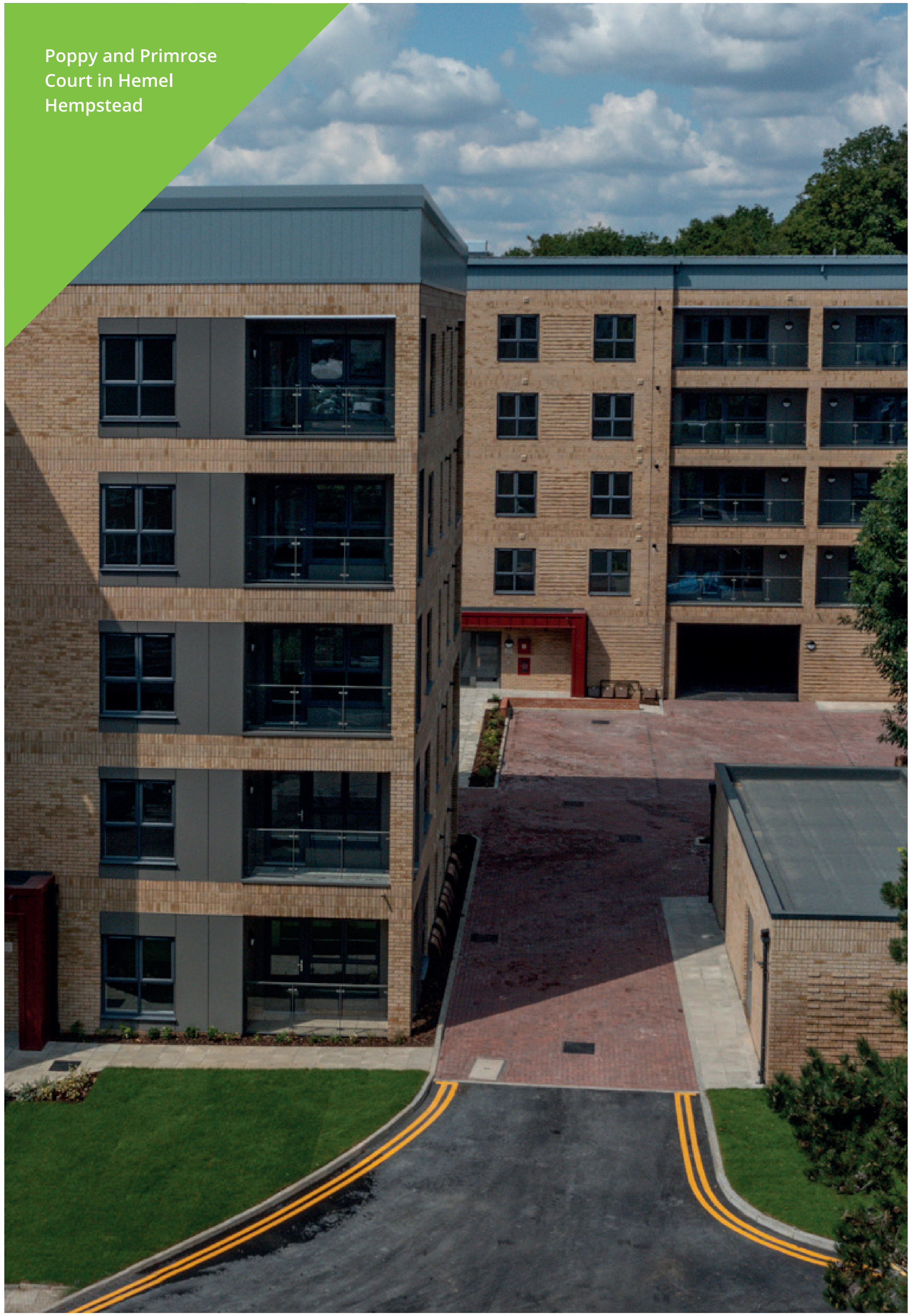
Hightown

Annual Report & Financial Statements

For The Year Ended 31 March 2022



Poppy and Primrose Court in Hemel Hempstead

Contents

Hightown Highlights
2021-2022

Staff

Members of staff
1,169

Ethnic backgrounds
49%

Female
72%

Financials

Turnover
£103.9m

Surplus
£21m

Investment in new homes
£120m

Total assets less current liabilities
£974.7m

Ratings

Credit rating (Moody's)
A3

Governance rating
G1

Viability rating
V1

Operational

Resident satisfaction
73%

Lettings to homeless households
38%

Residents offered financial inclusion support
535

Additional welfare payments recovered for residents
£98,000

Care & Support

Care homes rated 'good' by CQC
100%

Service users supported in 93 services
776

Service users feel they are supported to be more independent
96%

Homes

New homes
610

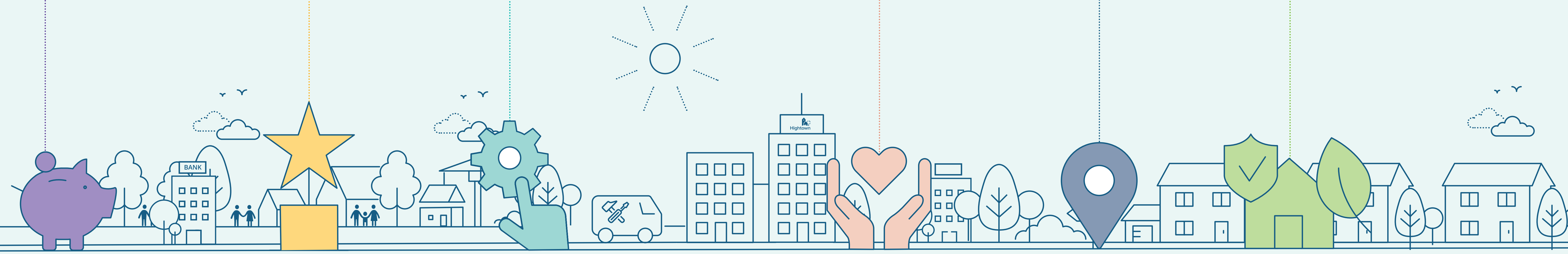
Homes in management
7,815

Homes in construction
936

Safe & Energy Efficient

New homes rated B or above (69% of all homes)
99%

Investment in energy efficiency works
£595,399



Board Members, Executive Directors, Advisors and Bankers

Board of Management

Bob Macnaughton
Chair

Joined Board 2015

Chair since September 2017 Member of the Remuneration & Nominations Committee.

Chartered Accountant and former company Chief Executive. Has had a career as a senior executive in a number of large and small businesses. More recently he has been involved in the development of commercial property and renewable energy schemes.

He is Chair of Board of Trustees of ACS International Schools and is a Board member at the University of Hertfordshire.

Cordelia Pace
Vice-Chair

Joined Board 2017

Chair of Remuneration & Nominations Committee and Member of Operations and Risk & Audit Committees.

Designated Board member for Whistleblowing.

Senior Legal Counsel. A qualified solicitor, employed as Senior Legal Counsel and Compliance Manager for INEOS Oil & Gas UK.

In her current role within a large commercial company, Cordelia analyses and advises the company on how to manage its business safely, transparently and responsibly. Her role is to ensure clear governance and compliance structures are in place and used which allow the company to grow and develop.

Sarah Pickup OBE
Vice-Chair

Joined the Board in 2017

Chair of Operations Committee and member of Risk & Audit and Remuneration & Nominations Committees.

Qualified Accountant, Sarah is Deputy Chief Executive of the Local Government Association (LGA).

In her current role she is engaged in national policy discussions on a range of matters including social care, local government finance and national housing policy.

She is a Trustee of the Nuffield Trust and of a local arts charity in Hertford. Sarah has extensive experience in the social care sector including commissioning and being responsible for the management of care and supported housing.

Sarah Barton

Joined the Board in 2021

Member of Risk & Audit and Development Committees.

FCA Qualified Finance Director.

Currently Interim Finance Director at CARE International UK, an International NGO where she manages the UK Finance Team on all aspects of financial reporting, control and finance operations.

Sarah has wide experience of financial leadership across all key areas including statutory reporting, control, treasury, budgeting and capital planning, forecasting, and investment portfolio management.

Charmaine De Souza

Joined the Board in 2021

Member of Operations and Remuneration & Nominations Committees.

Board lead for Equality, Diversity & Inclusion.

Experienced HR leader. Currently Chief People Officer at Oxford Health NHS Trust.

Charmaine has worked across a range of sectors including the BBC, central government, London government and the third sector. She is a member of the People and Culture Advisory Group for the Money and Pensions Service.

Alan Head

Joined the Board in 2018

Chair of the Development Committee and member of the Risk & Audit and Remuneration & Nominations Committees.

Retired building surveyor.

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

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

Board Members, Executive Directors, Advisors and Bankers

Board of Management

Frances Kneller

Joined the Board in 2013

Member of the Operations and Development Committees Experienced social housing professional.

Frances is currently Director of her own property development and management services company.

Previously held the policy portfolio for Low Cost Home Ownership at the Housing Corporation, and was responsible for the Housing and Property brief for the Digital TV switchover and 4G rollout.

Frances has worked for a range of Housing Associations as well as Local Authorities.

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

Anne McLoughlin

Joined the Board in 2021

Member of the Operations and Development Committees.

Experienced social housing professional.

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

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

David Matthews

Joined the Board in 2020

Member of the Risk & Audit Committee.

A professional banker. Currently Managing Director, Head of Loan Capital Markets EMEA at Barclays Investment Bank where he leads a team which structures loans for large corporate clients.

David is involved in a range of debt and risk management products.

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

Gina Small

Joined the Board in 2018

Director working in care, support and housing provision with excellent understanding of independent and third sector risks, challenges and the demands of the regulatory environment.

Her current specialist areas include Learning Disability, Autism, Mental Health and Older People, including complex needs and multiple disabilities.

James Steel

Joined the Board in 2013

Chair of the Risk & Audit Committee and member of the Remuneration & Nominations Committee.

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

James is also a Director of Ahli United Bank (UK) PLC and Shared Services Connected Ltd, a Governor of the University of Hertfordshire and a Trustee of various local charities including Heath Mount school and the Much Hadham Almshouse charity. Past appointments include Senior Independent Director of PZ Cussons plc, Director of Axelos Ltd and Trustee of Independent Age.

Board Members, Executive Directors, Advisors and Bankers

Executive directors

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

David Bogle
Chief Executive

Years with Hightown: 25
Years in Role: 25
Years in Sector: 40

David Bogle is Chief Executive of Hightown Housing Association.

He has worked in social housing for over 40 years including 25 years as Chief Executive of Hightown and is a Fellow of the Chartered institute of Housing.

David is Chair of the Homes for Cathy group which is a group of around 100 housing associations and housing charities which works with Crisis and others to encourage housing associations to do more to tackle homelessness and rough sleeping and to lobby for more resources to end homelessness. See www.homesforcathy.org.uk

Amy Laurie
Director of Care & Supported Housing – job share

Years with Hightown:
4 plus 4.5 years previously
Years in Role: 6 months
Years in Sector: 18

Amy has 18 years' experience in the supported housing & care sector, 2 years working frontline in services, 7 in operational management & 9 delivering strategic management. Amy is a certified practitioner of the Chartered Institute of Housing, holding professional qualifications in both supported housing and leadership & management.

Amy is an expert in designing & delivering housing and support solutions across cohorts, including the formation of social enterprise schemes. As an experienced senior leader Amy has been influential in delivering new initiatives within the sector & enhancing existing provision in key areas including; Complex Needs HRS, VCS Services, Supported Living & Care.

Gemma Richardson
Director of Care & Supported Housing – job share

Years with Hightown: 17
Years in Role: 6 months
Years in Career: 17

Having graduated from the University of Hertfordshire with her BSc in Psychology, Gemma joined Hightown as a graduate trainee in 2005 while completing work placements across the business including Housing, Leasehold, Development, Asset Management and Income Recovery. Having completed the graduate programme Gemma moved into the first of many managerial roles for Hightown commencing within the general needs housing and operations team.

Since then Gemma has moved across the business and in 2012 joined the C&SH department as a senior leader. She went on to work as the Head of Department for C&SH overseeing county wide contracts and service delivery until her recent appointment into the position of Director – a role she shares with her job share partner Amy Laurie.

Andrew Royall
Director of Development

Years with Hightown: 19
Years in Role: 5
Years in Sector: 30

Andrew Royall holds a BA Hons in Housing Studies from Sheffield Hallam University and is a Member of Chartered Institute of Housing. He has over 30 years' experience of working in housing in a number of organisations including a local authority, three housing associations doing policy work, managing a range of supported housing services and property development. He also spent three years working on a construction training/housing development project in a South African township.

Andrew has worked for Hightown since 2003 starting as a Supported Housing Manager in the Care and Supported Housing Department before moving into Development. He spent 12 years as Head of Development before taking up the post as Director of Development in 2017.

Sarah Salter
Interim Director of Corporate Services

Years with Hightown: 26
Years in Role: 1 month
Years in Sector: 30

Sarah Salter holds a BA Hons in Housing from the University of the West of England and is a Member of Chartered Institute of Housing. She has over 30 years' experience of working in housing in several organisations including local authority housing needs, and in a number of housing management roles at a national housing association working in Hertfordshire, Sussex and London.

Sarah has worked for Hightown for over 26 years in various roles across the organisation including Housing Manager and Service Review Manager. For the last 7 years Sarah was Head of Business Support and led on a number of business transformation projects across the Care & Support Department and Operational teams. Sarah took up the post of Interim Director of Corporate Services in April 2022 while Susan Wallis takes a 12 month sabbatical.

David Skinner
Director of Financial Services

Years with Hightown: 13
Years in Role: 13
Years in Sector: 25

David Skinner has 45 years financial experience in the not-for-profit sector including 20 years in local government finance and the last 25 years working for Housing Associations.

He began working in the social housing sector in 1997 with the William Sutton Trust and then as Finance Director to their subsidiary Ridgehill. In 2006 David joined the newly merged Affinity Sutton Housing Group as Director of Financial Services and in February 2009, after a short period of interim assignments, David joined Hightown Housing Association as Director of Financial Services.

David is a Fellow of the Association of Chartered Certified Accountants (FCCA) and a Fellow of the Association of Corporate Treasurers (FCT).

Board Members, Executive Directors, Advisors and Bankers

Executive directors

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

Natalie Sturrock
Director of Housing

Years with Company: 13.5
Years in Role: From 1 June 2022
Years in Sector: 13.5

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

She has over 13 years' experience of working in housing, and started her career as a Tenant Board Member for a Housing Association in South-West England. Natalie has extensive experience of housing management and has worked for Hightown since 2008. She started as a Graduate Trainee, before moving into Home Ownership and then General Needs housing management. She spent 7 and a half years as Head of Housing, before taking up the post of Director of Housing in June 2022.

Susan Wallis
Director of Corporate Services

One year sabbatical leave from 25 April 2022.

Mark Carter
Director of Care & Support

(until October 2021)

Manpreet Dillion
Director of Housing

(from May 2021 to March 2022)

Company Secretary
Trudi Kleanthous

(from July 2021)

David Skinner

(until July 2021)

Registered Office
Hightown House
Maylands Avenue
Hemel Hempstead
Herts
HP2 4XH

Advisors and Bankers

External Auditors
Beever & Struthers

15 Bunhill Row
London
EC1Y 8LP

Principal Solicitor
Pennington Manches Cooper LLP

9400 Garsington Road
Oxford Business Park
Oxford, OX4 2HN

Principal Solicitor
Devonshires LLP

30 Finsbury Circus
London
EC2M 7DT

Principal Bankers
Lloyds Bank plc

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

Chair's statement

It has been another challenging year, with continuing difficulties and disruption linked to the covid pandemic and the emerging problems of resource shortages and inflationary pressures. Despite the challenges, it has also been a productive and successful year, one where the Association has made good progress in delivering its strategic objectives and where the collective response to the challenges has been overwhelmingly positive.

The pandemic has caused disruption across the whole organisation, but this has been felt most acutely in our Care and Supported housing activities. It is a clear reflection of the selfless dedication and commitment of our social care staff that our 85 care and supported housing projects have continued to provide excellent levels of service throughout the year. This is against the background of underfunding in the social care sector and severe recruitment problems. Wages will have to rise in 2022 to ensure safe staffing levels can be maintained. There is a real risk that Hightown will have to exit social care contracts if these become unviable. We will continue to work closely with our commissioning partners to ensure our services remain viable.

The pandemic led to new ways of working across the organisation and some of these have led to permanent changes, which reflect an agile and flexible organisation. These have included adopting technology to deliver more flexible services, including the use of video for remote inspections, introducing Docusign for electronic signature capture and online interviews and training. Operational performance has remained strong with the majority of service levels being maintained through the year. This is illustrated later in this report in the performance against value for money metrics, which shows that Hightown consistently delivers high quality and efficient services.

Whilst dealing with a challenging external environment and maintaining high operational standards the Association has also delivered a strong financial performance. Turnover in the year rose by over 15% to £105 million and our surplus at £21.0 million was a new record.

This strong financial performance enables Hightown to deliver a substantial development programme, being one of the fastest growing Housing Associations. This included the delivery of 610 new affordable homes during the year. Around 75% of these were homes for rent and 25% for shared ownership, and were split almost equally between houses and flats. All of our development programme is delivering affordable properties, as Hightown does not develop for market sale or market rent.

