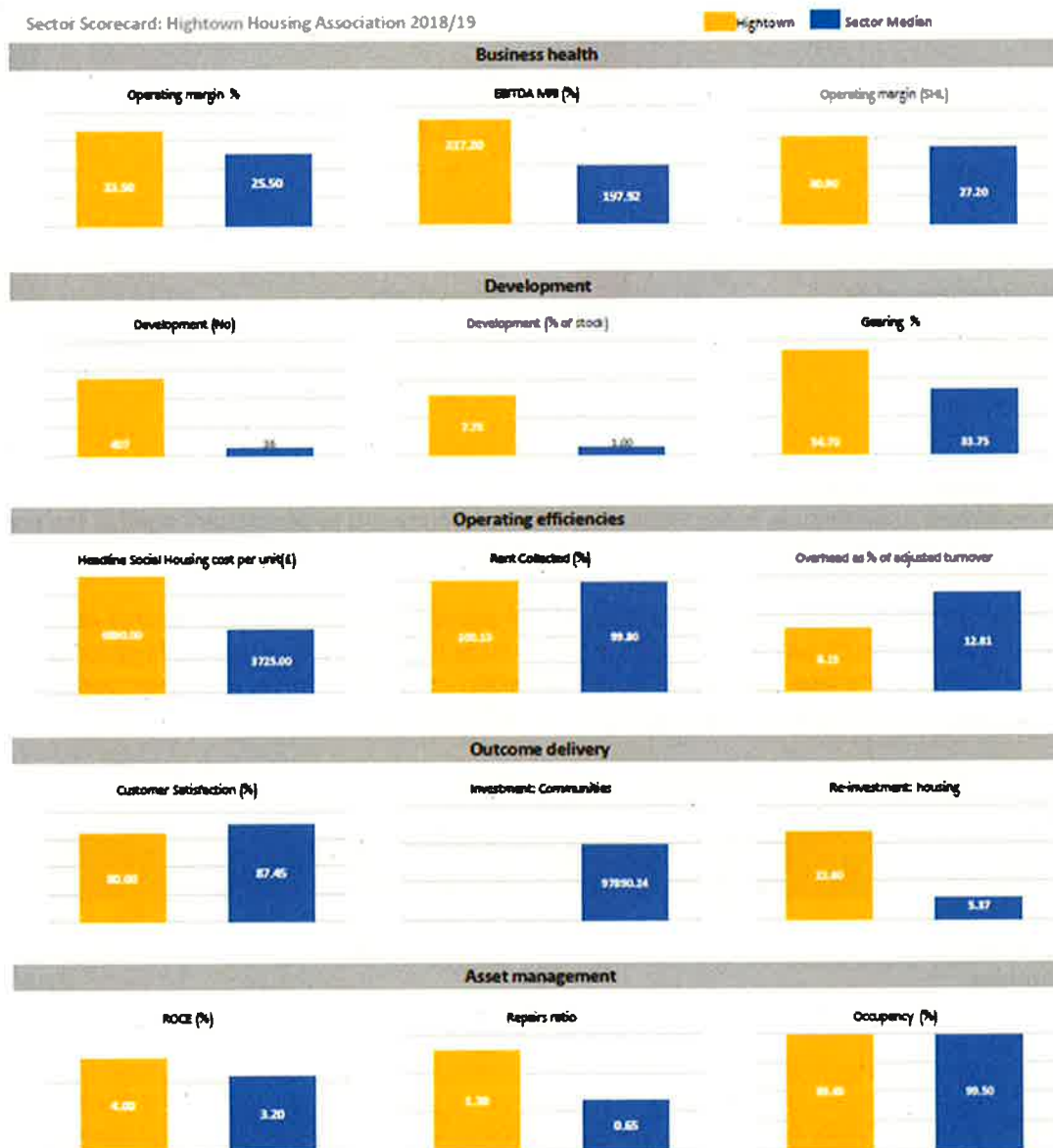
Top Quartile Performance		
Operating Margin	(overall; social housing lettings)	33.5% ; 30.90%
Units developed	(%; absolute)	7.75% ; 407
Reinvestment		22.80%
ROCE		4%
EBITDA MRI		237.20%
Rent Collected		100.15%
Overheads		8.15%

Median/Lower Quartile Performance

Occupancy		99.49%
Satisfaction with service		80%
Gearing		54.7%
Headline Social Cost	per unit	£6,990
Ratio of Responsive Repairs and Planned		1:3
Investment in Communities		(no data)

As with the RSH Metrics, Hightown's Gearing and Headline Social Cost per unit are above the median reflecting the investment in growth.

Against the peer groups of traditional associations in the south and east region, and the Sector median, once again Hightown's performance was again very good in almost all areas as below:



Source: Sector Scorecard download of raw data. 304 Organisations in data set.

RSH Global Accounts

The Regulator of Social Housing (RSH) publishes annual Global Accounts 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 not just against the national position measured by the RSH Metrics but against specific peers and peer groups. This analysis also reflected Hightown's strong business performance.

PlaceShapers

Hightown also uses the RSH Global Accounts data analysis produced by the PlaceShapers group of associations to assess its performance relative to the sector and its peer group.

Value for Money in the Financial Year 2020/21

The outlook for the year 2020/21 is uncertain. The Covid-19 pandemic outbreak and the impact on world economies of lockdowns will present significant challenges to be overcome. Hightown's priority will be to ensure the continued safety of its residents, service users and staff. This will require additional investment in services and inevitably drive up operating costs, particularly for care & supported housing, most of which should be recoverable from service commissioners. This disruption is likely to impact Hightown's Value for Money performance compared to past years and comparatives against other providers may also be inconsistent.

Hightown still expects to be able to continue to deliver Value for Money through the provision of new homes for people on low incomes who are unable to rent or buy a home on the open market. It expects to remain financially robust and to use its financial capacity to deliver over 500 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 retain the HouseMark cost per unit for housing management at upper quartile performance;
- Continue to keep all services in the high performance, low cost quadrant of the HouseMark benchmarking;
- Further expand the use of its own operatives in a small Direct Labour Organisation (DLO) to carry out void property repair works that will lead to savings in repair costs, improve the void period between re-letting and so deliver additional rental income;
- Explore the potential for delivering more services through directly employed operatives where better value for money can be achieved;
- Increase the range of services and information offered to our residents through the residents' portal 24/7;
- Simplify the way residents make on-line payments through the payments portal;
- Continue to assist tenants to sustain their tenancies through the work of the Financial Inclusion and Tenancy Sustainment Officers. Their work supports those who are in debt to Hightown by helping them to maximise their income and improving their ability to pay rent;
- Continue to develop and roll out new IT workflow process and dashboards to improve the information for employee and managers;
- Expand its range of housing and support services for homeless people and continue to play a leading role in the Homes for Cathy group.

