Annual Report & Financial Statements 2020/21

Hightown

Contents

Board Members, Executive Directors, Advisors and Bankers

Board of Management

Chair

Bob Macnaughton
Chartered Accountant and former company Chief Executive

Vice Chair

Cordelia Pace
Senior Legal Counsel

Andrew Rose
Former IT Director (to 25/2/2021)

Other Elected Members

Oliver Burns
Former Chief Financial Officer (to 24/9/2020)

David Matthews
Banker

Nick Grundy
Barrister (to 29/10/2020)

Sarah Pickup OBE
Deputy Chief Executive Local Government Association

Alan Head
Retired Chartered Building Surveyor

Gina Small
Care & Supported Housing professional

Frances Kneller
Housing Consultant

James Steel
Commercial Consultant and former banker

Co-opted Members

Sarah Barton
Chartered Accountant

Charmaine De Souza
HR Professional

Anne McLoughlin
Housing Professional

Chief Executive

David Bogle

Executive Directors

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

Mark Carter
Director of Care & Support

Andrew Royall
Director of Development

Manpreet Dillion
Director of Housing (from 24/05/2021)

David Skinner
Director of Financial Services

Susan Wallis
Director of Corporate Services (from 05/04/2021)
Also Director of Operations (Housing) (to 04/04/2021)

Company Secretary

David Skinner

Registered Office

Hightown House
Maylands Avenue
Hemel Hempstead
Herts HP2 4XH

External Auditor

BDO LLP
55 Baker Street
London W1U 7EU

Principal Bankers

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

Principal Solicitors

Winckworth Sherwood LLP
Minerva House
5 Montague Close
London SE1 9BB

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

Chair's Statement

It is difficult to speak positively about a year in which so many people lost their lives prematurely to coronavirus. The whole nation has been negatively affected by the pandemic and our thoughts are very much with those who have lost relatives or friends.

In these deeply challenging times we have put the safety of our residents, services users and staff as the highest priority. Right across Hightown's activities the response of our staff to the pandemic has been extraordinary. The shielding and social distancing protocols put in place to prevent the spread of infection have impacted every part of the Association. Without doubt, the most profound effects were in our care and supported housing where, despite taking comprehensive precautions, we experienced Covid outbreaks leading, very sadly, to the deaths of six of our residents and to illness amongst other residents and amongst our staff.

Our social landlord and development operations were disrupted particularly in first lockdown in April, May and June 2020. During the summer, these operations returned to some measure of normality and were only marginally affected in the 'second wave'. Our 200 or so office based staff have been working from home since March 2020 but, thanks to their goodwill, an agile approach and excellent IT provision, we have been able to maintain very good performance levels.

Our core purpose is to build homes and support people, helping the most vulnerable in society and seeking to tackle homelessness. This purpose remained undiminished regardless of the pandemic and demand for our homes and services remains strong. So it is pleasing to report that 429 new affordable homes were delivered over the year. There was also expansion of the care and supported housing activities, through new contracts. This includes our Housing First project and the development of 14 homes through the Government's Next Steps Accommodation Programme to house rough sleepers.

During the year, the Hightown Board has concentrated on supporting staff and ensuring that services are maintained. We had to look at our business plan to understand the potential impact of the pandemic. Thankfully, Hightown has continued to perform strongly and I am glad to report that our future plans are resilient. This means that Hightown has not had to scale back activities outside the specific disruptions of the pandemic and that as far as possible the Association has remained open for business.

The Regulator of Social Housing, following an In Depth Assessment in early 2020, highlighted certain governance weaknesses particularly in our stress testing of the Association's business plan, which resulted in a revised governance rating of G2. This prompted a detailed review with external support of our business planning and stress testing processes. There have also been changes to our approach to assessing risk appetite, amending our health and safety reporting and introducing financial 'golden rules'. I am pleased to report that our progress in addressing the areas for improvement identified by the Regulator resulted in Hightown being returned to the top G1/V1 rating in late March.

Looking forward to the return to some form of normality, Hightown remains in good shape to tackle the challenges ahead. These include improving tenant accountability and responding to the White paper, reducing substantially our carbon emissions and ensuring building safety across our housing stock.

In 2021/22, we plan to deliver over 700 new affordable homes, to improve the resilience of our care and supported housing and to maintain our efforts to reduce homelessness and support the work of the Homes for Cathy group.

I am most grateful to our local authority partners, to our funders and to our many other Stakeholders, contractors and consultants for their support for Hightown in 2020/21.

Finally, I must thank the Hightown Board members and our Hightown staff for their huge contribution and commitment during the most testing and extraordinary year that most of us have ever experienced. I have been humbled by the selfless efforts of so many people at Hightown to help others.

Bob Macnaughton - Chair
8 July 2021

Strategic Report

Our Mission, Values and Culture

Mission

Building homes. Supporting people.

Values

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

Culture

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

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

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

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Strategic Report

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 7,200 homes and provides care and supported housing in 83 projects. It operates mainly in Hertfordshire and Buckinghamshire but also has affordable housing in Bedfordshire and care and support projects in Berkshire. In the last three years, Hightown has built over 1,300 new affordable homes.

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

Hightown's primary objectives are:

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

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

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

1,300

Affordable new homes over the **last three years**

Provides care and supported housing in

83

projects

over

7,200

Homes owned and managed

Strategic Plan Objectives

The Strategic Plan Objectives 2018-21 and performance to March 2021 are as follows:

Strategic Plan Objective	Progress at March 2021	Flag
Property Development		
Develop at least 400 new affordable homes a year and maintain a three year rolling average of at least 400 homes a year.	In 2020/21 we delivered 429 new homes. The three year rolling average is 438.	
Develop an average of 200 of those new affordable homes on Hightown sites.	In 2020/21 we built 201 new homes on non S.106 Hightown sites. The three year rolling average is 271.	
Achieve development outcomes in line with, or in excess of, appraisal parameters.	All schemes completed in year exceeded appraisal parameters.	
Achieve at least 80% customer satisfaction with new homes.	Survey of homes completed 2019/20 78%.	
Financial Viability		
Achieve 3.7% or better Return on Capital Employed (ROCE).	The 2020/21 ROCE was 3.3%, just above the approved budget of 3.1%. Delays in handover of new build units due to Covid restrictions reduced the expected total of rental income.	
Achieve annual surplus of at least £16m.	The 2020/21 surplus £17.9 million before pension provisioning.	
Maintain gearing at less than 60%.	Gearing 56.6%	
Maintain interest cover at more than 140%.	Interest Cover 217.8%	
Ensure that fixed rate funding is between 40% and 60% of overall borrowing.	Fixed proportion 46.8%	
Ensure loan facilities in place for next 12 months' anticipated spend and charged properties for next 6 months.	In excess of 12 months charged and available facilities.	
Achieve an average sales period of 4 months for new shared ownership properties.	The 2020/21 performance was 134 days on 101 sales.	
Asset Management		
Achieve Energy Performance Certificate minimum rating of Band C for all homes.	On track. Average SAP score is 80.63, band C rating. 11 units lifted from band D in 2020/21. 32 units remain below band C. Average SAP rating is a Band B.	
Dispose of unviable single properties.	Four properties were sold in year.	

Strategic Plan Objective	Progress at March 2021	Flag
Resident Services		
Achieve upper quartile performance for resident satisfaction with overall service provided.	STAR survey September 2020 resident satisfaction 73.2%.	
Keep management costs per rented unit in lower quartile compared to peers.	HouseMark performance for 2019/20 shows Hightown in the lower cost quartile at £264 per unit.	
Improve satisfaction levels amongst shared owners and leaseholders.	September 2020 survey shows improvement from 30% to 39.5%.	
Increase interaction with general needs residents through the 'MyHightown' portal by 15% a year.	An increase of 23%. 4,632 users. Average views per day increased to 889 from 828.	
Care and Supported Housing		
Deliver annual surplus on Care & Supported Housing (C&SH) activities each year.	A very small deficit on Care & Supported Housing 2020/21.	
Reduce use of agency staff by 20% a year.	In year use of agency staff reduced by 64% despite COVID-19 pandemic. All but eliminated for front line care staff.	
Report annually to Board on outcomes for service users.	Social Impact Report shows cases studies. "Growth Model" roll out continuing.	
Increase interaction with commissioners.	Increased interaction with local authority commissioners across all services.	
Develop new and innovative models of care and support.	Housing First initiative showing early limited success. The Covid pandemic lead to short term emergency initiatives for rough sleepers in St.Albans. We started our first homelessness service in Buckinghamshire.	
Corporate		
Maintain a G1/V1 rating from Regulator of Social Housing (RSH).	Hightown was restored to G1/V1 rating in March 2021.	
Use the Homes for Cathy group to develop our action plan for homelessness.	The Board received a report on delivery on the homelessness action plan.	
With regard to the cost vs performance matrix, to position all Hightown Key Performance Indicators in either the low cost/ high quality quartile, or in the high performance half of the high cost/high performance quartile, or in the low cost half of the low cost/ low performance quartile.	In the latest HouseMark report for 2019/20, all five measures are in the good performance, low cost quadrant, except Resident Engagement which is inside on the border of the poor performance/low cost and good performance/low cost quadrants.	
Improve staff satisfaction levels.	Due to Covid, the annual staff survey was postponed.	
Commission each year an external audit to confirm that appropriate IT security practices and disaster recovery provisions are in place.	Completed June 2020. All actions identified have been implemented.	
Establish a research programme.	The Business Information Analyst has produced research papers that are helping to develop our policy in a number of areas.	

Strategic Report

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, so at sub-market rents. The properties range from one bedroomed flats to four bedroomed houses with the typical property being a two bedroomed flat in a low rise block. Hightown also provides shared ownership properties and manages leasehold properties including some retirement leasehold schemes.

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 2018 Hightown staff chose to support the Herts MIND Network Ltd, a mental health charity (number 1112487), as their beneficial charity. The charity provides support to people suffering with mental health issues predominantly within Hertfordshire. Through a range of fundraising events, such as cake sales, dress-down days, couch to 5k runs, quiz nights, Hightown's staff have so far raised almost £8,000 for the charity. During the pandemic, despite lockdown and many working from home, staff continued to support MIND through on-line activities.

Five Ways to Wellbeing

Hightown supports and promotes the Five Ways to Wellbeing 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.

Connect. Be Active. Take Notice. Keep Learning. Give.

Hightown's staff have raised almost £8,000 for Herts MIND Network Ltd, a mental health charity.

Strategic Report

Our Performance

Finances

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 6.6% (2020 6.1%) reflecting the 6.0% growth in homes (2020 6.9%) despite the Covid-19 pandemic.

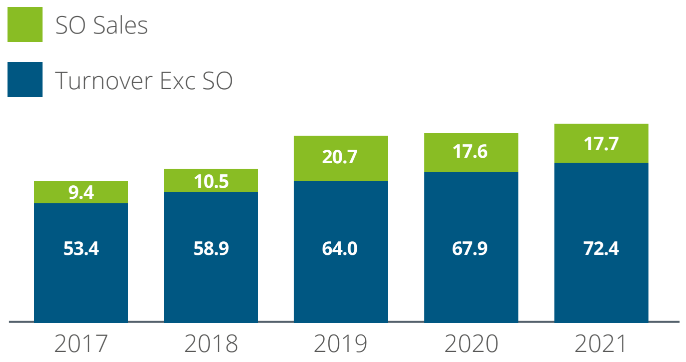
The following tables and charts show how Hightown's annual turnover has risen over recent years and how the operating surplus in the Total Comprehensive Income has been invested in new affordable homes funded mainly by increased borrowings. Gross and net margins remain strong and high income cover shows an ability to finance new borrowings and manage interest costs.

5 Year Financial Summary

	2021	2020	2019	2018	2017
	£'000	£'000	£'000	£'000	£'000
Turnover	90,088	85,536	84,693	69,415	62,785
First Tranche Shared Ownership sales (included in turnover)	17,726	17,642	20,703	10,522	9,412
Operating Surplus	29,121	27,412	29,437	24,532	22,466
Interest payable	11,252	11,750	10,840	8,108	6,530
Surplus for the year	17,870	15,746	18,691	16,702	16,074
Total Comprehensive Income	13,588	20,522	14,045	18,314	15,947
Gross Margin %	32%	32%	35%	35%	36%
Net Margin %	20%	18%	22%	24%	26%
Interest cover (times)	2.6	2.3	2.7	3.0	3.4
Housing Properties at cost (GBV)	907,574	825,284	719,209	624,228	560,280
Housing Properties at cost (NBV)	844,990	770,314	670,820	581,861	523,033
Total Assets less current liabilities	882,084	824,085	735,020	613,142	536,712
Total Debt after fees	540,200	505,506	444,283	354,314	297,099
Total Reserves	165,293	151,705	131,183	117,138	98,824
Units Owned and managed	7,227	6,818	6,380	6,000	5,374

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

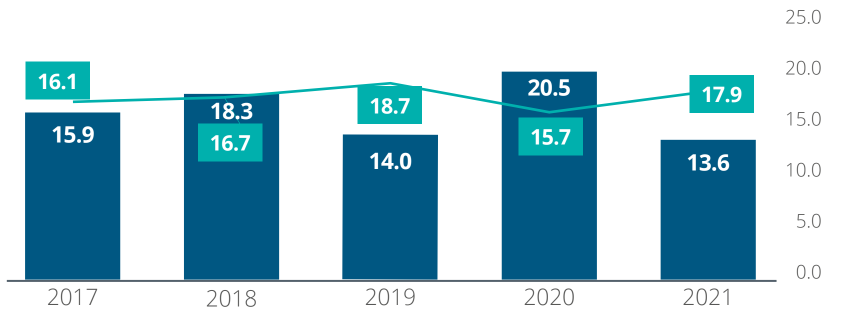
Turnover (£m)



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 value flows through the Statement of Comprehensive Income (SOCI). Measurement of the accounting provision for pension is sensitive to movements in the discount rate and future inflation assumptions. The pension provision at 31 March 2021 was £6.6m (2020: £3.3m). See Statement of Financial Position.

