THE HAVEBURY HOUSING PARTNERSHIP

Report and consolidated financial statements

For the year ended 31 March 2019

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ASSOCIATION INFORMATION

FCA registration number:	7648 The Havebury Housing Partnership is a charitable registered society under the Co-operative and Community Benefit Societies Act 2014	
Regulator for Social Housing registration number:	LH4339	
Office:	Havebury House, Western Way, Bury St Edmunds, Suffolk IP33 3SP	
Strategic Board Chairman	Donald McKenzie	
Strategic Board Vice Chairman	Ian Mashiter	
Strategic Board Directors	Robert Everitt Michael Sheren Helen Thomas	Clive Gardner Lucy Adams Mark Webster (co-opted)
Chief Executive	Andrew Smith from 15th October 2018 Karen Mayhew until 12th October 2018	
Director of Operations	Anita Jones	
Director of Resources	Marie McCleary	
Company Secretary	Marie McCleary	
Director of Development	Scott Bailey	
Bankers/Funders	Barclays Bank Plc Level 27 1 Churchill Place London E14 5HP	The Royal Bank of Scotland plc Housing Finance 9th Floor 280 Bishopsgate London EC2M 4RB
	Lloyds Bank Plc 10 Gresham Street London EC2V 7AE	The Bank of New York Mellon London Branch One Canada Square London E14 5AL
Principal Solicitors	Capsticks 1 St George's Road Wimbledon London SW19 4DR	
Auditors	RSM UK Audit LLP Abbotsgate House Hollow Road Bury St Edmunds Suffolk , IP32 7FA	

CHAIRMAN'S STATEMENT

2018/19 has been another strong year for Havebury Housing Partnership which has seen us continue to deliver against our key objectives ensuring the long term success of the business.

This has been against a backdrop of staffing and member change within the organisation. This will be my last Chair's Statement as we prepare for my retirement at the Annual General Meeting later this year. I am pleased to announce that Ian Mashiter who has been a Board Member at Havebury for 6 years, will take over the role of Chair and we have been working together to ensure an effective handover.

Due to other planned Chair retirements we will also say a fond farewell to Lucy Adams who chairs the Operations Committee who will be replaced by Clive Gardner. On Audit & Risk, Clive Springett will take the Chair following the retirement of Robert Everitt. We thank them both for their service and dedication to Havebury. Carole Herries has also signalled her retirement from the Operations Committee to pursue her travel plans, many thanks to Carole for her expert contribution and best wishes for her travels.

In October, we also welcomed Andrew Smith as our new Chief Executive Officer following the retirement of Karen Mayhew. Karen had been Chief Executive Officer for over 8 years. Board, staff and many stakeholders joined us in December at her retirement event in recognition of her considerable achievements at Havebury, her dedication to ensuring that tenants are the heart of decision making and her contribution to making Havebury a successful business. We wish her all the very best in her retirement.

We conducted a Governance Review in the Autumn of last year following which we made some changes to our Board and Committee Terms of Reference. We also added a Development Committee as well as reframing the existing Operational Board as the Operations Committee. These changes further strengthen our rigorous approach to Governance. The resulting changes led to the creation of some new vacancies as well as replacing our retirees and in the Spring of this year we successfully recruited 7 new Board and Committee Members. This will see us strengthen the skills and experience across our Governance framework. We look forward to them joining us following the Annual General Meeting.

Our Tenants Forum and Performance and Scrutiny Panel remain at the heart of our work. This year the Tenants Forum played a central role in appointing a new contractor, idverde, for our grounds maintenance contract. Tenants were involved in scoping the brief, interviewing the contractors and assessing the bids. The Performance and Scrutiny Panel also completed their own Governance Review that fed into our wider external review of Governance.

As we head towards the midway point of our 2018-22 Corporate Plan, we are well placed to deliver our targets. In the past year we have delivered 225 new homes which takes us well on our way to exceeding our target of 1,352 additional new homes by the end of the 2022/23 financial year.

CHAIRMAN'S STATEMENT

We have had a strong year of operational performance. Despite the challenges of Welfare Reform, with many of our tenants moving to Universal Credit, we have worked hard to support tenancies whilst maintaining income rates. We mapped our tenants transition to Universal Credit to help us plan an anticipated growth in rent arrears, this was based on sector best practice and the experience of others. I am pleased to report that for the year end our arrears at 1.62% outperformed against target, reflecting our approach to providing early contact and support working with our tenants to help them manage the changes.

We continue to work with local consultants, suppliers and contractors to deliver our growth plans ensuring that we minimise our environmental impact whilst supporting the local economy. We also conducted a review of our existing stock. To strengthen our focus on our core tenures, we took the decision to dispose of Blackbourne View, our 33 unit Extra Care Scheme in Ixworth, to Housing and Care 21. We worked with residents, their relatives and the care provider to ensure that any concerns were dealt with and that there was no disruption to the care and support throughout the transfer process.

Our commercial subsidiary, Havebury Homes Limited, is now on site with its first four homes that are being developed for outright sale in Great Whelnetham. The site is being developed under our trading name of Four Sail Homes and the homes will go on the market later this year. Reflecting on the continuing Brexit uncertainty and the challenging operating environment, we reviewed our Havebury Homes Limited Business Plan in the Autumn. Whilst we are not reliant on the sales income generated by this activity we took the prudent decision to reduce our outright sales from 200 homes over a ten-year period to 50 homes. We constantly monitor the markets and will review this should the economic situation change.

As our sector responds to the tragic events at Grenfell we continue to evolve our approach to Health and Safety. We welcomed new staffing into Health and Safety to ensure we rigorously maintain compliance. The Board took the decision to increase investment in this area and we are in the process of moving all our electrical testing from a 10 to a 5 year cycle. This reflects our desire to maintain the highest standards in relation to health and safety for our tenants.

I would like to conclude by saying that as I step down after nine years as Non-Executive Director and Chair, that it has been a real privilege to lead and be involved with Havebury. The organisation has grown in terms of unit numbers and financial strength. Our quality services and new homes are delivered by a great team whose drive, enthusiasm and dedication is clear in everything they do. It is with a real sense of sadness that I say goodbye and I would like to take this opportunity to thank all the staff, engaged tenants and my fellow Directors for all their efforts and support over many years. I will continue to follow the progress of Havebury and wish you all the best for what I am sure will be a successful future!

Donald McKenzie
Chairman

STRATEGIC REPORT

PRINCIPAL ACTIVITIES

The group comprises The Havebury Housing Partnership ('the Association'), and its two subsidiary undertakings, Havebury Homes Limited and Design & Build Services East Limited (dormant) (together 'the group').

The group's principal activity is the management and development of affordable housing in Suffolk and its neighbouring counties.

The Association operates three key business streams:

- housing for rent, primarily by families who are unable to rent or buy at open market rates
- supported housing and housing for older people
- low-cost home ownership, primarily shared ownership

As well as managing over 6,500 properties, the Association develops new affordable housing under the Homes England Shared Ownership Affordable Homes Programme (SOAHP).

The Association also provides non-social housing services, in particular garages for rent. However the Association's focus is its social housing activities and these are expected to continue to constitute over 90% of its activities by turnover.

During 2016/17 a group structure was established and during 2018/19 Havebury Homes Limited started on site with its first four homes for market sale. Design & Build Services East Limited will undertake development on behalf of the parent company and Havebury Homes Limited. Surpluses from both subsidiaries will be utilised to further Havebury's charitable objectives.

BUSINESS AND FINANCIAL REVIEW

The Board is pleased to report a surplus for the year of £5.27m (2018: £6.81m). We have continued to invest more in our existing housing stock and undertake a series of new developments for affordable rent and shared ownership.

Turnover for the year was £42.05m (2018: £37.60m) and was principally income from lettings. The 1% rents reduction was applied across all social rent properties; the increase in income reflects the increase in property numbers year on year, including the 225 properties that were completed during the course of the year. The total unit number was 6,562 (2018: 6,424). Rent losses through void properties totalled £414k (2018: £248k) which represents 1.17% (2018: 0.72%) of the rent and service charges receivable. Income from first tranche shared ownership sales was £4.035m (2018: £1.354m).

The decrease in operating surplus to 31.15% (2018: 36.20%) reflects an increase in turnover and year on year increases in expenditure across a range of operational areas, including higher legal costs for tenancy matters, property insurance and investment in recruitment, health and safety, IT and the First Focus project. There has been a decrease in the depreciation charge following a review of the depreciation policy, £5.553m (2018: £6.009m). Expenditure of £4.0m (2018: £2.9m) was capitalised in respect of improvement works. This expenditure is expected to continue in the coming years in line with the business plan and stock condition survey forecasts.

The Statement of Financial Position indicate net assets of £337.7m (2018: £313.1m) owing to an increase in total fixed assets of £28.1m to £334.2m (2018: £306.1m) in line with the developments that were completed during the year. Net current assets have decreased to

£3.6m (2018: £7.0m). During 2018/2019 53 shared ownership units were sold and a further 27 are awaiting sale, reflected in the Properties for Sale balance of £5.5m (2018: £5.1m). The sales are forecast to complete in the first two quarters of 2020, 3 units are part of a HOLD (Home Ownership for Long term Disabled) scheme and have been let to the future purchasers whilst the lease is finalised.

To fund the ongoing development programme an additional £16m was drawn from existing facilities during the year. The total drawn debt is now £181.5m (2018: £165.5m).

All of the Local Authorities in which Havebury provides homes are now in full service Universal Credit (UC). Another change this year has been the inclusion of families over two children changing to UC, on change of circumstances. By the start of April 2019 we had 1,013 accounts with UC claimants (425 last year). We have set a target to assist UC claimants to reduce any arrears that arise from the claims process in 39 weeks, and achieved this in 50% of the time. The average Havebury UC debt has fallen from £381 to £360 this year. We have monitored the impact this has had on the overall arrears figure, and predicted an increase from 1.4% of collectable rent (net of HB owed) to 1.8% by the end of 2018/19, actual performance achieved was 1.63%. The target for the new financial year is 1.99%. The Department of Work and Pensions is looking to migrate all working age claimants to UC by 2023 and is running a Pilot during the summer in advance of this.
We will continue to monitor this closely and have continued our membership of local forums and the National Housing Federation/Housemark Welfare Reform Income Club to ensure we can anticipate changes and trends to enable us to assist tenants in avoiding debt.

STRATEGIC REPORT

The group's five year Statement of Comprehensive Income accounts and Statement of Financial Positions are summarised below:

For the year ended 31 March	GROUP 2019 (£'000)	HHP 2018 (£'000)	HHP 2017 (£'000)	HHP 2016 (£'000)	HHP 2015 (£'000)
Statement of Comprehensive Income					
Total turnover	42,054	37,595	34,992	33,549	31,531
Operating surplus	13,100	13,618	11,827	10,660	8,434
Surplus for the year transferred to reserves	5,268	6,813	5,268	4,480	3,501
Statement of Financial Position					
Housing properties	330,622	302,501	282,489	265,675	248,147
Other fixed assets	3,075	3,110	3,461	3,327	3,338
Intangible assets	471	481	541	210	91
Fixed assets	334,168	306,092	286,491	269,212	251,576
Net current assets/(liabilities)	3,579	6,976	2,701	1,101	1,615
Total assets less current liabilities	337,747	313,068	289,192	270,313	253,191
Loans (due over one year)	185,865	169,734	156,271	145,163	137,686
Pensions liability	6,093	3,436	3,680	3,948	7,217
Other long term liabilities			-	-	439
Deferred income grant	17,065	13,782	10,614	8,241	2,980
Reserves					
: revenue	41,117	38,068	29,932	22,283	13,104
: revaluation	87,607	88,048	88,695	90,678	91,765
: total	128,724	126,116	118,627	112,961	104,869
	337,747	313,068	289,192	270,313	253,191
Housing properties owned at year end:					
Social housing	6,394	6,307	6,150	6,092	5,971
Non-social housing	168	117	87	71	64
	6,562	6,424	6,237	6,163	6,035
Statistics:					
Operating surplus as % of turnover	31.15%	36.22%	33.80%	31.77%	26.75%
Surplus for year as % of income from lettings	14.95%	19.92%	15.74%	13.64%	11.23%
Rent losses (voids and bad debts as % of rent and service charges receivable)	2.44%	1.22%	0.90%	1.50%	1.78%
Rent arrears (current arrears as % of rent and service charges receivable)	2.56%	2.34%	2.25%	2.23%	2.89%
Liquidity (current assets divided by current liabilities)	1.31	1.76	1.26	1.13	1.17

STRATEGIC REPORT

PERFORMANCE AGAINST KEY OBJECTIVES

Objectives and Strategy

Our vision is “creating Homes and Communities”.

The achievement of this vision is underpinned by these values:

- **Business mind, social heart**
- **Using our resources to improve lives**
- **Innovative, transparent and forward thinking**
- **Listen to and engage with people**
- **Demonstrate commitment to Equality, Diversity and Inclusion**

The group’s objectives have been reviewed during the year and have been amended to reflect our operating environment:

- Strengthen the business and our social impact by building more affordable homes
- Provide good quality, accessible services that meet customer needs
- Invest in homes and neighbourhoods to create places where people want to live
- Drive value through an efficient, sustainable and well-run business
- Invest in and value our people to continue to build a great organisation

Senior Management and the Board have developed a series of key performance indicators (KPI’s) to monitor performance against these objectives. These targets, some examples of which are detailed in the table below, are reviewed annually by the Board in order to support our commitment to continuous service improvement:

	2018/19	**2017/18**
EBITDA MRI (using cash interest paid)	161%	244%
Asset cover	158%	152%
Net debt per unit	£27,659	£26,488
Current tenants' rent arrears as a percentage of rent due	2.6%	2.3%
Rent loss as a result of voids as a percentage of rent due	1.3%	0.8%
Proportion of income attributable to housing benefit	29%	38%
Percentage of social housing stock at affordable rents	22.8%	20.3%
Tenants eligible for right to buy	2,192	2,298
Number of right to buy sales	14	10
Percentage of workforce member of Local Government Pension Scheme	41%	42%

STRATEGIC REPORT

The highlights of our performance against the key objectives is summarised below:

Strengthen the business and our social impact by building more homes	
Expected Outcome	Outturn
Development targets for the year were: • 4 Open Market Sales completions; 16 starts on site • 63 affordable rent completions • 150 s.106 completions • 5 grant funded Shared Ownership completions	Targets achieved during the year were as follows: • Delayed due to archaeological finds; will be completed in autumn 2019. 16 units were put on hold due to market slow down. • 25 completed; 38 not completed due to contractor issues • 153 completions achieved • 5 completed
Generate £700k receipts from disposals to fund new development	Disposed 4 properties generating £847k receipts
Provide good quality accessible services that meet customer needs	
Expected Outcome	Outturn
Implement Phase one and begin Phase two of Havebury's digital offer MyHavebury	Dates rescheduled due to requirement for further testing. Phase one launch date is July 2019 and Phase two is December 2019
Review provision of Neighbourhood, Estate, Responsive and Planned Repair services to improve efficiency and facilitate delivery of a consistent service level over a wider geographical area	Phase One – review is complete and the implementation phase has commenced
Develop an investment plan to proactively promote the independence of older or disabled people in their homes	An initial review of tenants has been undertaken and has not revealed any unmet demand. Regular reviews will take place in future

Invest in homes and neighbourhoods to create places where people want to live	
Expected Outcome	Outturn
60 properties with single skin second stories to receive external wall insulation to improve thermal efficiency and reduce heating costs	30 cross wall properties received external wall insulation with a further 30 to be completed in 2019/20
Deliver the Neighbourhood Visions to ensure that estates are pro-actively managed to maintain the desired quality and standards that customers expect	All actions have been implemented
Drive value through an efficient, sustainable and well-run business	
Expected Outcome	Outturn
Pilot the use of Unmanned Airborne Vehicles (UAVs) to establish if they are a more cost effective method of conducting high level building inspections	Pilot completed and the method was proven to be cost effective resulting in UAVs being deployed for inspections for roofing repairs
During this year and next IT services are focussed on migrating to Cloud, embedding GDPR practice and ensuring that the business is well defended against Cyber-attacks	Initial migration to Cloud has been completed; the second phase includes systems that are not yet ready to migrate such as the finance system. The GDPR team have delivered their action plan for 2017/18 and it will be signed off by our independent Data Protection Officer. Vulnerability scans have been completed alongside some penetration testing
Invest in and value our people to build a great organisation	
Expected Outcome	Outturn
Improving staff engagement	A colleague forum is up and running and alongside quarterly Pulse surveys ensures that we are aware of how our teams are managing, highlighting areas that may require support
Supporting the Agile working pilot	The Agile Pilot has been completed with a Management Team agreed framework

STRATEGIC REPORT

WHAT VALUE FOR MONEY MEANS TO HAVEBURY –

Providers are required to follow the Regulator of Social Housing's (RSH) Value for Money Standard. The standard requires Havebury to provide evidence in the statutory accounts to enable stakeholders to understand:

- performance against value for money targets and any metrics set out by the RSH, and how that performance compares to peers;
- measurable plans to address any areas of underperformance, including clearly stating where improvements would not be appropriate and the rationale for this.