Key Contract Procurements 2020/21

Over the coming year the 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 2020/21:

- Major Repairs – Doors and Roofing Works
- ICT Support Contract
- External Audit services
- Gas Servicing Maintenance Contract
- Fire & Alarm Maintenance Contract
- Utilities

Areas of Underperformance

As has been demonstrated earlier in this report, Hightown's overall performance on Value of Money as measured by the RSH Metrics and the HouseMark benchmarking continues to be very good. In 2020/21 Hightown will continue to improve efficiency of management costs through continued unit growth and continue to deliver upper quartile performance.

The underperformance identified in the HouseMark benchmarking on general needs voids and allocations performance in 2017/18 has been resolved and performance has returned to the top quadrant in 2018/19. The service has continued to improve in 2019/20 as more elements of the void repair works has moved in-house.

Hightown will continue to deliver a strong development programme of new affordable homes in 2020/21 and beyond as this meets the Association's primary purpose. Hightown believe that this is the best measure of delivering Value for Money. This will mean that Hightown is likely to remain an outlier against its peers in terms of debt per unit and gearing unless those peers invest substantially more of their surpluses into the delivery of new units or unless more social housing grant becomes available.

Risks and Uncertainties

In the latter months of the financial year and since, the world has been dealing with the Coronavirus pandemic. The government of the U.K. has implemented measures to deal with the spread of the virus unprecedented in modern times including a cessation of non-essential face-to-face business, social distancing and a lockdown on movement outside the home. Hightown has been impacted by these measures with almost all office based staff now working from home, and with most staff engaged in providing care and support continuing to deliver care to residents directly using suitable personal protective equipment (PPE). It is unclear how the lockdown will be eased or when this might be.

As a Registered Provider of social housing, Hightown is exposed to similar risks to other Registered Providers around the potential impacts of rent controls, 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 new housing. It is 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 compared with housing associations dealing solely with general needs housing. 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 in place is as follows:

Corporate	
<i>Risk</i>	<i>Mitigation</i>
Failure to understand and respond appropriately to changes to the external environment or unexpected events leads to significant reduction in reputation e.g. lower viability or poor publicity	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.
	Dedicated Recruitment team, recruitment and retention of competent staff, bi-annual salary benchmarking.
	Effective staff development, secondment and succession planning.
	Covid-19 guidance for staff reviewed and updated to ensure public health and regulator advice is followed to minimise social contact and reduce risk of virus spread.
	Regulator of Social Housing statement on non-compliance and impact of coronavirus

Serious breach of Health & Safety regulations resulting in legal action against company or officers, external investigation, financial penalties	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.
Business Continuity Plan is inadequate and not successfully tested, causing ineffective response to emergency situation leading to serious financial and/or reputational damage	Provision of lone working devices.
	Procurement process ensures contractors have necessary skills & expertise.
	Documented business continuity plans in place for main office and C&SH sites, reviewed and updated regularly.
	Business Continuity plans include planning for staff shortages due to pandemic.
Failure to deliver an effective IT strategy and service, causing inefficiencies, potential data breaches and reduced assurance to stakeholders	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.
	8x8 phone system supports remote working and video meeting.
	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.

Finance	
<i>Risk</i>	<i>Mitigation</i>
Loss of external investment leads to higher borrowing costs and reduced access to new funding	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.
Development	
<i>Risk</i>	<i>Mitigation</i>
Reduced development opportunities or lack of funding causes reduction in Development programme	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.
Cyclical change in local property market or unforeseen reduction in income of prospective buyers causes slow-down in sales and lower property prices	Development Policy currently excludes development for outright sale.
	Shared Ownership limited to maximum 30% of Development programme.
	Frequent review of scheme programmes, market conditions and reporting on any slowdown in build rates.
	Options to change tenure or sell smaller first tranches, remodel with reduced rent on unsold equity.

Operations/C&SH

<i>Risk</i>	<i>Mitigation</i>
Reduced income for residents and commercial tenants caused by roll-out of Universal Credit, pandemic or other external factor has adverse financial impact of residents, results in higher rent arrears and reduced revenue	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.
	Experienced staff incl. 2 Financial Inclusion Officers and Tenancy Sustainment Officer, offering signposting and support for tenants.
	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. Up to 60% of rent roll is Housing Benefit/Universal credit, including 38.3% paid directly to Hightown (53% of tenancies). Government support measures for those whose incomes are impacted. Alternative Payment Arrangements allow direct payments of Universal Credit for claimants in arrears or with vulnerabilities.

Care & Supported Housing

<i>Risk</i>	<i>Mitigation</i>
Rising C&SH wage costs and developments in working time measurements in the C&SH service, including costs of staff cover for schemes affected by Coronavirus, making some contracts unviable – failure to pay going rate.	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.
Death, serious injury or serious abuse of a service user / resident due to neglect or abuse.	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 2019/20 Hightown employed an average of 681 full time equivalent employees (2019: 687), most of whom are engaged in providing front line housing, care and support services to our residents. Including the part time and casual "bank" staff who cover temporary vacancies and staff absences, Hightown employs over 1,100 people each month.

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 and has established "Wellbeing Champions" who promotes the five ways. 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 continued to raise awareness of key topics among staff, such as stress and mental health. During the year, Hightown 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; 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. There is also a free staff gym at Hightown House to promote fitness and the benefits of a healthy lifestyle.

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

Governance

Hightown is managed by a voluntary Board of eleven elected members and one co-opted member, who have 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 and was due to report to Board at the end of March. The review concluded that overall Board oversight was effective and proportionate with some further governance suggestions for the Board to consider. However, owing to the lockdown response from the Coronavirus pandemic, the Board have not yet had the opportunity to consider and discuss the report in full.

The Regulator of Social Housing has recently revised its assessment ratings for Hightown following an In-Depth Assessment to G2 for governance and V1 for financial viability, both indicating continued compliance with the Regulatory Standards.

Legislation

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

Introduction

This statement is made in accordance with Part 6 Section 54 (1) of the Modern Slavery Act 2015 and constitutes Hightown Housing Association's (Hightown) slavery and human trafficking statement.

