Company number 03517244

WORTHING HOMES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2019

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Company information

Board	
Chair	Paul Smith
Other board members	Amy Dewey Colin Goodwin Jennifer Graham Louise Murphy Celia Rowe Nigel Perryman Chris Simpson Helen Rice Stephen Wills
Company 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	Company registered number 03517244 Regulator of Social Housing registered number LH4208 Registered charity number 1074516

Strategic report

Principal activities

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

As a locally focussed housing association, with 3,738 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, equality and diversity and are committed to providing real opportunities for our customers and the wider community. 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 and are appointed in the same way as all other board members for two terms of 3 years.

RedAssure™ is our telecare and older person's support service which provides telecare to 800 customers in their own homes. Since October 2016, it also provides support to residents aged 65 and over in Worthing Homes and Adur Homes properties to maintain their tenancies and independence.

Key achievements

2018 has been a more settled year with the majority of the changes to the business now bedded in, and colleagues embracing the new ways of working.

The big change for organisations this year was the change to the EU General Data Protection Regulations (GDPR), and as a company that has to hold personal information this has required us to ensure that our policies, procedures and systems are all in line with the new rules. As part of this new legislation in May 2018 we sent out a letter to all of our residents, customers, leaseholders and licensees to notify them of our comprehensive privacy notice.

On Saturday 7 July we were joined by the Mayor Cllr Paul Baker, Mayoress Sandra Baker, and the youth Mayor Katie Waters with deputy youth Mayor Jimi Taylor for our 19th Fun day. The day had the usual mix of fun and education with games and activities such as welly throwing, coconut shy, milk the cow and a surf simulator, along with face painting, nail painting and an under 5's bouncy castle and play area. In the main hall we had an art zone and our grounds team were helping children to create butterflies and caterpillars.

In keeping with our company ethos of sustainable futures our financial inclusion team were on hand to offer advice on Universal Credit and to get the young adults thinking about their financial future. The Green Gym, which is a scheme which inspires you to improve both your health and the environment at the same time, were on hand to encourage people to join up; and our own sustainability co-coordinator was there to give customers energy saving advice and making butterfly seed bombs. Despite the intense heat and an England football game we are delighted to say we welcomed 517 people to the event!

In August as part of our commitment to sustainability we decided to go further than the traditional bike week, and hold a sustainable travel month. Along with the difference we felt we could make to our carbon footprint we thought that it would be a great opportunity to raise funds for a good cause.

With 40 members of staff taking part we managed to clock up 2,413 miles by leaving the cars at home and either using public transport, walking or cycling as much as we could. At the end of the month we were pleased to be able to handover a cheque for £1,500 to Turning Tides (formerly Worthing Churches Homeless Project), a cause very dear to our hearts.

We were joined by a number of residents on the 16 October for a special residents' conference to seek views on the Governments social housing green paper, which was published in August 2018. The paper was a consultation document that will help the government form its future housing policy based on the responses from the people that matter most, social housing residents and comes about following the Grenfell tragedy last year. Our conference was a mix of group working at tables along with feedback sessions on the different

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principles so that everyone could discuss as a whole, and to ensure all residents could have their say we also held an online and paper survey. All of the responses and the outcomes from the conference were collated and helped to shape our response to the Government.

We were absolutely delighted when Jackie Bligh, Chief Executive, was not only shortlisted for Chief Executive of the year in the 24 Housing Awards but at the October ceremony was highly commended for her work.

November saw our sheltered scheme, Elizabeth House begin a makeover to enhance the living accommodation. The existing bathroom facilities are shared, with each studio flat only having its own toilet and hand basin, which we believe to be sub-standard living arrangements for the 21st century. By redesigning the internal layout of the flats, and incorporating the existing shared bathroom spaces into the new flats, we will be able to provide each resident with a home that has a separate bedroom and living room whilst having the comfort of their own shower rooms. We will be including one shared bathroom (with bath and shower) in the finished scheme as we are also going to be working in partnership with West Sussex County Council (WSCC) to provide some flats in the scheme for people with enhanced support or care needs.

Works began at Church House, another older property with outdated facilities, in January 2019. The demolition of this 1960s property was carried out in early January to make way for 14 new homes (2 flats and 12 houses). As part of our sustainability ethos these homes will be fitted with smart technology, a tablet built into the wall allowing you to control heating, lighting and plug sockets from the one place; the residents will also be able to control these from their smart phones if they have one. There will also be water efficient taps and toilets and we are hoping to have smart water meters installed to help the residents keep track of their usage and bills. And with the move to electric vehicles we are also installing electric vehicle ducting in readiness for when charging points need to be installed. The scheme is also being built with a sustainable urban drainage system to ensure there are measures and materials in place to absorb rainwater and help prevent flooding, which is highly important given that Tarring is prone to this. These 14 new homes, available at social rent will be completed in March 2020.

With our commitment to deliver new affordable homes we were pleased, in December 2018, to get planning permission granted to build new homes on land adjacent to the Blakesmead development in Felpham. With completion expected June 2020, this development will see 18 new homes (2 x one bed flats, 7 x 2 bed and 9 x 3 bed homes) available on a shared ownership basis.

Over the year our sustainability co-ordinator identified savings of £12,382 in cheaper tariffs or cancelled charges, and issued £1,405 of emergency fuel vouchers to our residents. 686 people were assisted by the financial inclusion team to help them increase their income and reduce their bills. This work led to 44 residents gaining an extra £106,489 of income.

Finally we were proud to turn 20 years old this March, and to help celebrate the occasion we have been holding a number of events. The first of these was planting 20 trees and we were delighted to be joined for 6 of these by supporters of Worthing Homes. On Thursday 21 February we were joined by former Worthing Homes Chief Executive Robin King, who did the honours at our sheltered housing scheme Wisden Court in Findon and we rounded the event off on Friday 22 March when we were honoured to be joined by Sir Peter Bottomley MP, who planted a tree at our sheltered scheme Davenport Court in his ward of Worthing; followed by Tim Loughton MP doing the honours at our Westbrook Way development in Southwick.

We also held an open day at our offices and compiled a birthday book (Twentyriffic years – providing homes and enhancing lives) with the help of colleagues, residents and partners. The book also contains a timeline documenting our milestones and activities for the last 20 years!

Strategic report

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.

