Co-operative and Community Benefit Society
(FCA) number: 8337

Regulator of Social Housing number: LH4208

WORTHING HOMES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2021

Contents

Association information

Board	
Chair	Paul Smith
Other board members	Colin Goodwin Jennifer Graham Louise Murphy (to 6 May 2021) Nigel Perryman Helen Rice Celia Rowe Chongo Shula Chris Simpson Stephen Wills
Secretary	Julian Pitcher
Executive management	Jackie Bligh (Chief Executive) Guy Collar (Operations Director) Julian Pitcher (Resources Director)
Registered office	Davison House North Street Worthing West Sussex BN11 1ER
Auditors	BDO LLP 2 City Place Beehive Ring Road Gatwick West Sussex RH6 0PA
Principal solicitors	Devonshires Solicitors LLP 30 Finsbury Circus London EC2M 7DT
Bankers	Lloyds Bank Plc 3rd Floor, 25 Gresham Street London EC2V 7HN The Royal Bank of Scotland Plc 9th Floor 280 Bishopsgate London EC2M 4RB
Legal status	Co-operative and Community Benefit Society (FCA) number: 8337 Regulator of Social Housing number LH4208

Board report

Principal activities

Worthing Homes Limited is an independent social business working with local people and partners.

As a locally focussed housing association, with 3,921 homes in the Sussex coastal area, we offer social, affordable and intermediate rented housing as well as shared ownership and market sale homes.

We believe that good quality affordable housing is the foundation required for so many other things that we all depend on but may take for granted – security, education, health, work and support networks. It's much more than bricks and mortar – it's about people, communities and opportunities – and this is reflected in our mission, vision and values.

We promote involvement and fairness and are committed to providing real opportunities for our customers, the wider community and our colleagues. We believe our customers help us to make better decisions about our business. Our community development strategy includes our residents' panel, consultations and surveys, resident board membership, opportunities for volunteering, skills development, supported housing forums, and fun days. Of our 10 board members 2 come from our customer base, all members are appointed for two terms of 3 years.

Objectives and strategy

Our mission:

"Enabling people to live in quality homes and thriving communities"

Our vision:

"Helping people create sustainable futures"

Our values:

Customer focus – People are at the heart of everything we do, and we remain focused on ensuring all customers are given excellent service

Innovation – As an organisation we are forward thinking and continually looking for ways to improve, and new services to provide

Respect – Everyone will be treated in a fair and considerate manner, with individuals views acknowledged

Clear – We will ensure that we are open and honest in all that we do; and that all of our communications are understandable

Accountability – We are dedicated to delivering on the promises that we make

We believe that if we deliver and truly live these values then everyone at Worthing Homes, our customers and partners will take pride in being involved with us as an organisation. They know that they can trust us to deliver an excellent customer experience and work together as one team in shaping the places where they are proud to live and call home.

Taking the six themes from our recent discussions with residents and colleagues and looking at what we want to achieve over the next 5 years as a charitable organisation, we have set ourselves the following objectives:

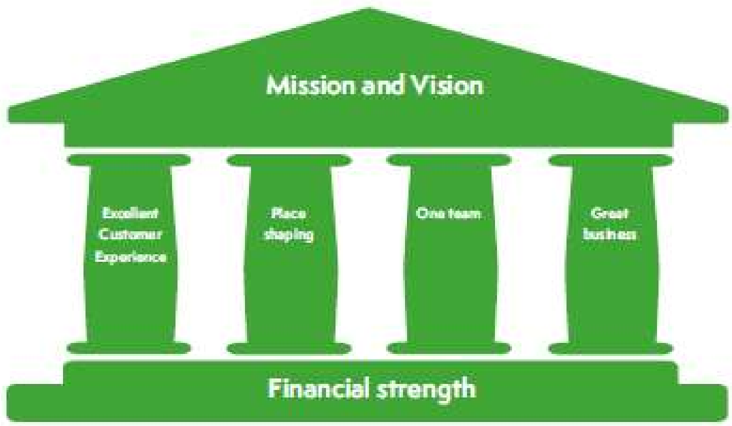
We will:

- Invest in our customers, and deliver an excellent customer experience and services that are of value
- Invest in our approach to resident involvement to ensure that their voice is heard and they are able to be as involved as they would like to be in helping shape and drive our services forward
- Invest in our community through our community development work – this investment goes beyond our social responsibility expectations and is one of our drivers to help us achieve our vision to help people create sustainable futures. Much of this work will now be undertaken through our charitable subsidiary WH Community Trust
- Invest in our customers' homes and neighbourhoods through an active 'asset management' programme
- Invest in the provision of new homes of all tenures, (social and affordable rented homes, intermediate rented homes, low-cost shared ownership, outright sale and older persons housing) for future generations

Board report

- Invest in our desire to contribute to combatting climate change by utilising new technology and sustainable materials wherever possible as part of our commitment to help reduce our carbon footprint and to make homes as energy efficient as possible
- Invest in new technology to assist our colleagues to be as efficient as possible in delivering services and offering our customers greater choice in the way in which they access our services
- Invest in a positive and flexible working environment, as well as developing and supporting our colleagues to continually improve the services that we deliver
- Invest in trying to address homelessness by working with our local authority partners in the provision of temporary accommodation and with Turning Tides (previously known as Worthing Churches Homelessness Project) a local charity which is specifically aimed at housing and supporting single people, many of whom have been rough sleepers

If fulfilling our mission, vision and objectives is our ultimate aim then we need to have other things in place to support this. We believe that we have four pillars doing just this:



Key achievements

2020 is a year many of us will not forget as the country went into lockdown on 23 March due to the COVID-19 pandemic. This, obviously, had a profound effect on not just us but every company no matter what their trade.

We were fortunate that our colleagues were already working flexibly, and have been since 2016, so they had all the tools necessary to go straight into working from home and keeping the business running as close to normal as we could; indeed we have all become proficient in using Microsoft teams and Zoom for online meetings and keeping in touch. The only areas that had to stop work were development (all building work stopped for up to 2 months during April & May) and planned maintenance / repairs as visiting homes – unless an absolute emergency – was not permitted for quite some time. We also had to cancel all of our events planned for the year.

With over 10,000 customers, we knew many of them would require more support than ever before, due to the pandemic.

We began calling our 1,000 residents who needed the most support, at least once a week, to ensure they were okay, had everything they needed and didn't feel isolated. Our financial inclusion team, income recovery officers and customer experience team worked with those residents that had been furloughed or made redundant to help them with Universal Credit applications, setting up affordable rent payment plans, fuel vouchers and / or signposting to relevant agencies that could help with things such as mental health and ongoing food support. We also introduced a fund to help our affected residents should they encounter issues such as the breakdown of a kitchen appliance, lack of food or emergency travel expenses.

Having secured £15,000 from the Lottery's Reaching Communities Fund we provided weekly food parcels to approximately 50 of our vulnerable shielding residents, with spare parcels going to East Worthing Food Bank and Adur and Worthing Council to assist them in supplying food to people in need in the wider community.

Board report

When a plea from the A&E staff at Worthing Hospital, whose staff room TV had stopped working, came up on Facebook we decided to purchase a new TV for them and put £600 into the Supporting Frontline Staff fund to help purchase other items to show our gratitude and thanks for all of the work they were doing to save lives.

A few of our colleagues also assisted Adur and Worthing council with their work to ensure those in need in the community got the help they needed. Some colleagues took roles as neighbourhood leads and others volunteered to assist the end user.

In April 2020, as it was only outside works to complete, we saw our Tarring regeneration project - Vestry Place - complete, and through a change to the way of working we were able to show and let these 14 social rent properties (2 flats and 12 houses) to families in need of homes throughout April and May, very much socially distanced.

As a company that has a strong sustainability ethos these homes have been fitted with smart tech which includes a tablet built into the wall allowing the resident to control heating, lighting and plug sockets from one place, with the residents also able to control these from their smart phones if they have one. There are water efficient taps and toilets along with smart meters for the gas and electricity to help the residents keep track of their usage and bills. And in readiness for the move to electric vehicles we have installed electric vehicle ducting for when charging points need to be installed along with a sustainable urban drainage system.

We also purchased a block of 12 one bedroom key worker homes from Kindle Homes in April. The property was built in 2002 by McCarthy & Stone in West Worthing and sold to Kindle who are now closing and selling their properties.

August 2020 saw the completion of our development – Daisy Gardens – in Felpham. This site provided 18 homes all on a shared ownership basis, one of the quickest ways to help people get a foot on the ladder to home ownership. The development provided 9 three bed homes, 7 two bed homes and 2 one bed flats thereby providing a mix of family homes as well as smaller homes for individuals or couples on their first step of becoming homeowners.

In December 2020 the refurbishment of our sheltered scheme – Elizabeth House – completed. This saw us transform the 34 studio flats into one bedroom self-contained apartments, we also used the opportunity to make 2 of the homes wheelchair accessible. This scheme has also become more than just sheltered housing as we now work in partnership with West Sussex County Council who provide carers on site 15 hours a day, 7 days a week, to provide support to those residents that need it. This can be anything from helping with housework, laundry and shopping through to assisting with showering, dressing etc.

Also in December our Community House helped to make Christmas special for a number of families who were struggling financially; 56 Christmas hampers were given out along with general food parcels and toys which meant 158 children had the Christmas most people would expect to have; and we thank the community and local businesses for their support and donations to help make this happen.

October 2020 saw us purchase and commence refurbishment of 20 St Johns Avenue in Burgess Hill in a partnership programme with Turning Tides. This has provided 6 individual bedrooms for rough sleepers, with shared communal facilities and garden space. Turning Tides project staff will mentor and assist the client group to start regaining better control of their lives and help them prepare to start living independently and in turn get their own place to call home.

In line with our sustainability policy we began the change to electric company vehicles in February 2021 with our first two purchased. We are now looking to install charging points at our offices as well as procuring more electric vans as the existing ones need replacing.

Finally, at the end of the financial year our financial inclusion team had assisted residents with:

- Referrals to partner agencies - 702
- Universal Credit texts sent - 327
- Financial phone appointments - 293
- Affordability assessments - 155

This work helped 28 customers gain monies they were entitled to totalling £93,963.40 between them. They also assisted 42 residents with fuel costs by issuing vouchers to help top up their gas and electric.

Board report

For as much as it has not been a ‘normal’ year for us, or indeed anyone, we have and will continue to support our residents as much as is needed whilst ensuring that we progress our plans to help build more homes for the many people who need a place to call home in the areas where we work.

Future plans

Our five year plan was written following extensive consultations with customers, colleagues and the board around what they wanted Worthing Homes to be in 2025 and covers many of the themes in the social housing white paper.

A number of common themes emerged from the consultations which are incorporated into the following six areas:

- Customer focus
- Resident involvement and community development
- Asset management
- Sustainability
- IT systems
- Working environment

In addition, we were challenged to only focus on a few big and bold projects in the plan. In any business there will always be a number of projects that are running at any one time, as you continually seek to learn and improve. A small number of bold projects will provide the focus / golden thread for our continuing improvement over the next five years. These are

- Transforming your customer experience
- Tackling climate change and reducing our carbon footprint
- Modernising our IT software

Since setting these projects it became clear during 2020 that transforming the customer experience and modernising our IT software were completely linked and so we are now looking at our first bold project being ‘Digital transformation of the customer experience’.

Excellent customer experience

As our first bold project ‘Digital transformation of your customer experience’ - over the next five years we want to improve the way in which we use the data that we hold on our customers to engage better with them, truly understand their experience of our services and improve these accordingly. In ‘jargon’ this is referred to as customer journey mapping. We have lots of information about our processes, policies and procedures but we want to really understand what it ‘feels like’ to travel through these as our customers do. We will not be guessing at what this experience is like, we will be asking customers in a variety of ways so that we can understand where our processes are brilliant or frustrating, so that we can do more of the brilliant things that are valued and stop doing those that aren’t. We believe that this will give us more opportunities to improve our customer experience. We have already started on the first phase of this project and have appointed external consultants to help us identify new IT software solutions that will enable us to utilise the data that we hold to improve our delivery of services.

The chair of the Residents’ Panel has been invited to be part of the core project team and progress will be reported to the Residents’ Panel and the board over the next 12 months. We are hoping that new systems will be live April 2022.