During a housing and homelessness crisis, we are delighted to have been able to provide so many new homes to meet the urgent need for housing for those who cannot afford to buy or rent at market rates. Furthermore, 38% of our lettings in 20221/22 went to homeless households which is well above the sector average of around 22%.

The pipeline of new affordable homes remains strong, with the expectation that a further 1,300 affordable homes will be delivered over the next two years. This encompasses a wide range of development projects across Hertfordshire, Bedfordshire and Buckinghamshire. It includes breaking ground on a new scheme adjacent to our Maylands Plaza Site, at Wood Lane End, Hemel Hempstead, our largest ever project which will see 158 new homes being delivered by 2024.

The development programme requires funding of course. All of our annual surplus goes into building new affordable homes thus reducing our borrowing requirement, but we still need to borrow substantial funds each year to maintain our target of 500 new affordable homes a year. In June 2021, we raised £100 million through a Green Note Purchase Agreement which attracted funding from American and Canadian investors. This was an innovative funding solution, as it is an unsecured issuance which relieved us of the burden of charging property as security.

The Hightown Board remains committed to reducing our carbon emissions. Hightown's housing stock is relatively young compared with the rest of the sector and 69% of our housing is already at Band B or above with only around 20 properties at Band D or below.

We commissioned a SHIFT audit of our greenhouse gas emission in 2021/22 which showed that the average annual emissions per Hightown home were 1.75 tonnes of carbon dioxide (CO_2) compared with 2.53 tonnes of CO_2 per home across the sector. Nevertheless, we have a number of 'zero carbon' initiatives in progress including installing air source heat pumps in a significant proportion of our development programme; early adoption of the Future Homes Standard for our new build homes; and identifying and modelling the costs of upgrading the insulation on the standard Hightown flat and house. Our Fabric First approach is focused on delivering high standards of thermal efficiency in our properties.

There are a wide range of challenges ahead for Hightown including navigating Government legislation on fire and building safety, social housing regulation, rent reform and planning. High levels of inflation will adversely impact our poorer tenants and increase our operating costs. As already mentioned our Care and Supported housing activities face real pressures from inadequate funding and problems in recruitment.

In spite of all these headwinds and uncertainties our long term objectives of providing excellent, affordable housing and services for people who cannot meet their housing and support needs through the private sector do not change. The team at Hightown are a strong, energetic and adaptable group and we can feel confident that they will continue to demonstrate outstanding commitment and effort in delivering high quality services and outstanding results.

I am most grateful to our staff, Board members, partners, stakeholders and funders for their support during the past year.

Bob Macnaughton
Chair
21 July 2022

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 develop as many affordable homes as we can; to provide high quality housing services to our residents; and to deliver support services for people who are vulnerable or disabled. Hightown's history over more than 50 years shows our continuing focus on our strong social purpose.

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.

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 7,800 homes and provides care and supported housing in 93 projects. It operates mainly in Hertfordshire and Buckinghamshire but also has affordable housing in Bedfordshire and care and support projects in Berkshire. In the last two years, Hightown has built over 1,200 new affordable homes.

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

Hightown's primary objectives are:

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

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

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

1,200
Affordable new homes over the last two years

7,800
Homes owned and managed

93
Care and supported housing projects

Shared ownership resident and her children

Strategic Report
Our Objectives and Strategy

The Strategic Plan Objectives 2021-24 and performance to March 2022 are as follows:

Property Development

Strategic Plan Objective	Progress at March 2022	Flag
Develop at least 500 new affordable homes each year on a three year rolling average.	In 2021/22 we delivered 610 new homes. The three year rolling average is 604.	●
Develop an average of 250 of those new affordable homes on Hightown sites.	In 2021/22 we built 139 new homes on non S.106 Hightown sites. The three-year rolling average is 313.	●
All new homes to have an Energy Efficiency rating of Band B or better.	Average energy efficiency rating of Band B achieved. The average SAP rating for new homes built in 2021/22 was 84. (Band B is 81-91 SAP points)	●
Achieve a minimum of 80% customer satisfaction with new homes.	Survey of homes completed 2020/21 81%.	●

Financial Viability

Strategic Plan Objective	Progress at March 2022	Flag
Maintain a strong surplus.	Operating surplus after sales £21.0 million against a budget of £17.9 million.	●
Maintain current Moody's rating of A3.	Moody's issued an updated rating of A3 Stable on	●
Diversify and extend funding streams to support development programme.	Hightown has diversified its funding this year through the Private Placement with a £100m issue. Hightown borrows from 6 banks and 5 other financial institutions plus the Green Note Purchase Agreement holders.	●
Ensure Care and Supported Housing financial performance supports sustainable and high quality services.	The overall C&SH year-end position is a surplus of £794k against a budgeted deficit of £296k, a positive variance of £1.1m. This is due to the receipt of extra Covid income £748k, major repairs underspend £191k, and vacant property sales surplus of £463k.	●

Resident Services

Strategic Plan Objective	Progress at March 2022	Flag
Achieve upper quartile performance for tenant satisfaction with overall service provided.	STAR survey September 2020 resident satisfaction 73.2%. Next survey is planned for Summer 2022.	○
Achieve 25% increase in satisfaction levels amongst shared owners and leaseholders.	Survey is due to be completed in Summer 2022.	○
With regard to Value for Money, aim to position all Hightown Key Performance Indicators in the low cost/high quality quartile of the HouseMark cost v. performance matrix.	All indicators were in the good performance/low cost quadrant. See diagram on page 50.	●
Develop and commence implementation of a plan to improve the environmental impact and efficiency of existing homes.	External consultants were appointed to assess Hightown's carbon baseline. This showed that Hightown properties produce an average of 1.75 tonnes CO2 per home as against a sector average of 2.53 tonnes. Hightown is exploring costs of meeting the Future Homes Standard and projects are underway to cost upgrades to existing stock and scope plans for Band D properties.	●

Care and Supported Housing

Strategic Plan Objective	Progress at March 2022	Flag
Grow and develop our Care and Supported Housing Services.	Hightown supports an average of 885 services users each month. In 2021/2022 an additional homeless service was opened in Hemel Hempstead. In addition Hightown successfully applied to three new frameworks which will allow Hightown to bid for support services in these new areas.	●
Improve the average CQC/Commissioners rating across our services.	89% of all inspections including all CQC inspections have been rated Good or above. CQC have now commenced undertaking inspections within Hightown CQC registered services.	●
Improve our ability to support Service Users independence as measured by achievement of goals and outcomes with our Growth model.	Development of our bespoke Growth model continued. Each interaction with service users is graded from 1-5 as to level of support provided. This enables managers to monitor a service users support needs and the journey to increased independence.	●
Aim to be a Real Living Wage employer.	Care assistant staff received a 2% mid-year increase in November 2021 and a further 3% cost of living increase for all staff in April 2022. Hourly rate currently 1.1% below the Real Living Wage.	●

Breaking ground at Hightown's Heart of Maylands phase 2 development in Hemel Hempstead

Strategic Report
Our Objectives and Strategy

Corporate

Strategic Plan Objective	Progress at March 2022	Flag
Seek out and consider ways to improve resident engagement, resulting for each year of the plan in continuous improvement in opportunities for engagement and evidence that the residents' voice is being heard.	Service users have been involved in devising and delivering care & support service through VoiceBox service user involvement group. An updated Resident Involvement Strategy has been introduced making increased use of transactional resident feedback to enable more immediate action to responses.	●
Aim to be rated G1/V1 rating by the Regulator for Social Housing.	G1/V1 rating re-affirmed in stability check November 2021.	●
Promote actions and encourage diverse communities and workforce.	Hightown uses the National Housing Federation Equality and Diversity Inclusion tool to compare the workforce with the communities in which we operate. An Annual Diversity Report provides additional insight into our customers, access to services, satisfaction and employee relations. The action plan is monitored by the Diversity Forum who is made up from staff from across the business including representatives from Senior Management teams and front line staff in operational and C&SH teams. A number of events are held throughout the year celebrating our diverse workforce.	●
Support the work of the 'Homes for Cathy' group and deliver an annual homelessness action plan.	Hightown continues to promote and support the work of the Homes for Cathy group. As a Homes for Cathy member, we strive to meet the nine Homes for Cathy commitments. We play a key role in the running of the group, lobbying for change to put people experiencing homelessness at the forefront of policy, provision and decision-making in the housing sector. At Hightown 38% of lettings were made to statutory homeless households, 80 people moved from temporary supported housing to secure accommodation and 13 people were housed though our Housing First Schemes.	●
Ensure that the Association's data is fully protected and IT systems remain fully accessible at all times.	A Cyber Security review was completed during the year and areas of potential weakness have been addressed. There were no unplanned IT outages.	●
Use Five Ways to Wellbeing to develop staff and move towards a culture of continuous improvement.	An in person #Connect conference was held in September 2021 which gave an opportunity for staff to re-connect with colleagues following the pandemic. Numerous virtual wellbeing activities have been run throughout the year. Campaigns around healthy eating and alcohol awareness have had high levels of engagement. Returning to the office has re-instated the lunchtime walking group and the football team.	●

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

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

Care and Supported Housing

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

Charitable Giving

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

In 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, Marathons, Hightown's staff have raised over £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:

The Five Ways to Wellbeing are to:

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

Strategic Report
Our Performance

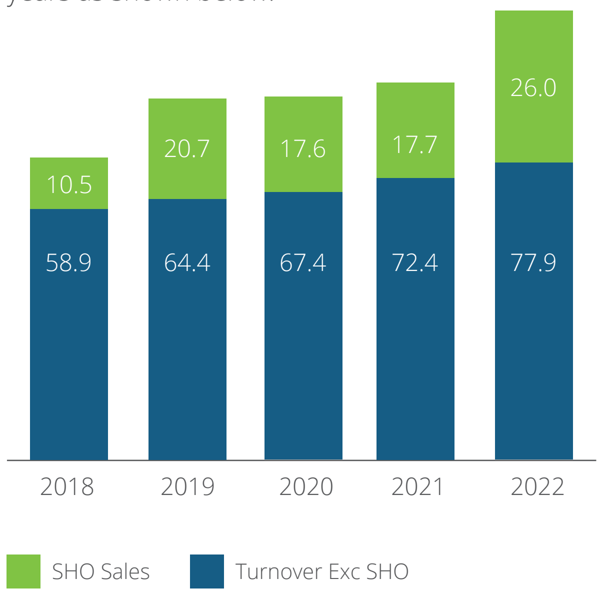
Financial Performance

The results for this year again show a strong financial performance by Hightown. Turnover has continued to grow at a strong rate reflecting the growth in rented units delivered by the very active development programme. Hightown's turnover from recurring activities excluding First Tranche Shared Ownership sales, rose by 7.7% (2021 6.6%) reflecting the 7.9% growth in homes (2021 6.0%) 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 into new affordable homes funded in the main by increased borrowings. Gross and net margins remain strong and interest cover remains above covenants.

Turnover (£m)

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



5 Year Financial Summary

	2022	2021	2020	2019	2018
	£'000	£'000	£'000	£'000	£'000
Turnover	103,887	90,088	85,536	84,693	69,415
First Tranche Shared Ownership sales *(included in turnover)*	25,992	17,726	17,642	20,703	10,522
Operating Surplus	34,526	29,121	27,412	29,437	24,532
Interest payable	13,640	11,252	11,750	10,840	8,108
Surplus for the year	21,028	17,595	15,746	18,691	16,702
Total Comprehensive Income	23,002	13,588	20,522	14,045	18,314
Gross Margin %	33%	32%	32%	35%	35%
Net Margin %	20%	20%	18%	22%	24%
Interest cover (times)	2.5	2.6	2.3	2.7	3.0
Housing Properties at cost (GBV)	1,006,030	907,574	825,284	719,209	624,228
Housing Properties at cost (NBV)	934,750	844,990	770,314	670,820	581,861
Total Assets less current liabilities	974,697	882,084	824,085	735,020	613,142
Total Debt after fees	610,078	540,200	505,506	444,283	354,314
Total Reserves	188,208	165,293	151,705	131,183	117,138
Units Owned and managed	7,797	7,227	6,818	6,380	6,000

Annual Turnover 2022

£103.9m

2021	2020	2019	2018
£90.1m	£85.5m	£84.7m	£69.4m

Operating Surplus

£34.5m

2021	2020	2019	2018
£29.1m	£27.4m	£29.4m	£24.5m

Gross Margin %

33%

2021	2020	2019	2018
32%	32%	35%	35%

Net Margin %

20%

2021	2020	2019	2018
20%	18%	22%	24%

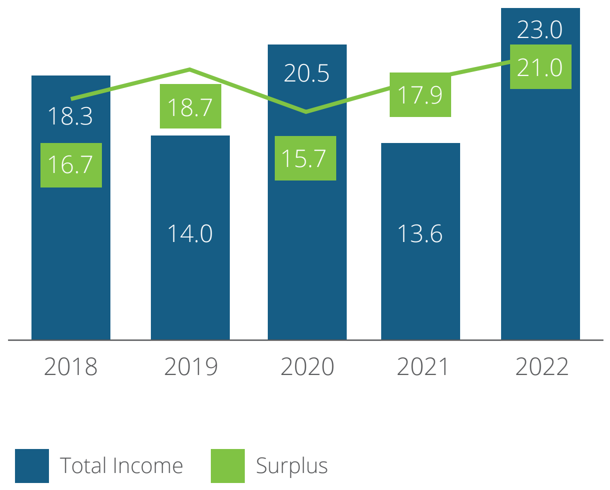
Strategic Report
Our Performance

Although Hightown's turnover has seen continued growth in the last five years as shown above, the Total Comprehensive Income for the year has seen more volatility. From 2019 onwards, the financial statements show the estimated position (surplus/deficit) of the Association's defined benefit pension scheme in accordance with Financial Reporting Standard 102 (FRS 102). The estimated pension position is assessed each year and the net change in the provision flows through the Statement of Comprehensive Income (SOCI). This can cause volatility in the Total Comprehensive Income result. Measurement of the accounting provision for pension is particularly sensitive to movements in both the discount rate and future inflation assumptions. The pension provision at 31 March 2022 was £4.2 million (2021: £6.6 million). See Statement of Financial Position.

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 2021/22 Hightown borrowed £100 million through a Green Note Purchase Agreement with a number of North American investors.

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

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



Strategic Report
Development Programme

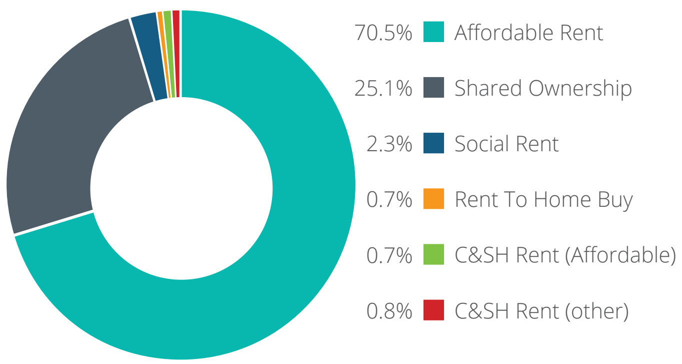
The financial year 2021/22 was another very active year in Hightown's development programme. Despite construction delays caused by lockdowns in response to the pandemic, shortages of materials and labour and increases in the cost of building materials, Hightown built 610 new homes - a growth rate of 8.5%. In the last three years Hightown has built over 1,500 new homes.

A summary of the 2021/22 development programme is as set out below:

a) Tenure

Hightown predominantly built properties to let at Affordable Rent 70.5% (2021: 62%) and for Shared Ownership 25% (2021: 28%) in 2021/22. There were 14 homes (2%)(2020: 29 homes 7%) developed at social rent which reflects the low level of Social Housing Grant available to subsidise this tenure. Hightown does not develop for market sale or market rent. Around 50% of the new homes were houses.

