

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

Regulator of Social Housing number: LH4208

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# **WORTHING HOMES LIMITED**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS**

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**For the year ended 31 March 2020**

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## Contents

	<b>Page</b>
Association information	1
Strategic report	2
Board report	16
Independent auditor's report	20
Statement of comprehensive income	22
Statement of financial position	23
Statement of changes in reserves	24
Statement of cash flows	25
Notes to the financial statements	26

## Association information

### Board

Chair	Paul Smith
Other board members	Amy Dewey (to 13 March 2020) Colin Goodwin Jennifer Graham Louise Murphy Nigel Perryman Helen Rice Celia Rowe Chongo Shula (from 1 January 2020) Chris Simpson Stephen Wills

**Secretary** Julian Pitcher

**Executive management** Jackie Bligh (Chief Executive)  
Guy Collar (Operations Director)  
Julian Pitcher (Resources Director)

**Registered office** Davison House  
North Street  
Worthing  
West Sussex BN11 1ER

**Auditors** BDO LLP  
2 City Place  
Beehive Ring Road  
Gatwick  
West Sussex  
RH6 0PA

**Principal solicitors** Devonshires Solicitors LLP  
30 Finsbury Circus  
London  
EC2M 7DT

**Bankers** Lloyds Bank Plc  
3rd Floor, 25 Gresham Street  
London EC2V 7HN

The Royal Bank of Scotland Plc  
9th Floor  
280 Bishopsgate  
London EC2M 4RB

**Legal status** Co-operative and Community Benefit Society (FCA) number: 8337  
Regulator of Social Housing number LH4208

## 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 3,876 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, all members are appointed for two terms of 3 years.

Sustainability is a big part of our company ethos, we have continued to build on our sustainability offer with more advice and drop-in sessions available for residents and staff. We have reduced our office electricity usage by over 50%. Our sustainability co-ordinator is instrumental in giving advice to colleagues and residents about energy use, and started an innovative scheme with Npower regarding use of fuel vouchers - £2,500 were given out in 2019/20. We are participating in a trial of an innovative battery storage project to run with 'time of use' tariffs to model the benefit for social housing residents – estimated to save 20% electric costs. In terms of our new build properties, we have invested in new technology through the installation of air source heat pumps, water saving devices, tablets to control heating and lighting, pv and battery storage, provision of ducting to allow charging of electric cars as and when required.

### Key achievements

2019 was a good year for us. Not only did we continue to celebrate our 20<sup>th</sup> birthday, which fell on the 30 March 2019 but we completed a number of new homes and continued to receive high ratings from our customers and regulators.

We had a rootin'-tootin' good time at our 20<sup>th</sup> birthday family funday held in July. The day was Western themed, so along with the usual activities such as a bouncy castle, face painting, art zone and the smoothie bike, we also had horse shoe throwing, 'lasso a steer' and a 'shoot the bottle' game, along with a rodeo bull and a campfire setting for the guests to sit around and enjoy the summer sunshine. Once again the Maybridge Keystone Club in Goring played host to this annual event which was attended by 561 guests, including the deputy Mayor Cllr Lionel Harman, Mayoress Cllr Karen Harman and Tim Loughton MP. We were also pleased to be joined by external agencies such as Worthing Pride, Talent Within You, GuildCare and Green Tides who showcased their work.

Throughout the year our residents' panel, sheltered scheme forum and colleagues continued to plant trees in the communal areas at a number of our blocks and neighbourhoods; whilst residents of our sheltered schemes were treated to 20<sup>th</sup> birthday tea parties at two of our venues during August. One was held at Pearsons Retreat and the other at the Lovett Hub, ensuring all of our older residents were able to attend one of the events at which they were treated to tea and cakes all served by Worthing Homes colleagues; with live music from the band Palamine who entertained with a mixture of music from the 40's through to the 60's much to the delight of the audience; some of whom even decided to get up and enjoy a dance.

In December thanks to the work of our Community House a number of families, for whom Christmas would have been just another day, were able to celebrate and make memories.

With donations of toys, food and other items donated by the Sainsbury's / Argos toy appeal, Our lady of Sion School, MORE Radio and a £1,100 donation from Carl Walker's Just Giving page, along with members of the public dropping in various items of food and toys and other gifts we were able to help:

72 families with a turkey and hamper of store cupboard and Christmas foods which included amongst other things, stuffing, crackers, mince pies, cakes and pet food if needed.

## Strategic report

238 children received gifts or toys – for many this made the difference between their children getting something or nothing on Christmas day.

Many of the families were overwhelmed when presented with the hamper of food, and toys that they knew their kids would love; as well as the gifts for their teenagers – many who had been told that due to the family circumstances there would be no presents this Christmas.

We were also able to send a number of families to the pantomime, again bringing joy to families who would otherwise be unable to take their young children to enjoy this festive treat.

Thanks to a Lottery Community Fund grant awarded in March 2020 we will now be able to not only continue with the amazing work of our Community House in Worthing but take this work out into the Arun area.

This funding (£372,000), along with our own contribution will see over £1 million spent across the next 3 years on community development work in the areas we operate, and secure the future of our Community House for this period.

Just like the Community House, the activities in Arun will aim to support local people and communities and break down barriers between people in different tenures of housing in the area.

These activities will be run in conjunction with a number of partner organisations in the Felpham, Wick and Littlehampton areas, and also through resident steering groups which will help to direct the project. By working closely with the partners and the community our range of activities and services will bring people together helping to reduce isolation and loneliness.

The work in Arun builds on the successful implementation of the Community House project which has been funded for the last ten years by the Big Lottery, and has helped to increase a number of people's life chances.

Our development team have been busy for the year 2019/20 and completed 71 new homes, 49 for affordable rent and 22 shared ownership homes; they also started the 2020 financial year with 5 developments in contract which are expected to deliver 104 new homes during the year.

Finally, we couldn't miss out the start of the COVID-19 pandemic and the work we instantly put into place.

With nearly 1000 of our residents being in the vulnerable category we automatically set about calling each of them, and continue to call them weekly, to ensure they are okay, have everything they need and don't feel isolated. Whilst our financial inclusion team, coordinators and customer experience team have been working with those residents that have been furloughed or made redundant to help them with Universal Credit applications, setting up affordable rent payment plans, fuel vouchers and / or signposting to relevant agencies that can help with things such as mental health and ongoing food support. We also introduced a fund to help our affected residents should they encounter issues such as the breakdown of a kitchen appliance or emergency travel expenses.

Having secured a further £15,000 from our connection with the Big Lottery we have been providing weekly food parcels to approximately 50 of our vulnerable residents, with spare parcels going to East Worthing Food Bank and Adur and Worthing Council to assist them in supplying food to people in need in the wider community. Whilst a few of our colleagues are also assisting the council with their work to ensure those in need in the community get the help they need, in order to assist we have some who have taken roles as neighbourhood leads and others that have volunteered to assist the end user.

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

As the weeks go on with the uncertainty over when lockdown will end for everyone and how the new normal will look, we will continue to support all of our residents with help that they need.

## 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 six themes that form the focus of our 2020 – 2025 corporate plan, these are:

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

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

- Transforming your customer experience
- Tackling climate change and reducing our carbon footprint
- Digital transformation

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

We will:

- Invest further in our customers, and deliver an excellent customer experience and services that are of value
- Invest in our approach to resident involvement to ensure that our residents’ voice is heard and residents can be involved in a variety of ways in helping shape and drive our services forward

## Strategic report

- Invest in our community through our community development work – this investment goes beyond our social responsibility expectations and is one of our drivers to help us achieve our vision to help people create sustainable futures
- Invest in existing homes and immediate neighbourhoods through an active ‘asset management’ programme
- Invest in the provision of new homes of all tenures, (social and affordable rented homes, intermediate rented homes, low-cost shared ownership, market rent, outright sale and older persons housing) for future generations
- Invest in our desire to contribute to combatting climate change by utilising new technology and sustainable materials wherever possible as part of our commitment to help reduce our carbon footprint and to make homes as energy efficient as possible
- Invest in new technology to assist our colleagues to be as efficient as possible in delivering services and offering you greater choice in the way in which customers access our services
- Invest in a positive and flexible working environment, as well as developing and supporting our colleagues to continually improve the services that we deliver
- Invest in trying to address homelessness by working with our local authority partners in the provision of temporary accommodation and with Turning Tides (previously known as Worthing Churches Homelessness Project) which is specifically aimed at single people, many of whom have been rough sleepers

If fulfilling our mission, vision and objectives is our ultimate aim then we need to have other things in place to support this. We believe that we have four pillars doing just this: Excellent Customer Experience; Place Shaping; One Team and Great Business.