Place shaping

Following a new Lottery fund award we are expanding the Community House work and approach, over the next 3 years, into Felpham and Littlehampton in Arun. The service being delivered here will differ from that in East Worthing as we will not be operating from a house but from other community facilities. The Community House, Resource Centre, Lovett Hub, the fun day, football in the community (our work with Brighton and Hove Albion’s football in the community project) and our digital inclusion work will continue and will be undertaken through our new charitable subsidiary, WH Community Trust. We have established this trust as our community development work is so important that we want to be able to protect this work and budget into the future.

Board report

Investing in existing homes is really important to us. We have a comprehensive stock condition database which assists us with planning for when major components like kitchens, bathrooms, windows/doors and roofs are scheduled for renewal. As part of our improved communication, we will produce a three year improvement plan so that customers are aware of what works are likely to be undertaken and when.

The stock condition survey is also used to inform our long term investment decisions as it produces a 30 year investment plan, based upon life cycles of the components and their condition. Over the next 30 years Worthing Homes is committed to investing £120 million, which equates to £4 million each year, in our existing properties.

We continue to invest in regular safety inspections and associated remedial works to ensure our customers are safe in their homes. This inspection regime will be expanded in line with pending new Building Safety legislation.

We have created a net zero carbon roadmap for both existing and new homes which we will progress in 2021/22 via a number of 'stepping stone' projects as we look to lower our carbon footprint and ensure our customers have efficient low carbon homes.

As well as investing in existing homes and neighbourhoods, we will also be investing in new homes. Our aim is to look to provide 500 new homes over the next 5 years. There is increasing demand for good quality, secure and affordable homes all across the UK and the areas where we work are no different. We will, therefore, try to deliver a range and balance of tenures that reflect the needs of local people, whilst also protecting our existing social rented homes for future generations.

In order to maximise what we can do as an organisation, we have established a commercial subsidiary called NovioMagus. This company will deliver all our outright sale development schemes and may also be involved in larger mixed tenure sites undertaking the development of social/affordable rented homes on behalf of Worthing Homes. The company hasn't started trading yet but will do so when an appropriate scheme becomes available.

One team

We have been developing a culture of 'One Team' at Worthing Homes and there is more work that we need to do over the next 5 years to truly embed this culture in the business as we work in a more hybrid way where the head office is used more for collaboration and with greater use of technology for colleagues and customer we aim to create an even better place to work.

The One Team concept is that:

- Colleagues and our partners fully understand, and are committed to, the importance and requirements of our excellent customer experience ethos
- Colleagues are creative, motivated and empowered to make decisions for themselves
- Colleagues are innovators, committed to continuous improvement and are able to adapt to change quickly and understand that change is a critical part of the success of Worthing Homes
- Individuals are respected and encouraged to fulfil their potential
- Colleagues are transparent in their actions and take accountability and ownership of all that they do

We will measure our success in achieving these through our regular colleague surveys. We believe that by developing this One Team approach, we will create a supportive, progressive environment to attract and retain highly skilled people who feel valued, motivated, share a sense of ownership of Worthing Homes' vision and are proud to work for us.

We will continue to develop and adapt the flexible working environment for our colleagues to ensure that they can deliver in the most effective and efficient way.

Through our customer journey mapping project, we will not only look to improve the service from our customers standpoint but also ensure that we minimise any duplication of effort between colleagues and ensure that they are empowered to make decisions. This also links to our Digital transformation of the customer experience project to minimise the use of any standalone system so that colleagues will always have the most up to date information when they are talking to our customers.

We will also be developing our approach to equality and diversity through our Fairness Strategy, (Fairness for All) engaging with colleagues, customers, key partners and other stakeholders. Since we first launched our Fairness strategy five years ago, the working environment has changed and so we believe that now is the time to relook at our priorities. The work on Fairness for All will also look to see how we can incorporate our work on Mental Health and Well-being, Inclusion and our pledge on domestic abuse called Make a

Board report

Stand, a project started by the Institute of Housing in 2018. To demonstrate our commitment to good mental health of our people and customers we have signed up to the Inside Out Charter and have appointed a Board sponsor to champion the importance of this.

Great business

In order for us to be able to deliver everything that we want to in this plan and the associated strategies, we need to have the right internal structures in place. This includes good governance; providing value for money; having a strong financial performance; great digital services and IT resources; highly skilled and motivated people and a flexible working environment. It also means keeping our reputation for delivering what we say we will with our customers, colleagues and other stakeholders and partners.

To us, good governance means having a comprehensive internal framework that details our approach to risk and governance that gives assurance to our board and customers.

Good governance is achieved through our governance compliance review which includes the code of governance, board appraisals, effectiveness of board and effectiveness of internal controls. Our corporate plan sets out our business priorities and how we will deliver our business objectives. It is also important that the board consider and monitor risks that may impact the organisation. The board considers the key strategic risks (both financial and non-financial) and agrees limits for our risk appetite where applicable.

It is essential that we make the best use of the money that we have available to us to ensure we can continue to provide excellent services to our customers, deliver new homes and invest in our community as an independent organisation. The outcomes of our value for money work are shown in the annual value for money self-assessment which demonstrates to both our customers and other stakeholders how we are achieving this aim.

It is really important that our colleagues have the right tools to enable them to provide an excellent customer experience and so for our bold project ‘Digital Transformation of the customer experience’, that we mentioned earlier, we will be undertaking a complete review of our existing IT systems to ensure that they are not only fit for purpose now but for the future as well. There will be increasing demands for information to be obtained digitally and for self-service and so we need to ensure that our systems make this as streamlined as possible. This links with our desire to use data more efficiently and effectively and has a direct impact on the way in which the organisation is structured.

Risks and uncertainties

The board is responsible for defining the association’s risk appetite and deciding the level of risk that the organisation is willing and able to accept in executing its business strategy. It is an opportunity to communicate to management the types and amount of risk that can be undertaken under delegated authority, and provides clarification of our attitude to risk and reward in particular areas of the business.

Worthing Homes’ risk appetite statement takes account of financial and non-financial aspects of the business. As a general principle, we will look to control to an acceptable level the key risks that:

- Impact on the ability to meet our strategic objectives
- Have a significant adverse financial impact
- Cause the organisation to be in breach of legal, regulatory or contractual obligations
- Have a disproportionate impact on our commitment to protect the delivery of front line services
- Restrict the organisation’s ability to grow and diversify
- Cause a loss of public confidence in Worthing Homes from our stakeholders

What constitutes an acceptable level of risk is a matter reserved for the board. The board considers the key strategic risks and agrees limits for risk appetite where applicable. In considering the risk appetite the board takes account of the organisation’s capability and capacity, and consider views from different levels of the organisation. The risk appetite statement sets out the financial golden rules with key financial trigger points.

The board has established a strategic risk map based on the corporate plan which is monitored at each audit committee meeting and reviewed annually by the board. Ongoing risk assessment is carried out prior to the making of all major decisions, and all significant new initiatives, major commitments and investment projects are subject to formal authorisation by the board.

The board has identified the following principal risk areas to the successful operation of the business:

Coronavirus pandemic – The pandemic continues to have a major impact on our customers and the association. We receive weekly reports from our risk consultants, HRS, on the local COVID-19 numbers. We monitor the situation and decisions continue to be made based on Government guidance. The financial

Board report

position of the organisation has held up well in the last financial year, but is expected to be more difficult in this new financial year when the furlough scheme and the Stamp Duty holiday on property sales end. This was included in the stress tests of the business plan considered by the board in March 2021, although the outcome was that the ‘Covid Chaos Scenario’ was less severe than the ‘UK economic crisis scenario’.

Health & Safety – The risk of failure to comply with health and safety obligations as a landlord, employer, developer and provider of care / support services. We have a zero-tolerance attitude regarding risk taking that may impact on the health and wellbeing of customers, colleagues and other persons in which Worthing Homes has a duty of care. We will take all reasonable measures to avoid health and safety risk and limit any reputational damage to Worthing Homes. The audit committee receive quarterly update reports on progress. The electrical inspection programme has progressed well this year, even during COVID-19 lockdowns, and at the year-end 98% of properties had a valid inspection. All blocks have a valid fire risk assessment.

Asset Management, including Repairs & Maintenance – The risk of failure to manage assets to produce the required financial and social returns, to provide a repairs and maintenance service within agreed resources, and meet relevant standards. An asset management strategy is in place and is subject to the approval of, and regular review by, the board. Worthing Homes will continue to maintain and invest in its homes to meet the Decent Home Standard. The maintenance of our properties was put on hold during lockdown with only emergency repairs being carried out, only 6,170 responsive repairs were carried out in the year compared to 8,625 in the previous year to March 2020. Our planned maintenance works were delayed, and this will take time to catch up in the coming year.

External changes / events and political risks – The risk of unforeseen external changes remains a high risk area in the association’s risk map during the year. The significance of the Coronavirus pandemic meant that it became a risk category of its own for us during the year. The other external risks included the uncertainty around Brexit: There have been minimal impacts for the association so far, although we are noticing increasing prices of building materials, labour shortages and delays in delivery of materials, which are slowing down completion of new build schemes.

Rents – These risks are primarily around rent collection and rent receivable. Our rent collection has improved during the past year, and despite COVID-19 the average arrears have reduced from 2.3% to 2.1%. The transition from Housing Benefit to Universal Credit continued with the number of Universal Credit claimants rising from 624 to 955 at the year-end, with a particular jump in claims in April 2020 during the first COVID-19 lockdown. The arrears of Universal Credit claimants reduced from 7.6% to 6.4% during the year, contributing to the reduction in the overall average arrears percentage. Rental income is the majority of the association’s income, and it is subject to Government rent policy.

Digital - Digital transformation is a major project for the association. Initially identified as an ‘IT review’ it became clear this project was much more than potentially implementing a new housing management system and would evolve into a much broader piece of work encompassing working practices and the culture of the organisation and the customer experience. The Residents Panel are supportive of what we are trying to achieve and will be involved in looking at the customer journey mapping and looking at the potential new systems.

Climate change / net zero carbon – We have a five-year project “tackling climate change and reduce our carbon footprint”. We will engage with customers and colleagues to help us to combat climate change and respond positively to the climate change agenda. We have made a plan on how to retrofit our properties in our existing portfolio in order to help reduce carbon emissions through insulation, renewable and low carbon technologies. We have also undertaken a review of our New Build Specification for developments and commit to seeking enhanced energy efficiency on these buildings wherever feasible. This will help us reduce our carbon footprint each year to achieve a minimum level of EPC C amongst our housing stock by 2030 and Net Zero Carbon by 2050. These additional costs are currently estimated at £16,600 per property and are factored into our 30-year business plan.

Development – The risks of insufficient planned contribution to housing supply, as well as delivery of development projects and potential impairments. We continue to make a substantial investment in building new homes. Our strategy is to deliver 500 additional homes over 5 years. COVID-19 has caused delays to our contractors’ progress on development sites this year, with materials, contractors and labour all impacted by the national lockdowns and furlough scheme. As a result only 51 new homes were completed in 2020/21, although we expect 97 to complete in the coming year. Worthing Homes has successfully retained its investment partner status with Homes England. However, the programme is dependent on funding sources including s106 affordable homes requirements on new sites. Our future development opportunities will continue to be fully appraised to ensure they are financially viable and major schemes will be subject to board approval.

Board report

Property sales – The risk is that the surplus from property sales is less than planned. Worthing Homes is increasing its programme of developments for sale to replace other reducing funding sources. This strategy means that property sales risk and the impact of the wider housing market have become major risks for our business. It is important to manage this increase in sales risk and ensure that the business plan is resilient to any shortfall in receipts. In our risk appetite statement, we have set limits for our exposure to the housing market. The property sales activities were paused during lockdown with very limited sales during that time, but with strong demand immediately after lockdown. During the year 29 shared ownership homes were sold. There was only 1 property unsold at the year-end.

Treasury management – The risks include the failure to comply with loan covenants and the availability and cost of new finance. Sound treasury management will remain a key element of the business development and the board will receive regular updates and advice from our treasury advisers to ensure it manages the current financial situation as effectively as possible. A treasury priority is to continue to operate within our existing loan covenants and this is satisfied in our financial projections. Our current loan funding in place is sufficient to cover the completion of committed development schemes and also cover the future schemes completing over the next two years. In the coming year we will start a project to identify the next round of funding.