Our corporate themes

We have four corporate themes that form the focus of our 2018 – 2022 corporate plan, these are:

- Excellent customer experience
- Place shaping
- One team
- Great business

Building on these four corporate themes we have identified eight high level corporate objectives for the organisation. These give a clear indication of our priorities for the next five years. They are:

- To continue to provide excellent, consistent and reliable services to all our customers
- To create a modern streamlined and integrated organisation
- To invest in our staff and continue to make Worthing Homes a place where people want to work
- To improve our performance management framework
- To enhance our community development activities
- To invest in our existing homes
- To deliver 500 new homes
- To maintain a healthy financial position

Future plans

Excellent customer experience:

Worthing Homes is committed to providing our customers with an efficient and high quality service. Delivering an excellent customer experience is about providing timely, responsive services with integrity, simplicity and a passion for excellence. Given all the changes with technology we have been looking at the way in which our customers interact with us. Whilst it is recognised that many people will want to be 'self-

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sufficient' and report things on line or 'self-serve' many others will still want to interact with us face to face. It is therefore essential that any new channels made available are robust, reliable, easy to use and effective.

Our aim is to:

- continue to provide excellent, consistent and reliable services to all our customers;
- engage 50% of our customers through our web portal self-service option by March 2022;
- deliver the agreed service standards under Your Services; Your Home and Your Tenancy through our 'Customer Promise';
- improve our methods of obtaining customer feedback and
- work with residents in addressing the issues of 'stigma' that were identified through the survey responses on the green paper.

Place shaping:

It is really important to us that we work with our residents and other key stakeholders in helping to shape and deliver thriving communities. 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. However, we also need to actively manage our assets. So we will look at:

- changing to affordable or market rents, shared ownership or outright sale where this is appropriate to do so, e.g. where we need to create more of a mixed community and
- disposing of properties that are no longer economical to repair and the funds from the sales can be reinvested for more housing provision.

As a dynamic, flexible and responsive organisation we actively invest in our homes, affordable warmth and our open spaces using locally based companies and local labour wherever possible. Our stock condition survey is annually updated and validated. It is used to inform our long-term investment decisions and produce a 30 year investment plan, based upon life cycles and condition. Over the next 30 years Worthing Homes is committed to investing over £100 million, which equates to £3.4 million each year. We also believe that it is important to invest in other activities in the community not just the provision of bricks and mortar.

Our aim is to:

- enhance our community development activities – through the extension of the projects at Community House and Lovett Hub;
- continue to invest in our existing homes (£3.4 million per annum) providing well maintained, energy efficient and safe homes and to publicise the relevant programmes for the next 3 years;
- improve the external environment of the communal areas of our homes through regular inspection and investment and
- deliver 500 new homes over a five year period by March 2022

One team:

We believe that 'One Team' will be achieved by living our values and investing in our people to deliver high quality, customer led services. We are creating a 'One Team' culture through our people who are motivated and empowered to make decisions for themselves; by inspiring great performance, through mutual respect, fairness, collaboration, innovation and continuous improvement.
In our People Survey in 2018 we achieved a brilliant 86% response rate. 94% were satisfied with us as an employer and 86% felt that they were part of 'one team', 98% of our colleagues felt empowered to take decisions. Enabling our people to grow and develop with open and honest communication, trust, empowerment, ownership and accountability. Finally by creating a supportive, progressive environment to attract and retain highly skilled people who feel valued, motivated and share a sense of ownership of Worthing Homes' vision that are proud to work for us. 100% of colleagues that responded are committed to Worthing Homes, 99% understand what we are aiming to achieve, 98% felt motivated to help us succeed in achieving our aims and aspirations.

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Our aim is to:

- maintain the level of engagement from colleagues across the organisation;
- invest in our employees and continue to make Worthing Homes a place where people want to work;
- continue to invest in training to enable our people to develop and keep their skills and knowledge up to date to deliver excellent services and
- deliver the actions identified in our Fairness Strategy.

Great business:

To support the achievement of all of our objectives we will be well governed, provide value for money and maintain our strong financial performance. We will have great digital services and resources, highly skilled and motivated people, in a modern working environment and we will have a great reputation. Our financial business plan ensures that what we do is affordable and does not jeopardise the long-term viability of the business. Our ongoing activities will be self-financing, generating enough surplus to meet the repayments on the existing funding, to cross subsidise the building of new homes, continue to provide excellent services to our residents and invest in our community.
The board considers the key strategic risks (both financial and non-financial) and agrees limits for our risk appetite where applicable. In considering our risk appetite, the board takes into account the organisations capability and capacity. We seek to maximise our positive social impact, through providing homes and services mainly to people unable to afford market housing, while ensuring a sound financial base. We will maintain compliance with all safety, legal, regulatory and contractual requirements, including company rules. Day to day operational risk is controlled through standing orders and procedures.

Our aim is to:

- improve our performance management framework and publish our results quarterly;
- maintain a healthy financial position;
- deliver savings of 1% per annum until 2020;
- maintain upper quartile performance in our regulator's ratings;
- to provide clearer information on our performance for our residents –including benchmarking and costs and
- establish a subsidiary to undertake more commercial activity.

Risks and uncertainties

During the year, we reviewed our risk management policy and risk appetite statement. The board is responsible for defining the company'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.

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Risks and uncertainties

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 factors as principal potential risks to the successful operation of the business:

Housing sales – The risk is that the surplus from property sales is less than planned. Similar to other housing associations, 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.

Development of new housing – The risk of insufficient planned contribution to housing supply. We continue to make a substantial investment in building new homes. Our strategy is to deliver 500 additional homes over 5 years. 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.

Treasury management – The risks include the failure to comply with loan covenants and the failure to raise sufficient 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. Furthermore, our approach is to ensure we have suitable funding before commencing developments.

Asset management – 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.

Health and safety compliance – 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.

Welfare reform – The risk of rent arrears or loss of rent due to bad debts greater than planned. We have established a cross organisation project group to assess the implications of the changes for our business and residents. We have developed a systematic approach to plan and implement our response to the issues through our welfare reform strategy. This takes account of the risks to our residents and those we face as an organisation.

Governance – The risks include failure of governance (including medium- and long-term financial control) and failure to effectively monitor, anticipate and respond to changes in the external environment. 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.

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Five year financial summary

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

	2019	2018	2017	2016	2015
Income and expenditure (£'000)					
Rental activity income	21,298	20,962	20,785	20,315	19,678
Property sales income	1,751	2,710	7,373	-	-
Total turnover	23,049	23,672	28,158	20,315	19,678
Rental activity operating surplus	8,633	9,062	9,938	8,789	8,772
Property sales operating surplus	811	1,113	2,014	20	30
Operating surplus	9,413	10,178	11,952	8,809	8,802
Surplus before tax for the financial year	4,160	5,367	7,507	4,498	4,603
Balance sheet (£'000)					
Tangible fixed assets – housing properties (gross)	229,472	211,939	201,559	191,497	181,429
Social Housing Grant and other capital grants	40,159	39,057	39,089	39,205	39,618
Loans	126,723	122,000	115,000	114,000	113,000
Reserves	41,239	36,536	29,821	23,546	18,545
Cash flow (£'000)					
Investment in housing properties during the year	18,293	9,510	9,691	10,545	6,705
Social Housing Grant received during the year	923	498	305	-	1,056
Loans received during the year	6,000	10,000	3,000	3,000	3,000
Loans repaid during the year	1,277	3,000	2,000	2,000	2,000
Number of homes					
Total homes owned	3,484	3,421	3,354	3,259	3,247
Total homes owned or managed	3,811	3,748	3,678	3,581	3,569

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Business and financial review

The financial results show a successful year, with a surplus of £4.2million (2018: £5.4million).

