



Hightown Housing Association Limited

Annual Report and Financial Statements For The Year Ended 31 March 2023

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

www.hightownha.org.uk

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Board of Management

Bob Macnaughton Chair Joined Board 2015 Chair since September 2017 Member of the Remuneration & Nominations Committee	<p>Chartered Accountant and former company Chief Executive. Has had a career as a senior executive in a number of large and small businesses. More recently he has been involved in the development of commercial property and renewable energy schemes.</p> <p>He is Chair of Board of Trustees of ACS International Schools and is a Board member at the University of Hertfordshire.</p>
Cordelia Pace Vice-Chair Joined Board 2017 Chair of Remuneration & Nominations Committee and Member of Operations and Risk & Audit Committees Designated Board member for Whistleblowing	<p>Senior Legal Counsel. A qualified solicitor employed as Senior Legal Counsel and Compliance Manager for INEOS Oil & Gas UK.</p> <p>In her current role within a large commercial company, Cordelia analyses and advises the company on how to manage its business safely, transparently and responsibly. Her role is to ensure clear governance and compliance structures are in place and used which allow the company to grow and develop.</p>
Sarah Pickup CBE Vice-Chair Joined the Board in 2017 Chair of Operations Committee and member of Risk & Audit and Remuneration & Nominations Committees	<p>Qualified Accountant, Sarah is Deputy Chief Executive of the Local Government Association (LGA).</p> <p>In her current role she is engaged in national policy discussions on a range of matters including social care, local government finance and national housing policy. She is chair of HUC, a community interest company delivering primary care and integrated urgent care services for a number of Integrated Care Boards. She is also Trustee of the Nuffield Trust and of a local arts charity in Hertford. Sarah has extensive experience in the social care sector including commissioning and being responsible for the management of care and supported housing.</p>
Sarah Barton Joined the Board in 2021 Chair of Risk & Audit Committee (From June 2023) and Member of Development Committee	<p>FCA Qualified Finance Director. Former Interim Finance Director at CARE International UK until June 2022, an International NGO where she managed the UK Finance Team on all aspects of financial reporting, control and finance operations. Previously Director of Financial Reporting at The Guinness Partnership.</p> <p>Sarah has wide experience of financial leadership across all key areas including statutory reporting, control, treasury, budgeting and capital planning, forecasting, and investment portfolio management.</p>
Charmaine De Souza Joined the Board in 2021 Member of Operations and Remuneration & Nominations Committees. Board lead for Equality, Diversity & Inclusion	<p>Experienced HR leader. Currently Chief People Officer at Oxford Health NHS Trust.</p> <p>Charmaine has worked across a range of sectors including the BBC, central government, London government and the third sector. She is a member of the People and Culture Advisory Group for the Money and Pensions Service.</p>

Chris Ellmore

(Co-opted January 2023)

Member of the Risk & Audit Committee

A qualified Accountant and qualified chartered Treasurer. Director of Corporate Finance for Moat Homes, a 20,000-unit Housing association based in London and the south-east. Chris has responsibility for treasury, long term planning, regulatory returns, investment appraisal and rent setting.

Chris previously worked for Moat as Interim Executive Director Finance where he had responsibility for all finance and procurement aspects of the business as well as developing the wider corporate strategy.

Before joining Moat, Chris worked for a number of Local Government and Housing Association organisations in a variety of different finance roles.

Zeena Farook

Co-opted January 2023)

Member of the Development and Operations Committees

Chartered Civil Engineer and employed as Strategy Director for ArcadisGen, providing Asset Management Solutions which look at improving efficiency and NZC outcomes globally.

Zeena has over 18 years' experience in the Built Environment and has a breadth of experience from development, leading site works on major projects, to sustainability and digital solutions, building this capability into a Global business.

Alan Head

Joined the Board in 2018
Chair of the Development Committee and member of the Risk & Audit and Remuneration & Nominations Committees

Retired building surveyor. Experienced non-executive director in the residential development and construction sectors.

Alan's last employment was Head of Major Projects at Three Rivers District Council where he was responsible for the direction and commerciality of the Council's development, property investment and major construction projects.

**Frances Kneller
(to September 2022)**

Joined the Board in 2013
Member of the Operations and Development Committees

Experienced social housing professional. Frances is currently Director of her own property development and management services company. Previously held the policy portfolio for Low-Cost Home Ownership at the Housing Corporation and was responsible for the Housing and Property brief for the Digital TV switchover and 4G rollout. Frances has worked for a range of Housing Associations as well as Local Authorities.

Chair of the Chesham Youth Centre, and the Chiltern ToyBank, and is active in local community politics.

Anne McLoughlin

Joined the Board in 2021
Member of the Operations and Development Committees

Experienced social housing professional. Anne is an independent consultant and non-executive director providing support and advice to boards and organisations on strategy and governance.

Anne is a trustee of the Refugee Council, Clúid Housing Association (Ireland) and Chair of Homeless Link.

David Matthews

Joined the Board in 2020
Chair of Treasury Committee (From June 2023) and Member of the Risk & Audit Committee

A professional banker. Currently Managing Director, Head of Loan Capital Markets EMEA at Barclays Investment Bank where he leads a team which structures loans for large corporate clients. David is involved in a range of debt and risk management products.

David's interest in the social housing sector is long standing and he was instrumental in establishing Barclays' first dedicated Housing Association team in the 1990's.

James Steel

Joined the Board in 2013
Member of the Risk & Audit and
Treasury Committees

Currently a commercial consultant to the Cabinet Office. Previously an investment banker and chartered accountant.

James is also a Senior Independent Director of Ahli United Bank (UK) PLC, a Director of Shared Services Connected Ltd, and a Trustee of two local charities. Past appointments include Director of PZ Cussons plc and various private companies, Trustee of various charities and Governor of the University of Hertfordshire.

Executive Directors

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

David Bogle Role: Chief Executive Years with Hightown: 28	<p>David Bogle is Chief Executive of Hightown Housing Association.</p> <p>After leaving university, David worked as a Housing Officer in three London Boroughs before joining Anchor Housing. He was then briefly Director of Praetorian HA before it merged with Hightown HA in 1995. David has been Chief Executive of Hightown since then. He is a Fellow of the Chartered institute of Housing.</p> <p>David is also Chair of Homes for Cathy which is a group of around 100 housing associations and housing charities which works with Crisis and others to encourage housing associations to do more to tackle homelessness and rough sleeping and to lobby for more resources to end homelessness. See www.homesforcathy.org.uk</p>
Amy Laurie Role: Director of Care & Supported Housing – job share Years with Hightown : 5 plus 4.5 years previously.	<p>Amy has 19 years' experience in the supported housing & care sector, 2 years working frontline in services, 7 in operational management & 10 delivering strategic management. Amy is a certified practitioner of the Chartered Institute of Housing, holding professional qualifications in both supported housing and leadership & management.</p> <p>Amy is expert in designing & delivering housing and support solutions across cohorts, including the formation of social enterprise schemes. As an experienced senior leader Amy has been influential in delivering new initiatives within the sector & enhancing existing provision in key areas including; Complex Needs HRS, VCS Services, Supported Living & Care.</p>
Gemma Richardson Role: Director of Care & Supported Housing – job share Years with Hightown: 18	<p>Having graduated from the University of Hertfordshire with her BSc in Psychology, Gemma joined Hightown as a graduate trainee in 2005 while completing work placements across the business including Housing, Leasehold, Development, Asset Management and Income Recovery. In this time, she achieved her qualification with the Chartered Institute of Housing and completed training with the Institute of Leadership and Management. Having completed the graduate programme Gemma moved into the first of many managerial roles for Hightown commencing within the general needs housing and operations team.</p> <p>Since then, Gemma has moved across the business and in 2012 joined the C&SH department as a senior leader. She went on to work as the Head of Department for C&SH overseeing county wide contracts and service delivery until her recent appointment into the</p>

	<p>position of Director – a role she shares with her job share partner Amy Laurie.</p>
<p>Andrew Royall</p> <p>Role: Director of Development</p> <p>Years with Hightown: 20</p>	<p>Andrew Royall holds a BA Hons in Housing Studies from Sheffield Hallam University and is a Member of Chartered Institute of Housing. He has over 30 years' experience of working in housing in a number of organisations including a local authority, three housing associations doing policy work, managing a range of supported housing services and property development. He also spent three years working on a construction training/housing development project in a South African township.</p> <p>Andrew has worked for Hightown since 2003 starting as a Supported Housing Manager in the Care and Supported Housing Department before moving into Development. He spent 12 years as Head of Development before taking up the post as Director of Development in 2017.</p>
<p>Sarah Salter (to 30 April 2023)</p> <p>Role: Interim Director of Corporate Services</p> <p>Years with Hightown: 27</p>	<p>Sarah Salter holds a BA Hons in Housing from the University of the West of England and is a Member of Chartered Institute of Housing. She has over 30 years' experience of working in housing in several organisations including local authority housing needs, and in a number of housing management roles at a national housing association working in Hertfordshire, Sussex and London.</p> <p>Sarah has worked for Hightown for over 27 years in various roles across the organisation including Housing Manager and Service Review Manager. For the last 7 years Sarah was Head of Business Support and led on a number of business transformation projects across the Care & Support Department and Operational teams. Sarah took up the post of Interim Director of Corporate Services in April 2022 while Susan Wallis took a 12 month sabbatical. Sarah retired from Hightown in April 2023.</p>
<p>David Skinner</p> <p>Role: Director of Financial Services</p> <p>Years with Hightown: 14</p>	<p>David Skinner has 46 years financial experience in the not-for-profit sector including 20 years in local government finance and the last 26 years working for Housing Associations.</p> <p>He began working in the social housing sector in 1997 with the William Sutton Trust and then as Finance Director to their subsidiary Ridgehill. In 2006 David joined the newly merged Affinity Sutton Housing Group as Director of Financial Services and in February 2009, after a short period of interim assignments, David joined Hightown Housing Association as Director of Financial Services.</p> <p>David is a Fellow of the Association of Chartered Certified Accountants (FCCA) and a Fellow of the Association of Corporate Treasurers (FCT).</p>

Natalie Sturrock

Role: Director of Housing

Years with Hightown: 14.5

Natalie Sturrock holds a BA Hons in Sociology from the University of Exeter and is a Chartered Member of Chartered Institute of Housing, having completed the Level 5 Professional Diploma in Housing in 2017.

She has over 14 years' experience of working in housing and started her career as a Tenant Board Member for a Housing Association in South-West England. Natalie has extensive experience of housing management and has worked for Hightown since 2008. She started as a Graduate Trainee, before moving into Home Ownership and then General Needs housing management. She spent 7 and a half years as Head of Housing, before taking up the post of Director of Housing in June 2022.

Susan Wallis (to 25 April 2023)

Role: Director of Corporate Services

Following a year on sabbatical leave from 25 April 2022 Susan decided to leave Hightown in April 2023.

Company Secretary

Trudi Kleanthous

Registered Office

Hightown House
Maylands Avenue
Hemel Hempstead
Herts, HP2 4XH

Advisors and Bankers

External Auditors

Beever & Struthers
150 Minorities Bunhill Row
London EC3N 1LS

Principal Solicitors

Pennington Manches Cooper LLP
9400 Garsington Road
Oxford Business Park
Oxford, OX4 2HN

Devonshires LLP
30 Finsbury Circus
London
EC2M 7DT

Principal Bankers

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

Hightown's mission is 'building homes, supporting people' and this purpose remains completely relevant in a challenging economic environment where high inflation and rising interest rates are creating widespread financial challenges. The needs to provide high quality and affordable homes to our existing tenants and building new homes to help alleviate homelessness are even more critical in these difficult times.

Our residents and service users are suffering from rising food and other costs as well as high energy prices. Inevitably, some of them are struggling to pay the rent. Our financial inclusion and tenancy sustainment staff provide help to claim benefits and access charitable grants and other forms of assistance whenever possible. But, while inflation remains high, the financial position of people in low wage employment or on benefits is likely to worsen.

We are focussed on listening to and acting upon the views of our residents through our various forums and other customer involvement avenues - including the Voice Box project for our service users.

Hightown is also experiencing the effects of high inflation on goods and services, with the impact being acutely felt in maintenance work and for building work for new homes. Interest rates have also shot up raising the cost of our loan payments by several million pounds a year. This combination of rising prices and higher interest rates will have a direct impact on the financial viability of and our ability to fund new development projects.

Our portfolio of properties has an average age of 17.5 years, which is relatively young for the housing association sector. This means that we tend to have fewer legacy liabilities to do with stock condition. However, we are not exempt from building defects in our homes and have had to initiate a programme of urgent fire and safety works pending arrangements to put long term remediation measures in place. There have also been additional resources applied to responding to and dealing with a rising level of resident concerns about damp and mould.

We must also plan for further investment in our existing estate to meet the net zero objectives. We have been trialling various lower carbon solutions in some of our new developments, prioritising a fabric first approach with higher standards of insulation and better design, but also investment in renewables and electric heating. These trials will need to translate into a wider programme of retrofits across our portfolio of properties.

Our Care and Supported Housing business has continued to deliver care and support services to around 800 people with support needs including young people, homelessness services, people with learning disabilities and mental health problems. This work is critically important as it supports some of the most vulnerable people in society and remains a core part of Hightown's purpose. Delivering these services remains demanding due to difficulties in recruitment and budgetary pressures for our commissioners. Against these headwinds Hightown has been able to pay the Real Living Wage to our lower paid care workers.

Hightown has remained focused on its ambitious development programme. This has meant 530 new affordable homes in the year across Hertfordshire, Bedfordshire and Buckinghamshire helping families stuck in temporary accommodation and people who cannot afford to buy or rent at market rates. 49% of our lettings of new and existing housing for rent went to homeless households – a record for Hightown. Looking forward we continue to have a substantial development programme, with our latest forecast showing the delivery of more than 1800 new properties over the next four years. However, there is an increasing likelihood that this development programme will need to slow in response to the economic environment from a combination of prudence by Hightown and a slowing housing market.

Hightown remains in good shape financially. We delivered a surplus of £18 million (which will be invested in new affordable homes) and maintained an A3 rating from Moody's. Having a strong financial position is essential to ensure we continue to deliver against our mission.

The period ahead is one of greater financial uncertainty for both Hightown and our residents/service users driven by high inflation and rising interest rates. This will impact on plans for the future. We will continue to build new homes but have to balance this against the tighter financial environment and this

will mean an inevitable slowdown in our development programme and an ongoing pressure on resources. We will need to be attentive to the impact of these difficult times on our residents.

Our commitment to our social purpose remains paramount. We are a charity which delivers high quality homes and services to people who have affordable housing needs and support needs. We are long term investors in our communities.

In a challenging year, I am most grateful to our Hightown staff, my fellow Board members, our funders and stakeholders and our contractors and consultants for all their work in delivering homes and services to tenants, residents and service users in 2022/23.



Bob Macnaughton

Chair

13 July 2023

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 culture aligns with our values and social purpose. We are supportive, inclusive, and responsive and share an ambition to learn and to develop for the benefit of current and future residents and service users.

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 over 8,000 homes and provides care and supported housing in 93 projects. It operates mainly in Hertfordshire and Buckinghamshire but also has affordable housing in Bedfordshire and care and support projects in Berkshire. In the last two years, Hightown has built over 1,100 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.

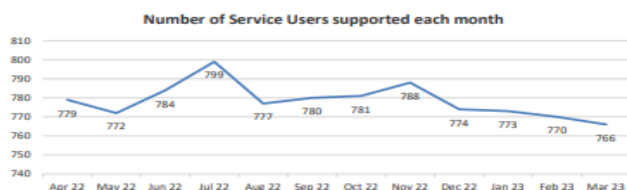
Along with other 'traditional' housing associations, Hightown has responded to local housing needs by developing a wide range of housing and services for different client groups.









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 2021-24 and performance to March 2023 are as follows:

Strategic Plan Objective	Progress at March 2023	Flag
Property Development		
Develop 500 new affordable homes each year on a three year rolling average.	530 homes completed to 31st March 2023. Forecast Completions 2023-24 – 665 Forecast Completions 2024-25 – 545 Forecast Completions 2025-26 - 532 Forecast next 3-years (2023-2026) average = 581 per year.	
Develop each year an average of 250 of those new affordable homes on Hightown sites.	165 homes planned completion on land-led and package sites 2022-23. Forecast 2023-24 - 254 homes Forecast 2024-25 - 244 homes Forecast 2025-26 - 470 homes Forecast next 3-years (2022-2025) average = 323 per year.	
All new homes to have an Energy Efficiency rating of Band B or better.	Band B EPC is 81-91 SAP points for all homes. The average SAP rating for handovers in the last 12 months was 84.	
Achieve a minimum of 80% customer satisfaction with new homes.	Overall satisfaction with new homes increased 2022 to 82%, 1% on the 2021 result.	
Financial Viability		
Maintain a strong surplus.	The Operating Surplus after sales is £38.4m against a revised budget of £40.5m. The Net Surplus after interest is £18.0m against a budget of £22.0m. Interest Cover on EBITA MRI basis 181.5% (Golden rule >140%). Budget 2022/23 – 181.4%.	
Maintain current Moody's rating of A3.	Rating of A3 Negative Outlook issued in January 2023.	
Diversify and extend funding streams to support development programme.	Hightown has a widely diversified portfolio. There are 11 loan lenders plus 9 separate holders of Hightown's 2021 Note Purchase Agreement.	
Ensure Care and Supported Housing financial performance supports sustainable and high quality services.	The overall C&SH year-end position is a surplus of £161k against a budget deficit of £169k. This is in part due to the re-phasing of major repair works. Following notification of withdrawal of sleep-in funding from the local authority at Printers Avenue; a number of options were considered to ensure the long-term financial viability of the service, of which none were able to move the service to a sustainable position. Hightown withdrew from the service in January 2023.	