Governance – The governance structure of the organisation is regularly reviewed, and the board has identified the range of skills, knowledge and experience required from board members. There are clear delegations of authority and responsibility to committees and officers.

Five year financial summary

The association's five year statements of comprehensive income and statements of financial position are summarised in the table below:

	2021	2020	2019	2018	2017
Income and expenditure (£'000)					
Rental activity income	22,680	22,366	21,298	20,962	20,785
Property sales income	2,965	2,700	1,751	2,710	7,373
Total turnover	25,645	25,066	23,049	23,672	28,158
Rental activity operating surplus	9,300	9,151	8,602	9,065	9,938
Property sales (first tranche) operating surplus	652	767	619	1,033	1,936
Property sales (fixed assets) operating surplus	791	708	192	80	78
Operating surplus	10,743	10,626	9,413	10,178	11,952
Surplus before tax for the financial year	5,516	5,228	4,160	5,367	7,507
Balance sheet (£'000)					
Tangible fixed assets – housing properties (gross)	254,483	246,309	229,472	211,939	201,559
Social Housing Grant and other capital grants	40,862	40,100	40,159	39,057	39,089
Loans	135,170	136,447	126,723	122,000	115,000
Reserves	52,389	46,494	41,239	36,536	29,821
Cash flow (£'000)					
Investment in housing properties during the year	8,794	17,298	18,293	9,510	9,691
Social Housing Grant received during the year	1,239	426	923	498	305
Loans received during the year	-	11,000	6,000	10,000	3,000
Loans repaid during the year	1,277	1,276	1,277	3,000	2,000
Number of homes					
Total homes owned	3,592	3,548	3,484	3,421	3,354
Total homes owned or managed	3,921	3,876	3,811	3,748	3,678

Board report

Business and financial review

The financial results show a successful year, with a surplus of £5.5million (2020: £5.2million).

The financial year has been dominated by COVID-19. It caused delays to our contractors' progress on development sites, and accordingly we only spent £7.8million on new housing properties compared to £15.5million in 2020, and only completed 51 new homes. The number of responsive repairs also reduced during the lockdown periods with a reduced cost of £1.5million compared to £1.9million in 2020, and also major repairs investment temporarily reduced to £1.5million compared to £2.4million in 2020. Despite this our rent collection continued at a high rate with the arrears reducing from 2.3% to 2.1% during the year, and our shared ownership property sales were strong with only 1 unsold property at the year-end. These factors combined meant that no loans were necessary in the year compared to £11million in 2020.

During the year we helped our customers during COVID-19 by setting up a £50,000 hardship fund. In line with being a community based organisation, we also helped our suppliers by paying all invoices within a week, rather than waiting for the invoice due date.

The association continues to generate a rental activity surplus which is also reinvested into services and new homes. This year was the first year after the 4 years of 1% rent reductions, our rental activity turnover has increased by £0.6million (3%) to £22.1million due to the rent increase and the new homes. The core rental business continues to operate strongly, and its operating surplus is £9.8million.

We have invested additional funds into fire safety works and other property compliance works again this year. We have continued to see an increasing number of our residents moving onto Universal Credit, although strong income recovery during the year produced reduced arrears and bad debts in the year-end results.

This year we have continued with our growth strategy, albeit restricted by COVID-19, and invested £7.8million in new homes under construction, with 51 new homes completed during the year, and a further 125 in progress at the year-end. There was also a further £1million spent on the current asset work in progress for the sales element of homes for shared ownership. There was a small decrease in the surplus from the first tranche sale of shared ownership schemes from £0.8million to £0.7million. 29 shared ownership homes were sold in year with 1 remaining unsold at the year-end. The surplus on sales of fixed asset properties of £0.8million comprises one Right To Buy sale, two Right To Acquire sales, two shared ownership staircasing sales and two property sales.

The capital expenditure was financed by the surplus and grants, with no loans needing to be drawn. The balance of £33million in the loan facilities from Lloyds Bank Plc remain undrawn at the year-end.

Governance

Worthing Homes Ltd is a charitable community benefit society, registered number 8337, registered with the Financial Conduct Authority (FCA) under the Co-operative and Community Benefit Societies Act 2014.

Worthing Homes Ltd has 2 subsidiaries, both of which were dormant throughout the financial year:

WH Community Trust was renamed from Coastal Communities Ltd on 29 June 2020 – this will be a charitable subsidiary used for community development activities. It is a company limited by guarantee. There is one £1 guarantee given by Worthing Homes Ltd. The initial trustees are Guy Collar, Julian Pitcher and Simon Anderson. The Chair is Guy Collar and the company secretary is Julian Pitcher.

Noviomagus Ltd – this will be a commercial subsidiary used as a development company, including property market sales activities. It is a company limited by shares. There is one £1 share owned by Worthing Homes Ltd. The initial board members are Guy Collar, Julian Pitcher and Ian Reed. The Chair is Guy Collar and the company secretary is Julian Pitcher.

The board of Worthing Homes Ltd consists of between five and twelve Board Members (including co-optees). All board members are non-executives. The board holds at least six formal board meetings each year.

The board has two sub-committees, being the audit committee and development committee. The role of the audit committee is to monitor and assess the internal controls of the association to ensure that the association is operating at appropriate levels of risk. It also has responsibility for external audit and internal audit matters, and in particular, to oversee the work programme and performance quality of internal audit.

The role of the development committee is to discuss major development projects or new initiatives and provide a recommendation to the board. It also has responsibility for the project funding and oversight of the delivery of the asset management and sustainability programmes.

Board report

Terms of reference for the committees are approved by the board. The committees each comprise 5 board members and hold four formal committee meetings each year. The board receives minutes of each committee meeting.

Board members and executive directors

The present membership of the board is detailed on page 1 of the annual report and financial statements. The board members are drawn from a wide background bringing together technical, professional and community skills. All members of the board served throughout the year other than where indicated on page 1. All board members serve a maximum term of two x 3 years term of office.

The board is responsible for the association's strategy and policy framework. It delegates the day to day management and implementation of the framework to the chief executive and other executive directors.

The executive directors are the chief executive and other members of the executive team as detailed on page 1. The executive directors hold no interest in the association's shares and have no legal status as directors although they act as executives within the authority delegated by the board.

The executive directors are employed on the same terms as other staff, their notice periods being 3 months, except for the chief executive with a notice period of 6 months. The executive directors are members of the Local Government Pension Scheme administered by Essex County Council, or the Aviva stakeholder pension scheme, and participate in the schemes on the same terms as all other eligible staff.

The association has insurance policies that indemnify its board members and executive directors against liability when acting for the association.

Value for money (VFM)

VFM policy statement

Value for money means making the optimal use of all our resources to achieve our intended outcomes.

Resources generated from rental income are used to deliver excellent services to our customers in the most efficient way.

We significantly invest in our fire safety and other compliance works and have made long-term provision for planned works based on our stock condition surveys, and sustainability investment in line with our net zero carbon survey.

We use resources generated from utilising our assets effectively to maximise the amount of finance we can raise to build new homes.

We work closely with a number of statutory agencies and the charitable sector, complementing the work they do and adding value of our own.

We seek additional funding that supports our vision of helping people create sustainable futures.

Corporate plan and objectives

Our mission is enabling people to live in quality homes and thriving communities, and our vision is helping people create sustainable futures. To help us achieve this we have a clear approach to value for money (VFM) across the organisation.

Our corporate plan sets out our business priorities and how we will deliver our business objectives. This is informed by our financial business plan, customer service, asset management, development, community development, digital, sustainability and treasury strategies to ensure what we do is affordable, and along with our strong governance, improves the long-term viability of the business.

Our value for money strategy sets out a number of key outcomes and how we plan to ensure we maximise our resources to achieve those outcomes.

The board receives quarterly reports on our finances to monitor against detailed budgets to ensure that financial objectives are achieved and funding covenants maintained, together with quarterly performance management reports including value for money targets and a monthly dashboard.

Board report

Service delivery outcomes

We measure success against our objectives with the following corporate plan targets, which are reviewed by the board and resident scrutiny committee quarterly, the 2020/21 results are:

	Actual 2021	Target 2021	Actual 2020	Actual 2019
Overall customer satisfaction with Worthing Homes as landlord	84%	91%	89%	85%
Likely to recommend to family and/or friends (this is known as net promoter score)	+52	+47	+58	n/a
% of customers that feel they are treated with respect	84%	84%	n/a	n/a
Satisfaction that your views are being listened to and acted upon	69%	73%	n/a	n/a
Satisfied with most recent repair	88%	95%	92%	93%
% of emergency repairs attended to within 24 hours	100%	100%	100%	100%
Number of days to complete the repair (end to end times)	16 days	8 days	9 days	9 days
Satisfaction with major repairs / planned maintenance	90%	98%	100%	99.7%
Satisfaction with anti-social behaviour case handling	75%	86%	85%	n/a
Satisfaction with neighbourhood as a place to live	72%	80%	n/a	n/a

COVID-19 has had a major impact on everyone over the last year including on the services that we could deliver during the national lockdowns. Overall satisfaction with our performance as a landlord and satisfaction with views being listened to and acted upon were below target, most notably in quarter 2 as we began to come out of the first lockdown. The same applied to satisfaction with repairs and planned works, as both were delayed by COVID-19. Achieving targets has been particularly difficult as the targets were set prior to knowledge of the impact of the pandemic.

The corporate plan key performance indicators have been enhanced for next year to include further measures in line with the Government’s White Paper, (The charter for social housing residents: social housing white paper).

Our service offering is defined in our customer service strategy whereby we aim to provide our customers with an excellent customer service experience.

Customers should have a choice in the way in which they access our services and communicate with us. We have commenced a major transformation project designed to improve the services we provide our customers through the use of better technology and more efficient ways of working.

Financial performance

Our financial statements show a strong financial performance, with a surplus of £5.5million. The income collected was high during the year with rent arrears reducing to 2.1%, and with only 1 unsold property at the year-end. COVID-19 lockdowns caused delays with our planned property maintenance, and also a reduced number of responsive repairs. These factors combined resulted in a higher than budgeted surplus.

During the year we helped our customers during COVID-19 by setting up a £50,000 hardship fund. In line with being a community based organisation, we also helped our suppliers by paying all invoices within a week, rather than waiting for the invoice due date.

Worthing Homes continues to be a high performing housing association with costs in the top quartile as measured by both the 2020 HouseMark benchmarking and the Regulator of Social Housing’s unit cost analysis. Our operating margin on social housing lettings was 44% this year.

Board report

The Board has set financial golden rules based on our risk appetite, and monitors these quarterly:

	Actual 2021	**Golden rule 2021**	**Actual 2020**	**Actual 2019**
Operating Margin on rental activities	41%	> 30%	41%	40%
Annual net surplus on rental activities	£4.1m	> £2.0m	£3.7m	£3.5m
Interest Cover	205%	> 150%	195%	195%
Annual development as a percentage of units owned	1.3%	2% to 5%	2.0%	2.5%
Maximum number of unsold developed properties	1	< 25	12	16
Current tenant rent arrears net of Housing Benefit	2.1%	< 3.5%	2.3%	2.7%

The performance for the year meets the financial golden rules except for the level of new homes completed. Only 51 homes were completed in the financial year because sites were delayed during the COVID-19 lockdowns, so the percentage is only 1.3%.

Rent arrears collection during the year was successful and the year-end result of 2.1% is a reduction this year. Likewise the property sales were successful with 29 shared ownership homes sold and only 1 unsold at the year-end.

The Board also considers the VFM metrics set by the Regulator of Social Housing on a quarterly basis:

	Actual 2021	**Budget 2021**	**Actual 2020**	**Actual 2019**
Reinvestment %	4.0%	6.8%	8.1%	9.1%
New supply delivered % (social housing units)	1.3%	2.0%	1.9%	2.3%
Gearing % (net debt / carrying value of housing properties)	58%	61%	60%	59%
EBITDA interest cover % (Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included)	225%	181%	201%	191%
Social housing costs per unit	£2,815	£3,333	£3,019	£3,065
Operating Margin (social housing lettings only)	42%	36%	42%	42%
Operating Margin (overall)	39%	34%	40%	40%
Return on capital employed (ROCE)	4.7%	4.2%	4.8%	4.5%

The lower than budgeted reinvestment % and new supply is due to sites being closed or delayed during COVID-19 lockdown, as previously stated.