This section therefore sets out Havebury's performance against the RSH's seven metrics: reinvestment, new supply delivered, gearing, EBITDA MRI, headline social housing cost per unit, operating margin and return on capital employed. In addition, a suite of Havebury's own measures of value for money set by the Board are reported. Benchmarking of each indicator has been carried out to compare performance to peers, using either the sector global accounts or HouseMark. Areas of underperformance, or where performance falls below the median range, have also been explained.

For Havebury, value for money is about maximising resources available to deliver the core strategic objectives and benefit the communities it serves. Value for money is delivered through Havebury's strong value for money culture, company structure, sound financial and business planning, and effective procurement, performance management, tenant scrutiny and governance functions.

Value is considered in the context of Havebury's charitable objectives. The provision of a variety of social housing products assists to relieve poverty and provide homes for persons in necessitous circumstances. Havebury's community focus on existing estates and in considering new developments helps foster homes and neighbourhoods for residents to thrive and the work of Havebury's income, neighbourhood and Tayfen Teams assist in maximising income, training and employment opportunities. As a developing housing association Havebury is actively involved in regeneration, building preservation and improvement of housing stock and the environment.

The development programme is set to increase available housing stock by around 20% by 2023. Havebury's core value for money objective is to achieve this without a proportionate increase to overheads. This organic growth, will steadily reduce costs per unit, enhance Havebury's business health, benefit financial performance and increase capacity.

During the year, 225 new homes were completed, 172 affordable rent and 53 shared ownership. Governance and performance management functions were reviewed and significant progress was made on Havebury's ongoing First Focus efficiency programme. Headline social housing cost per unit increased due to expenditure returning in line with planned operational budgets. Havebury's position however remains lower than that of the sector median and performance against the other value money metrics was favourable too.

The Strategic Board has overall responsibility for value for money and in their meetings throughout 2018/19 and in workshops and events outside of these, have regularly reviewed Havebury's value for money performance.

STRATEGIC REPORT

Meeting the standard

In addition to the reporting requirements of the Value for Money Standard, it also sets out required outcomes and specific expectations of registered providers. These are set out in the table below, together with a description of how Havebury met each aspect during 2018/19:

VfM Standard Element		2019 Evidence
Required outcomes - registered providers must:	clearly articulate their strategic objectives	Havebury's strategic objectives were reviewed in 2018 and are clearly publicised and communicated to staff, residents and other stakeholders. The strategic action plan for 2018/19 was set and monitored against the updated objectives, which also formed the basis for policy setting and decision making throughout the year. In setting the action plan focus was applied to improving value.
	have an approach agreed by their board to achieving value for money in meeting these objectives and demonstrate their delivery of value for money to stakeholders	Quantitative and qualitative measures of value in meeting the strategic objectives have been monitored throughout the year, against targets set by the Board. Annual reports on value for money performance are produced for involved tenants and the wider tenant/stakeholder population. A new performance management framework has been designed around the strategic objectives to measure performance and value against each.
	through their strategic objectives, articulate their strategy for delivering homes that meet a range of needs	Throughout Havebury's vision, objectives and values there is a strong focus on meeting the needs of customers and developing new properties to meet local need. Havebury remains committed to delivering a range of accommodation and tenure types. The development policy seeks to shift the balance in available housing stock toward demand for one and two bedroom properties, however the programme includes larger properties also. During the year Havebury supplied 53 new shared ownership units. Havebury's Tayfen House supported housing service has continued to grow in 2018/19.
	ensure that optimal benefit is derived from resources and assets and optimise economy, efficiency and effectiveness in the delivery of their strategic objectives	The asset management strategy ensures Havebury makes best use of its assets. In 2018/19 Havebury continued to review its asset base, disposing of properties no longer or less viable, allowing replacement with more fit for purpose housing. The ongoing 'First Focus' review seeks to drive improved efficiency and effectiveness in operational processes and better economy in helping front line services to be able to accommodate the increased demand from new units, without significantly increasing resources.
Specific expectations - registered providers must demonstrate:	a robust approach to achieving value for money - this must include a robust approach to decision making and a rigorous appraisal of potential options for improving performance	Havebury has a strong governance structure, which was reviewed externally during 2018/19. The Board regularly review performance and throughout the year in meetings and away days explore potential options to enhance the value Havebury offers. In 2018/19 Board reviewed phase two of Havebury's research into the affordability of rent products to inform future policy and the local authority's Tenancy Strategy. Havebury retains a G1/V1 rating from the regulator.
	regular and appropriate consideration by the board of potential value for money gains - this must include full consideration of costs and benefits of alternative commercial, organisational and delivery structures	The Board regularly assesses alternative delivery models using the form follows function principles. At present the current structure continues to offer best value for the business and tenants. Board has challenged Havebury's major repairs cost per unit position and work to review this started in 2018/19. Risk is reviewed regularly and in December the board appraised Havebury's position and mitigation plans against the regulators sector risk profile, updating the corporate risk map with a view to taking action if necessary.

VfM Standard Element		2019 Evidence
Specific expectations - registered providers must demonstrate:	consideration of value for money across their whole business and where they re-invest in non-social housing activity, they should consider whether this generates returns commensurate to the risk involved and justification where this is not the case	On the basis of a favourable assessment by board of the risk/reward, Havebury established a new group structure in 2017. Havebury Homes Limited has commenced trading and in 2018/19 broke ground on it's first four development units for market sale. During 2018/19 the Board decided to scale back plans for developing homes for market sale due to the increased risk exposure following Brexit and impact on the housing market. It is anticipated that the gift aid receipts from the sale of open market units will be used to build additional affordable homes.
	that they have appropriate targets in place for measuring performance in achieving value for money in delivering their strategic objectives, and that they regularly monitor and report their performance against these targets	In 2018/19 Havebury's performance management framework was reviewed. KPIs, including the RSH's VfM metrics, are organised by priority enabling a significantly wider suite of indicators to be reviewed using escalation triggers based on targets carefully set by the Board. Performance on individual KPIs 'rolls-up' to provide a RAG status for each strategic objective. The ability to evidence value was the key driver in prioritising each KPI.

Performance against the Regulator of Social Housing's Value for Money Metrics

The RSH's value for money metrics are split into measures of economy, efficiency and effectiveness. The assessment set out below is therefore based on the same groups. Comparator data uses the 2017/18 global accounts, the 2018/19 global accounts will not be available until later in the year.

Economy – Headline social housing cost per unit

The cost per unit (CPU) metric enables providers to assess their expenditure in a format that can easily be compared to peers. The RSH's regression analysis indicates organisational and local environmental characteristics drive much of the variance seen between providers, however CPU is also reflective of efficiency and levels of investment, say in major repairs.

Havebury 2018/19	Havebury 2017/18
£3,423	£2,970

	Quartile 1	Median	Quartile 3
Sector	£3,013	£3,397	£4,474
PlaceShapers	£2,989	£3,272	£4,009
Peer group	£2,949	£3,230	£3,949

Havebury's headline social housing CPU increased by 15% between 2017/18 and 2018/19 with expenditure used in the calculation going up from £19.1 million to £22.5 million. The change was largely attributable to spend on maintenance and major repairs, and reflected prudent choices made by Board during the course of the year. Havebury struggled to find a contractor locally to carry out specialist health and safety work at Tayfen House, a heating contract was delayed and kitchens and bathrooms were found to be in better condition than originally thought. As a result, around £1m of expenditure planned for 2017/18 straddled 2018/19.

CPU remains below the sector median and is forecast to reduce over the coming years as Havebury continues to work towards growing its housing stock, without a proportionate increase in overhead costs.

Cost per unit by category of expenditure

	Havebury 2018/19	Havebury 2017/18	Sector median	PlaceShapers Median	Peer group median
Management	£659	£598	£974	£939	£936
Service charges	£385	£364	£389	£347	£378
Maintenance	£1,076	£945	£948	£997	£1,010
Major repairs	£1,170	£999	£720	£735	£744
Other costs	£133	£64	£245	£207	£198

The greater management cost per unit in 2018/19 is attributable to investment in health and safety, higher legal costs for tenancy matters, property insurance and investment in recruitment and IT. Higher legal costs are specific to Havebury's commitment to tenants to follow through on cases of antisocial behaviour, with some cases during the year requiring a barrister to defend. Expenditure on repairs and maintenance was greater in 2018/19 than in the previous year, being attributable largely to spend on health and safety, specifically electrical testing as Havebury transitions from a 10 to five year programme.

Expenditure on major repairs remains the key driver of Havebury's overall CPU position. Excluding major repairs, CPU in 2018/19 (£2,253) increased by £282 on 2017/18 (£1,971) but is quartile one compared to the sector (sector median = £2,625).

Efficiency – Reinvestment

The reinvestment metric looks at the investment in properties (existing as well as new supply) as a percentage of the value of properties held. It provides important context when analysing surpluses, helping to demonstrate they are not being generated at the expense of increasing and improving the asset base.

Havebury 2018/19	Havebury 2017/18
11.12%	8.97%

	Quartile 1	Median	Quartile 3
Sector	8.62%	6.03%	3.89%
PlaceShapers	9.71%	6.47%	4.37%
Peer group	10.74%	7.90%	6.41%

Havebury's reinvestment is high compared to the majority of other housing associations demonstrating the ongoing commitment to make a significant contribution to new supply, whilst also maintaining the condition of existing units.

Reinvestment increased significantly in 2018/19 due to works to existing properties going up from £2.9 million to £4.0 million and development of new properties rising from £23.3 million to £32.0 million.

Efficiency – Gearing

The gearing metric is a measure of a provider's net debt compared to the value of its assets. Havebury is more highly geared than that of the majority of peers, reflecting Havebury's development programme and appetite for growth. Net debt relative to assets is healthy, falling within the median range of all three comparator groups.

Havebury 2018/19	Havebury 2017/18
53.8%	53.1%

	Quartile 1	Median	Quartile 3
Sector	53.1%	42.9%	33.2%
PlaceShapers	56.3%	43.6%	34.9%
Peer group	65.0%	57.4%	45.8%

The gearing metric has changed little between years. Whilst net debt has increased from £161 million to £178 million, the value of housing assets has increased proportionally as a result of new development.

Efficiency – EBITDA MRI

EBITDA MRI is an approximation of cash generated, and presenting it as a multiple of interest shows the level of headroom on meeting interest payments on outstanding debt.

Havebury 2018/19	Havebury 2017/18
150%	206%

	Quartile 1	Median	Quartile 3
Sector	260%	206%	155%
PlaceShapers	254%	195%	159%
Peer group	268%	181%	145%

The change between years is attributable to greater capitalised major repairs spend and interest payable plus interest capitalised increasing from £8.0 million to £9.6 million. The position against peers, being lower than median, mirrors that of gearing and again illustrates Havebury's growth and development priorities.

Efficiency – Operating margin

Although a key indicator, Havebury is aware profitability is not the only measure of success. Whilst a high surplus is encouraging for lenders, it is important that this does not come at the cost of delivering quality services.

Havebury 2018/19	Havebury 2017/18
31.8%	35.7%

	Quartile 1	Median	Quartile 3
Sector	34.0%	28.9%	22.7%
PlaceShapers	34.8%	29.3%	23.3%
Peer group	35.4%	32.0%	27.8%

STRATEGIC REPORT

Turnover increased from £36.4 million to £39.9 million in line with the development programme and first tranche shared ownership sales, although higher operating costs in 2018/19 resulted in a slight reduction in operating surplus. Havebury's operating margin remains healthy however, being greater than that of the sector median, but within what we consider a suitable range for a provider of social housing with an aspiration to grow regionally, develop new homes and sustain value for money.

Efficiency – Operating margin (social housing lettings)

Havebury 2018/19	Havebury 2017/18
33.9%	36.8%

	Quartile 1	Median	Quartile 3
Sector	37.1%	32.1%	25.6%
PlaceShapers	36.8%	32.8%	26.9%
Peer group	38.6%	34.8%	29.5%

Operating margin on social housing lettings mirrors that of the operating margin overall. Turnover increased, however operating surpluses reduced due to higher expenditure in 2018/19 compared to 2017/18.

Efficiency – Return on capital employed

Return on capital employed (ROCE) illustrates the return generated by a provider compared to its asset base. Although operating surplus including gain/loss on disposal of fixed assets increased slightly year on year, total assets less current liabilities increased by a greater proportion leading to a slightly reduced ROCE.

Havebury 2018/19	Havebury 2017/18
4.18%	4.46%

	Quartile 1	Median	Quartile 3
Sector	5.38%	4.08%	3.32%
PlaceShapers	5.79%	4.12%	3.34%
Peer group	6.85%	5.10%	3.74%

Across all three comparator groups, Havebury's position is not dissimilar to that of the median and in line with performance against other metrics. When considered in light of the considerable investment in major repairs, strong rate of development activity and that how and when assets have been valued has a significant effect on this measure, Havebury's position is good.

Effectiveness – New supply delivered

The number of units developed demonstrates a provider's absolute contribution to the supply of new homes. Showing this as a proportion of stock puts development activity into the context of organisation size and allows the figure to be benchmarked against others.