The company continues to generate a rental activity surplus which is also reinvested into services and new homes. This year was the third year of the 1% rent reductions, however our rental activity turnover has increased by £0.3million (2%) to £20.3million due to the rents on the new homes. The core rental business continues to operate strongly and its operating surplus is £8.6million.

We have invested additional funds into fire safety works and other property compliance works and we have seen an increasing number of empty homes requiring more extensive clearance and works to bring them back to a lettable standard. In addition, we have continued to see an increasing number of our residents moving onto Universal Credit.

This year we have continued with our growth strategy and invested £16million in new homes under construction, with £1.3million spent on the 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 £1.1million to £0.8million. Whilst there was a delay on 4 of our planned shared-owner schemes which will now complete in 2019/20, we did complete on 4 other additional shared-owner schemes. We completed 85 new homes during the year, and at the year-end there were 103 new homes on site for completion in the coming years. The capital expenditure was financed by the surplus together with the cash balance and loans drawn of £6million. During the year a new £30million loan facility from Lloyds Bank Plc was completed. The balance of £24million from the new credit facility, and £20million from the existing facility from Lloyds Bank Plc remain undrawn at the year-end.

Governance

The board consists of at least nine but no more than eleven board members. All board members are non-executives. The board holds 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 company to ensure that the company 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 committee comprises 5 board members and holds three formal committee meetings each year. The role of the development committee is to discuss major development projects or new initiatives and provide a recommendation to the board. The committee comprises 5 board members and holds three formal committee meetings each year.

Terms of reference for the committee are approved by the board annually. 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 company'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 company'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 company has insurance policies that indemnify its board members and executive directors against liability when acting for the company.

Strategic report

Value for money (VFM)

The outcomes of our value for money work are shown in the annual value for money self-assessment which seeks to demonstrate to our residents and other stakeholders how we are achieving this aim. We publish this information to all our stakeholders on our website, www.worthing-homes.org.uk/media/Worthing-Homes-value-for-money-2019.pdf, within our annual report to residents, and within the strategic report in our financial statements.

Our achievements this year
Our value for money focus follows the main themes of our corporate plan for the next five years of excellent customer experience, place shaping, one team and great business:

We generated a surplus of £4.2million of which £0.6million related to sales from our shared ownership development programme. Our marketing strategy was successful with only 16 properties unsold at the financial year-end, 15 of which were reserved. This surplus will be used to enable us to continue to invest in building new affordable homes. We completed 85 new homes during the year and there are 103 units under construction at the end of the year.

The association continues to be a high performing housing association with costs better than median as measured by both the 2018 HouseMark benchmarking and the Regulator of Social Housing's unit cost analysis. Our operating margin on social housing lettings was 40% this year.

Our procurement strategy has achieved net savings this year on several contracts including:

- Our mobile phone contract has been extended for 2 years with a saving of £9,000 per annum.
- Employers agents' services on our new builds via an existing framework resulting in savings of between 0.55% and 1.05% of our build costs. For 2018/19 this was a saving of £66,000.
- Our internal audit was re-procured with a saving of £8,000 over the 3 year contract.
- Our Treasury Adviser service was re-procured at a saving of £34,000 per annum.
- By using a local flooring contractor we have saved £12,000 on one development scheme of 12 homes.

During 2018/2019 we carried out an extensive satisfaction survey of our customers, receiving 1,133 responses. 85% of our tenants said we were a good landlord, with only 4% of our customers unhappy with the overall service we provide. For the first time we also asked our residents if they felt that we treated them with respect 84% felt that we did only 4% felt that we did not, and we are looking to address these concerns over the next few months. We purchased a new piece of software to gather feedback from our customers in a quicker, more efficient and cost-effective way, enabling us to respond better to any dissatisfaction and improve our services.

Due in part to wider economic and social issues in the community, the number of people accessing the services of Community House has continued to grow in 2018/19. As a result, the services we have offered have been very popular and in many cases oversubscribed. We have trained our own sessional workers and this has seen the number of people attending the sessions increase as they become more well-known and popular. The Crew, a group for children aged 8+ has grown and the support to these children and their families has been key locally. We have also continued to work with Strive, the group for those with long term chronic pain. We are presently supporting them to become a constituted group as this will allow them to access finance from other local or national donor organisations and enable them to broaden their appeal and their work. Community House has continued to work with people in areas of mental health support. We presently offer two sessions of mindfulness each week and also a monthly drop in session – Mind Matters with staff from MIND. Community House also continues a number of themed cook and eat sessions. The Monday 'Back to Work' cooking session offers people the chance to find both support and knowledge though the medium of cooking whilst the Albion in the Community cooking session on a Wednesday brings together people who are finding it difficult to connect with other services and through football they achieve significant

Strategic report

life goals. We continue to offer near to date food at the house and the numbers of people needing it grows monthly. As a result of these activities we have exceeded our goals for the 2018/19 year.

We continue to streamline our empty homes process to make this more efficient. This work has led to meeting our re-let target of 20 days. As a result our rent loss from empty properties was just 0.4%.

We actively provide financial inclusion and signposting advice to our residents and help combat the impact of welfare reforms such as the benefit cap. This year our financial inclusion co-ordinators assisted 686 of our customers to increase their income and reduce their bills. Overall their worked gained an extra £106,000 of income for our customers.

Value for money metrics

	2019	**2018**	**2017**	**2016**	**2015**
Reinvestment %	8.0%	5.1%	5.1%	5.6%	3.9%
New supply delivered % (social housing units)	2.3%	2.0%	2.7%	0.3%	1.3%
Gearing % ((net debt / carrying value of housing properties)	59.4%	58.1%	60.1%	64.4%	64.2%
EBITDA interest cover % (Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included)	191%	223%	259%	202%	205%
Social housing costs per unit	£3,065	£2,985	£2,919	£2,993	£2,988
Operating Margin (social housing lettings only)	42.1%	44.7%	49.6%	45.7%	47.2%
Operating Margin (overall)	40.0%	42.7%	42.2%	43.3%	44.6%
Return on capital employed (ROCE)	4.5%	5.2%	6.5%	5.0%	5.1%

The analysis by the PlaceShapers housing association members shows our performance against sector averages:

	Worthing Homes 2019	PlaceShapers top quartile 2018	PlaceShapers median 2018	Worthing Homes 2018
Reinvestment %	8.0%	10.7%	6.3%	5.1%
New supply delivered % (social housing units)	2.3%	2.4%	1.2%	2.0%
Gearing % ((net debt / carrying value of housing properties)	59.4%	33.6%	42.7%	58.1%
EBITDA interest cover % (Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included)	191%	274%	210%	223%
Social housing costs per unit	£3,065	£2,953	£3,235	£2,985
Operating Margin (social housing lettings only)	42.1%	36.8%	31.9%	44.7%
Operating Margin (overall)	40.0%	35.4%	30.0%	42.7%
Return on capital employed (ROCE)	4.5%	4.4%	4.4%	5.2%

Statement of compliance

In preparing this strategic report and board report, the board has followed the principles set out in the Housing SORP 2014: Statement of Recommended Practice for Registered Social Housing Providers.