The costs were lower than budgeted, and accordingly the operating margin higher than budgeted, again because COVID-19 lockdowns meant that less repairs were carried out and some planned works were postponed.

In our performance target setting we consider our performance against the PlaceShapers housing association members (which tend to have a higher performance than overall sector averages). Our performance against PlaceShapers averages is:

	Worthing Homes 2021	**PlaceShapers top quartile 2020**	**PlaceShapers median 2020**	**Worthing Homes 2020**
Reinvestment %	4.0%	11.0%	8.0%	8.1%
New supply delivered % (social housing units)	1.3%	2.8%	1.7%	1.9%
Gearing % (net debt / carrying value of housing properties)	58%	37.3%	44.6%	60.0%
EBITDA interest cover % (Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included)	225%	219%	184%	201%
Social housing costs per unit	£2,815	£3,187	£3,518	£3,019
Operating Margin (social housing lettings only)	42%	31.6%	26.1%	42.4%
Operating Margin (overall)	39%	29.1%	25.3%	39.6%
Return on capital employed (ROCE)	4.7%	4.9%	3.7%	4.8%

Board report

The last published accounts are for March 2020 and so these are the latest available for benchmarking comparisons.

This analysis shows that our new homes built (new supply delivered) is lower than the PlaceShapers average, albeit that the comparison is a pre-COVID-19 year. Our strong historic development programme has been funded by loan finance and so our gearing ratio is also higher than average.

Our average cost per unit and operating margin were top quartile in 2020, and remains so for 2021 based on comparison with these 2020 averages.

The social housing cost per unit as defined by the Regulator of Social Housing can be analysed into detailed cost categories:

	Actual 2021	Budget 2021	Actual 2020	Actual 2019
Major repairs costs per unit	£408	£814	£651	£800
Management and maintenance costs per unit	£2,407	£2,519	£2,368	£2,265
Social housing costs per unit	£2,815	£3,333	£3,019	£3,065

This cost analysis shows the impact of the postponed planned works, leading to a low average spend of £408 on major repairs this year.

Our performance against our VFM strategy for 2020/21

We successfully launched our customer portal, with 959 customers using the portal by the year-end. This unlocks the potential for customers who can self-serve to access their information, rent accounts and job tickets much quicker and simpler.

We reviewed our existing IT systems during the year, with the support of our consultants, Itica, and are now clear on our requirements for the future. We are progressing our transformation project in this coming year. There will be increasing demands for information to be obtained digitally and for self-service and so we need to ensure that our systems make this as streamlined as possible. This links with our desire to use data more efficiently and effectively and has a direct impact on the way in which the organisation is structured.

We began upgrading the hard-wired alarm systems in our sheltered properties with new fibre systems which act as Wi-Fi hotspots for our tenants to use in their homes.

A review of the standard form of contract has resulted in the production of bespoke forms for Minor Works and Consultancy Services. Both contracts are order based, comprising a set of standard terms and conditions with an associated order to cover project specific requirements. As well as providing better protection, this will simplify the process of drafting contracts, remove the cost of purchasing standard contracts and facilitate electronic signing.

We have also invested in an E-Tendering system which will allow us to tender our high value requirements in compliance with the Public Contract Regulations and also an additional, simplified process to manage tenders and quotations in accordance with our Standing Orders.

We made good progress on our net zero carbon roadmap with the support of various sustainability consultants. We now have a clearer plan to reduce the environmental impact of both our corporate operations and customers' homes. The additional capital investment cost to retrofit our existing homes is estimated at around £16,000 per home over the next 30 years which has been factored into the Business Plan and is affordable by a 20% reduction in our development programme. Our net zero roadmap will be captured in our new sustainability, asset management and development strategies was approved by the Board in August 2021.

Whilst the Covid pandemic impacted on the delivery of our planned maintenance and improvements programme with some projects being deferred, we invested around £390k in fire safety works and just under £600k on our electrical testing catch-up programme to further improve the safety of our customers in their homes.

However, a number of projects from last year's (2020/21) value for money strategy were not achieved:

Our aim to launch new community development initiatives were significantly hampered by the pandemic, with gatherings of people prohibited for much of the year. We targeted our efforts on supporting our most vulnerable customers via regular phone calls, supply of food and provision of a hardship fund. As the country comes out lockdown we are looking to commence new activities and bring people and communities together again in a safe and measured way.

Board report

Whilst we invested £115k on improving some of the internal communal areas in our blocks of flats and resurfacing some car park areas / garage compounds, the original programme was impacted by the pandemic resulting in the outstanding projects being deferred to 2021/22.

We did not re-procure our communal cleaning service but did undertake comprehensive measured surveys of all communal areas to enable our detailed tender document to be drawn up. The next stage is to appoint a consultant to assist with drafting the tender document along with resident consultation for the new service. We are aiming to have the new service in place by Q1 2022/23.

We struggled to recruit to our expanded in-house grounds team, however, a review of the teams' employment terms and conditions has resulted in an enhanced package which has resulted in securing the two additional grounds operatives which are due to start with us in July 2021.

Social value

Due to the pandemic our social value activities for the year were slightly different. Where our community house would usually be full of life with people taking part in different activities or just there for advice and support, we had to close as the layout was not suitable for social distancing. However, the work of helping people continued with 3,445 wellbeing calls made to our most vulnerable residents by colleagues working from home; and we secured £15,000 of funding from the Lottery's Reaching Communities Fund which was used to purchase and send out over 800 food parcels to residents' who were shielding, with these being delivered by our property services team who were unable to carry out their usual work.

We also started up a hardship fund which was put in place to help any of our resident's that required assistance with anything from money for food, to help with costs to get to hospital appointments, through to helping with replacement white goods if theirs had broken down. During the financial year we spent £33,701 helping 214 people with funding. The hardship fund continues to this day.

With the pandemic affecting a number of our residents with furlough and redundancy our financial inclusion team found they were helping more people who were having to claim Universal Credit for the very first time:

- dealt with 702 referrals
- sent 327 Universal credit texts
- completed 293 phone appointments
- carried out 155 affordability assessments

This work gained £93,963 between 28 residents

As a part of our wider community work we purchased a TV for the A&E staff at the local hospital as well as donating £600 to a fund set up to help them purchase essentials, whilst a group of colleagues gave the staff outside space a makeover as this was the only place they could escape to without wearing full PPE.

In December with the easing of restrictions we were able to open up the community house once again, and although we were still unable to hold any classes we were able to get back to helping those in need with support, advice, food and fuel vouchers.

In total the house helped in the following ways last year:

- Produced and supplied 56 family Christmas hampers. This meant that 88 adults and 154 children got to enjoy a Christmas that they might otherwise not have been able to. Of those 154 children, 122 received a Christmas gift from us too courtesy of our link up with More Radio.
- Issued 46 food parcels to families or individuals in need
- There have been 14 referrals done to Worthing Food bank
- Issued 9 fuel vouchers for families in need and made 2 referrals to C.A.B. for further help
- From the end of February 2021, the number of visitors has been logged daily, with there being an average of 33 people using this service daily.
- Given out a magic bag containing 10 basic store cupboard items. This was started on 15 February, initially for a 4 week period, however they have proved to be very popular, so we extended this until 30 April 2021. To date 120 Magic Bags have been given out.
- We took delivery of 40 slow cookers to distribute in the community in a link up with food pioneers and Worthing Borough Council.

In order to keep up the supply of food we are pleased to say that the house is now receiving regular donations from Co-Op in South Street and Morrisons. The Rope Tackle Arts Centre is supplying frozen ready meals and has paid for a weekly delivery of fruit and veg from a grocer for a period of 12 weeks. UK Harvest are delivering on a weekly basis. Our food support was recognised by West Sussex County Council with a donation of £2,500 to support our work.

Board report

With the world starting to get back to some kind of normality we have started to advertise virtual college courses. So far we have had 4 people sign up for Food and Hygiene level 2. All of these individuals are volunteering at Worthing Soup Kitchen. A further 4 individuals have requested further information.

Our community development activities generated £8million of social value this year (based on the HACT social value calculator). This gives a ratio of £1 spent yielding £33.35 of social value.

Return on assets

We ensure that we have a real understanding of the performance of all our assets (properties) to ensure we maximise the return on these assets. This is delivered through our asset management strategy and monitored through our asset appraisal model with the ultimate aim of improving the quality and financial performance of all our homes, as well as, reducing the running costs for all our customers.

The asset appraisal model is run and reviewed every six months by the Senior Leadership Team and Development Committee. All assets continue to demonstrate they perform very well from a financial perspective with all assets showing a positive net present value (NPV).

These return on assets objectives are underpinned by our stock condition database and revised Asset and liabilities register. The stock condition data held against every asset will be re-assessed on a regular 5-year cycle, with this data and resulting long term investment levels subject to external third-party validation every three years.

Focusing on the whole lifecycle of a home from development, improvement and repair, disposal and stock rationalisation; our asset management strategy ensures that we invest in the right physical assets to the right standard, in the right places for the right cost and for the right return.

As well as measuring the financial performance of all our assets, we have further developed an evaluation methodology for the secondary non-financial factors (i.e. location, desirability, local issues, energy ratings, etc.) which we utilise when undertaking options appraisals for poor performing assets or when properties become vacant that require significant investment.

Our asset appraisal model is used to optimise the return on assets and drive future investment decisions with any poorly performing assets and assets/areas identified for potential regeneration subject to options appraisals to ensure informed decisions are made.

Our VFM plans for next year

We continue to invest in building new homes. Our aim is to provide 500 new homes over the next 5 years. We will try to deliver a range and balance of tenures that reflect the needs of local people, whilst also protecting our existing social rented homes for future generations. We are developing our specification for new homes based on information that customers have given to us about the condition of their new homes and from our own experience so that we can truly say that we are providing quality homes, that also help to address concerns over climate change and are fit for the future.

With the establishment of our new charitable subsidiary, WH Community Trust we are enabling the Community Development Team to be able to develop new projects and attract increased funding for activities from a wider funding base. Post pandemic our community development work takes on a greater importance as we support people out of lockdown and provide activities which seek to knit communities together and enable people to find new jobs and careers. This work is a key element of the Worthing Homes approach to our residents and our communities. WH Community Trust will support the work of The Community House, the Resource Centre, Lovett Hub, the fun day, football in the community (our work with Brighton and Hove Albion's football in the community project), Together Arun and our digital inclusion work.

We will build on the activities we have managed to undertake during the pandemic in the Together Arun project which is beginning to work with the communities in Wick, Littlehampton and Felpham following our successful bid for Lottery funding. This funding is enabling us to bring communities together and address issues in those communities in partnership with the residents of these areas. Presently we are preparing the roll out of a number of initiatives for the summer.

We have a five-year project "tackling climate change and reduce our carbon footprint". We will engage with customers and colleagues to help us to combat climate change and respond positively to the climate change agenda. We have made a plan on how to retrofit our properties in our existing portfolio in order to help reduce carbon emissions through insulation, renewable and low carbon technologies. We have also undertaken a review of our New Build Specification for developments and commit to seeking enhanced energy efficiency on these buildings wherever feasible. This will help us reduce our carbon footprint each year to achieve a minimum level of EPC C amongst our housing stock by 2030 and Net Zero Carbon by

Board report

2050. These additional costs are currently estimated at £16,600 per property and are factored into our 30-year business plan, but it is envisaged that this will have an impact on our major repair costs per unit and our overall cost per social housing unit.

We have in the last year purchased two Electric Fleet Vans, and there are plans to introduce another four over the next year which will further help us to reduce our environmental impact.

In addition to responsive and cyclical maintenance, Worthing Homes is committed to investing in our existing stock, the projections total £120 million (including VAT) over the next 30 years and are based on forecast reports generated from our stock condition database. The annual budgets continue to increase to reach the required stock survey forecast levels by 2025 and then further increased to deliver our net zero carbon retrofit programme.

As well as our ongoing planned maintenance and improvements programme, we continue to invest in fire safety works to ensure our residents feel safe in their homes which is likely to further increase over the next few years to meet the statutory requirement of the Fire and Building Safety Bills.

We continue to invest in the external environment and communal areas around our customers' homes. Although we know that in many instances the satisfaction with the neighbourhood metric involves things that may be outside of our control. We also recognise that some of the communal areas to our blocks of flats are now very dated, making cleaning and general upkeep very difficult. Our communal improvements programme commenced during 2020/21 but was partly delayed by the COVID pandemic but this will be further progressed during 2021/22.