Havebury 2018/19	Havebury 2017/18
3.43%	3.22%

	Quartile 1	Median	Quartile 3
Sector	2.27%	1.16%	0.48%
PlaceShapers	2.42%	1.26%	0.60%
Peer group	2.41%	1.35%	0.58%

Both as a percentage of stock and in absolute terms, Havebury's development programme is significant, being over two and half times greater than that of the sector median and satisfying the core strategic objective to increase the supply of Havebury homes. Maintaining a strong rate of development is essential to Havebury's vision, purpose and value for money aspirations.

Performance against Havebury's own value for money targets

In addition to the RSH's value for money metrics, performance against Havebury's own value for money indicators and a comparison to peers is set out below. The suite of measures is made up of sector scorecard indicators not already covered by the RSH's value for money metrics and others from level one of Havebury's performance management framework.

	2018/19 Result	2018/19 Target	Sector quartile 1	Sector median	Sector quartile 3
Strengthen the business and social impact by building more homes					
Units developed (absolute)	225	218	206	83	26
Units to be identified	277				
Drive value through an efficient, sustainable and well run business					
Rent collected	99.58%	99.40%	100.40%	99.80%	99.30%
CTAs (net of HB) as a % of debit	1.61%	1.80%	1.46%	2.25%	2.95%
Occupancy rate	99.21%	99.77%	99.65%	99.40%	99.00%
Rent loss from voids as a % of debit	1.23%	0.70%	0.53%	0.78%	1.15%
Ratio of responive repairs to planned maintenance	40%	45%	46%	64%	82%
Overheads as a % of turnover*	9.51%	9.60%	9.66%	11.50%	13.62%
Asset cover	157%				
Invest in homes and neighbourhoods to create places where people want to live					
% of properties with a valid gas safety certificate	100.00%	100.00%	100.00%	100.00%	99.80%
Fire risk assessments overdue	0	0			
Fire risk actions overdue	0	0			
Customer satisfaction with area as a place to live	83.9%	87.0%	88.6%	85.4%	82.8%
Provide good quality, accessible services that meet customer needs					
Customer satisfaction with overall service provided	93.3%	93.0%	90.0%	86.0%	81.0%
New complaints received	124				
Customer satisfaction with repairs and maintenance	85.6%	87.0%	86.0%	81.0%	75.0%
Invest in and value our people to continue to build a great organisation					
Average days/shifts lost to sickness	7	5.5	7	9	11
% of staff happy at work	68%	68%			
% of staff who would recommend working at Havebury	79%	80%			

*reported one year behind other metrics

Havebury maintains quartile one performance on overall customer satisfaction sustaining improvements seen in the STAR survey results in the previous year. Additional investment in improvement works in recent years has contributed directly to Havebury tenants becoming amongst the most satisfied in the sector. The First Focus project seeks to continue this trajectory, whilst improving efficiencies.

Overheads as a percentage of turnover is quartile one. This indicates Havebury's back office functions are lean compared to the majority of other providers, in theory allowing for greater investment in front line or added value services. The ratio of responsive repairs to planned maintenance in part reflects Havebury's significant major repairs programme, however the quartile one position indicates Havebury has an efficient approach to repairs and maintenance, doing a greater proportion of work on a planned basis.

Work to encourage tenants, particularly those on Universal Credit, to pay in advance is reflected in the percentage of rent collected increasing to 100%. Whilst increased, Havebury outperformed its current tenant arrears target for 2018/19 based on the forecast impact of housing benefit cases transitioning to Universal Credit and maintains a quartile one position against this indicator.

Havebury maintains low levels of staff turnover and sickness rates. In 2018/19 a quarterly pulse survey of staff views was launched, with targets set to improve satisfaction levels.

Areas of underperformance

Voids

2018/19 was a challenging year for Havebury on voids. In the early part of the year, ongoing technical difficulties with Havebury's new housing management system affected efficient management of the voids process. Peaks and troughs in volumes arising from new build handovers and local authority section 106 agreement restricted lettings also proved difficult to manage within existing resource. In addition, long term and difficult to let properties, particularly within sheltered housing, impacted staffing resource. In the second part of the year, performance improved with the team working through longstanding hard to let properties, trialling a new fully furnished 'show flat' to assist with letting sheltered housing. Positive practice observed at better performing organisations was implemented, additional staffing resource was allocated to the lettings team and improved processes implemented for dealing with new development handovers. Traditionally Havebury's spend on voids has been low and many of the issues driving performance, increased investment wouldn't necessarily resolve.

Although below the median due to new build properties being handed over but not let at year end, the occupancy rate is higher than at year end 2017/18. The improvements made are also being seen in average void times and a target of 30 days has been set for 2019/20, representing a significant improvement on performance in 2018/19 (49 days).

Major repairs and maintenance costs per unit

Havebury's major repairs cost per unit (£1,129) is over 50% greater than that of the majority other providers (sector median = £720). The position reflects a decision taken in 2014 to invest an additional £8 million to deliver the strategic objective to provide homes and services which people want. Although the period of additional expenditure is now complete, Havebury has maintained its commitment to invest in its existing housing stock, in line with stock condition survey reports.

The effect of the work has been realised in customer satisfaction with the quality of home increasing significantly from 79.5% to 89.6% during the same time (based on Havebury's annual STAR survey 2013 and 2018 results). Whilst Havebury's analysis suggests some correlation between LSVTs of a similar age and higher major repairs spend, the Board have challenged staff to revisit the spend profile for major repairs to ensure it delivers value.

STRATEGIC REPORT

In 2018/19 work started on a cost and stock condition validation review. Havebury's stock condition is being validated and the cost of repairs and maintenance SORs, materials, replacement components and component life cycles assessed. Work is ongoing to process the results and programmes will be adjusted where appropriate.

Customer satisfaction with area as a place to live

Customer satisfaction with neighbourhood reduced between 2017/18 and 2018/19 from 87.1% to 83.9%. Results varied significantly by area and so it is possible much of the change can be attributed to the survey margin of error. That said, work has been undertaken to understand why tenants are dissatisfied. Since, the antisocial behaviour policy has been reviewed, and Havebury continues to work closely with partner organisations to resolve broader neighbourhood issues. Many of the reasons for dissatisfaction identified were not neighbourhood management related, or outside of Havebury's direct control. The agile working aspect of the First Focus project will realise the benefit of staff being more visible on estates and better able to deal with issues proactively.

EBITDA MRI % interest

EBITDA MRI as a percentage of interest has reduced and is lower than the sector median. The position is well within Havebury's loan covenant for the indicator however and reflects Board's risk and growth appetite to contribute significantly to new housing supply.

Development

Key to Havebury's value for money strategy is its development programme. Good quality social housing provides families and individuals safe and secure homes from which to build successful lives. Where it is managed and maintained appropriately, social housing offers more than accommodation; it improves employment opportunities and facilitates social mobility. Development of new homes is the most effective method for increasing a provider's social value. In a climate where there are 1.1 million households on local authority waiting lists, 44% of whom are deemed to have a housing need which affords them a priority, Havebury's contribution to new housing supply is critically important.

Since stock transfer in 2002, Havebury has delivered over 1,400 new affordable homes. The programme has accelerated over the last four years, with 225 completions during 2018/19. In November 2017, Havebury successfully secured additional funding, providing capacity to deliver a further 1,352 new homes by 2023 and increase affordable housing stock by around 20%. During 2018/19 Havebury was successful in obtaining grant funding to build homes for social rent for the first time since the 2008/11 NAHP.

Havebury's limit of operation for development is a one hour driving time of Bury St Edmunds, although priority is afforded to the A14 and A11 corridors. 85% of demand from housing waiting lists within this area is for one and two bedroom properties. Whilst new development has helped, there remains an imbalance between this and local supply, with one and two bedroom properties making up just 60% of Havebury's housing stock. The development policy seeks to redress this as far as possible, with the majority of planned completions to 2022 being of one and two bedrooms. Lessons learned from saturating the market with flatted accommodation of this type means Havebury now seek greater variation in property type when planning schemes, with one and two bedroom houses being popular.

The 225 units completed in 2018/19 were across 14 schemes. Payback ranges between 21 and 35 years, or 30 years on average. Total costs were £35.36m. 40 completions were part of Havebury's 2015-18 contracts with Homes England with the remaining 185 related to Section 106 acquisitions (156) and Land Led schemes (29). Tenure and property types consisted of 78 affordable rent one and two bed flats, 77 affordable rent one and two bed houses, 17 affordable rent three, four and five bed houses, 42 shared ownership one and two bed houses and 11 shared ownership three and four bed houses. Some of Havebury's key schemes started during 2018/19 included:

- Westbourne Court was a not fit for purpose sheltered scheme with a high void rate due to having shared bathroom facilities. It has been replaced with 17 age appropriate units and 19 shared ownership properties. The design of the rental units is future proofed, being suitable for a wide client base should local need change.

- York Road was a private mothballed development, started over 10 years ago that had become unattractive and attracted antisocial behaviour. Havebury's purchase of the site is enabling the development of 17 social rent units and has wider benefits to the area in putting it to use.

- Erskine Lodge (phase two) – development of this site was enabled only by Havebury's work in completing phase one. In ransoming land by providing access and accessing grant funding, Havebury has enabled the development of a further 10 units at social rents.

- Fentons – includes Havebury's first four properties developed for market sale and six shared ownership units. Following a significant archaeological find, the development has provided Havebury with an opportunity to engage with the local community.

Asset management and disposals

Havebury's Asset Management Strategy 2016-21, seeks to achieve continuing value from the asset portfolio by carefully balancing its financial performance with the social and economic needs of tenants. The strategy is underpinned by a rolling five year stock condition survey programme that continuously refreshes the data held on each asset so that informed decisions around management, maintenance and retention/disposal can be made. Havebury assesses stock performance regularly and views it as a critical part of long term asset management. The net present value (NPV) model is used for testing each property, alongside a number of measures of sustainability. Properties having a poor NPV or sustainability score are flagged for disposal or further consideration when planning investment programmes.

Disposals are predominantly undertaken as opportunistic sales and tend to arise as properties become void. During 2018/19 four properties were disposed via open market sale. This generated over £847k (almost £107k more than the initial independent valuation), ring fenced to fund additional development of new homes that will better meet local need. Of those disposed, each were of a size and location not in demand and the costs associated with bringing the property back to a lettable standard and/or anticipated future repairs costs meant retention was not viable.

In March, Havebury sold Blackbourne View, a sheltered housing extra care scheme in Ixworth. The Board decided to dispose of the scheme, transferring ownership and management to an organisation with expertise in managing extra care housing, providing care services for older people and who already operate in Suffolk. The sale generated £1.335 million.

STRATEGIC REPORT

First Focus

The First Focus project is fundamental to understanding Havebury's detailed operational transactional costs and activities in order to manage waste, low value activity and duplication. Its key drivers are to facilitate growth, deliver efficiency through transformation and improve the customer offer. The project is ensuring that methods of delivering operational housing and repairs services are lean, efficient and enable the capacity to deliver front line services to a larger and more dispersed stock:

- Right First Time - During 2018/19 the lean reviews of Neighbourhoods and Repairs services was completed. These modelled the additional resources required to support existing service offers for a larger and more geographically dispersed stock base, and identified over 13,000 hours of staff time that could be released to support growing into the growth without disproportionately increasing resources. This equates to a cost avoided of over £300k, where more will be achieved with the same resource. In 2019/20 the recommendations from the reviews will be implemented to realise these savings.
- Customer Intelligence: Havebury's Customer Insight Strategy was implemented during 2018/19 and included the modelling and testing of a series of service related hypotheses. Nudge activities were introduced, aimed at influencing customer behaviour to reduce service demand, which will continue to be tested and refined during 2019/20.
- Digital offer: During 2018/19 the repairs and rents modules of the MyHavebury digital offer were developed and tested. Following further testing with tenants and other stakeholders, the first release is due to be launched in the summer of 2019 with the aim to move 10% of all repairs and rent transactions online by the end of the financial year. During 2019/20 the tenancy, estates and terminations modules will also be developed and tested for a planned release early in 2020.
- Agile working: A trial involving Neighbourhood Advisors, Maintenance Coordinators and Rangers took place in 2018/19; this involved utilising new technology and revamped processes to undertake duties without the need to visit the office. It increased productivity by 12.5%. In 2019/20 an agreed approach to agile working will be developed, utilising the lessons learnt from the trials, and rolled out to other operational teams.

Cx Benefits Realisation

A benefits realisation review of Havebury's new housing management system, Cx, was undertaken in 2018/19. Implementing Cx was crucial in modernising Havebury's service offer, improving the customer experience and facilitating growth. The review confirmed Havebury has been successful in fulfilling the objectives of the project and identified between £597k to £742k of capital costs avoided and between £342k and £367k of revenue savings. Moving to the new system helps to facilitate a direct reduction in CPU of £262 over the course of the current development programme to 2023. Without implementing Cx, outcomes of the First Focus project such as Havebury's digital offer and moving toward agile working would have been impossible.

Procurement

Havebury continues to develop the procurement and contract management function to ensure contracts are delivered as tendered and quality maintained. This work has included adopting a standard approach to contract management and meetings and reviewing KPI requirements. In addition, a new finance system was procured in 2018/19 to be implemented in 2019/20 and will include a Purchase to Pay system. Together with Cx it will deliver consistency in making payment to suppliers, improving further the procurement and contract management process.

STRATEGIC REPORT

Inclusive of development, Havebury manages 198 contracts, with a total value of £28.8m. 16 tenders were issued during 2018/19, including six contracts for new developments, two for IT, two for Finance and six across operational functions. The six development contracts included Lark Grange, Fentons Farm, Hethersett phase two, Needham Market phase two, woodland rise in Great Cornard and York Hill in Haverhill. These developments will create 139 new homes and include properties to rent and to sell.

Based on a specification developed with tenants, a new grounds maintenance contract was procured through the OJEU process and started in February 2019. The contract was awarded on both price and quality and included within the terms is a commitment to employ a minimum of one apprentice. It is anticipated that the contract will deliver additional value through enhanced service quality for both Havebury and residents paying service charges. Also in 2018/19, the Window cleaning contract was reviewed through a quotation process; this delivered a reduction in costs from £33k to £15k, providing direct savings to residents through lower service charges.

Examples of where ongoing contracts have delivered additional value included an apprentice with the heating contractor who completed their apprenticeship and is now a fully qualified gas engineer and has a permanent job within the company. The stores contract gives back 1% of profits; this has amounted to £18k over the last 3 years and is ring fenced for a community project in the future.

Added value services

The creation of surpluses by driving value in operational and back office functions enables Havebury to subsidise key added value services, such as Tayfen House, employment and welfare benefit support and the provision of funding for tenant led improvement schemes.

Tayfen House is Havebury's supported housing hostel for single homeless individuals and is considered a crucial part of the organisation. In addition to the 19 beds in the hostel, there are 33 off site bed spaces in the local community, enabling residents within the service to build on their independent living skills. There are also six direct access dormitory beds in place for those who are at immediate risk of sleeping rough. The facilities at the hostel, and in particular the dormitory beds, have undergone significant structural improvement in the last year.

During 2018/19 Tayfen housed 108 homeless applicants, helped 17 residents to positively move on to suitable accommodation, and supported 27 residents into employment or work experience and 8 into training or education. In addition to those housed within the Tayfen service, Havebury is working with West Suffolk Council on the local response to the Government funded Rough Sleeper Initiative. Three beds have been available to this project since November with a fourth on line from the beginning of June.