Resident Services																												
Achieve upper quartile performance for tenant satisfaction with overall service provided.	The STAR survey was completed in Summer 2022. Overall satisfaction had fallen to 65% (from 73%). Results from DLUHC-Resident Survey Report 2022 reported overall satisfaction at 67%. HouseMark have reported significant falls in satisfaction as landlords have moved back to perception from transactional surveys which generally achieve better results.	🔴																										
Achieve 25% increase in satisfaction levels amongst shared owners and leaseholders.	The STAR survey was completed in Summer 2022. Satisfaction levels had remained broadly the same as the previous survey at 39%.	🔴																										
With regard to Value for Money, aim to position all Hightown Key Performance Indicators in the low cost/high quality quartile of the HouseMark cost v. performance matrix.	The annual benchmarking report was presented to the Operations Committee in April. All measures were low cost. One measure was low cost/poor performance – this related to tenancy turnover, where Hightown’s turnover was higher than that of the peer group.	🟡																										
Develop and commence implementation of a plan to improve the environmental impact and efficiency of existing homes.	<p>Carbon baseline report completed and reported to Board in March 2022. Early adoption of Future Homes Standard has been impeded by increases in build costs.</p> <p>Several discussions have taken place with Sustainability Consultants however none could offer a service that help develop a workable programme of work. Internal research on the cost upgrades to existing stock and scope plans for Band D properties is ongoing.</p>	🟡																										
Care and Supported Housing																												
Grow and develop our Care and Supported Housing Services.	<p>Number of Service Users supported each month</p>  <table><caption>Number of Service Users supported each month</caption><thead><tr><th>Month</th><th>Number of Service Users</th></tr></thead><tbody><tr><td>Apr 22</td><td>779</td></tr><tr><td>May 22</td><td>772</td></tr><tr><td>Jun 22</td><td>784</td></tr><tr><td>Jul 22</td><td>799</td></tr><tr><td>Aug 22</td><td>777</td></tr><tr><td>Sep 22</td><td>780</td></tr><tr><td>Oct 22</td><td>781</td></tr><tr><td>Nov 22</td><td>788</td></tr><tr><td>Dec 22</td><td>774</td></tr><tr><td>Jan 23</td><td>773</td></tr><tr><td>Feb 23</td><td>770</td></tr><tr><td>Mar 23</td><td>766</td></tr></tbody></table> <p>Number of service users have reduced due to contract reductions relating to Printers Avenue (LD), Martin House redevelopment & closing of Manor View.</p>	Month	Number of Service Users	Apr 22	779	May 22	772	Jun 22	784	Jul 22	799	Aug 22	777	Sep 22	780	Oct 22	781	Nov 22	788	Dec 22	774	Jan 23	773	Feb 23	770	Mar 23	766	🔴
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Improve the average CQC/Commissioners rating across our services.	Overall inspections - 81% rated Good or above [this includes 100% of CQC inspections]. Down from 89% at March 2022. The reduction predominately relates to our Hertfordshire LD contract which was re-inspected during March 2023, awaiting outcome. During the year we have seen an increase in the number of services rated highly by our commissioning partners with 20% of our local authority commissioned services now rated as ‘EXCELLENT’	🟡																										

Improve our ability to support Service Users independence as measured by achievement of goals and outcomes with our Growth model.	The Support Planning Growth Tool is under review following internal & external feedback on suitability, effectiveness & functionality. We anticipate the revised system will be launched by end of Q3 2023-24.	
Aim to be a Real Living Wage employer.	Hightown hourly rate - care assistant level – Hightown pays at Real Living Wage level. Increased from £9.79 to £10 per hour from July 2022. Real Living Wage hourly rate increased 10% in September 2022 from £9.90 to £10.90. From April 2023 Hightown care assistant rate increased to £10.90 per hour.	
Corporate		
Seek out and consider ways to improve resident engagement, resulting for each year of the plan in continuous improvement in opportunities for engagement and evidence that the residents' voice is being heard.	Good progress made against the Resident Involvement Strategy action plan, with most items completed. New opportunities for involvement and feedback have been developed. A representative from C&SH VoiceBox attended the January Operations Committee providing direct feedback to members of the committee. Positive, consistent progress made against C&SH's VoiceBox & Co-production Action Plan 2021-23, reviewed periodically by Operations Committee.	
Aim to be rated G1/V1 rating by the Regulator for Social Housing.	In January 2023, in light of economic stresses facing the sector, the RSH regraded Hightown's rating to G1/V2. This is still a compliant grade. An IDA is expected in late 2023/ early 2024.	
Promote actions and encourage diverse communities and workforce.	Action plan arising from the annual E&D Report has been agreed in conjunction with E&D Forum.	
Support the work of the 'Homes for Cathy' group and deliver an annual homelessness action plan.	Hightown organised a successful Homes for Cathy conference in October 2022, with prominent key note speakers from across the sector and best practise shared by members. A report on the work Hightown has completed to deliver the action plan was presented to the Board in January 2023.	
Ensure that the Association's data is fully protected and IT systems remain fully accessible at all times.	There was one unplanned outage in the last 12 months which was caused by the external broadband connection failing. Connection was lost out of core hours and was restored within 2 hours. A secondary broadband connection (from a different supplier/exchange) is due to be installed in Q1 of 2023/24 Additional battery storage has been installed to enable servers to remain running for at least 6 hours in the event of a power outage. There was a phishing attack in September and assurance was provided from a specialist IT forensic team that the attack was contained and no was data exfiltrated. The ICO have confirmed no action further action is to be taken. A Penetration Exercise was completed in December and no critical vulnerabilities were identified.	
Use Five Ways to Wellbeing to develop staff and move towards a culture of continuous improvement.	The Five Ways to Wellbeing are embedded into the annual appraisals. Appraising managers and staff are encouraged to set aims against each wellbeing action as part of the appraisal process.	

Our Business Model

Hightown Housing Association Limited (“the Association” / “Hightown”) is a registered Community Benefit Society, 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 rented 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 social housing homes let at social or affordable rents, i.e. at sub-market rents. The properties range from one bedroomed flats to four bedroomed houses with the typical Hightown property being a two bedroomed flat in a low rise block. Hightown also owns a number of properties let at sub-market intermediate rents. It also provides shared ownership properties and manages leasehold properties including some retirement leasehold schemes.

An analysis of Hightown's stock appears at Note 5 to the accounts.

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 & 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

Hightown staff also give their time and money to support other charities.

In 2022 Hightown staff voted to raise funds for The Trussell Trust, a charity that campaigns to stop UK hunger and poverty and supports a network of foodbanks providing emergency food and support to people in crisis (number 1110522). Through a range of fundraising events, such as cake sales, raffles and a quiz night, and corporate match funding from Hightown, staff raised nearly £2,000 for the charity. Fundraising efforts for The Trussell Trust will continue until 2025. Staff also handed over the final tranche of funds from a four-year fundraising campaign for Hertfordshire Mind Network, amounting to nearly £10,000.

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:

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

Our Performance

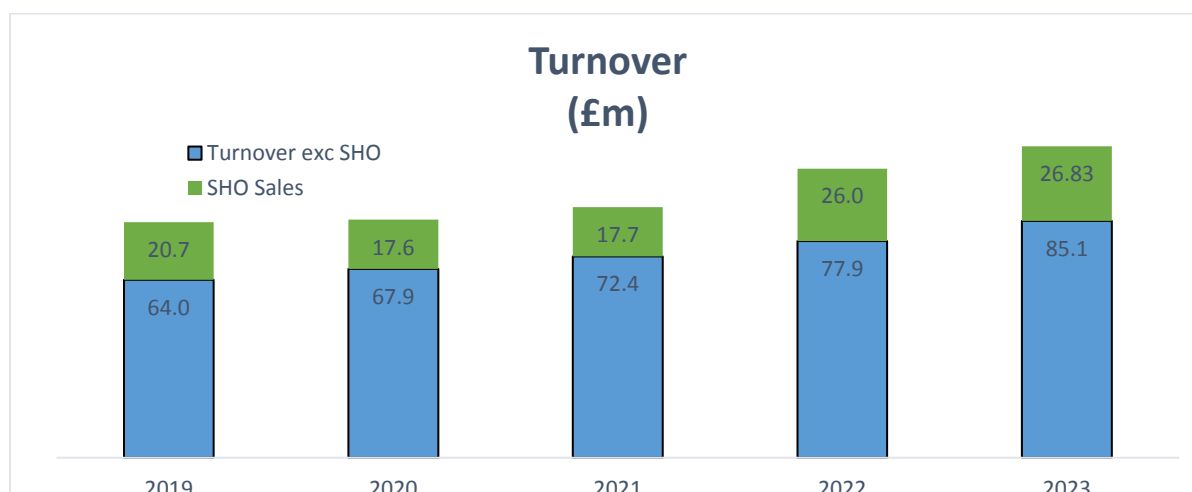
Financial Performance

The results for this year again show a strong financial performance by Hightown. Turnover has continued to grow at a strong rate reflecting the growth in rented units delivered by the very active development programme. Hightown's turnover from recurring activities excluding First Tranche Shared Ownership sales, rose by 9.2% (2022 7.6%).

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 into new affordable homes funded in the main by increased borrowings. Gross and net margins remain strong and interest cover remains above covenants.

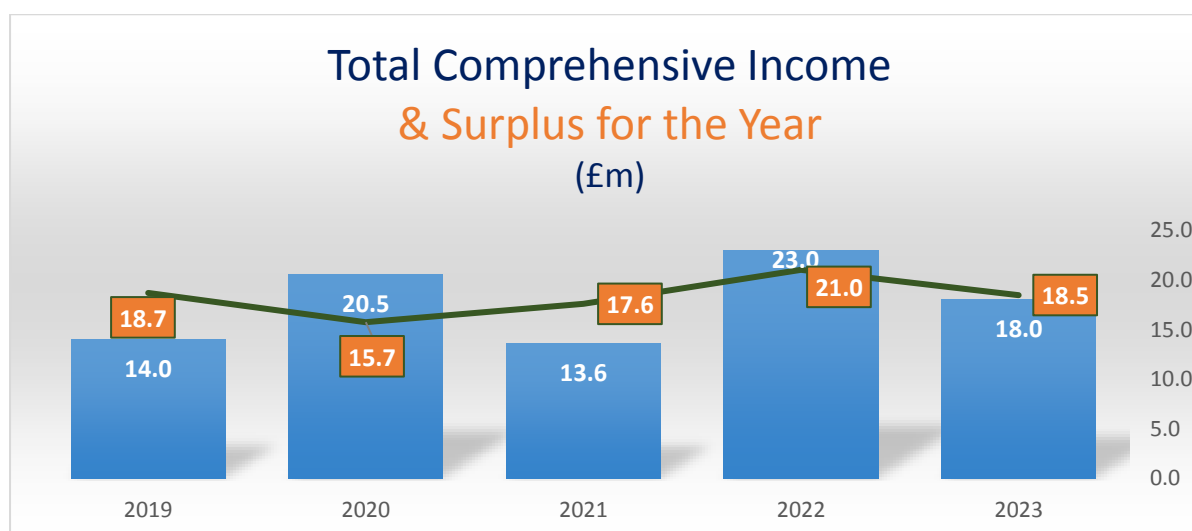
5 Year Financial Summary	2023	2022	2021	2020	2019
	£'000	£'000	£'000	£'000	£'000
Turnover	111,914	103,887	90,088	85,536	84,693
First Tranche Shared Ownership sales (included in turnover above)	26,828	25,992	17,726	17,642	20,703
Operating Surplus	38,646	34,666	29,121	27,412	29,437
Interest payable	20,199	13,640	11,252	11,750	10,840
Surplus for the year	18,487	21,028	17,595	15,746	18,691
Total Comprehensive Income	17,999	23,002	13,588	20,522	14,045
Gross Margin %	35%	33%	32%	32%	35%
Net Margin %	17%	20%	20%	18%	22%
Interest cover (times)	1.9	2.5	2.6	2.3	2.7
Housing Properties at cost (GBV)	1,113,878	1,006,030	907,574	825,284	719,209
Housing Properties at cost (NBV)	1,032,534	934,750	844,990	770,314	670,820
Total Assets less current liabilities	1,065,584	974,697	882,084	824,085	735,020
Total Debt after fees	669,346	610,078	540,200	505,506	444,283
Total Reserves	206,295	188,295	165,293	151,705	131,183
Units Owned and managed	8,271	7,797	7,227	6,818	6,380

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



Although Hightown's turnover has seen continued growth in the last five years as shown above, the Total Comprehensive Income for the year has seen more volatility. From 2019 onwards, the financial statements show the estimated position (surplus/deficit) of the Association's defined benefit pension scheme in accordance with Financial Reporting Standard 102 (FRS 102). The estimated pension position is assessed each year and the net change in the provision flows through the Statement of Comprehensive Income (SOCl). This can cause volatility in the Total Comprehensive Income result. Measurement of the accounting provision for pension is particularly sensitive to movements in both the discount rate and future inflation assumptions. The pension provision at 31 March 2023 was £3.9 million (2022: £4.2 million). See Statement of Financial Position.

The graph below shows the Total Comprehensive Income and the Surplus for the Year before pension provisioning:



Typically Hightown spends over £100 million gross on developing new homes each year. After financing from capital grant, shared ownership sales and the net surplus, around £70-£80 million of new borrowing is required each year to fund the development programme. In 2022/23 an exercise was undertaken to gain greater consistency on interest cover covenants from lenders across the Hightown loan portfolio. As a result, there is material alignment on this measure with greater headroom achieved which has been useful given the significant changes in interest rates feeding in through the year. Incremental banking facilities of £50 million were raised in the period. The pipeline on new homes handed over in the year continued to be strong and the net debt position of the Association continued to grow as a result, circa £70 million for 2022/23.

Development Programme

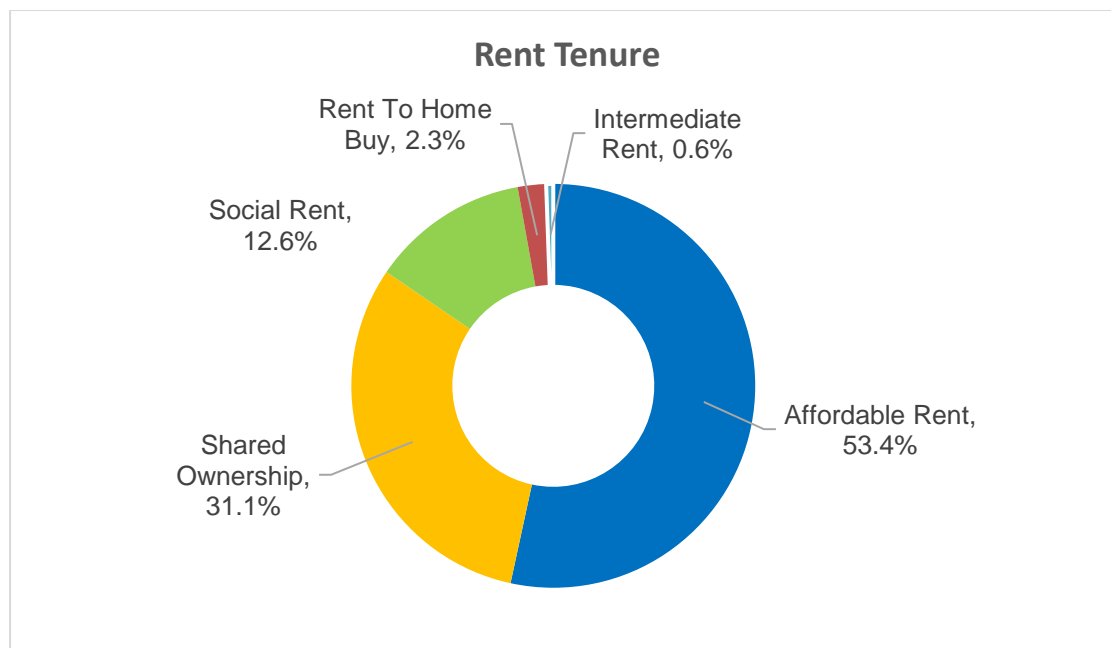
The financial year 2022/23 was another very active year in Hightown's development programme. Despite continued construction delays caused by shortages of materials and labour and increases in the cost of building materials, Hightown built 530 new homes - a growth rate of 6.4%. In the last three years Hightown has built over 1,500 new homes.

A summary of the 2022/23 development programme is as set out below:

a) Tenure

In 2022/23 Hightown predominantly built properties to let at Affordable Rent 53.4% (2022: 70.5%) and for Shared Ownership 31.1% (2022: 25%). There were 67 homes (12.6%) developed at Social Rent (2022: 2%) which although a greater number than in recent years, reflects the low level of Social Housing Grant available to subsidise this tenure. Hightown does not develop for market sale or market rent. Around 54% of the new homes were houses.