Alongside this, we have commenced a review of our communal cleaning service with the aim to re-procure this service during 2021/22 to include an increased cleaning frequency. This improved service will be in consultation with our customers as the costs are met from service charges. We will also be expanding our in-house grounds team to improve the quality of our grounds maintenance service.

In 2021/22 we will be embarking on our transformation project which will transform how we deliver services and interact with our customers. This will include the formation of an internal project team who will oversee the procurement of a new housing management system and work with customers and colleagues to make the services we deliver more efficient, effective and personalised to the customer.

We want to empower our colleagues to resolve issues at the first point of contact and use the additional time they have to be pro-active in delivering help and support to those that need it.

Our Digital Champions inclusion work has continued despite the pandemic through training on new tablets via phone and zoom meetings ensuring those who needed a tablet were able to have one and the training they needed. We continue to offer tablets and training to ensure that those who most need it but can least afford it are able to get connected.

During 2020/21, we commenced the upgrading of the hard-wired alarm systems in our sheltered properties with new digital fibre systems which will continue in 2021/22 to complete the remaining properties.

Rationalisation of responsive repairs contracts. The review into our responsive repairs services is on-going and the consultants have delivered their report to The Board. The main aim of this review is to retain and build on the good elements of the current service and focus on the areas that require improvement, particularly around modernisation of the service, working with contractors who are prepared to embrace new digital technology, enhanced customer experience of the service and improved contract management.

Gas Maintenance and Consultancy. The current contract with BSW expires at the end of May 2021. It has been agreed to award BSW a 10 month contract through a consortium framework and re-procure a new long term contract to start in April 2022. This will be procured alongside consultancy services to support the gas programme and options which include water hygiene, electrical testing and other compliance services are being considered.

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 (SORP) Accounting by registered social housing providers 2018.

The strategic report for Worthing Homes Limited, registered number 8337, was approved by the board of directors on 5 August 2021 and signed on its behalf by

Chair – Paul Smith __________________

Board report

Code of Governance

The association has adopted the National Housing Federation's Code of Governance 2015. Throughout the year the association complied with the code of governance. The board has adopted the National Housing Federation's Code of Governance 2020 which will apply from next year.

Regulator of Social Housing's Governance and Financial Viability Standard

Throughout the year and up to the date these accounts are signed, the association complied with the Regulator of Social Housing's Governance and Financial Viability Standard.

Statement of board responsibilities

The board members are responsible for preparing the report of the board and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law and social housing legislation require the board members to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

In preparing these financial statements, the board members are required to:

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

The board members are responsible for keeping adequate accounting records that are sufficient to show and explain the association's transactions and disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. They are also responsible for safeguarding the assets of the association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The board is responsible for ensuring that the report of the board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2018.

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

Internal controls

The board has responsibility for establishing and maintaining the overall system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and provides reasonable, but not absolute, assurance against material misstatement or loss.

The process for identifying, evaluating and managing the significant risks faced by the association is ongoing and regularly reviewed by the board and has been in place throughout the period commencing 1 April 2021 up to the date of approval of this annual report and financial statements. The key elements of the internal control framework include:

- Board approved terms of reference and delegated authority for the audit committee and development committee;
- Clearly defined corporate management and reporting structures;
- Standing orders and financial regulations setting out clearly the system of delegation are reviewed by the board;

Board report

- A risk management strategy, setting out the board’s appetite 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;
- Ongoing risk assessment is carried out prior to the making of all major decisions, and all significant new initiatives, major commitments and investment projects are subject to formal authorisation by the board;
- The board reviews and approves the budgets for the year ahead and forecasts for subsequent years in the financial business plan. Our finances are monitored each month against detailed budgets to ensure that financial objectives are achieved and funding covenants maintained;
- Experienced and suitably qualified staff, within an appropriate organisational structure, take responsibility for all important business functions. Appropriate appraisal procedures, plus regular supervision sessions and ongoing training, have been established to ensure consistent standards of performance;
- Detailed policies and procedures are in place in each area of the association’s work;
- Regular reporting to senior leadership team and the board of business intelligence indicators to assess progress towards the achievement of key business objectives, targets and outcomes; and
- Monitoring of the control system by the audit committee, the internal auditors and senior leadership team.

The board has a current policy on fraud covering prevention, detection and reporting of fraud, and the recovery of assets.

The board cannot, and does not, delegate ultimate responsibility for the system of internal control, but it can, and has, delegated authority to the audit committee to regularly review the effectiveness of the system of internal control. The audit committee receives and considers reports from management on these risk management and control issues arrangements at each meeting during the year. The board considers minutes of the audit committee meetings.

The means by which the audit committee reviews the effectiveness of the system of internal control include considering risk reports, internal audit reports, management assurances and the external audit management letter. The board has in turn conducted its own annual review of the effectiveness of the system of internal control.

The board has policies and procedures in place for compliance with all laws and regulations

The audit committee has reviewed the fraud register, and the board has reflected the information contained within it in its review.

The outcome of the board review is that the association has adequate and effective risk management, control and governance processes to manage the achievement of the association’s objectives.

Employees

Worthing Homes recognises that it’s strength and success as an organisation is dependent on the output and resilience of its employees. The association values the continuing development of the workforce and invests in training to ensure skills and knowledge are maintained, updated and expanded. In recognition of the changing landscape for work during 2020/21, Worthing Homes has made increasing use of online platforms for delivery of training and to supplement existing communication channels. Helping to ensure employees remain informed of key matters of importance and the performance of the association as a whole.

The association is an equal opportunities employer and accredited as a Disability Confident Employer (level 2). The Disability Confident Employer Scheme is voluntary and aims to help organisations successfully employ and retain disabled people and those with health conditions. Worthing Homes is aligned with the aims of the scheme: 'Getting the right people for our business', and 'Keeping and developing our people’.

During the year ended 31 March 2021 the average number of people, expressed as full-time equivalents, employed by the association was 102 (2020 - 97). Information on employees is shown in note 8 to the financial statements.

Going concern

The board has reviewed the future prospects of the association and its financial business plan, including stress testing of a combined scenario of UK Confidence Crisis and a major incident occurring at the same

Board report

time. The board have also assessed the potential impact of the COVID Chaos scenario, which shows that the business will stay within its financial covenants and will maintain liquidity. Having assessed this, the board has a reasonable expectation that the association has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the audit report is signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Corporate social responsibility

The association maintains that a commitment to the principles of corporate social responsibility (CSR) not only makes good business sense but also complements our core values.

Worthing Homes is a fundamental part of the local community it operates in, providing more than housing as evident in our mission statement, vision and values. As part of the local community, Worthing Homes is committed to giving something back to the wider community in which we operate and takes an approach which attempts to reduce any negative effect we have on the local environment. Through the sustainability strategy the association aims to make effective use of natural resources and enhance the environment.

Worthing Homes endeavours to incorporate social and environmental considerations in its decision making process. We do this by:

- Investing in community development projects through our Community Development Team.
- Actively assessing the environmental impact of our work and trying where possible to reduce our carbon footprint through embracing new technology and more environmentally aware policies and practices. This applies to both new and existing homes as well as the way in which we work.
- Encouraging builders and suppliers to work ethically giving something back and contribute to our Sustainability Strategy.
- Providing Financial Inclusion services ensuring that potential residents can afford their new property and that residents have applied for all the benefits they are eligible for.
- Giving something back to the community by employees volunteering their time and effort through identified neighbourhood initiatives to enhance the local wider community.
- Sponsoring charities, community events, local community groups

The board recognises the need to develop the business in a sustainable manner, i.e. the business is developed to meet the needs of the present without compromising the ability of future generations to meet their own needs.

The board also aims to promote social cohesion and inclusion and strengthen economic prosperity in the communities in which the association works to achieve short and long-term sustainability.

Disclosure of information to auditor

In the case of each of the board members who are directors of the association at the date when this report was approved:

- so far as the director is aware, there is no relevant audit information of which the association's auditor is unaware, and
- he/she has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the association's auditor is aware of that information.

Independent auditor

BDO LLP have expressed their willingness to continue in office as the association’s auditors and a resolution to reappoint them will be proposed at the Annual General Meeting.

The board report for Worthing Homes Limited, registered number 8337, was approved by the board of directors on 5 August 2021 and signed on its behalf by

Chair – Paul Smith ____________________

Independent auditor’s report to the members of Worthing Homes Limited

Opinion on the financial statements

In our opinion, the financial statements:

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

We have audited the financial statements of Worthing Homes Limited (“the Association”) for the year ended 31 March 2021, which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in reserves and the accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the board members’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

Other information

The board are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information we do not express any form of assurance conclusion thereon. 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 Worthing Homes Limited

Matters on which we are required to report by exception

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

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

Responsibilities of the board

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

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

Auditor’s responsibilities for the audit of the financial statements

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

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

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

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

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

Independent auditor's report to the members of Worthing Homes Limited

Audit procedures capable of detecting irregularities including fraud performed by the engagement team included:

- Performing analytical procedures to identify unusual or unexpected relationships that may indicate risks of material misstatement due to fraud. Areas of identified risk are then tested substantively;
- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC and the Regulator to identify any actual or potential frauds or any potential weaknesses in internal control which could result in fraud susceptibility;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Reviewing items included in the fraud register;
- Challenging assumptions made by management in their significant accounting estimates, in particular in relation to the recoverable amount of assets and the measurement of the defined benefit obligation;
- Carrying out detailed testing, on a sample basis, of transactions and balances agreeing to appropriate documentary evidence to verify the completeness, existence and accuracy of the reported financial statements; and
- In addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments.

There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

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

Use of our report

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

Elizabeth Kulczycki (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
Gatwick
Date

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

Statement of comprehensive income

	Note	2021 £'000	2020 £'000
Turnover	4	25,645	25,066
Cost of sales	4	(2,313)	(1,933)
Operating expenditure	4	(13,380)	(13,215)
Surplus on disposal of fixed assets	4,11	791	708
Operating surplus	4,7	10,743	10,626
Interest receivable	12	8	38
Interest and financing costs	13	(5,235)	(5,436)
Surplus before tax		5,516	5,228
Taxation on surplus	14	-	-
Surplus for the financial year		5,516	5,228
Actuarial gain on defined benefit pension scheme	26	379	27
Total comprehensive income for the year		5,895	5,255

The notes on pages 28 to 53 form part of these financial statements.

All activities relate to continuing operations.

Statement of financial position

Co-operative and Community Benefit Society (FCA) number: 8337

	Note	2021 £'000	2020 £'000
Fixed assets			
Tangible fixed assets – housing properties	15	220,322	215,505
Tangible fixed assets – other	16	1,851	1,775
Investments	17	520	523
Total fixed assets		222,693	217,803
Current assets			
Stock	18	1,577	2,924
Debtors	19	770	1,253
Cash and cash equivalents		6,585	6,518
		8,932	10,695
Creditors: amounts falling due within one year	20	(4,670)	(6,094)
Net current assets		4,262	4,601
Total assets less current liabilities		226,955	222,404
Creditors: amounts falling due after more than one year	21	(173,365)	(174,342)
Pension liability	26	(1,201)	(1,568)
Net assets		52,389	46,494
Reserves			
Income and expenditure reserve		52,389	46,494
Total reserves		52,389	46,494

The notes on pages 28 to 53 form part of these financial statements.