The strategic report for Worthing Homes Limited, registered number 03517244, was approved by the board of directors on 8 August 2019 and signed on its behalf by

Chair – Paul Smith ____________________

Board report

Code of Governance

The company has adopted the National Housing Federation's Code of Governance 2015. Throughout the year the company complied with the code of governance.

Regulator of Social Housing's Governance and Financial Viability Standard

Throughout the year the company 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 strategic report, and report of the board and financial statements in accordance with applicable law and regulations.

Company 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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the surplus or deficit of the company for that period.

In preparing these financial statements the board is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable United Kingdom accounting standards and the Statement of Recommended Practice Accounting By Registered Social Housing Providers 2014 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 company will continue in business.

The board members are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006, 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The board members are responsible for ensuring that the report of the board is prepared in accordance with the Statement of Recommended Practice for Registered Social Housing Providers 2014.

Financial Statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of the financial statements which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the board members. The board members responsibility also extends to the on-going 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 company is ongoing and regularly reviewed by the board and has been in place throughout the period commencing 1 April 2018 up to the date of approval of this annual report and financial statements. The key elements of the internal control framework include:

Board report

Internal controls (continued)

- 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;
- 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 company'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 company has adequate and effective risk management, control and governance processes to manage the achievement of the company's objectives.

Employees

The Company's ability to meet its objectives depends on the quality and performance of its employees. Worthing Homes is committed to continued investment in developing the skills and knowledge of its entire workforce. Employees are kept informed of the performance of the company and matters affecting them as employees through the quarterly company update meetings with the Senior Leadership Team, email bulletins from the Chief Executive, team meetings and the company intranet.

Board report

Employees (continued)

The company is an equal opportunities employer and bases all decisions on individual ability having regard to the protected characteristics as stated in the Equality Act 2010. Applications for employment by disabled persons are encouraged and are always fully considered, having regard to their particular aptitudes and abilities. The company is accredited as a Disability Confident Employer (level 2). The Disability Confident Employer Scheme is voluntary and aims to help companies 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 2019 the average number of people, expressed as full time equivalents, employed by the company was 97 (2018 - 95). Information on employees is shown in note 8 to the financial statements.

Going concern

After making enquiries and reviewing the financial plan, the board has a reasonable expectation that the company 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 report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Corporate social responsibility

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

The board recognise 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. Through the sustainability strategy the company aims to make effective use of natural resources and enhance the environment.

Although the company already participates in a number of CSR activities such as sponsoring charities, community events, local community groups, and ensuring our properties are sustainable, we feel that there is the potential to do more and more partners to work with so we have developed a new CSR policy for 2019. The company is committed to developing and delivering its new Corporate Social Responsibility Policy.

The board also aims to promote social cohesion and inclusion and strengthen economic prosperity in the communities in which the company 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 company at the date when this report was approved:

- so far as the director is aware, there is no relevant audit information of which the company'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 company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Independent auditor

BDO LLP have expressed their willingness to continue in office as the company'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 03517244, was approved by the board of directors on 8 August 2019 and signed on its behalf by

Chair – Paul Smith

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

Opinion

We have audited the financial statements of Worthing Homes Limited ("the Association") for the year ended 31 March 2019 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in reserves, the cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2019 and of the Association's incoming resources and application of resources, including its income and expenditure, 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 requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The board are responsible for the other information. 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.

In connection with our audit of the financial statements, our responsibility is to read the other information including the Strategic Report and Board Report 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.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Board Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

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

- the Strategic report and the Board Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Association and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and the Board Report..

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept by the association, or returns adequate for our audit have not been received from branches not visited by us; or
- the association financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of board trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the board

As explained more fully in the board members responsibilities statement set out on page 11, 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.

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 Chapter 3 of Part 16 of the Companies Act 2006. 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	2019 £'000	2018 £'000
Turnover	4	23,049	23,672
Cost of sales	4	(1,132)	(1,677)
Operating expenditure	4	(12,696)	(11,897)
Surplus on disposal of fixed assets	4,11	192	80
Operating surplus	4,7	9,413	10,178
Interest receivable	12	36	21
Interest and financing costs	13	(5,289)	(4,832)
Surplus before tax		4,160	5,367
Taxation on surplus	14	-	-
Surplus for the financial year		4,160	5,367
Actuarial gain on defined benefit pension scheme	27	543	1,348
Total comprehensive income for the year		4,703	6,715

The company's results relate wholly to continuing activities. The accompanying notes on pages 21 to 45 form part of these financial statements. The financial statements of Worthing Homes Limited, registered number 03517244, were approved and authorised for issue by the board on 8 August 2019 and signed on their behalf by:

Chair – Paul Smith

Statement of financial position

Company number 03517244

	Note	2019 £'000	2018 £'000
Fixed assets			
Tangible fixed assets – housing properties	15	201,827	186,998
Tangible fixed assets – other	16	1,916	1,988
Investments	17	520	520
Total fixed assets		204,263	189,506
Current assets			
Stock	18	1,789	551
Debtors	19	1,382	1,499
Cash and cash equivalents		6,127	12,837
		9,298	14,887
Creditors: amounts falling due within one year	20	(6,140)	(8,337)
Net current assets		3,158	6,550
Total assets less current liabilities		207,421	196,056
Creditors: amounts falling due after more than one year	21	(164,541)	(157,316)
Pension liability	27	(1,641)	(2,204)
Net assets		41,239	36,536
Reserves			
Income and expenditure reserve		41,239	36,536
Total reserves		41,239	36,536

The accompanying notes on pages 21 to 45 form part of these financial statements. The financial statements of Worthing Homes Limited, registered number 03517244, were approved and authorised for issue by the board on 8 August 2019 and signed on their behalf by:

Chair – Paul Smith

Statement of changes in reserves

	Income and expenditure reserve £'000
Balance as at 1 April 2017	29,821
Surplus for the year	5,367
Actuarial loss on defined benefit pension scheme	1,348
Balance at 31 March 2018	36,536
Surplus for the year	4,160
Actuarial gain on defined benefit pension scheme	543
Balance at 31 March 2019	41,239

