



## THE HAVEBURY HOUSING PARTNERSHIP

### Report and consolidated financial statements

For the year ended 31 March 2020

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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 to October 2019 Ian Mashiter from October 2019	
Strategic Board Vice Chairman	Ian Mashiter to October 2019 Mark Webster from October 2019	
Strategic Board Directors	Robert Everitt to October 2019 Clive Gardner Michael Sheren Lucy Adams to October 2019 Mark Webster Helen Thomas to February 2019 Kym Hudson from October 2019 Clive Springett from October 2019 Adam Colby from October 2019	
Chief Executive	Andrew Smith	
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

I am pleased to make my first report as Chairman - albeit in somewhat unusual circumstances due to Covid-19 - which impacted our business from late March; this will continue to affect our business through 2020 and beyond. I will comment further on Covid-19 (and the great way in which the Leadership Team and the entire Havebury team have responded to that) later in this report, but first I will focus on the first 50 weeks of the year.

Havebury Housing Partnership saw another strong year in 2019/2020, delivering more new homes than ever before, and the launch of the myHavebury App and investment in cloud-based technology has allowed our teams to continue to support our tenants in meeting the challenges of Covid-19.

The year saw a number of changes to the Board and Committees; first and foremost, our chair Donald McKenzie retired in October 2019, and I would like to thank him for all he has contributed to Havebury (including seven years as chair). With great expertise and good humour he has helped to steer us through a period of huge change, as Havebury has become a larger and more complex business. He left a strong legacy - which we will continue to build on.

During the year we also saw the retirements of Lucy Adams, Robert Everitt (both members of the Strategic Board, and Chairs of Operations Committee, and Audit & Risk, respectively) - and Carole Herries who stood down from the Operations Committee. They have all given a great deal to Havebury, and we thank them for their time and sage counsel over many years.

Since then we have had two further resignations; Helen Thomas, a Board and Audit & Risk Committee member for four years, and Allan Oxborrow also an Audit & Risk Committee member, my thanks go to Helen and Allan for their expert contributions.

We welcomed three new Board members in October 2019; Kym Hudson, Adam Colby, and Nikki Stonebridge, as well as two new members to Audit and Risk Committee, Julian Foster and Peter Basford. Operations Committee welcomed Will Bryant and the newly formed Development Committee attracted Jerry Harkness and Simon Burton. All help to provide board and committees with the range of skills we need.

Our Tenant's Forum, chaired by Sandy Norris, and our Performance & Scrutiny Panel, chaired by Lee Northcutt, continue to be an important part of our governance structure and help us to work closely with tenants. The Tenant's Forum alongside Operations Committee played a key role in the decision to limit rent increases for 2020/21 to CPI+ 0.5%. When I attend meetings of the forum and the panel, I am always heartened by the great contribution made by all those involved. So, thanks are due to Sandy, Lee, and their colleagues for all they do for us.

Our governance - and the wider business - came under the microscope in mid-2019, as the Regulator for Social Housing (RSH) conducted their In-Depth Assessment of Havebury. I am delighted to report that we have maintained our G1V1 rating.

Our Chief Executive, Andrew Smith, has now been with us since October 2018; he is making his mark on the business, and taking it forward with operational, management and cultural changes. We have made great progress through our 2018-22 Corporate Plan, and by March of this year Andrew was starting to lead us into formulating a new Corporate Plan, taking a wider look at the business, including the balance between new and existing homes, how we best engage with tenants, where we focus new development, and our range of "products" - shared ownership, social rent, affordable rent, and market sale. Covid-19 has paused that discussion but having started on this very early we have time to return to it.

On the development front, in the past year we have completed 248 new homes - a new high for additional properties. Our target remains to deliver 1,352 new homes by the end of 2022/23 and we remain committed to playing our part in meeting the housing shortage. It is worth mentioning that Homes England's programme now includes some grant funding for new homes at Social Rents - we see this as an important option and since this was introduced we have identified 191 units for Social Rent, of which 40 units have completed in the year and a further 50 units are in the pipeline.

Our market sale subsidiary, Havebury Homes Ltd (HHL), has completed four houses at Great Whelnetham during the year, but taken on no new projects. We have always taken a fairly low risk approach to this activity, and drawing in our horns is a conscious decision, reflecting the impact of Brexit on the housing market and a very slow market generally. However, we expect to keep HHL in place as part of our wider business - it may have a role as we move forward.

Excellent customer service continues to be at the heart of what we do, and this year has seen pivotal changes, overseen by Operations Committee, to ensure that wherever our customers live they receive the same great service. Alongside the launch of MyHavebury, Repairs and Neighbourhood services have responded to the challenges of a wider geographical operating area, with new service offers, scheduling technology, and additional investment in key tenant facing roles.

I am very pleased to see that our tenants still report their satisfaction with what we do, with 93% of our customers satisfied with the overall offer in 2019/2020. Getting the basics right remains important, our repairs and income services remain high performing and key intervention and oversight of voids performance saw a marked improvement by the end of the year.

The Health and Safety of our tenants remained a high priority this year, with particular challenges faced in the summer in responding to new and evolving requirements on building safety. Our decisions on schemes such as Goodfellows, taken alongside our tenants, were evidence if needed that we continue to put tenant safety first. 2019/2020 once again saw strong investment in our existing stock, ensuring that Havebury continues to provide decent, safe and affordable homes.

I will now come on to the final two weeks of the year and the period of time since. Although the formal "lockdown" was not effective until 23rd March, we had started planning and implementing measures by 12th March. This allowed us to carry on running the business and providing essential services, with virtually all staff working from home (or in the field - with appropriate precautions), and some vulnerable staff having to self-isolate. We called some 1,200 tenants who are over 70 to arrange help if they needed it. Our excellent IT support was an important factor in allowing staff to work efficiently from home, but huge thanks are due to all the team who have shown great initiative, flexibility, and commitment, in maintaining essential services in the face of tremendous challenges. As we take tentative steps out of lockdown the next step will be to move to providing our full range of services while maintaining a safe working environment.

As I write this, we face an uncertain time as we continue to deal with Covid-19, but I believe we have a great team and a strong company to address the challenges ahead. And in closing I would like to thank all our staff and tenants who give time and energy to the business, and my fellow Directors, for all their support over the past year and particularly since March 2020.

Ian Mashiter  
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 6,700 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, these were completed in November 2019, with the first property being sold in December 2019. At the end of the 2019/20 financial year, three properties were still being marketed. 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 £3.94m (2019: £5.27m). 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 £42.14m (2019: £42.05m) 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 248 (2019: 225) properties that were completed during the course of the year. The total property number was 6,793 (2019: 6,569). Rent losses through void properties totalled £327k (2019: £414k) which represents 0.09% (2019: 1.17%) of the rent and service charges receivable. Income from first tranche shared ownership sales was £4.1m (2019: £4.0m).

The decrease in operating surplus to 29.02% (2019: 31.15%) reflects minimal change in turnover and year on year increases in expenditure across a range of operational areas, including increased maintenance and major repairs spend. There has also been investment in the year in recruitment, health and safety and IT. There has been an increase in the housing properties depreciation charge to £5.971m (2019: £5.553m). Expenditure of £3.4m (2019: £4.0m) 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.

## STRATEGIC REPORT

The Statement of Financial Position indicates Total assets less current liabilities of £368.0m (2019: £337.7m) owing to an increase in total fixed assets of £22.6m to £356.8m (2019: £334.2m) in line with the developments that were completed during the year. Net current assets have increased to £11.2m (2019: £3.6m).

During 2019/20 44 shared ownership units were sold and a further 39 are awaiting sale, reflected in the Properties for Sale balance of £6.9m (2019: £5.5m). 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 £17m was drawn from existing facilities during the year. The total drawn debt is now £198.5m (2019: £181.5m).

All of the Local Authorities in which Havebury provides homes have been in full service Universal Credit (UC) for at least a full year. At the start of April 2019 we had 1,642 accounts with UC claimants (1,013 last year). There has been an extreme acceleration of new claims for UC in the last few weeks of the year due to the Covid-19 pandemic hitting hard in March. 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 58.73% (50% last year) of the time. It may not be possible to maintain this during the current crisis.

The average Havebury UC debt has fallen from £360 to £298 by the end of the year. We have monitored the impact this has had on the overall arrears figure and predicted an increase from 1.63% of collectable rent (net of HB owed) to 1.99% by the end of 2019/20; the actual performance achieved was 1.75%. The target for the new financial year is not yet set due to the Coronavirus crisis, we are evaluating how the increase in UC cases and its likely continued acceleration, will impact on our outturn. The Department of Work and Pensions is looking to migrate all working age claimants to UC by 2023 and is continuing a Pilot started last summer in advance of this. We will continue to monitor this closely and have continued our membership of local forums.

## 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 2020 (£'000)	GROUP 2019 (£'000)	HHP 2018 (£'000)	HHP 2017 (£'000)	HHP 2016 (£'000)
<b>Statement of Comprehensive Income</b>					
Total turnover	42,139	42,054	37,595	34,992	33,549
Operating surplus	12,227	13,100	13,618	11,827	10,660
Surplus for the year transferred to reserves	3,939	5,268	6,813	5,268	4,480
<b>Statement of Financial Position</b>					
Housing properties	353,198	330,622	302,501	282,489	265,675
Other fixed assets	2,989	3,075	3,110	3,461	3,327
Intangible assets	615	471	481	541	210
Fixed assets	356,802	334,168	306,092	286,491	269,212
Net current assets/(liabilities)	11,169	3,579	6,976	2,701	1,101
Total assets less current liabilities	367,971	337,747	313,068	289,192	270,313
Loans (due over one year)	202,992	185,865	169,734	156,271	145,163
Pensions liability	4,331	6,093	3,436	3,680	3,948
Other long term liabilities				-	-
Deferred income grant	25,579	17,065	13,782	10,614	8,241
Reserves					
: revenue	48,208	41,117	38,068	29,932	22,283
: revaluation	86,861	87,607	88,048	88,695	90,678
: total	135,069	128,724	126,116	118,627	112,961
	367,971	337,747	313,068	289,192	270,313
<b>Housing properties owned at year end:</b>					
Social housing	6,560	6,394	6,307	6,150	6,092
Non-social housing	233	168	117	87	71
	6,793	6,562	6,424	6,237	6,163
<b>Statistics:</b>					
Operating surplus as % of turnover	29.02%	31.15%	36.22%	33.80%	31.77%
Surplus for year as % of income from lettings	10.93%	14.95%	19.92%	15.74%	13.64%
Rent losses (voids and bad debts as % of rent and service charges receivable)	1.98%	2.44%	1.22%	0.90%	1.50%
Rent arrears (current arrears as % of rent and service charges receivable)	2.65%	2.56%	2.34%	2.25%	2.23%
Liquidity (current assets divided by current liabilities)	2.06	1.31	1.76	1.26	1.13



## STRATEGIC REPORT

### PERFORMANCE AGAINST KEY OBJECTIVES

#### Objectives and Strategy

Our vision is “creating Homes and Communities”.

Our values are

- Respecting
- Engaging
- Fair

These values reflect Havebury, where we respect our colleagues, tenants and stakeholders. Where we are prepared to engage with our stakeholders to deliver strong vibrant communities and where we are ready to roll up our sleeves and work collaboratively with others to deliver better outcomes. Engaging also reflects our ‘ask’ of our colleagues to be engaged in our organisation, demonstrating accountability and ownership. To push ourselves to try something new, expand our knowledge and deliver more. Underpinning all of this is our deep-rooted sense of fairness, our commitment to social justice, to ensuring equality of access for all, not judging others and being balanced and measured in all our dealings.

