



# Welcome to our Member Review and Summary Financial Statement

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## Our Branches

### Harpenden Branch

Aberdeen House,  
14 Station Road, Harpenden,  
Hertfordshire, AL5 4SE  
Telephone: 01582 344204  
Manager: Amanda Andrews

### Radlett Branch

341 Watling Street,  
Radlett,  
Hertfordshire, WD7 7LB  
Telephone: 01923 854457  
Manager: Amanda Andrews

### Leighton Buzzard Branch

22 Market Square,  
Leighton Buzzard,  
Bedfordshire, LU7 1HE  
Telephone: 01525 852525  
Manager: Isabel Hare

### Tring Branch

38 High Street,  
Tring,  
Hertfordshire, HP23 5AA  
Telephone: 01442 824722  
Manager: Gill Pearce

## Society Information

Established and incorporated 1953  
Firm Reference Number: 157260  
Eligible for investments by trustees  
Member of the Building Societies Association  
Member of UK Finance

Head Office  
Mardall House  
9-11 Vaughan Road  
Harpenden  
Hertfordshire  
AL5 4HU

## Board of Directors

Stephen Richardson	Chair
Nigel Boothroyd	Vice Chair and Senior Independent Director (appointed 9 July 2021)
Lesley Beecher	
Richard Doe	
David Green	
Sarah Howe	(resigned 17 September 2021)
George McGrady	
Judith Mortimer Sykes	(retired 23 April 2021)
Mark Willis	

## Leadership Team

Raj Bains	Director of Customer Operations
Tracy Campbell	Head of People
Mike Cutler	Commercial Director
Richard Doe	Chief Executive Officer
Martin Langlands	Chief Risk Officer
George McGrady	Finance Director
Gavin Mullen	Society Secretary
Gary Richardson	Director of IT & Transformation

## Solicitors

Neves Solicitors LLP  
Tollgate House  
69-71 High Street  
Harpenden  
Hertfordshire  
AL5 2SL

## Bankers

HSBC Bank plc  
1 High Street  
Harpenden  
Hertfordshire  
AL5 2RS

## Auditor

Mazars LLP  
Tower Bridge House  
St. Katharine's Way  
London  
E1W 1DD

# Chair's Statement



I am pleased to have this opportunity to provide you with an update on how your Society performed during 2021.

2021 will be remembered by many as year 2 of Covid-19. Your Society has supported 149 mortgage borrowers (c.18% of all borrowers) with payment holidays during the pandemic. At the time of writing, we continue to support members through this challenging and uncertain period.

The Society was classified as an essential business and, as such, we continued to operate during 2021 – this is in no small part because of the outstanding efforts of our staff during the year who worked hard to maintain services for our members. Our members supported us in this endeavour with understanding and patience. I would like to thank everyone for their contribution to this effort in 2021. Hopefully this year we may see a return to something approaching normality for us all.

## **Society's performance in 2021**

2020 saw a reduction in mortgage business and a consequent reduction in profits and we were looking for the management team to reverse that trend and start growing the business in 2021.

As we progressed through the first half of the year it became clear that there were some fundamental challenges with our mortgage business as evidenced by a continuing decline in business and a shrinkage in our mortgage book.

The Society appointed a new CEO, Richard Doe, following the resignation of Sarah Howe in September. Richard, previously a NED at the Society, brings considerable executive experience and a strong track record in the mortgage industry having previously been CEO of ING Direct in the UK and Managing Director of Paragon Bank plc. He was appointed to the role on 30 September 2021.

Whilst Richard has taken immediate steps to address the shortcomings in business performance this will take time to filter through in the Society's financial performance during 2022 and beyond. Richard will explain more about the steps he has taken in his commentary.

The financial impact on the Society's results for 2021 has been marked with pre-tax profits reduced to £86k and a contraction in the mortgage book of 4.1% to £217m.

The Board fully acknowledges that the performance of the Society in 2021 was disappointing. As you can see, we have taken decisive action in order to take advantage of the opportunities that are available to us.

The Society holds significant surplus capital and liquidity which provides the capacity and time to build a stronger and more sustainable business.

# Chair's Statement (continued)

## Outlook for 2022 and Building a Sustainable Society

Given we have started 2022 with a smaller balance sheet, profitability will be impacted this year. However, with our focus on mortgage growth we aim to improve profitability levels from 2023 onwards.

We are confident that our detailed plans demonstrate sustainable profitability, and we will continue to monitor the execution and results very closely. Richard Doe and the management team supported by the Board are very focussed on delivering positive growth in the mortgage business in 2022.