### Future plans

Excellent customer experience:

We are committed to providing our customers with an efficient and high quality service. We use the term “Customer” when we are talking about anyone that lives in a property owned or managed by Worthing Homes regardless of whether they are a tenant, leaseholder, shared owner, or licensee.

Our customers have told us that delivering an excellent customer experience is about listening and understanding the issue, providing timely, responsive services with integrity, keeping them informed of progress and we want to add our passion for excellence to this list. Over the last five years, we have been looking at the way in which our customers interact with us. Our customer service strategy ensures that the way in which we deliver services not only meets the needs of current customers but also meets the demands and expectations of future customers. We want to ensure that customer service is both implicit and explicit in all our activities moving forward.

Our objectives for 2020/21 are to:

- Invest in our customers, and deliver an excellent customer experience and services that are of value to them
- Invest in our approach to resident involvement to ensure that the resident’s voice is heard and they are able to be as involved as they would like to be in helping shape and drive our services forward

Place shaping:

It is really important to us that we work with our customers and other key stakeholders in helping to shape and deliver thriving communities. In order to do this we realise that we cannot just work with our own customers but with everyone that lives in the wider community and local businesses also need to be a part of this. We have previously been successful in obtaining Lottery funding for one of our core projects – the Community House in East Worthing. We will be expanding this approach over the next 3 years into Felpham and Littlehampton in Arun again with Lottery funding.

As well as investing in your home and immediate neighbourhood, we will also be investing in new homes. Our aim is to look to provide 500 new homes over the next 5 years. There is increasing demand for good quality, secure and affordable homes all across the UK and the areas where we work are no different. We

## Strategic report

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.

Our objectives for 2020/21 are to:

- Invest in your existing homes and immediate neighbourhoods through an active 'asset management' programme
- Invest in the provision of new homes of all tenures, (social and affordable rented homes, intermediate rented homes, low-cost shared ownership, market rent, outright sale and older persons housing) for future generations
- Invest in our desire to contribute to combatting climate change by utilising new technology and sustainable materials wherever possible as part of our commitment to help reduce our carbon footprint and to make homes as energy efficient as possible

One team:

We have been developing a culture of 'One Team' at Worthing Homes and there is more work that we need to do over the next 5 years to truly embed this culture in the business.

We will measure our success in achieving these through our regular colleague surveys. We believe that by developing this One Team approach, we will create a supportive, progressive environment to attract and retain highly skilled people who feel valued, motivated, share a sense of ownership of Worthing Homes' vision and are proud to work for us. This also means that the full range of benefits that we offer as an employer needs to be kept updated; along with our commitment to invest in the development of our colleagues in order that they can deliver an excellent customer experience.

Our objectives for 2020/21 are:

- Invest in new technology to assist our colleagues to be as efficient as possible in delivering services and offering you greater choice in the way in which you access our services
- Invest in a positive and flexible working environment, as well as developing and supporting our colleagues to continually improve the services that we deliver

Great business:

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

To us good governance means having a strong, dynamic and diverse board; a comprehensive internal framework that details our approach to risk and governance that gives assurance to our board and customers; having an open and transparent approach to the way in which we undertake our business.

Our objectives for 2020/21 are:

- Invest in trying to address homelessness by working with our local authority partners in the provision of temporary accommodation and with Turning Tides (previously known as Worthing Churches Homelessness Project) which is specifically aimed at single people, many of whom have been rough sleepers

## Strategic report

### Risks and uncertainties

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

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

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

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

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

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

**Political risks and external changes** – The risk of unforeseen external changes has been the highest risk area in the organisation's risk map during the year, mainly due to the uncertainty around Brexit. In the past few months this has expanded to include the Coronavirus pandemic as our highest risk. The results for the financial year just ended were only slightly affected by the pandemic because the impact started around mid-March 2020. However, in the coming year this will affect all aspects of the organisation. The rental activities continue with strong demand but with pressures on rent collection and arrears. The property sales activities were paused during lockdown with very limited sales during that time, but with strong demand immediately after lockdown. The maintenance of our properties was also put on hold during lockdown with only emergency repairs being carried out; we expect to catch up on the backlog of responsive repairs during the coming year. Our planned maintenance works were delayed and this will take time to catch up so it may be that not all budgeted works are completed in the coming year. Most of the development scheme sites were paused during lockdown but all were quickly back on site after lockdown.

**Property sales** – The risk is that the surplus from property sales is less than planned. Worthing Homes is increasing its programme of developments for sale to replace other reducing funding sources. This strategy means that property sales risk and the impact of the wider housing market have become major risks for our business. It is important to manage this increase in sales risk and ensure that the business plan is resilient to any shortfall in receipts. In our risk appetite statement, we have set limits for our exposure to the housing market. During the year 26 shared ownership homes were sold. There were 12 properties unsold at the year-end, none of these were unsold for more than 6 months at the year-end.

**Development of new housing** – The risks of insufficient planned contribution to housing supply, as well as delivery of development projects and potential impairments. We continue to make a substantial investment in building new homes. Our strategy is to deliver 500 additional homes over 5 years. 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.

**Asset management and stock condition** – 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

## Strategic report

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.

Operational performance – This area includes the risk rent collection risks and support to residents on the basis of need, with all aspects affected by the pandemic. The rent collection during the financial year was high with arrears (net of Housing Benefit) falling to 2.3%, although this will be challenging during the coming year because of the effects of the pandemic. We have established a cross organisation project group to assess the implications of the welfare reform 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.

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

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

## Strategic report

### Five year financial summary

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

	2020	2019	2018	2017	2016
<b>Income and expenditure (£'000)</b>					
Rental activity income	22,366	21,298	20,962	20,785	20,315
Property sales income	2,700	1,751	2,710	7,373	-
Total turnover	25,066	23,049	23,672	28,158	20,315
Rental activity operating surplus	9,151	8,602	9,065	9,938	8,789
Property sales (first tranche) operating surplus	767	619	1,033	1,936	-
Property sales (fixed assets) operating surplus	708	192	80	78	20
Operating surplus	10,626	9,413	10,178	11,952	8,809
Surplus before tax for the financial year	5,228	4,160	5,367	7,507	4,498
<b>Balance sheet (£'000)</b>					
Tangible fixed assets – housing properties (gross)	246,309	229,472	211,939	201,559	191,497
Social Housing Grant and other capital grants	40,100	40,159	39,057	39,089	39,205
Loans	136,447	126,723	122,000	115,000	114,000
Reserves	46,494	41,239	36,536	29,821	23,546
<b>Cash flow (£'000)</b>					
Investment in housing properties during the year	17,298	18,293	9,510	9,691	10,545
Social Housing Grant received during the year	426	923	498	305	-
Loans received during the year	11,000	6,000	10,000	3,000	3,000
Loans repaid during the year	1,276	1,277	3,000	2,000	2,000
<b>Number of homes</b>					
Total homes owned	3,548	3,484	3,421	3,354	3,259
Total homes owned or managed	3,876	3,811	3,748	3,678	3,581

## Strategic report

### Business and financial review

The financial results show a successful year, with a surplus of £5.2million (2019: £4.2million).

The association continues to generate a rental activity surplus which is also reinvested into services and new homes. This year was the fourth and final year of the 1% rent reductions, however our rental activity turnover has increased by £1million (5%) to £21.5million mainly due to the rents on the new homes. The core rental business continues to operate strongly and its operating surplus is £9.1million.