The financial statements were approved and authorised for issue by the board on 5 August 2021 and signed on their behalf by:

Chair – Paul Smith

Board member – Jennifer Graham

Company Secretary – Julian Pitcher

Statement of changes in reserves

	Income and expenditure reserve £'000
Balance as at 1 April 2019	41,239
Surplus for the year	5,228
Actuarial gain on defined benefit pension scheme	27
Balance at 31 March 2020	46,494
Surplus for the year	5,516
Actuarial gain on defined benefit pension scheme	379
Balance at 31 March 2021	52,389

Statement of cash flows

	2021 £'000	2020 £'000
Cash flows from operating activities		
Surplus for the financial year	5,516	5,228
Adjustments for:		
Depreciation of fixed assets - housing properties	3,648	3,459
Depreciation of fixed assets – other	206	245
Amortised grants	(448)	(426)
Interest payable and finance costs	5,235	5,436
Interest received	(8)	(38)
Taxation expense	-	-
Difference between net pension expense and cash contribution	(22)	(83)
Surplus on the sale of fixed assets - housing properties	(787)	(708)
Surplus on the sale of fixed assets - other	(4)	-
Proceeds from sale of fixed assets - housing properties	856	1,196
Proceeds from sale of fixed assets - other	7	-
Decrease / (increase) in stock	1,383	(1,065)
Decrease / (increase) in trade and other debtors	498	(10)
Decrease in trade and other creditors	(1,552)	(30)
Net cash generated from operating activities	14,528	13,204
Cash flows from investing activities		
Purchase of tangible fixed assets – housing properties	(8,794)	(17,298)
Purchase of tangible fixed assets – other	(285)	(129)
Receipt of grant	1,239	426
Interest received	11	35
Net cash from investing activities	(7,829)	(16,966)
Cash flows from financing activities		
Interest paid	(5,355)	(5,571)
New loans	-	11,000
Repayments of loans	(1,277)	(1,276)
Net cash (used) / generated in financing activities	(6,632)	4,153
Net increase / (decrease) increase in cash and cash equivalents	67	391
Cash and cash equivalents at beginning of the year	6,518	6,127
Cash and cash equivalents at end of the year	6,585	6,518

The notes on pages 28 to 53 form part of these financial statements.

Notes to the financial statements
For the year ended 31 March 2021

1. Legal status

The association is registered in England with the Financial Conduct Authority under the Co-operative and Community Benefits Societies Act 2014 as a charitable community benefit society, limited by shares. The association is registered with the Regulator of Social Housing as a social housing provider and is a public benefit entity.

2. Accounting policies

Basis of accounting

The financial statements have been prepared in accordance with applicable law and UK accounting standards (United Kingdom Generally Accepted Accounting Practice) which for Worthing Homes Limited includes the Cooperative and Community Benefit Societies Act 2014 (and related group accounts regulations), the Housing and Regeneration Act 2008, FRS 102 “the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland”, the Statement of Recommended Practice (SORP) for Registered Social Housing Providers 2018, the Accounting Direction for Private Registered Providers of Social Housing 2019.

The accounts are prepared under the historic cost basis.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates (note 3). It also requires the association’s management to exercise judgement in applying the association’s accounting policies.

The following principal accounting policies have been applied:

Going concern

The board has reviewed the future prospects of the association and its financial business plan, including stress testing of a combined scenario of UK Confidence Crisis and a major incident occurring at the same time. The board have also assessed the potential impact of the COVID Chaos scenario, which shows that the business will stay within its financial covenants and will maintain liquidity. Having assessed this, the board has a reasonable expectation that the association has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the audit report is signed. For this reason, it continues to adopt the going concern basis in the financial statements..

Income

Income is measured at the fair value of the consideration received or receivable. The association generates the following material income streams:

- Rental income receivable (after deducting lost rent from void properties available for letting)
- Service charges receivable
- First tranche sales of Low Cost Home Ownership housing properties developed for sale
- Sales of properties developed for outright sale
- Proceeds from the sale of land and property.

Rental income and service charge income is recognised from the point when properties under development reach practical completion and are formally let, income from first tranche sales and sales of properties developed for outright sale is recognised at the point of legal completion of the sale.

Notes to the financial statements
For the year ended 31 March 2021

2. Accounting policies (continued)

Current and deferred taxation

The tax expense for the period comprises current tax. Tax is recognised in the statement of comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

Due to its charitable status, the association benefits from various exemptions from taxation afforded by the tax legislation and is therefore not liable to corporation tax on income and gains falling within these charitable exemptions. As a result no circumstance has arisen that requires the provision of deferred tax.

Value Added Tax (VAT)

The association 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 association and not recoverable from HM Revenue and Customs. Recoverable VAT arises from partially exempt activities and is credited to the Statement of Comprehensive Income.

Finance costs

Finance costs are charged to income or expense over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Pension costs

The association participates in the multi-employer defined benefit Local Government Pension Scheme administered by Essex County Council.

For this pension scheme the assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit is presented separately from other net assets on the statement of financial position. A net surplus is recognised only to the extent that it is recoverable by the association through reduced contributions or through refunds from the plan.

The current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period. Interest is calculated on the net defined benefit liability. Remeasurements are reported in other comprehensive income.

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

Notes to the financial statements
For the year ended 31 March 2021

2. Accounting policies (continued)

Tangible fixed assets – Housing properties

Housing properties are properties held for the provision of social housing or to otherwise provide social benefit. Housing properties are stated at cost less depreciation and impairment (where applicable).

The cost of housing land and property includes the cost of acquiring land and buildings, development costs, interest capitalised during the development period, directly attributable administration costs and expenditure incurred in respect of improvements which comprise the modernisation and extension of existing properties.

Capitalised interest is calculated on a proportional basis, using finance costs on borrowing which has been drawn in order to finance the relevant construction or acquisition. Where housing properties are in the course of construction, finance costs are only capitalised where construction is on-going and has not been interrupted or terminated.

Expenditure on major refurbishment to properties is capitalised where the works increase the net rental stream over the life of the property. An increase in the net rental stream may arise through an increase in the net rental income, a reduction in future maintenance costs, or a subsequent extension in the life of the property. All other repair and replacement expenditure is charged to the statement of comprehensive income.

Housing properties in the course of construction, excluding the estimated cost of the element of shared ownership properties expected to be sold in first tranche, are included in property, plant and equipment and held at cost less any impairment, and are transferred to completed properties when ready for letting.

Surpluses and deficits on disposals of housing properties are determined by comparing the proceeds with the carrying amount and incidental costs of sales and recognised within surplus / deficit on disposal of fixed assets in the statement of comprehensive income.

Depreciation of housing properties

Housing land and property is split between land, structure and other major components that are expected to require replacement over time with substantially different economic lives.

Land is not depreciated on account of its indefinite useful economic life.

Assets in the course of construction are not depreciated until they are completed and ready for use to ensure that they are depreciated only in periods in which economic benefits are expected to be consumed.

Housing properties are split between the structure and the major components which require periodic replacement. The costs of replacement or restoration of these components are capitalised and depreciated over the determined average useful economic life on a straight line basis as follows:

Land	not depreciated	Roof – pitched	60 years
Structure	100 years	Roof – flat	30 years
Windows	30 years	Boiler	15 years
Kitchen	25 years	Lift	25 years
Bathroom	30 years	Electrics	40 years
Fire safety works	30 years		

Leasehold properties are depreciated over the length of the lease except where the expected useful economic life of properties is shorter than the lease; when the lease and building elements are depreciated separately over their expected useful economic lives.

Notes to the financial statements
For the year ended 31 March 2021

2. Accounting policies (continued)

Shared ownership properties and staircasing

Under low cost home ownership arrangements, the association disposes of a long lease on low cost home ownership housing units for a share ranging between 25% and 75% of value. The buyer has the right to purchase further proportions up to 100% based on the market valuation of the property at the time each purchase transaction is completed.

Low cost home ownership properties are split proportionately between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as current asset and related sales proceeds included in turnover. The remaining element, "staircasing element", is classed as property, plant and equipment and included in completed housing property at cost less any provision for impairment and depreciated in line with our other housing properties Sales of subsequent tranches are treated as a part disposal of property, plant and equipment. Such staircasing sales may result in capital grant being deferred or abated and any abatement is credited in arriving at the surplus or deficit on disposal.

Allocation of costs for mixed tenure and shared ownership developments

Costs are allocated to the appropriate tenure where it is possible to specify which tenure the expense relates to. Where it is not possible to relate costs to a specific tenure costs are allocated on a floor area or unit basis, or according to the market sales value depending on the appropriateness for each scheme.

Tangible fixed assets – other

Other tangible fixed assets are stated at historic cost less accumulated depreciation. Historic cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The association adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the association. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the statement of comprehensive income during the period in which they are incurred.

Depreciation of other tangible fixed assets

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Freehold property	-	50 years
Equipment	-	2 – 10 years
Office furniture	-	7 years
Motor vehicles	-	7 years
Computer hardware	-	4 years
Computer software	-	3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Notes to the financial statements
For the year ended 31 March 2021

2. Accounting policies (continued)

Surpluses and deficits on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

Government grants

Grant received in relation to newly acquired or existing housing properties is accounted for using the accrual model set out in FRS 102 and the Housing SORP 2014. Grant is carried as deferred income in the statement of financial position and released to the statement of comprehensive income on a systematic basis over the useful economic lives of the asset for which it was received. In accordance with Housing SORP 2014 the useful economic life of the housing property structure has been selected.

Where social housing grant (SHG) funded property is sold, the grant becomes recyclable and is transferred to a recycled capital grant fund until it is reinvested in a replacement property. If there is no requirement to recycle or repay the grant on disposal of the assets any unamortised grant remaining within creditors is released and recognised as income within the income and expenditure account.

Recycled Capital Grant Fund

On the occurrence of certain relevant events, primarily the sale of dwellings, Homes England can direct the association to recycle capital grants or to make repayments of the recoverable amount. The association adopts a policy of recycling, for which a separate fund is maintained. If unused within a three-year period, it will be repayable to Homes England with interest. Any unused recycled capital grant held within the recycled capital grant fund, which it is anticipated will not be used within one year is disclosed in the balance sheet under "creditors due after more than one year". The remainder is disclosed under "creditors due within one year".

Impairment of fixed assets

The housing property portfolio for the association is assessed for indicators of impairment at each financial year-end. Where indicators are identified then a detailed assessment is undertaken to compare the carrying amount of assets or cash generating units for which impairment is indicated to their recoverable amounts. The association looks at the net realisable value, under the options available, when considering the recoverable amount for the purposes of impairment assessment. The recoverable amount is taken to be the higher of the fair value less costs to sell or value in use of an asset or cash generating unit. The assessment of value in use may involve considerations of the service potential of the assets or cash generating units concerned or the present value of future cash flows to be derived from them appropriately adjusted to account for any restrictions on their use.

The association defines cash generating units as schemes. Where the recoverable amount of an asset or cash generating unit is lower than its carrying value an impairment is recorded through a charge to income and expenditure.

Notes to the financial statements
For the year ended 31 March 2021

2. Accounting policies (continued)

Stock

Stock represents work in progress and completed properties, including housing properties developed for outright sale and shared ownership properties. For shared ownership properties the value held as stock is the estimated cost to be sold as a first tranche.

Stock is stated at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales proceeds after allowing for all further costs to completion and selling costs.

An assessment of whether there is any impairment is made at each reporting date. Where an impairment loss is identified, it is immediately recognised in the statement of comprehensive income.

On disposal, sales proceeds are included in turnover and the costs of sales, including costs incurred in the development of the properties, marketing and other incidental costs are included in operating expenses.

Debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest rate method, less any impairment losses. Any losses arising from impairment are recognised in the income statement in other operating expenses.

Recoverable amount of rental and other trade receivables

The association estimates the recoverable value of rental and other receivables and impairs the debtor by appropriate amounts.

Rent and service charge agreements

The association has made arrangement with individuals and households for arrears payments of rent and service charges. These arrangements are effectively loans granted at nil interest rate. The loans meet the definition of concessionary loans and are recorded at transaction price..

Loans, Investments and short term deposits

All loans, investments and short term deposits held by the association are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost using the effective interest rate method, less any impairment losses. Loans and investments that are payable or receivable within one year are not discounted.

Cash and cash equivalents

Cash and cash equivalents in the association’s statement of financial position consists of cash at bank, in hand, deposits and short term investments with an original maturity of three months or less.

Notes to the financial statements (continued)

For the year ended 31 March 2021

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the key judgements and estimates have been made in respect of the following:

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes to decent homes standards which may require more frequent replacement of key components. Accumulated depreciation at 31 March 2021 was £37,164,000 (2020 - £33,619,000).

Defined benefit obligation (DBO)

Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses (as analysed in note 26). The liability at 31 March 2021 was £1,201,000 (2020 - £1,568,000).

Impairment

The extent to which there have been indicators of impairment triggering the performance of an impairment review of the association’s tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit. The members have considered the measurement basis to determine the recoverable amount of assets where there are indicators of impairment based on EUV-SH or depreciated replacement cost. The members have also considered impairment on the basis of their assumptions of cash or asset generating units. Had management assessed cash generating units at different levels (e.g. as individual properties within a particular scheme) the conclusion on impairment may have been different. Management considered possible alternatives and determined the possible impacts to be immaterial to the financial statements.