Hightown operates a zero-tolerance policy towards slavery and human trafficking and will take steps to prevent it occurring in our supply chains or in any part of our business. This statement has the support and approval of our Board. Managers and staff are expected to report any reasonable suspicion that slavery and human trafficking is taking place.

About Hightown

Hightown is a charitable housing association registered society under the Co-operative and Community Benefit Societies Act 2014. It owns and manages over 6,500 properties, provides a range of care and supported housing services to over 800 people and develops around 400 new affordable homes each year.

Hightown operates entirely in England and almost exclusively in highly regulated sectors. Many of its contracts are with public sector organisations. Other than in very rare circumstances, it sources all of its goods and services from UK based suppliers.

We have policies in place which help mitigate the risk of slavery and human trafficking within our business, including:

- Safeguarding Adults and Children Policy
- Confidential Reporting (Whistleblowing) Policy
- Equality & Diversity Policy
- Anti-bribery Policy
- Recruitment Policy
- Procurement Policy

Hightown adheres to the National Housing Federation's Code of Conduct and Code of Governance.

Our Supply Chains

Hightown expects its suppliers not to use slave labour or engage in human trafficking and requires all new suppliers to confirm this by submitting their tender or by a statement that they are not in breach of the Modern Slavery 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 and we seek to impose provisions for termination in the event of a modern slavery or human trafficking compliance breach by the supplier during the period of the contract.

Our contractors are expected to notify us if they have been in breach of the Act.

Compliance

Hightown may instruct its agents to conduct checks 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.

Safeguarding

We have safeguarding policies and procedures in place to guard against the risk that our tenants or service users are or become victims of slavery or human trafficking.

We have an appointed two Safeguarding Lead Officers and have procedures in place for reporting any safeguarding issue including suspicion of modern slavery.

Training

We take steps to ensure staff are aware that safeguarding is everyone's responsibility and that staff have the training they need to be able to identify and report modern slavery if they suspect it.

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 and are pointed to the Modern Slavery website www.modernslavery.co.uk to gain further information about types of slavery, signs to spot, online or telephone reporting and referral processes for victims.

Risk Assessment

We have assessed the risk of Slavery and Human Trafficking occurring in our operations and supply chain and consider the risk generally to be low. We consider the risk to be higher in the building and maintenance areas of our supply chain than in other areas. However, in the period since the introduction of the Act and in the past year, we have not become aware of any instances of slavery or human trafficking relating to our business and we consider that this is the key indicator for our measuring our performance in preventing Slavery and Human Trafficking.

Review

We review annually our approach to the eradication of slavery and human trafficking and modify our activities as appropriate.

We will maintain regular communication with our staff on the issues around slavery and human trafficking to maintain awareness and will incorporate, where appropriate, issues relating to slavery and human trafficking when we update policies and procedures.

We will ensure that this policy is reviewed annually and is widely communicated to our stakeholders and to the public via our website.

Board Statement On The Effectiveness Of The System Of Internal Control For The Period Ending 31 March 2020

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 are subject to appraisal and scrutiny. New schemes requiring an investment below £5 million which meet the Board agreed approval parameters on S.106 sites may be agreed by the Chief Executive. All other schemes are scrutinised by the Development Committee who may approve schemes up to £20 million under delegated authority. The Board will scrutinise and approve all new schemes where investment exceeds £20 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 made a report to the Board confirming the effectiveness of the control systems for the year ended 31 March 2020 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 2020 and up to the date of approval of the financial statements.

Strategic Report Approval

This Board Report was approved by order of the Board on 13 July 2020.



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 it is 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 2018 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 it 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 2019. It is 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 2018.

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 and reviewing the financial plan updated for Covid-19 including stress testing and analysis of the potential impact on covenants, 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 2020.

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 13 July 2020 and signed on its behalf by:



Bob Macnaughton

Chair

13 July 2020

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 2020 which comprise the Association statement of comprehensive income, the Association statement of changes in reserves, the Association statement of financial position, the statement of cash flows 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 2020 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 2019.

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. 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.

BPA LLP

BDO LLP

Statutory Auditor

55 Baker Street, London W1U 7EU

28 July 2020

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

Hightown Housing Association Limited
Statement of Comprehensive Income
For the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
TURNOVER	3	85,536	84,693
Operating costs	3	(60,010)	(58,564)
Surplus on sale of properties & other fixed assets	3	1,886	3,308
OPERATING SURPLUS	3,6	27,412	29,437
Interest receivable and similar income		83	94
Interest and financing costs	7	(11,750)	(10,840)
SURPLUS FOR THE YEAR		15,745	18,691
Net impact of the initial recognition of multi -employer defined benefit scheme		-	(2,776)
Actuarial gain/(loss) on defined benefit pension scheme	28	4,652	(1,819)
Unrealised gain/(loss) on revaluation of investments	12	125	(51)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		20,522	14,045

All activities are continuing.

The notes on pages 47 to 75 form part of these financial statements.

The financial statements were approved by the Board on 13 July 2020



Bob Macnaughton – Chair



James Steel – Board Member



David Skinner - Secretary

Hightown Housing Association Limited
Statement of Changes in Reserves
For the year ended 31 March 2020

	Income and Expenditure Reserve £'000	Restricted Reserve £'000	Total £'000
Balance as at 1 April 2018	116,971	167	117,138
Surplus for the year 2018/19	18,691	-	18,691
Transfer from restricted reserve to income and expenditure reserve	167	(167)	-
	<u>135,829</u>	<u>-</u>	<u>135,829</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)
Other comprehensive income for the year	<u>(4,646)</u>	<u>-</u>	<u>(4,646)</u>
Balance at 31 March 2019	<u>131,183</u>	<u>-</u>	<u>131,183</u>
Balance as at 1 April 2019	131,183	-	131,183
Surplus for the year 2019/20	15,745	-	15,745
	<u>146,928</u>	<u>-</u>	<u>146,928</u>
Actuarial gain relating to defined benefit pension scheme	4,652	-	4,652
Unrealised gain on revaluation of Investment properties	125	-	125
Other comprehensive income for the year	<u>4,777</u>	<u>-</u>	<u>4,777</u>
Balance at 31 March 2020	<u>151,705</u>	<u>-</u>	<u>151,705</u>

The notes on pages 47 to 75 form part of these financial statements.