## Board Changes

Since my last report, we have made further changes to the Board with, as noted above, Richard Doe moving to CEO and relinquishing his NED position, and Lesley Beecher joining the Board as a NED. Lesley is an experienced senior level IT practitioner with 25 years' retail banking experience at a number of well-known financial institutions including HSBC and First Direct.

I would like to take this opportunity to thank Judith Mortimer-Sykes, our previous Chair of the Remuneration Committee and Nominations Committee, who retired from the Board in April. Judith served as a NED since 2011, during which time she was an active member of the Board. We all send Judith our best wishes for the future.

## Governance

The Board is responsible for the long-term sustainability of the Society, for protecting our culture and values, and for governance. The Board continues to maintain its strong governance and oversight of the Society as evidenced in the management changes that have been made.

## Colleagues

We recognise the need to attract and retain talented people and have recruited for 9 new roles during 2021.

Finally, I would like to take this opportunity to thank all our members, customers and professional partners for their past, and continued support.

## Stephen Richardson

Chair  
15 March 2022



## Chief Executive's Review



We began 2021, like everybody, living and working in a strict lockdown environment following the resurgence of Covid-19 but with some optimism about the rollout of vaccines that would prove to be so important in getting back to some sort of normality.

The Society continued to maintain all its key services to members with branches remaining open throughout the year and Head Office staff working on a hybrid basis. Omicron emerged at the end of the year and once again we reduced numbers of staff on site at our Head Office whilst maintaining our branch services. The Society was not materially impacted by staff absence in this period.

I would like to thank all my colleagues for their commitment in these challenging times and their continued focus on serving our members.

During 2020/21 we have helped 149 mortgage members with the Government initiated payment deferral scheme. This undoubtedly assisted members through a challenging period and I am pleased to report that more than 90% have now normalised their repayments. We continue to support a small number of members.

The low risk profile of our mortgage portfolio allowed us to reduce provision levels during the year and credit performance remains strong.

Despite a strong mortgage market in 2021, driven by the Government's stamp duty holiday, the Society failed to maintain a promising start to the year and falling volumes of new business combined with higher than expected redemptions resulted in a 4.1% mortgage book contraction.

The position stabilised in the fourth quarter and the mortgage pipeline began to rebuild.

The reduced size of the mortgage portfolio over the last two years is the primary driver of the reduction in profit for 2021. This position combined with continued investment in our people and technology will also impact profitability in 2022.

Management's number one priority is to deliver mortgage growth and several changes have been implemented to improve our product proposition, service delivery and efficiency. At the core of these changes is strengthening the skills and capability of the Sales & Marketing and Mortgage Operations teams. Whilst I am optimistic that the changes we are making will deliver the required improvement it will take time to filter through to our financial results. However, we aim to improve profit levels in 2023.

Our savings portfolio remained broadly stable over the year, and we were also delighted to win the Personal Finance Awards 2021/22 - Best Junior/Children's Savings Provider and the What Mortgage Awards 2021 - Best Local Building Society.

Despite a challenging couple of years in terms of mortgage growth, the Society continues to have strong foundations and holds significant surplus capital and liquidity which provide capacity and time to address the issues described above and allows for growth over the coming years.

## Chief Executive's Review (continued)

This year is an important one for the society as we aim to start steadily growing the mortgage portfolio once again and increase revenue to build a long-term sustainable future. This will allow us to continually improve services to our members, invest in our people and systems and continue to support our local communities.

During 2021 we continued to work with the Hertfordshire Community Foundation to support organisations in our region. Commitments of £40,000 were made during the year in addition to other direct donations.

Pre-covid our branches had been active in supporting local events and activities in their communities. This, understandably reduced during the last two years due to the pandemic. We hope that 2022 will see an increase in activity.

There are headwinds to navigate; whilst the impacts of the pandemic may be easing, no one can be completely certain of the future. Equally, the cost of living challenges, skills shortages, political unrest both here and abroad and the legacy of Covid-related debt can all impact the economy and environment we operate in. However, at present, the UK housing market remains robust and our members financially resilient.

Given our strong surplus capital position, our need to transform our operations and invest further in people and technology, we expect moderated profit levels in the coming years as we modernise our business and build a platform for sustainable growth.

In my first three months as CEO, I have spent a lot of time with colleagues to understand the challenges and barriers to growth within the Society. This, combined with feedback from members and business partners has led to a revised business plan which is now being implemented. I am confident that Harpenden Building Society will continue to have an important role to play in the region for its members now and in the future as well as supporting our local communities.