The group’s objectives are as follows

- 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:

	2019/20	2018/19
EBITDA MRI (using cash interest paid)	158%	161%
Asset cover	152%	158%
Net debt per unit	£29,234	£27,659
Current tenants' rent arrears as a percentage of rent due	2.7%	2.6%
Rent loss as a result of voids as a percentage of rent due	1.1%	1.3%
Proportion of income attributable to housing benefit	28.8%	29.0%
Percentage of social housing stock at affordable rents	23.2%	22.8%

Tenants eligible for right to buy	2,109	2,192
Number of Right to Buy sales	13	14
Percentage of workforce member of Local Government Pension Scheme	36%	41%

## STRATEGIC REPORT

Havebury has had a successful year and progressed its ambitions in **delivering good quality accessible services that meet customer needs** by providing a broader range of channels to access services with a redesign of the website. The roll out of the myHavebury Application achieved 10% of repairs transactions and 43% of card payments through the App in the first 3 months.

Havebury's ambition to **build more homes** continues to be achieved and during the year a further 248 new homes were completed and the team are on track to deliver the target of 1,352 new homes by March 2023. Of this number, 44 homes were sold under the Shared Ownership scheme.

During 2019/20 Havebury **invested** over £6 million in **existing homes** the priority this year was replacement of central heating systems. Our **communities** and **neighbourhoods** benefitted from investment from the community and neighbourhood funds where bids are assessed with tenant involvement.

Havebury's key resource is our **people** and during the year engagement with our teams has been a key focus. Satisfaction is measured quarterly and we have introduced a system of Appreciative Enquiry when surveys flag up issues that need to be considered in more depth. During the year we have **invested** in work with West Suffolk College to introduce learning activities and courses available to everyone in the business.

Later in this report is a full assessment of how Havebury has driven **value for money** in delivering our objectives during the year.

### Coronavirus Pandemic

At the time of writing this report England is slowly coming out of lockdown. The economic future is uncertain and we know that Coronavirus will be with us for quite some time. Our recent investment in moving systems from servers to cloud alongside upgrading PCs enabled us to swiftly mobilise our teams to home working. We continued to run an emergency repairs service to our tenants during lockdown. Our Rangers continue to work out in the field carrying out inspections and some compliance checks, our Independent Living Advisors are supporting those in sheltered schemes with daily contact and we have been contacting all tenants over 70 years old.

### Impact on tenants

Many of our tenants will have been affected by the need to shield or self-isolate as well as being furloughed with a consequential impact on their household income. Our income team have been working closely with tenants whose financial circumstances have changed and we did see an increase in the number of enquiries about accessing Universal Credit support.

As we evolve from lockdown we are respecting our tenants wishes about having our teams in their homes, always mindful of our landlord responsibilities to ensure compliance with all safety legislation.

### Financial impact

Havebury strengthened its liquidity position immediately after lockdown was announced, the liquidity assessment included assumptions on increased rent arrears, reduced sales receipts from property sales and increased voids.

Havebury's Board received a revised forecast for 2020/21 and a stress test report on the 30 year business plan at its May meeting. The Board recognises the uncertain economic climate and accordingly considered whether current buffers and "golden rules" were adequate to mitigate the risks posed by the current situation.

## STRATEGIC REPORT

The Board will approve a revised business plan in July 2020 based on the latest economic assumptions and planned service recovery, as well as an updated development profile. The plan will reflect business performance based on the anticipated operating environment. The final plan will be accompanied by a comprehensive range of stress test scenarios which will incorporate a range of potential outcomes for economic recovery.

### Business Plan Resilience

Havebury's Business Plan is regularly stress tested against multivariate scenarios, the most recent of these were received by Board at its May meeting. These scenarios reflected the extent of economic uncertainty at that time. Havebury's plan is sensitive to changes in LIBOR and the current base rates have a positive impact on the plan, current inflation levels are running at a lower level than those in the current plan and stress tests reflect potential increases in building materials costs, the impact of CPI affects the rent increases to be applied from one year to another.

Havebury strengthened its liquidity position before lockdown on the basis of expected impact on sales and rental income, however now that lockdown measures are being relaxed there are signs that Shared Ownership interest continues with property viewings and reservations taking place.

Whilst rent arrears levels have increased the rate is much lower than that anticipated at the start of lockdown and property lettings are now taking place with no anticipated decrease in demand.

Property development on Havebury projects ceased at the beginning of lockdown and at the time of writing contractors are back on all new build sites.

Havebury has available cash and undrawn facilities totalling £83million against commitments contracted and approved but not yet contracted of £55.5 million providing headroom to deal with economic and non-economic consequences of an uncertain environment.

During lockdown Lenders have been kept informed of key performance and covenant forecasts - none of which are forecast to be breached.

The Board have established and delegated to a Chairs group to oversee and monitor business activities on a more frequent basis during this period, these measures alongside business plan headroom and identified mitigations ensure that Havebury is in the best possible position to continue providing services to tenants and deliver business growth aspirations.

## 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. 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 current 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, 248 new homes were completed, 54 social rent, 126 affordable rent, 64 shared ownership and four for open market sale. Progress continued to be made on Havebury's ongoing First Focus efficiency programme and MyHavebury; Havebury's digital offer to residents for accessing services online was launched. Headline social housing cost per unit changed little and Havebury's position remains lower than that of the sector median. Performance against the other value for money metrics was favourable too. In June, Havebury underwent an In-Depth Assessment, receiving a G1/V1 rating from the regulator, confirming its strength in governance and ongoing financial viability whilst continuing to maintain a significant development programme.

The Strategic Board has overall responsibility for value for money and in their meetings throughout 2019/20 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 2019/20:

VfM Standard Element		2020 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 2019/20 was set and monitored against the 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, designed around the strategic objectives to measure performance and value against each, was reviewed by board at each of its meetings and continued to evolve throughout 2019/20.
	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 64 new shared ownership units. Havebury's <u>Tayfen House supported housing service has continued to grow in 2019/20.</u>
	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 2019/20 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, <u>without significantly increasing resources.</u>
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, confirmed by its G1/V1 rating following an In Depth Assessment in June 2019. The Board regularly reviews performance and throughout the year in meetings and away days explore potential options to enhance the value Havebury offers. In 2019/20 the Board started a review of its corporate plan to include how it continues to deliver value for money.
	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 its last review the current structure continued to offer best value for the business and tenants. The Board has challenged Havebury's major repairs cost per unit position and work to review this in detail was carried out in 2019/20. Risk is reviewed regularly and in December the board completed its annual appraisal of Havebury's position and mitigation plans against the regulator's sector risk profile, <u>updating the corporate risk map with a view to taking action if necessary.</u>



## STRATEGIC REPORT

VfM Standard Element		2020 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 and in 2019/20, Havebury Homes Limited completed its first four development units for market sale. Since creating the new structure, 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 2019/20 Havebury's performance management framework continued to evolve. 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 is the key driver in determining the priority each KPI carries within the framework.

### 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 2018/19 global accounts, the 2019/20 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 2019/20		Havebury 2018/19	
£3,461		£3,422	
	Quartile 1	Median	Quartile 3
Sector	£3,183	£3,695	£4,692
PlaceShapers	£3,131	£3,522	£4,242
Peer group	£3,020	£3,170	£3,284

Havebury's headline social housing CPU has changed little, with expenditure used in the calculation increasing from £22.5 million in 2018/19 to £23.5 million in 2019/20. Although slightly increased on the previous year, the 2019/20 outturn reflected Havebury's forecast trajectory, being lower than the budgeted position of £3,532. 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.

Planned investment in resourcing agreed by the Board in operational and support service functions resulted in greater management, service charge and maintenance costs per unit in 2019/20. The impact of which in future years should reduce as stock numbers increase. Contributing to Havebury's planned CPU trajectory are projects such as First Focus and MyHavebury, the latter seeking to save over 6,000 staff hours per year by 2023.

## STRATEGIC REPORT

### Cost per unit by category of expenditure

	Havebury 2019/20	Havebury 2018/19	Sector median	PlaceShapers Median	Peer group median
Management	£703	£659	£1,004	£968	£973
Service charges	£396	£385	£395	£365	£361
Maintenance	£1,124	£1,076	£1,013	£1,053	£1,009
Major repairs	£1,067	£1,170	£794	£828	£450
Other costs	£171	£133	£245	£225	£117

Expenditure on major repairs remains the key driver of Havebury's overall CPU position. Excluding major repairs, CPU in 2019/20 (£2,394) increased by £141 on 2018/19 (£2,253) but is quartile one compared to the sector (sector median = £2,928).

Higher 'other' costs relate to abortive development expenditure not capitalised and legacy charging costs.

### 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 2019/20		Havebury 2018/19	
8.55%		11.12%	
	Quartile 1	Median	Quartile 3
Sector	8.72%	6.24%	4.20%
PlaceShapers	9.74%	6.72%	4.61%
Peer group	9.82%	6.66%	4.67%

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.

After increasing significantly in 2018/19, reinvestment reduced to levels more comparable to 2017/18. Development of new properties was £6 million lower in 2019/20 (£26.0m) than in 2018/19 (£32.0m) and there was a slightly smaller capital works programme (£3.4m in 2019/20 compared to £4.0m) in 2018/19. The value of Havebury's asset base, used as the denominator in the reinvestment calculation, also increased by £23 million with addition of new properties.



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### 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 its development programme and appetite for growth. Net debt relative to assets is healthy, falling around the quartile 1/2 boundary of all three comparator groups.

Havebury 2019/20		Havebury 2018/19	
54.0%		53.8%	
	Quartile 1	Median	Quartile 3
Sector	53.9%	43.4%	32.6%
PlaceShapers	56.8%	44.1%	35.6%
Peer group	55.8%	50.9%	40.7%

The gearing metric has changed little between years and is relatively high compared to the sector due to Havebury's LSVT origins. Whilst net debt has increased from £178 million to £191 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 2019/20		Havebury 2018/19	
159%		154%	
	Quartile 1	Median	Quartile 3
Sector	238%	184%	139%
PlaceShapers	218%	186%	144%
Peer group	247%	201%	142%

The increase in EBITDA MRI % interest reflects a smaller capital programme in 2019/20. The position against peers, being lower than the 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.

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Havebury 2019/20		Havebury 2018/19	
29.0%		31.2%	
	Quartile 1	Median	Quartile 3
Sector	30.8%	25.8%	20.0%
PlaceShapers	32.0%	26.7%	20.6%
Peer group	38.9%	32.2%	29.4%

The lower operating margin in 2019/20 compared to 2018/19 is attributable to increased operating costs due to investment in resourcing and the last year of the 1% rent reduction. 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 2019/20		Havebury 2018/19	
30.3%		33.2%	
	Quartile 1	Median	Quartile 3
Sector	34.6%	29.2%	23.1%
PlaceShapers	34.3%	29.6%	24.6%
Peer group	39.7%	36.4%	30.8%

The change in operating margin on social housing lettings mirrors that of the operating margin overall. Turnover on social housing lettings increased as a result of the letting of new properties, however operating surpluses reduced due to higher expenditure in 2019/20 compared to 2018/19.

### Efficiency - Return on capital employed

Return on capital employed (ROCE) illustrates the return generated by a provider compared to its asset base. The reduced ROCE in 2019/20 relates to the lower operating margin noted above and increased value of total assets less current liabilities, due to new development completions.

Havebury 2019/20		Havebury 2018/19	
3.40%		4.13%	
	Quartile 1	Median	Quartile 3
Sector	4.74%	3.76%	3.02%
PlaceShapers	4.82%	3.67%	3.01%
Peer group	5.18%	3.69%	3.17%

Across all three comparator groups, Havebury's position within the third quartile is consistent with performance against other metrics. When considering the significant 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 in line with expectation.