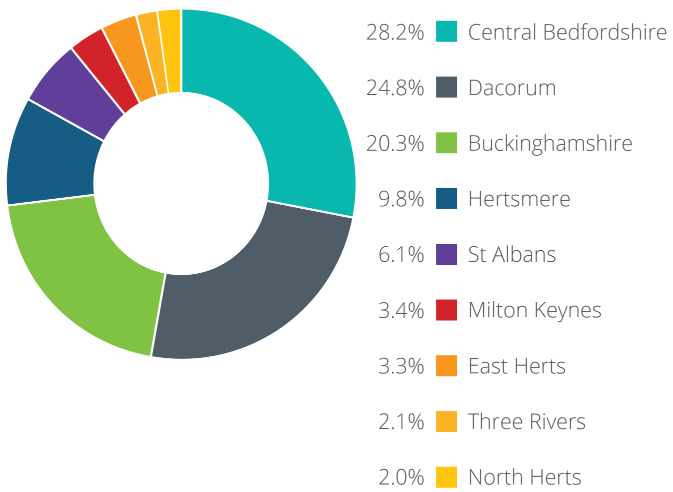
Tenure	Apr-Jun 21	Jul-Sep 21	Oct-Dec 21	Jan-Mar 22	Total	
Total	101	211	124	174	610	
Affordable Rent	71	150	91	118	430	70.5%
Shared Ownership	28	43	29	53	153	25.1%
Social Rent	2	9		3	14	2.3%
Rent To Home Buy	0	0	4	0	4	0.7%
C&SH Rent (Affordable)	0	4	0	0	4	0.7%
C&SH Rent (other)	0	5	0	0	5	0.8%



b) Local Authority

Hightown built 610 properties in 9 local authority areas:

Local Authority	Apr-Jun 21	Jul-Sep 21	Oct-Dec 21	Jan-Mar 22	Total	
Total	101	211	124	174	610	
Central Bedfordshire	29	33	37	73	172	28.2%
Dacorum	8	68	67	8	151	24.8%
Buckinghamshire	28	24	7	65	124	20.3%
Hertsmere	0	55	0	5	60	9.8%
St Albans	14	10	7	6	37	6.1%
Milton Keynes	7	4	2	8	21	3.4%
East Herts	9	0	2	9	20	3.3%
Three Rivers	4	9	0	0	13	2.1%
North Herts	2	8	2	0	12	2.0%

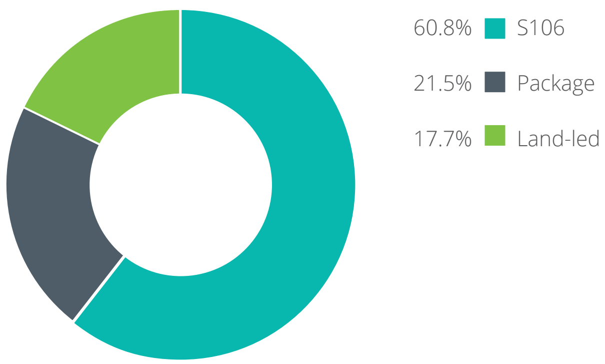


Hightown expects to deliver around 1,300 new affordable homes over the next two years.

c) Procurement Route

In total, 61% of Hightown's new build homes were developed by housebuilders under S.106 planning requirements to provide affordable housing and 39% came from land purchased and developed by Hightown and from package deals:

Procurement Route	Apr-Jun 21	Jul-Sep 21	Oct-Dec 21	Jan-Mar 22	Total	
Total	101	211	124	174	610	
S106	73	84	117	97	371	60.8%
Package	28	19	7	77	131	21.5%
Land-led	0	108	0	0	108	17.7%



Development Policy

Hightown's policy is to maximise the number of new affordable homes it can provide while maintaining strong finances and managing associated risks. Its preference is to deliver social rented properties where these can be supported by social housing grant or other subsidy. Where this is not possible, Hightown will develop sub-market rented properties let at Affordable or Intermediate Rent and homes for Shared Ownership. Housing needs in Hightown's area of operations are overwhelmingly for homes to rent at sub-market rents so the Association aims to have at least 65% of its development programme producing homes for rent with the remaining proportion being for shared ownership.

Hightown expects to deliver around 1,300 new affordable homes over the next two years 2022/23 and 2023/24. 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.

42%

of new homes on sites purchased by Hightown

Strategic Report
Asset Management

The properties Hightown owns are its largest asset and it remains a priority for Hightown to provide good quality energy efficient homes that our residents want to live in and are proud to call home without compromising on resident safety or our legislative duties.

Whilst Hightown provides good quality and affordable homes there is also a need to understand the energy efficiency of the stock so that plans can be put in place to improve the energy efficiency of those that are not performing as well and reduce their impact on the environment.

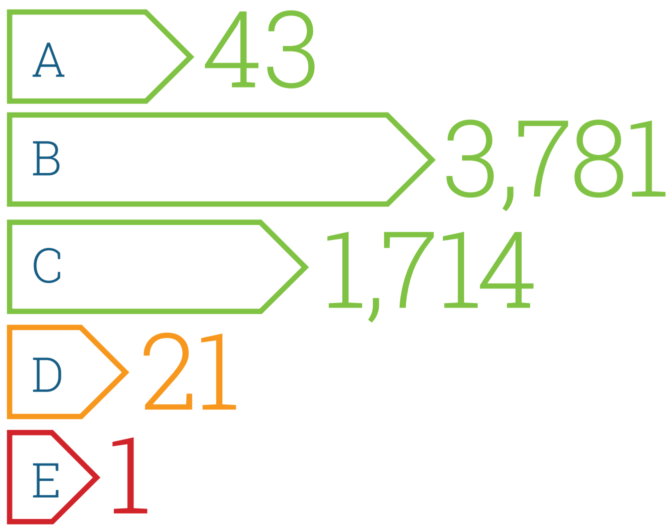
The minimum energy efficiency bill currently working its way through parliament will require social landlords to have a significant proportion of their residential stock to be at least an EPC Band C by 2035. Hightown already has 99.6% of its stock at an EPC Band C or above and is continuing to improve the energy efficiency of its stock to help the Government towards its targets.

68.8%	**Homes EPC band B or higher**
30.8%	**Homes EPC band C**
0.4%	**Homes below band C**

By improving the energy efficiency of the homes, Hightown also contributes to the affordable warmth initiatives, which helps to reduce the fuel bills for residents and make them more affordable which, given the current energy crisis, makes these improvements even more important to help combat fuel poverty. The Government defines a household as being in fuel poverty if the household's energy efficiency rating is a Band D, and, the household's disposable income, after fuel and housing costs is below the poverty line.

At the end of the financial year 2021/22 Hightown's stock had increased to over 7,800 homes. The average EPC rating is 81.4 which is equivalent to a Band B. As shown below, Hightown has over 3,800 rented homes (68.8%) with an EPC band B or higher, and over 1,700 rented properties (30.8%) in a band C. Just 22 properties (0.4%) remain below band C.

Properties in EPC Bands



In 2021/22 Hightown improved the energy efficiency of more than 400 of its properties, with 10% of those moving to a better EPC band. Hightown has 22 properties below a band C and plans to improve these properties will be drawn up with the aim of all Hightown properties achieving a band C by 2025.

Our 2021-24 Strategic Plan sets out our objectives to develop and commence the implementation of a roadmap for improving the environmental impact and efficiency of our existing homes and for all new build homes to have an energy efficiency rating of Band B or higher.

In order to benchmark our environmental impact against other housing associations and identify where improvements can be made, this year we undertook our first SHIFT audit, an independent assessment of the Scope 1, 2 and 3 greenhouse gas emissions generated from our activities during 2020/21.

The audit indicated that emissions from independently heated homes accounted for around 83.5% of our total organisational emissions, at 1.75 tonnes of carbon dioxide equivalent per home managed. This figure is significantly lower than other SHIFT social landlords (2.53 tCO2e per home managed) and can be attributed to the large proportion of new homes in our portfolio.

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 inspections and surveys and 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, the 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 Health and Safety requirements.

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

Strategic Report
Care & Supported Housing

Around £28.2 million (36.2%) of Hightown's 2021/22 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 to live a full and meaningful life with a strong focus on giving people as much independence as possible. At 31 March 2022, Hightown was supporting 776 service users in the following areas:

- 5% Extra Care
- 13% Home Options
- 14% Homeless Single
- 6% Homes for Living
- 33% Learning Disabilities
- 11% Mental Health Services
- 3% Mother & Baby
- 6% Registered Care Home
- 8% Young Peoples Services

Covid-19 Pandemic

Into the second year of the pandemic, our staff and service users have managed the challenges well. There was a large period of 2021/22 with stability around testing and vaccinations resulting in a significant improvement in managing and reducing the spread of outbreaks. The new variant, Omicron brought about some challenges with increased numbers of staff off and Christmas and New Year were carefully managed and planned in order to prepare for staff shortages.

PPE and infection prevention control measures are now second nature to staff and well-embedded practices were in place in each service from the beginning of the year. There were no significant cases of Covid among our services users and following the loss of some of our more vulnerable clients last year, can report there were no Covid related deaths during 2021/22.

Continued subsidy through the Infection Prevention Fund, helped with increased costs of PPE and additional staffing. The increase in use of agency staff due to staffing pressures was largely offset through additional grants, enabling staffing levels to be maintained and cover the additional expenditure.

The introduction of mandatory vaccines for those in Registered Care services in November 2021 saw some staff leave Adult Social Care last year, but through good signposting, education and support Hightown was able to retain all staff either in their existing service or through moving to Bank. The second wave of mandatory vaccines looked to prove more challenging with the potential to lose up to 20 staff, however in the end the Government decided not to mandate staff vaccinations. Our overall vaccine update at the end of the year was steady at 81% but over 90% for all the Registered and Regulated Services.

Financing

Just over £22 million of the £28.2 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 the year show Care & Supported Housing producing a surplus. This is largely attributed to unbudgeted income from property sales and an underspend within the major works programme.

The surplus generated will help to meet future costs relating to fire safety and building works across a number of C&SH services where Hightown is the landlord.

The viability of services remains heavily dependent on uplifts awarded by commissioners and Hightown continues to work within tight financial constraints further compounded by inflationary pressures. In 2021/22 uplifts averaged 3.5%, a slight increase from the 2% average we saw in 2020/21. Despite this, some services remain under considerable financial pressure and so work continues with the commissioning partners to address all remaining deficits. Hightown's ambition remains to be a Real Living Wage employer and current pay rates are close to that level.

Service users at Hightown's care and supported housing scheme in Buckinghamshire enjoying arts and crafts activities

Strategic Report
Care & Supported Housing

New & Re-provisioned Services

Hightown successfully applied to three new service frameworks this year: Milton Keynes, Wokingham and Hertfordshire Partnership Foundation Trust (HPFT), which means as accredited providers of adult care and support services in those areas Hightown can now bid for eligible care packages.

Sadly, due to insufficient funding and falling demand for registered care provision in Hertfordshire, the 8-bed care home at Manor View in Stevenage was closed in the year. Our close work with the commissioning team, social workers and families resulted in suitable alternative accommodation and support being sourced in county, which meant all service users were able to remain close to friends and family. Staff redeployed from Manor View moved into alternative roles helping to address vacancies across the business. Hightown will be working with the local authority and district council throughout early 2022/23 to explore alternative uses for the site.

Throughout 2021/22 we continued to develop and expand our homelessness offer. Hightown opened a new service at The Mews, Hemel Hempstead with the help of central government capital and short-term revenue grant to support four homeless adults move out of shared hostel accommodation and into self-contained flats. Hightown also successfully bid for central and local government capital and revenue funding to secure two further projects: the acquisition of 34 Alexander Road, Hemel Hempstead that will consist of nine one bed self-contained flats with onsite staff office and, the redevelopment of our existing provision at Martin House, St Albans into self-contained apartments. Both projects are expected to complete in 2023 and will deliver much needed move-on accommodation for local homeless people who have gained independence and no longer need the same levels of support as before.

Recognising the increased pressure the Afghan refugee crisis was placing on central and local government, Hightown worked in partnership with Dacorum Borough Council to re-provision a vacant 5 bedroom house to resettle and secure a permanent home for a large family fleeing the war torn country.

C&SH Staffing

Care & Supported Housing staff turnover and vacancy rates throughout 2021/22 continued to follow an upward trend and, along with other social care providers we remain concerned over our ability to continue to attract workers to the sector. Talks continue with commissioning partners where we emphasise the need for providers like us to increase front line pay so that the care sector becomes a more viable career choice.

Hightown's workforce of bank staff continue to help bridge the gap in permanent staffing, working to cover vacancies and other absences. Hightown now employ over 300 bank workers, 80% of whom were actively working for us in 2021/22. The year ended with a record number of bank hours worked in March totalling 3,350 which is a 22% increase compared to the same period last year.

Staff absence in front line services in particular puts additional pressure on an already strained and under resourced workforce. However, following some targeted work and a change in approach to long-term case management; we started to see the average number of sick days in the department drop back down at the end of year, having peaked in Winter 2021.

Improving Quality through Support Plans and Growth Model

Care & Supported Housing continue to utilise our bespoke Growth model and digital support plans throughout 2021/22. The year has seen increased emphasis on reporting ability through this tool.

Staff now actively record each interaction with service users and grade the level of support provided from 1-5. A new report enables Managers to consider if we are over-supporting individuals or could be pushing for increased independence. Through analysis of this report it enables us to be more consistent in our support, but also provides evidence to external auditors and commissioners of the growth.

During 2021/22 a new quality audit tool was rolled out which, amongst other things, takes the opportunity to review digital support plans and discuss them with staff and with service users. The audit establishes that the service users have been involved in the creation of their own plans, goals and aspirations. Staff are also questioned as part of the audit process, the expectation is that all staff in a service understand the aims and ambitions of each person they're supporting and how they are going to help them achieve their goals.

Strategic Report
Care & Supported Housing

Management Training

The year 2021/22 saw the launch of a new management-training programme.

Through feedback from staff and having analysed the key operational issues facing the department, Hightown recognised that several of them could be addressed or improved through better management support for frontline staff. As a result, all staff who manage others will complete a Management Skills programme which culminates in June 2022. Modules delivered to date cover areas including: Effective 1:1s, Feedback, Why we Delegate, How to Delegate and Coaching.

As part of the programme staff were split into cohorts to encourage networking outside their own geographical areas. Each training session was delivered in-house in a one hour bite-sized session and was followed up 4 weeks later with an Action Learning Set. The purpose of the Action Learning Set was to embed the transfer of learning from the classroom to practice.

By utilising their peers in the cohort, staff can share what's gone well, where they've faced challenges and can support each other on their learning journey.

The overarching message has been that through more effective relationships with staff, we can manage them better. By providing staff with protected time the relationship builds between the manager and the staff member, making all other tasks; delegating, providing feedback etc. easier because of the relationship that's been cultivated. Through further analysis we hope to see an improvement in retention and a reduction in capabilities and disciplinary action.

For 2022/23, the programme is being extended to include some practical skills starting with management accounts training and will later feature targeted work around managing absence.

A Housing First resident volunteering at a local homeless shelter

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.

610 new affordable homes delivered

186 Care & Supported properties let

643 general needs properties let

79 domestic abuse tenants supported

In summary for 2021/22 Hightown has:

- Helped to alleviate homelessness through the delivery of 610 new affordable homes for people in housing need;
- Let 643 general needs properties and 186 Care & Supported properties, of which 38% were let to homeless households, around double the social housing sector average;
- Provided security of tenure through long-term tenancies - 91 per cent of total general needs tenancies were assured for more than 3 years;
- Expanded supported move-on provision for single homeless people with a new service of four self-contained flats – The Mews – in Hemel Hempstead, whilst securing government funding for two further projects: a nine-bed move-on scheme in Hemel Hempstead and the redevelopment of an existing temporary supported housing service, Martin House in St Albans, into self-contained apartments for local homeless people with low support needs;
- Housed an additional three Housing First clients with complex needs, providing intensive, continuous and tailored support to address negative behaviours and sustain tenancies;
- Provided emergency accommodation for 119 individuals at risk of rough sleeping via the Open Door night shelter;
- Reduced financial hardship by recovering £98,000 in additional welfare payments for 535 tenants through our financial inclusion service;
- Responded to 245 referrals for tenancy sustainment support, ensuring tenants did not risk losing a tenancy because of financial difficulties, ill health or other vulnerabilities;
- Developed a new resident involvement strategy to transform how tenants influence our services, with a focus on digital engagement and touch point surveys;
- Supported 79 tenants experiencing domestic abuse;
- Reduced fuel poverty through a £595,399 investment in energy efficiency works to existing homes, including improved insulation and replacement boilers, heating systems, doors and windows;
- Improved the energy performance of 40 existing homes by one EPC Band;
- Increased the average SAP (Standard Assessment Procedure) rating of all homes from 80.6 to 81.4, significantly higher than the housing association sector average of 70. The average EPC rating for homes is a band B rating;
- Constructed 99% of all new build homes with an energy rating of B and above;
- Trialled gas alternative heating systems as part of our new sustainability strategy, including the installation of air source heat pumps at 158 new homes at the Maylands Phase Two development in Hemel Hempstead;
- Delivered a wide range of care & support to over 776 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;
- Maximised usage of our bespoke 'Growth' model and digital support plans to provide consistent levels of support for service users;
- Involved service users in devising and delivering care & support services through our VoiceBox service user involvement group.

The 2021/22 Social Impact Report, "Our Impact", is available on the website www.hightownha.org.uk.

Strategic Report
Homes for Cathy

Hightown has played a leading role in the Homes For Cathy group – a membership body of housing associations, homelessness charities and local authorities campaigning for more homes and support for homeless people and sharing positive practice to inspire greater action. The group wants to see housing associations using their skills and resources to make a difference to the lives of homeless people and is lobbying for housing associations' work on alleviating homelessness to be monitored by the Regulator of Social Housing.

Homes for Cathy

Hightown's Chief Executive David Bogle, is Chair of Homes For Cathy Limited as a representative of the Association.

Hightown is a founder member of Homes For Cathy Limited and provides support services.

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 local and national peers. Hightown continues to deliver strong operational performance and invests the annual surplus into delivering a substantial development programme of new affordable homes. The Board sees this commitment to use resources to deliver as many much needed affordable new homes as possible as key to delivering value for money.

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

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

- Embed a culture of achieving VfM throughout Hightown, including Board members, staff and involved residents;
- A commitment to challenge the status quo and to seek new, more efficient and effective ways to deliver services through the deployment of IT and through process workflows;
- Involve residents in the delivery of VfM services through the Resident Voice 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, local authorities and other partners;
- Develop new homes efficiently and economically that meet the needs of those who live in the areas in which Hightown operates;
- Understand performance by benchmarking Hightown over time and against others;
- Continuously seek to improve customer service, customer engagement and customer satisfaction.