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

Total Comprehensive Income and Surplus for the Year (£m)



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 2020/21 new borrowing facilities of £65 million was arranged from Royal Bank of Scotland plc (RBS).

Strategic Report

Development Programme

The financial year 2020/21 was another very active year in Hightown's development programme. Despite the delays in construction works by lockdowns in response to the pandemic, Hightown built 429 new homes - a growth rate of 6.3%. In the last three years Hightown has built over 1,300 new homes.

A summary of the 2020/21 development programme is as below:

a) Tenure - Hightown predominantly built properties to let at Affordable Rent 62% (2020: 62%) and for Shared Ownership 28% (2020: 25%) in 2020/21. There were 29 homes (7%) (2020: 12 homes 3%) developed at social rent which reflects the low level of Social Housing Grant available to subsidise this tenure.

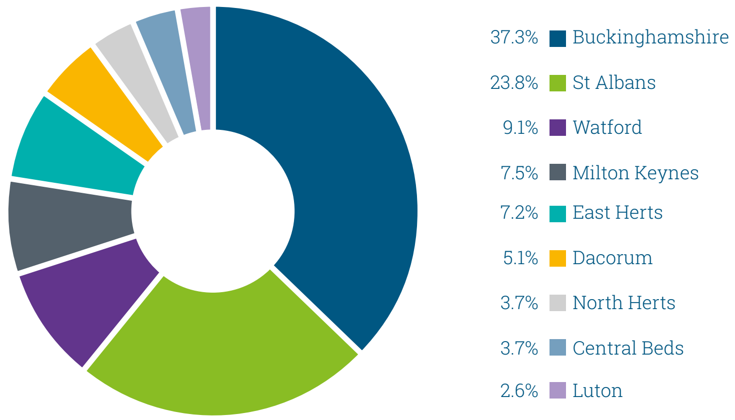
Rent Tenure

	Apr-Jun 2020	Jul-Sep 2020	Oct-Dec 2020	Jan-Mar 2021	Total	%
Total	48	126	102	153	429	
Affordable Rent	17	91	72	86	266	62.0%
Shared Ownership	21	33	27	38	119	27.7%
Social Rent	8	0	3	18	29	6.8%
C&SH Affordable Rent	2	2	0	11	15	3.5%

b) Local Authority - Hightown built 429 properties in 9 local authority areas:

Local Authority

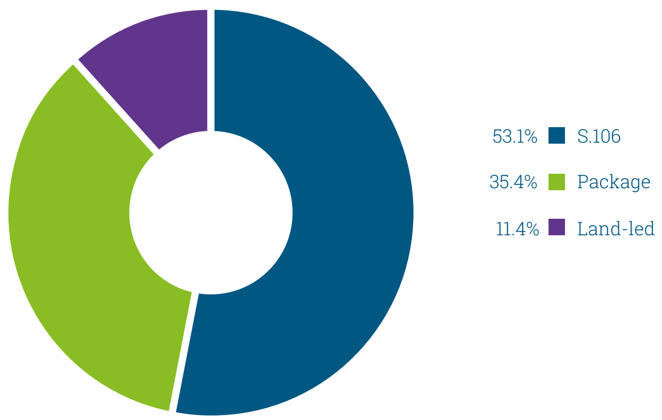
	Apr-Jun 2020	Jul-Sep 2020	Oct-Dec 2020	Jan-Mar 2021	Total	%
Total	48	126	102	153	429	
Buckinghamshire	24	42	33	61	160	37.3%
St Albans	9	43	32	18	102	23.8%
Watford	0	0	0	39	39	9.1%
Milton Keynes	0	14	13	5	32	7.5%
East Herts	3	24	0	4	31	7.2%
Dacorum	0	0	0	22	22	5.1%
North Herts	1	3	12	0	16	3.7%
Central Bedfordshire	0	0	12	4	16	3.7%
Luton	11	0	0	0	11	2.6%



c) Procurement Route - In total, 53% of Hightown's new build homes were developed by housebuilders under S.106 planning requirements to provide affordable housing and 47% came from land purchased and developed by Hightown and from package deals:

Procurement Route

	Apr-Jun 2020	Jul-Sep 2020	Oct-Dec 2020	Jan-Mar 2021	Total	%
Total	48	126	102	153	429	
S.106	19	88	88	33	228	53.1%
Package	29	38	14	71	152	35.4%
Land-led	0	0	0	49	49	11.4%



Strategic Report

> **Hightown expects to deliver around 1,470 new affordable homes over the next two years.**

Hightown is regulated by the Regulator of Social Housing (RSH). This regulation takes the form of regular monitoring and grading of governance and financial viability. The challenges faced by the Association include regulated rents where rental growth is set by government, social care funding and welfare benefits including Universal Credit. Consequently government policy has a direct impact on how the Association operates as a social landlord, a care and supported housing provider and a developer of new homes. Some new housing developments are part funded by social housing grant from Homes England and from local authorities.

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 does not build for market rent or market sale.

Hightown expects to deliver around 1,470 new affordable homes over the next two years 2021/22 and 2022/23. Around 42% of the new homes will be on sites purchased by Hightown for affordable housing with the remaining 58% coming from the affordable housing element on sites developed by private housebuilders under S.106 planning requirements.

Asset Management

Hightown's properties are its largest asset and its priorities are to ensure it provides good quality energy efficient homes that its residents want to live in whilst not compromising on resident safety or its legislative duties.

As well as providing good quality and affordable homes Hightown also understands the impact its homes are having on the environment and is therefore continuing to work on improving the energy ratings of its properties. 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. E3G, a European climate think tank, have said that in light of the revised Net Zero Target that 2035 ambition is no longer appropriate and should be reviewed, suggesting that homes should achieve an EPC band C by 2030.

Improving the energy efficiency of homes also contributes to affordable warmth initiatives, helping to make fuel bills more affordable to residents and helping 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.

Hightown wants to help support the Government targets by exceeding them: at the end of the financial year 2020/21 Hightown's stock had increased to in excess of 7,200 homes, with an average EPC rating of 80.6 which is equivalent to a band B. Currently, as can be seen in the graph (right), Hightown has almost 3,400 rented homes with an EPC band B or higher with over 1,800 rented properties in a band C. The median average EPC rating is band B.

3,400 properties in EPC band B and above

A
B
C

1,800 properties EPC band C

A
B
C

Strategic Report

In the last financial year Hightown reduced the number of properties in the EPC band D by over 50%, leaving less than 40 of the most difficult to improve properties below in this banding. Plans will be drawn up over the next couple of years to improve these properties with the aim of all Hightown properties achieving a band C rating by 2025.

There is only one property showing as below an EPC band D which is on the disposals register to be sold.

Improving the sustainability of the housing stock also includes consideration of water conservation, the use of responsibly sourced materials, and waste management and recycling.

Hightown has the resources and funds available to maintain its stock to an excellent standard and continue to meet its obligations to keep residents' homes safe. This includes a regular review of its stock through regular stock condition surveys and a having a thorough understanding of the construction type of its buildings.

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 it 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.

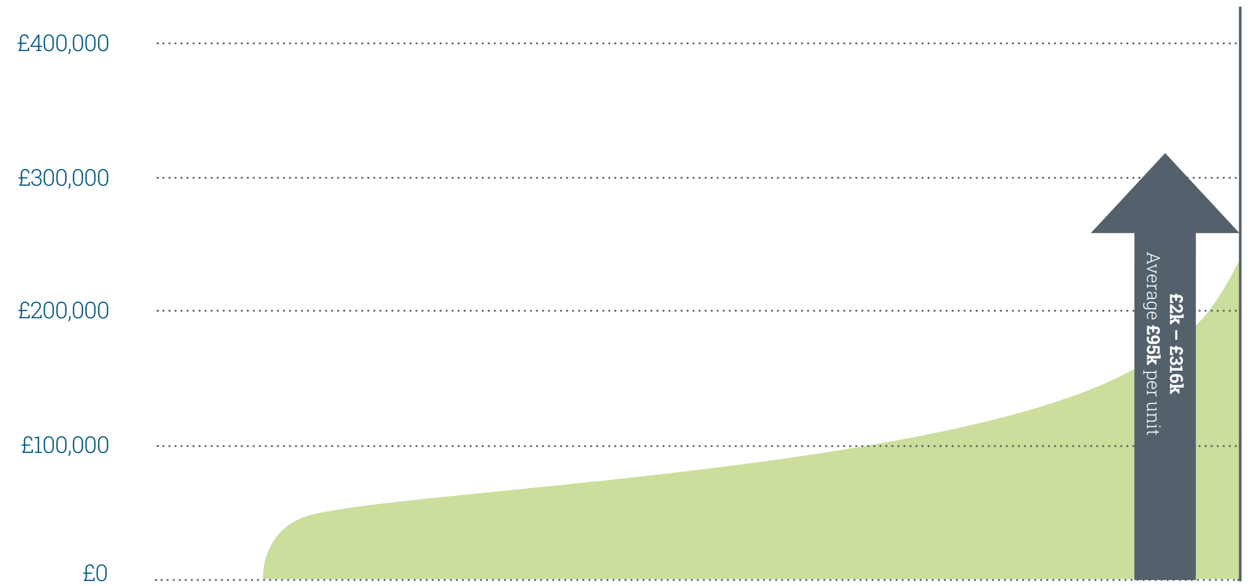
Hightown's asset register captures information about the performance and sustainability of the stock, its condition, and its energy efficiency. This detailed knowledge allows for a better understanding of the return on investment from each property.

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. It is not a formal valuation of the Association's stock.

The following chart shows the NPV value for each individual rented property which helps inform reinvestment decisions:

NPV – All rented stock



The chart on page 22 shows the NPVs across all rented stock.

The average return from each rented unit over the next 30 years is £95,000 per unit. The detail behind these results allows analysis of the information and splits properties into different asset groups and types to help identify any that may not be performing as well as expected or are of particular concern.

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

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

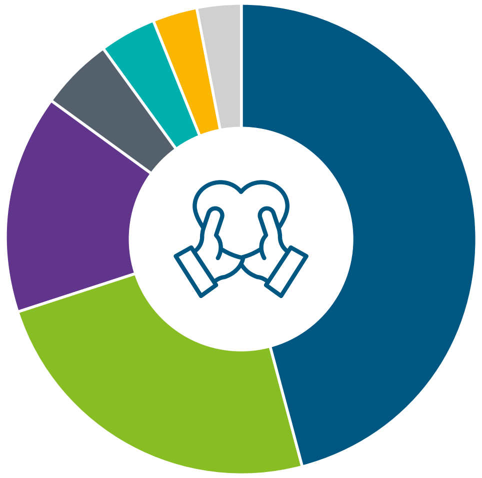
Strategic Report

Care & Supported Housing

Around £27.6 million (30.6%) of Hightown's 2020/21 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 care and supported housing.

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

At 31 March 2021, Hightown was supporting 791 service users in the following areas:



46% Learning Disability

24% Mental Health Services

15% Homeless Services

5% Extra Care

4% Young People Service

3% Mother & Baby

3% Asylum Seekers

Covid-19 Pandemic

For Hightown staff and Service Users in our schemes the pandemic has been very challenging. During the peaks of both major waves of Covid, staff continued to come into work and provide close personal and social care to our service users at much greater risk of contracting Covid than in many other roles. This required constant wearing of PPE and often required additional emergency shifts to be taken due to higher levels of sickness and self-isolation of entire teams. The pressure was particularly felt in our Learning Disability schemes where major outbreaks occurred in 8 out of 46 schemes resulting in reduced staffing for between 2 and 4 weeks to limit the spread of the disease. Regrettably, six service users died as a result of Covid.

Across the department as a whole, our income was substantially maintained during the pandemic although with some reduction due to properties kept empty for longer than usual because of the need for Covid precautions. All of our services continued throughout with some financial assistance provided by the commissioners/Government to meet the additional costs of PPE and additional staffing costs arising from sickness, furlough and restrictions on staff moving between schemes. Staff vacancy rates have dropped over the course of the year and, during periods outside of the major waves of the disease, we have been able to continue with longer term service improvements and development projects.

Our staff continued to come into work and provide close personal and social care to our service users at much greater risk of contracting Covid than in many other roles.

Financing

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

The accounts for this year show Care & Supported Housing posting a small loss mainly due to the Board's decision to reward our staff for their exceptional work and commitment during the Covid pandemic with above inflation pay increases and bonuses. The margins on our Care & Supported Housing activities are always very tight and staff salary costs are, of course, our major expense.

In recent years, cuts and freezes to local government social care budgets and financial constraints on NHS funding have made it difficult to keep schemes viable against a backdrop of rising wage costs driven by above inflation rises in the National Living Wage (6.2% in April 2020 and 2.2% in April 2021). Around 50% of our workforce are being paid at levels that are very close to this wage level. The viability of our services are therefore heavily dependent on annual uplifts awarded by commissioners. Recent uplifts have been low or non-existent. In 2020/21 they averaged only 2% putting considerable pressure on the viability of the Care & Supported Housing operations and particularly on the funding of our entry level Care Assistant roles that are positioned only just above this National Living Wage. Staff turnover and vacancy rates are usually high for these staff roles.