Hightown Housing Association Limited
Statement of Financial Position
As at 31 March 2020

	Note	2020 £'000	2019 £'000
TANGIBLE FIXED ASSETS			
Housing properties	10	770,314	670,820
Other fixed assets	11	5,331	5,622
Investment properties	12	3,175	3,050
Investments	13	30	30
TOTAL FIXED ASSETS		778,850	679,522
CURRENT ASSETS			
Properties for sale	14	26,500	20,334
Trade and other debtors	15	4,355	7,468
Cash and cash equivalents	16	38,287	51,960
		69,142	79,762
CREDITORS: Amounts falling due within one year	17	(23,907)	(24,264)
NET CURRENT ASSETS		45,235	55,498
TOTAL ASSETS LESS CURRENT LIABILITIES		824,085	735,020
CREDITORS: Amounts falling due after more than one year	18	(669,120)	(595,485)
PROVISION FOR LIABILITIES			
Pension Liability	28	(3,260)	(8,352)
TOTAL NET ASSETS		151,705	131,183
CAPITAL AND RESERVES			
Share capital	23	-	-
Income and Expenditure Reserve		151,705	131,183
TOTAL RESERVES		151,705	131,183

The notes on pages 47 to 75 form part of these financial statements.

The financial statements were approved by the Board and authorised for issue on 13 July 2020



Bob Macnaughton – Chair



James Steel – Board Member



David Skinner – Secretary

Statement of Cash Flows

For year ended 31 March 2020

	Note	2020 £'000	2019 £'000
CASH FLOWS FROM OPERATING ACTIVITIES			
SURPLUS FOR THE FINANCIAL YEAR		20,522	14,045
Adjustments for:			
Depreciation of fixed assets – housing properties	10	7,248	6,600
Depreciation of fixed assets – housing component write off		246	171
Depreciation of fixed assets – other	11	340	379
Depreciation of fixed assets – other (net book value write-off)	11	-	43
Amortised grant	3,10,19	(1,840)	(1,825)
Unrealised (gain)/loss on revaluation of investment properties		(125)	51
Interest payable and finance costs	7	11,750	10,840
Interest received and income from investments		(83)	(94)
Actuarial (gain)/loss on defined benefit scheme	28	(4,652)	1,819
Net impact of the initial recognition of defined benefit scheme		-	2,776
Surplus on sale of fixed assets – housing properties		(1,886)	(3,351)
Proceeds on sale of fixed assets – housing properties		4,655	6,242
Transaction costs for sale of housing properties		(70)	(119)
Increase in stocks	14	(5,936)	(6,978)
Decrease in trade and other debtors	15	1,132	1,320
Increase in trade and other creditors		1,857	2,010
Increase in provisions		(440)	(315)
Net cash from operations		32,718	33,614
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets – housing properties		(107,124)	(93,799)
Purchase of fixed assets – other	11	(49)	(407)
Purchase of investment properties	12	-	(51)
Receipt of grant		14,305	13,237
Interest received and income from investments		83	94
Purchase of Investments	13	-	(30)
Net cash from investing activities		(92,785)	(80,956)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid	7	(14,828)	(12,586)
New loans	21	70,206	94,882
Debt issue costs incurred	21	(128)	(460)
Repayment of loans	21	(8,856)	(4,453)
Net cash used in financing activities		46,394	77,383
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(13,673)	30,041
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		51,960	21,919
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		38,287	51,960

The notes on pages 47 to 75 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

Financial Reporting Standards

The financial statements of the Association are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers and comply with The Accounting Direction for Private Registered Providers of Social Housing 2019.

Upon review of the Association's financial position and resources (updated for COVID-19), the Board believes that the Association is well placed to manage its business risks and has a reasonable expectation that the Association has adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements. It therefore continues to adopt the going concern basis in preparing the annual financial statements.

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 First 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 year-end 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).

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.

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. There are no 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 %
Building Structure		
- Houses	100 years	1.00%
- Flats	80 years	1.25%
Roof	80 years	1.25%
Windows and external doors	30 years	3.33%
Bathrooms	30 years	3.33%
Electrical systems	30 years	3.33%
Lifts	30 years	3.33%
Kitchens	20 years	5.00%
Heating systems	15 years	6.66%

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

Property partially sold under shared ownership leases are 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 FRS 102 and the Housing SORP 2018 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 FRS 102 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 Value In Use – Social Purpose (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 2018 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".

Mixed Tenure Schemes

The surplus on sales of properties on mixed tenure development schemes is reduced in accordance with SORP 2018. 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 a value at Existing Use Value – Social Housing (EUV-SH) 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	2020		2019	
	Turnover £'000	Operating costs £'000	Operating surplus £'000	Turnover £'000
				Operating costs £'000
				Operating surplus £'000
SOCIAL HOUSING LETTINGS (See Note 3 B)	63,820	(42,579)	21,241	(40,167)
				20,191
OTHER SOCIAL HOUSING ACTIVITIES				
First tranche low-cost home ownership sales	17,642	(13,859)	3,783	(15,349)
Charges for support services	1,468	(1,468)	-	(1,290)
Management services	1,470	(1,472)	(2)	(1,418)
Aborted development costs	-	(59)	(59)	(31)
Other	589	(112)	477	(124)
	21,169	(16,970)	4,199	(18,212)
				5,682
ACTIVITIES OTHER THAN SOCIAL HOUSING				
Commercial Properties	547	(465)	82	(82)
Other – Charity shop	-	4	4	(103)
	547	(461)	86	(185)
				256
	85,536	(60,010)	25,526	(58,564)
				26,129
SURPLUS ON SALE OF PROPERTIES & OTHER FIXED ASSETS			1,886	3,308
TOTAL			27,412	29,437

3

PARTICULARS OF TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS (continued)
NOTE B - INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