Hightown's Performance

For the last 15 years, Hightown has maintained an Efficiency Log, completed by staff and managers, to record the Value for Money savings made during the everyday course of business. This helps embed Value for Money through the Association.

In 2021/22 there were 27 recorded actions in the log showing improved efficiency in operations and cost savings. The financial impact identified totalled £172,000 (2021 £115,000). Many of the initiatives arose through the application of technology and process changes which have enabled staff to use the time saved to improve the service provided to residents and service users, and to help manage the increase in workload as the Association grows. The introduction, during the latter part of the year, of hybrid working allowing some staff based at Hightown House to work from home up to two days a week, will bring cost savings in some areas and help reduce Hightown's carbon footprint.

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 £21.0 million (2021 £17.6 million) and 610 new homes (2021 429), bringing the number of new homes delivered in the last three years to over 1,500;
- Managed these 610 new homes efficiently, achieving a low and reduced overall operating cost per unit, as detailed elsewhere in the report;
- Continued to deliver the general needs services within the relatively good performance/low cost quadrant of the HouseMark VfM matrix; ;
- Continued to increase the use of digital service delivery and the interaction with tenants through the MyHightown Portal with a 19% (2021 23%) increase in usage in the year, with 5,530 (2021 4,632) residents now using the portal;
- Continued to develop new IT workflows and information reporting to drive more efficient and effective processes including the use of Docusign for new tenancies, speeding up the process and improving the customer experience;
- Improved the average energy efficiency rating of our homes to 81.4 (2021 80.6) through building improvements and new components. The EPC rating of over 400 properties were improved, with 10% moving to a higher EPC band. There are just 22 properties with a rating below band C and these are targeted for improvement by 2025. The average property rating for all Hightown properties is a band B;
- Outsourced the bulk posting of annual service charge statements;
- Developed an in-house wellbeing app to provide more timely information to managers and improve monitoring of absence;
- Achieved a saving on renewal of the Mobile Devices Contract by taking a three year contract, so reducing the overall cost.

Strategic Report
Value for Money

Performance Against The Regulator's Value for Money Metrics

The Regulator of Social Housing's Value for Money Standard sets out the approach to Value for Money expected from Registered Providers and this is amplified in the complementary Code of Practice. There are nine metrics used to measure the delivery of the three "E's" of Value for Money - Economy, Efficiency and Effectiveness, on a comparative basis across the sector.

Hightown's 2021/22 performance against the Regulator's published 2020/21 metrics continues to reflect the impact of the Covid-19 pandemic and delays in the delivery of new units into management due to shortages of building materials and labour. As a result, metrics for reinvestment and new units were below budget targets and while rental income was below budget due to the delayed handovers, higher income from Care and Supported Housing grants and reduced repairs expenditure meant that Hightown's performance against the remaining metrics was either on target or better:

VfM Table 1 - Performance against budget

	Value for Money Metric	VfM Cost Chain Measure	Actual March 2022	Budget Target 2021/22	Indicator Flag
1	Reinvestment %	Efficiency	23.6%	24.8%	●
2a	New Supply Delivered Social Housing Units %	Effectiveness	9.0%	10.1%	●
2b	New Supply Delivered Non-social Housing Units %	Effectiveness	-	-	-
3	Gearing % (##)	Efficiency	62.5%	63.9%	●
4	EBITDA MRI Interest Cover % (#)	Efficiency	220.5%	188.1%	●
5	Headline Social Housing Cost Per Unit (£'000)	Economy	£6.40	£6.70	●
6a	Operating Margin % – Social Housing Lettings	Efficiency	32.7%	32.7%	●
6b	Operating Margin % – Overall	Efficiency	29.9%	28.8%	●
7	Return on Capital Employed (ROCE) %	Efficiency	3.5%	3.2%	●

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

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

RSH Global Accounts

The Regulator of Social Housing (RSH) publishes annual Global Accounts data from the accounts of Registered Providers. Hightown uses this data analysis to compare its performance and to seek to understand reasons for any apparent under performance not just against the national position measured by the RSH Metrics but against specific peers and peer groups.

The Regulator of Social Housing has published a report Value for money metrics and reporting 2021: Annex to 2021 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 2022 performance with the most recent published data from March 2021. For comparison, the budgeted Hightown VfM metrics for March 2023 are also shown.

VfM Table 2 - Performance against peers

	Value for Money Metric	Budget 2023 (memo)	March 2022	March 2021	March 2020	Peer Group Median 2021*	Peer Group Quartile 2021 *	National Entity Quartile 2021
1	Reinvestment %	23.7%	**23.6%**	19.2%	25.2%	**4.4%**	Upper	Upper
2a	New Supply Delivered Social Housing Units %	8.7%	**9.0%**	6.8%	8.2%	**1.1%**	Upper	Upper
2b	New Supply Delivered Non-social Housing Units %	0%	**0%**	0%	0%	**0%**	Upper	Upper
3	Gearing % (##)	63.6%	**62.5%**	61.5%	60.7%	**42.2%**	Upper	Upper
4	EBITDA MRI Interest Cover % (#)	168.2%	**220.5%**	218.8%	201.5%	**162.7%**	Upper/ Median	Upper/ Median
5	Headline Social Housing Cost Per Unit (£'000)	£6.41	**£6.40**	£6.94	£7.07	**£4.21**	Upper	Upper
6a	Operating Margin % – Social Housing Lettings	31.4%	**32.7%**	32.2%	33.3%	**25.8%**	Upper/ Median	Upper/ Median
6b	Operating Margin % – Overall	25.1%	**29.9%**	29.5%	29.8%	**23.5%**	Upper/ Median	Upper/ Median
7	Return on Capital Employed (ROCE) %	3.1%	**3.5%**	3.3%	3.3%	**3.3%**	Median	Upper/ Median

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

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

(RSH Value for Money Metrics and Reporting 2021 - data at 31 March 2021. National entity 248 associations. Peer group – All traditional Housing Associations, Entity level, 136 peers).*

Strategic Report
Value for Money

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 2021/22, Hightown invested £103.7 million and delivered 610 new homes. The 2022 out-turn metric of 23.6% investment is lower than the budget target of 24.8% as a result of the continued impact of the Covid pandemic, shortage of some building materials and labour following Brexit, and delays with planning permission on some sites. This impacted not just the capital spend but also major repairs spend too. Capitalised interest was also lower due to lower capital spend and continued low interest rates for the early part of the year. The reinvestment metric score of 23.6% is an increase on the 19.2% last year which was more heavily impacted by the Covid pandemic but remains upper quartile performance against the latest reported metrics for 2021.

Hightown's performance in this area is impressive for its size demonstrating Hightown's continued commitment to provide new homes to people in housing need, to help end homelessness and in furtherance of its primary charitable objectives.

Metric 2 – New Supply Delivered

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

a) The percentage of new supply of social housing delivered

Hightown has again produced market leading growth. In 2022 Hightown's performance was again upper quartile at 9.0%, up on 6.8% last year. Delivery was a little behind budgeted performance,again due to Covid and post Brexit issues. This reflects the substantial development programme in recent years with over 1,500 new properties in the last three years. At 31 March 2022 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 nor had it intended to. 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 62.5% from 61.5% as a consequence of delivering 610 new homes, funding 936 new homes under construction and land banking for future delivery. Gearing was a little lower than the budgeted gearing metric of 63.9%, again due to delays in building works.

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

Metric 4 – Interest Cover EBITDA MRI

This metric measures Interest Cover using an adjusted measurement of earnings after adjusting for accounting entries i.e. Earnings before Interest, Tax, Depreciation and Amortisation, Major Repairs Included (EBITDA MRI). This is a measure of efficiency. Performance at 2022 year end was strong at 220.5%, an increase from 218.8% last year and above the budget target of 188.1%. This reflects the overall reduction in major repairs spend in the year and continued low interest rates for the early part of the year. Hightown continues to deliver an upper quartile, strong EBITDA MRI metric demonstrating capacity to fund additional borrowings although this will reduce as delayed major repair works are re-phased to later years.

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 consistently 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 2022 cost of £6,400, a 7.8% reduction on £6,940 last year and 4.5% lower than the 2021/22 budget of £6,700, in the main due to lower major revenue repairs and higher units in management.

Hightown has a substantial Care & Supported Housing service that requires more intensive management and this distorts the headline costs on a per unit basis against peers. Benchmarking of care costs is difficult due to lack of published comparators but Hightown continues to win new care contracts and to retain re-tendered business in a very competitive market place. The benchmarking of general housing management costs within the HouseMark benchmarking club shows that Hightown's housing management cost per unit was once again upper quartile, lowest cost demonstrating Hightown's commitment to manage the growth in management costs and achieve greater efficiency on a per unit basis.

Metric 6 – Operating Margin

This metric measures the proportion of turnover retained after deduction of operating costs. It is a measure of operational efficiency. There are two measures:

a) Operating margin on social lettings

Hightown's margin on social lettings was 32.7%, exactly at the budgeted value. This is better than the 32.2% achieved last year despite 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 again delivered upper quartile performance.

b) Operating Margin % - Overall

This margin has risen from 29.5% to 29.9%, above the budget target of 28.8%. This is a very strong margin and is upper/median 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. The 2022 figure of 3.5% is slightly above the budget target of 3.2% and the 3.3% 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 £22.8 million of Care & Supported Housing contracts. Despite this Hightown's performance is in the upper/median quartile ranking.

Strategic Report
Value for Money

Other Performance Benchmarking Comparatives

HouseMark

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

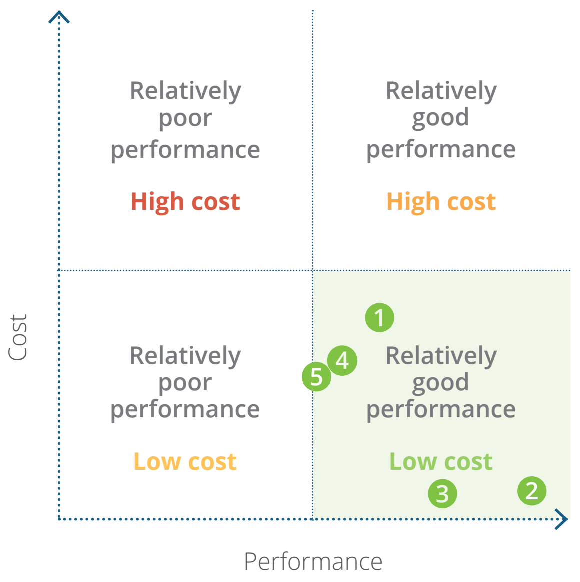
In its Strategic Plan, Hightown aims to continue to deliver housing services within either the HouseMark low cost, good performance quadrant or the outer part of the low cost, poor performance quadrant. The benchmarking results for 2020/21, the latest available, clearly shows that Hightown continues 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:

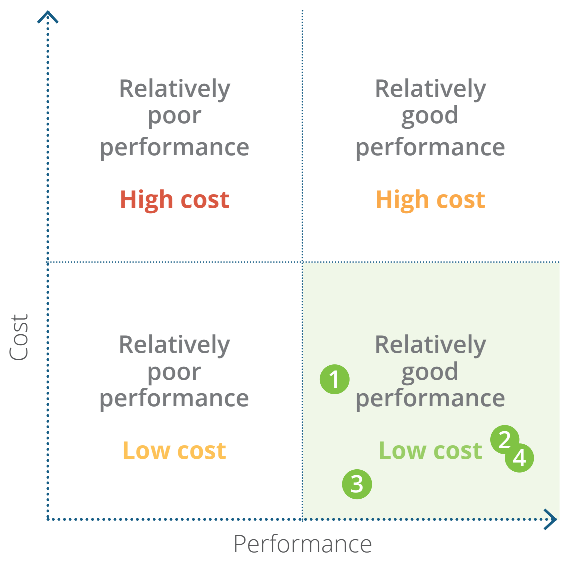
The comparison shows Hightown achieving its aim of delivering all services in the good performance, low cost quadrant.

Tenancy showed an improvement in performance, while costs remained broadly the same. Voids and Lettings costs increased but performance remained broadly the same compared to the peer group.

2019/2020 Value for Money



2020/2021 Value for Money



Key:
1 Responsive Repairs
2 Voids & Letting
3 Rent Arrears & Collection
4 Tenancy Management
5 Resident Engagement (2019/20 only, insufficient comparators in 2020/21).

Strategic Report
Value for Money

HouseMark Efficiency Summary

Hightown's latest HouseMark performance summary in its peer group for 2020/21 continues to show upper quartile performance on overheads, cost measures, development activity and void loss. Rent collection is 2nd quartile in a narrow distribution, staff turnover and satisfaction is 3rd quartile.

Total cost per property of Housing Management

£385.61

Up from £361.33 | 1 Quartile group

Total units developed as a % of units owned (social)

6.8%

Down from 8.2 | 1 Quartile group

Staff turnover

15.7%

Down from 24.7% | 3 Quartile group

Satisfaction with service provided

73.2% | 3 Quartile group

Overheads as a % of turnover

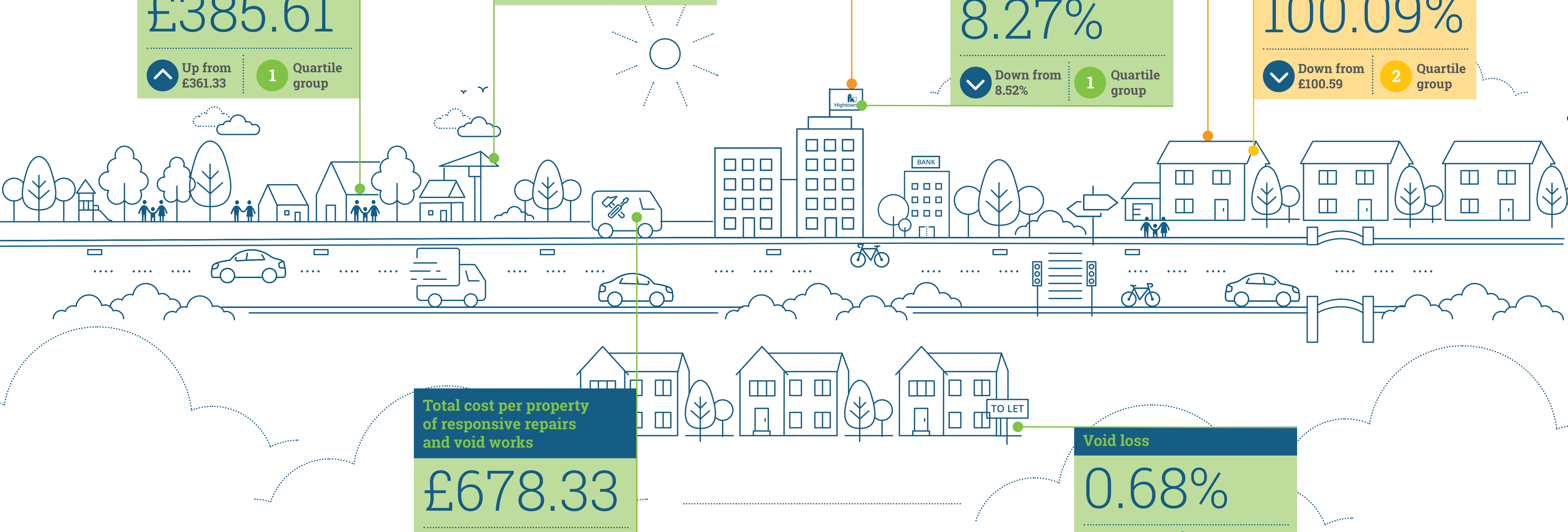
8.27%

Down from 8.52% | 1 Quartile group

Rent Collected

100.09%

Down from £100.59 | 2 Quartile group



Total cost per property of responsive repairs and void works

£678.33

Down from £685.77 | 1 Quartile group

Void loss

0.68%

Up from 0.43% | 1 Quartile group

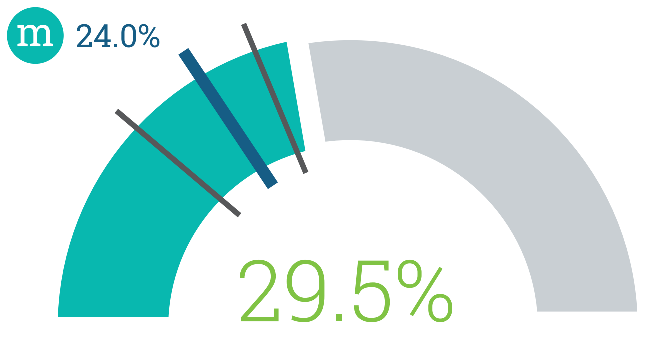
Strategic Report
Value for Money

HouseMark Sector Scorecard

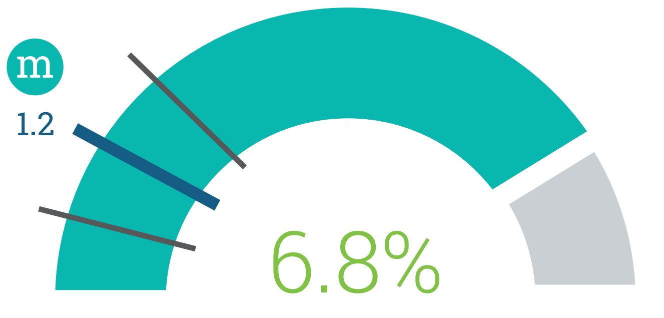
Hightown continues to participate in the HouseMark Sector Scorecard to benchmark against the sector and similar peer Associations on key performance metrics.