Strategic Report

New/Re-provisioned Services

Hightown strives to take a lead in delivering service efficiencies by finding different and innovative ways of providing care and support without compromising the quality of care being provided. To this end, work has begun to extend two Registered Care Services at Wendover Road, Aylesbury and Litslade Farm, Newton Longville to accommodate seven and eight service users respectively. This in turn will lead to the closure of a smaller less efficient service providing support to only three service users. Similar services providing support to service users with 1-1 Live-in support are also being re-provisioned in 2021/22 as they are no longer economically viable.

In addition, Hightown is increasing its focus on finding self-contained move-on properties for service users who have gained independence and no longer need the same levels of support as before. This then frees up space for higher-need service users into schemes where that provision is most economical. During the year, work began on the construction of four self-contained 1 bed flats in Hemel Hempstead which will be completed in Summer 2021. Hightown also managed to secure funding from the Next Steps Accommodation Programme to accommodate and support rough sleepers in more long term accommodation following the ***Everyone In*** initiative to remove rough sleepers from the streets in March/ April 2020. Two projects were funded, one in Aylesbury and one in Hemel Hempstead which were both completed by the deadline.

The Association is reviewing its property portfolio allocated to care and supported housing to identify opportunities to improve the performance and efficiency of those assets.

C&SH Staffing

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

Managing and motivating this staff team is also a critical part of providing high quality services and performance in this area is monitored closely. The Association has invested significant resources in establishing a centrally managed rota system monitoring unfilled shifts, agency usage, working time breaches etc. and has been successful in reducing the use of costly agency staff for the last three years from 180 shifts a week in 2018/19, to 100 shifts a week in 2019/20, to 50 shifts a week in 2020/21. In 2021/22 we expect this reduction to continue.

The Covid-19 pandemic has also had a positive effect on recruitment into Adult Social Care. The Sector provides steady employment in comparison to, for instance, hospitality roles which have obviously reduced over the last year. Staff turnover has reduced from 16% to 11% and active vacancies from 14% to 8% over the year. However there is a risk that position may reverse in 2021/22 as the economy recovers and retail and hospitality jobs re-emerge.

Improving Quality through Support Plans and Growth Model

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

To identify the areas of greatest improvement in outcomes Hightown has developed a Growth Model to talk through this using the concept of a tree graph as shown. This is expected to become intrinsic to the Association's work going forward.

Encouraging Service Users to take up activities... to improve their Mental Health and desire for independence.

Hightown is now 2 years into this 3 year project digitising support plans, linking them into this Growth Model and then using them to improve the focus on quality of support from senior management downwards.

During 2020/21 we completed the transfer from paper to digital Support Plans despite the pandemic and our goal this year is to establish an improved auditing process around these plans to discuss and challenge the support being provided to maximise our service users independence and life experience.

In addition, we have increased resources supporting and encouraging Service Users to take up activities whether jobs, voluntary work or simply hobbies to broaden their outlook, help improve their Mental Health and/or stimulate their desire to further their independence.

Strategic Report

Social Impact Reporting

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

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

In summary for 2020/21 Hightown has:

- Maintained services throughout the Covid-19 pandemic and lockdown periods, whilst prioritising the safety of tenants, residents, service users and staff, including statutory health and safety inspections, essential property repairs and lettings;
- Helped to alleviate homelessness through the delivery of 429 new affordable homes including 16 new temporary supported move-on properties for single homeless people, as well as expanding our Housing First initiative to support nine people with complex needs and creating a new five-bed supported housing scheme for young care leavers;
- Let 396 general properties in the year, of which 40% were let to homeless households;
- Re-let 320 void properties to people in housing need, with an average re-let period of just 23 days;
- Reduced fuel poverty through continued investment in energy efficiency such as PV solar panels, improved insulation and the replacement boilers, heating systems, doors and windows;
- Improved the average SAP (Standard Assessment Procedure) energy performance rating of our properties to 80.63, significantly higher than the 69 reported for all social rented sector dwellings (Source: English Housing Survey 2019-20);
- Moved an additional 11 properties into EPC Band C, meaning 99% of our properties are now in Band C and above and 65% are in Band B and above, with a review underway to improve the energy rating of the 32 properties below Band C;
- Helped 556 tenants receive over £119,000 in welfare benefits and grant entitlements through our Financial Inclusion team and so helped tenants to retain their tenancies;
- Delivered a wide range of care & support to over 800 service users, helping them with their day to day needs, supporting them to be more independent and to improve access to choice and activities that enhance quality of life;
- Continued the rollout of a digital assessment platform for care and supported housing to measure progress towards greater service user independence and introduced a new internal audit for C&SH manager to promote outstanding service delivery.

The 2020/21 Social Impact Report, "Our Impact", is available on the website **www.hightownha.org.uk.**

429
new affordable homes

99%
of our rented properties are now in Band C and above and 65% are in Band B and above

We have reduced fuel poverty through continued investment in energy efficiency

Homes for Cathy

Hightown has played a leading role in the Homes For Cathy group – a membership body of 116 housing associations and housing charities campaigning for more homes and support for homeless people. The group wants to see housing associations using their skills and resources to make a difference to the lives of homeless people. By sharing good practice, the members can help to prevent homelessness and provide permanent homes.

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

Strategic Report

Value for Money

Hightown's Approach to Value for Money (VfM)

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

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

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

- Embed a culture of achieving VfM throughout Hightown, including Board members, staff and involved residents;
- A commitment to challenge the status quo and to seek new, more efficient and effective ways to deliver services through the deployment of IT and through process workflows;
- Involve residents in the delivery of VfM services through the Resident Voice and Scrutiny Panel;
- Use available procurement methods to deliver cost savings on contract renewals;
- Understand the financial and social return on our assets and use this to 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, the 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 seeks to improve customer service, customer engagement and customer satisfaction.

Hightown's Performance

For each of the last 14 years, Hightown has maintained an Efficiency Log, completed by staff and managers, to record the Value for Money savings made during the everyday course of business and to embed Value for Money.

In 2020/21 there were 14 recorded actions in the log covering changes in daily processes and services, enabling staff to use time saved to improve the service provided to residents and service users. The financial impacts totalled £115,000. In addition, the impact of home working during the Covid pandemic accelerated a number of changes in working practices where the benefits will be seen in future years.

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 £17.9 million (2020 £15.7 million) and 429 new homes (2020 477), bringing the number of new homes delivered in the last three years to over 1,300;
- Managed these 429 new homes with only a marginal increase in cost, achieving a low and reduced operating cost per unit, as detailed elsewhere in the report;
- Delivered the general needs services in the HouseMark VfM matrix within the relatively good performance/low cost quadrant except for resident involvement which is on the border of the poor performance/low cost and good performance/low cost quadrants;
- Continued to increase the use of digital service delivery and the interaction with tenants through the MyHightown Portal with the increase in usage rising 23% (2020 27%) in year, with 4,632 (2020 3,755) residents using the portal;
- Expanded the use of its own operatives in a small Direct Labour Organisation (DLO) to carry out void property repair works that lead to savings in repair costs, improved the void period turnaround time between re-letting, delivering additional rental income;
- Continued to develop new IT workflows and information reporting to drive more efficient and effective processes including the rollout of mobile support plans for care & supported housing;
- Improved the average SAP energy efficiency rating of homes to 80.6 (2020 80.1). The average property rating for all Hightown properties is a band B. This year, a further 11 properties were lifted out of band D rating leaving only 32 properties rated below band C;
- Delivered £42,000 savings through the delivery of on-line training due to the pandemic;
- Moved the rent collection contract to a consortium framework agreement saving £7,110;
- Outsourced the printing and despatch of annual rent review letters saving internal staff time and £2,000 in postage costs;
- Tendered the utilities contracts for gas and electricity achieving overall savings in costs.

Strategic Report

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 seven 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 2020/21 performance on the Regulator's published 2019/20 metrics reflects the impact of the Covid-19 pandemic. Delays in the delivery of new units into management and the resultant rental income shortfall meant that Hightown's performance against these metrics fell short of the budgeted VFM metrics:

VfM Table 1

	Value for Money Metric	VfM Cost Chain Measure	March 2021	Budget Target 2020/21	Indicator Flag
1	Reinvestment %	Efficiency	19.2%	26.8%	
2a	New Supply Delivered Social Housing Units %	Effectiveness	6.8%	8.9%	
2b	New Supply Delivered Non-social Housing Units %	Effectiveness	-	-	-
3	Gearing % (##)	Efficiency	61.5%	62.9%	
4	EBITDA MRI Interest Cover % (#)	Efficiency	218.8%	193.7%	
5	Headline Social Housing Cost Per Unit (£'000)	Economy	£6.94	£6.72	
6a	Operating Margin % – Social Housing Lettings	Efficiency	32.2%	34.5%	
6b	Operating Margin % – Overall	Efficiency	29.5%	27.2%	
7	Return on Capital Employed (ROCE) %	Efficiency	3.3%	3.1%	

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

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

Annual Report & Financial Statements For The Year Ended 31 March 2021

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 2020: Annex to 2020 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 2021 performance with the most recent published data from March 2020. For comparison, the budgeted VFM metrics for March 2022 are also shown.

VfM Table 2

	Value for Money Metric	Budget 2022 (Memo)	March 2021	March 2020	March 2019	Peer Group Median 2020*	Peer Group* Quartile 2020	National Entity Quartile 2020
1	Reinvestment %	24.8%	**19.2%**	25.2%	22.8%	7.9%	Upper	Upper
2a	New Supply Delivered Social Housing Units %	10.1%	**6.8%**	8.2%	7.5%	2.3%	Upper	Upper
2b	New Supply Delivered Non-social Housing Units %	0%	**0%**	0%	0%	0%	Upper	Upper
3	Gearing % (##)	63.9%	**61.5%**	60.7%	58.7%	52.9%	Lower	Lower
4	EBITDA MRI (#) Interest Cover %	188.1%	**218.8%**	201.5%	237.2%	177.1%	Upper	Upper/ Median
5	Headline Social Housing Cost Per Unit (£'000)	£6.70	**£6.94**	£7.07	£7.15	£3.66	Lower	Lower
6a	Operating Margin % – Social Housing Lettings	32.7%	**32.2%**	33.3%	33.5%	33.1%	Median/ Lower	Median/ Lower
6b	Operating Margin % – Overall	28.8%	**29.5%**	29.8%	30.9%	30.6%	Median/ Lower	Median/ Lower
7	Return on Capital Employed (ROCE) %	3.2%	**3.3%**	3.3%	4.0%	3.4%	Median/ Lower	Median/ Lower

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

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

(* RSH Value for Money Metrics and Reporting 2020 - data at 31 March 2020. National entity 261 associations. Peer group – South East & East – 52 peers).

Strategic Report

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 2020/21, Hightown invested £102.2 million and delivered 429 new homes. The 2021 out-turn metric of 19.2% is lower than the budget target of 26.8% as a result of the site closures and covid-safe ways of working necessary during the height of the pandemic and since. Consequently, the capital spend was lower; so too major repairs. Capitalised interest was lower due to lower capital spend and continued low interest rates. The reinvestment metric score of 19.2% is a reduction on the 25.2% last year and remains upper quartile performance against the latest reported metrics for 2020.

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 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
Despite the Covid-19 pandemic Hightown has again produced market leading growth. In 2021 Hightown's performance was again upper quartile at 6.8%, down on 8.2% last year and below the 8.9% target in the budget. This reflects the substantial development programme in recent years with over 1,300 new properties in the last three years. At 31 March 2021 there were 936 new homes under construction.

b) The proportion of non-social housing
Hightown did not deliver any Non-Social Housing units in the year. This reflects Hightown's Strategic Plan of delivering affordable social housing 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, lower quartile having risen in the year to 61.5% from 60.7% as a consequence of building 429 new homes, funding 936 new homes under construction and land banking for future delivery. Gearing was slightly lower than the budgeted gearing metric of 62.9%.

With most new homes now being built for affordable rent without, or with little, government grant, each unit requires higher borrowing than in the past; thus the overall level of gearing will rise as development continues. This is a direct and inevitable consequence of the affordable rent regime. As Hightown makes a significant annual surplus, the Board choose to reinvest this surplus into the provision of new affordable housing, thus reducing the level of new borrowing required and dampening the rise in gearing. There is still 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 2021 year end was strong at 218.8%, an increase from 201.5% last year and above the budget target of 193.7%. This reflects the overall reduction in major repairs in the year and continued low interest rates. Hightown continues to deliver an upper quartile, strong EBITDA MRI metric demonstrating capacity to fund additional borrowings.

Metric 5 – Headline Social Housing Cost Per Unit

As a major provider of Care and Supported Housing, Hightown's headline social housing cost per unit has always been high compared to the average for other Registered Providers, many of whom who have little or no care services. This relatively high cost has been apparent in all past data analysis from the RSH Global Accounts comparison, the RSH operating costs analysis and from the PlaceShapers group benchmarking. Hightown's cost per unit has continued to fall in each of the last three years despite inflation, with 2021 cost of £6,940, a 2% reduction on £7,073 last year and higher than the budget for 2020/21 of £6,724 in the main due to fewer new units completed in the year.

Hightown has a substantial of 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 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
This has fallen slightly from 33.3% to 32.2% and below the budgeted margin of 34.5% due to reduced rental income as a result of delays in the delivery of new units. Hightown continues to demonstrate strong performance on value for money in the delivery of management of its lettings activity. Hightown outperformed its peers delivering upper quartile performance. The Care & Supported Housing activity operates on a very low margin in a very difficult commissioning environment and this dilutes the overall operating margin compared to peers with little or no care & support activity.

b) Operating Margin % - Overall
This has also fallen slightly from 29.8% to 29.5% but above the budget target of 27.2%. This is still a very strong margin and is median/lower quartile performance.