We have invested additional funds into fire safety works and other property compliance works again this year. We have also seen an increasing number of empty homes requiring more extensive clearance and works to bring them back to a lettable standard. We have continued to see an increasing number of our residents moving onto Universal Credit, although strong income recovery during the year produced reduced arrears and bad debts in the year-end results.

This year we have continued with our growth strategy and invested £15.7million in new homes under construction, with 71 new homes completed during the year, and a further 92 in progress at the year-end. There was also a further £2.9million spent on the current asset work in progress for the sales element of homes for shared ownership. There was a small increase in the surplus from the first tranche sale of shared ownership schemes from £0.6million to £0.8million. 26 shared ownership homes were sold in year with 12 remaining unsold at the year-end. The surplus on sales of fixed asset properties of £0.7million comprises three Right To Buy sales, two Right To Acquire sales, one shared ownership staircasing sale and one property sale.

The capital expenditure was financed by the surplus together with the cash balance and loans drawn of £11million. During the year the £15million loan facility from RBS was revised to consent to the corporate structure projects, reduce the floating margin, reduce the floating term, with an increased arrangement fee. The balance of £33million in the facilities from Lloyds Bank Plc remain undrawn at the year-end.

### Governance

On 6 March 2020 Worthing Homes Ltd converted to become a charitable community benefit society, registered number 8337, registered with the Financial Conduct Authority (FCA) under the Co-operative and Community Benefit Societies Act 2014. Prior to conversion Worthing Homes Ltd was a registered company with Companies House, number 03517244, and a registered charity with the Charity Commission, number 1074516.

On 26 March 2020 Worthing Homes Ltd created 2 subsidiaries, both of which were dormant at 31 March 2020:

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

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

The board of Worthing Homes Ltd consists of at least nine but no more than eleven board members. All board members are non-executives. The board holds at least six formal board meetings each year.

The board has two sub-committees, being the audit committee and development committee. The role of the audit committee is to monitor and assess the internal controls of the association to ensure that the association is operating at appropriate levels of risk. It also has responsibility for external audit and internal audit matters, and in particular, to oversee the work programme and performance quality of internal audit. The committee comprises 5 board members and holds four 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 four 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.

## Strategic report

### Board members and executive directors

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

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

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

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

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

### Value for money (VFM)

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-2020.pdf](http://www.worthing-homes.org.uk/media/Worthing-Homes-value-for-money-2020.pdf), within our annual report to residents, and within the strategic report in our financial statements.

#### *Our performance 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 £5.2million of which £0.8million related to sales from our shared ownership development programme. Our marketing strategy was successful with only 12 properties unsold at the financial year-end, all but 4 of these were reserved at the year-end. This surplus will be used to enable us to continue to invest in building new affordable homes. We completed 71 new homes during the year and there are 92 units under construction at the end of the year.

The association continues to be a high performing housing association with costs in the top quartile as measured by both the 2019 HouseMark benchmarking and the Regulator of Social Housing's unit cost analysis. Our operating margin on social housing lettings was 42% this year.

Throughout the year we ask our customers what they think of us with 89% reporting they are satisfied with us as a landlord and we achieved a very impressive net promoter score of +58, when we asked our customers how likely they would be to recommend us.

Our rent collection in 2019/20 was 100.7%, meaning we collected more income than we billed. This performance led to our arrears finishing at 2.3% at the end of the year, an improvement on the previous year's performance, despite an increase in residents on Universal Credit.

We actively provide financial inclusion and signposting advice to our residents. We help combat the impact of welfare reforms such as the benefit cap and the migration to Universal Credit. This year our financial inclusion co-ordinators advised 730 of our customers. As a result 44 of our customers gained an extra £142,886.91 of income.

People accessing the services of Community House has continued to grow in 2019/20, this is the house's last year of funding from the Lottery, all costs of this service will now be met by Worthing Homes. As in other years, we were able to outstrip our five year targets in the single year such is the popularity of the house. Whilst food was a key attraction (unlike other food banks we do not put curbs on usage believing people have

## Strategic report

long term issues not fixed with one food parcel), we also saw increasing demand coming from people trying to navigate their way through Universal Credit. Often this navigation had led to other issues including mental health with anxiety being a key problem. We have addressed these issues through the provision of individual counselling which has proven critical for a number of people. Most counselling in the Worthing area is based on a minimum six week waiting period whereas our counsellors are usually able to fit someone in within a week. Mindfulness has also proven popular and we have had courses going on at either end of the week for most of 2019.

Most of our groups have shown increasing numbers over the year and in part this is based on managing to keep regular sessional workers who help to build momentum and activity in particular groups but also in ensuring that the activities we devise remain directed at the people and their needs. The introduction of a sessional worker to work with Strive for example, has increased the size of the group and the activity they are engaged in, whilst cook and eat sessions provide an important avenue of socialisation for some hard to reach people as well as offering practical skills.

However, a number of projects from last year's (2019/20) value for money strategy were not achieved:

- Over the next 30 years Worthing Homes is committed to investing in our existing stock. In 2019/20 we increased the budgeted investment in our homes to include additional fire safety works as well as continuing with our planned maintenance programme improving our existing homes, but in practice our planned maintenance expenditure was less than budgeted, due in part to projects being delayed because of the amount of fire safety work that needed to be undertaken.
- We have a forward thinking digital strategy with an emphasis on reducing costs incurred in supporting transaction based activities which could be processed more efficiently and effectively by taking advantage of more streamlined digital methods. We intended to launch our customer portal during 2019/20, thereby unlocking the potential for customers who can self-serve to access their information, rent accounts and job tickets much quicker and simpler. This project has been delayed as modifications needed to be made by its developer and is now expected to go-live in July 2020.
- Procurement of Cleaning Services. Following an initial options appraisal, it has been agreed that a competitive tender process will be followed to award a long-term contract for the cleaning of communal areas in blocks and sheltered schemes. The contract will be designed to better meet the needs of residents and include for improved performance monitoring. This project was delayed from last year into the coming financial year 2020/21 as it has taken us longer than expected to measure all the areas in order to provide better information in the tender documentation and to consult with our residents.
- Rationalisation of responsive repairs contracts. We commenced an external review of a responsive maintenance service to appraise the various options in respect of future delivery and pricing models. The review included workshops with customers, key partner contractors and front line colleagues. The initial stage 1 report has been received and final report is currently being finalised.
- Purchase to Pay (P2P). An electronic P2P system will be introduced to manage the ordering of non-maintenance goods and services. This will provide a standardised approach to transactional procurement that is transparent, auditable and streamlined, minimising transaction costs and errors. Due to issues with Castleton (the service provider), this project was delayed from last year and we have now taken the decision to stop this project and re-evaluate the business needs.

### Service delivery outcomes

The corporate plan targets are reviewed by the board and resident scrutiny committee quarterly, the 2019/20 results are:

Excellent Customer Experience	Results	Target	Variance	Performance
Overall customer satisfaction with Worthing Homes as landlord	89%	91%	-2%	!
Net Promoter Score	+58.0	+35.0	+23.0	✓
Satisfied with most recent repair	92%	97%	-5%	!
% of emergencies responded to within 24 hours	100%	100%	0%	✓

## Strategic report

Excellent Customer Experience	Results	Target	Variance	Performance
Average days to complete the repair (end to end times)	9 days	8 days	+1 days	!
Satisfaction with major repairs / planned maintenance	100%	98%	+2%	✓
Satisfaction with complaint handling	84%	75%	+9%	✓
Satisfaction with complaint outcome	62%	75%	-13%	✗
Satisfaction with ASB handling	85%	83%	+2%	✓
Satisfaction with ASB outcome	81%	79%	+2%	✓
Satisfaction with lettings service	97%	98%	-1%	!
Number of residents using on line services	1,100	1,250	-150	!