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### Effectiveness - New supply delivered (social housing units)

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 2019/20		Havebury 2018/19	
3.59%		3.43%	
	Quartile 1	Median	Quartile 3
Sector	2.49%	1.43%	0.57%
PlaceShapers	2.47%	1.49%	0.63%
Peer group	3.18%	2.41%	1.32%

Both as a percentage of stock and in absolute terms, Havebury's development programme is significant, being almost 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.

### Effectiveness - New supply delivered (non-social housing units)

Non-social housing new supply delivered reflects four units completed for open market sale by Havebury in 2019/20.

Havebury 2019/20		Havebury 2018/19	
0.06%		0.00%	
	Quartile 1	Median	Quartile 3
Sector	0.13%	0.00%	0.00%
PlaceShapers	0.07%	0.00%	0.00%
Peer group	0.00%	0.00%	0.00%

### **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.

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	2019/20 Result	2019/20 Target	Sector quartile 1	Sector median	Sector quartile 3
<b>Strengthen the business and social impact by building more homes</b>					
Units developed (absolute)**	244	299	229	93	30
Units to be identified	154	191			
<b>Drive value through an efficient, sustainable and well run business</b>					
Rent collected	100.07%	99.41%	100.37%	99.78%	99.21%
CTAs (net of HB) as a % of debit	1.75%	1.99%	1.60%	2.17%	2.92%
Occupancy rate	99.11%	99.52%	99.70%	99.49%	99.02%
Rent loss from voids as a % of debit	0.94%	0.77%	0.60%	0.84%	1.19%
Ratio of responsive repairs to planned maintenance	61%	52%	49%	66%	90%
Overheads as a % of turnover*	9.93%	9.60%	10.43%	11.78%	14.20%
Asset cover	152%	148%			
<b>Invest in homes and neighbourhoods to create places where people want to live</b>					
% of properties with a valid gas safety certificate	100.00%	100.00%	100.00%	100.00%	99.99%
Fire risk assessments overdue	1	0			
Fire risk actions overdue	7	0			
Customer satisfaction with area as a place to live	84.7%	88.5%	87.4%	85.2%	82.0%
<b>Provide good quality, accessible services that meet customer needs</b>					
Customer satisfaction with overall service provided	93.5%	93.0%	89.0%	85.4%	80.6%
New complaints received	129				
Customer satisfaction with repairs and maintenance	86.1%	87.0%	85.1%	80.5%	73.0%
<b>Invest in and value our people to continue to build a great organisation</b>					
Average days/shifts lost to sickness	9.0	7.0	7.2	8.9	10.5
% of staff happy at work	70%	83%			
% of staff who would recommend working at Havebury	61%	72%			

\*reported one year behind other metrics

\*\* units developed (absolute) is a sector scorecard measure. Four units developed for sale by subsidiary are excluded

Havebury's performance on overall customer satisfaction is quartile one. Sustained investment in improvement works has contributed directly to Havebury tenants becoming amongst the most satisfied in the sector. Ongoing efficiency and service improvement programmes seek to continue this trajectory, whilst reducing costs per unit. Overheads as a percentage of turnover is quartile one. This indicates Havebury's back office functions are lean compared to most 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 but indicates too that Havebury has an efficient approach to repairs and maintenance, doing a significant 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 being over 100%. Whilst increased, Havebury outperformed its current tenant arrears target for 2019/20 (based on the forecast impact of housing benefit cases transitioning to Universal Credit) and maintains a favourable position against this indicator compared to peers. Havebury maintains low levels of staff turnover and has average rates of sickness. The new post of Assistant Director of People and Organisational Development has responsibility for increasing staff satisfaction levels and developing an organisational development strategy.

### Areas of underperformance

#### Voids

Challenges experienced in 2018/19 around peaks and troughs in volumes of new build handovers and local authority section 106 agreement restricted lettings proving difficult to manage within existing resource continued into 2019/20. Long term and difficult to let properties, particularly within sheltered housing impacted average re-let time too. Traditionally, Havebury's spend on

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voids has been low and many of the issues driving performance, increased investment wouldn't necessarily have resolved. Changes implemented towards the end of 2018/19 and into 2019/20 however, including additional staffing resource and implementing positive practice observed at other organisations had some impact in improving performance.

Further development of processes and closer performance management of voids and allocations achieved significant gains later in the year. Although the impact of COVID-19 affected Havebury's occupancy rate at year-end, in February and March 2020 the number of properties void was at its lowest for several years and targets for average re-let time and void rent loss were achieved.

### Major repairs and maintenance costs per unit

Havebury's major repairs cost per unit (£1,0672) is 1/3 greater than that of the majority of other providers (sector median = £794). The position reflects Havebury's commitment to invest in its existing housing stock, in line with stock condition survey reports.

The effect of this work has been realised in customer satisfaction with the quality of homes increasing significantly from 79.5% to 88.0% (based on Havebury's annual STAR survey 2013 and 2019 results). Whilst Havebury's analysis suggests some correlation between LSVTs of a similar age and higher major repairs spend, in late 2018/19 Board challenged staff to revisit the spend profile for major repairs to ensure it delivers value.

In 2019/20 work was completed on a cost and stock condition validation review. Havebury's stock condition was validated and the cost of repairs and maintenance SORs, materials, replacement components and component life cycles assessed. The outcomes of this piece of work are being used to inform Havebury's new asset management strategy to be delivered from 2021.

### Customer satisfaction with area as a place to live

Although increased slightly on 2018, customer satisfaction with area as a place to live is lower than the sector median. Many of the reasons for dissatisfaction are not neighbourhood management related, or outside of Havebury's direct control and results varied significantly by estate. In January a targeted plan for further investigation and improvement was created with progress being reported on a regular basis to Operations Committee.

Agile working rolled out as part of Havebury's First Focus project is realising benefits of staff being more visible on estates and better able to deal with issues proactively. Also, Havebury's revised antisocial behaviour policy means antisocial behaviour complainants are now kept better informed on case progress and outcomes. Coupled with the lag time of these improvements being reflected in customer opinion, the indicator is based on an annual survey and therefore the impact of these improvements is not expected to be seen until the next STAR survey in Summer 2020.

### EBITDA MRI % interest

EBITDA MRI as a percentage of interest has increased but 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 completions

Social housing development completions in 2019/20 (244) were 55 units behind the annual target of 299. The shortfall relates to two schemes falling out of the year and carried over into 2020/21.

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Havebury however, remains on course to complete its current programme to 2023, and the 244 completions represent the highest number of annual completions to date. Both in absolute terms and as a percentage of stock Havebury is a top quartile performer in delivering new supply. There were an additional four units completed for market sale during the year in the subsidiary.

### Staff sickness and satisfaction

Employee satisfaction fell in 2019/20 and was below target and average sickness levels increased. 'Appreciative inquiry' sessions took place with staff in December to provide the Leadership Team with greater intelligence from teams across the business where engagement has reduced the most. A new Assistant Director of People and Organisational Development is now in post and is tasked with leading Havebury through cultural change.

### **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 1.2 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 almost 1,700 new affordable homes. The programme has accelerated over the last five years and 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%. 244 units were completed in 2019/20, the highest annual number of completions to date. In 2019 Havebury was successful in obtaining grant funding to build homes for social rent for the first time since the 2008/11 NAHP with £14.0m of grant secured for social rent units in 2019/20.

In 2019/20 Havebury completed an in-term review of its Development Strategy. To ensure maximum efficiency in delivering future housing management and repairs services, the updated strategy refocuses Havebury's limit of operation to traditional heartlands, transport corridors and consolidating in areas where stock is already managed.

85% of demand from housing waiting lists locally is for one and two-bedroom properties. Whilst new development has helped, there remains an imbalance between this and local supply, with properties of this size making up just 60% of Havebury's housing stock. The development strategy continues to seek 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, however, means Havebury now seek greater variation when planning schemes.

The 248 units completed by the Group in 2019/20 were across 14 schemes. Payback ranges between 17 and 37 years, or 28 years on average. Total costs were £28.8m. 156 completions related to Section 106 acquisitions, 88 to grant funded land led schemes and 4 were for open market sale. Tenure and property types consisted of 31 social rent one and two-bed flats, 19 social rent one and two-bed houses/bungalows, 4 social rent four-bed houses, 4 affordable rent one-bed flats, 96 affordable rent one and two-bed houses/bungalows, 26 affordable rent three and four-bed houses/bungalows, 28 shared ownership one and two-bed flats, 24 shared ownership one and two-bed houses/bungalows, 12 shared ownership three-bed houses/bungalows and 4 four-bed detached houses for open market sale.



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Some of Havebury's development schemes in 2019/20 included:

- Bury Road, Thetford (Amulet Close) - land was purchased in 2015 after an extended period of disuse. Works included an extensive programme of decontamination of the former gas works site and urban regeneration. Completed in Summer 2019 the scheme offers an attractive mix of accommodation types at social rent
- Lucky Break, Tayfen Road, Bury St Edmunds (Hops Court) - a dense brownfield town centre development offering eight social rent and 28 shared ownership homes. The scheme involved demolition, remediation, new build and repurposing/renovation of two Victorian warehouses. Shrewd use of space and exploiting acute changes in ground level maximised dwelling numbers on the site. The scheme incorporates the largest and highest value flats of a Havebury development scheme to date
- Fentons Farm, Great Whelnetham (Stanningfield Road and Hambrook Close) - After a significant archaeological find on the site, works progressed throughout 2019/20. Completing late 2019 the site delivered six shared ownership homes and Havebury's first four homes for market sale
- Highbury Road and Ashwell Road - Four shared ownership homes completed on underutilised estate land owned by Havebury and a disproportionality large rear garden a long-standing tenant was struggling to manage. Bundling the two smaller schemes together enhanced viability, was more attractive to the contractor and offered economies of scale
- School Corner, Barnardiston (Lillypad Cottages) - Two units offering home ownership opportunities in a rural location which proved very popular. Built on a large side garden of a property already owned by Havebury
- Havebury office conversion (High Street, Haverhill) - Office space converted into two social rent homes brought much needed smaller accommodation to the town centre

In addition to the above, in 2019/20 works recommenced following the termination of the original contract at Havebury's Wade House, Stowmarket site, attracting additional grant funding to deliver 38 social rent flats on the site of a disused local authority care home.

### 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. The Asset Management Strategy is scheduled for review in 2020/21.

Disposals are predominantly undertaken as opportunistic sales and tend to arise as properties become void. During 2019/20 five properties were disposed via open market sale. This generated over £860k (£30k 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.

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### 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 2019/20 the new operating models for repairs and tenancy and estates were launched. These saw a proportionately lower increase in staffing resources compared to the stock and geographic growth planned. All operational processes were reviewed, redesigned and analysed against the efficiency targets set. This identified that over 16,000 hours in repairs, and over 3,000 hours in tenancy and estates could be saved once the redesigned processes were implemented. Some were implemented in 2019/20, with the remainder planned for 2020/21.
- **Customer Intelligence**: As part of the implementation of its Customer Insight Strategy, Havebury continued to introduce nudge activities, aimed at influencing customer behaviour to reduce service demand. This included encouraging more appropriate use of bin stores and cigarette bins as well as staff 'nudging' customers toward accessing services through MyHavebury. A behavioural insights project was also started to better understand how best to provide services to customers. The work has realised greater interest of service managers in using data to review services and improve value and efficiency in processes.
- **Digital offer**: In 2019/20 Havebury launched phase one and two of MyHavebury, allowing tenants to access services, including repair reporting, checking account balances, making payments and updating contact details, through a new application; channel shifting contact from less efficient methods.
- **Agile working**: During 2019/20 agile working was implemented in a number of teams, using lessons learned from the 2018/19 trials. This meant that staff who predominantly undertake work in tenants' homes and on estates could do so without the need to visit the office at any point during the working day. This has been achieved through revamping processes, embracing mobile technology and developing guidance to support agile and remote working practices. We estimate that it has increased productivity by 12.5%. In 2020/21 scheduling software to further support the efficient deployment of our agile workforce and reviewing other roles and services that may be suitable for agile delivery will be implemented.