**Richard Doe**

Chief Executive  
15 March 2022



## Our Corporate and Social Responsibility

### Social and community

Covid-19 has continued to be challenging and has caused significant disruptions to the local community. As an independent regional Building Society, employing many local people, our history and heritage is embedded within our local communities. As a mutual society, our communities are at the heart of our commitment to Corporate Social Responsibility (CSR).

We believe in giving back to our communities whenever we can, especially supporting those in need during these difficult times. Covid-19's undeniable effects has broadened to include physical health concerns and worries and also many people's mental health. Isolation from friends and family and local businesses and services have been greatly disrupted, of which many of our members rely upon daily or have employment.

This last year has still caused disruption for community events, charities, clubs and projects, especially with the emergence of the Omicron variant. It is at times like this when a community is tested to its limits like never before. Despite it being difficult for us to support our local community with the same velocity as we once did before the pandemic began, we have managed to maintain our commitment to funding partnerships and also to support our members where we can.

Our CSR programme has two primary purposes and ensures we respond to community needs in ways that matter to them the most.

### Firstly, demonstrating our core best practice behaviours as a Building Society:

- Ensuring our commitment to providing responsible financial services
- Serving our customers with honesty and integrity
- Considering the contributions of our employees at all times and ensuring recognition of their part in our success
- Striving to optimise benefits for our Members

Secondly, to ensure we have an ongoing commitment to the local communities in and around where we operate. These are established in our roots as a Society, since our inception in 1953 which was to help local people buy their own homes.

### Our Charitable Trust

The purpose of our trust is to make a noticeable difference to the lives and well-being of the communities around us. This has continued to be challenging in 2021, but our employees still committed to supporting and fundraising for the 'Covid-19 urgent appeal' run by the NHS charities together. From donations made following our AGM in April 2021, we are proud that the fantastic amount of £1,238 was raised and donated and we thank everyone for their support and generosity.

Our Charitable Trust was set up specifically to help people living in the local communities where we are based. During the year, we received an assortment of project applications for funding. Our Trust supports a diverse range and variety of submissions. Each application is assessed against specific criteria looking at the positive and direct impact the project will have for local people and the community. These applications have all been delivered in collaboration with Hertfordshire Community Foundation.





## Our Corporate and Social Responsibility (continued)

**During 2021 the Society allocated funding to;**

### **Wheathampstead Wanderers Football Club - £10,000**

This club provides football for over 600 children and teenagers across 49 teams. They have 160 volunteers delivering 25,000 hours of community contribution each year.

One of the districts in Wheathampstead is in the top third nationally for income deprivation and annual player fees are set at some of the lowest in the area to ensure they don't provide a significant barrier to participation. In addition the club operates a hardship fund, providing free football for U6s and reduced fees for the U7s.

Our funding contributes towards their football pavilion development project. This includes building a new pavilion, changing facilities, a club training room, toilets (with disabled access) and a kitchen for serving hot and cold refreshments on match days. The outside parking area will also be redesigned to accommodate 130 spaces.

We are delighted the club have recently confirmed positive news about other grants received to help contribute to the build.

### **Highfield Preschool, Harpenden - £1,290**

Highfield Preschool is based at the YWAM Oval in Harpenden and together with the nearby King's School, they form the charitable organisation known as Kingdom Education, which oversees the running of both schools.

The Preschool operates with 'traditional Christian values' for children aged 2 years 9 months, up to school age. Our funding was to support a project to replace the Victorian toilet facilities at the school. Fees are kept low and attending families are mostly on lower income, so no additional funding was available within the school to account for the cost.

Our contribution aided the project to replace the 6 toilets, and associated work. They have also secured a sizeable contribution from the Harpenden Trust, and with hard work and dedication they've managed to raise £1,200 themselves to contribute to the costs.

### **Youth Talk – (continued partnership) - Year 1 paid - £9,816.**

Youth Talk have been operating for over 20 years and is a charity that provides confidential counselling/ psychotherapy to 13-25 year-olds who live, work and/ or attend school/college in the District of St Albans and surrounding areas. Their approach focuses on the need to catch problems early and prevent an increase in severity.

Youth Talk have an array of counsellors who are qualified therapists and highly experienced in working with young people. They also have a national award for innovation and an award for services to the community.