Metric 7 – Return on Capital Employed (ROCE)

This metric measures the return on capital assets in use by the Association. It is an efficiency measure on the income generated from the assets of the business. The 2021 figure of 3.3% is slightly above the budget target of 3.1% and is the same as 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 negligible margin / loss achieved on the £22 million of Care & Supported Housing contracts. Both these factors contribute greatly to Hightown's lower ROCE compared to its peers and the median/ lower quartile ranking.

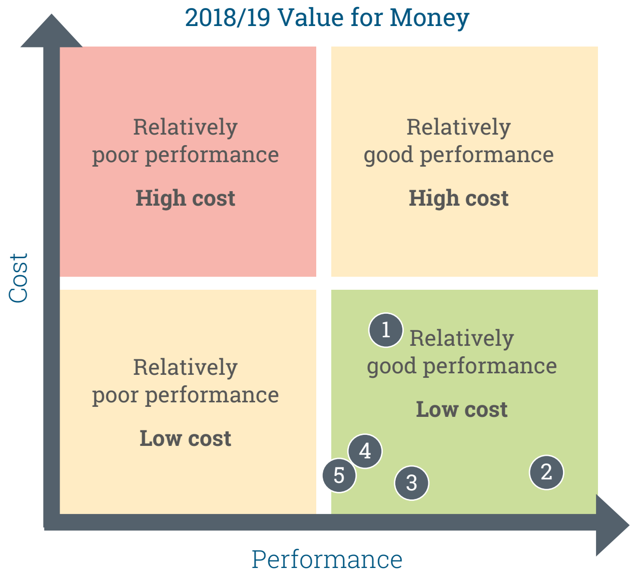
Strategic Report

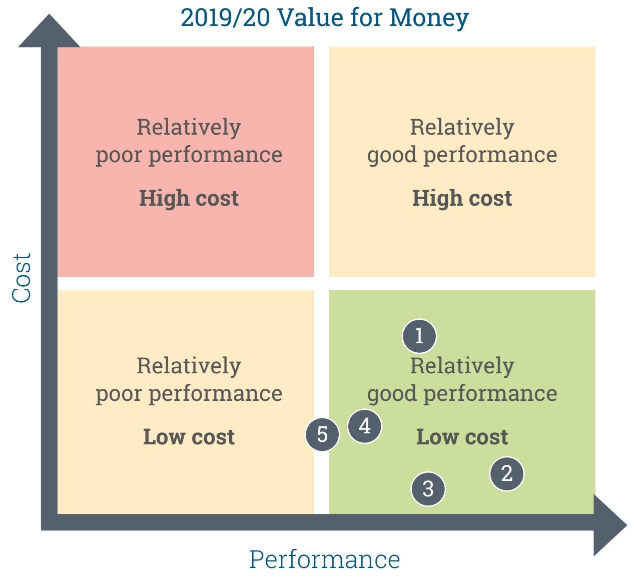
Other Performance Benchmarking Comparatives

HouseMark

Since 2009, Hightown has used 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 either the HouseMark low cost, good performance quadrant or the outer part of the low cost, poor performance quadrant. The benchmarking results for 2019/20, 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 261 traditional housing associations is as follows:





KEY

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

The comparison shows Hightown achieving its aim of delivering all services in the good performance, low cost quadrant aside from Resident Engagement which is marginally outside. Responsive Repairs, Voids and Lettings, and Rent Arrears & Collection all improved both in terms of cost and performance against the peer group. Tenancy Management and Resident Engagement costs showed a minimal cost increase.

HouseMark Efficiency Summary

Hightown's latest HouseMark performance summary in its peer group for 2019/20 continues to show upper quartile performance on overheads, lettings, cost measures, development activity and void loss. Rent collection is 2nd quartile in a narrow distribution, staff turnover is 3rd quartile, satisfaction is 4th quartile. Void loss improved in the year, moving from 4th quartile to 1st quartile.

HouseMark Annual Summary Dashboard 2019/20:

Total cost per property of Housing Management
£353.27 per property
up from £314.74
Quartile group 1

Total cost per property of responsive repairs & void works
£686.08 per property
down from £695.09
Quartile group 1

Overheads as a % of turnover
7.14%
up from 6.67%
Quartile group 1

Total units developed as a % of current stock
7.38%
up from 6.83%
Quartile group 1

Rent collected
100.59%
up from 100.15%
Quartile group 2

Void loss
0.43%
down from 0.45%
Quartile group 1

Satisfaction with the service provided
73.2%
No data available from previous year
Quartile group 4

Staff turnover
24.7%
up from 22.4%
Quartile group 3

* The General Needs satisfaction survey was conducted during the pandemic using the new STAR survey format. As there is insufficient benchmarking data, performance has been compared to the last 2 years' of survey results which shows Hightown performance just falls into quartile 4. Previous year performance was 80%.

Strategic Report

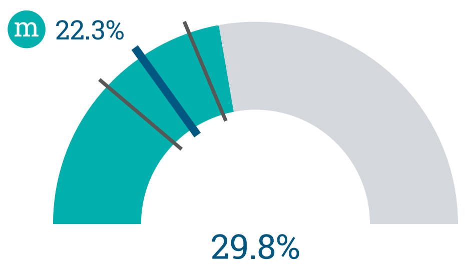
HouseMark Sector Scorecard

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

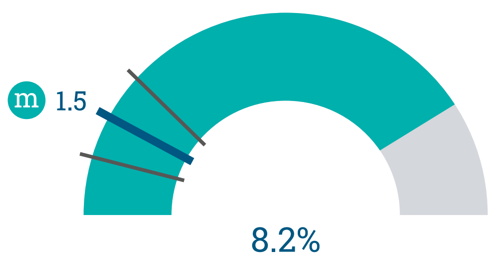
The scorecard compares costs and performance of 261 associations in the peer group of traditional housing associations. It measures 15 key performance metrics, more than the RSH, covering broader areas of performance. Whilst there are differences in the definition of some metrics, Hightown performance remains very strong in the both the scorecard and the RSH metrics.

Hightown's performance against the 2019/20 published sector scorecard is as follows:

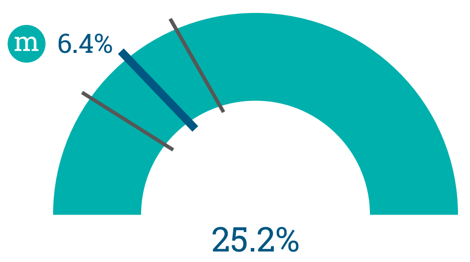
Operating margin (SS)



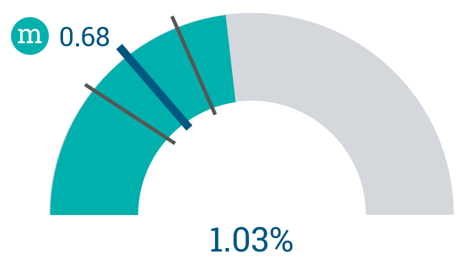
Units developed (as a % of units owned) - social (SS)



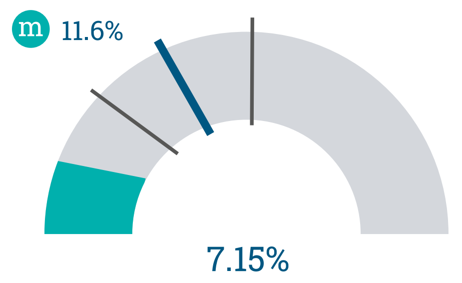
Reinvestment % (SS)



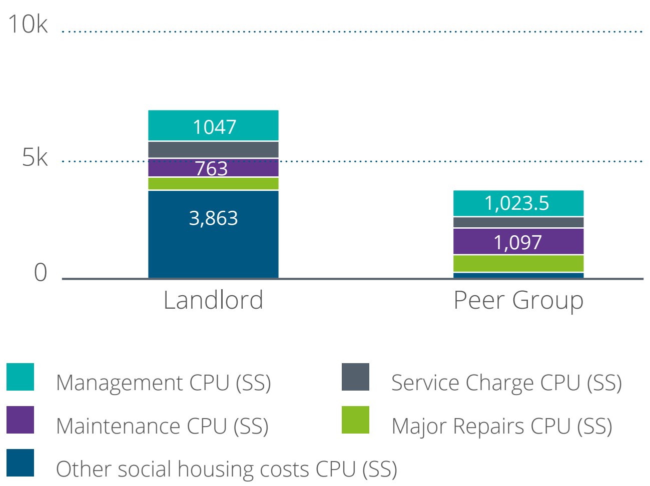
Ratio of responsive repairs to planned maintenance (SS)



Overheads as a % of turnover (SS)



Headline social housing CPU (SS)



Upper Quartile Performance	2019/20	2018/19	Flag
Operating Margin (overall; social housing lettings)	**29.80% ; 33.30%**	33.5% ; 30.90%	
Units developed (%; absolute)	**8.20% ; 477**	7.75% ; 407	
Reinvestment	**25.20%**	22.80%	
ROCE	**3.30%**	4.0%	
EBITDA MRI	**201.50%**	237.20%	
Rent Collected	**100.55%**	100.15%	
Overheads	**7.15%**	8.15%	

Median/ Lower Quartile Performance	2019/20	2018/19	Flag
Occupancy	**98.99%**	99.49%	
Satisfaction with service	**74%**	80%	
Gearing	**60.7%**	54.7%	
Headline Social Cost per unit	**£6,934**	£6,990	
Ratio of Responsive Repairs and Planned	**1:3**	1:3	

(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.

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 but performance against Hightown's 2020/21 targets has been affected by the Covid-19 pandemic.

The comparisons in VFM table 2 above show Hightown's 2021 results against the 2020 RSH VFM Metrics data is affected by the Covid-19 pandemic. The construction and delivery of new units in the development programme for 2020/21 was delayed as a result of the pandemic lockdowns and covid-safe working restrictions in place throughout the year. This has meant that rental income was lower than expected in the budget and whilst major repairs were underspent for similar reason, the overall impact was a lower operating surplus and margin which has impacted the Value for Money metrics reported. The lower number of units delivered impacted the outturn performance of those metrics using capital spend and unit numbers. Thus the Reinvestment and New Supply metrics are lower than budget and Social Housing Cost Per Unit is higher. With a higher development programme than its peers, Hightown's metrics are likely to have been more adversely affected against budget and peers from the delay of new units. This is expected to be reflected in the 2020/21 benchmarking once released later in the year.

These areas of underperformance arose due to the delays and working restrictions placed on the housebuilders in response to the covid pandemic. These were largely outside the control of both Hightown and the housebuilders. In 2021/22 Hightown expects to deliver a strong development programme of new affordable homes with over 500 homes but there is some dependency on the timing of lifting of restrictions and the impact of any future measures to control the virus.

However, this continued strong growth means that Hightown is likely to remain an outlier against its peers in terms of debt per unit and gearing unless more social housing grant becomes available to fund Hightown's development programme or unless those peers invest substantially more of their surpluses into the delivery of new units.

Hightown is seeking to improve its customer satisfaction score as reported in the HouseMark data.

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.

Strategic Report

Value for Money in the Financial Year 2021/22

The Covid-19 pandemic outbreak continues to dominate the operating landscape. Hightown's priority will be to continue to ensure the safety of its residents, service users and staff.

Hightown expects to continue to deliver Value for Money savings through the provision of new homes for people on low incomes who are unable to rent or buy a home on the open market. It expects to remain financially robust and to use its financial capacity to deliver over 500 new homes in the year through the investment of a strong operating surplus, social housing grants, and new borrowings.

In 2021/22 Hightown aspires to:

- Continue to deliver strong operational performance on the Regulator of Social Housing's metrics, aside from debt per unit and gearing where we expect to remain as data outliers due to the 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 high 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 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;
- Re-design the accounts payable process using Artificial Intelligence software to quickly and accurately capture invoice information. This will speed up and improve the payment process and allow Hightown to cope with the continued growth of the business using existing staff resources;
- Outsource the bulk posting of annual service charge statements;
- Improve the payroll service through transition to a new payroll software solution;
- Continue to assist tenants to sustain their tenancies through the work of the Financial Inclusion and Tenancy Sustainment Officers;
- Continue to develop and roll out new IT workflow process and dashboards, extending to cover property sales tracking to co-ordinate sales and staff attendance and wellbeing app to provide more timely information to managers and improve monitoring of absence;
- Expand the range of housing and support services for homeless people and continue to play a leading role in the Homes for Cathy group.

Value for Money Metrics 2021/22

The budgeted performance against the Value for Money metrics in 2021/22 is shown in VfM table 2 (page 33).

Key Contract Procurements 2021/22

Over the coming year, the Procurement Team, who are tasked with obtaining value for money from Hightown's key contracts, will be procuring contracts for goods and services using competitive tenders and framework agreements. The following areas of major spend are due to be competitively tendered in 2021/22:

- ICT Support Contract
- External Audit Services
- Gas Servicing Maintenance Contract
- Mobile Devices Contract

Strategic Report

Risks and Uncertainties

In the latter months of the previous financial year 2019/20 and since, the world has been dealing with the Coronavirus pandemic. The government of the U.K. has implemented measures to deal with the spread of the virus unprecedented in modern times including a cessation of non-essential face-to-face business, social distancing and a lockdown on movement outside the home. Hightown has been impacted by these measures with almost all office based staff still working from home, and with most staff engaged in providing care and support continuing to deliver care to residents directly using suitable personal protective equipment (PPE). Throughout the pandemic Hightown has complied with UK Government guidance to manage and mitigate risk to staff and residents from Covid-19. Although the government has issued a roadmap to lifting restrictions it is unclear whether the potential dates within it will be achieved and whether there will be additional requirements to meet. There is an expectation that PPE will still be required in 2021/22 in our Care and Supported Housing schemes.