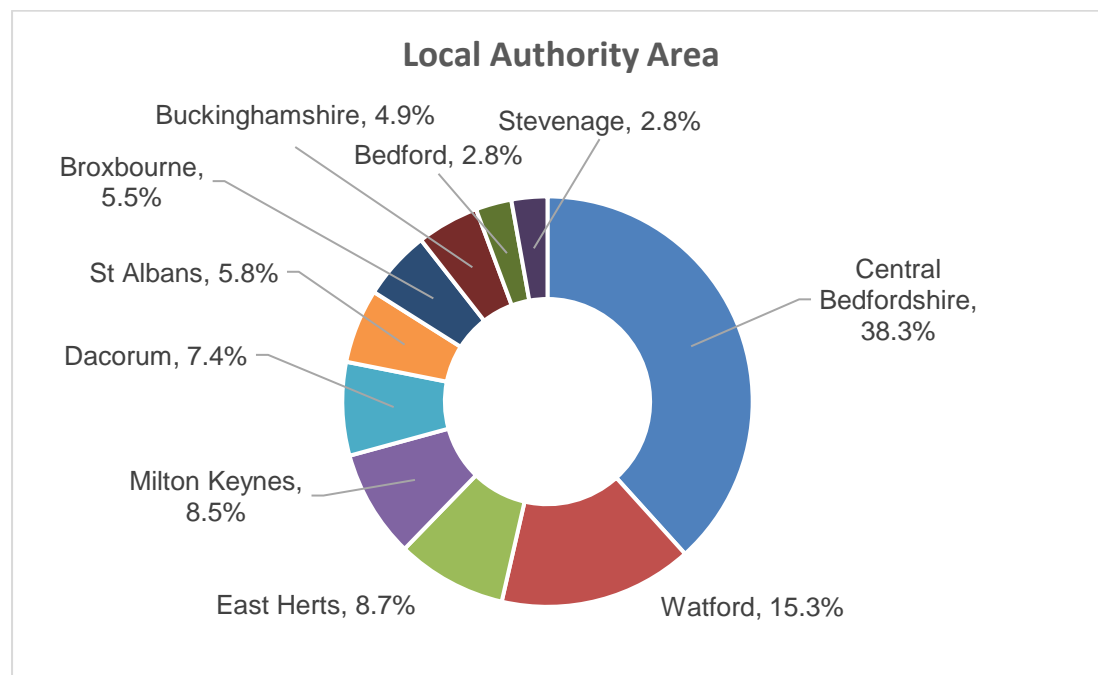
Tenure	Apr-Jun 22	Jul-Sep 22	Oct-Dec 22	Jan-Mar 23	Total	
Total	138	69	131	192	530	
Affordable Rent	94	42	65	82	283	53.4%
Shared Ownership	38	27	23	77	165	31.1%
Social Rent	6	0	31	30	67	12.6%
Rent To Home Buy	0	0	12	0	12	2.3%
Intermediate Rent	0	0	0	3	3	0.6%



b) Local Authority

Hightown built 530 properties in 10 local authority areas:

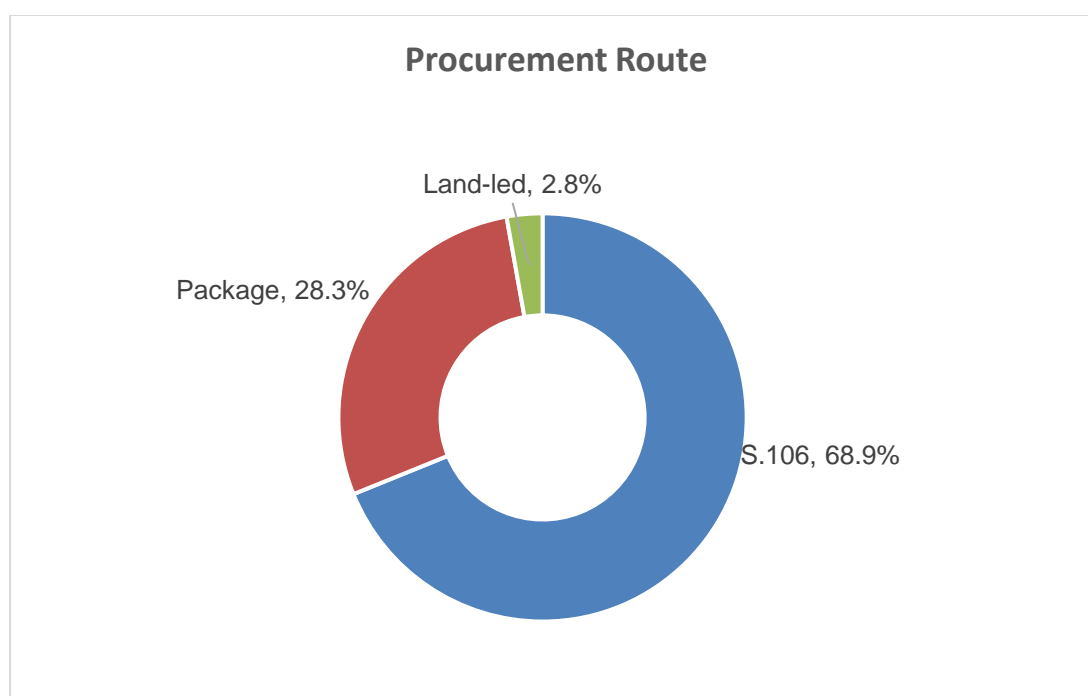
Local Authority	Apr-Jun 22	Jul-Sep 22	Oct-Dec 22	Jan-Mar 23	Total	
Total	138	69	131	192	530	
Central Bedfordshire	31	27	47	98	203	38.3%
Watford	29	0	52	0	81	15.3%
East Herts	13	0	9	24	46	8.7%
Milton Keynes	21	14	6	4	45	8.5%
Dacorum	6	5	13	15	39	7.4%
St Albans	16	15	0	0	31	5.8%
Broxbourne	4	8	4	13	29	5.5%
Buckinghamshire	18	0	0	8	26	4.9%
Bedford	0	0	0	15	15	2.8%
Stevenage	0	0	0	15	15	2.8%



c) Procurement Route

In total, 68.9% of Hightown's new build homes were developed by housebuilders under S.106 planning requirements to provide affordable housing and 31.1% came from land purchased and developed by Hightown and from package deals:

Procurement Route	Apr-Jun 22	Jul-Sep 22	Oct-Dec 22	Jan-Mar 23	Total	
Total	138	69	131	192	530	
S.106	92	69	57	147	365	68.9%
Package	46	0	74	30	150	28.3%
Land-led	0	0	0	15	15	2.8%



Development Policy

Hightown's policy is to maximise the number 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's area of operations are overwhelmingly for homes to rent at sub-market rents so the Association aims to have at least 65% of its development programme producing homes for rent with the remaining proportion being for shared ownership.

Hightown expects to deliver around 1,700 new affordable homes over the next three years, from 2023/24 to 2025/26. Around 58% of the new homes will be on sites purchased by Hightown for affordable housing with the remaining 42% coming from the affordable housing element on sites developed by private housebuilders under S.106 planning requirements.

Asset Management

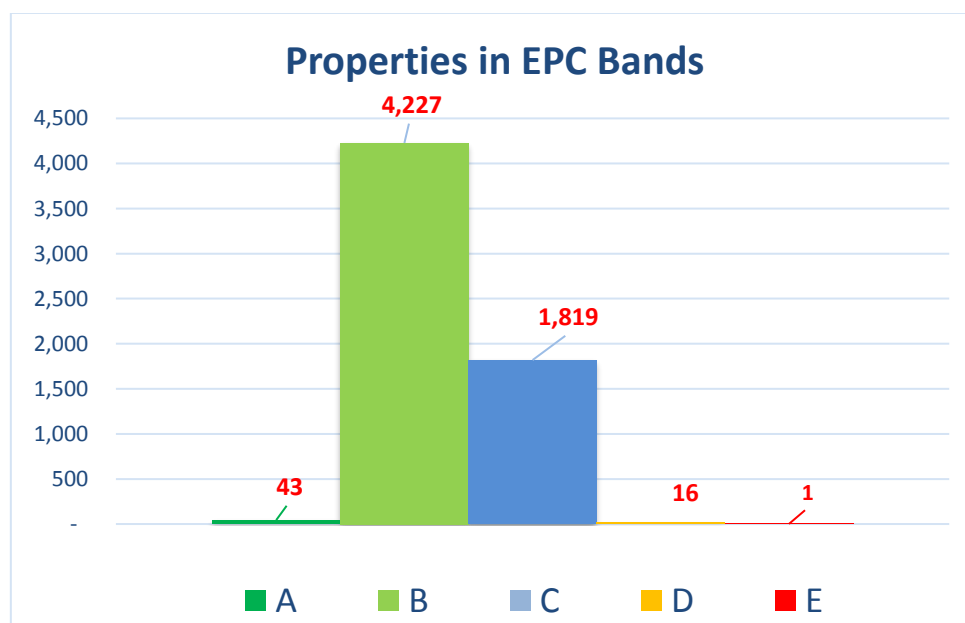
Hightown's properties are our largest asset and for Hightown to continue to provide good quality energy efficient homes to our residents, it remains our priority to ensure they are kept in good order and are homes that our residents want to live in and are proud to call home without compromising on resident safety or our legislative duties.

As well as providing good quality and affordable homes Hightown also understands the impact our homes have on the environment and is therefore continuing to work on improving the energy ratings of our properties and this aligns with Government strategies. The Government's Clean Growth Strategy, published in 2017, included an aspiration for homes in England and Wales to achieve EPC band C by 2035, where cost effective, practical and affordable. The Government's Heat and Buildings Strategy, published in October 2021, has set out a number of measures for improving the energy efficiency of buildings including a target for as many homes as possible to achieve a minimum energy efficiency rating of band C by the end of 2030, with an interim target of achieving band D by 2025 and that setting minimum energy performance standards for social housing properties through regulatory standards should be considered.

In addition to the above, the Climate Change Committee, has recommended that all social housing homes should reach an EPC band C by 2028 with Government due to consult on the minimum energy efficiency standards in social housing in 2023/2024.

Whilst the Government is considering various targets for when homes are to achieve an EPC band C, Hightown has set a target of 2025 for all homes to achieve an EPC band C. Improving the energy efficiency of homes contributes to affordable warmth initiatives, which helps to make fuel bills more affordable for residents and helps to tackle fuel poverty, which the Government defines as spending more than 10% of household income on energy bills. Improving the affordable warmth of the stock also helps to reduce the burden on the NHS, which is reported to spend £1.4bn a year treating conditions that arise from poor housing.

At the end of March 2023 Hightown's stock had increased to more than 8,200 homes, with over 6,000 of these rented homes at an average EPC rating of 81.4 which is equivalent to a band B. Currently, as can be seen in the graph below, Hightown has over 4,000 rented homes with an EPC band B or higher with just over 1,800 rented properties in a band C. The average EPC rating for new properties developed in 2022/23 was 84.1.



In the last financial year Hightown reduced the number of properties in the EPC band D by approximately 25%, leaving just 17 of the more difficult to improve properties below a Band C. Hightown will continue to look to improve the energy efficiency of those properties with the aim of all properties achieving a band C by 2025. The one property below an EPC band D rating is on the disposals register and currently in the process of being sold.

Hightown has the resources and funds available to maintain our stock to an excellent standard and continue to meet our obligations to keep residents' homes safe as well as having a thorough understanding of the construction type of its buildings and plans for any material replacements required.

Through a regular review of the stock Hightown is able to properly plan future upgrade and improvement works and provide effective financial modelling to ensure the necessary funds are in place to allow us to meet these upgrades as well as 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'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.

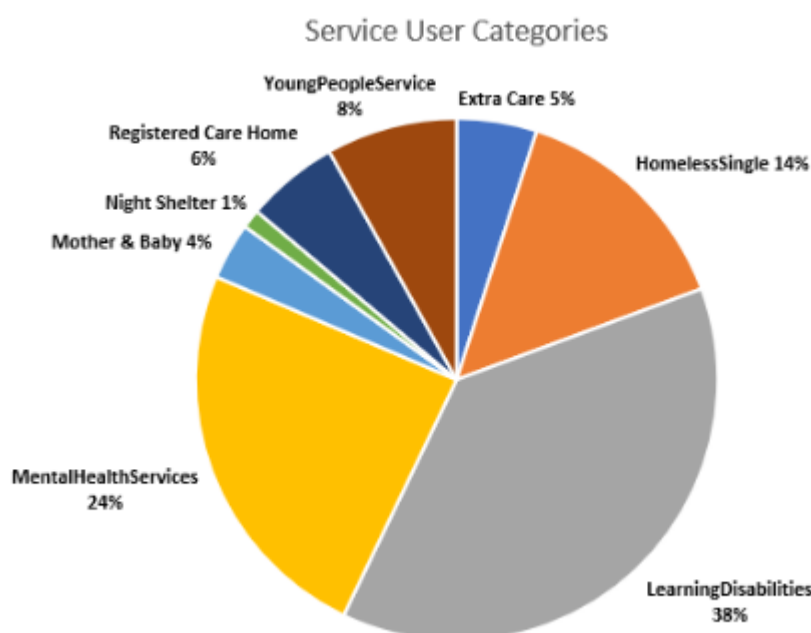
To understand how each property contributes, an annual Net Present Value (NPV) review of the rented properties is carried out looking at the future projected rental income of the properties against the future projected expenditure for these properties over the next 30 years. This incorporates the expected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

Care & Supported Housing

Around £28.4 million (33.4%) of Hightown's 2022/23 turnover came 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 delivering care and supported housing.

The Association's aim is to provide high quality personalised support to help each individual to live a full and meaningful life with a strong focus on giving people as much independence as possible. At 31 March 2023, Hightown was supporting 766 service users in the following areas:



Financing

Just over £22 million of the £28.4 million turnover in Hightown's Care & Supported Housing service is generated from contracts for the provision of care and support commissioned by local government and 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).

The management accounts for the year show Care & Supported Housing producing a modest surplus. This is largely attributed to unbudgeted income relating to contract uplifts & additional funding awards to deliver support. The surplus generated will help to secure the care provision and to meet continued costs relating to fire safety and building works across a number of C&SH services where Hightown is the landlord.

The viability of services remains heavily dependent on uplifts awarded by commissioners and Hightown continues to work within financial constraints further compounded by inflationary pressures. In 2022/23 uplifts averaged 3%, a slight decrease from the 3.5% average in 2021/22. We continue to work with our commissioning partners to ensure viability & sustainability across services. Hightown achieved its ambition to pay the Real Living Wage during 2022/23 and will endeavour to sustain this position.

To further enhance the departments financial performance, a centralised housing management function has been introduced resulting in reduced levels for rental voids and targeted work on current & former tenant debt.

Hightown has introduced a new RAG Rating tool that enables forecasting and stress testing of financial and qualitative performance at both service and contract level. This will inform future uplift and viability conversations with commissioning partners.

The revision & relaunch of C&SH's financial reporting system has resulted in greater analysis & scrutiny of management accounts within C&SH, strengthening financial controls.

New & Re-provisioned Services

In partnership with Hertfordshire County Council Hightown has ensured utilisation of an empty care home at Manor View to cater for individuals with complex needs. The service is due to open in Spring 2023. In line with the department's strategic ambitions to further develop homelessness services, C&SH has extended its potential growth across the separated migrant children provision.

The redevelopment of Martin House which provides supported accommodation for homeless adults in St Albans, is due to complete in Summer 2023. Works have also continued on the site at 34 Alexander Road, Hemel Hempstead, developing 9 brand new self-contained flats which will be utilised as move-on accommodation for homeless adults.

C&SH Staffing

Like many providers in the sector Care & Supported Housing staff vacancy rates continued to follow an upward trend throughout 2022/23. From 1 April 2023, Hightown increased the pay of frontline workers to ensure roles are paid at Real Living Wage and above, moving towards its strategic aim of being a Real Living Wage employer.

Hightown's workforce of bank staff continue to support C&SH services to provide seamless support, ensure continuity of care and quality standards. Hightown employ over 350 bank workers, a 17% increase in comparison to last year. Throughout 2022/23 the bank picked up a record total of 35,986 shifts in total. In March 2023 alone they worked a total of 3,412 shifts which is the highest ever amount undertaken in a one month period.

Quality Improvements

During 2022/23 there was an increase in the number of services rated highly by commissioning partners and/or the Regulator, the Care Quality Commission (CQC), with 100% of the CQC care homes also currently rated as 'GOOD' and 20% of the contract monitored local authority commissioned services rated as 'EXCELLENT'.

The introduction of a new audit process at the beginning of this year revealed the challenges that staff were experiencing with the digital Support Plans and the connected Growth model.

A working party of experienced practitioners across C&SH's specialisms has been created to explore the issues and identify solutions. The re-design of the current system aims to simplify the process, creating an intuitive suite from point of assessment. The holistic design will guide completion, ensuring a strength-based approach centred around each individuals needs, aspirations and preferences.

The new digital model is at specification stage, with a view to pilot in the Summer 2023. The improved reporting functions will allow data sharing with commissioning partners and healthcare associates. This

aligns with the direction of travel of regulators; under CQC's new single assessment framework digital data will be used to inform inspections and gradings.

To further advance specialist provisions, we are co-producing our approach to delivering Trauma Informed Practices and Psychologically informed Environments (PIE). We have initiated transformation plans to improve the psychological and emotional well-being of those who provide and receive support services. Positive outcomes have already been recognised through both accommodation upgrades being focused on therapeutic living, and centering working practices on early intervention methods.

Management Training

We have continued to deliver the C&SH Management Training programme in 2022/23.

Feedback from the previous attendees has been extremely positive with managers feeling more equipped to lead their teams. 86% of those trained were satisfied with the content. They valued working in groups and sharing experiences, with one manager saying *"I am delegating more which means we are achieving higher levels of compliance on a faster turnaround, my feedback is more concise meaning that messages are not being lost in translation and is also causing staff to reflect on their own practice more, making the team more autonomous through use of coaching techniques to help them come to their own conclusions/ resolutions rather than telling them how to do things"*

The action learning sets were also a new concept for many. One manager said *"They are a useful way of networking as the manager roles can be quite isolating. It is good to share experiences and learn from one another"*

We will continue to expand the programme to include more practical skills delivered by sector experts including H.R. Training will focus on the effective management of E.R. issues (capability, absence management, investigations) as well as Communication approaches.

Social Impact Reporting

Hightown's social purpose is what drives us every day. Building and managing good quality housing not only has an economic impact, it's also an investment in society, supporting people to live well and thrive and creating communities that will prosper for years to come. Hightown produces a separate Social Impact Report ('Our Impact') which details the impact we deliver for our tenants, service users, residents and the wider community, and includes stories of the positive impact we have made on people's lives.