### MyHavebury

Following extensive development and testing, in 2019/20 Havebury launched the repairs and rents modules of its MyHavebury application. This allows customers to access services online to report repairs, make and amend repair appointments, check account balances, make payments and update their contact details. The application has been successful in channel shifting customer contact away from less efficient methods and offers customers 24/7 access to services.

By year-end, targets for channel shift to My Havebury were achieved, realising planned efficiency gains. In January, February and March, 591 (10%) of the total 5,682 repairs reported were done so via MyHavebury. 43% of card payments were made using the application. In addition, customers with a MyHavebury account updated their contact details more often than they would otherwise. MyHavebury is crucial to Havebury meeting its key value for money objective, to achieve the planned growth without a proportionate increase to overheads and phases three (tenancy and estates and tenancy terminations) and four (non-tenant access for reporting issues and power of attorney) will be launched in 2020/21.



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### Procurement

Havebury continues to develop the procurement and contract management function to ensure contracts are delivered as tendered and quality maintained. This has included adopting a standard approach to contract management, contract meetings and reviewing KPI requirements. Work has been carried out across the business to introduce KPIs and service credits within key contracts, plus a compliance element for upcoming tenders. This will ensure that suppliers are consistently meeting the standards required of them with a mechanism for addressing any performance that falls short.

A supplier assessment was introduced in 2019/20 to ensure that all suppliers submitting a tender are suitable in key areas around compliance, health and safety and financial standing. This is to be expanded to include suppliers obtained through the quotation process in 2020/21.

The finance system was upgraded during 2019/20 and a new Purchase to Pay system was successfully implemented. The combined functionality of the Purchase to Pay system and the Housing Management system (Cx) has provided consistency in making payment to suppliers, improving further the procurement and contract management process. The functionality has also enabled the end-to-end payment processes to be carried out remotely, which has brought significant business benefit. In addition, the upgrade has provided a number of efficiencies within the Finance Team owing to the improved functionality.

Inclusive of development, Havebury ended the year with 151 live contracts. 31 new contracts were procured during 2019/20, including a development framework agreement that consists of two lots: employer's agent and principle designers and architects and planning consultants. The framework aims to provide consistency across these areas of the business in terms of cost and service delivery. Social and added value has also been included and assessed as part of the procurement exercise. Other tenders include six across operations functions, ranging from taxi services to re-roofing contracts and the internal audit contract.

A new contract for the servicing of fire alarms and associated equipment was procured via the OJEU process and commenced in September 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.

Examples of where ongoing contracts have delivered additional value included training sessions provided by our legal services provider in areas such as tenancy matters to leases and home ownership topics. The stores materials contract gives back 1% of profits and is allocated to community projects on an annual basis.

### 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, underwent significant structural improvement in 2019. In 2019/20 the service

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expanded to include a bed space for service users working with the 180 Probation Team. This offers prolific offenders who have exhausted all other housing options a base from which to receive 'wrap around' support covering work and training and mental health.

During 2019/20 Tayfen housed 117 homeless applicants, helped 28 residents to positively move on to suitable accommodation, and supported 7 residents into employment or work experience and 4 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. An additional fourth bed was made available to this project during 2019/20. Havebury also continues to work closely with Womens Aid in providing refuge space for women with complex vulnerabilities fleeing domestic abuse.

In 2019/20, £64,194 awarded by Havebury in grants to groups attracted almost £283k in match funding for community projects such as new toilet facilities at a village hall, community hub and church, new heating/cooling system at a community centre, children's football team kit, Church building improvements, setting up of a preschool facility, assisting a bowls Club to purchase their bowling green and refurbishment of a resource centre. Also, an underspend on environmental improvements allowed for two grants to local food banks of £5,000 each to be made to assist families affected by COVID-19.

### 2019/20 value for money action plan

As part of Havebury's 2019/20 Annual Delivery Plan, Havebury set out a number of value money objectives. An update on each of these is shown below:

Value for Money Action	Expected Outcome	VfM Gain	2019/20 Outturn
<b>Strengthen the business and social value by building more homes</b>			
Havebury Homes Limited - Complete and sell four market properties at Fentons Farm	£178k of profit delivered	Gift aid receipts used to develop new social housing and enhance Havebury's social value	Units completed although three out of four were unsold at year-end. HHL Board to consider options in relation to unsold properties in 2020/21
Affordable Homes Programme 2015/18 - Complete remaining schemes at Bury Road, Thetford and Wade House	72 additional affordable rent homes completed	Development of new social housing enhances Havebury's social value and positively impacts business plan	Bury Road, Thetford completed and converted to social rent. New contractors appointed for Wade House and works recommenced
Affordable Homes Programme 2016/21 and S106 completions - deliver programme in accordance with contractual arrangements	Minimum of 59 starts and 227 completions		Exceeded target: 141 starts and 244 completions. Land led starts however were down against forecast with a number of schemes delayed into 2020
Shared ownership programme - complete and successfully sell shared ownership properties in line with Homes England contract and business plan assumptions	68 sales generating £5.3m of income		Sales in 2019/20 was 44, generating income of £4m. Sales lower than budget owing to delay in completion of Hops Court and the ongoing delays in the sale of HOLD units. Shortfall carried over to 2020/21
Partner of choice - continue to deliver S106 properties across Havebury's operating area in accordance with Development Strategy	124 Section 106 properties procured		Exceeded target with 135 S106 units in contract in 2019/20
Disposals - identify properties for sale that are not suitable for letting	Generate £500k receipts to fund new homes programme	Generates income ring fenced to develop more suitable, better value homes	Five units identified and sold during 2019/20 generating £860k
<b>Invest in and value our people to continue to build a great organisation</b>			
Board recruitment - induction and smooth transition to new Chairs and recruitment of additional Board and Committee members	Continuity of governance structure and skills gaps filled	Board and committees remain equipped to deal with future challenges. Continuity of approach to value for money is maintained and enhanced	Vacancies originally identified were filled and seamless transition to new Chairs achieved
Governance review and action plan - execute the governance review action plan	All recommendations set out in the governance review action plan are implemented	Governance arrangements enhanced allowing Board and committees to best fulfil their responsibilities including in maintaining oversight and delivery of value	Recommendations implemented and review is now an annual process as required by the governance policy
Organisational development - work with specialist support to develop an organisational development plan	Plan agreed for implementation in 2020/21	Havebury's workforce and staffing structure is equipped to manage its planned growth and future challenges in a manner which fosters best value for money	Action carried over to 2020/21 following appointment of Assistant Director of People and Organisational Development in late 2019/20

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Value for Money Action	Expected Outcome	VfM Gain	2019/20 Outturn
<b>Drive value through an efficient, sustainable and well-run business</b>			
MyHavebury - test, launch and promote MyHavebury in line with First Focus Steering Group approved roadmap	10% of customer transactions moved online	Customer interaction shifted to better value channels	Phase two of MyHavebury launch completed. 591 (10%) of 5,682 repairs between 01/01/2020 and 31/03/2020 reported via MyHavebury. 43% of card payments during the same period made via MyHavebury
Agile working - develop suite of policies and procedures to support new ways of working	Benefits of agile working realised	Agile working represents increased value in delivering services more efficiently and to a more dispersed stock	New policies and procedures were implemented October 2019
Procurement - full review of procurement policies and procedures	Procurement strategy approved	Business requirements are met and value maximised in procurement and contract management	Work ongoing and carried forward to 2020/21. Due to complete July 2020
Risk management - overhaul of risk assessment process and reporting	System implemented and reporting approved by Board	Havebury is able to most effectively and efficiently manage and respond to existing and emerging risk	New process implemented September 2019 and is working successfully
Performance reporting - produce a company wide performance management framework	Framework articulated and in place for reporting to Board and committees	Havebury's value for money performance is reported, monitored and clearly articulated to Board. Areas of underperformance can be quickly addressed	The performance framework has experienced several iterations but is now stable, although it will always be dynamic as business risk and needs change
Civica Cx - streamline workflow processes to ease use and implement a system of employee feedback	Improvement in employee satisfaction	Improved functionality of Havebury's housing management system allows employees to work more efficiently	Work to support and improve effectiveness of Cx completed March 2020 with a 'service desk' approach set up to monitor and capture staff feedback. Further upgrades and improvements scheduled for 2020/21
<b>Provide good quality accessible services that meet customer needs</b>			
First Focus Customer Strategy - next generation customer strategy covering: tenant voice, customer service standards, customer engagement and insight	New First Focus strategy approved by Operations Committee	Havebury has a strategy for generating best value from its approach to customer interaction and engagement	Carried over to 2020/21 due to scale and level of engagement required
First Focus neighbourhoods - implement outcomes of review of neighbourhood services	New services offer being delivered and performance and efficiency benefits realised	Havebury is able to grow and service more units over a wider geographical area without a proportionate increase in overheads	New operating model for the Tenancy and Estates Team completed March 2020, with further enhancements and developments scheduled for 2020/21
First Focus repairs - implement outcomes of review of repairs services	New repairs scheduling system implemented and new service offer being delivered. Performance and efficiency benefit realised		Carried over to 2020/21 due to integration issues between Cx and new scheduling system. Implementation anticipated May 2020
Welfare reform/income management - planned and strategic approach in place to respond to the impact of Universal Credit and growth in housing stock	Income and void performance targets met/exceeded	Services managed efficiently and income maximised	2019/20 income and arrears targets met. Void performance improved significantly over 2019/20. Average re-let time and void loss targets achieved February and March 2020
<b>Invest in homes and neighbourhoods to create places where people want to live</b>			
Vinefields estate improvement - engage consultant to consider options	Consultant engaged to consider options and budget for improving property and estate at Vinefields. Option appraisal completed	Viability of Vinefields as an estate improves	Updated feasibility study conducted in-house during 2019/20 with longer term review to be considered as part of wider regeneration plan and new asset management strategy. Carried over to 2020/21
Energy efficiency measures for tenants - identify stick with EPC ratings of F, G or H and develop a plan to raise EPC rating to a minimum of E	Plan submitted to Operations Committee for approval with an estimate of costs and likely timescales	Value for money for rent enhanced for tenants by reducing energy costs	Report presented to Operations Committee October 2019, however wider review of investment to be undertaken as part of update to Asset Management Strategy in 2020/21
External wall insulation - undertake a programme of insulation works on cross wall homes with single skin stories	Up to 60 properties insulated		28 properties externally insulated during 2019/20. A further 49 properties internally insulated and re-clad using Cedral cladding - upgrading thermal and fire rating performance

## STRATEGIC REPORT

### 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.

#### Coronavirus Pandemic

The global pandemic has had a significant impact on the risk environment in which Havebury delivers services to tenants. Since the beginning of lockdown in March all services had been suspended other than emergency repairs. At the time of writing this report plans are in place for remobilising services to tenants, works to properties and compliance checks.

The economic impact of the pandemic is not yet clear although inflation and interest rates are falling and the costs of the support Government has provided are known; uncertainty remains as to how the deficit will be repaid, the impact of quantitative easing and the impact on our tenants personally and their ability to pay their rent.