INCOME	General Needs Housing £'000	Supported Housing £'000	Low Cost Home Ownership £'000	Residential Care Homes £'000	2020 Total £'000	2019 Total £'000
Rent receivable net of identifiable service charges	31,378	3,281	3,668	154	38,481	35,603
Service charge income	1,343	1,257	808	-	3,408	3,334
Charges for support services	-	68	-	-	68	68
Amortised Government Grants	1,423	261	149	7	1,840	1,824
Other grants	1	15,044	1	4,977	20,023	19,529
TURNOVER FROM SOCIAL HOUSING LETTINGS	34,145	19,911	4,626	5,138	63,820	60,358
OPERATING EXPENDITURE						
Management	(3,183)	(1,446)	(666)	(697)	(5,992)	(5,513)
Support Service costs	(472)	(14,735)	-	(3,791)	(18,998)	(18,359)
Service charge costs	(1,904)	(1,475)	(507)	(382)	(4,268)	(4,019)
Routine maintenance	(3,081)	(516)	(15)	(97)	(3,709)	(3,711)
Planned maintenance	(554)	(89)	(2)	(13)	(658)	(526)
Major repairs expenditure	(906)	(171)	12	(50)	(1,115)	(960)
Bad debts	(233)	(111)	-	2	(342)	(306)
Depreciation of housing properties	(6,856)	(569)	(48)	(24)	(7,497)	(6,773)
OPERATING EXPENDITURE ON SOCIAL HOUSING LETTINGS	(17,189)	(19,112)	(1,226)	(5,052)	(42,579)	(40,167)
OPERATING SURPLUS / (DEFICIT) ON SOCIAL HOUSING LETTINGS	16,956	799	3,400	86	21,241	20,191
Void losses (being rental income lost as a result of property not being let, although it is available for letting).	(282)	(297)	(192)	-	(771)	(698)

4 SUPPORTED HOUSING MANAGED BY AGENCIES

The Association has 13 supported housing tenancies (2019: 13) 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

The accommodation in management for each class of accommodation was as follows:

	1 April 2019 No.	New units handed over No.	Units sold/ staircased No.	Other adjustments No.	31 March 2020 No.
Social Housing					
General needs housing					
- Social Rent	2,375	12	-	-1	2,386
- Affordable Rent	1,340	292	-	3	1,635
	<u>3,715</u>	<u>304</u>	<u>-</u>	<u>2</u>	<u>4,021</u>
Intermediate rent	379	44	-	-31	392
Supported housing	480	9	-	2	491
Housing for older people	81	-	-	-	81
Low Cost Home Ownership (Shared Ownership)	823	120	-23	-	920
Leasehold properties	759	-	15	-1	773
	<u>6,237</u>	<u>477</u>	<u>-8</u>	<u>-28</u>	<u>6,678</u>
Total Owned	6,237	477	-8	-28	6,678
Accommodation managed for others	143	-	-	-3	140
	<u>6,380</u>	<u>477</u>	<u>-8</u>	<u>-31</u>	<u>6,818</u>
Total Owned and Managed	6,380	477	-8	-31	6,818
Units in development at the year end	811				879

6 OPERATING SURPLUS

	2020 £'000	2019 £'000
This is arrived at after charging:		
Depreciation of housing properties	7,248	6,600
Accelerated depreciation on replaced components	246	171
Depreciation of other tangible fixed assets	340	379
Accelerated depreciation of other tangible fixed assets	-	43
Operating lease rentals	804	851
Auditors' remuneration (excluding VAT)		
- fees payable to the Association's auditor for the audit of the financial statements	31	29
- for non-audit services	-	5
- for leaseholder audits	16	15

7 INTEREST PAYABLE AND SIMILAR CHARGES

	<i>Note</i>	2020 £'000	2019 £'000
Loans and bank overdrafts		14,587	12,555
Recycled Capital Grant Fund	20	9	18
Net interest on net defined benefit pension liability		177	160
		<u>14,773</u>	<u>12,733</u>
Interest capitalised on construction of housing properties	10	(3,023)	(1,893)
		<u>11,750</u>	<u>10,840</u>
Capitalisation rate used to determine the amount of finance costs capitalised during the period		3.05%	3.19%

8 EMPLOYEES

	2020 £'000	2019 £'000
<u>Employee costs:</u>		
Wages and salaries	22,603	21,590
Social security costs	1,822	1,677
Other pension costs	927	820
	<u>25,352</u>	<u>24,087</u>
	2020 No.	2019 No.
<u>Average monthly number of employees (full time equivalents):</u>		
Administration	84	80
Development	14	12
Housing, support and care	583	595
	<u>681</u>	<u>687</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 £518 (2019: £1,332).

Executive Directors

The aggregate emoluments of the executive directors including pension contributions amounted to £732,168 (2019: £751,836).

The emoluments of the highest paid director, the Chief Executive was £191,002 (2019: £175,305). The Chief Executive left the Social Housing Pension Scheme in February 2019 and his salary package was adjusted to compensate. Consequently pension contributions in the year were £0 (2019: £11,265). Excluding pension contribution, emoluments were £191,002 (2019: £164,040).

The aggregate amount of compensation payable to directors for loss of office during the year was £0 (2019: £15,348).

The executive directors are either members of the Social Housing Pension Scheme (SHPS) as ordinary members of the defined benefit pension scheme with no enhanced or special terms, or have chosen to opt out of the workplace pension 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	2020 No.	2019 No.
£ 60,000 - £ 69,999	7	2
£ 70,000 - £ 79,999	5	3
£ 80,000 - £ 89,999	-	1
£110,000 - £119,999	-	3
£120,000 - £129,999	3	1
£130,000 - £139,999	1	-
£160,000 - £169,999	-	1
£190,000 - £199,000	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
<u>COST</u>					
At 1 April 2019	547,405	78,399	17,140	76,265	719,209
Tenure transfers	1,467	-	-	(1,467)	-
Additions	-	86,090	18,975	-	105,065
Capitalised Interest	-	3,023	-	-	3,023
Components Capitalised	1,830	-	-	-	1,830
Properties Completed	70,170	(70,170)	(14,152)	14,152	-
Transfer to properties held for sale	(230)	-	-	-	(230)
Disposals	(1,322)	-	-	(2,291)	(3,613)
As at 31 March 2020	619,320	97,342	21,963	86,659	825,284
<u>LESS: DEPRECIATION</u>					
As at 1 April 2019	48,389	-	-	-	48,389
Charge for the year	7,248	-	-	-	7,248
Eliminated on Disposals	(667)	-	-	-	(667)
As at 31 March 2020	54,970	-	-	-	54,970
<u>NET BOOK VALUE</u>					
As at 31 March 2020	564,350	97,342	21,963	86,659	770,314
As at 31 March 2019	499,016	78,399	17,140	76,265	670,820

Expenditure on works to existing properties:

	2020 £'000	2019 £'000
Components capitalised	1,830	1,390
Amounts charged to income and expenditure account	1,007	914
	2,837	2,304

Hightown Housing Association Limited
Notes to the Financial Statements
For the year ended 31 March 2020

Social Housing Grant	2020 £'000	2019 £'000
Deferred Capital Grant	160,562	149,176
Recycled Capital Grant Fund	1,480	2,327
Revenue Grant – I&E	1,840	1,825
Revenue Grant – Reserves	21,538	19,713
	<u>185,420</u>	<u>173,041</u>

<u>Housing properties book value, net of depreciation, comprises:</u>	2020 £'000	2019 £'000
Freehold land and buildings	727,345	627,508
Long leasehold land and buildings	42,969	43,312
	<u>770,314</u>	<u>670,820</u>

<u>Additions to properties include:</u>	2020 £'000	2019 £'000
Development overheads capitalised	2,295	2,106
Capitalised interest	3,023	1,893

Since 1996 the Association has capitalised interest of £23.2 million within the construction cost of housing properties. It has not been possible to identify the value of capitalised interest before 1996 nor to measure the value of capitalised interest that has subsequently been disposed of with associated property sales.