In summary for 2022/23 Hightown has:

- Built 530 new affordable homes for households in housing need, 66% of which were for affordable and social rent;
- Added £32.9 million directly to the regional economy through its development programme;
- Created an estimated 562 full-time jobs as a direct result of construction activity;
- Allocated 49% of new lettings to homeless households, nearly double the housing association sector average;
- Responded to 259 referrals for financial inclusion support, claiming £59,872 in welfare payments on behalf of tenants experiencing financial difficulties;
- Enabled tenants to thrive in their tenancies with holistic tenancy sustainment support provided via 514 phone calls and 217 face-to-face appointments;
- Accessed the HACT Energy Hardship Fund and The Trussell Trust foodbank network to alleviate poverty for tenants living in extreme financial hardship;
- Utilised £33,786 of its tenancy sustainment fund to help vulnerable tenants pay for essential items such as flooring and carpets, white goods, mattresses, curtains, ID documents and GP letters;
- Championed tenant and service user involvement through meetings, forums, focus groups, consultations, feedback surveys, door-knocking events and summer estate events, which inform decision-making;
- Supported 93 tenants experiencing domestic abuse;
- Provided 104 people at risk of rough sleeping with emergency accommodation through the Open Door night shelter;
- Delivered tenancy support, advice and guidance in the community to 30 people who were previously homeless to help them resettlement and sustain tenancies;
- Housed and supported 13 clients with multiple complex needs and histories of repeat homelessness with via its Housing First project, including three new clients;
- Supported over 100 people each day through nine adult homelessness supported housing schemes and helped 42 individuals move on to secure housing;
- Developed and rolled out psychologically informed practice across adult homelessness and young people's housing services to improve the wellbeing of service users and staff;
- Partnered with Hertfordshire County Council to become part of the MEAM (Making Every Adult Matter) Approach Network, which is enabling 15 individuals facing multiple disadvantage to receive targeted intervention;
- Maximised energy efficiency and reduced carbon emissions by achieving an average SAP rating of 84.1 – equivalent to EPC Band B – for all new homes constructed;
- Invested £563,000 in energy efficiency works to existing rental homes, putting 70% of all rental properties in EPC Band B and above and reducing fuel poverty and carbon emissions.
- Installed low carbon air source heat pumps in 158 new properties in our flagship Maylands Plaza development;
- Delivered a wide range of care and support to 776 service users through 89 care and supported housing schemes, promoting independence and wellbeing through a bespoke 'Growth Tree' approach;

- Housed and supported 199 young people through its Young People's Housing Service, including 60 separated migrant children aged 16-17, helping 127 access education, 23 access work and 8 access training;
- Encouraged continuous professional development, investing £228,000 in staff learning and delivering 345 in-house training courses;
- Raised £1,900 for The Trussell Trust charity through staff fundraising activity.

Homes for Cathy

Hightown is a founding member of Homes for Cathy, a group of housing associations, charities and local authorities working together to end homelessness. The group continues to challenge and inspire the housing sector to act, encouraging adoption of the Home for Cathy commitments, a framework for housing associations to benchmark performance on homelessness related measures.

Recently, Homes for Cathy has lobbied for changes to new social housing regulation to give the Regulator of Social Housing a remit to monitor and measure the sector's efforts to house homeless households and support tenants at risk of homelessness.

Hightown's Chief Executive David Bogle leads Homes for Cathy's work as the group's chair, and the association provides communications and administrative support.

With the backing of its Board, Hightown has embedded the Homes for Cathy commitments into its own operational policies, practices and provision and reports annually on progress. In 2022/23, Hightown:

- Participated in St Albans and Dacorum councils' Homelessness Forums and Buckinghamshire Council's Housing Management Forum, influencing strategic decision-making and promoting best practice at local level.
- Reviewed its allocations and lettings policy to ensure flexibility around eligibility for applicants coming from a homeless situation, referring any homeless applicants who do not qualify on affordability grounds to the Head of Housing for reconsideration.
- Updated its general needs direct lettings policy to increase 'qualifying points' in favour of applicants moving on from its supported homelessness services, with additional points awarded to individuals who do not satisfy the local authority's local connection criteria.
- Reduced evictions to 14 - from 20 in 2019/20 - through a 'court as a last resort' approach and person-centred income collection practices.
- Reviewed and streamlined its tenant vulnerability matrix for new tenants, to identify individuals and households who require referral to the tenancy sustainment and financial inclusion teams, allowing for early intervention to prevent tenancies breaking down.
- Secured £48,000 in welfare payments and grants and utilised its tenancy sustainment fund to pay for essential items such as flooring and furniture for tenants experiencing financial hardship, at the same time providing holistic welfare support for vulnerable tenants.
- Produced an information and advice pack for new tenants on sourcing furniture.
- Supported 93 victims of domestic abuse to remain in their home or move to an alternative property, depending on their needs.
- Provided a range of housing options for people experiencing homelessness in the local community through emergency, temporary, short-term and move-on supported housing services, ensuring services are psychologically informed and co-produced.
- Contributed to ending migrant homelessness by providing a general needs property to an Afghan family under the Afghan Citizens Resettlement Scheme and supporting 57 young people through its Separated Migrant Children service.
- Championed the needs of homeless people and best practice to the housing sector and beyond through senior management contributing to key industry events.

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 local and national peers. 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 & 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 inform 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, 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 the last 16 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. This helps embed Value for Money through the Association.

In 2022/23 there were 25 recorded actions in the log showing improved efficiency in operations and cost savings. Many of the initiatives arose through the application of technology and process changes which have enabled staff to use the time saved to improve the service provided to residents and service users, and to help manage the increase in workload as the Association continues to grow. This included more efficient and cost-effective ways of responding to incidents of damp and mould to assist with assessment and moisture extraction, sourcing energy efficient fans and mechanical ventilation systems that were much cheaper for tenants to run.

In summary Hightown has:

- 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 £18.5 million (2022 £21.0 million) and 530 new homes (2022 610), bringing the number of new homes delivered in the last three years to over 1,550;










- Managed the 530 new homes efficiently, achieving a low and reduced overall operating cost per unit, as detailed elsewhere in the report;
- Continued to deliver the general needs services within the good performance/low cost quadrant of the HouseMark VfM matrix;
- Continued to increase the use of digital service delivery and the interaction with tenants through the MyHightown Portal with a 15% (2022 19%) increase in usage in the year, with 6,385 (2022 5,530) residents now using the portal;
- Continued to develop new IT workflows and information reporting to drive more efficient and effective processes including the recording of Health & Safety servicing records so that they are easily accessible for all staff.
- Maintained the average energy efficiency rating of our homes at 81.4 (2022 81.4) through building improvements and new components. The EPC rating of over 440 properties were improved, with 10% moving to a higher EPC band. There are just 17 properties with a rating below band C and these are targeted for improvement by 2025. The average EPC property rating for Hightown properties is a band B.

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. There are nine metrics used 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 2022/23 performance against the Regulator's published 2021/22 metrics reflects the impact of the war in Ukraine, rising interest rates and inflation and the continued shortage of building materials and labour. As a result, metrics for reinvestment and new units were below budget targets and while rental income was below budget due to the delayed handovers, higher income from Care & Supported Housing grants meant that Hightown's performance against the remaining metrics was either on target or better:

VfM Table 1- Performance against budget

	Value for Money Metric	VfM Cost Chain Measure	Actual March 2023	Budget Target 2022/23	Indicator Flag
1	Reinvestment %	Efficiency	11.0%	15.1%	
2a	New Supply Delivered Social Housing Units %	Effectiveness	7.0%	8.7%	
2b	New Supply Delivered Non-social Housing Units %	Effectiveness	-	-	
3	Gearing % (##)	Efficiency	63.2%	63.6%	
4	EBITDA MRI Interest Cover % (#)	Efficiency	167.8%	168.2%	
5	Headline Social Housing Cost Per Unit (£'000)	Economy	£6.51	£6.41	
6a	Operating Margin % – Social Housing Lettings	Efficiency	34.4%	31.4%	
6b	Operating Margin % – Overall	Efficiency	31.1%	25.1%	
7	Return on Capital Employed (ROCE) %	Efficiency	3.6%	3.1%	

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

(## RSH definition, based on net asset costs)

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.

The Regulator of Social Housing has published a report *Value for money metrics and reporting 2022: Annex to 2022 Global Accounts*. This allows Hightown to measure performance against a national peer group and to the national performance. The table below shows Hightown's performance over the last three years and compares the March 2023 performance with the most recent published data from March 2022. For comparison, the budgeted Hightown VfM metrics for March 2024 are also shown.

VfM Table 2 – Performance against peers

	Value for Money Metric	Budget 2023/24 (memo)	March 2023	March 2022	March 2021	Peer Group Median 2022*	Peer Group Quartile and rank 2022 *	National Entity Quartile and rank 2022
1	Reinvestment %	13.2%	11.0%	11.1%	10.2%	6.9%	Upper 16th	Upper 23rd
2a	New Supply Delivered Social Housing Units %	7.9%	7.0%	9.1%	6.8%	1.5%	Upper 1st	Upper 3rd
2b	New Supply Delivered Non-social Housing Units %	0%	0%	0.05%	0%	0%	Upper/Median 48th	Upper/Median 57th
3	Gearing % (##)	60.2%	63.2%	62.5%	61.5%	47.8%	Upper 13th	Upper 17th
4	EBITDA MRI Interest Cover % (#)	145.2%	167.8%	220.0%	218.8%	141%	Upper 19th	Upper 38th
5	Headline Social Housing Cost Per Unit (£0'000)	£6.83	£6.51	£6.65	£6.94	£3.96	Upper 6th	Upper 29th
6a	Operating Margin % – Social Housing Lettings	36.0%	34.4%	35.2%	35.7%	25.1%	Upper 17th	Upper 24th
6b	Operating Margin % – Overall	32.3%	31.1%	29.9%	29.5%	21.3%	Upper 11th	Upper 20th
7	Return on Capital Employed (ROCE) %	3.6%	3.6%	3.5%	3.3%	3.3%	Median 51st	Upper/Median 70th

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

(## RSH definition, based on net asset values).

(* RSH Value for Money Metrics and Reporting 2022 - data at 31 March 2022. National entity 200 associations.

Peer group – All traditional Housing Associations with 5,000+ units, Entity level 129 peers).

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 that were invested in the year. It is a measure of effectiveness.

In 2022/23, Hightown invested £113.7 million and delivered 530 new homes. The 2023 out-turn metric of 11.0% investment is lower than the budget target of 15.1% as a result of the continued impact of the shortage of building materials and labour following the war in Ukraine and the cost of living crisis, rising inflation and interest cost. This impacted not just the capital spend but also major and day-to-day repairs spend too. Capitalised interest was higher due to higher capital spend and rising interest rates during the year. The reinvestment metric score of 11.0% is a slight decrease on the 11.1% last year and remains upper quartile performance against the latest reported metrics for 2022.

Despite these challenges Hightown's performance in this area is impressive for its size demonstrating Hightown's continued commitment to provide new homes to people in housing need, to help end homelessness and 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

Hightown has again produced market leading growth. In 2023 Hightown's performance was again upper quartile at 7.0%, compared to 9.1%, ranked number 1 amongst its peers and 3rd nationally. Delivery was a little behind budgeted performance, again due to delayed handovers. This reflects the substantial development programme in recent years with over 1,550 new properties in the last three years. At 31 March 2023 there were 982 new homes under construction.

b) The proportion of non-social housing

Hightown did not deliver any Non-Social Housing units in the year nor had it intended to. This reflects Hightown's Strategic Plan of focusing on the delivery of affordable social housing and is 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, and is likely to continue to be upper quartile having risen in the year to 63.2% from 62.5% as a consequence of delivering 530 new homes, funding 982 new homes under construction and land banking for future delivery. Gearing was a little lower than the budgeted gearing metric of 63.6%, again due to delays in building works.

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 so dampening the rise in gearing. There is still headroom for further borrowing within covenants in bank loan agreements.

Metric 4 – Interest Cover EBITDA MRI

This metric measures Interest Cover using an adjusted measurement of earnings after adjusting for accounting entries i.e. Earnings before Interest, Tax, Depreciation and Amortisation, Major Repairs Included (EBITDA MRI). This is a measure of efficiency. Performance at 2023 year end was strong at 167.8%; although a reduction from 220.5% last year, the result was in line with the budget target of 168.2%. This reflects the increase in interest charges and maintenance expenditure. Hightown continues to deliver an upper quartile, strong EBITDA MRI metric demonstrating capacity to fund additional borrowings although this will reduce as delayed major repair works are re-phased to later years and as interest rates rise.

Metric 5 – Headline Social Housing Cost Per Unit

As a major provider of Care and Supported Housing, Hightown's headline social housing cost per unit has always been high compared to the average for other Registered Providers, many of whom have little or no care services. This relatively high cost has consistently been apparent in all past data analysis from the RSH Global Accounts comparison, the RSH operating costs analysis. Hightown's cost per unit has fallen in each of the last three years despite inflation, with 2023 cost of £6,510, a 0.2% reduction on £6,650 last year reflecting the rise in units.

Hightown has a substantial Care & Supported Housing service that requires more intensive management and this distorts the headline costs on a per unit basis against peers. Benchmarking of care costs is difficult due to lack of published comparators but Hightown continues to win new care 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 upper quartile, lowest cost demonstrating 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*

Hightown's margin on social lettings was 34.4%, against a budgeted value of 31.4% and a modest reduction on last year. Hightown continues to demonstrate strong performance on value for money in the delivery of management of its lettings activity. Hightown again delivered upper quartile performance.

b) *Operating Margin % - Overall*

This margin has risen from 29.9% to 31.1%, above the budget target of 25.1%. This is a very strong margin and is upper quartile performance compared to 2022 metrics.

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 2023 figure of 3.6% is higher than the budget target of 3.1% and the 3.5% last year. Hightown continues to have a substantial amount of development work in progress which does not yet generate income and as a result, suppresses the ROCE. In addition, ROCE is suppressed by the minimal net margin delivered on the £28.4 million of Care & Supported Housing income. Despite this Hightown's performance is in the upper/median quartile nationally.

Other Performance Benchmarking Comparatives

HouseMark

Hightown uses the HouseMark service to benchmark Hightown's housing management costs and performance against its peers. The housing management service is the largest element of Hightown's business activity.

In its Strategic Plan, Hightown aims to continue to deliver housing services within the HouseMark low cost, good performance quadrant. The benchmarking results for 2021/22, 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 268 traditional housing associations is as follows:



Key: 1 Responsive Repairs; 2 Voids & Letting; 3 Rent Arrears & Collection; 4 Tenancy Management; 6 Customer Service 7 Neighbourhood Management 8 Community Investment (5 Resident Engagement: insufficient comparators in both years).

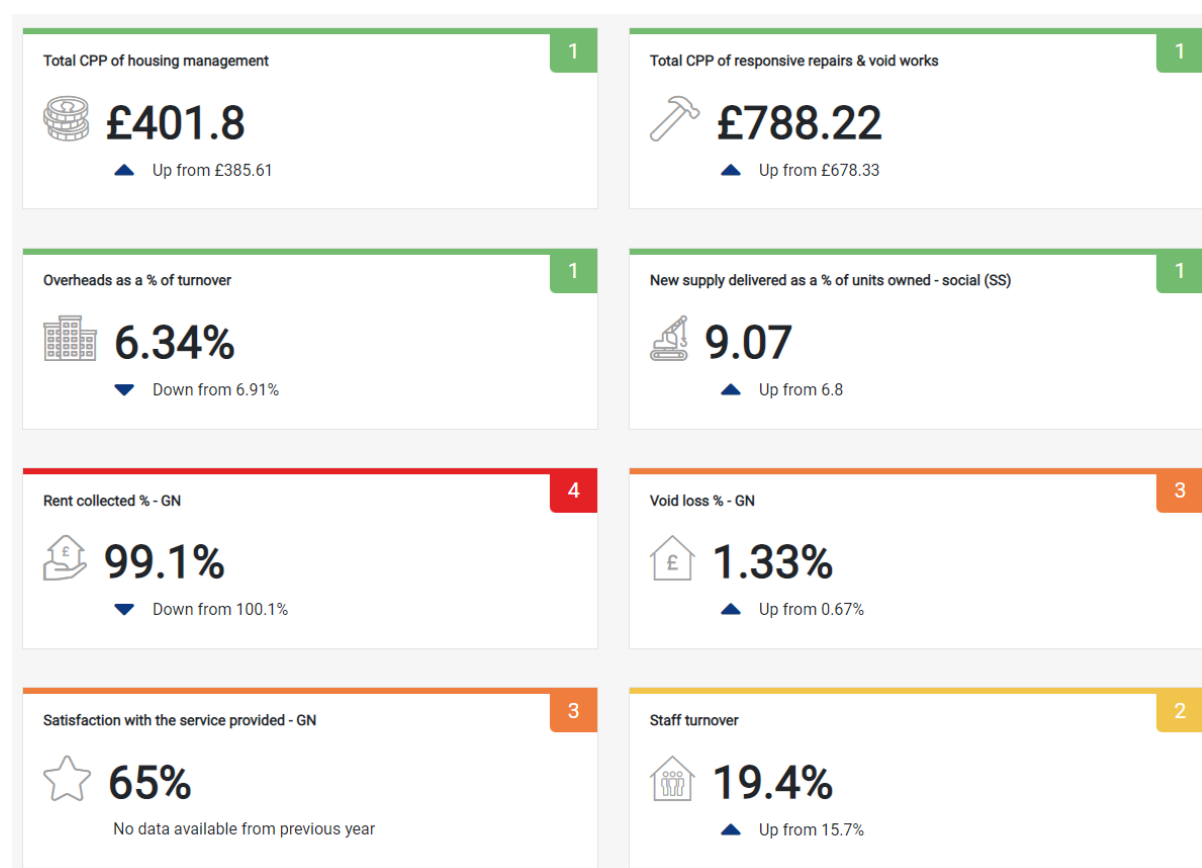
The comparison shows Hightown achieving its aim of delivering all services in the good performance, low cost quadrant with the exception of Neighbourhood Management where the number of cases of anti social behaviour (per 1,000 homes) is high compared to our peer group.