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

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

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.

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

Annual Report & Financial Statements For The Year Ended 31 March 2021

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

Corporate	
Risks	**Mitigation**
Failure to understand and respond appropriately to changes to the external environment or unexpected events leads to non-compliance, underfunding, lower viability or significant reduction in reputation e.g. poor publicity.	Skilled and experienced board members, effectiveness reviews of board and governance. Engagement of the board and Directors Group to anticipate and respond to external changes and understand the regulatory environment. Engagement with National Housing Federation, other housing associations, stakeholders and peers to identify key social housing issues. 30 year Business Plan in place and reviewed regularly. Continued development of risk methodology to ensure risks are understood and managed. Impact of EU exit assessed and monitored. Dedicated Recruitment team, recruitment and retention of competent staff, bi-annual salary benchmarking. Effective staff development, apprenticeship scheme, secondment and succession planning. Continued delivery of training during lockdown through virtual classroom. Covid-19 guidance for staff reviewed and updated to ensure public health and regulator advice is followed to minimise social contact and reduce risk of virus spread. Regulator of Social Housing statement on non-compliance and impact of coronavirus.
Serious breach of Building Safety legislation, Health & Safety regulations or other regulatory requirement causes death or serious injury resulting in legal action against company or officers, external investigation, financial penalties.	Awareness of Corporate Manslaughter/Corporate Homicide responsibilities at board and senior management levels. Trained and competent staff and managers with clear guidance and expectations. Specialist training provided as required by role. Management of site risks to reduce the likelihood of death or serious injury and/or exposure to hazardous substances. Health & Safety and fire risks included in Estate Inspection programme. Inspections - Gas, Fire Risk, Legionella, Electrics, Asbestos. Lift maintenance programme managed by specialist contractor. Effective out of hours management arrangements. Provision of lone working devices. Procurement process ensures contractors have necessary skills & expertise.
Business Continuity Plan is inadequate and not successfully tested, causing ineffective response to emergency situation leading to serious financial and/or reputational damage.	Documented up to date business continuity plans for main office, C&SH sites & main operational activities. Business Continuity plans include planning for staff shortages due to pandemic. Crisis Management Team with access to alternative contact details for emergency contact with staff. External Disaster Recovery site with facility for switchover by external IT contractor. 8x8 phone system supports remote working and video meetings.
Failure to deliver an effective IT strategy and service, causing inefficiencies, potential data breaches, vulnerability to cybercrime and reduced assurance to stakeholders.	Citrix agile environment installed in main office and C&SH sites, wifi at main office, 8x8 Virtual office phone system. Virus software regularly updated to protect against major virus infection. Data Protection Officer appointed at Director level to oversee GDPR compliance. Subject access requests and data breach log maintained. Specialist IT network support by third party supplier. Business Support function ensures accurate management reports are available to support operational functions.

Finance	
Risks	**Mitigation**
Loss of external investment leads to higher borrowing costs and reduced access to new funding.	Liquidity maintained to meet cashflow requirements. Loan covenant requirements met. Adequate loan security to support development programme. Close scrutiny of market trends. Prudent interest rate management. Funding portfolio has capacity to deliver development programme and maintain covenant headroom. Ongoing engagement with current and potential lenders. Funder's appetite to lend is strong. Good relationships and headroom with existing banks/lenders.
Government initiative or change of policy has negative impact adversely affecting future income.	Low CPI reduces likelihood of rent cap or rent reduction. Engagement with National Housing Federation, Regulator and peers.

Development	
Risks	**Mitigation**
Cyclical change in local property market or unforeseen reduction in income of prospective buyers causes slow-down in sales and lower property prices.	Development Policy currently excludes development for outright sale. Shared Ownership limited to maximum 30% of Development programme. Frequent review of scheme programmes, market conditions and reporting on any slowdown in build rates. Options to change tenure or sell smaller first tranches, remodel with reduced rent on unsold equity.

Operations/Care & Supported Housing	
Risks	**Mitigation**
Reduced income for residents and commercial tenants caused by roll-out of Universal Credit, pandemic or other external factor results in higher rent arrears and reduced revenue.	Trade body membership and peer discussions to identify and implement best practice and raise issues of common concern. Effective liaison with local authorities to clarify Discretionary Housing Payments for general needs tenants. Effective process for referring customers at risk of arrears due to universal credit to third party support. Identification of tenants at risk of arrears and early contact to advise of potential impact. Affordability checks for all new tenants and advice as required. Experienced staff including 2 Financial Inclusion Officers and Tenancy Sustainment Assistant, offering signposting and support for tenants. Hightown has Trusted Partner status from October 2018 giving access to the Universal Credit Landlord Portal to provide more support for new claimants. Up to 70% of tenants receive Housing Benefit/Universal Credit, with 36% of the rent roll paid directly to Hightown (47% of tenancies). Government support measures for those whose incomes are impacted. Alternative Payment Arrangements allow direct payments of Universal Credit for claimants in arrears or with vulnerabilities.

Care & Supported Housing	
Risks	**Mitigation**
Rising C&SH wage costs and developments in working time measurements in the C&SH service, including costs of staff cover for schemes affected by Coronavirus, making some contracts unviable – failure to pay going rate.	Structuring of services and teams under review to ensure viability and identify potential savings. Additional staff costs being met by local authority commissioners. Monitoring decisions in legal cases for potential impact on Hightown services.

Strategic Report

Employees

During 2019/20 Hightown employed an average of 707 full time equivalent employees (2019: 687), most of whom are engaged in providing front line housing, care and support services to our residents. Including the part time and casual "bank" staff who cover temporary vacancies and staff absences, Hightown employs over 1,100 people each month.

Hightown continues to invest in the training of its employees through a number of internal and external training courses delivered by the learning and development team, and external facilitators. This year 307 virtual classroom courses were delivered and 20 staff completed an Apprenticeship. We invested £155,370 in Learning for Staff and £64,440 was spent from the Apprenticeship Levy pot.

It continues to embed the 'Five Ways to Wellbeing' model into the workplace and has established "Wellbeing Champions" who promotes the five ways. The aim is to ensure that staff are encouraged to seek the support necessary to take care of their own physical and mental wellbeing and so enable them to provide high quality, professional services to our service users and residents.

The Five Ways to Wellbeing are to:

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

As part of Hightown's commitment to promoting the Five Ways of Wellbeing amongst staff and in the Care & Supported Housing activities, Hightown has continued to raise awareness of key topics among staff, this year they focused on maintaining a connection during the pandemic and coping with increases in Stress and Mental Health. During the year, Hightown created a new monthly Wellbeing Newsletter and hosted several virtual staff events to reduce isolation, try something new and encourage further learning and development.

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

A Staff Forum of elected staff representatives meets quarterly to discuss issues relevant to staff and give feedback to management. There is also a free staff gym at Hightown House to promote fitness and the benefits of a healthy lifestyle.

Hightown is committed to equality and diversity for all its employees and this year re-instated its Equality & Diversity Forum and has committed to producing an Ethnicity Pay Gap Report.

Annual Report & Financial Statements For The Year Ended 31 March 2021

over **1,100** people employed by Hightown per month

£155,370 invested in Learning for Staff

20 staff completed an Apprenticeship

307 virtual classroom courses delivered

Strategic Report

Corporate

Moody's Credit Rating

In January 2020, Hightown received a public credit rating of *A3 Stable Outlook*, from Moody's Investment Services. This was re-affirmed by Moody's in January 2021.This investment grade rating illustrates the financial strength of the Association.

Social Landlord Operations

Hightown manages 4,311 (2020 4,021) homes for social/affordable rent let to families, couples and single people nominated by the local authority from the housing register. Satisfaction levels are 78%. Management costs are very low compared with Hightown's peers. Hightown maintains very good levels of performance on collecting rent and letting properties.

33%

of Hightown's properties are let at Social Rents

Rents

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

Around 33% (2020 35%) 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 1,899 homes (26%) let at Affordable Rents (2020 1,635 homes 24%).

Strategic Report

Governance

Hightown is managed by a voluntary Board of eight elected members and three co-opted 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 four Committees - Development, Risk & Audit, Operations and Remuneration & Nominations.

A Governance Effectiveness review was conducted by external consultants in early 2020 and an action plan was agreed by the Board to implement recommendations from the review over the next two years. Key to the implementation of the plan was the appointment of a new Head of Governance and Company Secretary and the restructuring of directorates to bring together governance matters under one Director of Corporate Services. This element of the plan was completed towards the end of 2020/21. In 2021/22 the Board will work on implementation of the agreed detailed recommendations of the review,

In June 2020, following an In Depth Assessment, the Regulator's assessment of Hightown's governance was downgraded to G2, confirming that, while Hightown met the governance requirements of the Governance and Financial Viability Standard, it needed to improve some aspects of its governance arrangements to support continued compliance. The Regulator concluded that Hightown needed to improve aspects of its risk management, specifically its stress testing and recovery planning. Hightown also needed to strengthen oversight of its landlord health and safety obligations. Hightown retained its V1 rating for Financial Viability.

Throughout 2020/21, the Board and Executive have been working with the Regulator to deliver an action plan to improve performance on those areas identified in the Regulatory Judgement. On 30 March 2021 the Regulator published a Regulatory Judgement returning Hightown to a G1 grade rating for Governance and retaining a V1 rating for Financial Viability.

Legislation

Hightown complies with all relevant legislation. A programme of in-house compliance checks and independent internal audits supports the Board in monitoring this.

Compliance with Governance and Financial Viability Standard

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

National Housing Federation Code of Governance

Hightown complies with the principal recommendations of the National Housing Federation (NHF) Code of Governance (Promoting board excellence for housing associations 2015). The Board and Executive are working towards the adoption of the NHF Code of Governance 2020 for the year ended 31 March 2022.

National Housing Federation Code of Conduct

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

Strategic Report

Anti-Slavery and Human Trafficking Statement

Introduction

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

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

About Hightown

Hightown is a charitable housing association registered society under the Co-operative and Community Benefit Societies Act 2014. It owns and manages over 7,200 properties, provides a range of care and supported housing services to over 800 people and develops around 400 new affordable homes each year.

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

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

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

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

Our Supply Chains

Hightown expects its suppliers not to use slave labour or engage in human trafficking and requires all new suppliers to confirm this by submitting their tender or by a statement that they are not in breach of the Modern Slavery Act.

Our tender documentation includes a provision for the mandatory exclusion of any bidder convicted of an offence under sections 1, 2 or 4 of the Modern Slavery Act 2015 and we seek to impose provisions for termination in the event of a modern slavery or human trafficking compliance breach by the supplier during the period of the contract.

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

Compliance

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

Safeguarding

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

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

Training

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

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

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

Risk Assessment

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

Review

We 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.

This policy is reviewed annually and is widely communicated to our stakeholders and to the public via our website.

Strategic Report

Board Statement On The Effectiveness of the System of Internal Control For The Period Ending 31 March 2021

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

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

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

- The corporate governance arrangements.
- Written financial regulations and delegated authorities.
- Policies and procedures for all key areas of the business which are reviewed periodically to ensure their continued appropriateness.
- An Internal Audit function using the services of a professional firm of auditors to deliver the Risk & Audit Committee's risk-based audit plan. All audit reports are reviewed by the Executive Directors' Group and by the Risk & Audit Committee, which also receives updates on the implementation of agreed external and internal audit recommendations.
- The Health and Safety policy
- A risk management and business assurance process, which enables management to manage risk so that residual risk, after appropriate mitigation, can be absorbed without serious permanent damage to the Association. Risk management is considered at each Risk & Audit Committee meeting, through reviews of individual risk areas, as well as being considered regularly by the Board.
- The Association has a long-term business plan which is stress-tested and approved by the Board.
- The Association and its departments have annual budgets. Throughout the year, the Board and managers regularly monitored performance against budgets, value for money and other quality indicators. The key components of reporting are the monthly management accounts, monthly performance reports from senior managers and Directors, and the monthly information pack which includes measurement against key performance indicators. The Association has also developed a series of service performance IT dashboards to monitor performance. Management accounts are reported to the Board at each meeting and along with monthly information reports, are made available on the Board members portal each month.
- Managers' service objectives ensure that variances are investigated and acted upon.
- An anti-fraud and anti-bribery culture supported by policy and procedure for dealing with suspected fraud, bribery, anti-money laundering, and whistleblowing.
- All new housing investment decisions are subject to appraisal and scrutiny. New schemes requiring an investment below £5 million which meet the Board agreed approval parameters on S.106 sites may be agreed by the Chief Executive. All other schemes are scrutinised by the Development Committee who may approve schemes up to £20 million under delegated authority. The Board will scrutinise and approve all new schemes where investment exceeds £20 million. Where schemes above £5 million require approval between Board meetings, these may be agreed through Chair's Action after review by the Development Committee. The Board receives reports on all approved schemes at each meeting.
- The treasury management activity is reported to the Board at each meeting.

The Chief Executive has reviewed the internal control and assurance arrangements and made a report to the Board confirming the effectiveness of the control systems for the year ended 31 March 2021 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 2021 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 8 July 2021.

David Skinner FCCA, FCT

Secretary

Strategic Report

Board Members' Responsibilities

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

Co-operative and Community Benefit Society law and social housing legislation require the Board to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The Board must not approve the financial statements unless it is satisfied that they give a true and fair view of the state of affairs of the Association and of the surplus of the Association for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice for registered social housing providers; Housing SORP 2018 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board is responsible for keeping adequate accounting records that are sufficient to show and explain the Association's transactions and disclose with reasonable accuracy at any time the financial position of the Association and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for private registered providers of social housing 2019. It is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for ensuring that the report of the Board is prepared in accordance with the Statement of Recommended Practice for registered social housing providers; Housing SORP 2018.