11 TANGIBLE FIXED ASSETS - OTHER

	Freehold land and buildings £'000	Fixtures and fittings £'000	Furniture and equipment £'000	Computer equipment £'000	Motor vehicles £'000	Total £'000
<u>COST</u>						
As at 1 April 2019	6,208	357	281	1,018	40	7,904
Additions	-	3	16	30	-	49
Disposals	-	-	(12)	-	-	(12)
As at 31 March 2020	<u>6,208</u>	<u>360</u>	<u>285</u>	<u>1,048</u>	<u>40</u>	<u>7,941</u>
<u>LESS: DEPRECIATION</u>						
As at 1 April 2019	1,149	164	203	745	21	2,282
Charged in year	121	35	27	150	7	340
Released on disposal	-	-	(12)	-	-	(12)
As at 31 March 2020	<u>1,270</u>	<u>199</u>	<u>218</u>	<u>895</u>	<u>28</u>	<u>2,610</u>
<u>NET BOOK VALUE</u>						
As at 31 March 2020	<u>4,938</u>	<u>161</u>	<u>67</u>	<u>153</u>	<u>12</u>	<u>5,331</u>
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>

12 INVESTMENT PROPERTIES

	2020 £'000	2019 £'000
At 1 April	3,050	3,050
Additions	-	51
Increase/(Decrease) in value	125	(51)
At 31 March	<u>3,175</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.

The surplus/(deficit) on revaluation of investment property arising of £175,000 (2019: (£50,000)) has been credited/(debited) to the Statement of Comprehensive Income for the year. The construction cost of the investment properties was £1.515m.

13 INVESTMENTS

	2020 £'000	2019 £'000
At 1 April	30	-
Share purchase	-	30
At 31 March	<u>30</u>	<u>30</u>

14 PROPERTIES FOR SALE

	2020 £'000	2019 £'000
Shared Ownership properties under construction	21,963	17,140
Shared Ownership properties awaiting sale	4,307	3,112
Other vacant properties awaiting sale	230	82
	<u>26,500</u>	<u>20,334</u>
	No.	No.
Shared Ownership properties awaiting sale	32	32
Other vacant properties awaiting sale	2	2
	<u>34</u>	<u>34</u>

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

Hightown Housing Association Limited
Notes to the Financial Statements
For the year ended 31 March 2020

15 DEBTORS

	2020	2019
	£'000	£'000
Due within one year		
Rent and service charge arrears	2,076	1,830
Less: Provision for bad and doubtful debts	(1,549)	(1,318)
	<u>527</u>	<u>512</u>
Estate service charges recoverable	488	529
Trade debtors	159	3,236
Other debtors	813	961
Prepayments and accrued income	2,368	2,230
	<u>4,355</u>	<u>7,468</u>

16 BANK AND CASH

	<i>Note</i>	2020	2019
		£'000	£'000
Bank accounts held in trust	2	1,821	1,748
Other bank accounts		36,466	50,212
		<u>38,287</u>	<u>51,960</u>

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 £3.4 million (2019 £2.8 million) is included above.

17 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<i>Note</i>	2020	2019
		£'000	£'000
Debt	21	3,558	3,352
Trade creditors		3,036	2,914
Rent and service charges received in advance		2,567	2,288
Revenue grants received in advance		79	95
Recycled Capital Grant Fund	20	376	1,162
Other taxation and social security		393	466
Deferred Capital Grant	19	1,840	1,801
Other creditors		1,367	1,210
Pension deficit reduction payments		6	6
Development and works retentions		7,828	8,300
Accruals and deferred income		2,857	2,670
		<u>23,907</u>	<u>24,264</u>

Hightown Housing Association Limited
Notes to the Financial Statements
For the year ended 31 March 2020

18 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Note	2020 £'000	2019 £'000
Debt	21	501,948	440,931
Recycled Capital Grant Fund	20	1,104	1,165
Premium on THFC Loan Issue *		2,783	2,927
Premium on bLEND Loan Issue *		1,157	-
Deferred Capital Grant	19	158,722	147,375
Leaseholder Sinking Funds		96	89
Leaseholder Trust Funds		1,636	1,561
Pension deficit reduction payments		22	29
Development and works retentions		1,652	1,408
		<u>669,120</u>	<u>595,485</u>

* The Association has received the proceeds of bonds issued at a premium to par. These premiums will be amortised to the Statement of Comprehensive Income over the remaining lives of the loans to offset interest paid as below:

January 2011	The Housing Finance Corporation (THFC)	19 years remaining
March 2019	bLEND Funding Plc	14 years remaining

19 DEFERRED CAPITAL GRANT

	Note	2020 £'000	2019 £'000
At 1 April		149,176	136,106
Grant received in year		12,323	14,385
Grant recycled from RCGF		1,220	1,130
Grant recycled to RCGF		(317)	(620)
Released to income in the year	3	(1,840)	(1,825)
		<u>160,562</u>	<u>149,176</u>
At 31 March			

	Note	2020 £'000	2019 £'000
Amounts to be released within one year	17	1,840	1,801
Amounts to be released in more than one year	18	158,722	147,375
		<u>160,562</u>	<u>149,176</u>

20 RECYCLED CAPITAL GRANT FUND (RCGF)

Homes England	2020 £'000	2019 £'000
Opening balance 1 April	2,327	2,726
Inputs to RCGF:		
Grant recycled from Deferred Capital Grant	317	620
Grant recycled from Statement of Comprehensive Income	47	93
Interest accrued	9	18
Recycling of grant:		
New build	(1,220)	(1,130)
	<u>1,480</u>	<u>2,327</u>
Closing balance 31 March		

Hightown Housing Association Limited
Notes to the Financial Statements
For the year ended 31 March 2020