They only take self-referrals from the young people themselves. This means they are required to take ownership of their care, which Youth Talk believe is crucial for their recovery. They support over 250 young people per year and sessions are free of charge. Pre-Covid they were hosting 60 sessions per week, currently now they average 80-90 per week and fully expect to be close to 100 sessions per week soon.

In 2021, we continued our partnership and began a new 3 year cycle of funding with Youth Talk. This multi-year commitment allows them to provide free counselling, both digitally and in person, to young people with mental health issues. Our funding would provide 330 vital sessions of counselling over 3 years (110 per year for 10 clients per year).

## Our Corporate and Social Responsibility (continued)

Last year, Youth Talk supported 274 young people and offered 3,253 counselling sessions. A 22% increase in the number of counselling sessions from the previous year. It's a huge achievement and we're immensely proud to continue to support them.

### A strong partnership with HCF

We partner with Hertfordshire Community Foundation (HCF), an independent countywide charity that provides grant support to local grass root organisations and to children and families in crisis by encouraging local philanthropy. HCF helps identify and research suitable projects to fund that meet our areas of priority including children, families, the elderly, education, health, mental health and local community projects and clubs.

We aim to support groups and organisations primarily within Hertfordshire and Bedfordshire. Working with HCF demonstrates our commitment to the local community and helps improve the lives of vulnerable people.

### Our employees

As a local building society, we are proud to continue to provide employment opportunities in the communities around us. We are always focussed on the well-being and support of our employees, however, Covid-19 has continued to provide many challenges and we have had to adapt to ever-changing working environments. These difficult times have shown the spirit and commitment that our employees display each day and we have managed to provide services and opportunities to help support their mental and physical well-being.

The voice of our employees has continued to be vital for many aspects of the organisation. We have provided flexibility for working opportunities to help our employees manage their professional and family lives during challenging times.

Our customer facing employees have continued to be fully committed to providing the best service possible to their community. Despite having to work in challenging situations, the safety and well-being of our employees, as well as our members, has been vitally important. We have been determined to support our community and despite our branches having to function at reduced opening hours at times, we are proud of the dedication and service our employees have continued to deliver.

Our office-based employees fully accepted the adjustments needed that Covid-19 has demanded we undertake. We have adapted and continued to show flexibility in the way we work. With colleagues and departments often separated and working from home, the reliance on technology has never been more evident. Our robust systems have meant we were still able to fully function and deliver.

At the heart of everything we have tried to deliver in 2021, it has always been to continue to support and guide our members and employees through this difficult period, as best we can. Helping those who have felt isolated and unable to visit our branches, supporting the mental health of our employees and providing flexibility to situations of our members, have all been at the forefront of our achievements in the past 12 months.

### Our training opportunities

The Society is committed to providing training and learning opportunities for our employees. Our online learning platform provides a range of learning material and modules designed to increase knowledge and improve skills. In 2021, our employees completed on average 21 learning modules each so the total amount of learning across the organisation on the platform was approximately 1,120 hours.

### Our sustainability promise

We plan to continue to grow the business in a responsible and sustainable way ensuring we are a responsible and forward-thinking organisation.

#### As part of our CSR planning, we are committed to:

- Encouraging a paperless environment in our head office, our branches and working from home. We ask employees to consider the environment before printing and encourage the use of digital capabilities
- Buying goods and services that minimise environmental impacts
- Creating an environment where we have increased the amount we recycle and reduce the waste materials we dispose of
- Helping support and fund charities and schemes that contain social and environmental benefits for their communities.

## Your Board of Directors



### Stephen Richardson

#### Chair

Stephen joined the Society as a non-executive director in January 2014 and was appointed Chair in June 2016. He is Chair of the Nominations Committee and a member of the Remuneration Committee.

Stephen brings a wealth of strategic leadership to the organisation and has over 35 years of management and leadership experience in financial services at Barclays, Flemings and The Bank of New York, where he was Chief Operating Officer for Europe.

He was Global Head of Wealth Management at the World Gold Council (trade body for global gold mining companies) covering China, India, Europe and the USA until mid-2013.

Stephen now has a range of non-executive and advisory/consulting roles.



### Nigel Boothroyd

#### Vice Chair

Nigel joined the Society as a non-executive director in March 2019 and was appointed Vice Chair in May 2020 and the Senior Independent Director in January 2021. He is Chair of the Remuneration Committee and a member of the Risk & Compliance Committee and the Nominations Committee.

He has significant executive-level experience within financial services, having spent some 38 years at HSBC Group. He has carried out a number of senior roles, with experience of corporate and commercial banking; credit risk; operational risk; retail banking and wealth management. Nigel has served on a number of Executive and Risk Committees within the UK, Europe and North America. He was also the National Head of Corporate Banking with HSBC Canada between 2012 and 2015.