The scorecard compares costs and performance of 266 associations in the peer group of traditional housing associations. It measures 15 key performance metrics, more than the RSH, covering broader areas of performance. Whilst there are differences in the definition of some metrics, Hightown performance remains very strong in both the scorecard and the RSH metrics.

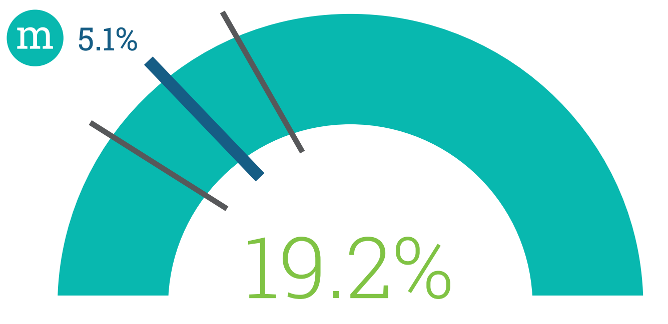
Operating margin (SS)



Units developed (SS)

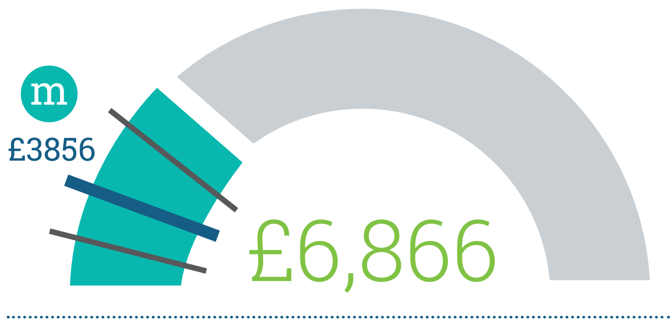


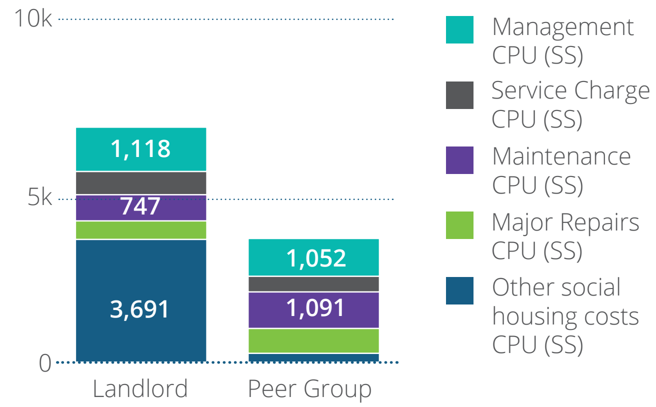
Reinvestment (SS)



Ratio of responsive repairs to planned maintenance (SS)

Headline social housing CPU (SS)





Hightown's performance against the 2020/21 published sector scorecard is as follows:

Upper Quartile Performance

	2020/21	2019/20	Flag
Operating Margin (overall; social housing lettings)	29.5% ; 32.2%	29.8% ; 33.3%	▼
Units developed (%; absolute)	6.8% ; 429	8.0% ; 477	▼
Reinvestment	19.2%	25.2%	▼
ROCE	3.3%	3.3%	▶
EBITDA MRI	218.8%	201.5%	▲
Rent Collected	100.1%	100.6%	▲
Overheads	8.3%	7.2%	▲

Median/ Lower Quartile Performance

	2020/21	2019/20	Flag
Occupancy	98.13%	98.99%	▼
Satisfaction with service	74%	74%	▶
Gearing	61.5%	60.7%	▲
Headline Social Cost per unit	£6,934	£6,866	▼
Ratio of Responsive Repairs and Planned	0.88	1:3	▲

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 Care & Supported Housing service.

Strategic Report
Value for Money

Areas of Underperformance

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

The comparisons in VfM table 1 on page 46 show that Hightown missed its delivery targets on Reinvestment and new supply. These areas of underperformance arose due to the delays and working restrictions placed on the construction industry in response to the Covid pandemic and were outside Hightown's control. In the year 2021/22 Hightown still delivered over six hundred new homes despite these delivery issues.

The comparisons in VfM table 2 on page 47 show Hightown's 2021 and 2022 results against the 2021 RSH VfM Metrics data. Hightown's strong development programme means it has a high level of gearing compared to its peers reflecting the amount of recent development undertaken at affordable rents with lower grant levels than was available in the past. Hightown is likely to remain an outlier against its peers in terms of gearing and debt per unit unless more social housing grant becomes available to fund Hightown's development programme or unless peer associations invest substantially more of their surpluses into the delivery of new units.

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

During 2021/22 the expected VfM savings below were delayed due to issues with staff resources. They will be carried forward for delivery in 2022/23:

- Develop the use of the Direct Labour Organisation (DLO) to carry out void property repair works to lead to savings in repair costs, improve the void period turnaround time and void rent loss between re-letting, so delivering additional rental income;
- Re-design the accounts payable process using Artificial Intelligence software to quickly and accurately capture invoice information.

Value for Money in the Year Ahead, 2022/23

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

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

The budget for 2022/23 shows reductions in the metrics in VfM table 2 earlier, for interest cover, operating margins and return on capital employed due to an increase in major repairs expenditure planned for the year.

In addition, in 2022/23 Hightown aspires to:

- Continue to deliver strong operational performance against the Regulator of Social Housing's metrics, aside from debt per unit and gearing where we expect to remain as data outliers due to the high level of investment in building new homes;
- Retain the HouseMark cost per unit for housing management at upper quartile performance;
- Deliver all services in the 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 further expansion of the Direct Labour Organisation (DLO) into other discrete areas of repair works where it believes it can drive savings in repair costs against contractors and improve the customer experience;
- 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;
- 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 consolidate, develop and roll out new IT workflow process and dashboards;
- Continue to play a leading role in the Homes for Cathy group.

Key Contract Procurements 2022/23

The Procurement Team, who are tasked with obtaining value for money from Hightown's key contracts, will be procuring contracts for goods and services using competitive tender processes and framework agreements. The following areas of major spend are due to be competitively tendered in 2022/23:

- Internal Audit
- Insurance
- Electricity Supply for Communal Supplies /Care & Supported Housing stock
- Fardell Court Roofing Works
- Grounds Maintenance

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

Strategic Report
Risks and Uncertainties

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

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

During the second half of the year, Hightown undertook a review of its risk management methodology to bring it up to best practice standards. The Association's key risks were reviewed through the use of workshops including both senior managers and Board members. This resulted in the identification of a number of new and revised risks and a clearer restatement of the Board's risk appetite. Additionally, Hightown worked with external consultants to review its approach to stress testing. This focus on risk will allow Hightown to create value by enabling the Association to take informed opportunities whilst reducing the uncertainty of achieving the strategic objectives set by the Board.

In the last year, Hightown's risk and assurance frameworks have been tested as the Association responded to the challenges and uncertainties associated with the impact of Covid-19, Brexit and a challenging economic environment for both Hightown and its residents.

Many of Hightown's specific risks arise due to it being an active developer of new affordable housing and a provider of care and supported housing. Development activities bring exposure to risks around the funding of the development programme, delivery of the schemes on-site, sales of shared ownership properties and the treasury risks associated with borrowings. The increased volatility of inflation and interest rates is being closely monitored by the Board with support from specialist advisors. This information is being fed into Hightown's stress testing processes to ensure that the impact on the Business Plan is understood and that robust mitigations are identified. The past year has seen shortages of skills and materials and increased build costs. Despite these challenges, Hightown successfully delivered over 600 new affordable homes for the benefit of those in housing need.

Hightown has built assumptions into its business plan for works that will be required to meet expectations on fire and building safety and improvements to our homes to meet environmental targets. Hightown is fortunate to have significant numbers of energy efficient homes built in the last ten years in low and medium rise buildings, however, in line with other social landlords, the required level of expenditure remains an area of uncertainty and increasing demands.

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

As we emerge from the Covid era, it is clear that recruitment and retention issues are affecting the whole housing and social care sector and these risks need to be carefully managed and mitigated if Hightown is to continue to pursue its current ambitious goals.

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

Corporate

Risk	Mitigation
Failure to recruit, develop and retain staff with the appropriate skills and attributes leads to reduction in standards of service provided and increased likelihood of breach of internal controls or external regulation	Regular salary benchmarking and pay review. Benefits package and bonus scheme. Effective staff development and management programmes and apprenticeship schemes. Secondment and succession planning.
Failure to recruit, develop and retain board members with the appropriate skills, knowledge and attributes leads to poor decision making impacting the potential viability and good governance of the Association	Annual Board Effectiveness Review. Board skills gap analysis, Learning & Development Plan, Revised induction plan for new Board members. Annual Board member appraisals. Recruitment & Selection Policy. Triennial independent Board Effectiveness Review. Board Strategy days.
Failure to provide effective internal controls, including financial, monitoring and performance measures causes inefficiencies and increased likelihood of regulatory breach	Trained, experienced and effective management. Separation of functions. Annual internal audit programme and external audit report. Annual compliance checks. Standing Orders, Financial Regulations, Data Protection & Privacy Policy, Confidential Reporting (Whistleblowing) Policy, Fraud Policy, Anti-Money Laundering Policy, Risk Management and Business Assurance Policy.

Finance

Risk	Mitigation
Increased material and labour costs or changes in the external operating environment results in unplanned expenditure, budget overspends and reduced value for money	Regular review of development appraisal parameters. Experienced Employers Agents employed on all development schemes. Regular site visits by Development/Asset management staff and close cost control. Fixed price contracts/single stage tenders wherever possible. Effective partnership working and communication with contractors and suppliers. Annual Value for Money in Asset Management report to Operations Committee. Cost benchmarking. Board and senior management scrutiny of Development and Asset Management activities. Stress testing of Business Plan includes significant cost increases.

Strategic Report
Risks and Uncertainties

Development

Risk	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 35% of Development programme. Frequent review of scheme programmes, market conditions and reporting on any slowdown in build rates. Options to change tenure from shared ownership. Options to sell smaller first tranches and remodel with reduced rent on unsold equity.
Lack of longer term borrowing capacity results in reduced opportunities and non-achievement of annual targets	Ongoing engagement with current and potential lenders. Funding portfolio has capacity to deliver development programme and maintain covenant headroom. Knowledge of market/ scrutiny of market trends. Scheme proposals are risk assessed. Stress test addresses market wide liquidity shocks. Treasury management policy and procedures. Funding committee consideration of funding proposals Regular Development programme and Treasury Management Activity reports to Development Committee and Board. Policy decisions on future capital financing made at Board level.

Resident Services

Risk	Mitigation
Failure to prepare for legislative changes relating to environmental sustainability and building safety and the associated costs leads to pressure on budgets, potential adverse impacts on customers, and breach of regulatory requirements	Annual budget setting and Major Works budget. New schemes include low carbon and sustainability considerations. Environmental impact criteria for Contractor and Supplier procurement. Stress Testing includes retrofitting costs. Asset management Strategy. Quarterly fire safety report considered by the Operations Committee. External support provided by Calford Seadon and SHIFT to inform future action plans. Engagement with Government, NHF and sector to anticipate new risks.
Serious breach of Building Safety legislation, Health & Safety regulations causes death or serious injury	Programme of Health & Safety inspections and maintenance programmes which are regularly monitored and supported by a schedule of independent audits. Specialist training provided as required by role with support from external specialists as required. Dedicated Building Safety Team and retained support by an independent Health & Safety consultancy. Regular Health & Safety performance scrutinised by internal Health & Safety Committee and Operations Committee, and reported to the Board. Use of the Contractor Safety Certification Scheme.

Care & Supported Housing

Risk	Mitigation
Services are not developed or modified to meet changing customer and commissioner expectations leading to declining external ratings and increased risk of serious safeguarding issues	Regular engagement with Commissioners and trade bodies to anticipate changing trends, regulatory requirements and legislation. Regular performance assessment, quality assurance and contract compliance monitoring. Mandatory training, training compliance reports, scheme audits, competency checks, Care & Support engagement procedure. Risk assessments, Safeguarding Policy & Procedure, Whistleblowing Policy. Accident, Incident & Safeguarding Log maintained & reviewed frequently. Willingness to close poor performing and unviable projects. Service user satisfaction surveys.

Strategic Report
Risks and Uncertainties

Risk Appetite

Hightown's Board reviewed its risk appetite in March 2022. This is now defined across 11 areas of risk and identifies the amount of risk that the Board is prepared to tolerate as Hightown delivers its strategic objectives and runs its day to day operations. The more extensive articulation of risk appetite will support future decision making and assist in determining the appropriate levels of controls required to manage the identified risks.

Corporate

Risk Theme	Appetite
Compliance & Regulation Compliance with regulations and approach to health & safety	Hightown's risk appetite is **Balanced to Cautious**. The Association will ensure that it fully meets compliance thresholds, instilling a Check, Plan, Do, Act culture in all compliance work. The risk appetite leans towards Cautious in the case of issues such as Health & Safety where Hightown will seek to exceed compliance thresholds where it is considered beneficial to residents.
People Recruitment, retention and development of employees and Board members	The Board have an **Open** to **Balanced** risk appetite, allowing recruitment to focus on values and key skills.
Technology & Business Continuity Information, communication systems, software and internet. Business Continuity and Disaster Recovery arrangements.	The risk appetite has been defined as **Open** to **Balanced**, with investment in innovation and an understanding of the risks and benefits associated both with systems developed by in-house teams and external providers. However, there is a more cautious attitude towards cyber security.
Internal Controls Protecting assets from impropriety. Spending public money. Delegation, authorisations.	Internal controls are approached with a **Cautious** risk appetite. All resources are properly accounted for with a clear audit trail and records of authorisations. Limited delegations exist throughout the Association.
Social Purpose Mission, Values and overarching organisational strategy	The Board have adopted an **Open** approach on the basis that a level of risks will be tolerated in pursuit of Hightown's strategic priorities.

Financial Viability

Risk Theme	Appetite
Treasury and Funding Debt facilities, available cash and debt structures	Treasury and Funding are viewed as **Balanced** to **Open** with clear Golden Rules to protect loan covenants on gearing, interest cover and liquidity. Risks associated with short term and floating rate debt are carefully controlled.

Property Development

Risk Theme	Appetite
Development and Sales The provision of new affordable housing	The Board have identified the development programme as **Open** to **Balanced** in recognition of its continued commitment to providing new affordable homes for those in housing need. The Board maintain an active development strategy requiring a willingness to make use of land led schemes as well as S.106 schemes. Development appraisal parameters are reviewed annually and mitigate against key risks.
Environmental Standards adopted in housing development and asset management. Actions taken to address broader organisational environmental impact.	Hightown's risk appetite sits between **Balanced** and **Open** on environmental standards recognising the need to reduce carbon emissions from its properties and business activities but also the reliance on government assistance to make substantial progress. Hightown is looking at early adoption of the Future Homes Standard for new homes. Existing homes are largely rated in Band B and a recent SHIFT report showed Hightown performing well in comparison with other landlords.

Resident Services

Risk Theme	Appetite
Customer Service and Engagement	The Board have an **Open** risk appetite in this area. Hightown welcomes increased levels of resident engagement and involvement arising from the Social Housing Regulation Bill. Funding for financial inclusion and tenancy sustainment activities has been increased. Hightown will continue to improve building safety and invest in a range of local estate improvements.

Care and Supported Housing

Risk Theme	Appetite
Care & Supported Housing Contracts Care & Supported Housing contracts for existing and new schemes	The risk appetite towards Care & Support contracts is defined as **Open** to **Balanced** to support the Board's continued commitment to delivering care and support services to vulnerable and disabled people. Funding risks will need to be carefully managed, and while deficits can be tolerated for a limited period, ultimately contracts that are financially unviable will have to be ended.
Care & Supported Housing Operations Care & Supported Housing residents, service users and applicants	The Board have agreed to a **Balanced** risk appetite whereby service levels may be adapted to meet individual needs within the philosophy of Person Centred Care and Growth where supported by external professionals and advocates.

Strategic Report
Employees

During 2021/22 Hightown employed an average of 654 full time equivalent employees, most of whom are engaged in providing front line housing, care and support services to our residents. Including the part time and casual "bank" staff who cover temporary vacancies and staff absences, Hightown employs over 1,000 people each month.

As the economy has opened up following the Covid-19 pandemic, recruitment into Adult Social Care has become more challenging. In common with other providers, staff turnover in our Care & Supported Housing schemes has increased from 11% to 18% as other competing sectors such as hospitality and retail have increased staff levels. Despite this, Hightown has welcomed 175 new permanent staff during 2021/22 and 81 bank staff. The national picture shows that 70,000 care workers left the sector in the last 6 months of 2021 according to the Department for Health and Social Care.

Hightown continues to invest in the training of its employees through a number of internal and external training courses delivered by the learning and development team, and external facilitators. This year 307 in-house training courses were delivered, with 75 staff attending external course and 3 staff completed an Apprenticeship. We invested £104,097 in Learning for Staff and £43,555 was spent from the Apprenticeship Levy pot. The pandemic environment has led to a fall in the number of support Workers and Assistant Support workers pursuing apprenticeships.