Havebury's initial response to the situation included:

- Strengthening of immediately available liquidity.
- Established an Emergency Team to meet daily, now meeting weekly.
- Mobilising our teams to remote working.
- Establishment of a COVID-19 weekly dashboard.
- Strategic Board delegated authority to Chairs of Board and Committees with a terms of reference and a sunset date and authority to review any commitments exceeding a defined financial threshold and to review monthly financial performance. This meeting to take place every two weeks.
- Strategic Board considered a revised forecast for 2020/21 financial year and stress tests on the agreed 30 year business plan for 2020/21.

## STRATEGIC REPORT

The major risks to successful achievement of the Association's objectives going forward are summarised below:

SUMMARY OF CONSEQUENCES	SUMMARY OF MEASURES IN PLACE
<b>Key risk: Economic Uncertainty</b>	
<p>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</p>	<p>The measures in place to manage this risk are as follows:</p> <ul style="list-style-type: none"> <li>• In response to the Coronavirus pandemic, every two weeks, a meeting of Chairs of Committees and Board takes place with delegated authority to review commitments over specified financial thresholds, in addition this grouping will review the COVID-19 Dashboard and monthly financial performance</li> <li>• The Regulator of Social Housing (RSH) has deferred the deadline for submission of the 30-year Business Plan. The Board has a 30-year plan in place which will be reviewed for the emerging economic impact of Coronavirus and has received Coronavirus specific stress tests at its May meeting. Continued testing of the business plan at least quarterly will inform decision-making and a rapid response to changes as they arise</li> <li>• The Board has established clear financial Golden Rules in the form of buffers against financial targets and covenant requirements, and these thresholds remain in place during the current crisis</li> <li>• The Treasury Plan sets out the liquidity requirements and thresholds to ensure sufficient cash is available to meet business needs</li> <li>• Cashflow and covenant compliance reported to Board each quarter</li> </ul>

## STRATEGIC REPORT

Key risk: Health and Safety and Fire	
Ineffective management of health and safety compliance could lead to the death or serious injury of residents or staff	<p>The measures in place to manage this risk are as follows:</p> <ul style="list-style-type: none"><li>• An overarching Health &amp; Safety Policy is in place clearly setting out the roles and responsibilities of Board Members, managers and staff members</li><li>• In response to lockdown and the associated reduction in operational activities, the Leadership Team has established a weekly dashboard including performance against tenant facing health and safety compliance indicators to identify any emerging issues to be urgently addressed</li><li>• During 2019/20 two in-depth specialist audits were carried out on the two tenant facing safety areas of Gas Safety checks and Electrical Inspection compliance. Implementation of recommendations being overseen by Operations Committee</li><li>• In 2019/20 Havebury conducted extensive audits and inspections of properties with timber cladding, external balconies and stairwells, strengthening mitigations where appropriate</li><li>• A formal process recording near miss, incident and accident reporting is in place</li><li>• The Health, Safety and Wellbeing Group oversees employer health and safety obligations. The group is chaired by the Director of Resources and meets quarterly. During the current pandemic this group is meeting more frequently</li><li>• The Health &amp; Safety Manager is responsible for monitoring health and safety legislation generally and implementing appropriate changes within the organisation. The association provides health &amp; safety training for all employees, including regular fire safety drills and checks</li><li>• The internal audit service conducts regular compliance checks across key health and safety areas</li></ul>



## STRATEGIC REPORT

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	<p>The measures in place to manage this risk are as follows:</p> <ul style="list-style-type: none"> <li>• There are 8 trigger monitoring measures reviewed monthly by Executive Directors and Quarterly by Strategic Board</li> <li>• The newly established Development Committee has strengthened oversight of development activities</li> <li>• Appraisals are based on prudent assumptions</li> <li>• Shared Ownership forecasts and cashflows are reviewed against plan and stress tested</li> <li>• A range of mitigation options are in place</li> <li>• A clear escalation process clearly sets out the actions to be taken in the event of a crystallisation of this risk</li> </ul>
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	<p>The key measures in place to manage this risk are:</p> <ul style="list-style-type: none"> <li>• A Sophos firewall is in place</li> <li>• Anti-Virus and ransomware detection on all PCs</li> <li>• Mimecast email security</li> <li>• Systems and patches updates are applied as they become available</li> <li>• Information Security Framework is in place co-ordinating actions in response to new threats</li> <li>• Penetration testing is regularly run</li> </ul>
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 have a negative financial impact	<p>The key measures in place to manage this risk are as follows:</p> <ul style="list-style-type: none"> <li>• The procurement process involves pre-contractual financial checks to determine the financial robustness and resilience of suppliers</li> <li>• All suppliers have a monthly credit check undertaken</li> <li>• A detailed register assessing the risk of contracts not being delivered as a result of Coronavirus has enabled the business to focus on contracts with most exposure</li> <li>• The contract process is reinforced with on-site inspections where relevant</li> <li>• Development Committee have introduced a measure to ensure that Havebury is not disproportionately exposed to the failure of a single contractor</li> <li>• For major projects, independent expert confirmation is sought that the contractor has the capability to complete the contract within the agreed timescale</li> </ul>

## STRATEGIC REPORT

### CAPITAL STRUCTURE AND TREASURY MANAGEMENT

The Association financed its development programme from its own reserves during the year, and £17m was drawn down from available facilities. At year end Association borrowings amounted to £198.5m (2019: £181.5m), with the ability to draw a further £71.5m (2019: £88.5m).

#### LOAN FACILITIES AND LIQUIDITY

As at 31 March 2020 the Association had four committed loan facilities totalling £270m (2019: £270m). This consisted of a £85m (2019: £85m) bilateral loan facility with Barclays with drawn funding of £85m (2019: £85m), a £50m (2019: £50m) bilateral undrawn loan facility with RBS, a £75m bilateral loan facility with Macquarie, with drawn funding of £75m (2019: £75m) and a £60m facility with Lloyds with drawn funding of £38.5m (2019: £21.5m).

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

Maturity	2020 £m	2019 £m
Within one year	-	-
Between one and two years	-	-
Between two and five years	48.5	31.5
After five years	150.0	150.0
	<u>198.5</u>	<u>181.5</u>

#### 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, 80.6% of the Association's borrowings were at fixed rates (2019: 88.2%). 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% (2019: 1.86% to 5.05%).

Gearing, calculated as total loans less cash as a percentage of tangible fixed assets, was 52.3% by 31 March 2020 (2019: 53.8%).

#### 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 £71.5m (2019: £88.5m) of undrawn committed facilities.



## STRATEGIC REPORT

### 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 MRI and net debt per unit are measured monthly and reported quarterly to the lenders. For the year end 31 March 2020 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 £31m 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 £71.5m 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 2018 (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 2019/20 and 2018/19:

Association Members	2019/20 Salary	2018/19 Salary
D McKenzie, Chairman - Strategic Board - retired	£5,238	£11,000
I Mashiter - Chairman from October 2019 (HHP member and HHL Chairman to October 2019 )	£8,381	£5,500
L Adams, Chairman - Operations Board (retired)	£2,619	£5,500
C Springett - Chairman - Audit and Risk Committee	£4,786	£4,000
R Everitt, Chairman - Audit & Risk Committee (retired)	£2,619	£5,500
C Gardner - Chairman - Operations Committee	£5,024	£4,000
MD Sheren	£4,000	£4,000
HE Thomas (resigned)	£3,375	£4,000
M Webster - Chairman - Development Committee	£5,500	£2,750
K Harris	£4,000	£2,500
C Herries - (retired)	£1,332	£4,000
Tibor Pinter	£3,000	£3,000
AJ Oxborrow - (resigned)	£3,000	£4,000
M Tutton	£4,000	£4,000
R Hayhurst - HHL	£4,000	£4,000
P Basford	£1,000	-
W Bryant	£2,333	-
S Burton	£2,333	-
A Colby	£2,625	-
J Foster	£1,000	-
K Hudson	£2,625	-
J Harkness	£2,333	-
N Stonebridge	£2,333	-

Strategic Board Chair  
Ian Mashiter

Company Secretary  
Marie McCleary

Chair Audit & Risk Committee  
Clive Springett

Date: 28 July 2020

## 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 2020.

### 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 4 committees; the Operations Committee, Audit and Risk Committee, Development 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.

## REPORT OF THE BOARD

### 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 £71.5m of undrawn facilities at 31 March 2020), 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, and having received a supporting Going Concern paper which included additional analysis and commentary, 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.

### 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.

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, Operations, Development and Remuneration and Governance 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 2020 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 2020 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 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 appropriate 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 2019. 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.

### 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.

### COMPLIANCE WITH THE RSH GOVERNANCE AND FINANCIAL VIABILITY STANDARD

As required by the Accounting Direction, the Board has completed an annual self-assessment of Havebury Housing Partnership's compliance with the Governance and Financial Viability Standard as the only registered provider within the Group. As part of this review, the Board have considered legal compliance through Management Reports on changes to legislation informed by legal circulars. Health and safety compliance has been specifically monitored through the management reporting of compliance with specific areas of legislation impacting on the business. With regular management reports on data protection, we confirm compliance with new data protection legislation while continuing to improve alignment of our policies and procedures with good practice. Following this review, the Board can confirm compliance with the Governance and Financial Viability Standard with no qualifications. In addition, the Board carries out an annual self-assessment against the RSH Economic and Consumer Standards to ensure that we are compliant and that any plans for continuous improvement are documented.

## REPORT OF THE BOARD

### AUDITORS

The Board reappointed the auditors RSM to undertake the 2019/20 audit. The directors approved the provision of all information required by RSM to undertake the audit.

### ANNUAL GENERAL MEETING

The annual general meeting will be held on week commencing 21 September 2020.

The report of the Board was approved by the Board on 28 July 2020 and signed on its behalf by:

Strategic Board Chair  
Ian Mashiter

# 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 2020 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 2020 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 2019.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the 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 36 and 37, 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 2020

		2020		2019	
		Group	Association	Group	Association
	Note	£'000	£'000	£'000	£'000
Turnover	3	42,139	41,750	42,054	42,054
Cost of Sales	3	(3,189)	(2,850)	(4,186)	(4,186)
Operating Costs	3	(26,723)	(26,721)	(24,768)	(24,762)
Operating Surplus	3,5	12,227	12,179	13,100	13,106
Surplus on sale of housing properties	6	279	279	842	842
Interest receivable	7	29	91	19	42
Interest payable	8	(8,596)	(8,636)	(8,693)	(8,705)
Surplus before taxation		3,939	3,913	5,268	5,285
Taxation		-	-	-	-
Surplus for the financial year		3,939	3,913	5,268	5,285
Actuarial gain/(loss) in respect of pension scheme		2,406	2,406	(2,199)	(2,199)
Total comprehensive income for the year		6,345	6,319	3,069	3,086

The results related wholly to continuing activities.

The notes on pages 45 to 73 form part of these financial statements.

The financial statements were approved by the Board and authorised for issue on 28 July 2020 and signed on its behalf by:

Strategic Board Chair  
Ian Mashiter

Company Secretary  
Marie McCleary

Chair Audit & Risk Committee  
Clive Springett

## STATEMENTS OF CHANGES IN RESERVES

For the year ended 31 March 2020

Group	Revaluation Reserve £'000	Income and Expenditure Reserve £'000	Total £'000
<b>Balance at 1 April 2018</b>	<b>88,048</b>	<b>38,068</b>	<b>126,116</b>
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)
<b>Balance at 1 April 2019</b>	<b>87,607</b>	<b>41,117</b>	<b>128,724</b>
Surplus for the year	-	3,939	3,939
Actuarial gain in respect of pension schemes	-	2,406	2,406
Transfer from revaluation reserve to income and expenditure reserve	(746)	746	-
<b>Balance at 31 March 2020</b>	<b>86,861</b>	<b>48,208</b>	<b>135,069</b>

Association	Revaluation Reserve £'000	Income and Expenditure Reserve £'000	Total £'000
<b>Balance at 1 April 2018</b>	<b>88,048</b>	<b>38,068</b>	<b>126,116</b>
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)
<b>Balance at 1 April 2019</b>	<b>87,607</b>	<b>41,134</b>	<b>128,741</b>
Surplus for the year	-	3,913	3,913
Actuarial gain in respect of pension schemes	-	2,406	2,406
Transfer from revaluation reserve to income and expenditure reserve	(746)	746	-
<b>Balance at 31 March 2020</b>	<b>86,861</b>	<b>48,199</b>	<b>135,060</b>

The notes on pages 45 to 73 form part of these financial statements.