Costs per property have remained broadly the same, and improvements in performance have been seen in tenancy management compared to the peer group.

HouseMark Efficiency Summary

Hightown's latest HouseMark performance summary in its peer group for 2021/22 continues to show upper quartile performance on overheads, cost measures, development activity. Rent collection is in the lower quartile in a narrow data distribution, void loss and satisfaction is 3rd quartile, while staff turnover is in the second quartile.

HouseMark Annual Summary Dashboard 2021/22:



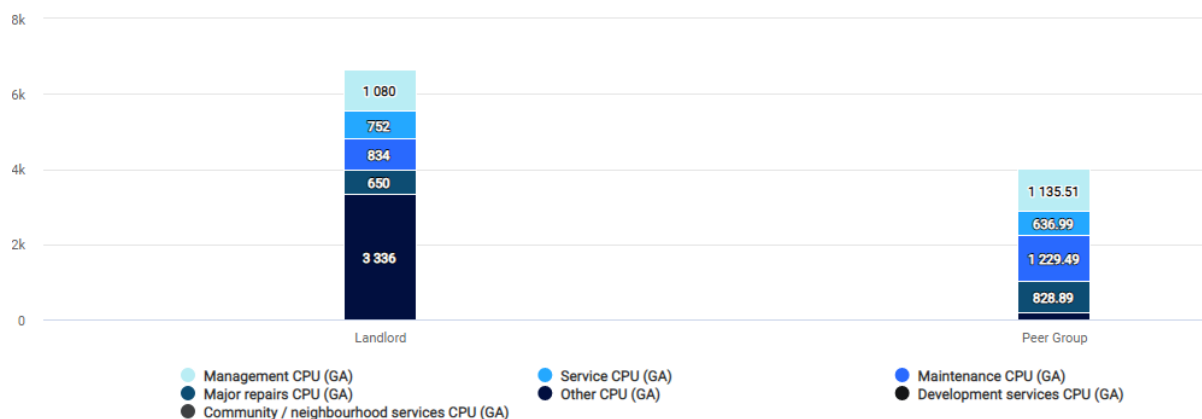
HouseMark Sector Scorecard

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 268 associations in the peer group of traditional housing associations. 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 both the scorecard and the RSH metrics.








Social housing CPU (GA)



Hightown's performance against the 2021/22 published sector scorecard is as follows:

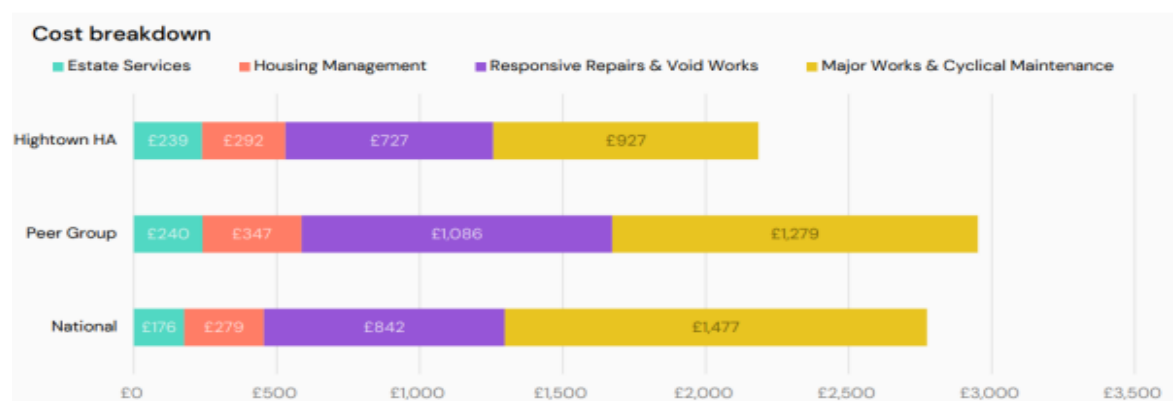
Upper Quartile Performance			
	2021/22	2020/21	Flag
Operating Margin (overall; social housing lettings)	29.9% 32.7%	29.5% 32.2%	
Units developed (%; absolute)	9.07% 610	6.8% 429	
Reinvestment	11.1%	19.2%	
Return on Capital Employed (ROCE)	3.54%	3.3%	
EBITDA MRI Interest Cover	188.42%	218.8%	
Rent Collected	99.1%	100.1%	
Overheads	6.34%	8.3%	

Median/ Lower Quartile Performance			
	2021/22	2020/21	Flag
Occupancy	97.98%	98.13%	
Satisfaction with service	65%	74%	
Gearing	65%	61.5%	
Headline Social Cost per unit	£6,653	£6,866	
Ratio of Responsive Repairs and Planned	0.9	0.88	

(Triangle key: Colour shows performance traffic light; Apex orientation indicates direction of travel).

As with the RSH Metrics, Hightown's Gearing and Headline Social Cost per unit are above the median reflecting the investment in growth and the size of the of Care & Supported Housing service.

If supported housing costs are excluded, costs per unit are well below the national and regional peer groups.



Areas of Underperformance

As has been demonstrated earlier in this report, Hightown's overall performance on Value of Money as measured by both the RSH Metrics and the HouseMark benchmarking continues to be good with the majority of the RSH Metrics in the Upper or Upper/Median band and the HouseMark Key Performance Indicators in the good performance/low cost quadrant.

The comparisons in *VfM table 1* above show that Hightown missed its delivery targets on Reinvestment and new supply. This underperformance arose due to the delays from labour and materials shortages in the construction industry and were outside Hightown's control. In the year 2022/23 Hightown still delivered 530 new homes despite these issues.

The comparisons in *VfM table 2* above show Hightown's 2022 and 2023 results against the 2022 RSH VfM Metrics data. Hightown's strong development programme means it has a high level of gearing compared to its peers reflecting the amount of recent development undertaken at affordable rents with lower grant levels than was available in the past. Hightown is likely to remain an outlier against its peers in terms of gearing and debt per unit unless more social housing grant becomes available to fund Hightown's development programme or unless peer associations invest substantially more of their surpluses into the delivery of new units.

Hightown also has a high headline unit cost per unit. This reflects in part, the substantial amount of care & supported housing activity which distorts the cost comparison against peers. However the headline rate has been falling in recent years due to lower incremental management costs per unit as Hightown grows.

Value for Money in the Year Ahead, 2023/24

Hightown believes that the delivery of new affordable homes is the best measure of delivering Value for Money, meets its primary purpose and is an effective way to help solve homelessness.

Hightown expects to continue to deliver further Value for Money savings predominantly 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.

The budget for 2023/24 shows reductions in the metrics in *VfM table 2* earlier, for interest cover due to increases in interest costs.

In 2023/24 Hightown aspires to:

- Continue to deliver strong operational performance against the Regulator of Social Housing's metrics, aside from debt per unit and gearing where we expect to remain as data outliers due to the high level of investment in building new homes;
- Retain the HouseMark cost per unit for housing management at upper quartile performance;
- Deliver all services in the good performance, low cost quadrant of the HouseMark benchmarking;
- Continue to involve our residents in the continuous improvement of our services through the Residents Voice Scrutiny Panel and resident feedback;
- Consider further expansion of the Direct Labour Organisation (DLO) into other discrete areas of repair works where it believes it can drive savings in repair costs against contractors and improve the customer experience;
- Continue to assist tenants to sustain their tenancies through the work of the Financial Inclusion and Tenancy Sustainment Officers;
- Continue to consolidate, develop and roll out new IT workflow process and dashboards;
- Continue to play a leading role in the Homes for Cathy group.

Key Contract Procurements 2023/24

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 tender processes and framework agreements. The following areas of spend are due to be competitively tendered in 2023/24:

- Communal Cleaning/Window Cleaning
- Window & Door Replacement Programme
- Electricity Supply for Communal Supplies /Care & Supported Housing stock
- Voids Materials Contract
- Fire & Alarm Maintenance Contract
- Treasury Advisors

In the current economic climate with rising inflation, it is likely to be difficult to achieve cost savings against past contract prices in the coming year. Hightown will continue to pursue Value for Money through competitive tendering for contracts and from the delivery of service improvements wherever possible.

Risks and Uncertainties

Hightown's approach to risk management encompasses all areas of the business and is underpinned by six key elements:

- 1) Maintaining a clear understanding of the Association's short and long-term risk environment, incorporating internal and external factors;
- 2) Taking a robust approach to identifying and monitoring key risks;
- 3) Establishing early warning measures and risk triggers so that action can be taken before a risk materialises;
- 4) Close monitoring of Hightown's business critical risks through the High Risk Register which is regularly monitored by the Risk & Audit Committee and the Board;
- 5) Regular stress testing of our Financial Plan in line with the appetite set by the Board;
- 6) Clearly defining the Board's risk appetite for all key functions to inform decision making.

In the last year, Hightown's risk and assurance frameworks have continued to be tested as the Association responded to the challenges and uncertainties associated with the impact of Brexit, the war in Ukraine, and an increasingly challenging economic environment for both Hightown and its residents.

Many of Hightown's specific risks arise due to it being an active developer of new affordable housing. Development activities bring exposure to risks around the funding of the development programme, delivery of the schemes on-site, sales of shared ownership properties and the treasury risks associated with borrowings. The increased volatility of inflation and interest rates is being closely monitored by the Board with support from specialist advisors. This information is being fed into Hightown's stress testing processes to ensure that the impact on the Business Plan is understood and that robust mitigations are identified. The past year has seen shortages of skills and materials and increased build costs. The impact of property prices reducing at the same time as mortgage interest rates rising is being carefully monitored in relation to Hightown's shared ownership plans. Despite these challenges, Hightown successfully delivered over 500 new affordable homes for the benefit of those in housing need. The challenges set out for Hightown above also affect the Association's key contractors, and there is an awareness of an increased risk of contractor insolvency which requires careful monitoring.

Hightown has built assumptions into its business plan for works that will be required to meet expectations on fire and building safety and improvements to our homes to meet environmental targets. Hightown is fortunate to have significant numbers of energy efficient homes built in the last ten years in low and medium rise buildings, however, in line with other social landlords, the required level of expenditure remains an area of uncertainty and increasing demands. The condition of the Association's stock and the need for continued investment to maintain the highest possible standards has been thrown into the spotlight over the last year in relation to the concerns about damp and mould across the social housing sector.

Hightown has significant Care and Supported Housing (C&SH) activities 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. In particular, the Board has needed to manage the desire to pay staff at the Real Living Wage rates in order to attract and retain the high calibre personnel needed to deliver quality services, with the ongoing concern that contract prices paid for care and support services have not necessarily risen at a rate that can comfortably accommodate this.

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 recruit, develop and retain staff with the appropriate skills and attributes leads to reduction in standards of service provided and increased spend on agency staff	<p>Regular salary benchmarking and pay review.</p> <p>Benefits package and bonus scheme.</p> <p>Effective staff development and management programmes and apprenticeship schemes.</p> <p>Secondment and succession planning.</p>
Finance	
<i>Risk</i>	<i>Mitigation</i>
Incident or reduction in performance against covenants adversely affecting Hightown's creditworthiness with investors leading to a loss of external investment and increased cost of borrowing	<p>Liquidity maintained to meet cashflow requirements.</p> <p>Adequate loan security to support development programme and maintain covenant headroom.</p> <p>Loan covenant requirements met.</p> <p>Close scrutiny of market trends with support from specialist treasury advisors.</p> <p>Prudent interest rate management and gearing levels in line with Hightown's Golden Rules.</p> <p>Treasury activity reports to every Board meeting</p>
Increased material and labour costs or changes in the external operating environment results in unplanned expenditure, budget overspends and reduced value for money or contractor going into liquidation	<p>Regular review of development appraisal parameters.</p> <p>Fixed price contracts/single stage tenders wherever possible.</p> <p>Structured quotes process for higher value works.</p> <p>Contractors' insolvency insurance.</p> <p>Experienced Employers Agents employed on all development schemes.</p> <p>Board and senior management scrutiny of Development and Asset Management activities.</p> <p>Stress testing of Business Plan includes significant cost increases.</p>
Development	
<i>Risk</i>	<i>Mitigation</i>
Cyclical change in local property market or unforeseen reduction in income of prospective buyers causes slow-down in	<p>Development Policy currently excludes development for outright sale.</p> <p>Shared Ownership limited to maximum 35% of Development programme.</p>

sales and lower property prices.	<p>Frequent review of scheme programmes, market conditions and reporting on any slowdown in build rates.</p> <p>Options to change tenure from shared ownership.</p> <p>Options to sell smaller first tranches and remodel with reduced rent on unsold equity.</p>
Lack of longer-term borrowing capacity results in reduced opportunities and non-achievement of annual targets	<p>Ongoing engagement with current and potential lenders.</p> <p>Funding portfolio has capacity to deliver development programme and maintain covenant headroom.</p> <p>Knowledge of market/ scrutiny of market trends.</p> <p>Stress test addresses market wide liquidity shocks.</p> <p>Treasury Group consideration of funding proposals</p> <p>Regular Development programme and Treasury Management Activity reports to Development Committee and Board.</p>
Resident Services	
Risk	Mitigation
Failure to prepare for legislative changes relating to environmental sustainability and building safety and the associated costs leads to pressure on budgets, potential adverse impacts on customers, and breach of regulatory requirements	<p>Annual budget setting and Major Works budget.</p> <p>New schemes include low carbon and sustainability considerations.</p> <p>Environmental impact criteria for Contractor and Supplier procurement.</p> <p>Stress Testing includes retrofitting costs.</p> <p>Asset management Strategy.</p> <p>External support provided by Calfordseaden and SHIFT to inform future sustainability action plans.</p> <p>Engagement with Government, NHF and sector to anticipate new risks.</p>
Serious breach of Building Safety legislation, Health & Safety regulations causes death or serious injury	<p>Programme of Health & Safety inspections and maintenance programmes which are supported by a schedule of independent audits and specialist support as required.</p> <p>Dedicated Building Safety Team and retained support by an independent Health & Safety consultancy.</p> <p>Health & Safety performance scrutinised by internal Health & Safety Committee and reported to the Board.</p> <p>Use of the Contractor Safety Certification Scheme.</p>

Risk Appetite

Hightown's Board reviews its risk appetite at least annually. This is defined across 11 areas of risk and identifies the amount of risk that the Board is prepared to tolerate as Hightown delivers its strategic objectives and runs its day-to-day operations. The more extensive articulation of risk appetite will support future decision making and assist in determining the appropriate levels of controls required to manage the identified risks.

Corporate	
<i>Risk Theme</i>	<i>Appetite</i>
<u>Compliance & Regulation</u> Compliance with regulations and approach to health & safety	Hightown's risk appetite is Cautious . The Association will ensure that wherever possible it will exceed compliance thresholds. Particularly in high-risk activities, independent advice and assurance will be sought.
<u>People</u> Recruitment, retention and development of employees and Board members	The Board have a Balanced risk appetite, recruiting for both behaviour and skills, and the provision of a well-developed training programme to support career growth and progression.
<u>Technology & Business Continuity</u> Information, communication systems, software and internet. Business Continuity and Disaster Recovery arrangements.	The risk appetite has been defined as Balanced , with investment in innovation in new technology as an enabler. However, there is a Cautious attitude towards cyber security which requires multiple security measures to be put in place.
<u>Internal Controls</u> Protecting assets from impropriety. Spending public money. Delegation, authorisations.	Internal controls are approached with a Balanced to Cautious risk appetite. Resources are utilised to reflect the responsive needs of the business and the Association operates with limited delegations throughout the Association. Relaxation of controls is permitted in exceptional circumstances.
<u>Social Purpose</u> Mission, Values and overarching organisational strategy	The Board have adopted an Open to Balanced approach on the basis that a level of risks will be tolerated in pursuit of Hightown's strategic priorities. The Association's focus is influenced by changes within the sector and beyond with a willingness to adapt where consistent with strategy.
Financial Viability	
<i>Risk Theme</i>	<i>Appetite</i>
<u>Treasury and Funding</u> Debt facilities, available cash and debt structures	Treasury and Funding are viewed as Open to Balanced with Golden Rules to provide adequate buffer limits for liquidity and covenant headroom. The Association is open to the use of limited financial instruments such as derivatives to support strategic growth.

Property Development	
<i>Risk Theme</i>	<i>Appetite</i>
<u>Development and Sales</u> The provision of new affordable housing	The Board have identified the development programme as Balanced to Open in recognition of its continued commitment to providing new affordable homes for those in housing need despite challenging conditions in the construction sector. Development appraisal parameters are reviewed annually and mitigate against key risks.
<u>Environmental</u> Standards adopted in housing development and asset management. Actions taken to address broader organisational environmental impact.	Hightown's risk appetite sits between Balanced and Open on environmental standards recognising the need to reduce carbon emissions from its properties and business activities but also the reliance on government assistance to make substantial progress. Existing homes are largely rated in Band B and a recent SHIFT report showed Hightown performing well in comparison with other landlords.
Resident Services	
<i>Risk Theme</i>	<i>Appetite</i>
<u>Customer Service and Engagement</u> General Needs customers, leaseholders and applicants	The Board have a Balanced to Open risk appetite in this area. Hightown encourages the increased levels of resident engagement and involvement arising from the Social Housing Regulation Bill. Funding for financial inclusion and tenancy sustainment activities has been increased. Hightown will continue to improve building safety and invest in a range of local estate improvements.
Care and Supported Housing	
<i>Risk Theme</i>	<i>Appetite</i>
<u>Care & Supported Housing Contracts</u> Care & Supported Housing contracts for existing and new schemes	The risk appetite towards Care & Support contracts is defined as Balanced to Open support the Board's continued commitment to delivering care and support services to vulnerable and disabled people but a recognition of the need for schemes to remain financially viable.
<u>Care & Supported Housing Operations</u> Care & Supported Housing residents, service users and applicants	The Board have agreed to a Balanced to Cautious risk appetite whereby service levels may be adapted to meet individual needs within the philosophy of Person Centred Care and Growth where this is supported by external professionals but with a clear concern to maintain Hightown's duty of care to minimise risk exposures.