Financial statements are published on the Association's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Association's website is the responsibility of the Board. The Board's responsibility also extends to the ongoing integrity of the financial statements contained therein.

Going Concern

After making enquiries and reviewing the financial plan including stress testing and analysis of the potential impact on covenants, the Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in the preparation of the financial statements.

Annual General Meeting

The annual general meeting will be held on 23 September 2021.

Auditor

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

The Association is tendering the external audit contract in the year 2021/22 as the current contract is due for renewal.

Approval

The report of the Board was approved on 8 July 2021 and signed on its behalf by:

Bob Mcnaughton
Chair

8 July 2021
By Order Of The Board

Independent Auditor's Report to the Members of Hightown Housing Association Limited

For the year ended 31 March 2021

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2021 and of the Association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

We have audited the financial statements of Hightown Housing Association Limited ("the Association") for the year ended 31 March 2021 which comprise the Association statement of comprehensive income, the Association statement of changes in equity, the Association statement of financial position, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

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 members' 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 board are responsible for the other information. The other information comprises the information included in the annual report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information including the Chairman's statement, board strategic report and the Value for Money Self-Assessment and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

Annual Report & Financial Statements For The Year Ended 31 March 2021

Independent Auditor's Report to the Members of Hightown Housing Association Limited

For the year ended 31 March 2021

Matters on which we are required to report by exception

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

- the information given in the Report of the Board for the financial year for which the financial statements are prepared is not consistent with the financial statements;
- adequate accounting records have not been kept by the Association; or
- a satisfactory system of control has not been maintained over transactions; or
- the Association financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the board

As explained more fully in the board members responsibilities statement set out on page 56, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board are 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 intend 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.

Extent to which the audit was capable of detecting irregularities, including fraud.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding of the Association and the industry in which it operates, we identified that the principal laws and regulations that directly affect the financial statements to be the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

In addition the Association is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: employment law, data protection and health and safety legislation. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence if any.

Audit procedures performed by the engagement team included:

- Discussions with management and internal audit, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reading minutes of meeting of those charged with governance, and reviewing correspondence with HMRC;
- Challenging assumptions made by management in their significant accounting estimates in particular in relation to the net realisable value of properties held for sale; and
- In addressing the risk of fraud through management override of controls; testing the appropriateness of journal entries and other adjustments, in particular any journals posted to cash and material journal adjustments.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

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

BDO LLP

BDO LLP

Statutory Auditor

55 Baker Street, London W1U 7EU

26 July 2021

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

Financial Statements

Statement of Comprehensive Income

For year ended 31 March 2021

	Note	2021 £'000	2020 £'000
TURNOVER	3	**90,088**	**85,536**
Cost of sales	3	(14,733)	(13,860)
Operating costs	3	(48,762)	(46,150)
Surplus on sale of properties & other fixed assets	3	2,528	1,886
OPERATING SURPLUS	3,6	**29,121**	**27,412**
Interest receivable and similar income		1	83
Interest and financing costs	7	(11,252)	(11,750)
SURPLUS FOR THE YEAR		**17,870**	**15,745**
Actuarial (loss)/gain on defined benefit pension scheme	29	(4,007)	4,652
Unrealised (loss)/gain on revaluation of investments	12	(275)	125
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**13,588**	**20,522**

All activities are continuing.

The notes on pages 64 to 95 form part of these financial statements.

The financial statements were approved by the Board on 8 July 2021.

Bob Macnaughton – Chair

James Steel – Board Member

David Skinner – Secretary

Statement of Changes in Reserves

For year ended 31 March 2021

	Income and Expenditure Reserve £'000
Balance as at 1 April 2019	**131,183**
Surplus for the year 2019/20	**15,745**
	146,928
Actuarial gain relating to defined benefit pension scheme	4,652
Unrealised gain on revaluation of Investment properties	125
Other comprehensive income for the year	**4,777**
Balance at 31 March 2020	**151,705**
Balance as at 1 April 2020	**151,705**
Surplus for the year 2020/21	**17,870**
	169,575
Actuarial loss relating to defined benefit pension scheme	(4,007)
Unrealised loss on revaluation of Investment properties	(275)
Other comprehensive income for the year	**(4,282)**
Balance at 31 March 2021	**165,293**

The notes on pages 64 to 95 form part of these financial statements.

Financial Statements

Statement of Financial Position

As at 31 March 2021

	Note	2021 £'000	2020 £'000
TANGIBLE FIXED ASSETS			
Housing properties	10	844,990	770,314
Other fixed assets	11	5,228	5,331
Investment properties	12	2,900	3,175
Investments	13	30	30
TOTAL FIXED ASSETS		**853,148**	**778,850**
CURRENT ASSETS			
Properties for sale	14	30,370	26,500
Stock	14	114	-
Trade and other debtors	15	4,207	4,355
Cash and cash equivalents	16	20,870	38,287
		55,561	**69,142**
CREDITORS: Amounts falling due within one year	17	**(26,624)**	**(23,907)**
NET CURRENT ASSETS		**28,937**	**45,235**
TOTAL ASSETS LESS CURRENT LIABILITIES		**882,085**	**824,085**
CREDITORS: Amounts falling due after more than one year	18	**(710,182)**	**(669,120)**
PROVISION FOR LIABILITIES			
Pension Liability	29	**(6,610)**	**(3,260)**
TOTAL NET ASSETS		**165,293**	**151,705**
CAPITAL AND RESERVES			
Share capital	23	-	-
Income and Expenditure Reserve		165,293	151,705
TOTAL RESERVES		**165,293**	**151,705**

The notes on pages 64 to 95 form part of these financial statements.
The financial statements were approved by the Board and authorised for issue on 8 July 2021.

Bob Macnaughton – Chair

James Steel – Board Member

David Skinner – Secretary

Annual Report & Financial Statements For The Year Ended 31 March 2021

Statement of Cash Flows

For year ended 31 March 2021

	Note	2021 £'000	2020 £'000
NET CASH FROM OPERATING ACTIVITIES	28	**34,227**	**32,718**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets – housing properties		(80,907)	(107,124)
Purchase of fixed assets – other	11	(197)	(49)
Receipt of grant		8,873	14,305
Interest received and income from investments		1	83
Net cash from investing activities		**(72,230)**	**(92,785)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid	7	(13,324)	(14,828)
New loans	21	60,000	70,206
Debt issue costs incurred	21	(1,766)	(128)
Repayment of loans	21	(24,324)	(8,856)
Net cash used in financing activities		**20,586**	**46,394**
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(17,417)**	**(13,673)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**38,287**	**51,960**
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**20,870**	**38,287**

The notes on pages 64 to 95 form part of these financial statements.

Annual Report & Financial Statements For The Year Ended 31 March 2021

Notes to the Financial Statements

For year ended 31 March 2021

1 LEGAL STATUS

Hightown Housing Association Limited (the "Association"; "Hightown") is registered with the Financial Conduct Authority under the Co-operative and Community Benefit Societies Act 2014 with registration 18077R and registered with the Regulator of Social Housing as a registered housing provider with registration L2179. It is an Exempt Charity.

2 ACCOUNTING POLICIES

Financial Reporting Standards

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

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

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

Significant Judgements and Estimates

The preparation of the financial statements require management to make significant judgements and estimates.

The items in the financial statements where these judgements 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
  What constitutes a cash generating unit when indicators of impairment require there to be an impairment review.

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.

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.

Notes to the Financial Statements

For year ended 31 March 2021

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 Lives	Annual Depreciation Rate %
Building Structure		
- Houses	100 yrs	1.00%
- Flats	80 yrs	1.25%
Roof	80 yrs	1.25%
Windows and external doors	30 yrs	3.33%
Bathrooms	30 yrs	3.33%
Electrical systems	30 yrs	3.33%
Lifts	30 yrs	3.33%
Kitchens	20 yrs	5.00%
Heating systems	15 yrs	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.

Annual Report & Financial Statements For The Year Ended 31 March 2021

Land Received At Less Than Market Value

Where land is transferred by local authorities and other public bodies for consideration below market-value, the difference between the market value and the consideration given is added to cost at the time of the donation and credited to other capital grants.

Social Housing Grant

Social Housing Grant (SHG) is receivable from Homes England (formerly the Homes and Communities Agency) and local authorities. The amount of SHG receivable is calculated on a fixed basis depending on the size, location and type of housing property. SHG due or received in advance is included as an asset or liability as appropriate. SHG received in respect of revenue expenditure is credited to the income and expenditure account in the same period as the expenditure to which it relates using the accrual model set out in FRS 102 and the Housing SORP 2018 for government grants.

SHG is subordinated to the repayment of loans by agreement with Homes England. SHG released on sale of a property is normally available to be recycled and is credited to a Recycled Capital Grant Fund and included in the balance sheet in creditors. Although SHG is treated as grant for accounting purposes, it may nevertheless become repayable if the conditions under which the grant was made are not complied with, for example if the properties to which grant was designated cease to be used for the provision of affordable rental accommodation.

Other Grants

These include grants from local authorities and other organisations. Government Grants are dealt with under the accrual model within FRS 102 and are credited to the income and expenditure account in the same period as the expenditure to which they relate. Other grants are dealt with under the performance method and recognised to income and expenditure once the conditions for the grant are complete.

Impairment of Social Housing Properties

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

Investment Properties

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

Investments

Investments are held at market value. Any movement in the value of investments is recorded in the Revaluation Reserve and the Statement of Comprehensive Income.

Other Tangible Fixed Assets

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land.

The principal annual rates used for other assets are:

Asset Component	Useful Lives	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.

Notes to the Financial Statements

For year ended 31 March 2021

Reserves

Any unexpended income which is restricted as to its use, is treated as a restricted reserve. Transfers are made between the revenue reserve and the restricted funds to represent the receipt of restricted income and the subsequent expenditure of such income.

Trust Funds

Funds held by the Association on trust for leaseholders are recognised as an asset of the Association where the Association has control of the funds. A corresponding creditor is also recognised. Leaseholders' funds held for major repairs are maintained in separate interest bearing accounts for this purpose and fall under a deed of trust dated 23rd June 1993. Any income received on the funds so held is credited to leaseholders.

Loan Issue Costs and Premium

In accordance with SORP 2018 the issue costs of loans have been deducted from the gross loan values. Issue costs are amortised over the period of the loan to which they relate. Similarly the premium received on the loan proceeds from The Housing Finance Corporation (THFC) bond issue is amortised into the Statement of Comprehensive Income to offset interest paid over the life of the loan.

Allocation of Costs

Costs are allocated to the different categories of social housing activities on the following basis:

- Direct costs are allocated to the relevant activity.
- Where direct costs relate to a number of different activities they are apportioned to those different activities on a fair basis.
- Overhead costs are allocated to different activities, primarily based on the estimated time spent by the Association's staff in managing the different activities.

Recycled Capital Grant Fund

The Recycled Capital Grant Fund (RCGF) contains social housing grant released by property sales (other than Right to Acquire or Right to Buy) for re-use on funding new developments. If unused within a three year period from the start of the following financial year, it will be repayable to Homes England with interest. Any unused capital grant held which it is anticipated will be either repaid or used within one year is disclosed in the balance sheet under "creditors: amounts falling due within one year". The remainder is disclosed under "creditors: amounts falling due after one year".

Mixed Tenure Schemes

The surplus on sales of properties on mixed tenure development schemes is reduced in accordance with SORP 2018. Where a development is evaluated as a single scheme with more than one element and where one or more of those elements are expected to generate a surplus and one or more of the other elements has a value at Existing Use Value – Social Housing (EUV-SH) that is below cost less attributable grant (a shortfall), then it is not appropriate to recognise all of the surplus on sale from that scheme. The sales surplus is reduced by the shortfall through the apportionment of costs to each element of the scheme.

Service Charges

All service charges are variable service charges. Where there is any difference between the estimated cost recovered from tenants and leaseholders and the actual cost incurred, any such shortfall or surplus arising is carried forward and either collected or refunded against the future years charge. Any shortfall or surplus arising is shown in the Statement of Financial Position within debtors or creditors as appropriate.