Statement of cash flows

	2019 £'000	2018 £'000
Cash flows from operating activities		
Surplus for the financial year	4,160	5,367
Adjustments for:		
Depreciation of fixed assets - housing properties	3,272	3,085
Depreciation of fixed assets – other	310	284
Impairment	(241)	241
Amortised grants	(426)	(423)
Interest payable and finance costs	5,266	4,832
Interest received	(36)	(21)
Taxation expense	-	-
Difference between net pension expense and cash contribution	(74)	(53)
Surplus on the sale of fixed assets - housing properties	(91)	(80)
Proceeds from sale of fixed assets - housing properties	310	507
Deficit on the sale of fixed assets - other	(4)	4
(Increase)/Decrease in stock	(1,238)	310
Decrease/ (Increase) in trade and other debtors	117	(16)
Increase/(Decrease) in trade and other creditors	370	(665)
Net cash generated from operating activities	11,695	13,372
Cash flows from investing activities		
Purchase of tangible fixed assets – housing properties	(18,293)	(9,510)
Purchase of tangible fixed assets – other	(234)	(195)
Receipt of grant	923	498
Interest received	36	21
Net cash from investing activities	(17,568)	(9,186)
Cash flows from financing activities		
Interest paid	(5,560)	(4,896)
New loans	6,000	10,000
Repayments of loans	(1,277)	(3,000)
Net cash generated / used in financing activities	(837)	2,104
Net (decrease) / increase in cash and cash equivalents	(6,710)	6,290
Cash and cash equivalents at beginning of the year	12,837	6,547
Cash and cash equivalents at end of the year	6,127	12,837

The accompanying notes on pages 21 to 45 form part of these financial statements.

Notes to the financial statements

For the year ended 31 March 2019

1. Legal status

Worthing Homes Limited, Davison House, North Street, Worthing, BN11 1ER, is registered in England under the Companies Act 2006 as a private company, limited by shares, company number 03517244. It is a registered charity with the Charity Commission and is registered with the Regulator of Social Housing as a social housing provider. The company 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 Companies Act 2006, 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 2014 and 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 company's management to exercise judgement in applying the company's accounting policies.

The following principal accounting policies have been applied:

Going concern

After making enquiries and reviewing the financial plan, the board has a reasonable expectation that the company 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 report and financial statements are 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 company 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 are recognised from the point when properties under development reach practical completion and are formally let, income from first tranche sales and outright sales of properties are recognised at the point of legal completion of the sale.

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 company 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.

Notes to the financial statements
For the year ended 31 March 2019

2. Accounting policies (continued)

Value Added Tax (VAT)

The company 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 company and not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset.

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 company 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 company 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.

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.

Notes to the financial statements

For the year ended 31 March 2019

2. Accounting policies (continued)

Tangible fixed assets – Housing properties (continued)

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	30 years	Lift	25 years
Bathroom	30 years	Electrics	40 years

Shared ownership properties and staircasing

Under low cost home ownership arrangements, the company disposes of a long lease on low cost home ownership housing units for a share ranging between 35% 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.

Notes to the financial statements
For the year ended 31 March 2019

2. Accounting policies (continued)

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 company 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 company. 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.

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.

Notes to the financial statements
For the year ended 31 March 2019

2. Accounting policies (continued)

Recycled Capital Grant Fund

On the occurrence of certain relevant events, primarily the sale of dwellings, Homes England can direct the company to recycle capital grants or to make repayments of the recoverable amount. The company 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".

Disposal Proceeds Fund

Receipts from Right to Acquire (RTA) sales prior to 6 April 2017 are required to be retained in a ring fenced fund that can only be used for providing replacement housing. The sales receipts less eligible expenses are credited to the Disposal Proceeds Fund. Any sales receipts less eligible expenses held within disposal proceeds 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 company 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 company 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 company 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.

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.

Notes to the financial statements
For the year ended 31 March 2019

2. Accounting policies (continued)

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

Rent and service charge agreements

The company 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.

Loans, Investments and short term deposits

All loans, investments and short term deposits held by the company 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 company’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 2019

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 2019 was £30,470,000 (2018 - £27,245,000).

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 27). The liability at 31 March 2019 was £1,641,000 (2018 - £2,204,000).

Impairment

The extent to which there have been indicators of impairment triggering the performance of an impairment review of the company’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.

Financial instruments

Paragraph 11.9 of FRS 102 sets out the conditions for a loan to be classified as basic and consequently measured on a cost basis. It is common for loan agreements to include a provision setting out amounts to be paid by the borrower to the lender as compensation should the borrower repay the loan early and current market interest rates are lower than the fixed rate specified in the agreement. FRS 102 explicitly states that such provisions do not prevent the loans being classified as basic.

Worthing Homes Ltd has tranches of loans which include a variant of such a provision. These provisions require the borrower to pay the lender or the lender to pay the borrower, depending on whether current market interest rates are below or above the agreed fixed rate. Management’s judgement is that the loans comply with paragraph 11.9 of FRS 102 and they have been accounted for as basic loans.

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 2019

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

	Turnover £'000	Cost of sales £'000	Operating costs £'000	Surplus on disposal of fixed assets £'000	Operating surplus £'000
Year ended 31 March 2019					
Social housing lettings (note 5)	20,509	-	(11,876)	-	8,633
Other social housing activities					
First tranche low cost home ownership sales	1,751	(1,132)	-	-	619
Surplus on disposal of fixed assets	-	-	-	192	192
Charges for support services	100	-	(118)	-	(18)
Other social housing activities	114	-	(293)	-	(179)
	1,965	(1,132)	(411)	192	614
Activities other than social housing					
Other non-social housing activities	575	-	(409)	-	166
	575	-	(409)	-	166
Total	23,049	(1,132)	(12,696)	192	9,413

	Turnover £'000	Cost of sales £'000	Operating costs £'000	Surplus on disposal of fixed assets £'000	Operating surplus £'000
Year ended 31 March 2018					
Social housing lettings (note 5)	20,270	-	(11,208)	-	9,062
Other social housing activities					
First tranche low cost home ownership sales	2,710	(1,677)	-	-	1,033
Surplus on disposal of fixed assets	-	-	-	80	80
Charges for support services	112	-	(114)	-	(2)
Other social housing activities	314	-	(321)	-	(7)
	3,136	(1,677)	(435)	80	1,104
Activities other than social housing					
Other non-social housing activities	266	-	(254)	-	12
	266	-	(254)	-	12
Total	23,672	(1,677)	(11,897)	80	10,178

Notes to the financial statements (continued)