## STATEMENTS OF FINANCIAL POSITION

For the year ended 31 March 2020

		2020		2019	
		Group £'000	Association £'000	Group £'000	Association £'000
	Note				
<b>Tangible Fixed Assets</b>					
Housing properties	11	353,198	353,198	330,622	330,622
Other tangible fixed assets	12	2,989	2,989	3,075	3,075
		<u>356,187</u>	<u>356,187</u>	<u>333,697</u>	<u>333,697</u>
Intangible Assets	13	615	615	471	471
<b>Total Fixed Assets</b>		<b>356,802</b>	<b>356,802</b>	<b>334,168</b>	<b>334,168</b>
<b>Current Assets</b>					
Stock	15	193	193	156	156
Properties for Sale	16	6,923	5,941	5,501	4,734
Debtors	17	2,811	3,808	2,463	3,463
Cash at bank and in hand		<u>12,267</u>	<u>12,217</u>	<u>7,700</u>	<u>7,358</u>
		<u>22,194</u>	<u>22,159</u>	<u>15,820</u>	<u>15,711</u>
Deferred income falling due within one year	23	(258)	(258)	(170)	(170)
Creditors: amounts falling due within one year	18	<u>(10,767)</u>	<u>(10,741)</u>	<u>(12,071)</u>	<u>(11,945)</u>
<b>Net current assets</b>		<b>11,169</b>	<b>11,160</b>	<b>3,579</b>	<b>3,596</b>
<b>Total assets less current liabilities</b>		<b>367,971</b>	<b>367,962</b>	<b>337,747</b>	<b>337,764</b>
Creditors: amounts falling due after more than one year	19	202,992	202,992	185,865	185,865
Net pension liability	9	4,331	4,331	6,093	6,093
Deferred income - grant	23	<u>25,579</u>	<u>25,579</u>	<u>17,065</u>	<u>17,065</u>
		<u>232,902</u>	<u>232,902</u>	<u>209,023</u>	<u>209,023</u>
<b>Capital and Reserves</b>					
Non-equity share capital	25	-	-	-	-
Revaluation reserve		86,861	86,861	87,607	87,607
Income and Expenditure reserve		<u>48,208</u>	<u>48,199</u>	<u>41,117</u>	<u>41,134</u>
Retained Funds		<u>135,069</u>	<u>135,060</u>	<u>128,724</u>	<u>128,741</u>
		<u><b>367,971</b></u>	<u><b>367,962</b></u>	<u><b>337,747</b></u>	<u><b>337,764</b></u>

The notes on pages 45 to 73 form an integral part of these financial statements.

The financial statements were approved by the Board and authorised for issue on 28 July 2020 and signed on its behalf by:

Strategic Board Chair  
Ian Mashiter

Company Secretary  
Marie McCleary

Chair of Audit & Risk Committee  
Clive Springett

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

		Group	
	Note	2020 £'000	2019 £'000
<b>Net cash generated from operating activities</b>	27	<u>20,555</u>	<u>24,808</u>
<b>Cash flow from investing activities</b>			
Purchase and construction of housing properties		(32,840)	(40,817)
Purchase of other tangible fixed assets		(123)	(163)
Purchase of intangible assets		(214)	(56)
Proceeds from sale of tangible fixed assets		1,320	5,268
Other fixed assets sales		-	-
Grants received		8,105	2,399
Interest Received		29	19
		<u>(23,723)</u>	<u>(33,350)</u>
<b>Cash flow from financing activities</b>			
Interest paid		(9,265)	(8,628)
Loan drawdowns		17,000	16,000
Loan issues costs		0	(6)
		<u>7,735</u>	<u>7,366</u>
<b>Net change in cash and cash equivalents</b>		<b>4,567</b>	<b>(1,176)</b>
Cash and cash equivalents at beginning of year		7,700	8,876
<b>Cash and cash equivalents at end of the year</b>		<u><b>12,267</b></u>	<u><b>7,700</b></u>

## 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 of Social Housing.

The Association's and Group's principal activity is the provision of social housing. There are two subsidiaries of the Association, Havebury Homes Limited and Design & Build Services East Limited. 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. Design and Build Services East Limited is a dormant company.

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 Bury St Edmunds, 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 2018 Statement of Recommended Practice (SORP) for registered Social Housing providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019. The Board is satisfied that the current accounting policies are the most appropriate for the Association.

Havebury Homes Limited commenced trading during the previous financial year and forms part of the consolidated accounts. Design and Build Services East Limited is dormant. The Group accounts present activity in 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 FRS 102.

#### BASIS OF CONSOLIDATION

The consolidated financial statements of the Association have been prepared as required by SORP 2018 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.

The Group has taken an exemption from preparing a statement of cash flows for the Association as permitted under FRS 102.

## NOTES TO THE FINANCIAL STATEMENTS

### 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 £3.939 million and a Statement of Financial Position showing total assets less current liabilities of £367.971 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).

As at 31 March 2020 the going concern basis of accounting was considered to be appropriate for The Havebury Housing Partnership as no material uncertainties existed. The outbreak of COVID-19 in the early part of 2020 has caused severe disruption to the global economy and will continue to do so. The Havebury Housing Partnership has performed financial modelling to consider the impact of the COVID-19 outbreak on the reported results and forecast position, and no issues were identified that would give rise to a going concern risk. Given the substantial liquidity the Havebury Housing Partnership has in place, COVID-19 should not cast any doubt on the ability of the business to continue as a going concern.

### 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 Shared Ownership first tranche sales and open market sales is 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.



## NOTES TO THE FINANCIAL STATEMENTS

### 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 expected first tranche proportion is classed as a current asset and included in Properties for Sale, 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 each sale is shown net of the share due to the Council and after deducting the carrying value of the properties and related sale expenses.

### 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 received in advance; or
- b) interest on borrowings of the Association as a whole, after deduction of interest on Government grant received 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.

### GOVERNMENT GRANT

Government grants are receivable from Homes England 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 respectively. 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 shown in the 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 within Creditors.

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

## NOTES TO THE FINANCIAL STATEMENTS

### OTHER GRANTS

Other grants receivable 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.

### 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.

### 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 on a straight line basis 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.

### IMPAIRMENT

An assessment is made at each reporting date as to 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 reflect 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 on a straight line basis 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 respectively. At the 31 March 2020 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 employees' services are received.

## NOTES TO THE FINANCIAL STATEMENTS

### RETIREMENT BENEFITS

#### DEFINED BENEFIT

The Association participates in the Suffolk County Council Pension Fund (SCCPF) 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 £38.5 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.

## NOTES TO THE FINANCIAL STATEMENTS

### **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 has suffered a loss in value in the Statement of Financial Position.

### 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 FRS 102 (note 11). Management have made the judgement that properties do not meet the definition of an investment property as per section 16 of FRS 102. 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 2020 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 £651k (2019: £620k) 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

	2020			
	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus £'000
Social housing lettings	36,566	-	(25,485)	11,081
<b>Other social housing activities</b>				
Supporting People contract income	170	-	(170)	-
Development costs not capitalised	-	-	(988)	(988)
First Tranche Shared Ownership Sales	4,100	(2,641)	-	1,459
Open Market Sales	860	(209)	-	651
	5,130	(2,850)	(1,158)	1,122
<b>Non-social housing activities</b>				
Community Initiatives	-	-	(78)	(78)
Overage Income	54	-	-	54
	54	-	(78)	(24)
Association activities	41,750	(2,850)	(26,721)	12,179
Intragroup charges	(11)	2	4	(5)
Subsidiary company	400	(341)	(6)	53
Group activities	42,139	(3,189)	(26,723)	12,227

	2019			
	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus £'000
Social housing lettings	35,615	-	(23,791)	11,824
<b>Other social housing activities</b>				
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
<b>Non-social housing activities</b>				
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

## NOTES TO THE FINANCIAL STATEMENTS

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

	2020				2019	
	General Housing £'000	Supported Housing and Housing for older people £'000	Shared Ownership £'000	Other £'000	Total £'000	Total £'000
<b>Turnover from social housing lettings</b>						
Rent receivable net of identifiable service charges	31,318	1,598	635	1,333	34,884	34,005
Charges for support services	-	-	-	-	-	-
Service charges receivable	254	735	71	86	1,146	1,210
<b>Net rental income</b>	<b>31,572</b>	<b>2,333</b>	<b>706</b>	<b>1,419</b>	<b>36,030</b>	<b>35,215</b>
Amortised government grants	173	-	-	-	173	121
Other income	336	62	11	8	417	279
<b>Turnover from social housing lettings</b>	<b>32,081</b>	<b>2,395</b>	<b>717</b>	<b>1,427</b>	<b>36,620</b>	<b>35,615</b>
<b>Expenditure on social housing lettings</b>						
Management	(3,710)	(9)	(6)	(1,048)	(4,773)	(4,323)
Services	(1,268)	(1,056)	(15)	(353)	(2,692)	(2,528)
Routine maintenance	(5,130)	(224)	(11)	(287)	(5,652)	(3,945)
Planned maintenance	(1,844)	(81)	(7)	(47)	(1,979)	(3,114)
Major repairs expenditure	(3,336)	(360)	(3)	(127)	(3,826)	(3,676)
Bad debts	(305)	(67)	-	(13)	(385)	(446)
Property lease charges	(8)	-	-	(3)	(11)	(6)
Depreciation of housing properties	(5,828)	-	(143)	-	(5,971)	(5,553)
Impairment of housing properties	(196)	-	-	-	(196)	(200)
<b>Operating costs on social housing lettings</b>	<b>(21,625)</b>	<b>(1,797)</b>	<b>(185)</b>	<b>(1,878)</b>	<b>(25,485)</b>	<b>(23,791)</b>
<b>Operating surplus on social housing lettings</b>	<b>10,454</b>	<b>598</b>	<b>532</b>	<b>(449)</b>	<b>11,135</b>	<b>11,824</b>
Void losses (within Net rental income above)	327	-	-	-	327	414

## 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:

	2020 No.	2019 No.
Social housing		
General housing		
- social rent	4,607	4,572
- affordable rent	1,576	1,452
Supported housing and housing for older people	374	374
Shared ownership	230	168
Intermediate rent	3	3
<b>Association Total owned</b>	<b>6,790</b>	<b>6,569</b>
Outright sale	3	-
<b>Group Total owned</b>	<b>6,793</b>	<b>6,569</b>
Accommodation in development at the year end	324	411

### 5 OPERATING SURPLUS

This is arrived at after charging / (crediting):

	Group £'000	2020 Association £'000	Group £'000	2019 Association £'000
Depreciation of housing properties	5,971	5,971	5,553	5,553
Depreciation of other tangible fixed assets	209	209	197	197
Amortisation of intangible fixed asset	81	81	66	66
Impairment of housing properties	196	196	200	200
Deficit on disposal of other tangible fixed assets	-	-	3	3
Operating Leases	111	111	66	66
External auditor's remuneration (including VAT where applicable):				
- for audit services	37	31	28	21
- for non-audit services relating to continuing activities	4	4	10	10
Internal auditors' remuneration (including VAT where applicable)	19	19	14	14