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

Continuing activities	**2021**			2020		
	Turnover	Operating costs	Operating surplus	Turnover	Operating costs	Operating surplus
	£'000	£'000	£'000	£'000	£'000	£'000
SOCIAL HOUSING LETTINGS (See Note 3B)	**67,785**	**(45,972)**	**21,813**	**63,820**	**(42,579)**	**21,241**
OTHER SOCIAL HOUSING ACTIVITIES						
First tranche low-cost home ownership sales	17,726	(14,733)	2,993	17,642	(13,859)	3,783
Charges for support services	1,522	(1,522)	-	1,468	(1,468)	-
Management services	1,207	(946)	261	1,470	(1,472)	(2)
Aborted development costs	-	(15)	(15)	-	(59)	(59)
Income to cover Covid19 expenditure (see Note 30)	970	-	970	-	-	-
Other	636	(124)	512	589	(112)	477
	22,061	**(17,340)**	**4,721**	**21,169**	**(16,970)**	**4,199**
ACTIVITIES OTHER THAN SOCIAL HOUSING						
Commercial Properties	242	(183)	59	547	(465)	82
Other	-	-	-	-	4	4
	242	**(183)**	**59**	**547**	**(461)**	**86**
	90,088	**(63,495)**	**26,593**	**85,536**	**(60,010)**	**25,526**
SURPLUS ON SALE OF PROPERTIES & OTHER FIXED ASSETS			**2,528**			**1,886**
TOTAL			**29,121**			**27,412**

Notes to the Financial Statements

For year ended 31 March 2021

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

	General Needs Housing	Supported Housing	Low Cost Home Ownership	Residential Care Homes	**2021 Total**	2020 Total
	£'000	£'000	£'000	£'000	£'000	£'000
INCOME						
Rent receivable net of identifiable service charges	35,185	3,349	4,161	155	**42,850**	38,481
Service charge income	1,344	1,170	753	-	**3,267**	3,408
Charges for support services	-	70	-	-	**70**	68
Amortised Government Grants	1,558	270	158	7	**1,993**	1,840
Care and Support income	-	14,820	-	4,423	**19,243**	19,744
Other grants	-	362	-	-	**362**	279
TURNOVER FROM SOCIAL HOUSING LETTINGS	**38,087**	**20,041**	**5,072**	**4,585**	**67,785**	63,820
OPERATING EXPENDITURE						
Management	(3,916)	(1,513)	(660)	(743)	**(6,832)**	(5,992)
Support Service costs	(507)	(15,584)	-	(3,875)	**(19,966)**	(18,998)
Service charge costs	(2,062)	(1,555)	(619)	(400)	**(4,636)**	(4,268)
Routine maintenance	(3,022)	(605)	(8)	(79)	**(3,714)**	(3,709)
Planned maintenance	(775)	(67)	(1)	(6)	**(849)**	(658)
Major repairs expenditure	(1,195)	(280)	(2)	(8)	**(1,485)**	(1,115)
Bad debts	(95)	31	1	(2)	**(65)**	(342)
Depreciation of housing properties	(7,767)	(606)	(10)	(26)	**(8,409)**	(7,497)
Impairment	-	-	(16)	-	**(16)**	-
OPERATING EXPENDITURE ON SOCIAL HOUSING LETTINGS	**(19,339)**	**(20,179)**	**(1,315)**	**(5,139)**	**(45,972)**	**(42,579)**
OPERATING SURPLUS / (DEFICIT) ON SOCIAL HOUSING LETTINGS	**18,748**	**(138)**	**3,757**	**(554)**	**21,813**	21,241
Void losses (being rental income lost as a result of property not being let, although it is available for letting).	(321)	(230)	(277)	(3)	(831)	(771)

4 SUPPORTED HOUSING MANAGED BY AGENCIES

The Association has 13 supported housing tenancies (2020: 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

	1 April 2020	New units handed over	Units sold/ staircased	Other adjustments	31 March 2021
	No.	*No.*	*No.*	*No.*	*No.*
Social Housing					
General needs housing					
- Social Rent	2,386	29	(2)	(1)	2,412
- Affordable Rent	1,635	265	-	(1)	1,899
	4,021	294	(2)	(2)	4,311
Intermediate rent	392	-	-	(6)	386
Supported housing	491	16	-	6	513
Housing for older people	81	-	-	-	81
Low Cost Home Ownership (Shared Ownership)	920	119	(35)	-	1,004
Leasehold properties	773	-	-	18	791
Total Owned	**6,678**	**429**	**(37)**	**16**	**7,086**
Accommodation managed for others	140	-	-	1	141
Total Owned and Managed	**6,818**	**429**	**(37)**	**17**	**7,227**
Units in development at the year end	879				936

Notes to the Financial Statements

For year ended 31 March 2021

6 OPERATING SURPLUS

	2021	2020
	£'000	£'000
This is arrived at after charging:		
Depreciation of housing properties	8,201	7,248
Impairment of housing properties	16	-
Accelerated depreciation on replaced components	206	246
Depreciation of other tangible fixed assets	285	340
Accelerated depreciation of other tangible fixed assets	-	43
Operating lease rentals	592	804
Auditors' remuneration (excluding VAT)		
- fees payable to the Association's auditor for the audit of the financial statements	33	31
- for non-audit services	1	-
- for leaseholder audits	16	16

7 INTEREST PAYABLE AND SIMILAR CHARGES

	Note	2021 £'000	2020 £'000
Loans and bank overdrafts		14,295	14,587
Recycled Capital Grant Fund	20	1	9
Net interest on net defined benefit pension liability		63	177
		14,359	14,773
Interest capitalised on construction of housing properties	10	(3,107)	(3,023)
		11,252	11,750
Capitalisation rate used to determine the amount of finance costs capitalised during the period		2.73%	3.05%

8 EMPLOYEES

Employee costs:	2021 £'000	2020 £'000
Wages and salaries	24,652	22,603
Social security costs	2,036	1,822
Other pension costs	891	927
	27,579	25,352

Average monthly number of employees (full time equivalents):	2021 No.	2020 No.
Administration	80	84
Development	13	14
Housing, support and care	614	583
	707	681

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.

Notes to the Financial Statements

For year ended 31 March 2021

9 BOARD MEMBERS AND EXECUTIVE DIRECTORS

Board members

None of the Board members received emoluments. Total expenses reimbursed during the year to Board members were £0 (2020: £518).

Executive Directors

The aggregate emoluments of the executive directors including pension contributions amounted to £778,425 (2020: £732,168).

The emoluments of the highest paid director, the Chief Executive was £203,150 (2020: £191,002).

The Chief Executive left the Social Housing Pension Scheme in February 2019 and his salary package was adjusted to compensate. Consequently pension contributions in the year were £0 (2020: £0). Excluding pension contribution, emoluments were £203,150 (2020: £191,002).

The aggregate amount of compensation payable to directors for loss of office during the year was £0 (2020: £0).

The executive directors are either members of the Social Housing Pension Scheme (SHPS) as ordinary members of the defined benefit pension scheme with no enhanced or special terms, or have chosen to opt out of the workplace pension scheme.

The key management personnel of the Association are defined as the members of the Board of Management, the Chief Executive and the executive management team as disclosed on pages 4 and 5.

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:

	2021	2020
Salary band	*No.*	*No.*
£60,000 - £69,999	10	7
£70,000 - £79,999	3	5
£80,000 - £89,999	3	-
£120,000 - £129,999	2	3
£130,000 - £139,999	1	1
£140,000 - £149,999	1	-
£190,000 - £199,999	-	1
£200,000 - £209,999	1	-

10 FIXED ASSETS - HOUSING PROPERTIES

	Housing Properties held for lettings	Properties in the course of completion - Rental Units	Properties in the course of completion - Shared Ownership	Shared Ownership properties	**Total**
COST	*£'000*	*£'000*	*£'000*	*£'000*	***£'000***
At 1 April 2020	619,320	97,342	21,963	86,659	**825,284**
Additions	-	62,068	18,969	-	**81,037**
Capitalised Interest	-	3,107	-	-	**3,107**
Components Capitalised	1,873	-	-	-	**1,873**
Properties Completed	59,232	(59,232)	(17,262)	17,262	**-**
Transfer to properties held for sale	(42)	-	-	-	**(42)**
Disposals	(790)	-	-	(2,895)	**(3,685)**
As at 31 March 2021	679,593	103,285	23,670	101,026	**907,574**
LESS: DEPRECIATION					
As at 1 April 2020	54,970	-	-	-	**54,970**
Charge for the year	8,201	-	-	-	**8,201**
Impairment charge for the year	16	-	-	-	**16**
Eliminated on Disposals	(603)	-	-	-	**(603)**
As at 31 March 2021	62,584	-	-	-	**62,584**
NET BOOK VALUE					
As at 31 March 2021	617,009	103,285	23,670	101,026	**844,990**
As at 31 March 2020	564,350	97,342	21,963	86,659	**770,314**

	2021	2020
Expenditure on works to existing properties:	*£'000*	*£'000*
Components capitalised	1,873	1,830
Amounts charged to income and expenditure account	1,348	1,007
	3,221	2,837

Notes to the Financial Statements

For year ended 31 March 2021

Social Housing Grant	2021 £'000	2020 £'000
Deferred Capital Grant	167,360	160,562
Recycled Capital Grant Fund	1,644	1,480
Revenue Grant – I&E	1,993	1,840
Revenue Grant – Reserves	23,378	21,538
	194,375	185,420

Housing properties book value, net of depreciation, comprises:	2021 £'000	2020 £'000
Freehold land and buildings	803,326	727,345
Long leasehold land and buildings	41,664	42,969
	844,990	770,314

Additions to properties include:	2021 £'000	2020 £'000
Development overheads capitalised	2,317	2,295
Capitalised interest	3,107	3,023

Since 1996 the Association has capitalised interest of £26.3 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 with associated property sales.

11 TANGIBLE FIXED ASSETS - OTHER

	Freehold land and buildings	Fixtures and fittings	Furniture and equipment	Computer equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000
COST						
As at 1 April 2020	6,208	360	285	1,048	40	7,941
Additions	4	82	16	47	48	197
Disposals	-	(11)	(7)	(414)	(41)	(473)
As at 31 March 2021	6,212	431	294	681	47	7,665
LESS: DEPRECIATION						
As at 1 April 2020	1,270	199	218	895	28	2,610
Charged in year	122	33	26	103	1	285
Released on disposal	-	(11)	(7)	(412)	(28)	(458)
As at 31 March 2021	1,392	221	237	586	1	2,437
NET BOOK VALUE						
As at 31 March 2021	4,820	210	57	95	46	5,228
As at 31 March 2020	4,938	161	67	153	12	5,331

12 INVESTMENT PROPERTIES

	2021 £'000	2020 £'000
At 1 April	3,175	3,050
Additions	-	-
(Decrease)/Increase in value	(275)	125
At 31 March	2,900	3,175

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 valuer stated that their March 2021 valuation is subject to material valuation uncertainty due to insufficient market evidence on which to base their judgement as a result of the covid-19 pandemic. The level of uncertainty is not material in the context of our financial statements .

The (deficit)/surplus on revaluation of investment property arising of (£275,000) (2020: £125,000) has been (debited)/credited to the Statement of Comprehensive Income for the year. The construction cost of the investment properties was £1.515m.

Notes to the Financial Statements

For year ended 31 March 2021

13 INVESTMENTS

	2021	2020
	£'000	£'000
At 1 April	30	-
Share purchase	-	30
At 31 March	30	30

14 A) PROPERTIES FOR SALE

	2021	2020
	£'000	£'000
Shared Ownership properties under construction	23,670	21,963
Shared Ownership properties awaiting sale	6,658	4,307
Other vacant properties awaiting sale	42	230
	30,370	26,500
	No.	*No.*
Shared Ownership properties awaiting sale	50	32
Other vacant properties awaiting sale	1	2
	51	34

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

14 B) STOCK

	2021	2020
	£'000	£'000
Personal Protective Equipment	114	-
At 31 March	114	-

15 DEBTORS

	2021	2020
	£'000	£'000
Due within one year		
Rent and service charge arrears	1,905	2,076
Less: Provision for bad and doubtful debts	(1,507)	(1,549)
	398	527
Estate service charges recoverable	525	488
Trade debtors	27	159
Other debtors	801	813
Prepayments and accrued income	2,456	2,368
	4,207	4,355

16 BANK AND CASH

	2021	2020
	£'000	£'000
Bank accounts held in trust	1,987	1,821
Other bank accounts	18,883	36,466
	20,870	38,287

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 (2020 £3.4 million) is included above.

Notes to the Financial Statements

For year ended 31 March 2021

17 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Note	2021 £'000	2020 £'000
Debt	21	3,849	3,558
Trade creditors		2,562	3,036
Rent and service charges received in advance		2,934	2,567
Revenue grants received in advance		77	79
Recycled Capital Grant Fund	20	731	376
Other taxation and social security		586	393
Deferred Capital Grant	19	2,044	1,840
Other creditors		1,533	1,367
Pension deficit reduction payments		6	6
Development and works retentions		9,517	7,828
Accruals and deferred income		2,785	2,857
		26,624	23,907

18 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Note	2021 £'000	2020 £'000
Debt	21	536,351	501,948
Recycled Capital Grant Fund	20	913	1,104
Premium on THFC Loan Issue *		2,638	2,783
Premium on bLEND Loan Issue *		1,074	1,157
Deferred Capital Grant	19	165,316	158,722
Leaseholder Sinking Funds		91	96
Leaseholder Trust Funds		1,815	1,636
Pension deficit reduction payments		18	22
Development and works retentions		1,966	1,652
		710,182	669,120

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

January 2011	The Housing Finance Corporation (THFC)	18 years remaining
March 2019	bLEND Funding Plc	13 years remaining

19 DEFERRED CAPITAL GRANT

	Note	2021 £'000	2020 £'000
At 1 April		160,562	149,176
Grant received in year		8,873	12,323
Grant recycled from RCGF		376	1,220
Grant recycled to RCGF		(458)	(317)
Released to income in the year	3	(1,993)	(1,840)
At 31 March		167,360	160,562

	Note	2021 £'000	2020 £'000
Amounts to be released within one year	17	2,044	1,840
Amounts to be released in more than one year	18	165,316	158,722
		167,360	160,562

20 RECYCLED CAPITAL GRANT FUND (RCGF)

	2021 £'000	2020 £'000
Homes England		
Opening balance 1 April	1,480	2,327
Inputs to RCGF:		
Grant recycled from Deferred Capital Grant	458	317
Grant recycled from Statement of Comprehensive Income	81	47
Interest accrued	1	9
Recycling of grant:		
New build	(376)	(1,220)
Closing balance 31 March	1,644	1,480

Notes to the Financial Statements

For year ended 31 March 2021

21 DEBT ANALYSIS

	2021	2020
	£'000	£'000
Loans		
Due within one year	5,125	4,157
Between one and two years	43,092	24,459
Between two and five years	172,490	117,882
After five years	324,868	363,401
Total after one year	540,450	505,742
Total loans	**545,575**	**509,899**
Unamortised loan costs		
Due within one year	(1,276)	(599)
Between one and two years	(897)	(955)
Between two and five years	(1,845)	(1,401)
After five years	(1,357)	(1,438)
Total after one year	(4,099)	(3,794)
Total unamortised loan costs	**(5,375)**	**(4,393)**
Total		
Due within one year	3,849	3,558
Between one and two years	42,195	23,504
Between two and five years	170,645	116,481
After five years	323,511	361,963
Total after one year	536,351	501,948
Total	**540,200**	**505,506**

Security

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

Terms of repayment and interest rates

The loans are repayable at intervals varying from half yearly to annually and bullet repayments on maturity. Instalments of loans fall to be repaid in the period 2021 to 2039 (2020: to 2039).