For the year ended 31 March 2019

5. Income and expenditure from social housing lettings

	General needs housing £'000	Supported housing and housing for older people £'000	Intermediate rent £'000	Low cost home ownership £'000	Total 2019 £'000	Total 2018 £'000
Rents net of identifiable service charges	16,542	819	1,273	477	19,111	18,809
Service charge income	557	415	-	-	972	1,038
Amortised government grants	231	-	188	7	426	423
Turnover from social housing lettings	17,330	1,234	1,461	484	20,509	20,270
Management	(2,979)	(155)	(106)	(43)	(3,283)	(3,248)
Service charge costs	(502)	(508)	-	-	(1,010)	(1,008)
Responsive maintenance	(1,640)	(66)	(59)	(4)	(1,769)	(1,504)
Cyclical maintenance	(1,195)	(34)	(22)	-	(1,251)	(1,064)
Major repairs expenditure	(761)	(12)	(23)	-	(796)	(697)
Bad debts	(161)	(1)	(1)	-	(163)	(65)
Depreciation of housing properties:						
- Annual charge	(2,707)	(110)	(243)	(98)	(3,158)	(2,978)
- Accelerated on disposal of components	(105)	-	(10)	-	(115)	(107)
Impairment of housing properties		-	-	-	-	(241)
Other costs	(331)	-	-	-	(331)	(296)
Operating expenditure on social housing lettings	(10,381)	(886)	(464)	(145)	(11,876)	(11,208)
Operating surplus on social housing lettings	6,949	348	997	339	8,633	9,062
Void losses	54	18	16	-	88	65

Notes to the financial statements (continued)

For the year ended 31 March 2019

6. Units of housing stock

	2019 Number	2019 Additions	2019 Disposals	2018 Number
General needs housing:				
- Social rent	2,550	-	(1)	2,551
- Affordable rent	426	59	-	367
Low cost home ownership	126	26		100
Supported housing and housing for older people	215	-	-	215
Intermediate rent	154	-	(21)	175
Social housing owned but managed by other landlords	13	-	-	13
Total social housing units owned	3,484	85	(22)	3,421
Other homes				
Accommodation managed on behalf of other landlords	73	-	-	73
Leaseholders	254	-	--	254
	327	-	-	327
Total owned and managed accommodation	3,811	85	(22)	3,748
Units under construction	103			101

During the year we had one low cost homeownership change from 50% to 80% and one from 50% to 100%. We had one intermediate rented property convert to a low cost home ownership property and a 35% share sold.

The company 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

	2019 £'000	2018 £'000
The operating surplus is stated after charging / (crediting):		
Depreciation of housing properties:		
- Annual charge	3,158	2,978
- Accelerated on disposal of components	115	107
Depreciation of other tangible fixed assets	310	284
Impairment of housing properties	-	241
Auditors' remuneration (excluding VAT)		
- fees payable to the company's auditors for the audit of the financial statements	21	21
- fees payable to the company's auditors for other audit related services	1	1

Notes to the financial statements (continued)

For the year ended 31 March 2019

8. Employees

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

	2019 £'000	2018 £'000
Wages and salaries	2,916	2,778
Social security costs	274	275
Cost of defined benefit pension scheme (see note 27)	137	164
Cost of defined contribution pension scheme (see note 27)	135	128
	3,462	3,345

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:

	2019 Number	2018 Number
Housing management	33	33
Property development	4	3
Administration	25	24
Property services and grounds teams	27	27
Telecare (RedAssure™) and support	6	6
Big Lottery funded Community House project	2	2
	97	95

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

	2019 Number	2018 Number
£60,001 to £70,000	2	1
£70,001 to £80,000	2	2
£80,001 to £90,000	1	1
£90,001 to £100,000	-	1
£100,000 to £110,000	1	-
£120,000 to £130,000	-	1
£130,000 to £140,000	1	-

Notes to the financial statements (continued)
For the year ended 31 March 2019

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.

	2019 £'000	2018 £'000
Executive directors' emoluments:		
Basic salary	302	290
Benefits in kind	2	2
Pension contributions	29	27
Amounts paid to non-executive directors	41	39
	374	358

The total amount payable to the chief executive, who was also the highest paid director, in respect of emoluments was £126,000 (2018 - £122,000). Pension contributions of £7,000 (2018 - £7,000) were made to the Aviva stakeholder pension scheme on her behalf.

10. Board members

The emoluments of the individual board members were as follows:

	2019 £'000	2018 £'000
Trevor Lewin (chair to 14 September 2017)	-	4
Paul Smith (Board member all year and Chair from 14 September 2017)	8	7
Edward Crouch (to 30 November 2017)	-	2
Amy Dewey	3	3
Jennifer Graham	5	4
Colin Goodwin (from 3 August 2017)	4	2
Duncan Jagger (to 14 September 2017)	-	1
Mark McJennett (to 14 September 2017)	-	2
Louise Murphy	3	3
Nigel Perryman (from 14 September 2017)	4	2
Helen Rice (from 14 September 2017)	3	2
Celia Rowe	3	3
Chris Simpson	5	4
Stephen Wills (from 30 November 2017)	3	1
	41	40

Notes to the financial statements (continued)
For the year ended 31 March 2019

11. Surplus on disposal of fixed assets

	Shared ownership staircasing sales £'000	Other housing properties £'000	Total 2019 £'000	Total 2018 £'000
Disposal proceeds	361	179	540	720
Cost of disposals	(180)	(160)	(340)	(260)
Selling costs	(6)	(1)	(7)	(368)
Capital grant recycled	(5)	-	(5)	(12)
	170	18	188	80

12. Interest receivable

	2019 £'000	2018 £'000
Interest receivable and similar income	36	21

13. Interest and financing costs

	2019 £'000	2018 £'000
Bank loans and overdrafts	4,538	4,239
Other loans	822	660
Disposal proceeds fund	3	-
Net interest on net defined benefit pension liability (note 27)	54	92
	5,417	4,991
Interest capitalised on construction of housing properties	(128)	(159)
	5,289	4,832

Notes to the financial statements (continued)

For the year ended 31 March 2019

14. Taxation on surplus on ordinary activities

	2019 £'000	2018 £'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	-	-

	2019 £'000	2018 £'000
Reconciliation of tax charge		
Profit on ordinary activities before tax	4,160	5,367
Tax on profit on ordinary activities at the standard rate of corporation tax in the UK of 19.00%(2018:19.00%)	790	1,073
Effects of:		
Income not taxable for tax purposes	(790)	(1,073)
Tax charge for the period	-	-

Notes to the financial statements (continued)
For the year ended 31 March 2019

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 2018	199,299	1,903	9,712	1,025	211,939
Additions:					
- Construction costs	-	10,940	-	5,310	16,250
- Completed properties acquired	382	(382)	-	-	-
- Replaced components	2,051	-	-	-	2,051
- Reclassification of properties	(146)	-	146	-	-
Completed schemes	8,327	(8,327)	3,283	(3,283)	-
Disposals:					
- Staircasing sales	-	-	(195)	-	(195)
- Replaced components	(246)	-	-	-	(246)
- Other	(327)	-	-	-	(327)
At 31 March 2019	209,340	4,134	12,946	3,052	229,472
Depreciation					
At 1 April 2018	24,375	-	325	-	24,700
Charge for the year	3,059	-	98	-	3,157
Reclassification of properties	(15)	-	15	-	-
Disposals:					
- Staircasing sales	-	-	(15)	-	(15)
- Replaced components	(131)	-	-	-	(131)
- Other	(66)	-	-	-	(66)
At 31 March 2019	27,222	-	423	-	27,645
Impairment					
At 1 April 2018	241	-	-	-	241
Charge for the year					-
Released in the year	(241)				(241)
At 31 March 2019	-	-	-	-	-
Net book value					
At 31 March 2019	182,118	4,134	12,523	3,052	201,827
At 31 March 2018	174,683	1,903	9,387	1,025	186,998

The housing properties are freehold.