Nigel is an experienced non-executive director and, in addition to his role at the Society, is currently a non-executive director at British Arab Commercial Bank plc where he is also the Chair of the Remuneration and Nominations Committees.

## Your Board of Directors (continued)



### Lesley Beecher

#### Non-Executive Director

Lesley joined the Society as a non-executive director in July 2021 and is a member of the Audit, Nominations and Remuneration Committees.

Lesley has worked in financial services for the last 25 years. She is a technology specialist and was a retail banking CIO in her previous role. In parallel, for the last 7 years Lesley was a non-executive director for a company offering services to the credit union sector.



### Richard Doe

#### Chief Executive Officer

Richard joined the Society in April 2020 initially as a non-executive director. He was appointed Chief Executive Officer in September 2021 following Sarah Howe's resignation.

Richard has over 35 years' experience in retail banking, covering mortgages, SME lending and retail savings. He has a marketing and business strategy background and was previously CEO of ING Direct in the UK and Managing Director of Paragon Bank plc.

He is a Chartered Banker and Fellow of the Chartered Institute of Marketing where he is also a member of the Appointments and Remuneration Committee.



### David Green

#### Non-Executive Director

David joined the Society as a non-executive director in October 2020 and chairs the Society's Audit Committee. He is also a member of the Risk & Compliance Committee.

He is a Chartered Accountant with around 40 years' experience in retail financial services. He joins us having recently retired as CEO of a leading private bank. He also served as an independent non-executive director for 7 years at a challenger bank.



## Your Board of Directors (continued)



### George McGrady

#### Finance Director

George joined the Society as Finance Director in May 2016 and joined the Board in January 2017. George provides the Society with financial oversight and has been an active leader for the Society's strategic financial direction based on financial strength, sustainability and member value. He is also a key member of the leadership of the organisation.

He is a Chartered Accountant with a wealth of financial experience gained through a number of organisations including KPMG and, most recently, as Chief Financial Officer of Hornbuckle, the UK's largest independent pension administration provider. George has a strong background in the mutual sector having collectively spent 12 years with Nationwide and Lambeth building societies.



### Mark Willis

#### Non-Executive Director

Mark joined the Society as a non-executive director in April 2019 and is currently chair of the Risk & Compliance Committee and a member of the Audit Committee.

Mark has spent his career in financial services, most recently as Chief Risk Officer at National Counties Building Society which he joined in 2013. Previously, he served in a number of operational and oversight roles in financial risk management at Nationwide Building Society (including Head of Market Risk) and with Nationwide Pension Fund as trustee.

He is a Chartered Accountant and Corporate Treasurer and also holds the PMI Award in Pension Trusteeship.



# Summary Financial Statement

## Summary Directors' Report

This financial statement is a summary of information in the audited annual accounts, the Annual Business Statement and Directors' Report, all of which will be available to members and depositors free of charge on request at every office of Harpenden Building Society from April 2022.

## Strategic Business Review

The Chair and Chief Executive have commented on the Society's performance since the start of the pandemic and the steps taken to grow the mortgage book. During 2021, there has been a net contraction in the mortgage book of 4.1% and this has resulted in a £0.4m reduction in interest receivable for the year. There has also been a further £0.1m reduction in liquid asset yield, representing the full year impact of the reduction in Bank Base Rate (BBR), that took effect following the outbreak of the pandemic. However, a reduction in interest payable has resulted in the overall impact being a c.£0.4m increase in net interest income on 2020.

However, this net improvement has been offset by a c.£0.8m increase in administrative expenses, with staff costs and management expenses increasing by £0.35m and c.£0.45m respectively. The increase in staff costs is mainly due to a combination of the 'full year' impact of new starters from 2020 as well as additional staff recruited during 2021. This increase was expected and commented upon in last year's Business Review and is a consequence of strengthening the people capability to meet the Society's operational and governance needs. The increase in management expenses is mainly due to increased IT costs, staff training and professional services.

The Society's credit risk profile continues to remain strong and has proved to be resilient to the impact of the pandemic. Overall LTVs for the mortgage book remains very low and this results in minimal exposure to losses resulting from any future material reduction in house prices and/or increases in loan defaults. Whilst a cautious view was taken as part of the Society's assessment of credit risk at the onset of the pandemic, actual events have now resulted in a material reduction in the loan loss provision of c.£0.2m.