Place shaping	Results	Target	Variance	Performance
New homes built as % of homes owned	2.0%	2.4%	-0.4%	!
Satisfaction with quality of new home (new build only)	n/a	98%	n/a	-
Gas servicing - overall % of properties with a valid LGSR by anniversary date	99.9%	100%	-0.1%	✗
Gas servicing - overall no. of days LGSR were overdue	2 days	0 days	+2 days	✗

One Team	Results	Target	Variance	Performance
Satisfaction with the organisation as an employer	93%	89%	+4%	✓
% staff turnover - voluntary	9%	10%	-1%	✓
Average number of working days lost to sickness absence per employee	6.8 days	7.6 days	-0.8 days	✓

Great Business	Results	Target	Variance	Performance
% rent arrears net of Housing Benefit	2.3%	3.6%	-1.3%	✓
% rent collection	100.7%	99%	+1.7%	✓
Average re-let time in days (standard re-lets)	22 days	20 days	+2 days	!
% empty home rent loss	0.5%	0.5%	0%	✓

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

Customers should have a choice in the way in which they access our services and communicate with us. We will be offering more self-service options this year with a view to channel-shifting those who can self-serve because they want to and because it is easier for them, whilst also providing the more traditional methods for other customers. Self-service options are more cost-effective for the business and the customer in terms of both processing cost and the cost of time.

Our one-stop-shop approach should provide customers with a fast and effective service, whilst at the same time being cost-effective to the organisation.

Satisfaction with our services improved noticeably in some areas, with overall satisfaction with our performance as a landlord increasing from 85%, to 89%. The Net Promoter score was 58 for the year. Good Net Promoter scores vary by industry, but a score of 50 to 80 is typically considered excellent.

Satisfaction with complaint outcome – while customers were largely happy with how their complaint was handled they were less happy with the outcome as they felt we had not been able to provide the outcome they were hoping for.

Satisfaction with new home - this feedback will be collected during 2020/21 utilising our new CX software.

## Strategic report

Gas servicing - 100% compliance was maintained throughout the final three quarters of the year, but two properties were non-complaint for one day each during the first quarter.

### *Financial golden rules*

In conjunction with our work on our risk appetite we have designed a number of financial golden rules to help us meet our targets for value for money and financial viability:

Financial golden rules	Results	Target	Variance	Performance
<b>Operating Margin on rental activities</b>	41%	40%	+1%	✓
<b>Annual net surplus on rental activities</b>	£3.7 million	£3.5 million	+£0.2 million	✓
<b>Interest Cover</b>	195%	150%	+45%	✓
<b>Annual development as a percentage of units owned</b>	2.0%	2% to 5%	0%	✓
<b>Maximum number of unsold developed properties</b>	12	20	-8	✓
<b>Current tenant rent arrears net of Housing Benefit</b>	2.3%	3.6%	-1.3%	✓

The operating margin definition for our ongoing golden rules monitoring covers all our activities other than property sales. This is different to the operating margin quoted in the value for money metrics section because that is based on the regulatory definition using the annual financial statements analysis and has defined exclusions.

### *Value for money metrics*

We also monitor value for money metrics and report these quarterly to the board. Our results for the last five years are:

	2020	2019	2018	2017	2016
Reinvestment %	8.1%	9.1%	5.8%	5.8%	6.2%
New supply delivered % (social housing units)	1.9%	2.3%	2.0%	2.7%	0.3%
Gearing % (net debt / carrying value of housing properties)	60.0%	59.4%	58.1%	60.1%	64.4%
EBITDA interest cover % (Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included)	201%	191%	223%	259%	202%
Social housing costs per unit	£3,019	£3,065	£2,985	£2,919	£2,993
Operating Margin (social housing lettings only)	42.4%	42.1%	44.7%	49.6%	45.7%
Operating Margin (overall)	39.6%	40.0%	42.7%	42.2%	43.3%
Return on capital employed (ROCE)	4.8%	4.5%	5.2%	6.5%	5.0%

## Strategic report

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

	Worthing Homes 2020	PlaceShapers top quartile 2019	PlaceShapers median 2019	Worthing Homes 2019
Reinvestment %	8.1%	10.4%	7.1%	9.1%
New supply delivered % (social housing units)	1.9%	2.4%	1.3%	2.3%
Gearing % (net debt / carrying value of housing properties)	60.0%	35.4%	42.1%	59.4%
EBITDA interest cover % (Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included)	201%	222%	190%	191%
Social housing costs per unit	£3,019	£3,096	£3,504	£3,065
Operating Margin (social housing lettings only)	42.4%	34.9%	30.0%	42.1%
Operating Margin (overall)	39.6%	33.3%	27.2%	40.0%
Return on capital employed (ROCE)	4.8%	5.6%	3.8%	4.5%

### Statement of compliance

In preparing this strategic report and board report, the board has followed the principles set out in the Statement of Recommended Practice (SORP) Accounting by registered social housing providers 2018.

The strategic report for Worthing Homes Limited, registered number 8337, was approved by the board of directors on 6 August 2020 and signed on its behalf by

Chair – Paul Smith \_\_\_\_\_

## **Board report**

### **Code of Governance**

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

### **Regulator of Social Housing's Governance and Financial Viability Standard**

Throughout the year the association complied with the Regulator of Social Housing's Governance and Financial Viability Standard.

### **Statement of board responsibilities**

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

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

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

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

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

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

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

### **Internal controls**

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

The process for identifying, evaluating and managing the significant risks faced by the association is ongoing and regularly reviewed by the board and has been in place throughout the period commencing 1 April 2019 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 association's work;
- Regular reporting to senior leadership team and the board of business intelligence indicators to assess progress towards the achievement of key business objectives, targets and outcomes; and
- Monitoring of the control system by the audit committee, the internal auditors and senior leadership team.

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

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

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

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

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

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

### Employees

The association'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 association and matters affecting them as employees through the quarterly update meetings with the Senior Leadership Team, email bulletins from the Chief Executive, team meetings and the association's intranet.

## Board report

### Employees (continued)

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

During the year ended 31 March 2020 the average number of people, expressed as full-time equivalents, employed by the association was 97 (2019 - 97). Information on employees is shown in note 8 to the financial statements.

### Going concern

The board has reviewed the future prospects of the association and its financial business plan, including reverse stress testing of a combined scenario of disorderly Brexit and a major incident. The board have also assessed the potential impact of the COVID-19 pandemic, which shows that the business will stay within its financial covenants and will maintain liquidity. The full impact of the COVID-19 pandemic on the association remains uncertain and as a result unquantifiable at this stage. Nevertheless, having assessed this, the board has a reasonable expectation that the association has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the audit report is signed. For this reason, it continues to adopt the going concern basis in the financial statements.

### Corporate social responsibility

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

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

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

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

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

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

## **Board report**

### **Disclosure of information to auditor**

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

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

### **Independent auditor**

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

The board report for Worthing Homes Limited, registered number 8337, was approved by the board of directors on 6 August 2020 and signed on its behalf by

Chair – Paul Smith

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## 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 2020 which comprise the Association statement of comprehensive income, the Association statement of financial position, the Association statement of changes in equity, 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 2020 and of the Association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

### 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.

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

### Matters on which we are required to report by exception

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

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

### Responsibilities of the board

As explained more fully in the board members responsibilities statement set out on page 14, 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Use of our report

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

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

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

## Statement of comprehensive income

	Note	2020 £'000	2019 £'000
Turnover	4	25,066	23,049
Cost of sales	4	(1,933)	(1,132)
Operating expenditure	4	(13,215)	(12,696)
Surplus on disposal of fixed assets	4,11	708	192
<b>Operating surplus</b>	4,7	10,626	9,413
Interest receivable	12	38	36
Interest and financing costs	13	(5,436)	(5,289)
<b>Surplus before tax</b>		5,228	4,160
Taxation on surplus	14	-	-
<b>Surplus for the financial year</b>		5,228	4,160
Actuarial gain on defined benefit pension scheme	26	27	543
<b>Total comprehensive income for the year</b>		5,255	4,703

The notes on pages 26 to 51 form part of these financial statements.

All activities relate to continuing operations.