Notes to the financial statements (continued)
For the year ended 31 March 2019

15. Fixed assets – housing properties (continued)

Interest capitalisation

	2019 £'000	2018 £'000
Cumulative interest capitalised at 1 April	2,688	2,553
Interest capitalised in the year	92	135
Cumulative interest capitalised at 31 March	2,780	2,688
Rate used for capitalisation	2.4%	2.4%

Works to properties

	2019 £'000	2018 £'000
Improvements to existing properties capitalised	2,051	2,177
Major repairs expenditure to income and expenditure account	796	697
Total cost of major repairs and improvements works to existing properties	2,847	2,874

Total social housing grant

	2019 £'000	2018 £'000
Total accumulated social housing grant received or receivable at 31 March:		
Recognised in the statement of comprehensive income	4,006	3,580
Held as deferred income	40,159	39,057
	44,165	42,637

Impairment

The demolition of Church House, an intermediate block of 20 units in poor condition was completed in 2018. The property was empty and no longer generating any income. The historic cost of £241,000 was charged as an impairment charge in 2018. The NBV prior to the impairment was £342,000. The impairment was £241,000 for the buildings leaving the land value of £101,000 for redevelopment. A new social housing development is being built on the site.

	2019 £'000	2018 £'000
Impairment charge / (credit)	-	241

Notes to the financial statements (continued)
For the year ended 31 March 2019

16. Tangible fixed assets – other

	Office buildings £'000	Furniture & equipment £'000	Motor vehicles £'000	Computer equipment £'000	Total £'000
Cost					
At 1 April 2018	1,808	1,007	259	1,459	4,533
Additions	1	118	25	90	234
Disposals	-	(24)	(2)	-	(26)
At 31 March 2019	1,809	1,101	282	1,549	4,741
Depreciation					
At 1 April 2018	368	755	183	1,239	2,545
Charge for the year	37	78	28	167	310
Disposals	-	(24)	(6)	-	(30)
At 31 March 2019	405	809	205	1,406	2,825
Net book value					
At 31 March 2019	1,404	292	77	143	1,916
At 31 March 2018	1,440	252	76	220	1,988

The office buildings are freehold.

17. Fixed asset investments

	2019 £'000	2018 £'000
Bank deposits	520	520

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 25).

18. Properties for sale

	2019 £'000	2018 £'000
Shared ownership properties – work in progress	1,343	484
Completed properties	446	67
	1,789	551

Properties developed for sale include capitalised interest of £36,000 (2018 - £10,000).

Notes to the financial statements (continued)
For the year ended 31 March 2019

19. Debtors

	2019 £'000	2018 £'000
Due within one year		
Rent and service charges receivable from tenants	800	734
Housing benefit owing	502	545
Net rent and service charges receivable	1,302	1,279
Less: provision for doubtful debts	(410)	(364)
	892	915
Other debtors	428	236
Less: provision for doubtful debts	(61)	(59)
Prepayments and accrued income	123	407
	1,382	1,499

20. Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Loans and borrowings (note 25)	1,277	3,000
Trade creditors	1,901	542
Rent and service charges received in advance	386	361
Right To Buy sale proceeds due to Worthing Borough Council	140	366
Taxation and social security costs	84	72
Other creditors	372	312
Deferred capital grant (note 22)	426	423
Recycled capital grant fund (note 23)	-	35
Disposal proceeds fund (note 24)	-	492
Accruals and deferred income	1,554	2,734
	6,140	8,337

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

	2019 £'000	2018 £'000
Loans and borrowings (note 25)	124,759	118,563
Deferred capital grant (note 22)	39,733	38,634
Recycled capital grant fund (note 23)	49	119
	164,541	157,316

Notes to the financial statements (continued)

For the year ended 31 March 2019

22. Deferred capital grant

	2019 £'000	2018 £'000
At 1 April	39,057	39,089
Grants received in the year	1,572	498
Grants recycled on disposal of assets	(44)	(107)
Released to income in the year	(426)	(423)
At 31 March	40,159	39,057
Amounts to be released within one year	426	423
Amounts to be released in more than one year	39,733	38,634
	40,159	39,057

23. Recycled capital grant fund

Funds pertaining to activities within areas covered by Homes England	2019 £'000	2018 £'000
At 1 April	154	35
Inputs to fund:		
- Grants recycled from deferred capital grants	48	107
- Grants recycled on the disposal of assets	-	12
- Interest accrued	1	
Recycling of grant		
- Major repairs and works to existing stock	(154)	-
At 31 March	49	154
Creditors: amounts falling due within one year	-	35
Creditors: amounts falling due after more than one year	49	119
	49	154
Amount 3 years or older where repayment may be required	-	-

24. Disposal proceeds fund

Funds pertaining to activities within areas covered by Homes England	2019 £'000	2018 £'000
At 1 April	492	492
Inputs to fund:		
- Interest accrued	3	-
Allocation of funds:		
- Major repairs and works to existing stock	(495)	
At 31 March	-	492
Creditors: amounts falling due within one year	-	492
Creditors: amounts falling due after more than one year	-	-
	-	492

Notes to the financial statements (continued)
For the year ended 31 March 2019

25. Loans and borrowings

Maturity of debt:

	Bank loans 2019 £'000	Other loans 2019 £'000	Total 2019 £'000
In one year or less, or on demand	1,277	-	1,277
In more than one year but not more than two years	1,277	-	1,277
In more than two years but not more than five years	27,280	-	27,280
In more than five years	76,889	20,000	96,889
	106,723	20,000	126,723
Less: unamortised arrangement costs	(579)	(108)	(687)
	106,144	19,892	126,036

	Bank loans 2018 £'000	Other loans 2018 £'000	Total 2018 £'000
In one year or less, or on demand	3,000	-	3,000
In more than one year but not more than two years	3,000	-	3,000
In more than two years but not more than five years	11,875	-	11,875
In more than five years	84,125	20,000	104,125
	102,000	20,000	122,000
Less: unamortised arrangement costs	(318)	(119)	(437)
	101,682	19,981	121,563

Bank loans and the Worthing Borough Council loan are secured by specific charges on the housing properties of the company. The Housing Finance Corporation Limited loan is secured by specific charges on housing properties and on the company's long term investments. In total £185million 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 £34.7million drawn is at floating rates of interest above the London Inter Bank Offer Rate. The loans are a combination of a revolving credit facility with a bullet repayment 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 2019 the company had undrawn loan facilities of £44million (2018 - £20million).