Hightown continues to promote the 'Five Ways to Wellbeing' model of

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

into the workplace.

Staff have dedicated their time to providing support to our service users as well as some having to deal with Covid themselves or within their own families. Since November 2021 we have been pleased to recommence delivering face to face training courses where there is a need whilst continuing to offer virtual courses.

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

Hightown engages with its staff about the Association's objectives, progress and activities through regular office and departmental meetings; through newsletters and written communications; through staff briefings; the "MyTown" intranet. All new starters are invited

Over **1,000** people employed by Hightown each month

Over **£104k** invested in learning for staff

£43k was spent from the Apprenticeship Levy pot

Over **307** virtual classroom courses delivered

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

to attend the 6 weekly induction session where the Chief Executive and Directors provide briefings. A Staff Connect Day preceded the return to the office environment as the UK came out of lockdowns. There are also regular 'Meet the Chief Executive' informal forums and webinars.

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

Hightown is committed to equality and diversity for all its employees with the Equality & Diversity Staff Forum meeting regularly. We have published our Gender and Ethnicity Pay Gap Reports.

Strategic Report
Corporate

Moody's Credit Rating

In January 2021, Hightown received a public credit rating of A3 Stable outlook, from Moody's Investment Services. This was re-affirmed by Moody's in January 2022. This investment grade rating illustrates the financial strength of the Association.

Social Landlord Operations

Hightown manages 4,757 (2021 4,311) 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 good levels of performance on collecting rent and letting properties.

Rents

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

Around 31% (2021 33%) of Hightown's properties are let at Social Rents (a Government formula rent which takes into account property values but also local earnings) which equate to a rent of around 60% of market rents. Many of these properties were built with social housing grant funding. It is Hightown's policy to continue to re-let these properties at Social Rent when they become vacant.

However, most new properties since 2012 have been let at Affordable Rents which equate to around 80% of market rents. The Government approved these higher rents for new developments when social housing grants were reduced in 2011. Hightown has 2,329 homes (30%) let at Affordable Rents (2021 1,899 homes (26%).

Hightown's Whippendell Marine development in Watford

Around 31% of Hightown's properties are let at Social Rents

Strategic Report Governance

Hightown is managed by a voluntary Board of ten elected 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.

As part of Hightown's annual Board Effectiveness review, the Board reviewed its collective skills requirements and learning needs, the overall effectiveness of the Board and its Committees, and its priorities for the coming year. Board training was provided covering sustainability; Board member obligations; and equality, diversity and inclusion. As part of its plans to further enhance Hightown's approach to supporting equality, diversity and inclusion, one of the Board members has been identified to act as the Board champion for EDI.

The Board were pleased to recruit three new Board members in 2021/22 to strengthen Board diversity and improve the skills mix.

Regulation

Hightown was confirmed as being rated as a G1 for Governance and V1 for Financial Viability by the Regulator of Social Housing as at 30 March 2021 and has retained that rating in 2021/22.

Legislation

Hightown complies with all relevant legislation. A programme of reviews against a range of legislation including health & safety; housing law; governance; registered societies; data protection; and consumer credit law was undertaken by Officers to ensure compliance. Hightown's membership of the Housing Associations' Legal Alliance (HALA) provides regular updates and advice to assist officers to maintain compliance.

Compliance with Regulatory Standards

Hightown has carried out a compliance self-assessment against the requirements of the Regulator of Social Housing's Standards, reported to the Risk & Audit Committee in June 2021. 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 formally adopted the NHF Code of Governance 2020 on 1 April 2022 and a programme of work is underway to ensure full compliance with the new standards by 31 March 2023. This has included agreeing a transition from a maximum of three terms to two terms as part of the 2021 Board succession plan.

National Housing Federation Code of Conduct

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

General Data Protection Regulation (GDPR)

Hightown's compliance with GDPR has been fully reviewed against the relevant legislation and the best practice standards set by the Information Commissioner. This review has resulted in the development of a robust action plan which is due for full implementation by the end of 2022.

Strategic Report
Modern Slavery Statement

Introduction

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

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

About Hightown

Hightown is a charitable housing association registered society under the Co-operative and Community Benefit Societies Act 2014. Hightown operates entirely in England and almost exclusively in highly regulated sectors. Many of its contracts are with public sector organisations. Other than in very rare circumstances, Hightown sources all of its goods and services from UK based suppliers.

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

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

Our Supply Chains

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

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

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

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

Compliance

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

Safeguarding

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

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

Training

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

All staff have access to E Learning covering 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.

Recruitment

Hightown's recruitment processes fully comply with the Modern Slavery Act 2015, with checks on documents such as passports and other forms of identification being carried out routinely. Where the use of temporary staff is required, only specified, reputable agencies are used.

Risk Assessment

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

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

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

Review

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

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 2022

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

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

The key elements in exercising control include:

- Board-approved terms of reference for itself and its Risk & Audit, Operations, Development and Remuneration & Nominations committees. All committee meeting minutes are enclosed as part of the Board pack, and the committee chairs are encouraged to give a verbal report to highlight any issues.
- Clear and up to date Financial Regulations and Standing Orders.
- Policies and procedures for all key areas of the business which are reviewed at least biennially to ensure their continued appropriateness.
- An Internal Audit function using the services of a professional firm of auditors to deliver the Risk & Audit Committee's risk-based audit plan. All audit reports are reviewed by the Executive Directors' Group and by the Risk & Audit Committee, which also receives updates on the implementation of agreed external and internal audit recommendations.
- Established Health & Safety working systems including regular meetings of the internal Health & Safety committee, with regular reports to the Operations Committee and the Board.
- The use of an external Health and Safety consultancy to provide specialist advice to the Health & Safety Committee.
- A risk management and business assurance process which includes the use of the 3 lines of defence model. Risk management is considered at each Risk & Audit Committee meeting, through reviews of individual risk areas, as well as being considered regularly by the Board.
- Near miss reporting to every Risk & Audit Committee in relation to internal controls, with details of corrective actions.
- Robust strategies and business planning processes, with detailed financial budgets and forecasts
- The Association and its departments have annual budgets. Throughout the year, the Board and managers regularly monitored performance against budgets, value for money and other quality indicators. The key components of reporting are the monthly management accounts, monthly performance reports from senior managers and Directors, and the monthly information pack which includes measurement against key performance indicators. The Association has also developed a series of service performance dashboards to monitor a wide range of Association activities. Management accounts are reported to the Board at each meeting and along with monthly information reports, are made available on the Board members portal each month.
- An anti-fraud and anti-bribery culture supported by policy and procedure for dealing with suspected fraud, bribery, anti-money laundering, and whistleblowing.
- All new housing investment decisions are subject to appraisal and scrutiny. New schemes requiring an investment below £5 million which meet the Board agreed approval parameters on S.106 sites may be agreed by the Chief Executive. All other schemes are scrutinised by the Development Committee who may approve schemes up to £20 million under delegated authority. The Board will scrutinise and approve all new schemes where investment exceeds £20 million. Where schemes above £5 million require approval between Board meetings, these may be agreed through Chair's Action after review by the Development Committee. The Board receives reports on all approved schemes at each meeting.
- The treasury management activity is reported to the Board at each meeting which includes monitoring of loan covenants and requirements for new loan facilities.
- Formal recruitment, induction, retention, training and development policies for all staff and the use of external benchmarking to establish remuneration rates for employees.
- Regular reporting to the appropriate committee and the Board on key business objectives, targets and outcomes
- Annual review of compliance with external standards including the Regulator of Social Housing Economic and Consumer Standards and the Care Quality Commission's Fundamental standards.
- Systems and policies in place to protect Hightown's Data Integrity and Security.
- Business continuity and incident management processes.
- The use of external advisors to ensure that Hightown has adequate insurance arrangements in place.
- An agreed approach to Value for Money and efficiency.
- Registers of activity relating to the use of delegated authorities; disposals; fraud, anti-money laundering; and gifts and hospitality.

Continued...

Strategic Report
Board Statement On The Effectiveness Of The System Of Internal Control

For the period ending 31 March 2022... continued

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

- Internal audit and advisory reports covering anti-money laundering; fraud & bribery risk assessment; development shared ownership & marketing; complaints; development project management; cyber security; voids; development forecasting & charging of properties; key performance indicators; and transaction testing on expenses claims. All audits provided either Substantial or Reasonable assurance to the Board.
- Training provided to relevant staff on anti-money laundering and fraud.
- Briefings/refresher training for all senior managers on Hightown's risk management policy and practices.
- The use of specialist support to review Hightown's stress testing methodology.
- A review of Hightown's risk management methodology using the National Housing Federation's "Risk and Assurance Guide for Housing Association's Boards".
- The use of Board strategy days to focus on Hightown's future vision; the development appraisal process; customer focus; top risks and risk appetite; and Board members' legal obligations.
- Specialist external support to establish a baseline for Hightown's carbon footprint and pathway to net zero for the purpose of identifying environmental improvements and supporting ESG reporting.
- An evaluation of Hightown's cyber control framework against the Cyber Essentials scheme.
- Reviews of current practice against several key elements of legislation to ensure compliance with relevant laws.
- Work with a group of Hightown's residents to review resident involvement in governance and scrutiny of Hightown's services.
- Controls were also managed in relation to the COVID-19 pandemic, co-ordinated by a Director through a Working Party of staff to ensure compliance with government and NHS safe working guidance, including implementation of the government's Plan B measures from December 2021.

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 2022 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 2022 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 21 July 2022.

Trudi Kleanthous
Secretary

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

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

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

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

- Select suitable accounting policies and then apply them consistently,
- Make judgements and estimates that are reasonable and prudent,
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Society Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. It has general responsibility for taking reasonable steps to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

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

Statement of Compliance

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

Approval

The report of the Board was approved on 21 July 2022 and signed on its behalf by:

Bob Macnaughton
Chair
21 July 2022

By Order Of The Board

Hightown's Rossway Quarter development in Bushey, Hertfordshire

Independent Auditor's Report to Hightown Housing Association Ltd

Opinion

We have audited the financial statements of Hightown Housing Association Limited (the Association) for the year ended 31 March 2022 which comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Statement of Financial Position, Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies in note 2. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2022 and of the Association's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the Strategic Report, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Co-operative and Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept adequate accounting records; or
- the Association's financial statements are not in agreement with books of account; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Board

As explained more fully in the Statement of Board's Responsibilities set out on page 75, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

- We obtained an understanding of laws and regulations that affect the Association, focusing on those that had a direct effect on the financial statements or that had a fundamental effect on its operations. Key laws and regulations that we identified included the Co-operative and Community Benefit Societies Act, the Statement

Independent Auditor's Report to Hightown Housing Association Ltd ...continued

of Recommended Practice for registered housing providers: Housing SORP 2018, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2019, tax legislation, health and safety legislation, and employment legislation.

- We enquired of the Board and reviewed correspondence and Board meeting minutes for evidence of non-compliance with relevant laws and regulations. We also reviewed controls the Board have in place, where necessary, to ensure compliance.
- We gained an understanding of the controls that the Board have in place to prevent and detect fraud. We enquired of the Board about any incidences of fraud that had taken place during the accounting period.
- The risk of fraud and non-compliance with laws and regulations and fraud was discussed within the audit team and tests were planned and performed to address these risks. We identified the potential for fraud in the following areas: laws related to the construction and provision of social housing recognising the nature of the Association's activities and the regulated nature of the Association's activities.
- We reviewed financial statements disclosures and tested to supporting documentation to assess compliance with relevant laws and regulations discussed above.
- We enquired of the Board about actual and potential litigation and claims.
- We performed analytical procedures to identify any unusual or unexpected relationships that might indicate risks of material misstatement due to fraud.
- In addressing the risk of fraud due to management override of internal controls we tested the appropriateness of journal entries and assessed whether the judgements made in making accounting estimates were indicative of a potential bias.

Use of our report

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

Beever and Struthers

Beever and Struthers

Statutory Auditor
Chartered Accountants
15 Bunhill Row
London
EC1Y 8LP

Date: 31.08.2022

Statement of Comprehensive Income

For the year ended 31 March 2022

	Note	2022 £'000	2021 £'000
TURNOVER	3	**103,887**	**90,088**
Cost of sales	3	(20,643)	(14,733)
Operating costs	3	(52,215)	(48,762)
Surplus on sale of properties & other fixed assets	3	3,497	2,528
OPERATING SURPLUS	3,6	**34,526**	**29,121**
Interest receivable and similar income		2	1
Interest and financing costs	7	(13,640)	(11,252)
Unrealised gain/(loss) on revaluation of investments	12	140	(275)
SURPLUS FOR THE YEAR		**21,028**	**17,595**
Actuarial gain/(loss) on defined benefit pension scheme	29	1,974	(4,007)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**23,002**	**13,588**

All activities are continuing.

The notes on pages 86 to 122 form part of these financial statements.

The financial statements were approved by the Board on 21 July 2022.

Bob Macnaughton
Chair

James Steel
Board Member

Trudi Kleanthous
Secretary

Statement of Changes in Reserves

For the year ended 31 March 2022

	Income and Expenditure Reserve
	£'000
BALANCE AS AT 1 APRIL 2020	**151,705**
Surplus for the year 2020/21	**17,595**
	169,300
Actuarial loss relating to defined benefit pension schemes	(4,007)
Other comprehensive income for the year	**(4,007)**
BALANCE AT 31 MARCH 2021	**165,293**

BALANCE AS AT 1 APRIL 2021	**165,293**
Surplus for the year 2021/22	**21,028**
	186,321
Actuarial gain relating to defined benefit pension schemes	1,974
Other comprehensive income for the year	**1,974**
BALANCE AT 31 MARCH 2022	**188,295**

The notes on pages 86 to 122 form part of these financial statements.

Statement of Financial Position

As at 31 March 2022

	Note	2022 £'000	2021 £'000
TANGIBLE FIXED ASSETS			
Housing properties	10	934,750	844,990
Other fixed assets	11	5,107	5,228
Investment properties	12	3,040	2,900
Investments	13	30	30
TOTAL FIXED ASSETS		**942,927**	**853,148**
CURRENT ASSETS			
Properties for sale	14	29,020	30,370
Stock	14	-	114
Trade and other debtors	15	5,426	4,207
Cash and cash equivalents	16	25,902	20,870
		60,348	**55,561**
CREDITORS: Amounts falling due within one year	17	**(28,578)**	**(26,624)**
NET CURRENT ASSETS		**31,770**	**28,937**
TOTAL ASSETS LESS CURRENT LIABILITIES		**974,697**	**882,085**
CREDITORS: Amounts falling due after more than one year	18	**(782,248)**	**(710,182)**
PROVISION FOR LIABILITIES			
Pension Liability	29	**(4,154)**	**(6,610)**
TOTAL NET ASSETS		**188,295**	**165,293**
CAPITAL AND RESERVES			
Share capital	23	**-**	**-**
Income and Expenditure Reserve		188,295	165,293
TOTAL RESERVES		**188,295**	**165,293**

The notes on pages 86 to 122 form part of these financial statements.

The financial statements were approved by the Board on 21 July 2022.

Bob Macnaughton
Chair

James Steel
Board Member

Trudi Kleanthous
Secretary

Statement of Cash Flows

For the year ended 31 March 2022

	Note	2022 £'000	2021 £'000
NET CASH FROM OPERATING ACTIVITIES	28	**47,499**	**34,227**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets – housing properties		(100,685)	(80,907)
Purchase of fixed assets – other	19	(153)	(197)
Receipt of grant		5,009	8,873
Interest received and income from investments		2	1
Net cash from investing activities		**(95,827)**	**(72,230)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid	7	(15,234)	(13,324)
New loans	21	165,000	60,000
Debt issue costs incurred	21	(656)	(1,766)
Repayment of loans	21	(95,750)	(24,324)
Net cash used in financing activities		**53,360**	**20,586**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**5,032**	**(17,417)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**20,870**	**38,287**
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**25,902**	**20,870**

The notes on pages 86 to 122 form part of these financial statements.

Notes to the Financial Statements

1 LEGAL STATUS

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

2 ACCOUNTING POLICIES

Financial Reporting Standards

The financial statements of the Association are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers and comply with The Accounting Direction for Private Registered Providers of Social Housing 2019 and the Housing and Regeneration Act 2008.

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

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

Significant Judgements and Estimates

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

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

Capitalisation of property development costs

Judgement is required to identify the point in a development scheme project where the scheme is more likely to go ahead than not to continue, thus allowing capitalisation of the associated development costs. After capitalisation, management monitor the asset and consider whether any changes indicate that any impairment has arisen.

Indicators of impairment

Whether there are indicators of impairment of the Association's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit. The Board have considered the measurement basis to determine the recoverable amount of assets where there are indicators of impairment based on EUV-SH (Existing Use Value - Social Housing) or depreciated replacement cost. The Board have also considered impairment based on their assumptions to define cash or asset generating units.

Leases

Whether leases entered into by the Association either as a lessor or as a lessee are operating leases or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

Asset categorisation

The categorisation of housing properties as investment properties or property, plant and equipment based on the use of the asset.

Cash generating unit

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

Investment Properties

The Association carries its investment property at fair value, with changes in fair value being recognised in The Statement of Comprehensive Income. The Association engaged independent valuation specialists to determine fair value at the reporting period date. The valuer used a valuation technique based on a discounted cash flow model. The determined fair value of the investment property is most sensitive to the estimated yield as well as the long term vacancy rate. The key assumptions used to determine the fair value of investment property are further explained in note 12. The carrying value of investment properties at 31 March 2022 was £3,040,000.