The average interest rates payable on fixed rate loans at 31 March 2021 was 3.80% (2020: 3.78%) ranging from 1.01% to 10.47% (2020: 0.96% to 10.47%). Variable interest rates are linked to LIBOR plus agreed loan margin. The average cost of interest on loans at 31 March 2021 was 2.42% (2020: 2.62%. The weighted average cost of all interest during 2020/21 was 2.73% (2020: 3.05%).

At 31 March 2021, the Association had £130.0 million of undrawn loan facilities (2020: £95.0 million).

22 NET DEBT RECONCILIATION

	1 April 2020	Cash Flows	Non-cash changes	31 March 2021
	£'000	£'000	£'000	£'000
Cash at Bank	38,287	(17,417)	-	20,870
Loans	(509,899)	(35,676)	-	(545,575)
Loan Fees	4,393	1,766	(784)	5,375
Net Debt	(467,219)	(51,327)	(784)	(519,330)

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

23 SHARE CAPITAL

	2021	2020
	No.	No.
Shares of £1 each, issued and fully paid		
As at 1 April	22	20
Shares issued in the year	1	3
Shares surrendered during the year	(1)	(1)
As at 31 March	22	22

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.

Notes to the Financial Statements

For year ended 31 March 2021

24 FINANCIAL COMMITMENTS

	2021	2020
	£'000	*£'000*
Capital Expenditure		
Expenditure contracted for but not provided in the accounts	130,819	128,072
Expenditure authorised by the Board but not contracted	247,782	180,722
	378,601	308,794

The Association is forecasting to spend £98.4 million of the contracted commitments in 2021/22.

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 £19.6 million contracted commitment is forecast to be spent in 2022/23 and the remaining £12.8 million forecast to be spent over the 5 years thereafter. The Association's policy is to ensure that expenditure is only committed as funding resources are available subject to complying with its policy on maintaining financial headroom on loan facilities.

25 LEASING COMMITMENTS

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

	2021	2020
	£'000	*£'000*
Office equipment and vehicles:		
- Within one year	222	341
- Between one and five years	118	212
	340	553

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:

		2021	2020
	Note	*£'000*	*£'000*
Floating rate		290,187	253,993
Fixed rate		255,388	255,906
		545,575	509,899
Loan costs		(5,375)	(4,393)
Total	*21*	540,200	505,506

The fixed rate financial liabilities have a weighted average interest rate of 3.80% (2020: 3.78%) and the weighted average period for which it is fixed is 10.1 years (2020: 10.7 years).

27 RELATED PARTIES

There were no related party transactions.

Notes to the Financial Statements

For year ended 31 March 2021

28 CASH FLOW FROM OPERATING ACTIVITIES

	Note	2021 £'000	2020 £'000
SURPLUS FOR THE FINANCIAL YEAR		**13,588**	**20,522**
Adjustments for:			
Depreciation of fixed assets – housing properties	10	8,201	7,248
Depreciation of fixed assets – housing component write off		206	246
Depreciation of fixed assets – other	11	285	340
Impairment of fixed assets – housing properties		16	-
Amortised grant	3,10,19	(1,993)	(1,840)
Non cash movement on DB pension		(719)	(440)
Unrealised loss/(gain) on revaluation of investment properties		275	(125)
Interest payable and finance costs	7	11,252	11,750
Interest received and income from investments		(1)	(83)
Actuarial loss/(gain) on defined benefit scheme	28	4,007	(4,652)
Surplus on sale of fixed assets – housing properties		(2,528)	(1,886)
Proceeds from sale of fixed assets – housing properties		5,516	4,655
Transaction costs for sale of housing properties		(113)	(70)
Proceeds from sale of fixed assets – other	11	15	-
Increase/(decrease) in stocks	14	(3,942)	(5,936)
Decrease in trade and other debtors	15	149	1,132
Increase in trade and other creditors	17	13	1,857
NET CASH FROM OPERATING ACTIVITIES		**34,227**	**32,718**

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 County Council Pension Fund and the NHS Pensions Scheme. The latter two schemes relate to employees who transferred to Hightown under the Transfer of Undertakings (Protection of Employment) Regulations (TUPE).

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

Hightown has operated a Defined Contribution (DC) section within SHPS for all new employees since 1 November 2013.

Prior to this date, Hightown operated Defined Benefits structures within SHPS as follows:

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

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

An analysis of the SHPS membership is as follows:

31 March 2021	Final Salary	CARE 1/60ths	CARE 1/80ths	CARE 1/120ths	Sub Total Defined Benefit	SHPS DC	Total
Active	12	15	11	3	**41**	834	**875**
Deferred	84	33	30	0	**147**	825	**972**
Pensioner	112	14	0	0	**126**	0	**126**
Dependant	1	0	0	0	**1**	0	**1**
Total	**209**	**62**	**41**	**3**	**315**	**1,659**	**1,974**

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

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For year ended 31 March 2021

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 500 non-associated employers. The Scheme is a defined benefit scheme in the UK.

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

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1,522 million. A Recovery Plan has been put in place with the aim of removing this deficit by 30 September 2026. The 30 September 2020 triennial valuation has been carried out. Notification of the results is awaited.

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 2020. As of this date the estimated employer debt for Hightown was £23,309,310 (30 September 2019: £25,012,059).

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

	31 March 2021	31 March 2020
	£'000	£'000
Fair value of plan assets	24,521	21,713
Present value of defined benefit obligation	30,775	24,672
Surplus (deficit) in plan	(6,254)	(2,959)
Unrecognised surplus	-	-
Defined benefit asset (liability) to be recognised	(6,254)	(2,959)
Deferred tax	-	-
Net defined benefit asset (liability) to be recognised	(6,254)	(2,959)

Reconciliation Of Opening And Closing Balances Of The Defined Benefit Obligation

	Period ended 31 March 2021	Period ended 31 March 2020
	£'000	£'000
Defined benefit obligation at start of period	24,672	30,754
Current service cost	155	233
Expenses	26	26
Interest expense	585	677
Member contributions	258	228
Actuarial (gains) losses due to scheme experience	(442)	(340)
Actuarial (gains) losses due to changes in demographic assumptions	111	(248)
Actuarial (gains) losses due to changes in financial assumptions	5,999	(3,402)
Benefits paid and expenses	(589)	(3,256)
Defined benefit obligation at end of period	30,775	24,672

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

	Period from 31 March 2020 to 31 March 2021	Period from 31 March 2019 to 31 March 2020
	£'000	£'000
Fair value of plan assets at start of period	21,713	22,763
Interest income	523	500
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	1,716	602
Employer contributions	900	876
Member contributions	258	228
Benefits paid and expenses	(589)	(3,256)
Fair value of plan assets at end of period	24,521	21,713

The actual return on the plan assets (including any changes in share of assets) over the period from 31 March 2020 to 31 March 2021 was £2,239,000 (2020: £1,102,000).

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

	Period from 31 March 2020 to 31 March 2021	Period from 31 March 2019 to 31 March 2020
Class of Asset	*£'000*	*£'000*
Current service cost	155	233
Expenses	26	26
Net interest expense	62	177
Defined benefit costs recognised in statement of comprehensive income (SOCI)	243	436

Defined Benefit Costs Recognised In Other Comprehensive Income (OCI)

	31 March 2021	31 March 2020
Class of Asset	*£'000*	*£'000*
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	1,716	602
Experience gains and losses arising on the plan liabilities - gain (loss)	442	340
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	(111)	248
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	(5,999)	3,402
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	(3,952)	4,592
Total amount recognised in other comprehensive income - gain (loss)	**(3,952)**	**4,592**

Assets

	31 March 2021	31 March 2020
Class of Asset	*£'000*	*£'000*
Global Equity	3,908	3,176
Absolute Return	1,353	1,132
Distressed Opportunities	708	418
Credit Relative Value	772	596
Alternative Risk Premia	923	1,518
Fund of Hedge Funds	3	13
Emerging Markets Debt	990	657
Risk Sharing	893	733
Insurance-Linked Securities	589	667
Property	509	478
Infrastructure	1,635	1,616
Private Debt	585	438
Opportunistic Illiquid Credit	623	525
High Yield	734	-
Opportunistic Illiquid Credit	672	-
Corporate Bond Fund	1,449	1,238
Liquid Credit	293	9
Long Lease Property	481	376
Secured Income	1,020	824
Liability Driven Investment	6,232	7,206
Net Current Assets	149	93
Total Assets	24,521	21,713

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.

	31 March 2021	31 March 2020
Class of Asset	*% per annum*	*% per annum*
Discount Rate	2.18%	2.38%
Inflation (RPI)	3.27%	2.62%
Inflation (CPI)	2.87%	1.62%
Salary Growth	3.87%	2.62%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

Notes to the Financial Statements

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The mortality assumptions adopted at 31 March 2021 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2021	21.6
Female retiring in 2021	23.5
Male retiring in 2041	22.9
Female retiring in 2041	25.1

29B THE SHPS GROWTH PLAN

Hightown participates in the scheme, a multi-employer scheme which provides benefits to some 950 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for Hightown to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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

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

A full actuarial valuation for the scheme was carried out at 30 September 2017. This valuation showed assets of £794.9m, liabilities of £926.4m and a deficit of £131.5m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

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

Unless a concession has been agreed with the Trustee the term to 31 January 2025 applies.

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2014. This valuation showed assets of £793.4m, liabilities of £969.9m and a deficit of £176.5m.

To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

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

Deficit contributions

From 1 April 2016 to 30 September 2028:	£54,560 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.

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.

	31 March 2021	31 March 2020	31 March 2019
Class of Asset	*£'000*	*£'000*	*£'000*
Present value of provision	24	28	34

Reconciliation Of Opening And Closing Provisions

	Period ending 31 March 2021	Period ending 31 March 2020
	£'000	*£'000*
Provision at start of period	28	34
Unwinding of the discount factor (interest expense)	1	1
Deficit contribution paid	(6)	(6)
Remeasurements - impact of any change in assumptions	1	(1)
Remeasurements - amendments to the contribution schedule	-	-
Provision at end of period	24	28

Income And Expenditure Impact

	Period ending 31 March 2021	Period ending 31 March 2020
	£'000	*£'000*
Interest expense	1	1
Remeasurements – impact of any change in assumptions	1	(1)

Assumptions

	31 March 2021	31 March 2020	31 March 2019
	% per annum	*% per annum*	*% per annum*
Rate of discount	0.66	2.53	1.39

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 2020. As of this date the estimated employer debt for Hightown was £55,685 (2020: £60,050).

Notes to the Financial Statements

For year ended 31 March 2021

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 will be carried out as at 31 March 2022 and will set contributions for the period from 1 April 2023 to 31 March 2026. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

On the Employer's withdrawal from the Fund, a cessation valuation will be carried out in accordance with Regulation 64 of the LGPS Regulations 2013 which will determine the termination contribution due by the Employer, on a set of assumptions deemed appropriate by the Fund Actuary.

In general, participating in a defined benefit pension scheme means that the Employer is exposed to a number of risks:

- Investment risk. The Fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges;
- Interest rate risk. The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount future liability cashflows. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way;
- Inflation risk. All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation; and
- Longevity risk. In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

In addition, as many unrelated employers participate in the Buckinghamshire Pension Fund, there is an orphan liability risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

All of the risks above may also benefit the Employer e.g. higher than expected investment returns or employers leaving the Fund with excess assets which eventually get inherited by the remaining employers.

Employer Membership Statistics

The membership data as at 31 March 2019 is as follows:

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

The service cost for the year ending 31 March 2021 is calculated using an estimate of the total pensionable payroll during the year. The estimated total pensionable payroll during the year is £28,000. The projected service cost for the year ending 31 March 2022 has been calculated using an estimated payroll of £28,000.

Scheduled Contributions

The table below summarises the minimum employer contributions due from Hightown to the Fund over this inter-valuation period. The calculated cost of accrual of future benefits is 27.5% of payroll p.a.

Minimum employer contributions due for the period beginning	1 April 2021	1 April 2020	1 April 2019
Percent of payroll	27.5%	27.5%	27.5%
Plus monetary amount (£'000)	5	5	5

Statement Of Financial Position

Net pension deficit as at	31 March 2021	31 March 2020	31 March 2019
	£'000	£'000	£'000
Present value of the defined benefit obligation	1,210	999	1,081
Fair value of Fund assets (bid value)	854	698	720
Deficit	**356**	**301**	**361**

Statement Of Profit or Loss For The Year

The amounts recognised in the income and expenditure statement	31 March 2021	31 March 2020
	£'000	£'000
Service Cost	10	11
Net interest on the defined liability (asset)	7	9
Administration expenses	1	1
Total loss	**18**	**21**

29D NHS PENSION SCHEME

At the 31 March 2021, there were 7 active members in the NHS scheme (2020: 7) 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

During the financial year 2020/21, Hightown received income of £970k to cover extra expenditure that arose due to the Covid-19 pandemic. Hightown recovered £195k towards furloughed staff costs of 17 care workers in the Care & Supported Housing department who were shielding due to Covid and could not work from home and whose shifts had to be covered through agency or extra hours. Hightown also recovered £775k 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 the management and supported service costs for supported housing and residential care homes.

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