Employees

During 2022/23 Hightown employed an average of 644 full time equivalent employees, 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 pays over 1,000 people each month. Hightown has paid the Real Living Wage to staff in 2022/2023.

Recruitment has become more challenging during 2022/23 mainly in Care & Supported Housing with an increase in 17% of vacancies. Staff turnover in Care & Supported Housing schemes has reduced by 2% in the year and Hightown has welcomed 162 new permanent staff and 179 bank staff. The national picture shows there were 165,000 vacant posts in Adult Social Care which is an increase of 55,000 since 2020/21 according to Skills for Care.

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. This year 345 in-house training courses were delivered, with 32 staff attending external courses and 5 staff completed an Apprenticeship who all received a distinction. Hightown invested £228,473 in learning for staff which is a 62% increase from 2021/22 and £33,936 was spent from the Apprenticeship Levy pot. It continues to offer a blended approach with both face-to-face and virtual training opportunities available.

Hightown continues to promote the ‘*Five Ways to Wellbeing*’ model of

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

into the workplace.

Volunteer “Wellbeing Champions” take the lead in the Five Ways programme aiming to ensure that staff are encouraged in positive interaction and to seek the support necessary to take care of their own physical and mental wellbeing.

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; and the “MyTown” intranet. All new starters are invited to attend a 'Meet the Chief Executive' informal session and this will widen to include separate sessions with the Directors in 2023/24. A Staff Conference took place in May 2023.

A Staff Forum of elected staff representatives meets quarterly to discuss issues relevant to staff and give feedback to management. There is 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 with the Equality & Diversity Staff Forum meeting regularly. The Gender and Ethnicity Pay Gap Reports are available on the website.

Corporate

Moody's Credit Rating

In January 2023, Hightown received a public credit rating of *A3 Negative* outlook, from Moody's Investment Services. This investment grade rating illustrates the financial strength of the Association.

Social Landlord Operations

Hightown manages 5,106 (2022 4,757) homes for social/affordable rent let to families, couples and single people nominated by the local authority from the housing register. Satisfaction levels are 65%. Management costs are very low compared with Hightown's peers. Hightown maintains good levels of performance on collecting rent and letting properties.

Rents

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

Around 30% (2022 31%) 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 around 80% of market rents. The Government approved these higher rents for new developments when social housing grants were reduced in 2011. Hightown has 2,612 homes (32%) let at Affordable Rents (2021 2,329 homes (30%).

Governance

Hightown is managed by a voluntary Board of eleven members 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 five committees - Development, Risk & Audit, Operations and Remuneration & Nominations, and Treasury.

During the year, the Board commissioned an Independent Board Effectiveness Review which confirmed that the Board is broadly effective and able to fulfil its primary roles. As a result of the review, the Board have agreed an action plan that will help to further strengthen Hightown's governance arrangements. This includes the establishment of a Treasury Committee, an EDI task-and-finish group, and moves to increase the impact of the Tenants' voice at a strategic level. Further work is also being planned to identify assurance sources for the Board to show how their desired culture is being enacted. Board training was provided to cover treasury and finance including the management of derivatives.

The Board were pleased to recruit two new Co-optees in 2022/23 to strengthen the diversity and skills mix of the Board. The current composition of the Board is as follows:

<i>Gender</i>	Female – 6	Male – 5
<i>Ethnicity</i>	White British – 8	Other – 3
<i>Age Range</i>	41-74 years.	

Rules

During the year, Hightown reviewed its key Governance documents and in particular adopted new Rules based on the NHF Model Rules. This allowed the Association greater flexibility to increase its borrowing limits and to allow the use of financial instruments such as derivative transactions. The Standing Orders and Financial Regulations were also revised.

Regulation

Hightown has been rated as a G1 for Governance and V2 for Financial Viability by the Regulator of Social Housing.

Legislation

Hightown complies with all relevant legislation. Hightown's membership of the Housing Associations' Legal Alliance (HALA) provides regular updates, training, and advice to assist officers to stay up to date with legislative changes and maintain compliance.

Compliance with Regulatory Standards

Hightown carried out a self-assessment against the requirements of the Regulator of Social Housing's Standards as part of its annual compliance programme which was reported to the Risk & Audit Committee in June 2022. 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 2020 which the Board formally adopted on 1 April 2022. In relation to the transition from a maximum of three terms to two terms, as part of the 2021 Board succession plan it was noted that the Board Chair and Chair of the Risk & Audit Committee were both already in their third terms, being due to stand down after nine years' service in 2024 and 2023 respectively. It was agreed by the Board that in order to meet the interests of the business, both individuals should be asked to complete their full three terms to smooth the transition to the new tenure arrangements. This decision was allowable

under the Code of Governance 3.7(3) and is also compliant with Hightown's Rules which allow for up to three terms. For the coming year, the Board have agreed an action plan which will result in further enhancements to elements of the Code, in particular in relation to EDI, Customer Focus and Culture.

National Housing Federation Code of Conduct

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

General Data Protection Regulation (GDPR)

Hightown's compliance with GDPR has been fully reviewed against the relevant legislation and the best practice standards set by the Information Commissioner. Hightown fully complies with the legislative requirements of the GDPR.

Equality, Diversity, and Inclusion

Hightown fully complies with its responsibilities under the Equality Act 2010 and has a policy to promote an operational and working environment free from discrimination, harassment, and victimisation. In addition to the publication of Hightown's Gender Pay Gap, the Association also conducts and publishes an annual Ethnicity Pay Gap report as part of its commitment to eliminating disadvantages that may be faced by minority ethnic groups. The Board has agreed an action plan which identifies the priorities for delivering against its objectives in relation to EDI. This has been publicised on Hightown's website. Internally, Hightown has an employee-led Equality Forum which is taking an increasingly active role in influencing the priorities for enhancing the Association's approach.

Resident Focus

Hightown has a range of mechanisms for enabling and empowering residents to influence the delivery of their services. Board members attend the Residents' Voice and Scrutiny Committee (RVSP) and the Chair of RVSP attends the Operations Committee to provide clear links through to the Association's governance structures. The Association fully complies with the standards set out in the Housing Ombudsman's Complaint Handling Code. Residents Health & Safety has been a major focus for the Board over the last year and there are plans in place to further increase the opportunities for residents to directly influence strategic decisions. The needs of Hightown's residents have been of particular concern in relation to the cost-of-living crisis and in response, additional funds have been made available to support those most in need and have increased the staffing complement to focus more on supporting people to successfully maintain their tenancies and access the support that is available to them.

Declarations of Interest

Board members complete an annual Declaration of Interest form and also inform the Company Secretary of any changes as they occur. In the interests of transparency, the declared interests are included in every Board and Committee pack. The declared interests of Hightown's Board members are available on request to the Company Secretary at Trudi.kleanthous@hightownha.org.uk

Modern Slavery 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) modern slavery 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. 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, Hightown sources all of its goods and services from UK based suppliers.

Hightown's policies reflect our commitment to acting ethically in our business relationships and to implementing and enforcing effective systems and controls to ensure that slavery and human trafficking is not taking place in our supply chains. We have a number of policies in place that contribute to ensuring modern slavery does not occur within our organisation, and we review these on a regular basis:

- Safeguarding Adults and Children Policy
- Confidential Reporting (Whistleblowing) Policy
- Equality & Diversity Policy
- Anti-bribery Policy
- Recruitment Policy
- Procurement Policy
- Code of Conduct
- Anti-bullying, Harassment and Victimisation Policy
- Health & Safety Policy
- Conflicts of Interest Policy

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.

Construction labour suppliers are particularly susceptible to modern slavery, and clearly form an integral part of our supply chain. Our development contracts include a clause requiring compliance with the Modern Slavery Act.

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

With a large portfolio of care and support services and the national challenge of recruiting and retaining staff, Hightown is reliant on recruitment agencies for the provision of temporary staff in order to provide

the required levels of service within our schemes. Agency staff are often taken on at short notice to fill gaps as required. Although we conduct due diligence on the agencies used, this still reduces our control over how these staff are sourced.

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 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.

All staff have access to E Learning covering Modern 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. We have publicised the International Labour Organisation's indicators of forced labour on our intranet to alert staff to possible signs of forced labour.

Recruitment

Hightown's recruitment processes fully comply with the Modern Slavery Act 2015, with checks on documents such as passports and other forms of identification being carried out routinely. Where the use of temporary staff is required, only specified, reputable agencies are used. In the last year, the Association's Declarations of Interest Policy has been revised to strengthen the controls against the potential of victims of forced labour entering the workforce. In the coming year, we have commissioned an Internal Audit to scrutinise our existing practice and make recommendations for any additional controls or enhancements which may further strengthen our approach.

Risk Assessment

We have identified the key areas of our activity where there is a risk that modern slavery and human trafficking might be detected. This includes activity that is taking place:

- In our supply chains
- In our homes
- Through recruitment activities.

We have assessed the risk of slavery and human trafficking occurring in our internal operations and consider the risk generally to be low. We consider the risk to be higher in the care, 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 measuring our performance in preventing Slavery and Human Trafficking.

Review

We 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.

A social audit will be conducted at least every two years to ensure that risks are properly identified, and appropriate controls and mitigations put in place.

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 2023

The Board of Hightown Housing Association Limited is the governing body of the Association. It is responsible for actively managing the risks faced by the organisation and for obtaining robust assurance that controls are effective, that plans and compliance obligations are being delivered, and that Hightown is financially viable. The Board is committed to the highest standards of business ethics and conduct and seeks to maintain these standards across all operations.

The systems of internal control are designed to manage, rather than eliminate, the risk of failure to achieve Hightown's business objectives and to provide reasonable, but not absolute, assurance against material misstatement or loss. In meeting its responsibilities, the Board has adopted a risk-based approach to establishing and maintaining internal controls which are embedded with day-to-day management and governance processes. This approach includes the regular evaluation of the nature and extent of risks to which the association is exposed.

The key elements in exercising control include:

- Board-approved terms of reference for itself and its Risk & Audit, Operations, Development and Remuneration & Nominations committees. All committee meeting minutes are enclosed as part of the Board pack, and the committee chairs are encouraged to give a verbal report to highlight any issues.
- Annual appraisals of both individual and collective Board effectiveness including a review of skills requirements and a gap analysis to inform future recruitment activities.
- Clear and up to date Financial Regulations and Standing Orders.
- Policies and procedures for all key areas of the business which are reviewed at least biennially 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.
- Established Health & Safety working systems including regular meetings of the internal Health & Safety committee, with regular reports to the Operations Committee and the Board.
- The use of an external Health and Safety consultancy to provide specialist advice to the Health & Safety Committee.
- A risk management and business assurance process which includes the use of the 3 lines of defence model. 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.
- Near miss reporting to every Risk & Audit Committee in relation to internal controls, with details of corrective actions and lessons learnt.
- Robust strategies and business planning processes, with detailed financial budgets and forecasts.
- 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 dashboards to monitor a wide range of Association activities. 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.
- 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 which includes monitoring of loan covenants and requirements for new loan facilities.
- Formal recruitment, induction, retention, appraisal, training and development policies for all staff and the use of external benchmarking to establish remuneration rates for employees.
- Regular reporting to the appropriate committee and the Board on key business objectives, targets and outcomes.
- Annual review of compliance with external standards including the Regulator of Social Housing Economic and Consumer Standards and the Care Quality Commission's Fundamental standards.
- Annual review of the Regulator of Social Housing's Sector Risk Profile.
- Systems and policies in place to protect Hightown's Data Integrity and Security.
- Business continuity and incident management processes.
- The use of external advisors to ensure that Hightown has adequate insurance arrangements in place.
- An agreed approach to Value for Money and efficiency.
- Registers of activity relating to the use of delegated authorities; disposals; fraud, anti-money laundering; and gifts and hospitality.
- Specialist external support to establish a baseline for Hightown's carbon footprint and pathway to net zero for the purpose of identifying environmental improvements and supporting ESG reporting.
- Membership of the HALA legal framework which provides discounted rates in addition to additional benefits such as training, legal updates and newsletters.

During the year, a number of activities have taken place in order to further strengthen Hightown's internal controls, including:

- Gained shareholder, regulatory and funders' consents to move to new Rules based on the NHF 2015 Model Rules.
- Revision of the Financial Regulations and Standing Orders.
- Adopted and ensured compliance with the NHF 2020 Code of Governance.
- Internal audit and advisory reports covering Property Services Operations; Payroll Transaction Testing; Management of C&SH Agency Schemes; Cyber Essentials Follow Up; Internal Controls; Resident Health & Safety; Treasury & Business Planning; and a Staff Expenses Investigatory Review.
- The use of specialist support to review Hightown's stress testing methodology.
- Revised the Terms of Reference of the Remuneration & Nominations Committee to include a focus on People and EDI.
- The use of Board strategy days to focus on Hightown's Mission, Values, and Culture; a review of the Association's corporate strategy; and the development of social rented homes.
- Re-procurement of the Internal Audit contract resulting in a move to a new supplier.
- Risk identification meetings held between Hightown's Insurance Brokers and key heads of departments to ensure sufficient cover arrangements.

- The development of a number of new governance policies and documents including partnership working and mergers; Board member disputes and grievances; Board member performance management; and the creation of role profiles for all Board roles.
- Improvements to the Association's website to increase accountability and transparency around governance, performance, and EDI.
- Introducing enhanced security features to the Associations IT systems including Multi-Factor Authentication and penetration testing.
- An independent Board Effectiveness Review.

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 2023 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 2023 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 2023.



Trudi Kleanthous
Company Secretary

Statement of the Board's Responsibilities in Respect of the Financial Statements

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

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the Income and Expenditure for the period of account.

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

- Select suitable accounting policies and then apply them consistently,
- Make judgements and estimates that are reasonable and prudent,
- State whether applicable accounting standards 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 proper accounting records which 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 Society Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022. It has general responsibility for taking reasonable steps to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the Association's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Compliance

The Board confirms that this Strategic Report has been prepared in accordance with the principles set out in paragraph 4.7 of the 2018 SORP for Registered Social Housing Providers.

Approval

The report of the Board was approved on 13 July 2023 and signed on its behalf by:



Bob Macnaughton

Chair

13 July 2023

On Behalf Of The Board

Opinion

We have audited the financial statements of Hightown Housing Association Limited (the Association) for the year ended 31 March 2023 which comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Statement of Financial Position, Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies in note 2. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 2023 and of the Association's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

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

In auditing the financial statements, we have concluded that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Association's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Board with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Strategic Report, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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 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 in relation to which the Co-operative and Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept adequate accounting records; or
- the Association's financial statements are not in agreement with books of account; 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 Statement of Board's Responsibilities set out on page 54, 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 determines 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 have 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.

Extent to which the Audit was Considered Capable of Detecting Irregularities, Including Fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

In identifying and addressing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- We obtained an understanding of laws and regulations that affect the Association, focusing on those that had a direct effect on the financial statements or that had a fundamental effect on its operations. Key laws and regulations that we identified included the Co-operative and Community Benefit Societies Act, the Statement of Recommended Practice for registered housing providers: Housing SORP 2018, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2022, tax legislation, health and safety legislation, and employment legislation.
- We enquired of the Board and reviewed correspondence and Board meeting minutes for evidence of non-compliance with relevant laws and regulations. We also reviewed controls the Board have in place, where necessary, to ensure compliance.
- We gained an understanding of the controls that the Board have in place to prevent and detect fraud. We enquired of the Board about any incidences of fraud that had taken place during the accounting period.
- The risk of fraud and non-compliance with laws and regulations and fraud was discussed within the audit team and tests were planned and performed to address these risks. We identified the potential for fraud in the following areas: laws related to the construction and provision of social housing recognising the nature of the Association's activities and the regulated nature of the Association's activities.
- We reviewed financial statements disclosures and tested to supporting documentation to assess compliance with relevant laws and regulations discussed above.
- We enquired of the Board about actual and potential litigation and claims.
- We performed analytical procedures to identify any unusual or unexpected relationships that might indicate risks of material misstatement due to fraud.
- In addressing the risk of fraud due to management override of internal controls we tested the appropriateness of journal entries and assessed whether the judgements made in making accounting estimates were indicative of a potential bias.

Due to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing fraud or non-compliance with laws and regulations and cannot be expected to detect all fraud and non-compliance with laws and regulations.

Use of our report

This report is made solely to the Association, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and Section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body for our audit work, for this report, or for the opinions we have formed.



Beever and Struthers
Chartered Accountants
Statutory Auditor

150 Minories
London
EC3N 1LS

Date: 25 August 2023




Hightown Housing Association Limited
Statement of Comprehensive Income
For the year ended 31 March 2023

	<i>Note</i>	2023 £'000	2022 £'000
TURNOVER	3	111,914	103,887
Cost of sales	3	(19,710)	(20,643)
Operating costs	3	(57,349)	(52,215)
Surplus on sale of properties & other fixed assets	6	3,501	3,497
Increase in valuation of investment properties	12	290	140
OPERATING SURPLUS	3,6	38,646	34,666
Interest receivable and similar income		40	2
Interest and financing costs	7	(20,199)	(13,640)
SURPLUS FOR THE YEAR		18,487	21,028
Actuarial (loss)/gain on defined benefit pension scheme	29	(487)	1,974
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		18,000	23,002

All activities are continuing.