Pensions

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

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

Allocation of costs for mixed tenure developments

On a scheme with a mixed tenure development (i.e. it includes both Affordable rented properties and Shared Ownership properties) an allocation of the land cost, property build costs, professional fees and other costs is made between the relevant units.

Allocation of costs for shared ownership properties

Where costs are not separately invoiced, costs are allocated to shared ownership properties on the basis of the split of the scheme units.

Recoverability of the cost of properties developed for shared ownership sale

Management review the housing market regularly and ensure that properties remain in demand. Management have controls in place in the form of build contracts and contingency budget to prevent or minimise the risk of overspends on estimated construction cost.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to the potential technological obsolescence that may change the utility of IT equipment and software, changes to decent homes standards which may require more frequent replacement of key components and changes to the ability to let the property may reduce the economic life of the property. The total of accumulated depreciation appears in Notes 10 and 11.

Rent and other income receivable

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

Turnover

Turnover comprises rental income receivable in the year, income from property sales, other services included at the invoiced value (excluding VAT) of goods and services supplied in the year and revenue grants. Turnover is recognised on the following basis:

- Rental income is recognised on a time apportioned basis and is stated net of losses from void properties;
- Fees and income from the provision of Residential Care, Supporting People and Management Services are recognised as the services are provided;
- Income paid in respect of cyclical and major repairs is deferred until such time as the related expenditure is incurred;
- Income from the sale of First Tranche Shared Ownership properties is recognised on legal completion.

Value Added Tax

The Association charges value added tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Association and not recoverable from Her Majesty's Revenue and Customs. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset.

Notes to the Financial Statements

Irrecoverable VAT is charged to the income and expenditure account and is allocated to the different activities on the same basis as the corresponding costs are allocated.

Holiday Pay Accrual

A liability has been recognised to record any unused holiday pay entitlement accrued at the year-end date and accrued to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the reporting date.

Interest Payable

Interest is capitalised on borrowings to finance developments to the extent that it accrues in respect of the period of development if it represents either:

a) Interest on borrowings specifically financing the development programme after deduction of interest on social housing grant (SHG) in advance; or

b) Interest on borrowings of the Association as a whole after deduction of interest on SHG in advance to the extent that they can be deemed to be financing the development programme.

Interest is capitalised from the date of the site acquisition to the date of practical completion. Other interest payable is charged to the income and expenditure account in the year.

Pensions

The Association participates in four multi-employer defined benefit schemes; the Social Housing Pension Scheme (SHPS), the Pensions Trust Growth Plan, the Buckinghamshire Council Pension Fund and the NHS Pension Scheme. The latter two schemes relate to employees who transferred to the Association under the Transfer of Undertakings (Protection of Employment) Regulations (TUPE).

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

The operating costs of providing retirement benefits to participating employees are recognised in the accounting periods in which the benefits are earned. The related finance costs, expected return on assets, and any change in fair value of the assets and liabilities are recognised in the accounting period in which they arise. The operating costs, finance costs and expected return on assets are recognised in the income and expenditure account with any changes in fair value of assets and liabilities being recognised in the statement of total recognised surpluses and deficits.

The Association also participates in a Defined Contribution Scheme with the Social Housing Pension Scheme. This is the pension fund for most employees and auto-enrolment vehicle for the Association.

Supported Housing

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

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

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

Interest Rate Fixings

The Association uses interest rate fixes to reduce its exposure to future increases in the interest rates on floating rate loans. Payments made under such fixes are accrued over the payment period on a straight-line basis and adjusted against interest payable on the loans. The interest rate fixes with banks are embedded within loan agreements. There are no free-standing derivatives.

Housing Properties

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

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

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

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

The net surplus on the sale of housing properties (including Shared Ownership property staircasing) represents proceeds less applicable cost and expenses. Any applicable social housing grant is transferred to the Recycled Capital Grant Fund held in long term creditors. Right to Acquire and Right to Buy sales are accounted for by transfer of the net surplus and the associated grant to the Disposal Proceeds Fund also held in long term creditors.

Depreciation of Housing Properties

Housing properties under construction are stated at cost and are not depreciated. Freehold land is not depreciated.

The Association depreciates freehold housing properties by component so as to write down the net book value of housing properties to their estimated residual value, on a straight-line basis, over their estimated useful economic lives in the business. The depreciable amount is arrived at on the basis of original cost less residual value.

Major components are treated as separable assets and depreciated over their expected useful economic lives or the lives of the structure to which they relate if shorter, at the following annual rates:

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

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

Property partially sold under shared ownership leases are not depreciated as the responsibility for repair and maintenance is held by the shared owner and the market value of Hightown's retained equity exceeds the book cost.

Land Received At Less Than Market Value

Where land is transferred by local authorities and other public bodies for consideration below market-value,

Notes to the Financial Statements

the difference between the market value and the consideration given is added to cost at the time of the donation and credited to other capital grants.

Social Housing Grant

Social Housing Grant (SHG) is receivable from Homes England (formerly the Homes and Communities Agency) and local authorities. The amount of SHG receivable is calculated on a fixed basis depending on the size, location and type of housing property. SHG due or received in advance is included as an asset or liability as appropriate. Where developments have been financed wholly or partly by social housing or other grants, the amount of the grant received has been included as deferred income and recognised in Turnover over the estimated useful life of the associated asset structure (not land), under the accruals model. SHG received in respect of revenue expenditure is credited to the income and expenditure account in the same period as the expenditure to which it relates using the accrual model set out in FRS 102 and the Housing SORP 2018 for government grants.

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

Other Grants

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

Impairment of Social Housing Properties

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

Investment Properties

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

Investments

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

Other Tangible Fixed Assets

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

The principal annual rates used for other assets are:

Asset Type	Useful Life	Annual Depreciation Rate %
Freehold office building	50 years	2%
Furniture, fixtures and fittings	10-40 years	2½% to 10%
Computers / office equipment	3 to 5 years	33% / 20%
Motor vehicles	4 years	25%

Where assets comprise separate components as set out under housing properties depreciation policy earlier, these components are depreciated over the lives of those components.

Trust Funds

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

Loan Issue Costs and Premium

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

Financial Instruments

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

Financial instruments held by the Association are classified as follows:

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

Allocation of Costs

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

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

Recycled Capital Grant Fund

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

Mixed Tenure Schemes

The surplus on sales of properties on mixed tenure development schemes is reduced in accordance with SORP 2018. Where a development is evaluated as a single scheme with more than one element and where

Notes to the Financial Statements

one or more of those elements are expected to generate a surplus and one or more of the other elements has a value at Existing Use Value – Social Housing (EUV-SH) that is below cost less attributable grant (a shortfall), then it is not appropriate to recognise all of the surplus on sale from that scheme. The sales surplus is reduced by the shortfall through the apportionment of costs to each element of the scheme.

Service Charges

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

Corporation Tax

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

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

	2022 Turnover	2022 Operating costs	2022 Operating surplus	2021 Turnover	2021 Operating costs	2021 Operating surplus
	£'000	£'000	£'000	£'000	£'000	£'000
SOCIAL HOUSING LETTINGS (See Note 3 B)	**73,507**	**(49,453)**	**24,054**	**67,785**	**(45,972)**	**21,813**
OTHER SOCIAL HOUSING ACTIVITIES						
First tranche low-cost home ownership sales	25,992	(20,643)	5,349	17,726	(14,733)	2,993
Charges for support services	1,561	(1,561)	-	1,522	(1,522)	-
Management services	1,140	(978)	162	1,207	(946)	261
Aborted development costs	-	(32)	(32)	-	(15)	(15)
Income to cover Covid-19 expenditure (see Note 30)	748	-	748	970	-	970
Other	706	(144)	562	636	(124)	512
	30,147	**(23,358)**	**6,789**	**22,061**	**(17,340)**	**4,721**
ACTIVITIES OTHER THAN SOCIAL HOUSING						
Commercial Properties	233	(47)	186	242	(183)	59
	233	**(47)**	**186**	**242**	**(183)**	**59**
	103,887	**(72,858)**	**31,029**	**90,088**	**(63,495)**	**26,593**
SURPLUS ON SALE OF PROPERTIES & OTHER FIXED ASSETS			**3,497**			**2,528**
TOTAL			**34,526**			**29,121**

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	2022 Total	2021 Total
	£'000	£'000	£'000	£'000	£'000	£'000
INCOME						
Rent receivable net of identifiable service charges	39,488	3,520	4,702	138	**47,848**	42,850
Service charge income	1,484	1,099	821	-	**3,404**	3,267
Charges for support services	-	59	-	-	**59**	70
Amortised Government Grants	1,637	285	170	7	**2,099**	1,993
Care and Support income	-	15,386	-	4,384	**19,770**	19,243
Other grants	-	327	-	-	**327**	362
TURNOVER FROM SOCIAL HOUSING LETTINGS	**42,609**	**20,676**	**5,693**	**4,529**	**73,507**	67,785
OPERATING EXPENDITURE						
Management	(4,222)	(1,580)	(742)	(640)	**(7,184)**	(6,832)
Support Service costs	(581)	(15,413)	-	(3,484)	**(19,478)**	(19,966)
Service charge costs	(2,404)	(1,547)	(671)	(380)	**(5,002)**	(4,636)
Routine maintenance	(3,869)	(684)	(11)	(109)	**(4,673)**	(3,714)
Planned maintenance	(771)	(85)	(4)	(14)	**(874)**	(849)
Major repairs expenditure	(1,494)	(402)	(2)	(83)	**(1,981)**	(1,485)
Bad debts	(232)	(68)	-	-	**(300)**	(65)
Depreciation of housing properties	(9,211)	(707)	(12)	(31)	**(9,961)**	(8,409)
Impairment	-	-	-	-	-	(16)
OPERATING EXPENDITURE ON SOCIAL HOUSING LETTINGS	**(22,784)**	**(20,486)**	**(1,442)**	**(4,741)**	**(49,453)**	(45,972)
OPERATING SURPLUS / (DEFICIT) ON SOCIAL HOUSING LETTINGS & OTHER FIXED ASSETS	**19,825**	**190**	**4,251**	**(212)**	**24,054**	21,813
Void losses (being rental income lost as a result of property not being let, although it is available for letting).	(679)	(298)	(315)	-	(1,292)	(831)

Notes to the Financial Statements

4 SUPPORTED HOUSING MANAGED BY AGENCIES

The Association has 13 supported housing tenancies (2021: 13) that are managed on its behalf under management agreements by other bodies who carry the financial risk. The Association's Statement of Comprehensive Income includes only the income and expenditure for which it retains responsibility.

5 ACCOMMODATION IN MANAGEMENT

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

	1 April 2021	New units handed over	Units sold/ staircased	Other adjustments	31 March 2022
	No.	No.	No.	No.	No.
SOCIAL HOUSING					
General needs housing					
- Social Rent	2,412	14	(1)	2	2,427
- Affordable Rent	1,899	430	-	-	2,329
	4,311	**444**	**(1)**	**2**	**4,756**
Intermediate rent	386	4	-	5	395
Supported housing	513	9	(4)	(4)	514
Housing for older people	81	-	-	-	81
Low Cost Home Ownership					
(Shared Ownership)	1,004	153	(40)	(9)	1,108
Leasehold properties	791	-	-	18	809
TOTAL OWNED	**7,086**	**610**	**(45)**	**12**	**7,663**
Accommodation managed for others	141	-	-	(7)	134
TOTAL OWNED AND MANAGED	**7,227**	**610**	**(45)**	**5**	**7,797**
Units in development at the year end	936				882

6 OPERATING SURPLUS

	2022 £'000	2021 £'000
This is arrived at after charging:		
Depreciation of housing properties	9,302	8,201
Impairment of housing properties	-	16
Accelerated depreciation on replaced components	655	206
Depreciation of other tangible fixed assets	263	285
Operating lease rentals	565	592
Auditors' remuneration (excluding VAT)		
- fees payable to the Association's auditor for the audit of the financial statements	37	33
- for non-audit services	-	1
- for leaseholder audits	19	16
- for grant audits	2	-

7 INTEREST PAYABLE AND SIMILAR CHARGES

	Note	2022 £'000	2021 £'000
Loans and bank overdrafts		16,562	14,295
Recycled Capital Grant Fund	20	4	1
Net interest on net defined benefit pension liability		129	63
		16,695	14,359
Interest capitalised on construction of housing properties	10	(3,055)	(3,107)
		13,640	11,252
Capitalisation rate used to determine the amount of finance costs capitalised during the period		2.77%	2.73%

Notes to the Financial Statements

8 EMPLOYEES

	2022	2021
	£'000	£'000
Employee costs:		
Wages and salaries	24,150	24,652
Social security costs	2,072	2,036
Other pension costs	1,011	891
	27,233	27,579

	2022	2021
	No.	No.
Average monthly number of employees (full time equivalents):		
Administration	88	80
Development	16	13
Housing, support and care	550	614
	654	707

Staff numbers in Care & Supported Housing schemes are expressed against their standard 37.5 hour per week. Other staff numbers are expressed against their standard 35 hour week.

9 BOARD MEMBERS AND EXECUTIVE DIRECTORS

Board members

None of the Board members received emoluments. Total expenses reimbursed during the year to Board members was £225 (2021: £0).

Executive Directors

The aggregate emoluments of the executive directors including pension contributions amounted to £892,988 (2021: £778,425).

The emoluments of the highest paid director, the Chief Executive was £197,583 (2021: £203,150).

The aggregate amount of compensation payable to executive directors for loss of office during the year was £130,553 (2021: £0).

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

The key management personnel of the Association are defined as the members of the Board of Management, the Chief Executive and the executive management team as disclosed on pages 6-12.

Employees

The full time equivalent number of staff whose remuneration payable in respect of the year excluding pension contributions was more than £60,000 by salary band, was as follows:

Salary band	2022	2021
	No.	No.
£ 60,000 - £ 69,999	9	10
£ 70,000 - £ 79,999	3	3
£ 80,000 - £ 89,999	2	3
£110,000 - £119,999	1	-
£120,000 - £129,999	-	2
£130,000 - £139,999	2	1
£140,000 - £149,999	2	1
£190,000 - £199,999	1	-
£200,000 - £209,999	-	1

Notes to the Financial Statements

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
	£'000	£'000	£'000	£'000	£'000
COST					
At 1 April 2021	679,593	103,285	23,670	101,026	**907,574**
Additions	-	82,823	15,516	-	**98,339**
Capitalised Interest	-	2,455	600	-	**3,055**
Components Capitalised	2,346	-	-	-	**2,346**
Properties Completed	98,622	(98,622)	(17,800)	17,800	**-**
Transfer to properties held for sale	(130)	-	-	-	**(130)**
Disposals	(1,395)	-	-	(3,759)	**(5,154)**
As at 31 March 2022	779,036	89,941	21,986	115,067	**1,006,030**
LESS: DEPRECIATION					
As at 1 April 2021	62,584	-	-	-	**62,584**
Charge for the year	9,957	-	-	-	**9,957**
Eliminated on Disposals	(1,261)	-	-	-	**(1,261)**
As at 31 March 2022	71,280	-	-	-	**71,280**
NET BOOK VALUE					
As at 31 March 2022	707,756	89,941	21,986	115,067	**934,750**
As at 31 March 2021	617,009	103,285	23,670	101,026	844,990

	2022	2021
	£'000	£'000
EXPENDITURE ON WORKS TO EXISTING PROPERTIES		
Components capitalised	2,346	1,873
Amounts charged to income and expenditure account	1,786	1,348
	4,132	3,221
SOCIAL HOUSING GRANT		
Deferred Capital Grant	170,493	167,360
Recycled Capital Grant Fund	1,509	1,644
Revenue Grant – I&E	2,099	1,993
Revenue Grant – Reserves	25,371	23,378
	199,472	194,375
HOUSING PROPERTIES BOOK VALUE, NET OF DEPRECIATION, COMPRISES:		
Freehold land and buildings	882,451	803,326
Long leasehold land and buildings	52,299	41,664
	934,750	844,990
ADDITIONS TO PROPERTIES INCLUDE:		
Development overheads capitalised	2,408	2,317
Capitalised interest	3,055	3,107

Since 1996 the Association has capitalised interest of £29.3 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 within associated property sales.

Notes to the Financial Statements

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 2021	6,212	431	294	681	47	7,665
Additions	-	31	34	88	-	153
Disposals	-	(19)	(2)	(6)	-	(27)
As at 31 March 2022	6,212	443	326	763	47	7,791
LESS: DEPRECIATION						
As at 1 April 2021	1,392	221	237	586	1	2,437
Charged in year	122	37	26	69	9	263
Released on disposal	-	(8)	(2)	(6)	-	(16)
As at 31 March 2022	1,514	250	261	649	10	2,684
NET BOOK VALUE						
As at 31 March 2022	4,698	193	65	114	37	5,107
As at 31 March 2021	4,820	210	57	95	46	5,228

12 INVESTMENT PROPERTIES

	2022	2021
	£'000	£'000
At 1 April	2,900	3,175
Increase/(Decrease) in value	140	(275)
At 31 March	3,040	2,900

Investment properties are valued annually on 31 March at fair value, determined by an independent, professionally qualified valuer. The valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual.