21 DEBT ANALYSIS

	2020 £'000	2019 £'000
<u>Loans</u>		
Due within one year	4,157	3,856
Between one and two years	24,459	9,157
Between two and five years	117,882	84,312
After five years	363,401	351,430
Total after one year	505,742	444,899
Total loans	509,899	448,755
<u>Unamortised loan costs</u>		
Due within one year	(599)	(504)
Between one and two years	(955)	(901)
Between two and five years	(1,401)	(1,337)
After five years	(1,438)	(1,730)
Total after one year	(3,794)	(3,968)
Total unamortised loan costs	(4,393)	(4,472)
<u>Total</u>		
Due within one year	3,558	3,352
Between one and two years	23,504	8,256
Between two and five years	116,481	82,975
After five years	361,963	349,700
Total after one year	501,948	440,931
Total	505,506	444,283

Security

Loans are secured by fixed charges on individual housing properties and the central office building except for £58.5 million of unsecured loans from Retail Charity Bonds plc and £35.0 million from First Abu Dhabi Bank PJSC where unencumbered assets of £140.25 million are retained.

Terms of repayment and interest rates

The loans are repayable at intervals varying from half yearly to annually and bullet repayments on maturity.

Installments of loans fall to be repaid in the period 2020 to 2039 (2019: to 2039).

The average interest rates payable on fixed rate loans at 31 March 2020 was 3.78% (2019: 3.85%) ranging from 0.96% to 10.47% (2019: 0.96% to 10.47%). Variable interest rates are linked to LIBOR plus agreed loan margin. The weighted average cost of all interest in 2019/20 was 3.05% (2019: 3.20%).

At 31 March 2020, the Association had £95.0 million of undrawn loan facilities (2019: £105.0 million).

22 NET DEBT RECONCILIATION

	1 April 2019 £'000	Cash flows £'000	Non-cash changes £'000	31 March 2020 £'000
Cash at Bank	51,960	(13,673)	-	38,287
Loans	(444,283)	(61,302)	79	(505,506)
Net Debt	<u>(392,323)</u>	<u>(74,975)</u>	<u>79</u>	<u>(467,219)</u>

The non-cash movement represents the in-year movement in unamortised loan fees.

23 SHARE CAPITAL

	2020 No.	2019 No.
Shares of £1 each, issued and fully paid		
As at 1 April	20	20
Shares issued in the year	3	2
Shares surrendered during the year	(1)	(2)
As at 31 March	<u>22</u>	<u>20</u>

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

24 FINANCIAL COMMITMENTS

	2020 £'000	2019 £'000
Capital Expenditure		
Expenditure contracted for but not provided in the accounts	128,072	140,854
Expenditure authorised by the Board but not contracted	180,722	188,328
	<u>308,794</u>	<u>329,182</u>

The Association is forecasting to spend £77.2 million of the contracted commitments in 2020/21. 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 £36.9 million contracted commitment is forecast to be spent in 2021/22 and the remaining £13.9 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:

	2020 £'000	2019 £'000
Office equipment and vehicles:		
- Within one year	341	679
- Between one and five years	212	601
	<u>553</u>	<u>1,280</u>

26 FINANCIAL ASSETS AND LIABILITIES

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

	Note	2020 £'000	2019 £'000
Floating rate		253,993	212,333
Fixed rate		255,906	236,421
		<u>509,899</u>	<u>448,754</u>
Loan costs		(4,393)	(4,471)
Total	21	<u>505,506</u>	<u>444,283</u>

The fixed rate financial liabilities have a weighted average interest rate of 3.78% (2019: 3.85%) and the weighted average period for which it is fixed is 10.7 years (2019: 11.5 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 for workplace pensions.

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 as follows:

1 April 2010 to 31 October 2013	Career Average Revalued Earnings (CARE) section with 1/80th accrual
1 April 2007 to 31 March 2010	Career Average Revalued Earnings (CARE) section with 1/60th accrual
Prior to 1 April 2007	Final Salary Scheme section with 1/60th accrual

These defined benefit sections are closed to new entrants but there remain active employees who continue to accrue future benefits.

An analysis of the SHPS membership is as follows:

31 March 2020	Final Salary	CARE 1/60ths	CARE 1/80ths	CARE 1/120ths	Sub Total Defined Benefit	SHPS DC	Total
Active	12	15	13	3	43	742	785
Deferred	92	33	28	0	153	702	855
Pensioner	106	14	0	0	120	0	120
Dependant	1	0	0	0	1	0	1
Total	211	62	41	3	317	1,444	1,761

18 June 2019*	Final Salary	CARE 1/60ths	CARE 1/80ths	CARE 1/120ths	Sub Total Defined Benefit	SHPS DC	Total
Active	14	19	17	0	50	727	777
Deferred	98	34	23	0	155	532	687
Pensioner	100	13	0	0	113	0	113
Total	212	66	40	0	318	1,259	1,577

*Data at March 2019 not available

28A. SOCIAL HOUSING PENSION SCHEME (SHPS)

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 £1,522 million. 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.

Hightown has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Scheme, based on the financial position of the scheme as at 30 September 2019. As this date the estimated employer debt for Hightown was £25,012,059 (30 September 2018 : £24,193,188).

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.

Fair Value Of Plan, Present Values Of Defined Benefit Obligation, And Defined Benefit Asset (Liability)

	31 March 2020	31 March 2019
	£'000	£'000
Fair value of plan assets	21,713	22,763
Present value of defined benefit obligation	24,672	30,754
Surplus (deficit) in plan	(2,959)	(7,991)
Unrecognised surplus	-	-
Defined benefit asset (liability) to be recognised	(2,959)	(7,991)
Deferred tax	-	-
Net defined benefit asset (liability) to be recognised	(2,959)	(7,991)

Reconciliation Of Opening And Closing Balances Of The Defined Benefit Obligation

	Period ended 31 March 2020	Period ended 31 March 2019
	£'000	£'000
Defined benefit obligation at start of period	30,754	27,891
Current service cost	233	279
Expenses	26	25
Interest expense	677	714
Member contributions	228	218
Actuarial (gains) losses due to scheme experience	(340)	85
Actuarial (gains) losses due to changes in demographic assumptions	(248)	87
Actuarial (gains) losses due to changes in financial assumptions	(3,402)	1,963
Benefits paid and expenses	(3,256)	(508)
Defined benefit obligation at end of period	24,672	30,754

Reconciliation Of Opening And Closing Balances Of The Fair Value Of Plan Assets

	Period from 31 March 2019 to 31 March 2020	Period from 31 March 2018 to 31 March 2019
	£'000	£'000
Fair value of plan assets at start of period	22,763	21,434
Interest income	500	555
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	602	286
Employer contributions	876	778
Member contributions	228	218
Benefits paid and expenses	(3,256)	(508)
Fair value of plan assets at end of period	21,713	22,763

The actual return on the plan assets (including any changes in share of assets) over the period from 31 March 2019 to 31 March 2020 was £1,102,000 (2019 £841,000).