Havebury's efficiency elsewhere in the business allows for investment in community projects and additional spend on tenant priorities. During 2017/18 £100k was allocated to the tenant's forum to spend on capital works. The panel opted to spend the budget on fencing repairs, reducing the waiting time from 18 months to six to eight weeks. In addition, £31k awarded in grants to groups attracted almost £197k in match funding for community projects such as a new scout hut, a church project, window replacement at a village hall and work to play areas. £54k was spent on neighbourhood improvement too, including a project to improve car parking, a drying area and a communal garden.

STRATEGIC REPORT

2018/19 value for money action plan

As part of Havebury's 2018/19 Annual Delivery Plan, Havebury set out a number of value for money objectives. An update on each of these is shown below:

Value for Money Action	Expected Outcome	VfM Gain	2018/19 Outturn
Strengthen the business and social value by building more homes			
Havebury Homes Limited - Start and complete the first scheme at Fenton's farm of four units for market sale and achieve detailed planning/start on site for second scheme	20 market sale homes started on site and gift aid profit forecast of £1.25m for following year	Gift aid receipts used to develop new social housing and enhance Havebury's social value	Fentons Farm started on site, but due for completion October 2019. Due to re-assessment of risk/reward Board and current housing market, development for market sale scaled back
Partner of choice - Deliver new S106 homes purchased directly from private developers, maximising new funding facility. All units to achieve viability assumptions	Enter into contract and start on site on a minimum of 129 S106 units and achieve a minimum of 150 completions	Being established partner of choice maximises opportunities for S106 purchases	Completed 153 S106 units and started 234
Affordable Homes Programme - Complete remaining schemes at Wade House and Jokers. Bury Road, Thetford makes suitable progress	63 new affordable rented units are completed and a further 38 are forecast to complete the next financial year	Development of new social housing enhances Havebury's social value and positively impacts business plan	Jokers completed and Bury Road remains forecast to complete September 2019. Wade House delayed due to termination of contract
SOAHP - Deliver programme in line with Homes England contractual commitments	Achieve 73 grant funded starts and complete five grant funded shared ownership units		97 starts and 32 completions, although only one grant funded completion of shared ownership, the balance for affordable rent
Development programme - deliver growth at pace and cost in line with business plan to maximise the use of new funding facility	222 units achieve start on site; the sum of starts on Havebury Homes, SOAHP 2016-21 and S106 programme		335 starts on site achieved
Development funding - Seek additional funding from Homes England, local authorities and The Cambridgeshire and Peterborough Combined Authority to support the development programme	Through the receipt of new grant, additional affordable rent units delivered as part of the 2016-21 programme are financially viable	Grant funding ensures viability of schemes, maximises Havebury's ability to develop new social housing and enhances Havebury's social value	Significant new funding attracted from Homes England. In total an additional £3.27m above contract position
Disposals - identify five units for sale	Generate £700k receipts to fund new homes programme	Generates income ring fenced to develop more suitable, better value homes	Four units sold on open market raising £847k. Blackbourne View sold raising £1.34m
Provide good quality accessible services that meet customer needs			
Digital offer phases one (core functionality) and two (additional functionality)	Core functionality for income and repairs complete	A further more efficient communication channel is established	Schedule changed to enable further testing prior to launch. Due date for phase one now 31/07/2019 and phase two 31/12/2019
First focus neighbourhoods - review neighbourhood and estate services, responsive and planned repairs	Identify ways of improving efficiency to deliver consistent neighbourhood and repairs services over a wider geographical area. Processes reviewed to enable digital services offer	Havebury is able to grow and service more units over a wider geographical area without a proportionate increase in overheads	Review phase complete. Consultation with employees on outcome of review completed. New staffing structure and recruitment commenced. Staff briefed on new ways of working and new processes and procedures. New contractual arrangements for technicians signed and extended working hours agreed
Tenancy sustainability training - identify and introduce a tenancy training package for all first time tenants	Investigate e-learning for all new tenants to improve their ability to access online services and support their ability to manage tenancy	Tenancies are better maintained, more efficiently and with less intervention	Example training package identified, however no further work undertaken due to focus on improving voids performance
Universal credit - undertake an impact assessment of first six months of UC full service, considering implications for tenants and business plan	Informed response to the controllable risks of UC to minimise impact on rent arrears	Risk to income mitigated	Report on UC to operations committee on 30/04/2019
Invest in homes and neighbourhoods to create places where people want to live			
Vinefields estate improvement - engage consultant to consider options	Engage consultant to consider options and budget for improving property and estate at Vinefields	Viability of Vinefields as an estate improves	Due to additional work arising from fire safety surveys, project deferred to 2019/20
External wall insulation of cross wall units - undertake a programme of EWI to 60 cross wall units with single skin second floors	Improve the thermal efficiency of properties to reduce heating costs and tackle damp/condensation issues	Fewer issues/repairs raised regarding damp/condensation. Better energy efficiency improves value for residents	30 cross wall units received EWI. A further 30 to be complete in 2019/20
Energy efficiency measures for tenants - investigate and assess in-home devices which enable tenants to measure energy usage	Consider the trial of Switch device that regulates temperature and energy used to enable tenants to keep homes warm economically and reduce condensation issues	Better energy efficiency and awareness improves value for customers	No progress made as other projects have taken priority
Neighbourhood visions - develop and deliver neighbourhood vision statements	Ensure that estates are proactively managed to maintain quality and standard	Reduction in reactive type works to address issues. Better value for residents.	All neighbourhood vision statement actions have been implemented. Further review to be undertaken in 2019/20

STRATEGIC REPORT

Value for Money Action	Expected Outcome	VfM Gain	2018/19 Outturn
Drive value through an efficient, sustainable and well-run business			
Civica Cx - Influence the development of Cx upgrades and deliver on phase two of the project. Undertake a review to assess benefits realised from Cx	Cx stabilises and improved working practices as evidenced through benefits realisation	Benefits realised from Cx enables Havebury to work more efficiently. Havebury is able to grow and service more units over a wider geographical area without a proportionate increase in overheads	Cx has benefitted from upgrades to improve performance and functionality. Phase two delivery on target. Work underway to improve user experience and streamline workflows. Benefits realisation undertaken with report to management team and Board
Pension strategy - continue to develop the approach to meeting all aspects of pensions responsibilities	A clear plan for meeting future pension need	Pensions strategy delivers improved long term value	Work planned for 2018/19 complete. Project is ongoing
Cloud migration phases one and two - migration of systems to The Cloud	All systems ready/able to be migrated	IT infrastructure delivers improved value and is fit for future	Phase one (migration of initial systems) complete. Cx and finance systems to be migrated as part of next upgrades
Agile working - pilot of new hardware to match new ways of working following First Focus review	Equipment and training provided to staff so that they can work agile	Havebury is able to grow and service more units over a wider geographical area without a proportionate increase in overheads	Technology tested and to be implemented as part of IT strategy for enhanced mobility 2019/20
Review of rent policy - undertake phase two of research, identified at company member away day, to assess the wider impact of affordable rent policy	Understand the affordability of rent products and provide evidence to shape policy and local authority Tenancy Strategy	Value maximised in providing the right rent products and maximise capacity for new development	Second phase of feedback presented at strategic planning event
Invest in and value our people to continue to build a great organisation			
Health and wellbeing - invest in health, wellbeing and resilience of staff through providing a range of resources for individuals and teams	A healthy, well supported and resilient employee team	Staff are resilient to change a varied workload, able to deliver key efficiencies and maintain quality services	Havebury continued to invest in Simply Health in 2018/19 and encouraged use of the scheme and provided mandatory resilience training for all staff. Two health and well-being awareness weeks were run
Staff engagement - improving communication by investing time and effort into channels such as The Hub and Edition (staff newsletter)	Greater employee engagement	Staff are engaged in on-going efficiencies and are equipped and well-informed to deliver improvements	Edition improved, website and The Hub to be updated 2019/20
Agile working - support agile working pilots with appropriate HR policies and employee guidance to ensure agile is fit for business needs	An agile framework that meets business needs	Havebury is able to grow and service more units over a wider geographical area without a proportionate increase in overheads. Staff are equipped for new ways of working	Agile pilot complete and new framework agreed by management team

RISKS AND UNCERTAINTIES

IDENTIFYING AND EVALUATING KEY RISKS

The Association's risk management framework, setting out the Board's attitude to risk in the achievement of its objectives, underpins the risk management, business planning and control arrangements. These arrangements clearly define management responsibility for the identification, evaluation and control of significant risks. The Executive Directors regularly consider reports on these risks and the Chief Executive is responsible for reporting to the Board any significant changes affecting key risks. All new development schemes are subject to approval from the Project Appraisal Risk Committee (PARC) and existing developments are reported in detail to the Strategic Board.

Risks are recorded and assessed in terms of their impact and probability. Major risks, presenting the greatest threats to the Association, are reported to the Strategic Board at each meeting together with action taken to manage the risks, including assessments of key controls, and the outcome of the action. The major risks to successful achievement of the Association's objectives going forward are summarised below:

SUMMARY OF CONSEQUENCES	SUMMARY OF CONTROLS IN PLACE
Key risk: Board Renewal Plan	
By September 2019 three Board Directors come to retire having served the maximum term of office allowed by the NHF Code of Governance. In addition, following an external review of governance arrangements a Development Committee has been established requiring recruitment of additional members and skills. An ineffective programme of Board renewal could lead to a loss of skills and corporate history having an adverse impact on governance processes.	The controls in place to manage this risk are as follows: • A Board skills and succession plan is in place • Board Recruitment and Succession Policy is in place guiding the process of recruitment and replacement • A clear and comprehensive induction process is provided for new members • Board and committee effectiveness is reviewed annually both collectively and of individual members ensuring that skills and performance remain relevant and effective • The Governance Policy sets out the process for operating governance arrangements at Havebury • An external review of governance is undertaken every three years to supplement the annual reviews

Key risk: Economic Uncertainty	
Changes in the global and national economic environment such as interest rates, inflation and house prices could have an adverse impact on the long term financial viability of Havebury.	The controls in place to manage this risk are as follows: • Prudent Business Planning assumptions and stress testing of the business plan at least quarterly • The Board has an articulation of its risk appetite in the form of financial thresholds • Treasury Strategy and annual Treasury Plan in place • Cashflow and covenant compliance reported to Board each quarter
Key risk: Health and Safety	
Ineffective management of health and safety compliance could lead to the death or serious injury of residents or staff	The controls in place to manage this risk are as follows: • An overarching Health & Safety Policy is in place clearly setting out the roles and responsibilities of Board Members, managers and staff members • A formal process recording near miss, incident and accident reporting is in place • The Health, Safety and Wellbeing meets quarterly is chaired by the Director of Resources and supported by the Health and Safety Manager • The Health & Safety Manager is responsible for monitoring health and safety legislation generally and implementing appropriate changes within the organisation. The association provides health & safety training for all employees, including regular fire safety drills and checks • The internal audit service conducts regular compliance checks across key health and safety areas
Key risk: Shared Ownership Sales	
Deterioration in the housing market could reduce the planned surplus from sub-market home ownership, including first tranche sales and staircasing could have an adverse impact on the business plan and cashflow.	The controls in place to manage this risk are as follows: • Appraisals are based on prudent assumptions • Shared Ownership forecasts and cashflows are stress tested • There are 8 trigger monitoring measures reviewed monthly by Executive Directors and Quarterly by Strategic Board • A range of mitigation options are in place • A clear escalation process clearly sets out the actions to be taken in the event of a crystallisation of this risk

Key risk: Cyber Security	
Ineffective ICT arrangements to prevent cyber security breaches could lead to data loss, damage to reputation and sanctions from the Information Commissioner	The key controls in place to manage this risk are: • The association has a Business Continuity Plan in place that is compliant with British Standard BS 25999. This plan is reviewed and tested regularly • Office buildings have regular maintenance checks on firefighting equipment, utility services and all business critical equipment • The association maintains an adequate level of insurance cover, regularly reviewed, for both business premises and the costs of disaster recovery • Controls in place to prevent running downloadable executable content in temporary file locations. Email filtering to prevent delivery of email with known viruses. Regular penetration testing
Key risk: Fire Safety	
Ineffective management of fire safety could lead to the death or serious injury of residents or staff	The key controls in place to manage this risk are as follows: • Fire risk assessment and policy in place • Cladding Policy is in place for new build properties • Regular inspections for communal areas • Separate of responsibility for delivery and compliance • Inspections and servicing of fire safety equipment
Key risk: Third Party Failure	
The failure of a contractor or supplier could lead to significant loss of service to customers or the inability to deliver major schemes or projects. Completion of these schemes or projects being likely to has a negative financial impact.	The key controls in place to manage this risk are as follows: • The association undertakes periodic assessments of the overall economic environment and reviews the probability of financial failure of contractors in the light of these assessments • The procurement process involves pre-contractual financial checks to determine the financial robustness and resilience of suppliers • All suppliers have a monthly credit check undertaken • There is an effective contract management mechanism, supported by independent verification, which ensures that contractors are not paid for work they have not completed • The contract process is reinforced with on-site inspections where relevant. • For major projects, independent expert confirmation is sought that the contractor has the capability to complete the contract within the agreed timescale

CAPITAL STRUCTURE AND TREASURY MANAGEMENT

The Association financed its development programme from its own reserves during the year, and £16m was drawn down from available facilities. At year end Association borrowings amounted to £181.5m (2018: £165.5m), with the ability to draw a further £88.5m (2018: £104.5m).

LOAN FACILITIES AND LIQUIDITY

As at 31 March 2019 the Association had four committed loan facilities totalling £270m (2018: £270m). This consisted of a £85m (2018: £85m) bilateral loan facility with Barclays with drawn funding of £85m (2018: £85m), a £50m (2018: £50m) bilateral undrawn loan facility with RBS, a £75m bilateral loan facility with Macquarie, with drawn funding of £75m (2018: £45m) and a £60m facility with Lloyds with drawn funding of £21.5m (2018: £35.5m).

The actual amount drawn down from these loan facilities is as follows (this is before taking into account the effective interest adjustment):

Maturity	2019 £m	2018 £m
Within one year	-	-
Between one and two years	-	-
Between two and five years	31.5	45.5
After five years	150.0	120.0
	181.5	165.5

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Association uses various financial instruments, including loans and cash, and other items such as rental arrears and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Association's operations.

The existence of these financial instruments exposes the association to a number of financial risks. The main risks arising from the Association's financial instruments are considered by the directors to be interest rate risk, liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below:

INTEREST RATE RISK MANAGEMENT

The Association finances its operations through a mixture of retained surpluses and bank borrowings. The Association's exposure to interest fluctuations on its borrowings is managed by the use of both fixed and variable rate facilities.

The Association's treasury policy is to keep between 60% and 90% of its borrowings at fixed rates of interest. At the year end, 88.2% of the Association's borrowings were at fixed rates (2018: 78.5%). Further details on the profile of borrowings can be found in note 22. The fixed rates of interest range from 1.86% to 5.05%.