The surplus/(deficit) on revaluation of investment property arising of £140,000 (2021: (£275,000)) has been credited/(debited) to the Statement of Comprehensive Income for the year. The construction cost of the investment properties was £1.515m.

13 INVESTMENTS

	2022	2021
	£'000	£'000
At 1 April	30	30
At 31 March	30	30

14 (A) PROPERTIES FOR SALE

	2022	2021
	£'000	£'000
Shared Ownership properties under construction	21,986	23,670
Shared Ownership properties awaiting sale	6,862	6,658
Other vacant properties awaiting sale	172	42
	29,020	30,370

	No.	No.
Shared Ownership properties awaiting sale	48	50
Other vacant properties awaiting sale	4	1
	52	51

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

14 (B) STOCK

	2022	2021
	£'000	£'000
At 1 April	114	-
Personal Protective Equipment	-	114
Personal Protective Equipment consumed	(114)	-
At 31 March	-	114

Notes to the Financial Statements

15 DEBTORS

	2022 £'000	2021 £'000
DUE WITHIN ONE YEAR		
Rent and service charge arrears	2,211	1,905
Less: Provision for bad and doubtful debts	(1,722)	(1,507)
	489	398
Estate service charges recoverable	549	525
Trade debtors	792	27
Other debtors	877	801
Prepayments and accrued income	2,719	2,456
	5,426	4,207

16 BANK AND CASH

	2022 £'000	2021 £'000
Bank accounts held in trust	2,212	1,987
Other bank accounts	23,690	18,883
	25,902	20,870

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 (2021 £3.4 million) is included above.

17 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Note	2022 £'000	2021 £'000
Debt	21	5,852	3,849
Trade creditors		5,402	2,562
Rent and service charges received in advance		3,169	2,934
Revenue grants received in advance		74	77
Recycled Capital Grant Fund	20	374	731
Other taxation and social security		448	586
Deferred Capital Grant	19	2,105	2,044
Other creditors		1,309	1,533
Pension deficit reduction payments		2	6
Development and works retentions		6,721	9,517
Accruals and deferred income		3,122	2,785
		28,578	26,624

18 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Note	2022 £'000	2021 £'000
Debt	21	604,226	536,351
Recycled Capital Grant Fund	20	1,136	913
Premium on THFC Loan Issue *		2,493	2,638
Premium on bLEND Loan Issue *		991	1,074
Deferred Capital Grant	19	168,387	165,316
Leaseholder Sinking Funds		68	91
Leaseholder Trust Funds		2,089	1,815
Pension deficit reduction payments		3	18
Development and works retentions		2,855	1,966
		782,248	710,182

* 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)
17 years remaining

March 2019
bLEND Funding Plc
12 years remaining

Notes to the Financial Statements

19 DEFERRED CAPITAL GRANT

	Note	2022 £'000	2021 £'000
At 1 April		167,360	160,562
Grant received in year		5,009	8,873
Grant recycled from RCGF		731	376
Grant recycled to RCGF		(509)	(458)
Released to income in the year	3	(2,099)	(1,993)
At 31 March		170,492	167,360
Amounts to be released within one year	17	2,105	2,044
Amounts to be released in more than one year	18	168,387	165,316
		170,492	167,360

20 RECYCLED CAPITAL GRANT FUND (RCGF)

	2022 £'000	2021 £'000
HOMES ENGLAND		
Opening balance 1 April	1,644	1,480
Inputs to RCGF:		
Grant recycled from Deferred Capital Grant	509	458
Grant recycled from Statement of Comprehensive Income	83	81
Interest accrued	4	1
Recycling of grant:		
New build	(731)	(376)
Closing balance 31 March	1,509	1,644

21 DEBT ANALYSIS

	2022 £'000	2021 £'000
LOANS		
Due within one year	6,798	5,125
Between one and two years	66,800	43,092
Between two and five years	93,817	172,490
After five years	447,410	324,868
Total after one year	608,027	540,450
Total loans	614,825	545,575
UNAMORTISED LOAN COSTS		
Due within one year	(946)	(1,276)
Between one and two years	(835)	(897)
Between two and five years	(1,586)	(1,845)
After five years	(1,380)	(1,357)
Total after one year	(3,801)	(4,099)
Total unamortised loan costs	(4,747)	(5,375)
TOTAL		
Due within one year	5,852	3,849
Between one and two years	65,965	42,195
Between two and five years	92,231	170,645
After five years	446,030	323,511
Total after one year	604,226	536,351
Total	610,078	540,200

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, £35.0 million from First Abu Dhabi Bank PJSC and a £100.0 million Green Note Purchase Agreement where unencumbered assets of £290.25 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 2022 to 2039 (2021: to 2039).

The average interest rates payable on fixed rate loans at 31 March 2022 was 3.69% (2021: 3.80%) ranging from 1.42% to 10.47% (2021: 1.01% to 10.47%). Floating rates are linked to SONIA plus agreed loan margin. The average cost of interest on loans at 31 March 2022 was 2.72% (2021: 2.42%). The weighted average cost of all interest during 2020/21 was 2.77% (2021: 2.73%).

At 31 March 2022, the Association had £135.0 million of undrawn loan facilities (2021: £130.0 million).

Notes to the Financial Statements

22 NET DEBT RECONCILIATION

	1 April 2021	Cash flows	Non-cash changes	31 March 2022
	£'000	£'000		£'000
Cash at Bank	20,870	5,032	-	25,902
Loans	(545,575)	(69,250)	-	(614,825)
Loan fees	5,375	-	(628)	4,747
Net Debt	(519,330)	(64,218)	(628)	(584,176)

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

23 SHARE CAPITAL

	2022	2021
	No.	No.
SHARES OF £1 EACH, ISSUED AND FULLY PAID		
As at 1 April	22	22
Shares issued in the year	3	1
Shares surrendered during the year	(2)	(1)
As at 31 March	23	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.

24 FINANCIAL COMMITMENTS

	2022	2021
	£'000	£'000
CAPITAL EXPENDITURE		
Expenditure contracted for but not provided in the accounts	144,080	130,819
Expenditure authorised by the Board but not contracted	207,219	247,782
	351,299	378,601

The Association is forecasting to spend £97.9 million of the contracted commitments in 2022/23.

This will be financed by use of first tranche sales of shared ownership units, social housing grant, cash in hand, revenue cash surpluses generated in the year and the balance from the undrawn committed loan facilities.

A further £35.7 million contracted commitment is forecast to be spent in 2023/24 and the remaining £10.5 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:

	2022	2021
	£'000	£'000
OFFICE EQUIPMENT AND VEHICLES:		
- Within one year	197	222
- Between one and five years	140	118
	337	340

Notes to the Financial Statements

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:

	Note	2022 £'000	2021 £'000
Floating rate		280,056	290,187
Fixed rate		334,769	255,388
		614,825	545,575
Loan costs		(4,747)	(5,375)
Total	21	610,078	540,200

The fixed rate financial liabilities have a weighted average interest rate of 3.69% (2021: 3.80%) and the weighted average period for which it is fixed is 11.3 years (2021:10.1 years).

27 RELATED PARTIES

There were no related party transactions.

28 CASH FLOW FROM OPERATING ACTIVITIES

	Note	2022 £'000	2021 £'000
SURPLUS FOR THE FINANCIAL YEAR		**23,002**	**13,588**
Adjustments for:			
Depreciation of fixed assets – housing properties	10	9,957	8,201
Depreciation of fixed assets included in disposals	10	(1,261)	206
Depreciation of fixed assets – other	11	263	285
Impairment of fixed assets – housing properties		-	16
Amortised grant	3, 10, 19	(2,099)	(1,993)
Unrealised (gain)/loss on revaluation of investment properties	12	(140)	275
Interest payable and finance costs	7	13,640	11,252
Interest received and income from investments		(2)	(1)
Actuarial (gain)/loss on defined benefit scheme	29	(1,974)	4,007
Non-cash movement on DB pension		(482)	(719)
Surplus on sale of fixed assets – housing properties		(3,497)	(2,528)
Surplus on sale of fixed assets – other	11	11	15
Proceeds on sale of fixed assets – housing properties		8,773	5,516
Transaction costs for sale of housing properties		(122)	(113)
Increase/(decrease) in stocks	14	1,594	(3,942)
(Decrease)/increase in debtors	15	(1,219)	149
Increase in trade and other creditors	17	1,055	13
NET CASH FROM OPERATING ACTIVITIES		**47,499**	**34,227**

Notes to the Financial Statements

29 PENSIONS

Hightown Housing Association Limited (Hightown) participates in four multi-employer Defined Benefit schemes: the Social Housing Pension Scheme (SHPS), the Pensions Trust Growth Plan, the Buckinghamshire Council Pension Fund and the NHS Pensions Scheme. The latter two schemes relate to employees who transferred to Hightown under the Transfer of Undertakings (Protection of Employment) Regulations (TUPE).

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

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

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

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

These defined benefit sections are closed to new entrants but there remain 37 active employees who continue to accrue future benefits.

An analysis of the SHPS membership is as follows:

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

31 March 2021	Final Salary 1/60th	Final Salary 1/70th	CARE 1/60th	CARE 1/80th	CARE 1/120th	Defined Benefit Sub Total	SHPS DC	Total
Active	12	-	15	11	3	41	834	875
Deferred	84	-	33	30	-	147	825	972
Pensioner	112	-	14	-	-	126	-	126
Dependant	1	-	-	-	-	1	-	1
Total	209	-	62	41	3	315	1,659	1,974

29A. SOCIAL HOUSING PENSION SCHEME (SHPS)

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

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

Hightown has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Scheme, based on the financial position of the scheme as at 30 September 2021. As at this date the estimated employer debt for Hightown was £19,637,953 (30 September 2020: £23,309,310).

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

	31 March 2022	31 March 2021
	£'000	£'000
Fair value of plan assets	26,044	24,521
Present value of defined benefit obligation	29,929	30,775
Deficit in plan	(3,885)	(6,254)
Defined benefit liability to be recognised	(3,885)	(6,254)
Net defined benefit liability to be recognised	(3,885)	(6,254)

Notes to the Financial Statements

Reconciliation Of Opening And Closing Balances Of The Defined Benefit Obligation

	Period ended 31 March 2022	Period ended 31 March 2021
	£'000	£'000
Defined benefit obligation at start of period	30,775	24,672
Current service cost	270	155
Expenses	26	26
Interest expense	670	585
Member contributions	243	258
Actuarial losses/(gains) due to scheme experience	1,351	(442)
Actuarial (gains)/ losses due to changes in demographic assumptions	(466)	111
Actuarial (gains)/ losses due to changes in financial assumptions	(2,407)	5,999
Benefits paid and expenses	(533)	(589)
Defined benefit obligation at end of period	29,929	30,775

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

	Period from 31 March 2021 to 31 March 2022	Period from 31 March 2020 to 31 March 2021
	£'000	£'000
Fair value of plan assets at start of period	24,521	21,713
Interest income	541	523
Experience on plan assets (excluding amounts included in interest income) - gain	365	1,716
Employer contributions	907	900
Member contributions	243	258
Benefits paid and expenses	(533)	(589)
Fair value of plan assets at end of period	26,044	24,521

The actual return on the plan assets (including any changes in share of assets) over the period from 31 March 2021 to 31 March 2022 was £906,000 (2021: £2,239,000).

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

	Period from 31 March 2021 to 31 March 2022	Period from 31 March 2020 to 31 March 2021
	£'000	£'000
CLASS OF ASSET		
Current service cost	270	155
Expenses	26	26
Net interest expense	129	62
Defined benefit costs recognised in statement of comprehensive income (SOCI)	425	243

Defined Benefit Costs Recognised In Other Comprehensive Income (OCI)

	31 March 2022	31 March 2021
	£'000	£'000
CLASS OF ASSET		
Experience on plan assets (excluding amounts included in net interest cost) - gain	365	1,716
Experience gains and losses arising on the plan liabilities – (loss)/gain	(1,351)	442
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain/(loss)	466	(111)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain/(loss)	2,407	(5,999)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) – gain/ (loss)	1,887	(3,952)
Total amount recognised in other comprehensive income – gain/(loss)	1,887	(3,952)

Notes to the Financial Statements

Assets

	31 March 2022	31 March 2021
	£'000	£'000
CLASS OF ASSET		
Global Equity	4,998	3,908
Absolute Return	1,045	1,353
Distressed Opportunities	932	708
Credit Relative Value	866	772
Alternative Risk Premia	859	923
Fund of Hedge Funds	-	3
Emerging Markets Debt	758	990
Risk Sharing	858	893
Insurance-Linked Securities	607	589
Property	703	509
Infrastructure	1,855	1,635
Private Debt	668	585
Opportunistic Illiquid Credit	875	623
High Yield	224	734
Opportunistic Illiquid Credit	93	672
Cash	89	-
Corporate Bond Fund	1,737	1,449
Liquid Credit	-	293
Long Lease Property	670	481
Secured Income	970	1,020
Liability Driven Investment	7,267	6,232
Currency Hedging	(102)	-
Net Current Assets	72	149
TOTAL ASSETS	26,044	24,521

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

Key Assumptions

	31 March 2022	31 March 2021
	% per annum	% per annum
Discount Rate	2.79	2.18
Inflation (RPI)	3.57	3.27
Inflation (CPI)	3.19	2.87
Salary Growth	4.19	3.87
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2022 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2022	21.1
Female retiring in 2022	23.7
Male retiring in 2042	22.4
Female retiring in 2042	25.2

Notes to the Financial Statements

29B. THE SHPS GROWTH PLAN

Hightown participates in the scheme, a multi-employer scheme which provides benefits to some 638 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for Hightown to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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

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

A full actuarial valuation for the scheme was carried out at 30 September 2020. This valuation showed assets of £800.3m, liabilities of £831.9m and a deficit of £31.6m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2022 to 31 January 2025	£3,312,000 per annum (payable monthly)

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

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2017. This valuation showed assets of £794.9m, liabilities of £926.4m and a deficit of £131.5m.

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

Deficit contributions

From 1 April 2019 to 30 September 2025	£11,243,000 per annum (payable monthly and increasing by 3% each on 1st April)

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Series 1 and Series 2 scheme liabilities.

Hightown deficit contributions

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

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

Present Values Of Provision

	31 March 2022	31 March 2021	31 March 2020
	£'000	£'000	£'000
Present value of provision	5	24	28

Reconciliation Of Opening And Closing Provisions

	Period Ending 31 March 2022	Period Ending 31 March 2021
	£'000	£'000
Provision at start of period	24	28
Unwinding of the discount factor (interest expense)	-	1
Deficit contribution paid	(6)	(6)
Remeasurements - impact of any change in assumptions	-	1
Remeasurements - amendments to the contribution schedule	(13)	-
Provision at end of period	5	24

Notes to the Financial Statements

Income And Expenditure Impact

	Period Ending 31 March 2022	Period Ending 31 March 2021
	£'000	£'000
Interest expense	-	1
Remeasurements – impact of any change in assumptions	-	1
Remeasurements - amendments to the contribution schedule	(13)	-

Assumptions

	31 March 2022	31 March 2021	31 March 2020
	% per annum	% per annum	% per annum
Rate of discount	2.35	0.66	2.53

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

Hightown has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 30 September 2021. As of this date the estimated employer debt for Hightown was £36,160 (2021: £55,685).

29C. BUCKINGHAMSHIRE COUNCIL PENSION FUND

Plan Characteristics and Associated Risks

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

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

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

Contributions are set every three years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund 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.

Notes to the Financial Statements

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 2022 is calculated using an estimate of the total pensionable payroll during the year. The estimated total pensionable payroll during the year is £29,000. The projected service cost for the year ending 31 March 2023 has been calculated using an estimated payroll of £29,000.

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 2022	1 April 2021	1 April 2020
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 2022	31 March 2021	31 March 2020
	£'000	£'000	£'000
Present value of the defined benefit obligation	1,174	1,210	999
Fair value of Fund assets (bid value)	905	854	698
Deficit	**269**	**356**	**301**

Statement Of Profit or Loss For The Year

THE AMOUNTS RECOGNISED IN THE INCOME AND EXPENDITURE STATEMENT	Year to 31 March 2022	Year to 31 March 2021	Year to 31 March 2020
	£'000	£'000	£'000
Service Cost	14	10	11
Net interest on the defined liability	6	7	9
Administration expenses	1	1	1
Total loss	**21**	**18**	**21**

29D. NHS PENSION SCHEME

At the 31 March 2022, there were 5 active members in the NHS scheme (2021: 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 £748k to cover extra expenditure that arose due to the Covid-19 pandemic. In 2021/22, Hightown 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.

31. CONTINGENT LIABILITY – SOCIAL HOUSING PENSION SCHEME

Hightown has been notified by the Trustee of the Scheme that it has performed a review of the changes made to the Scheme's benefits over the years and the result is that there is uncertainty surrounding some of these changes. The Trustee has been advised to seek clarification from the Court on these items. This process is ongoing and the matter is unlikely to be resolved before the end of 2024 at the earliest. It is recognised that this could potentially impact the value of Scheme liabilities, but until Court directions are received, it is not possible to calculate the impact of this issue, particularly on an individual employer basis, with any accuracy at this time. No adjustment has been made in these financial statements in respect of this potential issue.

New Hightown homes in Goffs Oak, Hertfordshire

Hightown

Hightown House, Maylands Avenue
Hemel Hempstead, Hertfordshire HP2 4XH

www.hightownha.org.uk

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