## NOTES TO THE FINANCIAL STATEMENTS

### 6 SURPLUS ON SALE OF HOUSING PROPERTIES

	2020		2019	
	Group £'000	Association £'000	Group £'000	Association £'000
Disposal proceeds	2,149	2,149	3,098	3,098
Right to Buy: Share to Council	(950)	(950)	(1,227)	(1,227)
Carrying value of fixed assets	(864)	(864)	(950)	(950)
Administrative costs of sale	(56)	(56)	(79)	(79)
	<u>279</u>	<u>279</u>	<u>842</u>	<u>842</u>

### 7 INTEREST RECEIVABLE

	2020		2019	
	Group £'000	Association £'000	Group £'000	Association £'000
Interest receivable and similar income	29	91	19	42
	<u>29</u>	<u>91</u>	<u>19</u>	<u>42</u>

### 8 INTEREST PAYABLE

	2020		2019	
	Group £'000	Association £'000	Group £'000	Association £'000
Loans and bank overdrafts	8,883	8,883	8,785	8,785
Pension	152	152	98	98
Other interest payable	-	-	-	-
Other fees and commissions	543	543	675	675
	<u>9,578</u>	<u>9,578</u>	<u>9,558</u>	<u>9,558</u>
Interest payable capitalised on housing properties under construction	(982)	(942)	(865)	(853)
	<u>8,596</u>	<u>8,636</u>	<u>8,693</u>	<u>8,705</u>
Capitalisation rate used to determine the amount of finance costs capitalised during the period	<u>4.65%</u>	<u>4.65%</u>	<u>4.87%</u>	<u>4.87%</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 9 EMPLOYEES

	2020 No.	2019 No.
Total number of employees	<u>213</u>	<u>199</u>
Average monthly number of employees of the group and Association, by directorate, expressed in full time equivalents:		
Chief Executives	10.7	9.9
Resources	35.0	32.3
Operations	120.2	113.4
Development	<u>13.5</u>	<u>11.0</u>
	<u>179.4</u>	<u>166.6</u>
	£'000	£'000
Employee costs:		
Wages and salaries	6,700	6,069
Social security costs	628	587
Other pension costs	<u>1,337</u>	<u>1,164</u>
	<u>8,665</u>	<u>7,820</u>

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. The most recent formal actuarial valuation was completed as at 31 March 2020.

The main actuarial assumptions used in the valuation were:

Salary increases	1.0% per annum
Future pension increases	8.0% per annum

## NOTES TO THE FINANCIAL STATEMENTS

### Contributions

The employer's contributions to the SCCPF by the Association for the period ended 31 March 2020 were £567,000 (2019: £562,000) and the employer's contribution rate has been fixed as 24.2% of pensionable pay until 31 March 2020. The estimated employer's contributions for the year to 31 March 2021 will be approximately £567,000.

### Assumptions

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

	31 March 2020 % per annum	31 March 2019 % per annum
Discount rate	2.3%	2.4%
Rate of increase in salaries	2.6%	2.8%
Rate of increase in pensions in payment	1.9%	2.5%

### Mortality assumptions

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

	2020	2019
Male	21.9 years	21.9 years
Female	24.1 years	24.4 years

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

	2020	2019
Male	22.7 years	23.9 years
Female	25.6 years	26.4 years

### Amounts recognised in the Statement of Financial Position:

	2020 £ '000	2019 £ '000
Fair value of Employer's Assets	35,929	38,161
Present value of Funded Liabilities	(40,260)	(44,254)
Net Liability	<u>(4,331)</u>	<u>(6,093)</u>

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

	2020 £ '000	2019 £ '000
Current service cost	1,059	922
Net interest on the net defined benefit pension liability	152	98
Employer contributions, gain/(loss) on curtailment and gain/(loss) on settlement	(567)	(562)
Actuarial gain/(loss)	2,406	(2,199)
	<u>3,050</u>	<u>(1,741)</u>

## NOTES TO THE FINANCIAL STATEMENTS

### Changes in the present value of the defined benefit obligation:

	2020	2019
	£ '000	£ '000
Defined benefit obligation at 1 April	44,254	39,346
Service cost	1,059	922
Interest Cost	1,069	1,067
Contribution by scheme participants	156	153
Actuarial (gains)/losses	(5,459)	3,462
Benefits paid	(819)	(696)
<b>Defined benefit obligation at 31 March</b>	<b>40,260</b>	<b>44,254</b>

### Changes in the fair value of plan assets:

	2020	2019
	£ '000	£ '000
Plan assets at 1 April	38,161	35,910
Interest Income	917	969
Return on assets	(3,053)	1,263
Contribution by employer	567	562
Contribution by scheme participants	156	153
Benefits paid	(819)	(696)
<b>Plan assets at 31 March</b>	<b>35,929</b>	<b>38,161</b>

### Return on plan assets:

	2020	2019
	£ '000	£ '000
Return on plan assets	(3,053)	1,263

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

	2020	2019
Equities	66%	66%
Bonds	22%	23%
Property	10%	10%
Cash	2%	1%

### Money Purchase Scheme

There is nothing outstanding as at the 31 March 2020 (2019: £nil) relating to the money purchase scheme. The total contributions paid for the financial year were £315,661 (2019: £217,172).



## 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.

	2020 £'000	2019 £'000
Total remuneration of Management Team	839	826
Aggregated amount of Management Team pension contributions	86	62
	<u>925</u>	<u>888</u>

Total amounts paid to the Management Team amount to £925,000 (2019: £888,000). The figures relate to four Executive Directors including the Chief Executive. All four Executive Directors are members of the money purchase scheme.

The Chief Executive is the highest paid Executive Director. The Association made pension contributions on behalf of the Chief Executive of £15,472 (2019: £2,899). During the prior year there was a change in Chief Executive and the remuneration allocated to the outgoing and incoming Chief Executives were:

	2020 £	2019 £
<b>Outgoing Chief Executive</b>		
Remuneration	<u>-</u>	<u>114,322</u>
<b>Incoming Chief Executive</b>		
Remuneration	<u>138,186</u>	<u>61,710</u>

The emoluments of the highest paid Non-Executive Director, the Chairman of the Strategic Board, was £8,381 (2019: £11,000). Total remuneration paid to Non-Executive Directors during the period amounted to £78,489 (2019: £67,750). Expenses reimbursed during the period to Non-Executive Directors amounted to £4,399 (2019: £3,080).

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

	2020 No.	2019 No.
£60,001 to £70,000	3	4
£70,001 to £80,000	1	1
£80,001 to £90,000	2	3
£90,001 to £100,000	1	-
£100,001 to £110,000	-	-
£110,001 to £120,000	2	3
£120,001 to £130,000	1	1
£140,001 to £150,000	-	-
£150,001 to £160,000	1	-
	<u>11</u>	<u>12</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 11 TANGIBLE FIXED ASSETS - HOUSING PROPERTIES

#### Group and Association

	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
<b>Cost</b>					
At 1 April 2019	333,803	19,687	13,944	6,025	373,459
Reclassification	-	174	-	(174)	-
Additions	-	21,333	-	4,686	26,019
Transfer	(93)	-	-	-	(93)
Works to existing properties	3,422	-	-	-	3,422
Interest capitalised	-	576	-	188	764
Disposals	(3,042)	-	(149)	-	(3,191)
Schemes completed	21,972	(21,972)	6,988	(6,988)	-
<b>At 31 March 2020</b>	<b>356,062</b>	<b>19,798</b>	<b>20,783</b>	<b>3,737</b>	<b>400,380</b>
<b>Depreciation</b>					
At 1 April 2019	(42,342)	(200)	(295)	-	(42,837)
Charged in year	(5,833)	-	(138)	-	(5,971)
Impairment charged in the year	(196)	-	-	-	(196)
Disposals	1,815	-	7	-	1,822
<b>At 31 March 2020</b>	<b>(46,556)</b>	<b>(200)</b>	<b>(426)</b>	<b>-</b>	<b>(47,182)</b>
<b>Net book value</b>					
<b>At 31 March 2020</b>	<b>309,506</b>	<b>19,598</b>	<b>20,357</b>	<b>3,737</b>	<b>353,198</b>
At 31 March 2019	291,461	19,487	13,649	6,025	330,622

A full valuation of the properties was undertaken at 31 March 2014 and upon adoption of FRS 102 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 FRS 102 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 £196,000 in relation to the Haverhill Office redevelopment, which is included within general needs housing stock. This scheme has been impaired due to the carrying value being higher than the fair value.

## NOTES TO THE FINANCIAL STATEMENTS

### 11 TANGIBLE FIXED ASSETS - HOUSING PROPERTIES

Group and Association	2020 £'000	2019 £'000
<b>Expenditure on works to existing properties</b>		
Amounts capitalised	3,422	4,004
Amounts charged to Statement of Comprehensive Income	5,805	6,790
Total expenditure on works to existing properties	<u>9,227</u>	<u>10,794</u>
<b>Total Interest Capitalised</b>		
Amounts capitalised at 1 April 2019	3,912	3,175
Amounts capitalised in year	764	737
Amounts capitalised at 31 March 2020	<u>4,676</u>	<u>3,912</u>

### 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
<b>Cost</b>					
At 1 April 2019	3,739	1,127	893	374	6,133
Additions	-	61	50	12	123
Disposals	-	-	-	-	-
<b>At 31 March 2020</b>	<u>3,739</u>	<u>1,188</u>	<u>943</u>	<u>386</u>	<u>6,256</u>
<b>Depreciation</b>					
At 1 April 2019	(1,265)	(587)	(846)	(360)	(3,058)
Charged in year	(83)	(85)	(33)	(8)	(209)
Disposals	-	-	-	-	-
<b>At 31 March 2020</b>	<u>(1,348)</u>	<u>(672)</u>	<u>(879)</u>	<u>(368)</u>	<u>(3,267)</u>
<b>Net book value</b>					
<b>At 31 March 2020</b>	<u>2,391</u>	<u>516</u>	<u>64</u>	<u>18</u>	<u>2,989</u>
At 31 March 2019	<u>2,474</u>	<u>540</u>	<u>47</u>	<u>14</u>	<u>3,075</u>

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.

## NOTES TO THE FINANCIAL STATEMENTS

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
<b>Cost</b>	
At 1 April 2019	657
Additions	225
Disposals	-
At 31 March 2020	882
<b>Amortisation</b>	
At 1 April 2019	(186)
Charged in period	(81)
Disposals	-
At 31 March 2020	(267)
<b>Net book value</b>	
At 31 March 2020	615
At 31 March 2019	471

### 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 2020.

	2020 £'000	2019 £'000
Havebury Homes Limited		
% of ordinary shares held	100%	100%
Capital and reserves at 31 March	13	(17)
Profit/(loss) for the year	30	(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 2020.

	2020 £'000	2019 £'000
Design & Build Services East Limited		
% of ordinary shares held	100%	100%
Capital and reserves at 31 March	-	-
Profit for the year	-	-

## NOTES TO THE FINANCIAL STATEMENTS

### 15 STOCK

#### Group and Association

A stock take was conducted on 31 March 2020 and the value of the stock at this date was £192,567 (2019: £156,113).