Gearing, calculated as total loans less cash as a percentage of tangible fixed assets was 53.8% by 31 March 2019 (2018: 53.1%).

LIQUIDITY RISK

The Association seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and invest cash assets safely and profitably. In addition to drawn borrowings, the Association has £88.5m (2018: £104.5m) of undrawn committed facilities.

CREDIT RISK

The Association's principal credit risk relates to tenant arrears. This risk is managed by providing support to eligible tenants with their application for Housing Benefit and to closely monitor the arrears of self-funding tenants. The Welfare Reform and resulting changes to the benefits system has been identified as a key risk to the Association, and the teams continue to assess the impact of these changes.

COMPLIANCE WITH LOAN COVENANTS

EBITDA and net debt per unit are measured monthly and reported quarterly to the lenders. For the year end 31 March 2019 all loan covenants were met.

FUTURE DEVELOPMENTS

A key influence on the timing of borrowings is the rate at which development activity takes place. The Board has approved plans to spend nearly £37m during the next financial year to develop affordable housing as we continue to invest in the area. This will be funded from the loan facilities and grants from Homes England. Undrawn loan facilities of £88.5m are available under existing arrangements, which fully fund our business plan.

The Association continues to assess the impact of welfare reform policies on its business plan and intended future developments. Other initiatives will be developed over the next year to assist our tenants in dealing with changes to housing and other benefits.

STATEMENT OF COMPLIANCE

In preparing this Strategic Report and Board Report, the Board has followed the principles set out in the Statement of Recommended Practice: Accounting by registered social housing providers 2014 (SORP).

REMUNERATION OF BOARD DIRECTORS

Association Members receive a payment for their work which is set by an independent panel working to national guidelines. Both individual and collective Association Member performance is appraised annually with the objective of enabling the Board to ensure that it is fit for purpose.

STRATEGIC REPORT

The table below shows the salaries paid to Association members during 2018/2019 and 2017/2018:

Association Members	2018/2019 Salary	2017/2018 Salary
D McKenzie, Chairman - Strategic Board	£11,000	£11,392
L Adams, Chairman - Operations Board	£5,500	£5,500
R Everitt, Chairman - Audit & Risk Committee	£5,500	£5,500
C Gardner	£4,000	£4,000
I Mashiter - HHP member and HHL Chairman	£5,500	£5,500
MD Sheren	£4,000	£4,000
HE Thomas	£4,000	£4,000
M Webster	£2,750	£0
K Harris	£2,500	£0
C Herries	£4,000	£4,000
Tibor Pinter	£3,000	£1,500
AJ Oxborrow	£4,000	£4,000
C Springett	£4,000	£4,000
M Tutton	£4,000	£4,199
R Hayhurst - HHL	£4,000	£3,500
P Gormley	£0	£250
AL Grant	£0	£333

Chairman of the Board
Donald McKenzie

Strategic Board Director

Company Secretary
Marie McCleary

Date:

REPORT OF THE BOARD

The Board of Havebury is pleased to present its report together with the audited financial statements of The Havebury Housing Partnership (Havebury), a charitable society registered under the Co-operative and Community Benefit Societies Act 2014, for the year ended 31 March 2019.

PRINCIPAL ACTIVITIES, BUSINESS REVIEW AND FUTURE DEVELOPMENTS

Details of Havebury's principal activities, its performance during the year and factors likely to affect its future development are contained within the Strategic Report, which precedes this report.

BOARD MEMBERS AND EXECUTIVE DIRECTORS

The Board Members and Executive Directors of Havebury are set out on page 3.

Havebury has a Strategic Board with 3 committees (the Operational Board, Audit and Risk Committee and Remuneration and Governance Committee).

The Board fully complies with the NHF code of Governance 2015.

The Executive Directors are the Chief Executive, Director of Resources, Director of Operations and Director of Development. They hold no interest in Havebury's shares and act as executives within the authority delegated by the Board. The Executive Directors served throughout the year. Company insurance policies indemnify Board Members and Officers against liability when acting for Havebury.

SERVICE CONTRACTS

The Chief Executive and the other Executive Directors are employed on the same terms as other staff, their notice periods ranging from three to six months.

PENSIONS

The Executive Directors are members of the Aviva Group scheme, a defined contribution scheme. They participate in the scheme on the same terms as all other eligible staff.

OTHER BENEFITS

The Executive Directors are entitled to other benefits such as the car allowance.

EMPLOYEES

We recognise that the success of our business depends on the quality of our managers and staff. It is the policy of Havebury that training, career development and promotion opportunities should be available to all employees.

We are committed to equal opportunities and in particular we support the employment of disabled people, both in recruitment and in retention of employees who become disabled whilst employed by Havebury.

The Board is aware of its responsibilities on all matters relating to health and safety. Havebury has prepared detailed health and safety policies and provides staff training and education on health and safety matters.

GOING CONCERN

Havebury's business activities, its current financial position and factors likely to affect its future development are set out within the Strategic Report. Havebury has in place long term debt facilities (including £88.5m of undrawn facilities at 31 March 2019), which provide adequate resources to finance committed reinvestment and development programmes, along with Havebury's day to day operations. Havebury also has a long term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

On this basis, the Board has a reasonable expectation that Havebury has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Internal Control

The Board's responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness is set out in the internal controls assurance statement below:

The Group Board is ultimately responsible for ensuring the Group establishes and maintains a system of internal control appropriate to the business environment in which it operates. Such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The key elements in exercising control include:

1) Board approved terms of reference and delegated authorities for audit and operations committees

2) Clearly defined management responsibilities for the identification, evaluation and control of significant risks

3) Robust strategies and business planning processes, with detailed financial budgets and forecasts

4) Formal recruitment, retention, training and development policies for all staff

5) Established authorisation and appraisal procedures for significant new initiatives and commitments

6) Robust treasury management, which is subject to external review each year

7) Regular reporting to the appropriate committee on key business objectives, targets and outcomes

8) Board approved whistle-blowing and anti-theft and corruption procedures

9) Board approved fraud procedures, covering prevention, detection and reporting together with recoverability of assets

10) Regular monitoring of loan covenants and requirements for new loan facilities

11) Annual review of Regulator of Social Housing 'Economic and Consumer Standards'.

REPORT OF THE BOARD

The Board confirms that it has a strategy and procedure for anti-fraud and corruption. The system of internal controls is ongoing, and has been in place for the year to 31 March 2019 and up to the date of approval of the annual report and financial statements.

The Board recognises its responsibility for the system of internal control and for reviewing its effectiveness. The Board confirms that all necessary actions are taken to remedy any significant failings or weaknesses which may have been identified during the year through Internal Audit Reports and other independent reviews.

The Board cannot delegate ultimate responsibility for the system of internal control but has delegated authority to the Audit & Risk Committee to regularly review the effectiveness of the system of internal control. The Board receives Audit & Risk Committee quarterly reports and meeting minutes. The Audit & Risk Committee has received the annual report of the internal auditor, and has reported its findings to the Board. The Board confirms no weaknesses were found in the internal controls for the year ended 31 March 2019 which might otherwise have resulted in material losses, contingencies or uncertainties which require disclosure in this report.

Havebury operates a system of committees that report to the Board. An independent review of the governance arrangements was undertaken in 2018 and concluded that the arrangements in place were effective. The review made some recommendations including the establishment of a a Development Committee to assist the Board in managing the higher level development being undertaken by the business.

Havebury has adopted the National Housing Federation's Excellence in Governance and Excellence in Standards of Conduct.

Statement of the Board's responsibilities on Internal controls assurance

The Board is responsible for preparing the Financial Statements and Annual Report 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 Registered Provider (RP) and of the surplus or deficit for that period. In preparing these financial statements, the Board is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and 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 a going concern basis unless it is nappropriate to presume that the RP will continue in business.

The Board is responsible for keeping adequate accounting records that are sufficient to show and explain the transactions and which disclose, with reasonable accuracy at any time, the financial position of the RP and to enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Social Housing in England from April 2015. It has general responsibility for taking reasonable steps to safeguard the assets of the RP and to prevent and detect fraud and other irregularities.

REPORT OF THE BOARD

The Board is responsible for ensuring that the Strategic Report includes a fair review of the development and performance of the business and the position of the Association and its subsidiaries included in the consolidation, together with the disclosure of the principal risks and uncertainties they face. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Board is responsible for the maintenance and integrity of the Group's website.

CONTROL ENVIRONMENT AND INTERNAL CONTROLS

The processes to identify and manage the key risks to which Havebury is exposed are an integral part of the internal control environment. Such processes, which are reviewed annually and revised where necessary, include strategic planning, the recruitment of experienced executive Directors and senior staff, regular performance monitoring, control over developments and the setting of standards and targets for health and safety, data protection, fraud prevention and detection, and environmental performance.

INFORMATION AND REPORTING SYSTEMS

Financial reporting procedures include detailed budgets for the year ahead and a long term business plan. These are reviewed and approved by the Strategic Board and monitored throughout the year by the Strategic Board. Quarterly performance reports are prepared for the Operations Board and Strategic Board. The Strategic Board, Audit & Risk Committee and Operations Board meet regularly and receive other reports on Business Critical Indicators to assess progress towards the achievement of key business objectives, targets and outcomes. The outcomes of these reviews have been reported to the Board throughout the year. In the light of the current economic climate the Board has decided to continue to review the business plan at every meeting.

MONITORING ARRANGEMENTS

Regular management reporting on control issues provides assurance to successive levels of management and to the Strategic Board. It is supplemented by regular reviews by internal audit, which provides independent assurance to the Strategic Board via the Audit & Risk Committee. The arrangements include a rigorous procedure, monitored by the Audit & Risk Committee, for ensuring that corrective action is taken in relation to any significant control issues.

FRAUD

A formal written policy dealing with detected, suspected or attempted fraud is in place and is reviewed by the Board on a rolling 3 year cycle. All such frauds are reported to senior financial management for investigation and reported to the Audit & Risk Committee, and in the case of frauds exceeding £1,000, to the Regulator of Social Housing. A formal Fraud Register is maintained that is signed off annually by the Chair of the Audit & Risk Committee. The Chair of the Audit & Risk and all other Committees report back to the Board at the next Board following the Committee meeting. In the year, there were no detected, suspected or attempted frauds that resulted in financial or reputational loss to Havebury.

There are no significant failings or weaknesses identified in the review.

The Board has undertaken an assessment and can certify compliance with the Governance and Financial Viability Standard, issued by the Regulator of Social Housing.

REPORT OF THE BOARD

ANNUAL GENERAL MEETING
The annual general meeting will be held on 14 October 2019.

The report of the Board was approved by the Board on 22 July 2019 and signed on its behalf by:

Chairman of the Board Date:
Donald McKenzie

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE HAVEBURY HOUSING PARTNERSHIP

Opinion
We have audited the financial statements of Havebury Housing Partnership (the 'Association') and its subsidiaries (the 'Group') for the year ended 31 March 2019 which comprise the Consolidated and Association Statements of Comprehensive Income, the Consolidated and Association Statements of Changes in Reserves, the Consolidated and Association Statements of Financial Position, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS102 "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 Group's and Association's affairs as at 31 March 2019 and of the income and expenditure of the Group and the income and expenditure of the Association for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

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

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

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

Other information
The other information comprises the information included in the annual 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, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE HAVEBURY HOUSING PARTNERSHIP

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 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 proper accounting records; or
- the financial statements are not in agreement with the books of account of the Association; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Board
As explained more fully in the Board's responsibilities statement set out on pages 34 and 35, 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 group's and 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 group or 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:https://www.frc.org.uk/auditorsresponsibilities.This description forms part of our auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Peter Howard.

Use of our report

This report is made solely to the Association's members as a body, in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
Abbotsgate House
Hollow Road
Bury St Edmunds
Suffolk
IP32 7FA

Date

STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 March 2019

		2019		2018	
		Group	Association	Group Restated	Association Restated
	Note	£'000	£'000	£'000	£'000
Turnover	3	42,054	42,054	37,595	37,595
Cost of Sales	3	(4,186)	(4,186)	(1,369)	(1,369)
Operating Costs	3	(24,768)	(24,762)	(22,608)	(22,608)
Operating Surplus	3,5	13,100	13,106	13,618	13,618
Surplus on sale of housing properties	6	842	842	358	358
Interest receivable	7	19	42	7	7
Interest payable	8	(8,693)	(8,705)	(7,170)	(7,170)
Surplus before taxation		5,268	5,285	6,813	6,813
Taxation		-	-	-	-
Surplus for the financial year		5,268	5,285	6,813	6,813
Actuarial (loss)/gain in respect of pension scheme		(2,199)	(2,199)	676	676
Total comprehensive income for the year		3,069	3,086	7,489	7,489

The results related wholly to continuing activities.

The notes on pages 43 to 70 form part of these financial statements.

Chairman of the Board
Donald McKenzie

Strategic Board Director

Company Secretary
Marie McCleary

Date:

STATEMENTS OF CHANGES IN RESERVES

For the year ended 31 March 2019

Group	Revaluation Reserve	Income and Expenditure Reserve	Total
	£'000	£'000	£'000
Balance at 1 April 2017	88,695	29,932	118,627
Surplus for the year	-	6,813	6,813
Actuarial gain in respect of pension schemes	-	676	676
Transfer from revaluation reserve to income and expenditure reserve	(647)	647	-
Balance at 1 April 2018	88,048	38,068	126,116
Surplus for the year	-	5,268	5,268
Actuarial loss in respect of pension schemes	-	(2,199)	(2,199)
Transfer from revaluation reserve to income and expenditure reserve	20	(20)	-
Transfer from tangible fixed assets	(461)	-	(461)
Balance at 31 March 2019	87,607	41,117	128,724

Association	Revaluation Reserve	Income and Expenditure Reserve	Total
	£'000	£'000	£'000
Balance at 1 April 2017	88,695	29,932	118,627
Surplus for the year	-	6,813	6,813
Actuarial gain in respect of pension schemes	-	676	676
Transfer from revaluation reserve to income and expenditure reserve	(647)	647	-
Balance at 1 April 2018	88,048	38,068	126,116
Surplus for the year	-	5,285	5,285
Actuarial loss in respect of pension schemes	-	(2,199)	(2,199)
Transfer from revaluation reserve to income and expenditure reserve	20	(20)	-
Transfer from tangible fixed assets	(461)	-	(461)
Balance at 31 March 2019	87,607	41,134	128,741

The notes on pages 43 to 70 form part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

For the year ended 31 March 2019

	Note	2019 Group £'000	2019 Association £'000	2018 Group £'000	2018 Association £'000
Tangible Fixed Assets					
Housing properties	11	330,622	330,622	302,501	302,501
Other tangible fixed assets	12	3,075	3,075	3,110	3,110
		333,697	333,697	305,611	305,611
Intangible Assets	13	471	471	481	481
Total Fixed Assets		334,168	334,168	306,092	306,092
Current Assets					
Stock	15	156	156	184	184
Properties for Sale	16	5,501	4,734	5,058	5,058
Debtors	17	2,463	3,463	2,292	2,292
Cash at bank and in hand		7,700	7,358	8,876	8,876
		15,820	15,711	16,410	16,410
Deferred income falling due within one year	23	(170)	(170)	(110)	(110)
Creditors: amounts falling due within one year	18	(12,071)	(11,945)	(9,324)	(9,324)
Net current assets		3,579	3,596	6,976	6,976
Total assets less current liabilities		337,747	337,764	313,068	313,068
Creditors: amounts falling due after more than one year	19	185,865	185,865	169,734	169,734
Net pension liability	9	6,093	6,093	3,436	3,436
Deferred income - grant	23	17,065	17,065	13,782	13,782
		209,023	209,023	186,952	186,952
Capital and Reserves					
Non-equity share capital	25	-	-	-	-
Revaluation reserve		87,607	87,607	88,048	88,048
Income and Expenditure reserve		41,117	41,134	38,068	38,068
Retained Funds		128,724	128,741	126,116	126,116
		337,747	337,764	313,068	313,068

The notes on pages 43 to 70 form an integral part of these financial statements.