Defined Benefit Costs Recognised In Statement Of Comprehensive Income (SOCl)

	Period from 31 March 2019 to 31 March 2020	Period from 31 March 2018 to 31 March 2019
Class of Asset	£'000	£'000
Current service cost	233	279
Expenses	26	25
Net interest expense	177	159
Defined benefit costs recognised in statement of comprehensive income (SOCl)	436	463

Defined Benefit Costs Recognised In Other Comprehensive Income (OCI)

	31 March 2020	31 March 2019
Class of Asset	£'000	£'000
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	602	286
Experience gains and losses arising on the plan liabilities - gain (loss)	340	(85)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	248	(87)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	3,402	(1,963)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	4,592	(1,849)
Total amount recognised in other comprehensive income - gain (loss)	4,592	(1,849)

Hightown Housing Association Limited
Notes to the Financial Statements
For the year ended 31 March 2020

Assets

	31 March 2020	31 March 2019
Class of Asset	£'000	£'000
Global Equity	3,176	3,830
Absolute Return	1,132	1,970
Distressed Opportunities	418	414
Credit Relative Value	596	417
Alternative Risk Premia	1,518	1,313
Fund of Hedge Funds	13	102
Emerging Markets Debt	657	785
Risk Sharing	733	687
Insurance-Linked Securities	667	653
Property	478	512
Infrastructure	1,616	1,194
Private Debt	438	305
Opportunistic Illiquid Credit	525	-
Corporate Bond Fund	1,238	1,062
Liquid Credit	9	-
Long Lease Property	376	335
Secured Income	824	815
Liability Driven Investment	7,206	8,325
Net Current Assets	93	44
Total Assets	21,713	22,763

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 2020	31 March 2019
	% per annum	% per annum
Discount Rate	2.38%	2.30%
Inflation (RPI)	2.62%	3.30%
Inflation (CPI)	1.62%	2.30%
Salary Growth	2.62%	3.30%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2020 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2020	21.5
Female retiring in 2020	23.3
Male retiring in 2040	22.9
Female retiring in 2040	24.5

28B. THE SHPS GROWTH PLAN

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

From 1 April 2019 to 31 March 2025:	£11,243,000 per annum (payable monthly and increasing by 3% each on 1st April)
-------------------------------------	---

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

From 1 April 2016 to 30 September 2025:	£12,945,440 per annum (payable monthly and increasing by 3% each on 1st April)
---	---

From 1 April 2016 to 30 September 2028:	£54,560 per annum (payable monthly and increasing by 3% each on 1st April)
---	---

Hightown Housing Association Limited
Notes to the Financial Statements
For the year ended 31 March 2020

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.

Present Values Of Provision

	31 March 2020 (£s)	31 March 2019 (£s)	31 March 2018 (£s)
Present value of provision	28,210	34,221	45,794

Reconciliation Of Opening And Closing Provisions

	Period Ending 31 March 2020 (£s)	Period Ending 31 March 2019 (£s)
Provision at start of period	34,221	45,794
Unwinding of the discount factor (interest expense)	433	733
Deficit contribution paid	(5,679)	(5,901)
Remeasurements - impact of any change in assumptions	(765)	313
Remeasurements - amendments to the contribution schedule	-	(6,718)
Provision at end of period	28,210	34,221

Income And Expenditure Impact

	Period Ending 31 March 2020 (£s)	Period Ending 31 March 2019 (£s)
Interest expense	433	733
Remeasurements – impact of any change in assumptions	(765)	313
Remeasurements – amendments to the contribution schedule	-	(6,718)

Assumptions

	31 March 2020 % per annum	31 March 2019 % per annum	31 March 2018 % per annum
Rate of discount	2.53	1.39	1.71

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

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 2019. As of this date the estimated employer debt for Hightown was £59,673 (2018: £56,685).

28C. BUCKINGHAMSHIRE COUNTY COUNCIL PENSION FUND

Plan Characteristics and Associated Risks

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 and currently provides benefits based on career average revalued earnings. Full details of the benefits being valued are as set out in the Regulations as amended and summarised on the LGPS website and the Fund's membership booklet.

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

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

Contributions are set every three years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 2022 and will set contributions for the period from 1 April 2023 to 31 March 2026. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

On the Employer's withdrawal from the Fund, 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 the Employer, on a set of assumptions deemed appropriate by the Fund Actuary.

In general, participating in a defined benefit pension scheme means that the Employer 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 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

Hightown Housing Association Limited
Notes to the Financial Statements
For the year ended 31 March 2020

All of the risks above may also benefit the Employer 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 2019 is as follows:

Member data	Number	Salaries/Pensions £'000	Average Age
Actives	1	26	56
Deferred Pensioners	2	17	55
Pensioners	5	23	69

The service cost for the year ending 31 March 2020 is calculated using an estimate of the total pensionable payroll during the year. The estimated total pensionable payroll during the year is £27,000. The projected service cost for the year ending 31 March 2021 has been calculated using an estimated payroll of £28,000.

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 27.5% of payroll p.a.

Minimum employer contributions due for the period beginning	1 April 2020	1 April 2019	1 April 2018
Percent of payroll	27.5%	27.5%	27.5%
Plus monetary amount (£'000)	5	5	5

Statement Of Financial Position

<u>Net pension deficit as at</u>	31 March 2020 £'000	31 March 2019 £'000	31 March 2018 £'000
Present value of the defined benefit obligation	999	1,081	1,086
Fair value of Fund assets (bid value)	698	720	695
Deficit	301	361	391

Statement Of Profit or Loss For The Year

<u>The amounts recognised in the income and expenditure statement</u>	Year to 31 March 2020 £'000	Year to 31 March 2019 £'000
Service Cost	11	11
Net interest on the defined liability (asset)	9	9
Administration expenses	1	1
Total loss	21	21

28D. NHS PENSION SCHEME

At the 31 March 2020, there were 7 active members in the NHS scheme (2019: 9) 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.