## Statement of financial position

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

	Note	2020 £'000	2019 £'000
<b>Fixed assets</b>			
Tangible fixed assets – housing properties	15	215,505	201,827
Tangible fixed assets – other	16	1,775	1,916
Investments	17	523	520
		<hr/>	<hr/>
Total fixed assets		217,803	204,263
<b>Current assets</b>			
Stock	18	2,924	1,789
Debtors	19	1,253	1,382
Cash and cash equivalents		6,518	6,127
		<hr/>	<hr/>
<b>Creditors: amounts falling due within one year</b>	20	10,695 (6,094)	9,298 (6,140)
		<hr/>	<hr/>
Net current assets		4,601	3,158
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		222,404	207,421
<b>Creditors: amounts falling due after more than one year</b>	21	(174,342)	(164,541)
<b>Pension liability</b>	26	(1,568)	(1,641)
		<hr/>	<hr/>
<b>Net assets</b>		46,494	41,239
		<hr/> <hr/>	<hr/> <hr/>
<b>Reserves</b>			
Income and expenditure reserve		46,494	41,239
		<hr/>	<hr/>
<b>Total reserves</b>		46,494	41,239
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 26 to 51 form part of these financial statements.

The financial statements were approved and authorised for issue by the board on 6 August 2020 and signed on their behalf by:

Chair – Paul Smith

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## Statement of changes in reserves

	<b>Income and expenditure reserve £'000</b>
Balance as at 1 April 2018	36,536
Surplus for the year	4,160
Actuarial gain on defined benefit pension scheme	543
Balance at 31 March 2019	<hr/> 41,239
Surplus for the year	5,228
Actuarial gain on defined benefit pension scheme	27
Balance at 31 March 2020	<hr/> <hr/> 46,494

## Statement of cash flows

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Cash flows from operating activities</b>		
<b>Surplus for the financial year</b>	5,228	4,160
Adjustments for:		
Depreciation of fixed assets - housing properties	3,459	3,272
Depreciation of fixed assets – other	245	310
Impairment	-	(241)
Amortised grants	(426)	(426)
Interest payable and finance costs	5,436	5,266
Interest received	(38)	(36)
Taxation expense	-	-
Difference between net pension expense and cash contribution	(83)	(74)
Surplus on the sale of fixed assets - housing properties	(708)	(91)
Surplus on the sale of fixed assets - other	-	(4)
Proceeds from sale of fixed assets - housing properties	1,196	310
Increase in stock	(1,065)	(1,238)
(Increase) / decrease in trade and other debtors	(10)	117
Increase in trade and other creditors	(30)	370
	<hr/>	<hr/>
<b>Net cash generated from operating activities</b>	13,204	11,695
	<hr/>	<hr/>
<b>Cash flows from investing activities</b>		
Purchase of tangible fixed assets – housing properties	(17,298)	(18,293)
Purchase of tangible fixed assets – other	(129)	(234)
Receipt of grant	426	923
Interest received	35	36
	<hr/>	<hr/>
<b>Net cash from investing activities</b>	(16,966)	(17,568)
	<hr/>	<hr/>
<b>Cash flows from financing activities</b>		
Interest paid	(5,571)	(5,560)
New loans	11,000	6,000
Repayments of loans	(1,276)	(1,277)
	<hr/>	<hr/>
<b>Net cash generated / (used) in financing activities</b>	4,153	(837)
	<hr/>	<hr/>
<b>Net increase / (decrease) increase in cash and cash equivalents</b>	391	(6,710)
<b>Cash and cash equivalents at beginning of the year</b>	6,127	12,837
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of the year</b>	6,518	6,127
	<hr/>	<hr/>

The notes on pages 26 to 51 form part of these financial statements.

## **Notes to the financial statements**

### **For the year ended 31 March 2020**

#### **1. Legal status**

The association is registered in England with the Financial Conduct Authority under the Co-operative and Community Benefits Societies Act 2014 as a charitable community benefit society, limited by shares. The association converted its status to a community benefit society on 6 March 2020; before that date it was registered in England under the Companies Act 2006 as private company, limited by shares, company number 03517244 and was a registered charity with the Charity Commission, charity number 1074516. The association is registered with the Regulator of Social Housing as a social housing provider and is a public benefit entity.

#### **2. Accounting policies**

##### **Basis of accounting**

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

The accounts are prepared under the historic cost basis.

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

The following principal accounting policies have been applied:

##### **Going concern**

The board has reviewed the future prospects of the association and its financial business plan, including reverse stress testing of a combined scenario of disorderly Brexit and a major incident. The board have also assessed the potential impact of the COVID-19 pandemic, which shows that the business will stay within its financial covenants and will maintain liquidity. The full impact of the COVID-19 pandemic on the association remains uncertain and as a result unquantifiable at this stage. Nevertheless, having assessed this, the board has a reasonable expectation that the association has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the audit report is signed. For this reason, it continues to adopt the going concern basis in the financial statements.

##### **Income**

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

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

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

## **Notes to the financial statements**

### **For the year ended 31 March 2020**

## **2. Accounting policies (continued)**

### **Current and deferred taxation**

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

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

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

### **Value Added Tax (VAT)**

The association charges VAT on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the association and not recoverable from HM Revenue and Customs. Recoverable VAT arises from partially exempt activities and is credited to the Statement of Comprehensive Income.

### **Finance costs**

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

### **Pension costs**

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

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

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

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

## Notes to the financial statements

### For the year ended 31 March 2020

## 2. Accounting policies (continued)

### Tangible fixed assets – Housing properties

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

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

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

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

### 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	25 years	Lift	25 years
Bathroom	30 years	Electrics	40 years
Fire safety works	30 years		

## Notes to the financial statements

### For the year ended 31 March 2020

## 2. Accounting policies (continued)

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

### Shared ownership properties and staircasing

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

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

### Allocation of costs for mixed tenure and shared ownership developments

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

### Tangible fixed assets – other

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

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

### Depreciation of other tangible fixed assets

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

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

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

## **Notes to the financial statements**

### **For the year ended 31 March 2020**

## **2. Accounting policies (continued)**

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

### **Government grants**

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

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

### **Recycled Capital Grant Fund**

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

### **Impairment of fixed assets**

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

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

## **Notes to the financial statements**

### **For the year ended 31 March 2020**

## **2. Accounting policies (continued)**

### **Stock**

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

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

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

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

### **Debtors and creditors**

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

### **Recoverable amount of rental and other trade receivables**

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

### **Rent and service charge agreements**

The association has made arrangement with individuals and households for arrears payments of rent and service charges. These arrangements are effectively loans granted at nil interest rate.

### **Loans, Investments and short term deposits**

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

### **Cash and cash equivalents**

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

## **Notes to the financial statements (continued)**

**For the year ended 31 March 2020**

### **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 2020 was £33,619,000 (2019 - £30,470,000).

#### **Defined benefit obligation (DBO)**

Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses (as analysed in note 26). The liability at 31 March 2020 was £1,568,000 (2019 - £1,641,000).