The financial statements were approved by the Board and authorised for issue on 22nd July 2019 and signed on its behalf by:

Chairman of the Board
Donald McKenzie
Date:

Strategic Board Director

Company Secretary
Marie McCleary

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	Note	Group 2019 £'000	2018 £'000
Net cash generated from operating activities	27	24,808	14,029
Cash flow from investing activities			
Purchase and construction of housing properties		(40,817)	(25,240)
Purchase of other tangible fixed assets		(163)	(134)
Purchase of intangible assets		(56)	-
Proceeds from sale of tangible fixed assets		5,268	2,160
Other fixed assets sales		-	8
Grants received		2,399	3,301
Interest Received		19	7
		(33,350)	(19,898)
Cash flow from financing activities			
Interest paid		(8,628)	(6,601)
Loan drawdowns		16,000	14,000
Loan issues costs		(6)	(1,111)
		7,366	6,288
Net change in cash and cash equivalents		(1,176)	419
Cash and cash equivalents at beginning of year		8,876	8,457
Cash and cash equivalents at end of the year		7,700	8,876

NOTES TO THE FINANCIAL STATEMENTS

1 LEGAL STATUS

The Association is a charitable society registered under the Co-operative and Community Benefit Societies Act 2014. The Association is a Registered Provider of Social Housing with the Regulator Social Housing (RSH).

The Association's and Group's principal activity is the provision of social housing. The principal activity of the subsidiary, Havebury Homes Limited, is the development of properties for open market sale on behalf of the parent Association, The Havebury Housing Partnership.

The Association is registered with the Financial Conduct Authority (FCA) and its office is based in Bury St Edmunds. The principal place of business is based in Bury St Edmunds and Haverhill and the surrounding villages. Havebury has expanded into other areas such as South Norfolk, Mid Suffolk and Cambridgeshire.

2 ACCOUNTING POLICIES:

BASIS OF ACCOUNTING

The financial statements of the Association are prepared in accordance with Financial Reporting Standard (FRS) 102 and the Statement of Recommended Practice for registered Social Housing providers 2014 (SORP), and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015. The Board is satisfied that the current accounting policies are the most appropriate for the Association.

There are two subsidiaries of the Association, Havebury Homes Limited and Design & Build Services East Limited. Havebury Homes Limited commenced trading during the financial year and forms part of the consolidated accounts. Design and Build Services East Limited is still dormant and therefore is excluded from consolidation. The accounts present information about The Havebury Housing Partnership and Havebury Homes Limited.

Monetary amounts in these financial statements have been rounded to the nearest whole £1,000, except where otherwise stated.

The principal accounting policies are set out below and are in accordance with FRS102.

BASIS OF CONSOLIDATION

The consolidated financial statements of the Association have been prepared as required by SORP 2014 and incorporate, under the acquisition method, the financial statements of the Association and enterprises controlled by the Association (its subsidiaries) made up to the 31 March each year.

Subsidiaries are entities over which the Association has the power to govern the financial and operating policies to obtain economic benefit to the Association. Subsidiaries are fully consolidated from the effective date of acquisition, or up to the effective date of disposal, as appropriate.

GOING CONCERN

The financial statements are prepared on a going concern basis. The Board has reached a conclusion about the ability of the organisation to continue as a going concern and has concluded that the organisation is a going concern.

The directors have come to this conclusion because of the financial position of the Group and Association. The Group has a surplus for the year of £5.268 million and a Statement of

Financial Position showing total assets less current liabilities of £337.747 million. The business plans of the Group and Association help to forecast that the Group and Association will continue for the foreseeable future.

The Association also has access to funds in the form of a bank loan which will provide cash for future expansion of the business in line with the Association's Homes England development programme 2016-2021. This programme will provide grant funding for schemes which will mitigate some of the cost of developments. The Association is developing homes for shared ownership as part of the Homes England 2016/2021 Shared Ownership Affordable Homes Programme (SOAHP).

TURNOVER

Turnover comprises rental and service charge income receivable in the period, income from shared ownership first tranche sales, income from open market sales, other services included at the invoiced value (excluding VAT) of goods and services supplied in the period, Supporting People grants and amortised Government grants.

Rental income is recognised from the point when it becomes due. Income from first tranche sales and open market sales are recognised at the point of legal completion of the sale. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities.

HOUSING PROPERTIES

Housing properties are properties available for the provision of social and affordable housing and are principally available for rent and shared ownership.

Completed housing properties are stated at cost less accumulated depreciation which is calculated per component of the property and less impairment losses.

Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of major capital improvements.

Improvements are works which result in an increase in the net rental income, a reduction in future maintenance costs, or result in a significant extension of the useful economic life of the property in the business. Only direct overhead costs associated with new developments or improvements are capitalised. Other improvements and maintenance expenditure are expensed as incurred.

SHARED OWNERSHIP PROPERTIES

Shared ownership properties are split proportionally between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds are included in turnover. The remaining element is classed as a fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment.

SALES OF HOUSING PROPERTIES

The sale of properties under the Right to Buy scheme are treated as sales of fixed assets and not as properties developed for sale. The surplus or deficit arising on sale is shown net of the share due to the Council and after deducting the carrying value of the properties and related sale expenses.

NOTES TO THE FINANCIAL STATEMENTS

PROPERTIES FOR SALE

Shared ownership first tranche sales and property under construction are valued at the lower of cost and net realisable value. Cost comprises materials, interest capitalised, direct labour and direct development overheads. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

INTEREST CAPITALISED

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 Government grant in advance; or

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

Other interest payable is charged to the Statement of Comprehensive Income in the year.

DONATED LAND

Land donated by local authorities and others is added to the cost of housing properties at the market value of the land at the time of the donation.

GOVERNMENT GRANT

Government grant is receivable from Homes England (HE) and is utilised to part-fund the capital cost of housing properties, including land costs. Government grant due from HE or received in advance is included as a current asset or liability. Government grant received for completed schemes is treated as deferred income and represented as a liability on the Statement of Financial Position. Government grant received in respect of revenue expenditure is credited to Statement of Comprehensive Income in the same period as the expenditure to which it relates.

Government grant is receivable by the Association in respect of all development schemes. In accounting terms, the gross cost of such development schemes is recognised in these financial statements as cost of construction when invoiced to the Association. On completion of such development schemes the Association has the liability for repayment of Government grant received from the HE, where this applies. In cash flow terms, only the net cost of development is recognised.

Government grant is subordinated to the repayment of loans, by agreement with HE. Government grant released on sale of a property may be repayable but is normally available to be recycled and is credited to a Recycled Capital Grant Fund and included on the Statement of Financial Position in Creditors.

Government grant is amortised at a rate of 1% per annum and recognised in income.

OTHER GRANTS

These grants are in respect of revenue expenditure and are credited to the Statement of Comprehensive Income in the same period as the expenditure to which they relate.

DEPRECIATION OF HOUSING PROPERTIES

Freehold land is not depreciated. Depreciation is charged so as to write down the value of freehold housing properties other than freehold land to their estimated residual value, on a straight-line basis, over their estimated useful economic lives.

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:

Structure	1.0%
Roofs	1.6%
Kitchens	5.0%
Bathrooms	4.0%
Central Heating	6.7%
Electrical Rewires	3.3%
Windows	4.0%
Doors	3.3%

A full year depreciation charge is provided in the year of acquisition with no depreciation charge provided in the year of disposal of assets.

The Association has reviewed its Depreciation Policy and changed the rate of depreciation for kitchens from 6.7% to 5%, for bathrooms from 6.7% to 4%. Central heating has been changed from 8.3% to 6.7% and Doors have been introduced as a new component at 3.3%.

The changes in rates on bathrooms, kitchens and heating has reduced the depreciation charge this year by £956,043. The introduction of doors as a new component has increased the depreciation charge by £49,004, but reduced the overall charge to the Group's and Association's Statements of Comprehensive Income by a net £406,670.

IMPAIRMENT

An assessment is made at each reporting date of whether there are any indications that a fixed asset (including housing properties) may be impaired, or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the Association estimates the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value in use of the asset based on its service potential, are recognised as impairment losses in the Statement of Comprehensive Income.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in the Statement of Comprehensive Income. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

NOTES TO THE FINANCIAL STATEMENTS

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:

Freehold office building	over 40 years
Furniture, fixtures and fittings	10%
Computers and office equipment	25%
Motor vehicles, plant and equipment	20%

A full year depreciation charge is provided in the year of acquisition with no depreciation charge provided in the year of disposal of assets.

INTANGIBLE FIXED ASSETS

Intangible fixed assets are stated at cost, less amortisation. Amortisation is provided at a rate calculated to write off the cost, less estimated residual values, on a straight-line basis over the expected useful lives of the assets as follows:

Computer software 10%

A full year depreciation charge is provided in the year of acquisition with no depreciation charge provided in the year of disposal of assets.

STOCK

Stock is stated at the lower of the cost and net realisable value.

TAXATION

The Association is a charitable registered society under the Co-operative and Community Benefit Societies Act 2014 registered with the FCA and with HM Revenue and Customs. Accordingly the Association has no liability to corporation tax on its surplus.

VALUE ADDED TAX (VAT)

The Group is registered for VAT. The Group charges 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 Group and Association and not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year end is included as a current liability or asset. At the 31 March 2019 there was no liability.

LEASED ASSETS

Rentals payable under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

EMPLOYEE BENEFITS

The costs of short-term employee benefits are recognised as a liability and an expense. The holiday year ends on 31 December each year and employees are entitled to carry forward 5 days of unused holiday. The cost of unused entitlement is recognised in the period in which employee's services are received.

NOTES TO THE FINANCIAL STATEMENTS

RETIREMENT BENEFITS:

DEFINED BENEFIT
The Association participates in the Suffolk County Council Pension Fund which is a defined benefit pension scheme which provides benefits based on final pensionable pay. The scheme falls under the local Government pension scheme (LGPS).

The assets of the scheme are kept separately from those of the Association, and are invested in independently managed funds. Contributions to the scheme are calculated as a percentage of pensionable salaries. The employer's contribution is charged to the Statement of Comprehensive Income during the period of the employee's pensionable service.

Pension costs are assessed in accordance with the advice of an independent qualified actuary. Costs include the regular cost of providing benefits which it is intended should remain a substantially level percentage of current and expected future earnings of the employees covered. Variations from the regular pension's costs are spread evenly through the Statement of Comprehensive Income over the average remaining service lives of current employees.

The net defined benefit asset/liability represents the present value of the defined benefit obligation minus the fair value of plan assets out of which obligations are to be settled. Any asset resulting from this calculation is limited to the present value of available refunds or reductions in future contributions to the plan.

The rate used to discount the benefit obligations to their present value is based on market yields for high quality corporate bonds with terms and currencies consistent with those of the benefit obligations.

Gains or losses relating to the defined benefit pension scheme are recognised through the Statement of Comprehensive Income (SOCI). The difference between interest income on plan assets and actual returns on plan assets is recognised in the SOCI.

DEFINED CONTRIBUTION
The Association also operates a defined contribution pension plan administered by Aviva. The pension costs for the year are charged to the Statement of Comprehensive Income as they accrue.

COMMUNITY INVESTMENT
The Association makes grants to specific community investment projects approved by the Neighbourhood Investment Group and the Directors. The full amount of the grant is charged to the Statement of Comprehensive Income on approval and is shown as a current liability until drawn down by the agency. Grants received by the Association in connection with Community Investment projects are included in the Statement of Financial Position as a current liability on receipt and are recognised in the Statement of Comprehensive Income as the related expenditure is incurred.

INVESTMENTS
Investments are held at cost, less any provision for impairment.

NOTES TO THE FINANCIAL STATEMENTS

FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognised when the Association has a contractual obligation for the instrument. These are offset only when the Association currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial debt is classified as a financial instrument under Sections 11 and 12 of FRS 102 and should be accounted for as either basic or other. Depending on the type of instrument, there is a different accounting treatment. Financial debt classified as basic is accounted for using the amortised cost model, whereas debt categorised as other is treated under the fair value model, with movements flowing through the SOCI on an annual basis.

Where there is an option in a loan agreement for early repayment of the loan, FRS 102 does not stipulate whether the financial debt should be classified as basic or other. As per the loan agreement the organisation has the option to proceed with early repayment of the facilities.

Bank loans are held at both amortised cost and at historic cost. The Association has a revolving loan facility of £60 million of which £21.5 million has been drawn and is held at cost. The remaining drawn loans are held at amortised cost.

FINANCIAL ASSETS

Debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at transaction price.

The Association continues to recognise debtors until they are disposed or settled and to not measure financing transactions at present value. The decision has been taken because of the immateriality of the transactions.

A provision for impairment of debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in the Statement of Comprehensive Income for the excess of the carrying value of the trade debtor over the present value of future cash flows discounted using the original effective interest rate. Subsequent reversals of impairment losses that objectively relate to an event occurring after the impairment loss was recognised, are recognised in the Statement of Comprehensive Income.

FINANCIAL LIABILITIES

Creditors payable within one year that do not constitute a financing transaction are initially measured at transaction price and subsequently measured at amortised cost, being transaction price less any amounts settled.

The Association continues to recognise creditors until they are disposed or settled and to not measure financing transactions at present value. The decision has been taken because of the immateriality of the transactions.

BORROWINGS

Borrowings are initially recognised at transaction price, including transaction costs and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

Where borrowings are part of a revolving facility these are stated at transaction price including transaction costs.

DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

A financial asset is derecognised only when the contractual right to receive cash flow expires or is settled, or substantially all the risks and rewards of ownership have been transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell it entirely to an unrelated party. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

PROVISIONS

Provisions are recognised when the Association has an obligation at the reporting date as a result of a past event where it is more than probable that an outflow of economic benefit will occur and can be estimated reliably. Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts,
discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

RESERVES

The Association establishes restricted funds for specific purposes where their use is subject to restrictions imposed by third parties. Reserves of the Association represent the following:
The Revaluation Reserve shows cumulative revaluation gains and losses in respect of land and buildings under the previous accounting policy of the Association, prior to the adoption of “deemed cost”.

The Income and Expenditure Reserve shows cumulative gains and losses recognised in the revenue reserve.

CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Association makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined in the notes to the accounts. The items in the financial statements where these judgements and estimates have been made include:

BAD DEBTS

A provision is created for bad debts based on the age of rental arrears. Arrears in respect of former tenants and in respect of current tenants where the debt is over one year old are fully provided for (note 17). Arrears which are less than one year old are provided for at varying percentage rates.