The notes on pages 62 to 93 form part of these financial statements.

The financial statements were approved by the Board on 13 July 2023.




Bob Macnaughton – Chair Sarah Barton – Board Member Trudi Kleanthous - Secretary

	Income and Expenditure Reserve £'000
Balance as at 1 April 2021	165,293
Surplus for the year 2021/22	21,028
	<hr/> 186,321
Actuarial gain relating to defined benefit pension schemes	1,974
Other comprehensive income for the year	<hr/> 1,974 <hr/>
Balance at 31 March 2022	<hr/> 188,295 <hr/>
 Balance as at 1 April 2022	 188,295
Surplus for the year 2022/23	18,487
	<hr/> 206,782
Actuarial loss relating to defined benefit pension schemes	(487)
Other comprehensive income for the year	<hr/> (487) <hr/>
Balance at 31 March 2023	<hr/> 206,295 <hr/>

The notes on pages 61 to 92 form part of these financial statements.

Hightown Housing Association Limited
Statement of Financial Position
As at 31 March 2023

	<i>Note</i>	2023 £'000	2022 £'000
TANGIBLE FIXED ASSETS			
Housing properties	10	1,032,534	934,750
Other fixed assets	11	4,980	5,107
Investment properties	12	3,330	3,040
Investments	13	30	30
TOTAL FIXED ASSETS		1,040,874	942,927
CURRENT ASSETS			
Properties for sale	14	31,993	29,020
Stock	14	-	-
Trade and other debtors	15	7,295	5,426
Cash and cash equivalents	16	16,818	25,902
		56,106	60,348
CREDITORS: Amounts falling due within one year	17	(31,396)	(28,578)
NET CURRENT ASSETS		24,710	31,770
TOTAL ASSETS LESS CURRENT LIABILITIES		1,065,584	974,697
CREDITORS: Amounts falling due after more than one year	18	(855,409)	(782,248)
PROVISION FOR LIABILITIES			
Pension Liability	29	(3,880)	(4,154)
TOTAL NET ASSETS		206,295	188,295
CAPITAL AND RESERVES			
Share capital	23	-	-
Income and Expenditure Reserve		206,295	188,295
TOTAL RESERVES		206,295	188,295

The notes on pages 62 to 93 form part of these financial statements.

The financial statements were approved by the Board and authorised for issue on 13 July 2023.




Bob Macnaughton – Chair Sarah Barton – Board Member Trudi Kleanthous - Secretary

Hightown Housing Association Limited
Statement of Cash Flows
For year ended 31 March 2023

	<i>Note</i>	2023 £'000	2022 £'000
NET CASH FROM OPERATING ACTIVITIES	28	48,369	47,499
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets – housing properties		(109,010)	(100,685)
Purchase of fixed assets – other	11	(121)	(153)
Receipt of grant	19	16,848	5,009
Interest received and income from investments		40	2
Net cash from investing activities		(92,243)	(95,827)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid	7	(23,504)	(15,234)
New loans	21	80,000	165,000
Debt issue costs incurred	21	(907)	(656)
Repayment of loans	21	(20,799)	(95,750)
Net cash used in financing activities		34,790	53,360
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(9,084)	5,032
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		25,902	20,870
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		16,818	25,902

The notes on pages 62 to 93 form part of these financial statements.

1 LEGAL STATUS

Hightown Housing Association Limited (the "Association"; "Hightown") was incorporated on 19 July 1965. It 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 a single legal entity - there are no subsidiaries and no joint ventures. 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 2022 and the Housing and Regeneration Act 2008.

The Association meets the definition of a public benefit entity (PBE).

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 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.
- Indicators of impairment
Whether there are indicators of impairment of the Association's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit. The Board have considered the measurement basis to determine the recoverable amount of assets where there are indicators of impairment based on EUV-SH (Existing Use Value - Social Housing) or depreciated replacement cost. The Board have also considered impairment based on their assumptions to define cash or asset generating units.
- Leases
Whether leases entered into by the Association either as a lessor or as a lessee are operating leases or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Asset categorisation
The categorisation of housing properties as investment properties or property, plant and equipment based on the use of the asset.

- Cash generating unit

The Association has identified cash generating units for impairment assessment purposes at a property scheme level.

- Investment Properties

The Association carries its investment property at fair value, with changes in fair value being recognised in The Statement of Comprehensive Income. The Association engaged independent valuation specialists to determine fair value at the reporting period date. The valuer used a valuation technique based on a discounted cash flow model. The determined fair value of the investment property is most sensitive to the estimated yield as well as the long-term vacancy rate. The key assumptions used to determine the fair value of investment property are further explained in note 12. The carrying value of investment properties at 31 March 2023 was £3,330,000.

- Pensions

The cost of defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific sector. Future salary increases and pension increases are based on expected future inflation rates for the respective sector. Further details are given in note 29A.

The items in the financial statements where these estimates have been made include:

- 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. Management have controls in place in the form of build contracts and contingency budget to prevent or minimise the risk of overspends on estimated construction cost.

- 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 Notes 10 and 11.

- Rent and other income receivable

The estimate for receivables relates to the recoverability of the balances outstanding at year end. A review is performed on an individual debtor basis to consider whether each debt is recoverable. Provisions are made where appropriate.

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 on legal completion.

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. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the reporting date.

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 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 service'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. Where developments have been financed wholly or partly by social housing or other grants, the amount of the grant received has been included as deferred income and recognised in Turnover over the estimated useful life of the associated asset structure (not land), under the accruals model. 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.

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 and the BLEND bond issue is amortised into the Statement of Comprehensive Income to offset interest paid over the life of the loan.

Financial Instruments

Financial assets and financial liabilities are measured at transaction price initially, plus, in the case of a financial asset or financial liability not at fair value through the Statement of Comprehensive Income, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial instruments held by the Association are classified as follows:

- Financial assets such as cash are held at cost.
- Financial assets such as investments and receivables are classified as loans and receivables and held at amortised cost using the effective interest method.
- Financial liabilities such as loans are held at amortised cost using the effective interest method.

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.

Corporation Tax

The Association is registered as a charity with HM Revenue & Customs. By virtue of S478 Corporation Tax Act 2010, the Association is exempt from corporation tax. Should the Association become liable for corporation tax it will be calculated at the rate applicable on any surplus it generates from non-charitable activities.

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

Continuing activities

	2023				2022			
	Turnover	Operating	Cost of	Operating	Turnover	Operating	Cost of Sales	Operating
	£'000	costs	Sales	surplus	£'000	costs	£'000	surplus
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
SOCIAL HOUSING LETTINGS (<i>See Note 3 B</i>)	78,597	(51,655)	-	26,942	71,736	(46,466)	-	25,270
OTHER SOCIAL HOUSING ACTIVITIES								
First tranche low-cost home ownership sales	26,828	-	(19,710)	7,118	25,992	-	(20,643)	5,349
Charges for support services	1,653	(1,653)	-	-	1,561	(1,561)	-	-
Care	4,302	(3,956)	-	346	4,067	(4,012)	-	55
	32,783	(5,609)	(19,710)	7,464	31,620	(5,573)	(20,643)	5,404
ACTIVITIES OTHER THAN SOCIAL HOUSING								
Commercial Properties	257	(51)	-	206	233	(47)	-	186
Other	277	(34)	-	243	297	(128)	-	169
	534	(85)	-	449	530	(175)	-	355
	111,914	(57,349)	(19,710)	34,855	103,886	(52,215)	(20,643)	31,029
SURPLUS ON SALE OF PROPERTIES & OTHER FIXED ASSETS (<i>See Note 6A</i>)				3,501				3,497
INCREASE IN VALUATION OF INVESTMENT PROPERTIES (<i>See Note 12</i>)				290				140
TOTAL				38,646				34,666

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

	General Housing £'000	Supported Housing (& housing for older people) £'000	Low Cost Home Ownership £'000	Residential Care Homes £'000	Other £'000	2023 Total £'000	2022 Total £'000
INCOME							
Rent receivable net of identifiable service charges	44,695	4,517	5,541	505	-	55,258	48,688
Service charge income	1,111	1,627	945	-	809	4,492	4,181
Charges for support services	-	33	-	-	-	33	59
Amortised Government Grants	1,721	326	224	7	25	2,303	2,087
Care and Support income	-	15,907	-	-	-	15,907	15,386
Other revenue grants	-	337	-	-	-	337	327
Other	7	224	-	35	1	267	1,008
TURNOVER FROM SOCIAL HOUSING LETTINGS	47,534	22,971	6,710	547	835	78,597	71,736
OPERATING EXPENDITURE							
Management	(4,495)	(2,966)	(277)	(46)	(158)	(7,942)	(8,184)
Support Service Costs	-	(14,108)	-	-	(12)	(14,120)	(13,964)
Service charge costs	(3,348)	(2,208)	(758)	(386)	(438)	(7,138)	(5,765)
Routine maintenance	(5,670)	(927)	(31)	(99)	-	(6,727)	(5,215)
Planned maintenance	(879)	(125)	(4)	(14)	-	(1,022)	(963)
Major repairs expenditure	(2,492)	(542)	(71)	(39)	(122)	(3,266)	(1,981)
Bad debts	(449)	(58)	-	(3)	-	(510)	(295)
Depreciation of housing properties	(9,980)	(727)	(10)	(37)	(55)	(10,809)	(9,867)
Leasing Costs	-	-	-	-	(121)	(121)	(232)
OPERATING EXPENDITURE ON SOCIAL HOUSING LETTINGS	(27,313)	(21,661)	(1,151)	(624)	(906)	(51,655)	(46,466)
OPERATING SURPLUS / (DEFICIT) ON SOCIAL HOUSING LETTINGS	20,221	1,310	5,559	(77)	(71)	26,942	25,270
Void losses (being rental income lost as a result of property not being let, although it is available for letting).	(665)	(351)	(297)	-	-	(1,313)	(1,292)

4 SUPPORTED HOUSING MANAGED BY AGENCIES

The Association has 13 supported housing tenancies (2022:13) that are managed on its behalf under management agreements by other bodies who 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 2022 No.	New units handed over No.	Units sold/ staircased No.	Other adjustments No.	31 March 2023 No.
Social Housing					
General needs housing					
- Social Rent	2,427	67	(1)	1	2,494
- Affordable Rent	2,329	283	-	-	2,612
	<u>4,756</u>	<u>350</u>	<u>(1)</u>	<u>1</u>	<u>5,106</u>
Intermediate rent	395	3	-	(7)	391
Supported housing	514	-	-	(2)	512
Housing for older people	81	-	-	-	81
Low Cost Home Ownership (Shared Ownership)	1,108	177	(46)	(13)	1,226
Leasehold properties	809	-	-	16	825
	<u>7,663</u>	<u>530</u>	<u>(47)</u>	<u>(5)</u>	<u>8,141</u>
Total Owned	7,663	530	(47)	(5)	8,141
Accommodation managed for others	134	-	-	(4)	130
	<u>7,797</u>	<u>530</u>	<u>(47)</u>	<u>(9)</u>	<u>8,271</u>
Total Owned and Managed	7,797	530	(47)	(9)	8,271
Units in development at the year end	882				982

6 OPERATING SURPLUS

	2023 £'000	2022 £'000
This is arrived at after charging:		
Depreciation of housing properties	10,531	9,302
Accelerated depreciation on replaced components	293	655
Depreciation of other tangible fixed assets	249	263
Operating lease rentals	451	565
Auditors' remuneration (excluding VAT)		
- fees payable to the Association's auditor for the audit of the financial statements	41	37
- for non-audit services	-	-
- for service charge examination	20	19
- for grant audits	2	2

6A. SURPLUS ON SALE OF PROPERTIES & OTHER FIXED ASSETS

	Right to Acquire Sales	Low-Cost Home Ownership Staircasing Sales	Total 2023	Total 2022
	£'000	£'000	£'000	£'000
Proceeds of sales	255	8,243	8,498	7,470
Less: Costs of sales	(55)	(4,942)	(4,997)	(3,973)
	<u>200</u>	<u>3,301</u>	<u>3,501</u>	<u>3,497</u>

7 INTEREST PAYABLE AND SIMILAR CHARGES

	Note	2023 £'000	2022 £'000
Loans and bank overdrafts		24,585	16,562
Recycled Capital Grant Fund	20	42	4
Net interest on net defined benefit pension liability		96	129
		<u>24,723</u>	<u>16,695</u>
Interest capitalised on construction of housing properties	10	(4,524)	(3,055)
		<u>20,199</u>	<u>13,640</u>
Capitalisation rate used to determine the amount of finance costs capitalised during the period		3.78%	2.77%

8 EMPLOYEES

	2023 £'000	2022 £'000
<u>Employee costs:</u>		
Wages and salaries	23,885	24,150
Social security costs	2,154	2,072
Other pension costs	818	1,011
	<u>26,857</u>	<u>27,233</u>
	No.	No.
<u>Average monthly number of employees (full time equivalents):</u>		
Administration	95	88
Development	15	16
Housing, support and care	535	550
	<u>645</u>	<u>654</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 was £149 (2022: £225).

Executive Directors

The aggregate emoluments of the executive directors including pension contributions amounted to £950,527 (2022: £892,988).

The emoluments of the highest paid director, the Chief Executive was £207,031 (2022: £197,583).

The aggregate amount of compensation payable to executive directors for loss of office during the year was £0 (2022: £130,553).

The executive directors are either members of the Social Housing Pension Scheme (SHPS) as ordinary members of the defined benefit pension section with no enhanced or special terms, or are members of the SHPS defined contribution section 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 pages 3-8.

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	2023 No.	2022 No.
£ 60,000 - £ 69,999	9	9
£ 70,000 - £ 79,999	4	3
£ 80,000 - £ 89,999	1	2
£ 90,000 - £ 99,999	3	-
£110,000 - £119,999	-	1
£120,000 - £129,999	1	-
£130,000 - £139,999	1	2
£140,000 - £149,999	-	2
£150,000 - £159,999	2	-
£190,000 - £199,999	-	1
£200,000 - £209,999	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 2022	779,036	89,941	21,986	115,067	1,006,030
Additions	-	86,773	20,202	-	106,975
Capitalised Interest	-	3,717	807	-	4,524
Components Capitalised	2,159	-	-	-	2,159
Properties Completed	79,053	(79,053)	(20,978)	20,978	-
Transfer to properties held for sale	(124)	-	-	-	(124)
Disposals	(840)	-	-	(4,846)	(5,686)
As at 31 March 2023	859,284	101,378	22,017	131,199	1,113,878
<u>LESS: DEPRECIATION</u>					
As at 1 April 2022	71,280	-	-	-	71,280
Charge for the year	10,823	-	-	-	10,823
Eliminated on Disposals	(759)	-	-	-	(759)
As at 31 March 2023	81,344	-	-	-	81,344
<u>NET BOOK VALUE</u>					
As at 31 March 2023	777,940	101,378	22,017	131,199	1,032,534
As at 31 March 2022	707,758	89,941	21,986	115,067	934,751

Expenditure on works to existing properties:

	2023 £'000	2022 £'000
Components capitalised	2,159	2,346
Amounts charged to income and expenditure account	2,946	1,786
	5,105	4,132

Social Housing Grant	2023 £'000	2022 £'000
Deferred Capital Grant	184,910	170,493
Recycled Capital Grant Fund	1,748	1,509
Revenue Grant – I&E	2,315	2,099
Revenue Grant – Reserves	27,470	25,371
	<u>216,443</u>	<u>199,472</u>
 <u>Housing properties book value, net of depreciation, comprises:</u>	 2023 £'000	 2022 £'000
Freehold land and buildings	982,735	882,451
Long leasehold land and buildings	49,799	52,299
	<u>1,032,534</u>	<u>934,750</u>
 <u>Additions to properties include:</u>	 2023 £'000	 2022 £'000
Development overheads capitalised	2,603	2,408
Capitalised interest	4,524	3,055

Since 1996 the Association has capitalised interest of £33.8 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 subsequently disposed of within 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 2022	6,212	443	326	763	47	7,791
Additions	-	58	10	53	-	121
	<u>6,212</u>	<u>501</u>	<u>336</u>	<u>816</u>	<u>47</u>	<u>7,912</u>
<u>LESS: DEPRECIATION</u>						
As at 1 April 2022	1,514	250	261	649	10	2,684
Charged in year	120	39	24	56	9	248
	<u>1,634</u>	<u>289</u>	<u>285</u>	<u>705</u>	<u>19</u>	<u>2,932</u>
<u>NET BOOK VALUE</u>						
As at 31 March 2023	<u>4,578</u>	<u>212</u>	<u>51</u>	<u>111</u>	<u>28</u>	<u>4,980</u>
As at 31 March 2022	<u>4,698</u>	<u>193</u>	<u>65</u>	<u>114</u>	<u>37</u>	<u>5,107</u>

12 INVESTMENT PROPERTIES

	2023 £'000	2022 £'000
At 1 April	3,040	2,900
Increase in value	290	140
At 31 March	<u>3,330</u>	<u>3,040</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 on revaluation of investment property arising of £290,000 (2022: £140,000) has been credited to the Statement of Comprehensive Income for the year. The construction cost of the investment properties was £1.515m.