#### **Impairment**

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

#### **Recoverability of assets held for sale**

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

## Notes to the financial statements (continued)

For the year ended 31 March 2020

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

	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus £'000
<b>Year ended 31 March 2020</b>				
<b>Social housing lettings</b> (note 5)	21,528	-	(12,407)	9,121
<b>Other social housing activities</b>				
First tranche low cost home ownership sales	2,700	(1,933)	-	767
Charges for support services	69	-	(61)	8
Other social housing activities	117	-	(307)	(190)
	<u>2,886</u>	<u>(1,933)</u>	<u>(368)</u>	<u>585</u>
<b>Activities other than social housing</b>				
Other non-social housing activities	652	-	(440)	212
	<u>652</u>	<u>-</u>	<u>(440)</u>	<u>212</u>
	<u>25,066</u>	<u>(1,933)</u>	<u>(13,215)</u>	<u>9,918</u>
Surplus on disposal of fixed assets				708
Total				<u>10,626</u>
<b>Year ended 31 March 2019</b>				
<b>Social housing lettings</b> (note 5)	20,509	-	(11,876)	8,633
<b>Other social housing activities</b>				
First tranche low cost home ownership sales	1,751	(1,132)	-	619
Charges for support services	100	-	(118)	(18)
Other social housing activities	114	-	(293)	(179)
	<u>1,965</u>	<u>(1,132)</u>	<u>(411)</u>	<u>422</u>
<b>Activities other than social housing</b>				
Other non-social housing activities	575	-	(409)	166
	<u>575</u>	<u>-</u>	<u>(409)</u>	<u>166</u>
	<u>23,409</u>	<u>(1,132)</u>	<u>(12,696)</u>	<u>9,221</u>
Surplus on disposal of fixed assets				192
Total				<u>9,413</u>

## Notes to the financial statements (continued)

For the year ended 31 March 2020

### 5. Income and expenditure from social housing lettings

	General needs housing	Supported housing and housing for older people	Intermediate rent	Low cost home ownership	Total 2020	Total 2019
	£'000	£'000	£'000	£'000	£'000	£'000
Rents net of identifiable service charges	17,327	869	1,285	604	20,085	19,111
Service charge income	627	390	-	-	1,017	972
Amortised government grants	231	-	187	8	426	426
<b>Turnover from social housing lettings</b>	<b>18,185</b>	<b>1,259</b>	<b>1,472</b>	<b>612</b>	<b>21,528</b>	<b>20,509</b>
Management	(3,297)	(154)	(72)	(23)	(3,546)	(3,283)
Service charge costs	(568)	(462)	-	-	(1,030)	(1,010)
Responsive maintenance	(1,739)	(94)	(94)	(5)	(1,932)	(1,769)
Cyclical maintenance	(1,412)	(68)	(23)	-	(1,503)	(1,251)
Major repairs expenditure	(549)	(8)	(16)	(2)	(575)	(796)
Bad debts	(124)	(6)	(5)	-	(135)	(163)
Depreciation of housing properties:						
- Annual charge	(2,874)	(119)	(243)	(138)	(3,374)	(3,158)
- Accelerated on disposal of components	(85)	-	-	-	(85)	(115)
Other costs	(227)	-	-	-	(227)	(331)
<b>Operating expenditure on social housing lettings</b>	<b>(10,875)</b>	<b>(911)</b>	<b>(453)</b>	<b>(168)</b>	<b>(12,407)</b>	<b>(11,876)</b>
<b>Operating surplus on social housing lettings</b>	<b>7,310</b>	<b>348</b>	<b>1,019</b>	<b>444</b>	<b>9,121</b>	<b>8,633</b>
Void losses	66	25	22	-	113	88

## Notes to the financial statements (continued)

For the year ended 31 March 2020

### 6. Units of housing stock

	2019	Additions	Disposals	Tenure changes	2020
	Number	Number	Number	Number	Number
General needs housing:					
- Social rent	2,550	-	(6)	-	2,544
- Affordable rent	426	49	-	2	477
Low cost home ownership	126	22	(1)	-	147
Housing for older people	215	-	-	-	215
Intermediate rent	131	-	-	(2)	129
Homes owned but managed by other landlords	36	-	-	-	36
<b>Total social housing units owned</b>	<b>3,484</b>	<b>71</b>	<b>(7)</b>	<b>-</b>	<b>3,548</b>
<b>Other homes</b>					
Accommodation managed on behalf of other landlords	73	-	-	-	73
Leaseholders	254	-	1	-	255
	<b>327</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>328</b>
<b>Total owned and managed accommodation</b>	<b>3,811</b>	<b>71</b>	<b>(6)</b>	<b>-</b>	<b>3,876</b>
<b>Units under construction</b>	<b>103</b>				<b>92</b>

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

### 7. Operating surplus

	2020	2019
	£'000	£'000
The operating surplus is stated after charging / (crediting):		
Depreciation of housing properties:		
- Annual charge	3,374	3,158
- Accelerated on disposal of components	85	115
Depreciation of other tangible fixed assets	245	310
Auditors' remuneration (excluding VAT)		
- fees payable to the association's auditors for the audit of the financial statements	25	21
- fees payable to the association's auditors for other audit related services	1	1
	<b>3,725</b>	<b>3,595</b>

## Notes to the financial statements (continued)

For the year ended 31 March 2020

### 8. Employees

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

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	3,036	2,916
Social security costs	293	274
Cost of defined benefit pension scheme (see note 26)	132	137
Cost of defined contribution pension scheme (see note 26)	143	135
	<hr/>	<hr/>
	3,604	3,462
	<hr/> <hr/>	<hr/> <hr/>

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:

	<b>2020</b>	<b>2019</b>
	<b>Number</b>	<b>Number</b>
Housing management	34	33
Property development	4	4
Administration	25	25
Property services, grounds and facilities teams	29	27
Community development, telecare (RedAssure™) and support	5	8
	<hr/>	<hr/>
	97	97
	<hr/> <hr/>	<hr/> <hr/>

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

	<b>2020</b>	<b>2019</b>
	<b>Number</b>	<b>Number</b>
£60,001 to £70,000	2	2
£70,001 to £80,000	2	2
£80,001 to £90,000	-	1
£90,001 to £100,000	1	-
£100,000 to £110,000	-	1
£110,000 to £120,000	1	-
£130,000 to £140,000	1	1
	<hr/>	<hr/>

## Notes to the financial statements (continued)

For the year ended 31 March 2020

### 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.

	2020 £'000	2019 £'000
Executive directors' emoluments:		
Basic salary	306	302
Benefits in kind	2	2
Pension contributions	32	29
Amounts paid to non-executive directors	44	41
	<hr/> 384	<hr/> 374
	<hr/> <hr/>	<hr/> <hr/>

The total amount payable to the chief executive, who was also the highest paid director, in respect of emoluments was £129,000 (2019 - £126,000). Pension contributions of £9,000 (2019 - £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:

	2020 £'000	2019 £'000
Paul Smith (Chair)	9	8
Amy Dewey (to 13 March 2020)	3	3
Colin Goodwin	4	4
Jennifer Graham	5	5
Louise Murphy	3	3
Nigel Perryman	4	4
Helen Rice	4	3
Celia Rowe	3	3
Chongo Shula (from 1 January 2020)	1	-
Chris Simpson	5	5
Stephen Wills	3	3
	<hr/> 44	<hr/> 41
	<hr/> <hr/>	<hr/> <hr/>

## Notes to the financial statements (continued)

For the year ended 31 March 2020

### 11. Surplus on disposal of fixed assets

	Shared ownership staircasing sales £'000	Other housing properties £'000	Total 2020 £'000	Total 2019 £'000
Disposal proceeds	127	1,218	1,345	540
Cost of disposals	(67)	(214)	(281)	(200)
Selling costs	(1)	(344)	(345)	(147)
Capital grant recycled	(5)	(6)	(11)	(5)
Surplus on disposal of housing properties	<u>54</u>	<u>654</u>	<u>708</u>	<u>188</u>
Surplus on disposal of other fixed assets			<u>-</u>	<u>4</u>
			<u>708</u>	<u>192</u>

### 12. Interest receivable

	2020 £'000	2019 £'000
Interest receivable and similar income	38	36
	<u>38</u>	<u>36</u>

### 13. Interest and financing costs

	2020 £'000	2019 £'000
Bank loans and overdrafts	4,852	4,538
Other loans	818	822
Disposal proceeds fund	-	3
Net interest on net defined benefit pension liability (note 26)	37	54
Interest capitalised on construction of housing properties	<u>5,707</u>	<u>5,417</u>
	<u>(271)</u>	<u>(128)</u>
	<u>5,436</u>	<u>5,289</u>