NOTES TO THE FINANCIAL STATEMENTS

ACCRUALS

Accruals for certain items are estimated based on work completed but where no invoice has been issued at the reporting date and in subsequent weeks (note 18). Management are satisfied that estimates made are reliable and in line with expectations.

PENSIONS

Accounting estimates are made for the defined benefit pension scheme run under the LGPS. Critical estimates are made by experts and management are satisfied that results received are reliable (note 9).

IMPAIRMENT

Following an impairment review a judgement was made by management that it was necessary to recognise an impairment within the group's financial statements. As a result of the judgement the organisation have suffered a loss in value in the SOFP.

CATEGORISATION OF HOUSING PROPERTIES

In accounting for housing properties in the financial statements all units have been classified as Property, Plant and Equipment (PPE) under section 17 of FRS102 (note 11). Management have made the judgement that properties do not meet the definition of an investment property as per section 16 of FRS102. This decision has been made because housing properties are used for charitable purposes rather than for capital appreciation.

USEFUL LIVES OF HOUSING PROPERTIES

The Association has made accounting estimates regarding the component life of the Association's housing properties. Components are depreciated over the useful economic life as detailed out in the notes to these financial statements (note 11). The accounting policy listed is in line with the capital replacement policy followed by the Association. As a result management are satisfied that the accounting estimates are in line with other policies in place around the organisation.

COST ALLOCATION FOR MIXED TENURE DEVELOPMENTS

Where the Association has developed a mixed tenure scheme that incorporates general needs, shared ownership and open market sale units, a cost allocation is required to take place. Management have currently allocated costs on the basis of floor square area across the units in the scheme (note 11).

Once the apportionment has been finalised, management will split the shared ownership element between fixed assets and current assets based on the proportion of the expected sales percentage. This value is in line with the current assumptions used for a development scheme appraisal which as at 31 March 2019 was 35% of the property. However, if the actual sales percentage is available management have made the decision to use the sales percentage as the best source of information. The amount which is held as a non-current asset is then depreciated using the same policy as all other fixed assets.

OPEN MARKET SALES

Open market sale surpluses of £620k (2018: £627k) have been transferred from surplus on sale of housing properties to the operating surplus within other social housing activities, to reflect that these sales form part of on-going and planned operations.

NOTES TO THE FINANCIAL STATEMENTS

3A TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS

Continuing activities

	2019			
	Turnover £'000	**Cost of sales £'000**	**Operating costs £'000**	**Operating surplus £'000**
Social housing lettings	35,615	-	(23,791)	11,824
Other social housing activities				
Supporting People contract income	171	-	(171)	-
Development costs not capitalised	-	-	(707)	(707)
First Tranche Shared Ownership Sales	4,035	(2,625)	-	1,410
Open Market Sales	2,181	(1,561)	-	620
	6,387	(4,186)	(878)	1,323
Non-social housing activities				
Community Initiatives	-	-	(93)	(93)
Overage Income	52	-	-	52
	52	-	(93)	(41)
Association activities	42,054	(4,186)	(24,762)	13,106
Subsidiary company	-	-	(6)	(6)
Group activities	42,054	(4,186)	(24,768)	13,100

	2018			
	Turnover £'000 Restated	**Cost of sales £'000 Restated**	**Operating costs £'000**	**Operating surplus £'000 Restated**
Social housing lettings	34,811	-	(22,003)	12,808
Other social housing activities				
Supporting People contract income	222	-	(222)	-
Development costs not capitalised	-	-	(185)	(185)
First Tranche Shared Ownership Sales	1,354	(788)	-	566
Open Market sales	1,208	(581)	-	627
	2,784	(1,369)	(407)	1,008
Non-social housing activities				
Community Initiatives	-	-	(198)	(198)
	-	-	(198)	(198)
Association activities	37,595	(1,369)	(22,608)	13,618
Subsidiary company	-	-	-	-
Group activities	37,595	(1,369)	(22,608)	13,618

3B TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS (CONTINUED)

PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	2019					2018
	General Housing £'000	Supported Housing and Housing for older people £'000	Shared Ownership £'000	Other £'000	Total £'000	Total £'000
Turnover from social housing lettings						
Rent receivable net of identifiable service charges	30,497	1,813	401	1,294	34,005	33,068
Charges for support services	-	-	-	-	-	8
Service charges receivable	224	823	59	104	1,210	1,123
Net rental income	30,721	2,636	460	1,398	35,215	34,199
Amortised government grants	119	-	-	2	121	133
Other income	233	30	4	12	279	479
Turnover from social housing lettings	31,073	2,666	464	1,412	35,615	34,811
Expenditure on social housing lettings						
Management	(3,916)	(126)	(15)	(266)	(4,323)	(3,848)
Services	(1,106)	(1,345)	(16)	(61)	(2,528)	(2,342)
Routine maintenance	(3,686)	(195)	(3)	(61)	(3,945)	(3,760)
Planned maintenance	(2,958)	(51)	(1)	(104)	(3,114)	(2,320)
Major repairs expenditure	(2,975)	(462)	(1)	(238)	(3,676)	(3,550)
Bad debts	(441)	(3)	-	(2)	(446)	(170)
Property lease charges	(6)	-	-	-	(6)	(4)
Depreciation of housing properties	(5,469)	-	(84)	-	(5,553)	(6,009)
Impairment of housing properties	(200)	-	-	-	(200)	-
Operating costs on social housing lettings	(20,757)	(2,182)	(120)	(732)	(23,791)	(22,003)
Operating surplus on social housing lettings	10,316	484	344	680	11,824	12,808
Void losses	377	-	-	37	414	248

NOTES TO THE FINANCIAL STATEMENTS

4 ACCOMMODATION IN MANAGEMENT AND DEVELOPMENT

Group and Association

At the end of the period the number of properties in management for each class of accommodation was as follows:

	2019 No.	2018 No.
Social housing		
General housing		
- social rent	4,572	4,602
- affordable rent	1,452	1,281
Supported housing and housing for older people	367	421
Shared ownership	168	117
Intermediate rent	3	3
Total owned	6,562	6,424
Accommodation managed on behalf of others		
Supported housing and housing for older people	7	7
Total managed	6,569	6,431
Accommodation in development at the year end	411	305

5 OPERATING SURPLUS

This is arrived at after charging / (crediting):

	2019		2018	
	Group £'000	Association £'000	Group £'000	Association £'000
Depreciation of housing properties	5,553	5,553	6,009	6,009
Depreciation of other tangible fixed assets	197	197	187	187
Amortisation of intangible fixed asset	66	66	60	60
Impairment of housing properties	200	200	-	-
(Surplus) / Deficit on disposal of other tangible fixed assets	3	3	1	1
Operating Leases	66	66	73	73
External auditor's remuneration (including VAT where applicable):				
for audit services	28	21	21	21
for non-audit services relating to continuing activities	10	10	5	5
Internal auditors' remuneration (including VAT where applicable)	14	14	19	19

6 DETAIL ON SALE OF HOUSING PROPERTIES

	2019		2018	
	Group	Association	Group Restated	Association Restated
	£'000	£'000	£'000	£'000
Disposal proceeds	3,098	3,098	1,733	1,733
Right to Buy: Share to Council	(1,227)	(1,227)	(632)	(632)
Carrying value of fixed assets	(950)	(950)	(607)	(607)
Administrative costs of sale	(79)	(79)	(136)	(136)
	842	842	358	358

7 INTEREST RECEIVABLE

	2019		2018	
	Group	Association	Group	Association
	£'000	£'000	£'000	£'000
Interest receivable and similar income	19	42	7	7
	19	42	7	7

8 INTEREST PAYABLE

	2019		2018	
	Group	Association	Group	Association
	£'000	£'000	£'000	£'000
Loans and bank overdrafts	8,785	8,785	7,057	7,057
Pension	98	98	99	99
Other interest payable	-	-	1	1
Other fees and commissions	675	675	810	810
	9,558	9,558	7,967	7,967
Interest payable capitalised on housing properties under construction	(865)	(853)	(797)	(797)
	8,693	8,705	7,170	7,170
Capitalisation rate used to determine the amount of finance costs capitalised during the period	4.87%	4.87%	4.10%	4.10%

9 EMPLOYEES

	2019 No.	2018 No.
Total number of employees	199	190

	2019 No.	2018 Restated No.
Average monthly number of employees of the group and Association, by directorate, expressed in full time equivalents:		
Chief Executives	9.9	7.4
Resources	32.3	26.5
Operations	113.4	117.9
Development	11.0	10.2
	166.6	162.0

The prior years figures have been restated to take account of the new split on the Development directorate. These were previously included within the Chief Executives directorate.

	£'000	£'000
Employee costs:		
Wages and salaries	6,069	5,503
Social security costs	587	538
Other pension costs	1,164	1,105
	7,820	7,146

The Association's employees are members of one of two employee pension schemes these being the Suffolk County Council Pension Fund (SCCPF) and the money purchase scheme administered by Aviva. The SCCPF is now closed to new employees who have the option of joining the Aviva administered scheme.

Suffolk County Council Pension Fund (SCCPF)
The SCCPF is a multi-employer scheme with more than one participating employer, which is administered by Suffolk County Council under the regulations governing the Local Government Pension Scheme (LGPS), a defined benefit scheme. Triennial actuarial valuations of the pension scheme are performed by an independent, professionally qualified actuary using the projected unit method. The most recent formal actuarial valuation was completed as at 31 March 2019.

The main actuarial assumptions used in the valuation were:

Salary increases	2.0% per annum
Future pension increases	9.0% per annum

In order to assess the actuarial valuation of the SCCPF's liabilities at 31 March 2019, the actuaries conducted a formal valuation as at 31 March 2019.

Contributions

The employers' contributions to the SCCPF by the Association for the period ended 31 March 2019 were £562,000 (2018: £562,000) and the employers' contribution rate has been fixed as 24.2% of pensionable pay until 31 March 2019. The estimated employer's contributions for the year to 31 March 2020 will be approximately £562,000.

Assumptions

The major assumptions used by the actuary in assessing scheme liabilities on an FRS 102 basis were:

	31 March 2019 % per annum	31 March 2018 % per annum
Discount rate	2.4%	2.7%
Rate of increase in salaries	2.8%	2.7%
Rate of increase in pensions in payment	2.5%	2.4%

Mortality assumptions

The average life expectancy for a pensioner retiring at 65 on the reporting date is:

	2019	2018
Male	21.9 years	21.9 years
Female	24.4 years	24.4 years

The average life expectancy for an employee retiring at 65 that is aged 45 at the reporting date is:

	2019	2018
Male	23.9 years	23.9 years
Female	26.4 years	26.4 years

Amounts recognised in the Statement of Financial Position:

	2019 £ '000	2018 £ '000
Fair value of Employer's Assets	38,161	35,910
Present value of Funded Liabilities	(44,254)	(39,346)
Net Liability	(6,093)	(3,436)

Amounts recognised in the Statement of Comprehensive Income of the defined benefit schemes are as follows:

	2019 £ '000	2018 £ '000
Current service cost	922	895
Net interest on the net defined benefit pension liability	98	99
Employer contributions, gain/(loss) on curtailment and gain/(loss) on settlement	(562)	(562)
Actuarial gain	(2,199)	676
	(1,741)	1,108

NOTES TO THE FINANCIAL STATEMENTS

Changes in the present value of the defined benefit obligation:

	2019 £ '000	2018 £ '000
Defined benefit obligation at 1 April	39,346	38,728
Service cost	922	895
Interest Cost	1,067	1,011
Contribution by scheme participants	153	152
Actuarial (gains)/losses	3,462	(796)
Benefits paid	(696)	(644)
Defined benefit obligation at 31 March	44,254	39,346

Changes in the fair value of plan assets:

	2019 £ '000	2018 £ '000
Plan assets at 1 April	35,910	35,048
Interest Income	969	912
Return on assets	1,263	(120)
Contribution by employer	562	562
Contribution by scheme participants	153	152
Benefits paid	(696)	(644)
Plan assets at 31 March	38,161	35,910

Return on plan assets:

	2019 £ '000	2018 £ '000
Return on plan assets	1,263	(120)

Major categories of plan assets as a percentage of total plan assets:

	2019	2018
Equities	66%	61%
Bonds	23%	28%
Property	10%	10%
Cash	1%	1%

Money Purchase Scheme
There is nothing outstanding as at the 31 March 2019 (2018: £1,571) relating to the money purchase scheme. The total contributions paid for the financial year were £217,172 (2018: £184,107).

NOTES TO THE FINANCIAL STATEMENTS

10 BOARD, EXECUTIVE DIRECTORS & MANAGEMENT TEAM – GROUP AND ASSOCIATION

The Management Team of Havebury are considered to be the key personnel.

	2019 £'000	2018 £'000
Total remuneration of Management Team	826	753
Aggregated amount of Management Team pension contributions	62	54
Total	888	807

Total amounts paid to the Management Team amount to £888,000 (2018: £807,000). The figures include four Executive Directors including the Chief Executive. There are three Executive Directors who are members of the money purchase scheme.

The Chief Executive is the highest paid Executive Director. The Association made pension contributions to the Chief Executive of £2,899 (2018: £nil). During the year there was a change in Chief Executive and the remuneration allocated to the outgoing and incoming Chief Executives were:

	2019 £'000	2018 £'000
Outgoing Chief Executive		
Remuneration	114,322	142,734
Incoming Chief Executive		
Remuneration	61,710	-

The emoluments of the highest paid Non-Executive Director, the Chairman, were £11,000 (2018: £11,392). Total remuneration paid to Non-Executive Directors during the period amounted to £67,750 (2018: £61,674). Expenses reimbursed during the period to Non-Executive Directors amounted to £3,080 (2018: £4,037).

The full time equivalent number of staff (including directors) who received emoluments in the following bandings, including employer's pension, were:

	2019 No.	2018 No.
£60,001 to £70,000	4	2
£70,001 to £80,000	1	-
£80,001 to £90,000	3	3
£90,001 to £100,000	-	-
£100,001 to £110,000	-	2
£110,001 to £120,000	3	1
£120,001 to £130,000	1	-
£140,001 to £150,000	-	1
	12	9

NOTES TO THE FINANCIAL STATEMENTS

11 TANGIBLE FIXED ASSETS - PROPERTIES

Group and Association

Housing properties	**Housing properties held for letting £'000**	**Housing properties under construction £'000**	**Shared ownership properties held for letting £'000**	**Shared ownership properties under construction £'000**	**Total £'000**
Cost					
At 1 April 2018	314,685	13,603	9,849	3,522	341,659
Additions	-	25,458	-	6,581	32,039
Transfer	(213)	213	-	-	-
Works to existing properties	4,004	-	-	-	4,004
Interest capitalised	-	597	-	140	737
Disposals	(4,857)	-	(123)	-	(4,980)
Schemes completed	20,184	(20,184)	4,218	(4,218)	-
At 31 March 2019	333,803	19,687	13,944	6,025	373,459
Depreciation					
At 1 April 2018	(38,940)	-	(218)	-	(39,158)
Charged in year	(5,469)	-	(84)	-	(5,553)
Impairment charged in the year`	-	(200)	-	-	(200)
Disposals	2,067	-	7	-	2,074
At 31 March 2019	(42,342)	(200)	(295)	-	(42,837)
Net book value					
At 31 March 2019	291,461	19,487	13,649	6,025	330,622
At 31 March 2018	275,745	13,603	9,631	3,522	302,501

A full valuation of the properties was undertaken at 31 March 2014 and upon adoption of FRS102 this has been used to determine the deemed cost. The full valuation of the properties was undertaken in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. Since then completed housing properties are stated at Historical Cost.