13 INVESTMENTS

	2023 £'000	2022 £'000
At 1 April	<u>30</u>	<u>30</u>
At 31 March	<u>30</u>	<u>30</u>

14 PROPERTIES FOR SALE

	2023 £'000	2022 £'000
Shared Ownership properties under construction	22,017	21,986
Shared Ownership properties awaiting sale	9,680	6,862
Other vacant properties awaiting sale	296	172
	<u>31,993</u>	<u>29,020</u>
	No.	No.
Shared Ownership properties awaiting sale	73	48
Other vacant properties awaiting sale	5	4
	<u>78</u>	<u>52</u>

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

15 DEBTORS

	2023 £'000	2022 £'000
Due within one year		
Rent and service charge arrears	2,881	2,211
Less: Provision for bad and doubtful debts	(2,098)	(1,722)
	<u>783</u>	<u>489</u>
Estate service charges recoverable	697	549
Trade debtors	594	792
Other debtors	1,578	877
Prepayments and accrued income	3,643	2,719
	<u>7,295</u>	<u>5,426</u>

16 BANK AND CASH

	2023 £'000	2022 £'000
Bank accounts held in trust	2,369	2,212
Other bank accounts	14,449	23,690
	<u>16,818</u>	<u>25,902</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 (2022 £3.4 million) is included above.

17 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

		2023 £'000	2022 £'000
	<i>Note</i>		
Debt	21	4,846	5,852
Trade creditors		3,196	5,402
Rent and service charges received in advance		3,836	3,169
Revenue grants received in advance		39	74
Recycled Capital Grant Fund	20	540	374
Other taxation and social security		473	448
Deferred Capital Grant	19	2,299	2,105
Other creditors		1,287	1,309
Pension deficit reduction payments		1	2
Development and works retentions		11,230	6,721
Accruals and deferred income		3,649	3,122
		<u>31,396</u>	<u>28,578</u>

18 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<i>Note</i>	2023 £'000	2022 £'000
Debt	21	664,501	604,226
Recycled Capital Grant Fund	20	1,208	1,136
Premium on THFC Loan Issue *		2,348	2,493
Premium on bLEND Loan Issue *		908	991
Deferred Capital Grant	19	182,611	168,387
Leaseholder Sinking Funds		78	68
Leaseholder Trust Funds		2,198	2,089
Pension deficit reduction payments		2	3
Development and works retentions		1,555	2,855
		<u>855,409</u>	<u>782,248</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 follows: January 2011, The Housing Finance Corporation (THFC), 16 years remaining.
March 2019, bLEND Funding Plc, 11 years remaining

19 DEFERRED CAPITAL GRANT

	<i>Note</i>	2023 £'000	2022 £'000
At 1 April		170,493	167,360
Grant received in year		16,848	5,009
Grant recycled from RCGF		373	731
Grant recycled to RCGF		(488)	(509)
Released to income in the year	3	(2,315)	(2,099)
		<u>184,910</u>	<u>170,492</u>
At 31 March			

	<i>Note</i>	2023 £'000	2022 £'000
Amounts to be released within one year	17	2,299	2,105
Amounts to be released in more than one year	18	182,611	168,387
		<u>184,910</u>	<u>170,492</u>

20 RECYCLED CAPITAL GRANT FUND (RCGF)

<u>Homes England</u>	2023 £'000	2022 £'000
Opening balance 1 April	1,509	1,644
Inputs to RCGF:		
Grant recycled from Deferred Capital Grant	488	509
Grant recycled from Statement of Comprehensive Income	82	83
Interest accrued	42	4
Recycling of grant:		
New build	(373)	(731)
	<u>1,748</u>	<u>1,509</u>
Closing balance 31 March		

21 DEBT ANALYSIS

	2023 £'000	2022 £'000
<u>Loans</u>		
Due within one year	5,801	6,798
Between one and two years	6,404	66,800
Between two and five years	286,929	93,817
After five years	374,892	447,410
Total after one year	668,225	608,027
Total loans	674,026	614,825
<u>Unamortised loan costs</u>		
Due within one year	(956)	(946)
Between one and two years	(876)	(835)
Between two and five years	(1,576)	(1,586)
After five years	(1,272)	(1,380)
Total after one year	(3,724)	(3,801)
Total unamortised loan costs	(4,680)	(4,747)
<u>Total</u>		
Due within one year	4,846	5,852
Between one and two years	5,528	65,965
Between two and five years	285,353	92,231
After five years	373,620	446,030
Total after one year	664,501	604,226
Total	669,346	610,078

Security

Loans are secured by fixed charges on individual housing properties except for £58.5 million of unsecured loans from Retail Charity Bonds plc, a £35.0 million undrawn facility from First Abu Dhabi Bank PJSC and a £100.0 million Green Note Purchase Agreement, where unencumbered assets of £251.55 million are retained.

Terms of repayment and interest rates

The loans are repayable at intervals varying from half-yearly to annual and bullet repayments on maturity. Instalments of loans fall to be repaid in the period 2023 to 2039 (2022: to 2039).

The average interest rates payable on fixed rate loans at 31 March 2023 was 3.69% (2022: 3.69%) ranging from 1.42% to 10.47% (2022: 1.42% to 10.47%). Floating rates are linked to SONIA plus agreed loan margin. The average cost of interest on loans at 31 March 2023 was 4.52% (2022: 2.72%). The weighted average cost of all interest during 2022/23 was 3.74% (2022: 2.77%).

At 31 March 2023, the Association had £120.0 million of undrawn loan facilities (2022: £135.0 million).

22 NET DEBT RECONCILIATION

	1 April 2022 £'000	Cash flows £'000	Non-cash changes £'000	31 March 2023 £'000
Cash at Bank	25,902	(9,084)	-	16,818
Loans	(614,825)	(59,201)	-	(674,026)
Loan fees	4,747	-	(67)	4,680
Net Debt	<u>(584,176)</u>	<u>(68,285)</u>	<u>(67)</u>	<u>(652,528)</u>

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

23 SHARE CAPITAL

	2023 £ & No.	2022 £ & No.
Shares of £1 each, issued and fully paid		
As at 1 April	23	22
Shares issued in the year	-	3
Shares surrendered during the year	-	(2)
As at 31 March	<u>23</u>	<u>23</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

	2023 £'000	2022 £'000
Capital Expenditure		
Expenditure contracted for but not provided in the accounts	139,930	144,080
Expenditure authorised by the Board but not contracted	150,051	207,219
	<u>289,981</u>	<u>351,299</u>

The Association is forecasting to spend £102.6 million of the contracted commitments in 2023/24. 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 £35.0 million contracted commitment is forecast to be spent in 2024/25 and the remaining £2.3 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:

	2023 £'000	2022 £'000
Office equipment and vehicles:		
- Within one year	138	197
- Between one and five years	99	140
	<u>237</u>	<u>337</u>

26 FINANCIAL LIABILITIES

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

	<i>Note</i>	2023 £'000	2022 £'000
Floating rate		334,148	280,056
Fixed rate		339,878	334,769
		<u>674,026</u>	<u>614,825</u>
Loan costs		(4,680)	(4,747)
Total	<i>21</i>	<u>669,346</u>	<u>610,078</u>

The fixed rate financial liabilities have a weighted average interest rate of 3.69% (2022: 3.69%) and the weighted average period for which it is fixed is 9.4 years (2022:11.3 years).

27 RELATED PARTIES

There were no related party transactions.

28 CASH FLOW FROM OPERATING ACTIVITIES

	<i>Note</i>	2023 £'000	2022 £'000
SURPLUS FOR THE FINANCIAL YEAR		18,000	23,002
Adjustments for:			
Depreciation of fixed assets – housing properties	10	10,823	9,957
Depreciation of fixed assets included in disposals	10	(759)	(1,261)
Depreciation of fixed assets – other	11	248	263
Impairment of fixed assets – housing properties		-	-
Amortised grant	3, 10, 19	(2,315)	(2,099)
Unrealised (gain)/loss on revaluation of investment properties	12	(290)	(140)
Interest payable and finance costs	7	20,199	13,640
Interest received and income from investments		(40)	(2)
Actuarial (gain)/loss on defined benefit scheme	29	487	(1,974)
Non-cash movement on DB pension		(761)	(482)
Surplus on sale of fixed assets – housing properties		(3,501)	(3,497)
Surplus on sale of fixed assets – other	11	-	11
Proceeds on sale of fixed assets – housing properties		9,304	8,773
Transaction costs for sale of housing properties		(117)	(122)
Increase/(decrease) in stocks	14	(2,973)	1,594
(Decrease)/increase in debtors	15	(1,869)	(1,219)
Increase in trade and other creditors	17	1,933	1,055
NET CASH FROM OPERATING ACTIVITIES		48,369	47,499

29 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 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 also participates in the Social Housing Pension Scheme Defined Contribution section as its auto-enrolment scheme for workplace pensions 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 27 active employees who continue to accrue future benefits.

An analysis of the SHPS membership is as follows:

31 March 2023	Final Salary 1/60 th	Final Salary 1/70 th	Final Salary 1/80 th	CARE 1/60 th	CARE 1/80 th	CARE 1/120 th	Defined Benefit Sub Total	SHPS DC	Total
Active	2	-	4	6	6	9	27	754	781
Deferred	80	-	-	33	31	1	145	1,223	1,368
Pensioner	113	-	-	17	1	-	131	-	131
Dependant	2	-	-	-	-	-	2	-	2
Total	197	-	4	56	38	10	305	1,977	2,282

31 March 2022	Final Salary 1/60 th	Final Salary 1/70 th	Final Salary 1/80 th	CARE 1/60 th	CARE 1/80 th	CARE 1/120 th	Defined Benefit Sub Total	SHPS DC	Total
Active	10	1	-	12	11	3	37	764	801
Deferred	82	-	-	33	27	-	142	1,019	1,161
Pensioner	110	-	-	15	1	-	126	-	126
Dependant	1	-	-	-	-	-	1	-	1
Total	203	1	-	60	39	3	306	1,783	2,089

29A. SOCIAL HOUSING PENSION SCHEME (SHPS)

Hightown participates in the Social Housing Pension Scheme (the Scheme), a multi-employer scheme which provides benefits to some 638 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 2020. This valuation revealed a deficit of £1,560 million. A Recovery Plan has been put in place with the aim of removing this deficit by 31 March 2028.

The Scheme is classified as a 'last-person 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 2021. As at this date the estimated employer debt for Hightown was £19,637,953 (30 September 2021: £19,637,953).

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

	31 March 2023	31 March 2022
	£'000	£'000
Fair value of plan assets	17,341	26,044
Present value of defined benefit obligation	21,186	29,929
Deficit in plan	(3,845)	(3,885)
Defined benefit liability to be recognised	(3,845)	(3,885)
Net defined benefit liability to be recognised	(3,845)	(3,885)

Reconciliation Of Opening And Closing Balances Of The Defined Benefit Obligation

	Period ended 31 March 2023	Period ended 31 March 2022
	£'000	£'000
Defined benefit obligation at start of period	29,929	30,775
Current service cost	48	270
Expenses	25	26
Interest expense	826	670
Member contributions	225	243
Actuarial (gains)/losses due to scheme experience	(13)	1,351
Actuarial (gains) due to changes in demographic assumptions	(49)	(466)
Actuarial (gains) due to changes in financial assumptions	(8,915)	(2,407)
Benefits paid and expenses	(890)	(533)
Defined benefit obligation at end of period	21,186	29,929

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

	Period from 31 March 2022 to 31 March 2023 £'000	Period from 31 March 2021 to 31 March 2022 £'000
Fair value of plan assets at start of period	26,044	24,521
Interest income	730	541
Experience on plan assets (excluding amounts included in interest income) – (loss)/gain	(9,698)	365
Employer contributions	930	907
Member contributions	225	243
Benefits paid and expenses	(890)	(533)
Fair value of plan assets at end of period	17,341	26,044

The actual return on the plan assets (including any changes in share of assets) over the period from 31 March 2022 to 31 March 2023 was (£8,968,000) (2022: £906,000).

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

	Period from 31 March 2022 to 31 March 2023	Period from 31 March 2021 to 31 March 2022
Class of Asset	£'000	£'000
Current service cost	48	270
Expenses	25	26
Net interest expense	96	129
Defined benefit costs recognised in statement of comprehensive income (SOCl)	169	425

Defined Benefit Costs Recognised In Other Comprehensive Income (OCI)

	31 March 2023	31 March 2022
Class of Asset	£'000	£'000
Experience on plan assets (excluding amounts included in net interest cost) – (loss)/gain	(9,698)	365
Experience gains and losses arising on the plan liabilities – gain/(loss)	13	(1,351)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain	49	466
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain	8,915	2,407
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) – (loss)/gain	(721)	1,887
Total amount recognised in other comprehensive income – (loss)/gain	(721)	1,887

Assets

	31 March 2023	31 March 2022
Class of Asset	£'000	£'000
Global Equity	324	4,998
Absolute Return	188	1,045
Distressed Opportunities	525	932
Credit Relative Value	654	866
Alternative Risk Premia	32	859
Fund of Hedge Funds	-	-
Emerging Markets Debt	93	758
Risk Sharing	1,277	858
Insurance-Linked Securities	438	607
Property	746	703
Infrastructure	1,981	1,855
Private Debt	772	668
Opportunistic Illiquid Credit	742	875
High Yield	61	224
Opportunistic Illiquid Credit	1	93
Cash	125	89
Corporate Bond Fund	-	1,737
Liquid Credit	-	-
Long Lease Property	523	670
Secured Income	796	970
Liability Driven Investment	7,986	7,267
Currency Hedging	33	(102)
Net Current Assets	44	72
Total Assets	17,341	26,044

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 2023	31 March 2022
	% per annum	% per annum
Discount Rate	4.86	2.79
Inflation (RPI)	3.19	3.57
Inflation (CPI)	2.77	3.19
Salary Growth	3.77	4.19
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2023 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2023	21.0
Female retiring in 2023	23.4
Male retiring in 2043	22.2
Female retiring in 2043	24.9

29B. THE SHPS GROWTH PLAN

Hightown participates in the scheme, a multi-employer scheme which provides benefits to some 638 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 2020. This valuation showed assets of £800.3m, liabilities of £831.9m and a deficit of £31.6m. 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 2022 to 31 January 2025: £3,312,000 per annum
(payable monthly)

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 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 30 September 2025: £11,243,000 per annum
(payable monthly and increasing by 3% each on 1st April)

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.

Hightown deficit contributions

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

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

Present Values Of Provision

	31 March 2023 £'000	31 March 2022 £'000	31 March 2021 £'000
Present value of provision	3	5	24

Reconciliation Of Opening And Closing Provisions

	Period Ending 31 March 2023 £'000	Period Ending 31 March 2022 £'000
Provision at start of period	5	24
Deficit contribution paid	(2)	(6)
Remeasurements - amendments to the contribution schedule	-	(13)
Provision at end of period	3	5

Income And Expenditure Impact

	Period Ending 31 March 2023 £'000	Period Ending 31 March 2022 £'000
Interest expense	-	-
Remeasurements – impact of any change in assumptions	-	-
Remeasurements - amendments to the contribution schedule	-	(13)

Assumptions

	31 March 2023 % per annum	31 March 2022 % per annum	31 March 2021 % per annum
Rate of discount	5.52	2.35	0.66

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 2021. As of this date the estimated employer debt for Hightown was £36,160 (2021: £55,685).

29C. BUCKINGHAMSHIRE 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 was carried out as at 31 March 2022 and 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.

- Climate risk can be grouped into two categories; Physical and Transitional risks. Physical risks are direct risks associated with an increased global temperature such as heatwaves and rising sea levels. Transitional risks are the costs of transitioning to a low carbon economy. These risks will manifest themselves in many of the other risks detailed above which the fund is exposed to, for example investment returns may be affected.
- Regulatory risk. Regulatory uncertainties could result in benefit changes to past or future benefits which could result in additional costs.

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.

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 2022 is as follows:

Member data	Number	Salaries/Pensions £'000	Average Age
Actives	1	28	59
Deferred Pensioners	2	18	59
Pensioners	5	24	72

The service cost for the year ending 31 March 2023 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 2024 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 28.8% of payroll p.a.

Minimum employer contributions due for the period beginning	1 April 2023	1 April 2022	1 April 2021
Percent of payroll	28.8%	27.5%	27.5%
Plus monetary amount (£'000)	-	5	5

Statement Of Financial Position

Net pension deficit as at	31 March 2023	31 March 2022	31 March 2021
	£'000	£'000	£'000
Present value of the defined benefit obligation	875	1,174	1,210
Fair value of Fund assets (bid value)	840	905	854
Deficit	35	269	356

Statement Of Profit or Loss For The Year

<u>The amounts recognised in the income and expenditure statement</u>	Year to 31 March 2023 £'000	Year to 31 March 2022 £'000	Year to 31 March 2021 £'000
Service Cost	12	14	10
Net interest on the defined liability	7	6	7
Administration expenses	1	1	1
Total loss	20	21	18

29D. NHS PENSION SCHEME

At the 31 March 2023, there were 5 active members in the NHS scheme (2022: 5) 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.

30. INCOME TO COVER COVID-19 EXPENDITURE

In 2022/23 income of £21.5k (2022: £775k) was received from care commissioners for additional salaries, PPE costs and other additional Covid-related costs. The income is shown in Note 3A, with the corresponding costs shown in Note 3B within management and supported service costs for supported housing and residential care homes.

31. CONTINGENT LIABILITY – SOCIAL HOUSING PENSION SCHEME

Hightown was notified in 2021 by the Trustee of the Scheme that it has performed a review of the changes made to the Scheme's benefits over the years and the result is that there is uncertainty surrounding some of these changes. The Trustee is seeking clarification from the Court on these items, and this process is ongoing with it being unlikely to be resolved before the end of 2024 at the earliest.

It is estimated that this could potentially increase the value of the full Scheme liabilities by £155m. This estimate has been calculated as at 30 September 2022 on the Scheme's Technical Provisions basis. Until the Court direction is received, it is unknown whether the full (or any) increase in liabilities will apply and therefore, in line with the prior year, no adjustment has been made in these financial statements in respect of this.

For clarity, the estimate provided by the Trustee includes the full potential impact should a negative outcome be received on all past service elements being considered by the Court. The Trustee does not have the estimate calculated as at 31 March 2023 or on an accounting (FRS 102) basis.