## Notes to the financial statements (continued)

For the year ended 31 March 2020

### 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
<b>Cost</b>					
At 1 April 2019	209,340	4,134	12,946	3,052	229,472
Additions:					
- Construction costs	-	10,151	-	4,994	15,145
- Completed properties acquired	521	-	-	-	521
- Replaced components	1,752	-	-	-	1,752
Completed schemes	7,710	(7,710)	2,654	(2,654)	-
Disposals:					
- Staircasing sales	-	-	(75)	-	(75)
- Replaced components	(243)	-	-	-	(243)
- Other	(263)	-	-	-	(263)
At 31 March 2020	218,817	6,575	15,525	5,392	246,309
<b>Depreciation</b>					
At 1 April 2019	27,222	-	423	-	27,645
Charge for the year	3,236	-	138	-	3,374
Disposals:					
- Staircasing sales	-	-	(8)	-	(8)
- Replaced components	(158)	-	-	-	(158)
- Other	(49)	-	-	-	(49)
At 31 March 2020	30,251	-	553	-	30,804
<b>Net book value</b>					
At 31 March 2020	188,566	6,575	14,972	5,392	215,505
At 31 March 2019	182,118	4,134	12,523	3,052	201,827

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

## Notes to the financial statements (continued)

For the year ended 31 March 2020

### 15. Fixed assets – housing properties (continued)

#### Interest capitalisation

	<b>2020</b> <b>£'000</b>	<b>2019</b> <b>£'000</b>
Cumulative interest capitalised at 1 April	2,780	2,688
Interest capitalised in the year	201	92
	<hr/>	<hr/>
Cumulative interest capitalised at 31 March	2,981	2,780
	<hr/> <hr/>	<hr/> <hr/>
Rate used for capitalisation	2.4%	2.4%
	<hr/>	<hr/>

#### Works to properties

	<b>2020</b> <b>£'000</b>	<b>2019</b> <b>£'000</b>
Improvements to existing properties capitalised	1,752	2,051
Major repairs expenditure to income and expenditure account	607	796
	<hr/>	<hr/>
Total cost of major repairs and improvements works to existing properties	2,359	2,847
	<hr/> <hr/>	<hr/> <hr/>

#### Total social housing grant

	<b>2020</b> <b>£'000</b>	<b>2019</b> <b>£'000</b>
Total accumulated social housing grant received or receivable at 31 March:		
Recognised in the statement of comprehensive income	4,432	4,006
Held as deferred income	40,100	40,159
	<hr/>	<hr/>
	44,532	44,165
	<hr/> <hr/>	<hr/> <hr/>

## Notes to the financial statements (continued)

For the year ended 31 March 2020

### 16. Tangible fixed assets – other

	Office buildings £'000	Furniture & equipment £'000	Motor vehicles £'000	Computer equipment £'000	Total £'000
<b>Cost</b>					
At 1 April 2019	1,809	1,101	282	1,549	4,741
Additions	25	30	44	30	129
Disposals	-	(271)	(9)	-	(280)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2020	1,834	860	317	1,579	4,590
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>					
At 1 April 2019	405	809	205	1,406	2,825
Charge for the year	39	62	32	112	245
Disposals	-	(246)	(9)	-	(255)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2020	444	625	228	1,518	2,815
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>					
At 31 March 2020	1,390	235	89	61	1,775
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2019	1,404	292	77	143	1,916
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The office buildings are freehold.

### 17. Fixed asset investments

	2020 £'000	2019 £'000
Bank deposits	523	520
	<hr/>	<hr/>

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

### 18. Properties for sale

	2020 £'000	2019 £'000
Shared ownership properties – work in progress	2,162	1,343
Completed properties	762	446
	<hr/>	<hr/>
	2,924	1,789
	<hr/>	<hr/>

Properties developed for sale include capitalised interest of £70,000 (2019 - £36,000).

## Notes to the financial statements (continued)

For the year ended 31 March 2020

### 19. Debtors

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Due within one year</b>		
Rent and service charges receivable from tenants	1,054	800
Housing benefit owing	61	502
	<hr/>	<hr/>
Rent and service charges receivable	1,115	1,302
Less: provision for doubtful debts	(443)	(410)
	<hr/>	<hr/>
	836	892
Other debtors	377	428
Less: provision for doubtful debts	(118)	(61)
Prepayments and accrued income	322	123
	<hr/>	<hr/>
	1,253	1,382
	<hr/> <hr/>	<hr/> <hr/>

### 20. Creditors: amounts falling due within one year

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Loans and borrowings (note 24)	1,277	1,277
Trade creditors	2,410	1,901
Rent and service charges received in advance	458	386
Right To Buy sale proceeds due to Worthing Borough Council	336	140
Taxation and social security costs	90	84
Other creditors	154	372
Deferred capital grant (note 22)	426	426
Recycled capital grant fund (note 23)	1	-
Accruals and deferred income	942	1,554
	<hr/>	<hr/>
	6,094	6,140
	<hr/> <hr/>	<hr/> <hr/>

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

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Loans and borrowings (note 24)	134,550	124,759
Deferred capital grant (note 22)	39,674	39,733
Recycled capital grant fund (note 23)	118	49
	<hr/>	<hr/>
	174,342	164,541
	<hr/> <hr/>	<hr/> <hr/>

## Notes to the financial statements (continued)

For the year ended 31 March 2020

### 22. Deferred capital grant

	<b>2020</b> <b>£'000</b>	<b>2019</b> <b>£'000</b>
At 1 April	40,159	39,057
Grants received in the year	426	1,572
Grants recycled on disposal of assets	(59)	(44)
Released to income in the year	(426)	(426)
	<hr/>	<hr/>
At 31 March	40,100	40,159
	<hr/> <hr/>	<hr/> <hr/>
Amounts to be released within one year	426	426
Amounts to be released in more than one year	39,674	39,733
	<hr/>	<hr/>
	40,100	40,159
	<hr/> <hr/>	<hr/> <hr/>

### 23. Recycled capital grant fund

Funds pertaining to activities within areas covered by Homes England	<b>2020</b> <b>£'000</b>	<b>2019</b> <b>£'000</b>
At 1 April	49	154
Inputs to fund:		
- Grants recycled from deferred capital grants	59	44
- Grants recycled on the disposal of assets	11	5
Recycling of grant		
- Major repairs and works to existing stock	-	(154)
	<hr/>	<hr/>
At 31 March	119	49
	<hr/> <hr/>	<hr/> <hr/>
Creditors: amounts falling due within one year	1	-
Creditors: amounts falling due after more than one year	118	49
	<hr/>	<hr/>
	119	49
	<hr/> <hr/>	<hr/> <hr/>
Amount 3 years or older where repayment may be required	-	-
	<hr/> <hr/>	<hr/> <hr/>

## Notes to the financial statements (continued)

For the year ended 31 March 2020

### 24. Loans and borrowings

Maturity of debt:

	<b>Bank loans 2020 £'000</b>	<b>Other loans 2020 £'000</b>	<b>Total 2020 £'000</b>
In one year or less, or on demand	1,277	-	1,277
In more than one year but not more than two years	1,839	-	1,839
In more than two years but not more than five years	47,453	-	47,453
In more than five years	65,878	20,000	85,878
	<hr/>	<hr/>	<hr/>
	116,447	20,000	136,447
Less: unamortised arrangement costs	(523)	(97)	(620)
	<hr/>	<hr/>	<hr/>
	115,924	19,903	135,827
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	<b>Bank loans 2019 £'000</b>	<b>Other loans 2019 £'000</b>	<b>Total 2019 £'000</b>
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
	<hr/>	<hr/>	<hr/>
	106,723	20,000	126,723
Less: unamortised arrangement costs	(579)	(108)	(687)
	<hr/>	<hr/>	<hr/>
	106,144	19,892	126,036
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Bank loans and the Worthing Borough Council loan are secured by specific charges on the housing properties of the association. The Housing Finance Corporation Limited loan is secured by specific charges on housing properties and on the association's long term investments. In total £187million 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 £44.4million drawn is at floating rates of interest above the London Inter Bank Offer Rate. The loans are a combination of revolving credit facilities with bullet repayments in 2024 and loans repaid in annual instalments, final instalments on the loans fall due to be repaid in 2037.

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

At 31 March 2020 the association had undrawn loan facilities of £33million (2019 - £44million).