.

Recoverability of assets held for sale

The anticipated costs to complete on a development scheme have been based on anticipated construction cost, the effective rate of interest on loans during the construction period, legal costs and other costs. Based on the costs to complete, the recoverability of the cost of properties developed for outright sale and/or land held for sale is determined. This judgement is also based on the best estimate of sales value based on economic conditions within the area of development.

Notes to the financial statements (continued)
For the year ended 31 March 2021

4. Turnover, cost of sales, operating costs and operating surplus

	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus £'000
Year ended 31 March 2021				
Social housing lettings (note 5)	22,096	-	(12,742)	9,354
Other social housing activities				
First tranche low cost home ownership sales	2,965	(2,313)	-	652
Other social housing activities	152	-	(312)	(160)
	3,117	(2,313)	(312)	492
Activities other than social housing				
Other non-social housing activities	432	-	(326)	106
	432	-	(326)	106
	25,645	(2,313)	(13,380)	9,952
Surplus on disposal of fixed assets				791
Total				10,743

	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus £'000
Year ended 31 March 2020				
Social housing lettings (note 5)	21,528	-	(12,407)	9,121
Other social housing activities				
First tranche low cost home ownership sales	2,700	(1,933)	-	767
First tranche low cost home ownership sales	69	-	(61)	8
Charges for support services	117	-	(307)	(190)
	2,886	(1,933)	(368)	585
Activities other than social housing				
Other non-social housing activities	652	-	(440)	212
	652	-	(440)	212
	25,066	(1,933)	(13,215)	9,918
Surplus on disposal of fixed assets				708
Total				10,626

Notes to the financial statements (continued)
For the year ended 31 March 2021

5. Income and expenditure from social housing lettings

	General needs housing	Supported housing and housing for older people	Intermediate rent	Low cost home ownership	Total 2021	Total 2020
	£'000	£'000	£'000	£'000	£'000	£'000
Rents net of identifiable service charges	17,545	831	1,362	746	20,484	20,085
Service charge income	545	619	-	-	1,164	1,017
Amortised government grants	250	-	184	14	448	426
Turnover from social housing lettings	18,340	1,450	1,546	760	22,096	21,528
Management	(3,456)	(167)	(76)	(23)	(3,722)	(3,546)
Service charge costs	(481)	(665)	-	-	(1,146)	(1,030)
Responsive maintenance	(1,286)	(88)	(76)	(4)	(1,454)	(1,932)
Cyclical maintenance	(1,793)	(77)	(61)	(3)	(1,934)	(1,503)
Major repairs expenditure	(412)	(32)	(19)	(1)	(464)	(575)
Bad debts	(114)	(3)	(1)	-	(118)	(135)
Depreciation of housing properties:						
- Annual charge	(2,981)	(167)	(257)	(166)	(3,571)	(3,374)
- Accelerated on disposal of components	(65)	(12)	-	-	(77)	(85)
Other costs	(256)	-	-	-	(256)	(227)
Operating expenditure on social housing lettings	(10,844)	(1,211)	(490)	(197)	(12,742)	(12,407)
Operating surplus on social housing lettings	7,496	239	1,056	563	9,354	9,121
Void losses	64	19	19	-	102	113

Notes to the financial statements (continued)
For the year ended 31 March 2021

6. Units of housing stock

	2020	Additions	Disposals	Tenure changes	2021
	Number	Number	Number	Number	Number
General needs housing:					
- Social rent	2,544	14	(4)	-	2,554
- Affordable rent	477	-	-	-	477
Low cost home ownership	147	18	(2)	-	163
Housing for older people	215	-	-	-	215
Intermediate rent	129	13	(1)	-	141
Homes owned but managed by other landlords	36	6	-	-	42
Total social housing units owned	3,548	51	(7)	-	3,592
Other homes					
Accommodation managed on behalf of other landlords	73	1	-	-	74
Leaseholders	255	1	(1)	-	255
	328	2	(1)	-	329
Total owned and managed accommodation	3,876	53	(8)	-	3,921
Units under construction	92				125

The association manages accommodation for Pearson's and St Elizabeth's Cottage Homes, which is a registered charity and private registered provider of social housing operating in Worthing.

7. Operating surplus

	2021 £'000	2020 £'000
The operating surplus is stated after charging / (crediting):		
Depreciation of housing properties:		
- Annual charge	3,571	3,374
- Accelerated on disposal of components	77	85
Depreciation of other tangible fixed assets	206	245
Auditors' remuneration (excluding VAT)		
- fees payable to the association's auditors for the audit of the financial statements	28	25
- fees payable to the association's auditors for other audit related services	1	1

Notes to the financial statements (continued)
For the year ended 31 March 2021

8. Employees

The staff costs (including executive management team) consist of:

	2021 £'000	2020 £'000
Wages and salaries	3,201	3,036
Social security costs	330	293
Cost of defined benefit pension scheme (see note 26)	191	132
Cost of defined contribution pension scheme (see note 26)	169	143
	3,891	3,604

The average number of employees (including executive management team) expressed as full-time equivalents (calculated based on a standard working week of 37 hours) during the year was as follows:

	2021 Number	2020 Number
Housing management	37	34
Property development	5	4
Administration	24	25
Property services, grounds and facilities teams	30	29
Community development and support	6	5
	102	97

The remuneration paid to staff (including executive management team) earning over £60,000 upwards:

	2021 Number	2020 Number
£60,001 to £70,000	4	2
£70,001 to £80,000	1	2
£90,001 to £100,000	1	1
£110,000 to £120,000	1	1
£130,000 to £140,000	-	1
£140,000 to £150,000	1	-

Notes to the financial statements (continued)
For the year ended 31 March 2021

9. Directors' and senior executive remuneration

The directors are defined as the members of the board of management, the Chief Executive and the executive management team disclosed on page 1.

	2021 £'000	2020 £'000
Executive directors' emoluments:		
Basic salary	312	306
Benefits in kind	2	2
Pension contributions	34	32
Amounts paid to non-executive directors	43	44
	391	384

The total amount payable to the chief executive, who was also the highest paid director, in respect of emoluments was £132,000 (2020 - £129,000). Pension contributions of £9,000 (2020 - £9,000) were made to the Aviva stakeholder pension scheme on her behalf.

10. Board members

The emoluments of the individual board members were as follows:

	2021 £'000	2020 £'000
Paul Smith (Chair)	9	9
Amy Dewey (to 13 March 2020)	-	3
Colin Goodwin	3	4
Jennifer Graham	5	5
Louise Murphy	4	3
Nigel Perryman	3	4
Helen Rice	3	4
Celia Rowe	4	3
Chongo Shula (from 1 January 2020)	3	1
Chris Simpson	5	5
Stephen Wills	4	3
	43	44

Notes to the financial statements (continued)
For the year ended 31 March 2021

11. Surplus on disposal of fixed assets

	Shared ownership staircasing sales £'000	Other housing properties £'000	Total 2021 £'000	Total 2020 £'000
Disposal proceeds	168	1,041	1,209	1,345
Cost of disposals	(56)	(222)	(278)	(281)
Selling costs	(1)	(135)	(136)	(345)
Capital grant recycled	-	(8)	(8)	(11)
Surplus on disposal of housing properties	111	654	787	708
Surplus on disposal of other fixed assets			4	-
			791	708

12. Interest receivable

	2021 £'000	2020 £'000
Interest receivable and similar income	8	38

13. Interest and financing costs

	2021 £'000	2020 £'000
Bank loans and overdrafts	4,641	4,852
Other loans	817	818
Net interest on net defined benefit pension liability (note 26)	34	37
	5,492	5,707
Interest capitalised on construction of housing properties	(257)	(271)
	5,235	5,436

Notes to the financial statements (continued)
For the year ended 31 March 2021

14. Taxation on surplus on ordinary activities

	2021 £'000	2020 £'000
Analysis of tax charge for the period		
Current tax		
UK corporation tax at 19.00%	-	-
Origination and reversal of timing differences	-	-
Tax on profit on ordinary activities	-	-

	2021 £'000	2020 £'000
Reconciliation of tax charge		
Profit on ordinary activities before tax	5,516	5,228
Tax on profit on ordinary activities at the standard rate of corporation tax in the UK of 19.00% (2020:19.00%)	1,048	993
Effects of:		
Income not taxable for tax purposes	(1,048)	(993)
Tax charge for the period	-	-

Notes to the financial statements (continued)

For the year ended 31 March 2021

15. Fixed assets – housing properties

	Social housing properties held for letting £'000	Social housing properties under construction £'000	Shared ownership completed £'000	Shared ownership under construction £'000	Total £'000
Cost					
At 1 April 2020	218,817	6,575	15,525	5,392	246,309
Additions:					
- Construction costs	-	4,804	-	1,002	5,806
- Completed properties acquired	1,907	-	-	-	1,907
- Replaced components	1,030	-	-	-	1,030
Completed schemes	5,969	(5,969)	3,466	(3,466)	-
Disposals:					
- Staircasing sales	-	-	(61)	-	(61)
- Replaced components	(225)	-	-	-	(225)
- Other	(283)	-	-	-	(283)
At 31 March 2021	227,215	5,410	18,930	2,928	254,483
Depreciation					
At 1 April 2020	30,251	-	553	-	30,804
Charge for the year	3,403	-	168	-	3,571
Disposals:					
- Staircasing sales	-	-	(5)	-	(5)
- Replaced components	(148)	-	-	-	(148)
- Other	(61)	-	-	-	(61)
At 31 March 2021	33,445	-	716	-	34,161
Net book value					
At 31 March 2021	193,770	5,410	18,214	2,928	220,322
At 31 March 2020	188,566	6,575	14,972	5,392	215,505

The housing properties completed and held for letting are freehold. A development site of 20 social rented homes under construction at the year-end is a long leasehold scheme.

Notes to the financial statements (continued)
For the year ended 31 March 2021

15. Fixed assets – housing properties (continued)

Interest capitalisation

	2021 £'000	2020 £'000
Cumulative interest capitalised at 1 April	2,981	2,780
Interest capitalised in the year	221	201
Cumulative interest capitalised at 31 March	3,202	2,981
Rate used for capitalisation	1.9%	2.4%

Works to properties

	2021 £'000	2020 £'000
Improvements to existing properties capitalised	1,030	1,752
Major repairs expenditure to income and expenditure account	464	607
Total cost of major repairs and improvements works to existing properties	1,494	2,359

Total social housing grant

	2021 £'000	2020 £'000
Total accumulated social housing grant received or receivable at 31 March:		
Recognised in the statement of comprehensive income	4,880	4,432
Held as deferred income	40,862	40,100
	45,742	44,532

Notes to the financial statements (continued)
For the year ended 31 March 2021

16. Tangible fixed assets – other

	Office buildings £'000	Furniture & equipment £'000	Motor vehicles £'000	Computer equipment £'000	Total £'000
Cost					
At 1 April 2020	1,834	860	317	1,579	4,590
Additions	3	154	91	37	285
Disposals	-	-	(21)	-	(21)
At 31 March 2021	1,837	1,014	387	1,616	4,854
Depreciation					
At 1 April 2020	444	625	228	1,518	2,815
Charge for the year	39	75	38	54	206
Disposals	-	-	(18)	-	(18)
At 31 March 2021	483	700	248	1,572	3,003
Net book value					
At 31 March 2021	1,354	314	139	44	1,851
At 31 March 2020	1,390	235	89	61	1,775

The office buildings are freehold.

17. Fixed asset investments

	2021 £'000	2020 £'000
Bank deposits	520	523

The investments represent an interest service reserve fund which is charged as security for loans from The Housing Finance Corporation Limited. The investments are to protect investors in the secured bond issue by T.H.F.C. (Funding No. 3) Plc for the first twelve months' interest in the event of default by an association under the terms of the trust deed and loan agreement (see note 24).

18. Properties for sale

	2021 £'000	2020 £'000
Shared ownership properties – work in progress	1,485	2,162
Completed properties	92	762
	1,577	2,924

Properties developed for sale include capitalised interest of £36,000 (2020 - £70,000).