Notes to the financial statements (continued)

For the year ended 31 March 2019

26. Financial instruments

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

Financial assets

	2019 £'000	2018 £'000
Financial assets measured at historical cost		
- Trade receivables	892	915
- Other receivables	367	177
- Cash and cash equivalents	6,127	12,837
Total financial assets	7,386	13,929

Financial liabilities

	2019 £'000	2018 £'000
Financial liabilities measured at amortised cost		
- Loans payable	(126,036)	(121,563)
Financial liabilities measured at historical cost		
- Trade creditors	(1,901)	(542)
- Other creditors	(2,962)	(3,412)
Total financial liabilities	(130,899)	(125,517)

27. Pensions

The company operates two pension schemes.

Defined benefit pension scheme

The company 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 2016 and updated to 31 March 2019 by a qualified independent actuary. Contributions to the scheme are made by the company 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 2019

27. Pensions (continued)

Reconciliation of present value of plan liabilities

	2019 £'000	2018 £'000
At the beginning of the year	(13,865)	(14,202)
Current service cost	(137)	(164)
Interest cost	(350)	(380)
Change in financial assumptions	(608)	640
Change in demographic assumptions	743	-
Experience gain on defined benefit obligation	-	-
Benefits paid	342	275
Contributions by scheme participants	(31)	(34)
At the end of the year	(13,906)	(13,865)

Reconciliation of fair value of plan assets

	2019 £'000	2018 £'000
At the beginning of the year	11,661	10,689
Interest income on plan assets	296	288
Return on fund assets in excess of interest	408	708
Other actuarial gains on assets	-	-
Administration expenses	(5)	(4)
Contributions by employer	216	221
Contributions by scheme participants	31	34
Benefits paid	(342)	(275)
At the end of the year	12,265	11,661

Net pension scheme liability

	2019 £'000	2018 £'000
Fair value of plan assets	12,265	11,661
Present value of plan liabilities	(13,906)	(13,865)
Net pension scheme liability	(1,641)	(2,204)

Amounts recognised in other comprehensive income are as follows:

	2019 £'000	2018 £'000
Current service cost	(137)	(164)
Administration expenses	(5)	(4)
Amounts charged to operating costs	(142)	(168)

Notes to the financial statements (continued)

For the year ended 31 March 2019

27. Pensions (continued)

Amounts included in other finance costs:

	2019 £'000	2018 £'000
Net interest	(54)	(92)
Amounts charged to other finance costs	(54)	(92)

Analysis of actuarial gains and losses recognised in other comprehensive income

	2019 £'000	2018 £'000
Actual return less interest income included in net interest income	408	708
Experience gains and losses arising on the scheme liabilities	-	-
Changes in assumptions underlying the present value of the scheme liabilities	(608)	640
Change in demographic assumptions	743	-
Other actuarial gains and losses on assets	-	-
Actuarial gain / (loss) recognised in other comprehensive income	543	(1,348)

Plan assets

	2019 £'000	2018 £'000
Composition of plan assets:		
Equities	7,635	7,673
Gilts	651	792
Other bonds	717	427
Property	1,091	1,078
Cash	323	427
Other	1,848	1,264
Total plan assets	12,265	11,661
Actual return on plan assets	704	996

Notes to the financial statements (continued)
For the year ended 31 March 2019

27. Pensions (continued)

Principal actuarial assumptions used at the balance sheet date

	31 March 2019 % per annum	**31 March 2018 % per annum**
Discount rate	2.4%	2.55%
Future salary increases	3.9%	3.8%
Future pension increases	2.4%	2.3%
Inflation assumption	2.4%	2.3%
	Number of years	**Number of years**
Mortality assumptions - The assumed life expectations on retirement at age 65 are:		
- For a male aged 65 now	21.3	22.2
- At 65 for a male aged 45 now	22.9	24.4
- For a female aged 65 now	23.6	24.7
- At 65 for a female aged 45 now	25.4	27.0

Defined contribution pension scheme

A defined contribution pension scheme is operated by the company on behalf of new employees. The assets of the scheme are held separately from those of the company. The pension charge represents contributions payable by the company and amounted to £135,000 (2018 - £128,000). Contributions totalling £2,000 (2018 - £2,000) were payable to the fund at the year end and are included in creditors

28. Share capital

	2019 £	**2018 £**
Ordinary shares of £1 each, issued and fully paid		
At 1 April	43	47
Shares issued in the year	3	3
Shares cancelled in the year	(4)	(7)
At 31 March	42	43

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.

29. Operating leases

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

Amounts receivable as lessor

	2019 £'000	**2018 £'000**
Not later than 1 year	862	591
Later than 1 year and not later than 5 years	3,141	2,106
Later than 5 years	7,038	4,639
Total	11,041	7,336

Notes to the financial statements (continued)
For the year ended 31 March 2019

30. Capital commitments

	2019 £'000	2018 £'000
Capital expenditure		
Expenditure contracted for but not provided in the financial statements	14,563	14,781
Expenditure authorised by the board, but not contracted	12,321	-

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

31. Contingent Liability

The Group receives grant from Homes England and from the Adur and Worthing Local Authority and the Arun Local Authority which is used to fund the acquisition and development of housing properties and their components. Grant of £4,006,000 received in respect of housing properties held at 31 March 2019 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 2019, the value of grant received in respect of these properties that had not been disposed of was £40,159,000.

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

32. Related party disclosure

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

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

During the year the company had 1 tenant member and 1 leasehold member of the board (2018 - 1 tenant member and 1 leasehold, formerly 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 £6,076 (2018 - £7,970) and the tenants had a credit balance of £39 at the 31 March 2019 (2018 - credit balance of £29).

During the year the company had 2 Councillor members of the board (2018 - 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 company 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 2019 was a £77,4,000 debtor balance (2018: creditor balance £6,000).

The company earned management charges of £36,000 (2018: £32,000), Caretaking £24,5000 (2018: £24,000), recharged service and support costs of £12,200 (2018: £12,500), gardening costs of £9,750 (2018: £6,000), and maintenance costs of £0 (2018: £5,417) from Pearson's and St Elizabeth's Cottage Homes during the year.