## Notes to the financial statements (continued)

For the year ended 31 March 2020

### 25. Financial instruments

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

#### Financial assets

	2020 £'000	2019 £'000
Financial assets measured at historical cost		
- Trade receivables	836	892
- Other receivables	259	367
- Cash and cash equivalents	6,518	6,127
	<hr/>	<hr/>
Total financial assets	7,613	7,386
	<hr/>	<hr/>

#### Financial liabilities

	2020 £'000	2019 £'000
Financial liabilities measured at amortised cost		
- Loans payable	(135,827)	(126,036)
Financial liabilities measured at historical cost		
- Trade creditors	(2,410)	(1,901)
- Other creditors	(2,571)	(2,962)
	<hr/>	<hr/>
Total financial liabilities	(140,808)	(130,899)
	<hr/>	<hr/>

### 26. Pensions

The association operates two pension schemes.

#### Defined benefit pension scheme

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

A full actuarial valuation of the defined benefit scheme was carried out at 31 March 2019 and updated to 31 March 2020 by a qualified independent actuary. Contributions to the scheme are made by the association based on the advice of the actuary and with the aim of making good the deficit over the remaining working life of the employees.

## Notes to the financial statements (continued)

For the year ended 31 March 2020

### 26. Pensions (continued)

#### Reconciliation of present value of plan liabilities

	2020 £'000	2019 £'000
At the beginning of the year	(13,906)	(13,865)
Current service cost	(132)	(137)
Interest cost	(329)	(350)
Change in financial assumptions	1,061	(608)
Change in demographic assumptions	19	743
Experience gain on defined benefit obligation	(256)	-
Benefits paid	418	342
Contributions by scheme participants	(29)	(31)
	<hr/>	<hr/>
At the end of the year	(13,154)	(13,906)
	<hr/>	<hr/>

#### Reconciliation of fair value of plan assets

	2020 £'000	2019 £'000
At the beginning of the year	12,265	11,661
Interest income on plan assets	292	296
Return on fund assets in excess of interest	(921)	408
Other actuarial gains on assets	124	-
Administration expenses	(4)	(5)
Contributions by employer	219	216
Contributions by scheme participants	29	31
Benefits paid	(418)	(342)
	<hr/>	<hr/>
At the end of the year	11,586	12,265
	<hr/>	<hr/>

#### Net pension scheme liability

	2020 £'000	2019 £'000
Fair value of plan assets	11,586	12,265
Present value of plan liabilities	(13,154)	(13,906)
	<hr/>	<hr/>
Net pension scheme liability	(1,568)	(1,641)
	<hr/>	<hr/>

#### Amounts recognised in other comprehensive income are as follows:

	2020 £'000	2019 £'000
Current service cost	(132)	(137)
Administration expenses	(4)	(5)
	<hr/>	<hr/>
Amounts charged to operating costs	(136)	(142)
	<hr/>	<hr/>

## Notes to the financial statements (continued)

For the year ended 31 March 2020

### 26. Pensions (continued)

Amounts included in other finance costs:

	2020 £'000	2019 £'000
Net interest	(37)	(54)
Amounts charged to other finance costs	<u>(37)</u>	<u>(54)</u>

Analysis of actuarial gains and losses recognised in other comprehensive income

	2020 £'000	2019 £'000
Actual return less interest income included in net interest income	(921)	408
Experience gains and losses arising on the scheme liabilities	(256)	-
Changes in assumptions underlying the present value of the scheme liabilities	1,061	(608)
Change in demographic assumptions	19	743
Other actuarial gains and losses on assets	124	-
Actuarial gain recognised in other comprehensive income	<u>27</u>	<u>543</u>

Plan assets

	2020 £'000	2019 £'000
Composition of plan assets:		
Equities	6,781	7,635
Gilts	499	651
Other bonds	702	717
Property	1,042	1,091
Cash	482	323
Other	2,080	1,848
Total plan assets	<u>11,586</u>	<u>12,265</u>
Actual return on plan assets	<u>(629)</u>	<u>704</u>

## Notes to the financial statements (continued)

For the year ended 31 March 2020

### 26. Pensions (continued)

Principal actuarial assumptions used at the balance sheet date

	31 March 2020 % per annum	31 March 2019 % per annum
Discount rate	2.35%	2.4%
Future salary increases	2.95%	3.9%
Future pension increases	1.95%	2.4%
Inflation assumption	1.95%	2.4%
	Number of years	Number of years
Mortality assumptions - The assumed life expectations on retirement at age 65 are:		
- For a male aged 65 now	21.8	21.3
- For a female aged 65 now	23.7	23.6
- At 65 for a male aged 45 now	23.2	22.9
- At 65 for a female aged 45 now	25.2	25.4

#### Defined contribution pension scheme

A defined contribution pension scheme is operated by the association on behalf of new employees. The assets of the scheme are held separately from those of the association. The pension charge represents contributions payable by the association and amounted to £143,000 (2019 - £135,000). Contributions totalling £18,000 (2019 - £20,000) were payable to the fund at the year end and are included in creditors

### 27. Share capital

	2020 £	2019 £
<b>Ordinary shares of £1 each, issued and fully paid</b>		
At 1 April	42	43
Shares issued in the year	1	3
Shares cancelled in the year	(5)	(4)
At 31 March	38	42

The share capital of the association consists of shares with a nominal value of £1 each, which carry no rights to dividends or other income. When a shareholder ceases to be a member, that share is cancelled and the amount paid thereon becomes the property of the association. Therefore, all shareholdings relate to non-equity interests.

### 28. Contingent Liability

The Group receives grant from Homes England and 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 £4,432,000 received in respect of housing properties held at 31 March 2020 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 2020, the value of grant received in respect of these properties that had not been disposed of was £40,100,000.

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

## Notes to the financial statements (continued)

For the year ended 31 March 2020

### 29. Operating leases

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

#### Amounts receivable as lessor

	2020 £'000	2019 £'000
Not later than 1 year	926	862
Later than 1 year and not later than 5 years	3,371	3,141
Later than 5 years	7,542	7,038
Total	<u>11,839</u>	<u>11,041</u>

### 30. Capital commitments

	2020 £'000	2019 £'000
<b>Capital expenditure</b>		
Expenditure contracted for but not provided in the financial statements	£6,014	14,563
Expenditure authorised by the board, but not contracted	<u>£6,684</u>	<u>12,321</u>

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

### 31. Subsidiary undertakings

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

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

### 32. Related party disclosure

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

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

During the year the association had 1 tenant member, 1 leasehold member and 1 shared-owner member of the board (2019 - 1 tenant member and 1 leasehold member). They hold tenancy agreements and leases on normal terms and cannot use their position to their advantage. The rent and service charges charged for the year was £14,000 (2019 - £6,000) and the tenants had a credit balance of £79 at the 31 March 2020 (2019 - credit balance of £39).

## Notes to the financial statements (continued)

For the year ended 31 March 2020

During the year the association had 2 Councillor members of the board (2019 - 2 Councillor members). All transactions in the year with the related local authority were made at arm's length and on normal commercial terms.

During the course of its business, the association has collected maintenance contribution income on behalf of Pearson's and St Elizabeth's Cottage Homes and forwarded such monies to them, and paid all of their costs on their behalf and recharged these to the trust. This is a charitable trust which has Worthing Homes Limited as its sole trustee. The outstanding net balance at 31 March 2020 was a £40,000 debtor balance (2019: debtor balance £77,000).

The association earned management charges of £39,000 (2019: £36,000), Caretaking £24,000 (2019: £24,000), recharged service and support costs of £12,000 (2019: £12,000), and gardening costs of £12,000 (2019: £10,000) from Pearson's and St Elizabeth's Cottage Homes during the year.

### 33. Net debt reconciliation

	<b>1 April 2019 £'000</b>	<b>Cash flows £'000</b>	<b>31 March 2020 £'000</b>
Cash at bank and in hand	6,127	391	6,518
Bank and other loans	(126,723)	(9,724)	(136,447)
	<hr/>	<hr/>	<hr/>
Net debt	(120,596)	(9,333)	(129,929)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>