Notes to the financial statements (continued)
For the year ended 31 March 2021

19. Debtors

	2021 £'000	2020 £'000
Due within one year		
Rent and service charges receivable from tenants	941	1,054
Housing benefit owing	57	61
Rent and service charges receivable	998	1,115
Less: provision for doubtful debts	(472)	(443)
	526	672
Other debtors	329	377
Less: provision for doubtful debts	(130)	(118)
Prepayments and accrued income	30	322
Social Housing Grant receivable	15	-
	770	1,253

20. Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Loans and borrowings (note 24)	1,839	1,277
Trade creditors	305	2,401
Rent and service charges received in advance	398	458
Right To Buy sale proceeds due to Worthing Borough Council	119	336
Taxation and social security costs	90	90
Other creditors	155	154
Deferred capital grant (note 22)	448	426
Recycled capital grant fund (note 23)	50	1
Accruals and deferred income	1,266	942
	4,670	6,094

21. Creditors: amounts falling due after more than one year

	2021 £'000	2020 £'000
Loans and borrowings (note 24)	132,830	134,550
Deferred capital grant (note 22)	40,414	39,674
Recycled capital grant fund (note 23)	121	118
	173,365	174,342

Notes to the financial statements (continued)
For the year ended 31 March 2021

22. Deferred capital grant

	2021 £'000	2020 £'000
At 1 April	40,100	40,159
Grants received in the year	1,254	426
Grants recycled on disposal of assets	(44)	(59)
Released to income in the year	(448)	(426)
At 31 March	40,862	40,100
Amounts to be released within one year	448	426
Amounts to be released in more than one year	40,414	39,674
	40,862	40,100

23. Recycled capital grant fund

Funds pertaining to activities within areas covered by Homes England	2021 £'000	2020 £'000
At 1 April	119	49
Inputs to fund:		
- Grants recycled from deferred capital grants	44	59
- Grants recycled on the disposal of assets	8	11
Recycling of grant		
- Major repairs and works to existing stock	-	-
At 31 March	171	119
Creditors: amounts falling due within one year	50	1
Creditors: amounts falling due after more than one year	121	118
	171	119
Amount 3 years or older where repayment may be required	1	-

Notes to the financial statements (continued)
For the year ended 31 March 2021

24. Loans and borrowings

Maturity of debt:

	Bank loans 2021 £'000	Other loans 2021 £'000	Total 2021 £'000
In one year or less, or on demand	1,839	-	1,839
In more than one year but not more than two years	2,265	-	2,265
In more than two years but not more than five years	47,879	-	47,879
In more than five years	63,187	20,000	83,187
	115,170	20,000	135,170
Less: unamortised arrangement costs	(415)	(86)	(501)
	114,755	19,914	134,669

	Bank loans 2020 £'000	Other loans 2020 £'000	Total 2020 £'000
In one year or less, or on demand	1,277	-	1,277
In more than one year but not more than two years	1,839	-	1,839
In more than two years but not more than five years	47,453	-	47,453
In more than five years	65,878	20,000	85,878
	116,447	20,000	136,447
Less: unamortised arrangement costs	(523)	(97)	(620)
	115,924	19,903	135,827

Bank loans and the Worthing Borough Council loan are secured by specific charges on the housing properties of the association. The Housing Finance Corporation Limited loan is secured by specific charges on housing properties and on the association's long term investments. In total £186million of our housing properties are secured to funders (valued on either the EUV-SH or MV-STT basis dependent on each property's restrictions).

The bank loans include £72million at fixed interest rates ranging from 5.1% to 5.8%. The remaining £43.2million drawn is at floating rates of interest above the London Inter Bank Offer Rate. The reference rate for our bank loans will change from London Inter Bank Offer Rate to Sterling Overnight Index Average during the coming year. The loans are a combination of revolving credit facilities with bullet repayments in 2024 and loans repaid in annual instalments, final instalments on the loans fall due to be repaid in 2037.

The Housing Finance Corporation Limited loan of £10million is at a fixed interest rate of 5.2% with a bullet repayment date of 2043. The Worthing Borough Council loan of £10million is at fixed interest rates ranging from 2.5% to 3.2% with a bullet repayment date of 2027.

At 31 March 2021 the association had undrawn loan facilities of £33million (2020 - £33million).

Notes to the financial statements (continued)
For the year ended 31 March 2021

25. Financial instruments

The association's financial instruments may be analysed as follows:

Financial assets

	2021 £'000	2020 £'000
Financial assets measured at historical cost		
- Trade receivables	526	672
- Other receivables	199	259
- Cash and cash equivalents	6,585	6,518
Total financial assets	7,533	7,449

Financial liabilities

	2021 £'000	2020 £'000
Financial liabilities measured at amortised cost		
- Loans payable	(134,669)	(135,827)
Financial liabilities measured at historical cost		
- Trade creditors	(305)	(2,410)
- Other creditors	(2,868)	(2,407)
Total financial liabilities	(137,628)	(140,644)

26. Pensions

The association operates two pension schemes.

Defined benefit pension scheme

The association participates in a defined benefit scheme, the assets of which are held in separately administered funds under the regulations governing the Local Government Pension Scheme. The scheme is a multi-employer scheme with more than one participating employer, and is administered by Essex County Council.

A full actuarial valuation of the defined benefit scheme was carried out at 31 March 2019 and updated to 31 March 2021 by a qualified independent actuary. Contributions to the scheme are made by the association based on the advice of the actuary and with the aim of making good the deficit over the remaining working life of the employees.

Notes to the financial statements (continued)
For the year ended 31 March 2021

26. Pensions (continued)

Reconciliation of present value of plan liabilities

	2021 £'000	2020 £'000
At the beginning of the year	(13,154)	(13,906)
Current service cost	(97)	(132)
Interest cost	(305)	(329)
Change in financial assumptions	(2,985)	1,061
Change in demographic assumptions	144	19
Experience gain / (loss) on defined benefit obligation	184	(256)
Past service costs, including curtailments	(94)	-
Benefits paid	338	418
Contributions by scheme participants	(26)	(29)
At the end of the year	(15,995)	(13,154)

Reconciliation of fair value of plan assets

	2021 £'000	2020 £'000
At the beginning of the year	11,586	12,265
Interest income on plan assets	271	292
Return on fund assets in excess of interest	3,036	(921)
Other actuarial gains on assets	-	124
Administration expenses	(7)	(4)
Contributions by employer	220	219
Contributions by scheme participants	26	29
Benefits paid	(338)	(418)
At the end of the year	14,794	11,586

Net pension scheme liability

	2021 £'000	2020 £'000
Fair value of plan assets	14,794	11,586
Present value of plan liabilities	(15,995)	(13,154)
Net pension scheme liability	(1,201)	(1,568)

Amounts recognised in operating costs are as follows:

	2021 £'000	2020 £'000
Service cost	(191)	(132)
Administration expenses	(7)	(4)
Amounts charged to operating costs	(198)	(136)

Notes to the financial statements (continued)
For the year ended 31 March 2021

26. Pensions (continued)

Amounts included in other finance costs:

	2021 £'000	2020 £'000
Net interest	(34)	(37)
Amounts charged to other finance costs	(34)	(37)

Analysis of actuarial gains and losses recognised in other comprehensive income

	2021 £'000	2020 £'000
Return on Fund assets in excess of interest	3,036	(921)
Experience gains / (losses) arising on defined benefit obligation	184	(256)
Changes in financial assumptions	(2,985)	1,061
Change in demographic assumptions	144	19
Other actuarial gains on assets	-	124
Remeasurement of the net assets and defined liability	379	27

Plan assets

	2021 £'000	2020 £'000
Composition of plan assets:		
Equities	9,142	6,781
Gilts	382	499
Other bonds	742	702
Property	1,053	1,042
Cash	698	482
Other	2,777	2,080
Total plan assets	14,794	11,586
Actual return on plan assets	3,307	(629)

Notes to the financial statements (continued)
For the year ended 31 March 2021

26. Pensions (continued)

Principal actuarial assumptions used at the balance sheet date

	31 March 2021 % per annum	31 March 2020 % per annum
Discount rate	2.0%	2.35%
Future salary increases	3.85%	2.95%
Future pension increases	2.85%	1.95%
Inflation assumption	2.85%	1.95%

	Number of years	Number of years
Mortality assumptions - The assumed life expectations on retirement at age 65 are:		
- For a male aged 65 now	21.6	21.8
- For a female aged 65 now	23.6	23.7
- At 65 for a male aged 45 now	22.9	23.2
- At 65 for a female aged 45 now	25.1	25.2

Defined contribution pension scheme

A defined contribution pension scheme is operated by the association on behalf of new employees. The assets of the scheme are held separately from those of the association. The pension charge represents contributions payable by the association and amounted to £169,000 (2020 - £143,000). Contributions totalling £0.00 (2020 - £18,000) were payable to the fund at the year end and are included in creditors

27. Share capital

	2021 £	2020 £
Ordinary shares of £1 each, issued and fully paid		
At 1 April	38	42
Shares issued in the year	1	1
Shares cancelled in the year	-	(5)
At 31 March	39	38

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. When a shareholder ceases to be a member, that share is cancelled and the amount paid thereon becomes the property of the association. Therefore, all shareholdings relate to non-equity interests.

28. Contingent Liability

The Group receives grant from Homes England and Local Authorities which is used to fund the acquisition and development of housing properties and their components. Grant of £4,880,000 received in respect of housing properties held at 31 March 2021 has been credited to reserves as amortisation of the total grant received. The Group has a future obligation to recycle such grant once the properties are disposed of. At 31 March 2021, the value of grant received in respect of these properties that had not been disposed of was £40,862,000.

As the timing of any future disposal is uncertain, no provision has been recognised in these financial statements.

Notes to the financial statements (continued)
For the year ended 31 March 2021

29. Operating leases

The association had minimum lease receivables under non-cancellable operating leases as set out below:

Amounts receivable as lessor

	2021 £'000	2020 £'000
Not later than 1 year	991	926
Later than 1 year and not later than 5 years	3,608	3,371
Later than 5 years	8,209	7,542
Total	12,808	11,839

30. Capital commitments

	2021 £'000	2020 £'000
Capital expenditure		
Expenditure contracted for but not provided in the financial statements	9,815	6,014
Expenditure authorised by the board, but not contracted	16,909	6,684

The above commitments will be financed through borrowings which are available for draw-down under existing loan arrangements, and the association's own resources.

31. Subsidiary undertakings

The principal undertakings in which the association has an interest in are as follows:

Name	Country of incorporation or registration	Proportion of voting rights / ordinary share capital held	Nature of business	Nature of entity
WH Community Trust	England	100%	Dormant (to undertake community development activities)	Incorporated company (to become an incorporated charity)
Noviomagus Ltd	England	100%	Dormant (to become a development company)	Incorporated company

32. Related party disclosure

The directors do not consider there to be a single controlling party.

The association has conducted the following related party transactions in the year:

During the year the association had 1 tenant member, and 1 shared-owner member of the board (2019 - 1 tenant member, 1 leasehold member and 1 shared-owner). They hold tenancy agreements and leases on normal terms and cannot use their position to their advantage. The rent and service charges charged for the year was £14,000 (2020 - £14,000) and the tenants had a credit balance of £96 at the 31 March 2021 (2020 - credit balance of £79).

Notes to the financial statements (continued)
For the year ended 31 March 2021

During the year the association had 2 Councillor members of the board (2020 - 2 Councillor members). All transactions in the year with the related local authority were made at arm's length and on normal commercial terms.

During the course of its business, the association has collected maintenance contribution income on behalf of Pearson's and St Elizabeth's Cottage Homes and forwarded such monies to them, and paid all of their costs on their behalf and recharged these to the trust. This is a charitable trust which has Worthing Homes Limited as its sole trustee. The outstanding net balance at 31 March 2021 was a £17,000 creditor balance (2020: debtor balance £40,000).

The association earned management charges of £42,000 (2020: £39,000), Caretaking £13,000 (2020: £24,000), recharged service and support costs of £26,000 (2020: £12,000), and gardening costs of £10,000 (2020: £12,000). from Pearson's and St Elizabeth's Cottage Homes during the year.

33. Net debt reconciliation

	1 April 2020 £'000	Cash flows £'000	31 March 2021 £'000
Cash at bank and in hand	6,518	67	6,585
Bank and other loans	(136,447)	1,277	(135,170)
Net debt	(129,929)	1,344	(128,585)