### 16 PROPERTIES FOR SALE

	Group £'000	2020 Association £'000	Group £'000	2019 Association £'000
Shared Ownership properties - work in progress	5,941	5,941	5,362	4,607
Properties developed for outright sale	982	-	139	127
	<u>6,923</u>	<u>5,941</u>	<u>5,501</u>	<u>4,734</u>

### 17 DEBTORS

	Group £'000	2020 Association £'000	Group £'000	2019 Association £'000
Loan to Subsidiary Undertaking Due within one year	-	1,000	-	1,000
Rent and service charges receivable	1,373	1,373	1,190	1,190
Less: Provision for bad and doubtful debts	(822)	(822)	(571)	(571)
	<u>551</u>	<u>1,551</u>	<u>619</u>	<u>1,619</u>
Other debtors	582	579	592	592
Less: Provision for bad and doubtful debts	(224)	(224)	(224)	(224)
Prepayments and accrued income	1,902	1,902	1,476	1,476
	<u>2,260</u>	<u>2,257</u>	<u>1,844</u>	<u>1,844</u>
Total debtors	<u>2,811</u>	<u>3,808</u>	<u>2,463</u>	<u>3,463</u>

Under FRS 102 there is a requirement to account for service charge monies that are receivable. There has been no adjustment in the 2019 or 2020 figures.

## NOTES TO THE FINANCIAL STATEMENTS

### 18 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group £'000	2020 Association £'000	Group £'000	2019 Association £'000
Trade creditors	2,123	2,120	2,521	2,521
Rent and service charges received in advance	961	961	587	587
Other taxation and social security	3	3	3	3
Other creditors	1,043	1,043	1,319	1,319
Disposal Proceeds Fund (Note 20)	-	-	296	296
Recycled Capital Grant Fund (Note 21)	-	-	15	15
Accruals and deferred income	6,637	6,614	7,330	7,204
Total Creditors due within one year	<u>10,767</u>	<u>10,741</u>	<u>12,071</u>	<u>11,945</u>

#### 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 FRS 102 a holiday pay accrual has been posted within Accruals and Deferred income of £92,671 (2019: £84,635).

### 19 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group £'000	Association £'000	Group £'000	Association £'000
Bank Loans (note 22)	202,963	202,963	185,838	185,838
Recycled Capital Grant Fund (note 21)	<u>29</u>	<u>29</u>	<u>27</u>	<u>27</u>
Creditors due after more than one year	<u>202,992</u>	<u>202,992</u>	<u>185,865</u>	<u>185,865</u>

### 20 DISPOSAL PROCEEDS FUND

#### Group and Association

	2020 £'000	2019 £'000
At 1 April 2019	296	308
Net sale proceeds recycled	-	-
Withdrawals	(296)	(12)
At 31 March 2020	<u>-</u>	<u>296</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 21 RECYCLED CAPITAL GRANT FUND

#### Group and Association

	2020 £'000	2019 £'000
At 1 April 2019	42	27
Grant proceeds recycled	29	15
Withdrawals	(42)	-
At 31 March 2020	<u>29</u>	<u>42</u>

### 22 BORROWINGS

#### Group and Association

	2020 £'000	2019 £'000
<b>Debt payable after more than one year:</b>		
As at 31 March	<u>202,963</u>	<u>185,838</u>

	2020 £'000	2019 £'000
<b>Debt payable after more than five years:</b>		
Repayable by Instalments	75,000	75,000
Repayable other than by Instalments	<u>75,000</u>	<u>75,000</u>
Total repayable	<u>150,000</u>	<u>150,000</u>

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 or six monthly interest rates linked to LIBOR. The unexpired term of fixed rate arrangements range from 3 to 33 years. The weighted average interest rate on all drawn loans at 31 March 2020 was 4.65% (2019: 4.87%).

Bank loans are held at amortised cost. During the year £17.0 million was drawn down by the Association.

At 31 March 2020 the Association had undrawn loan facilities of £71.5 million (£21.5m Lloyds and £50m Royal Bank of Scotland); 2019: £88.5 million (£38.5m Lloyds and £50m Royal Bank of Scotland).



## NOTES TO THE FINANCIAL STATEMENTS

### 23 DEFERRED CAPITAL GRANT

#### Group and Association

	2020 £'000	2019 £'000
As at 1 April 2019	17,235	13,892
Grant received in year	8,775	3,462
Capital grant released in year	(173)	(119)
<b>As at 31 March 2020</b>	<b>25,837</b>	<b>17,235</b>
Capital grant to be released within one year	258	170
Capital grant to be released in more than one year	25,579	17,065

Social Housing Grants 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 £26.4m (2019: £17.6m).

### 24 FINANCIAL INSTRUMENTS

The carrying amount of the Group and Association's financial instruments at 31 March 2020 were:

	2020 £'000	2019 £'000
<b>Financial Assets</b>		
Debt instruments measured at amortised cost	2,323	2,000
<b>Financial Liabilities</b>		
Debt instruments measured at amortised cost	212,224	197,812

#### 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:

	2020 £'000	2019 £'000
Fixed rate	160,000	160,000
Floating rate	38,500	21,500
	198,500	181,500

The maturity profile of debt is shown in note 22.

The fixed rate financial liabilities have unexpired fixed periods ranging from 3 to 33 years and a weighted average fixed rate of 5.16% (2019: 5.09%). The floating rate financial liabilities comprise bank loans that bear interest at rates based upon the three and six month LIBOR.

## NOTES TO THE FINANCIAL STATEMENTS

### 25 SHARE CAPITAL

	2020 £	2019 £
At 1 April	12	12
Shares issued	-	-
At 31 March	<u>12</u>	<u>12</u>

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	2020 £'000	2019 £'000
Capital expenditure commitments are as follows:		
Expenditure contracted for but not provided in the accounts	22,391	26,379
Expenditure authorised by the Board, but not contracted	<u>33,126</u>	<u>33,979</u>
	<u>55,517</u>	<u>60,358</u>

Capital commitments will be financed through borrowings which are available for draw-down under existing loan arrangements. These existing loan arrangements amount to £71.5 million of undrawn borrowings which will be utilised to fund the Development Programme of 1,352 homes by March 2023. Half of this programme has been delivered at the financial year end. As part of the Development Programme, Havebury will contract with Homes England to deliver homes under Continuous Market Engagement (CME).

Government grant under the Homes England 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 CME currently has £17.4m allocated across 301 units. Additional grant will be bid for as schemes are identified.

Havebury will fund developments through a disposals programme from open market sales which will allocate £9,000 per unit as agreed with Homes England. 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.

## NOTES TO THE FINANCIAL STATEMENTS

### Operating leases

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

	2020 £'000	2019 £'000
<b>Land and buildings</b>		
Within one year	11	11
Within two to five years	45	45
Over five years	1,032	1,043
	<u>1,088</u>	<u>1,099</u>
<b>Office equipment</b>		
Within one year	9	9
Within two to five years	3	12
	<u>12</u>	<u>21</u>
<b>Motor Vehicles</b>		
Within one year	91	65
Within two to five years	101	82
	<u>192</u>	<u>147</u>

## 27 CASH FLOW FROM OPERATING ACTIVITIES

	2020 £'000	2019 £'000
<b>Surplus for the year</b>	3,939	5,268
<b>Adjustments for non-cash items:</b>		
Depreciation of housing properties (note 5)	5,971	5,553
Depreciation of tangible fixed assets (note 5)	209	197
Impairment losses on tangible fixed assets	196	200
Pension costs less contributions payable	492	359
Right To Buy overhead	(29)	(52)
Amortisation for Intangible assets (Note 13)	81	66
Grant amortisation (note 23)	(173)	(119)
Gain on disposal of fixed assets	(279)	(1,462)
Interest payable (note 8)	8,596	8,693
Interest receivable (note 7)	(29)	(19)
	<u>18,974</u>	<u>18,684</u>
<b>Working capital movements</b>		
Properties for outright sale (note 16)	(1,383)	(467)
(Increase) /Decrease in stock (note 15)	(37)	28
(Increase) /Decrease in debtors (note 17)	(349)	792
Increase in creditors (note 18)	3,350	5,771
<b>Net cash inflow from operating activities</b>	<u>20,555</u>	<u>24,808</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 28 ANALYSIS OF CHANGES IN NET DEBT

#### Group

	At 1 April 2019 £'000	Cash flows £'000	Other non-cash changes £'000	At 31 March 2020 £'000
<b>Cash and cash equivalents:</b>				
Cash	7,393	4,179	-	11,572
Overdrafts	-	-	-	-
Cash equivalents	307	388	-	695
	<u>7,700</u>	<u>4,567</u>	<u>-</u>	<u>12,267</u>
<b>Borrowings:</b>				
Debt due within one year	-	-	-	-
Debt due after one year	(185,838)	15,988	(33,113)	(202,963)
	<u>(185,838)</u>	<u>15,988</u>	<u>(33,113)</u>	<u>(202,963)</u>
<b>Total</b>	<u>(178,138)</u>	<u>20,555</u>	<u>(33,113)</u>	<u>(190,696)</u>

### 29 RELATED PARTIES

#### Group and Association

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

During the year to 31 March 2020, there were two tenant members (2019: One) who served on the Board as Strategic Board Directors and received emoluments for their service to the Association as part of the monthly payroll of £3,643 (2019: £2,750).

Their tenancies are on normal commercial terms and they are not able to use their position to their advantage. There were no other transactions with Strategic Board members. Aggregate rent paid in the year was £4,180 (2019: £2,557). At 31 March 2020 rental arrears of the Strategic Board members amounted to £nil (2019: £nil).

During the period to the 31 March 2020, two Borough Councillors (2019: one) served consecutively as Strategic Board directors and received emoluments for their services paid as part of the monthly payroll amounted to £2,393 (2019: £Nil). In 2019, the Borough Councillor who served on the Strategic Board, also served on the Audit & Risk Committee and as such their emoluments in relation to both roles was shown under the Audit and Risk Committee section of this note below.

All transactions with the Councillor are on normal commercial terms and the Borough Councillor is not able to use his position to his or the Council's advantage. There were three other transactions with the councillor during the financial year amounting to £66.15 (2019: £nil) and no outstanding balances due.

## NOTES TO THE FINANCIAL STATEMENTS

During the period to the 31 March 2020, three tenants (2019: three) served as Operational Board Directors and received emoluments for their services to the Association as part of the monthly payroll of £8,309 (2019: £8,250):

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 (2019: none). Any transactions are completed on normal commercial terms and there is no outstanding balance at the year end (2019: Nil). Aggregate rent paid in the year was £10,629 (2019: £11,649). At 31 March 2020 rental arrears of operational Board members amounted to £41.61 (2019: £0.04).

During the period to the 31 March 2020, two Borough Councillors (2019: two) served as Audit and Risk Committee members and received emoluments for their service paid as part of the monthly payroll amounting to £5,012 (2019: £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 two other transactions with the councillors during the financial year amounting to £66.15 (2019: £100.80) and no outstanding balances due.

During the period to 31 March 2020, one tenant member (2019: one) served on the Audit and Risk Committee and received emoluments for his services to the Association as part of the monthly payroll of £4,000 (2019: £4,000).

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 £4,964 (2019: £4,858). At 31 March 2020 rental arrears of the Audit and Risk Committee member amounted to £nil (2019: £nil).

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 2020.

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

	2020 £'000	2019 £'000
Professional fees recharged to Havebury Homes Limited	59	61
Salary costs recharged to Havebury Homes Limited	27	2
Loan interest charged to Havebury Homes Limited	62	23
Loans issued	200	1,000
Loans repaid	200	-
Loan balance outstanding at 31 March	<u>1,000</u>	<u>1,000</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 30 POST BALANCE SHEET EVENT

The outbreak of the current COVID-19 pandemic which started at the end of March 2020, just prior to the financial year end has impacted the Group at the start of the 2020/21 financial year, with the country going into an enforced three-month period of lockdown. The longer-term impact of the pandemic is still to be ascertained. The Havebury Housing Partnership has performed financial modelling to consider the impact of the COVID-19 outbreak on the reported results and forecast position, and no issues were identified that would give rise to a going concern risk.