The Board has carried out an impairment review in accordance with FRS102 of individual fixed assets and income generating units. The review took account of void rates for different categories of stock, geographical and environmental issues, current operating position and the carrying value, compared to value in use. During the year, the group has recognised an impairment loss of £200,000 in relation to the Wade House scheme,included within general needs housing stock. This scheme has been impaired because of a termination in the original contract, which has resulted in water damage to the properties. A new contractor has been sought and will complete the build. The impairment reflects the additional costs that have been incurred as a result of needing to secure the site and put a new contract in place.

Expenditure on works to existing properties	2019 £'000	2018 £'000
Amounts capitalised	4,004	2,869
Amounts charged to Statement of Comprehensive Income	6,790	5,870
Total	10,794	8,739

Total Interest Capitalised	2019 £'000	2018 £'000
Amounts capitalised at 1 April 2018	3,175	2,490
Amounts capitalised in year	737	685
Total at 31 March 2019	3,912	3,175

12 TANGIBLE FIXED ASSETS - OTHER

Group and Association

	Freehold offices £'000	Furniture fixtures and fittings £'000	Computers and office equipment £'000	Motor vehicles, plant and equipment £'000	Total £'000
Cost					
At 1 April 2018	3,739	1,009	870	374	5,992
Additions	-	118	45	-	163
Disposals	-	-	(22)	-	(22)
At 31 March 2019	3,739	1,127	893	374	6,133
Depreciation					
At 1 April 2018	(1,182)	(508)	(838)	(354)	(2,882)
Charged in year	(83)	(79)	(29)	(6)	(197)
Disposals	-	-	21	-	21
At 31 March 2019	(1,265)	(587)	(846)	(360)	(3,058)
Net book value					
At 31 March 2019	2,474	540	47	14	3,075
At 31 March 2018	2,557	501	32	20	3,110

The Association's freehold office property was valued by FPD Savills, Chartered Surveyors, in October 2011 on a Market Value basis. The full valuation of the property was undertaken in accordance with the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors. The property was valued at £1.8m.

The Board has considered the valuation and has recognised that the valuation does not fully take into account the location and design of the premises which are of specific benefit to the Association. The Board has no intention to dispose of the properties in the foreseeable future and is therefore satisfied that the valuation of freehold office properties at cost less depreciation is appropriate.

13 INTANGIBLE ASSETS

Group and Association

	Software £'000
Cost	
At 1 April 2018	601
Additions	56
Disposals	-
At 31 March 2019	657
Amortisation	
At 1 April 2018	120
Charged in period	66
Disposals	-
At 31 March 2019	186
Net book value	
At 31 March 2019	471
At 31 March 2018	481

14 INVESTMENTS

The Association has an interest of £1 in a subsidiary called Havebury Homes Limited, registered in England. The subsidiary is currently active and wholly owned. The financial year end is 31 March 2019.

Havebury Homes Limited	**2019 £'000**	**2018 £'000**
% of ordinary shares held	100%	100%
Capital and reserves at 31 March 2019	(17)	-
Profit/(loss) for the year	(17)	-

The Association has an interest of £1 in a subsidiary called Design & Build Services East Limited, registered in England. The subsidiary is currently dormant and wholly owned. The financial year end is 31 March 2019.

Design & Build Services East Limited	**2019 £'000**	**2018 £'000**
% of ordinary shares held	100%	100%
Capital and reserves at 31 March 2019	-	-
Profit for the year	-	-

NOTES TO THE FINANCIAL STATEMENTS

15 STOCK

Group and Association
A stock take was conducted on 31 March 2019 and the value of the stock at this date was £156,113 (2017: £184,000).

16 PROPERTIES FOR SALE

	2019		2018	
	Group £'000	Association £'000	Group £'000	Association £'000
Shared Ownership properties - work in progress	5,362	4,607	3,215	3,215
Properties developed for outright sale	139	127	1,843	1,843
	5,501	4,734	5,058	5,058

17 DEBTORS

	2019		2018	
	Group £'000	Association £'000	Group £'000	Association £'000
Loan to Subsidiary Undertaking	-	1,000	-	-
Due within one year				
Rent and service charges receivable	1,190	1,190	1,142	1,142
Less: Provision for bad and doubtful debts	(571)	(571)	(411)	(411)
	619	1,619	731	731
Other debtors	592	592	336	336
Less: Provision for bad and doubtful debts	(224)	(224)	(123)	(123)
Prepayments and accrued income	1,476	1,476	1,348	1,348
	1,844	1,844	1,561	1,561
Total debtors	2,463	3,463	2,292	2,292

Under FRS 102 there is a requirement to account for service charge monies that are due. There has been no adjustment in the 2018 or 2019 figures.

18 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019		2018	
	Group £'000	Association £'000	Group £'000	Association £'000
Trade creditors	2,521	2,521	568	568
Rent and service charges received in advance	587	587	488	488
Other taxation and social security	3	3	2	2
Other creditors	1,319	1,319	743	743
Disposal Proceeds Fund (Note 20)	296	296	-	-
Recycled Capital Grant Fund (note 21)	15	15	-	-
Accruals and deferred income	7,330	7,204	7,523	7,523
Total Creditors due within one year	12,071	11,945	9,324	9,324

Payments to creditors
The Association's payment policy is to pay purchase invoices within 28 days of receipt, or earlier if alternative payment terms have been agreed.

In accordance with FRS102 a holiday pay accrual has been posted within Accruals and Deferred income of £84,635 (2018: £86,286).

19 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2019		2018	
	Group £'000	Association £'000	Group £'000	Association £'000
Bank Loans (note 22)	185,838	185,838	169,399	169,399
Disposal Proceeds Fund (note 20)	-	-	308	308
Recycled Capital Grant Fund (note 21)	27	27	27	27
Total Creditors due within one year	185,865	185,865	169,734	169,734

20 DISPOSAL PROCEEDS FUND

Group and Association

	2019 £'000	2018 £'000
At 1 April 2018	308	417
Net sale proceeds recycled	-	-
Withdrawals	(12)	(109)
At 31 March 2019	296	308

NOTES TO THE FINANCIAL STATEMENTS

21 RECYCLED CAPITAL GRANT FUND

Group and Association

	2019 £'000	2018 £'000
At 1 April 2018	27	15
Grant proceeds recycled	15	12
Withdrawals	-	-
At 31 March 2019	42	27

22 BORROWINGS

Group and Association

	2019 £'000	2018 £'000
Debt payable after more than one year:		
Closing Balance 31 March 2019	185,838	169,399

	2019 £'000	2018 £'000
Debt payable after more than five years:		
Repayable by Instalments	75,000	45,000
Repayable other than by Instalments	75,000	75,000
Total repayable	150,000	120,000

The bank loans are secured by fixed charges on individual properties and they bear interest at floating rates (linked to LIBOR) and fixed rates. The floating rate arrangements are quarterly interest rates linked to LIBOR. The fixed rate arrangements range from 10 to 33 years. The weighted average interest rate on all drawn loans at 31 March 2019 was 4.87% (2017: 4.10%).

Bank loans are held at amortised cost and at historic cost. During the year the Association repaid its Revolving Loan Facility (RCF) of £25 million and has a new RCF of £60 million. £35.5 million has been drawn and is held at cost. The remaining drawn loans are held at amortised cost.

At 31 March 2019 the Association had undrawn loan facilities of £88.5 million (£38.5m Lloyds and £50m Royal Bank of Scotland; (2018: 104.5 million (£30.0m Macquarie, £24.5m Lloyds and £50m Royal Bank of Scotland).

NOTES TO THE FINANCIAL STATEMENTS

23 DEFERRED CAPITAL GRANT

Group and Association

	2019 £'000	2018 £'000
As at 1 April 2018	13,892	10,718
Grant received in year	3,462	3,307
Capital grant released in year	(119)	(133)
As at 31 March 2019	17,235	13,892
Capital grant to be released within one year	(170)	(110)
Capital grant to be released in more than one year	17,065	13,782

Social Housing Grants (SHG) are repayable in the event of the disposal of the related property. When this occurs, the total original grant is repayable and this comprises the unamortised balance together with the amortised amount. At the end of the year, the total amount of SHG potentially repayable was £17.6m (2018: £14.1m).

24 FINANCIAL INSTRUMENTS

The carrying amount of the Group and Association's financial instruments at 31 March 2019 were:

Financial Assets	2019 £'000	2018 £'000
Debt instruments measured at amortised cost	2,000	1,875

Financial Liabilities	2019 £'000	2018 £'000
Debt instruments measured at amortised cost	197,812	178,326

Financial liabilities excluding trade creditors

The Group and Association's financial liabilities were all sterling denominated. The interest rate profile of the Group and Association's financial liabilities, before loan issue costs at 31 March was as follows:

	2019 £'000	2018 £'000
Fixed rate	160,000	130,000
Floating rate	21,500	35,500
	181,500	165,500

The maturity profile of debt is shown in note 22.

The fixed rate financial liabilities have unexpired fixed periods ranging from 4 to 34 years and a weighted average fixed rate of 5.09% (2018: 4.48%).

The floating rate financial liabilities comprise bank loans that bear interest at rates based upon the three and six month LIBOR.

25 SHARE CAPITAL

	2019 £	2018 £
At 1 April	12	-
Shares issued	-	12
At 31 March	12	12

The share capital of the Association consists of shares with a nominal value of £1 each which carry no rights to dividends or other income. Shares in issue are not capable of being repaid or transferred. Where a shareholder ceases to be a member that person's share is cancelled and the amount paid up thereon becomes the property of the Association.

26 CAPITAL COMMITMENTS

Group and Association	2019 £'000	2018 £'000
Capital expenditure commitments are as follows:		
Expenditure contracted for but not provided in the accounts	26,379	22,203
Expenditure authorised by the Board, but not contracted	33,979	52,703
	60,358	74,906

Capital commitments will be financed through borrowings which are available for draw-down under existing loan arrangements. These existing loan arrangements amount to £88.5 million of undrawn borrowings which will be utilised to fund the remainder of the 2015-2018 development programme and the 2016-21 Shared Ownership Affordable Homes Programme (SOAHP).

Government grant under the HE programme will be utilised to part fund the commitments of the development programme. Government grant received will be allocated on a per scheme basis and is directly received by the organisation. The total amount of grant due to be received over the whole programme is £7.172 million from 2015-2018 and £4.135 million for the 2016-21 programme. However there is also a continuous market engagement administered by HE which allows Havebury to bid for additional grant funding as further pipeline developments mature.

Havebury will fund developments through a programme of property sales both from the disposals proceeds fund and through open market sales. Open market sales are identified by conducting a financial appraisal on a property and assessing if it is financially viable to complete works and rent the property out.

Operating leases

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

		2019 £'000	2018 £'000
(i)	Land and buildings		
	Within one year	11	11
	Within two to five years	45	45
	Over five years	1,043	1,055
		1,099	1,111
(ii)	Office equipment		
	Within one year	9	4
	Within two to five years	12	-
		21	4
(iii)	Motor Vehicles		
	Within one year	65	69
	Within two to five years	82	147
		147	216

27 CASH FLOW FROM OPERATING ACTIVITIES

	2019 £'000	2018 £'000
Surplus for the year	5,268	6,813
Adjustments for non-cash items:		
Depreciation of housing properties (note 5)	5,553	6,009
Depreciation of tangible fixed assets (note 5)	197	187
Impairment losses on tangible fixed assets	200	-
Pension costs less contributions payable	359	333
Right To Buy overhead	(52)	(94)
Amortisation for Intangible assets (Note 13)	66	60
Grant amortisation (note 23)	(119)	(133)
Gain on disposal of fixed assets	(1,462)	(985)
Interest payable (note 8)	8,693	7,170
Interest receivable (note 7)	(19)	(7)
	18,684	19,353
Working capital movements		
Properties for outright sale (note 16)	(467)	(2,675)
(Decrease) /(Increase) in stock (note 15)	28	(34)
Decrease / (Increase) in debtors (note 17)	792	(109)
Increase / (Decrease) in creditors (note 18)	5,771	(2,506)
Net cash inflow from operating activities	24,808	14,029

28 RELATED PARTIES

Group and Association
Related parties include those in a position who can influence decision making.

During the year there was one tenant member who served on the Board. During the period to the 31 March 2019, she has served as a Strategic Board Director and received emolument for her service to the Association as part of the monthly payroll of £2,750 (2018: £2,750).

Her tenancy is on normal commercial terms and she is not able to use her position to her advantage. There were no other transactions with Strategic Board members. Aggregate rent paid in the year was £2,557. At 31 March 2019 rental arrears of the Strategic Board member amounted to £nil (2018: £34.96).

There are three tenant members of the Operational Board. During the period to the 31 March 2019, tenants who have served as Operational Board Directors received emoluments for their services to the Association as part of the monthly payroll of £8,250 (2018: £4,833):

Their tenancies are on normal commercial terms and they are not able to use their position to their advantage. During the financial year the Association entered into no transactions with operational board members. Transactions were completed on normal commercial terms and there is no outstanding balance at the year end. Aggregate rent paid in the year was £11,649. At 31 March 2019 rental arrears of operational Board members amounted to £0.04 (2018: £98.07).

There are two Audit and Risk Committee members who are local Borough Councillors. During the period to the 31 March 2019, the Borough Councillors have served as Audit and Risk Committee members and received emoluments for their service paid as part of the monthly payroll amounting to £9,500 (2018: £9,500).

All transactions with the Council are on normal commercial terms and the Borough Councillors are not able to use their position to their or the Council's advantage. There were five other transactions with the councillors during the financial year amounting to £100.80 (2018: £183.05) and no outstanding balances due.

There is one tenant member of the Audit and Risk Committee up to the period of 31 March 2019. During this period the tenant member received emoluments for his services to the Association as part of the monthly payroll of £4,000 (2018: £4,199).

His tenancy is on normal commercial terms and he is not able to use his position to his advantage. There were no transactions during the year. Aggregate rent paid in the year was £4,858. At 31 March 2019 rental arrears of the Audit and risk Committee member amounted to £nil (2018: £66.73).

The Association has not recognised provisions for any outstanding balances and as a result there is no expenditure recognised for any related parties as at 31 March 2019.

NOTES TO THE FINANCIAL STATEMENTS

During the year, the following transactions occurred with Havebury Homes Limited, a wholly owned subsidiary of Havebury Housing Partnership:

	2019
	£'000
Professional fees recharged to Havebury Homes Limited	61
Salary costs recharged to Havebury Homes Limited	2
Loan interest charged to Havebury Homes Limited	23
Loans issued	1,000
Loan balance outstanding at 31 March 2019	1,000