The improvement in net income and the release in loan loss provisions, have broadly offset the increase in administrative costs, resulting in a profit-before-tax of £86k (2020: £211k), with total comprehensive income of £386k (2020: £143k), after reflecting property revaluation gains.

The Directors set out their assessment of the principal risks and uncertainties facing the Society on pages 17-20 of the audited annual accounts. It is recognised that there are risks and uncertainties associated with the potential adverse effects of the pandemic and of Brexit, and that any consequent economic downturn, disruption to financial markets or political instability could have an impact on the business model. The impact of both the pandemic and of Brexit have been stress tested against the Business Plan during the year to ensure that it has appropriate management control processes and sufficient capital and liquidity to withstand such impacts.

The Society continues to focus on its core objective, namely, to provide a competitive mortgage range funded by retail savings, predominately through members local to our branch network, despite the adverse conditions referenced above.

As noted above, the mortgage book contracted by 4.1% in 2021 to £217.2m, with the overall balance sheet decreasing by £6.3m to £295.8m. We have previously noted that the Society has high levels of liquidity and this has remained relatively consistent with 2020. This is due to mortgage book contraction broadly matching the reduction in funding.

An Executive Product Pricing Committee convenes monthly to discuss pricing and ensure sufficient attention is focused on both new product development and the pricing decisions taken. This includes the assessment of various factors when considering rate changes, one of which is the Bank Base Rate, but other factors include competitive pressure, funding requirements, liquidity position, growth expectations and also balancing the competing needs of both mortgage and savings customers.

The Society strives to provide fair interest rates for both mortgage and savings customers, in the context of the reshaping of the funding base. From a savings perspective we consider the rates to be competitive in the marketplace. A recent example of this was a limited fixed rate bond offered during January and we will respond to the market and the Society's requirements.

# Summary Statement

for the year ended 31 December 2021

## Results for the year

	2021 £000	2020 £000
Net interest receivable	6,614	6,202
Other income and charges	241	219
<b>Total Net Income</b>	<b>6,855</b>	6,421
Administrative expenses	(6,952)	(6,192)
Impairment of loans and advances	178	(16)
Provisions for liabilities	5	(2)
<b>Profit for the year before taxation</b>	<b>86</b>	211
Taxation	(50)	(44)
<b>Profit for the year</b>	<b>36</b>	167
Revaluation of investment property	346	-
Movement in related deferred tax	4	(24)
<b>Total comprehensive income for the year</b>	<b>386</b>	143

## Financial position at end of year

	2021 £000	2020 £000
<b>Assets</b>		
Liquid assets	73,001	70,768
Mortgages	216,948	225,932
Fixed and other assets	5,818	5,329
<b>Total assets</b>	<b>295,767</b>	302,029
<b>Liabilities</b>		
Shares	260,715	268,084
Borrowings	4,532	4,571
Other liabilities	1,417	644
Provisions for liabilities	-	13
General reserve	27,711	27,675
Revaluation reserve	1,392	1,042
<b>Total liabilities</b>	<b>295,767</b>	302,029

Approved by the Board of Directors on 15 March 2022 and signed on its behalf by:

**Stephen Richardson**

Chair

**Richard Doe**

Chief Executive

**George McGrady**

Finance Director

## Summary Statement (continued)

for the year ended 31 December 2021

	2021	2020
Gross capital as a percentage of shares and borrowings	<b>10.97%</b>	10.53%
Liquid assets as a percentage of shares and borrowings	<b>27.52%</b>	25.96%
Profit for the financial year as a percentage of mean total assets	<b>0.01%</b>	0.06%
Management expenses as a percentage of mean total assets	<b>2.33%</b>	2.07%

### Notes to the Key Financial Ratios

Gross capital comprises general reserve and revaluation reserve. The gross capital ratio gives an indication of the extent to which the Society is funded by retained profits and other reserves compared with money invested by shareholders and depositors. Such capital provides a financial cushion against any losses that might arise in the Society's business and therefore protects investors.

The liquid assets ratio measures the proportion that the Society's assets held in the form of cash, or short-term deposits readily convertible into cash, bears to the Society's liability due to investors. Such liquidity enables the Society to meet requests by investors for withdrawals, to make new mortgage loans and to fund its general business activities.

Mean total assets are calculated as the average total assets at the beginning and end of the financial year.

Profit for the year as a percentage of mean total assets measures the proportion that the Society's profit after taxation bears to the average of total assets during the year. The Society has to make a reasonable level of profit each year in order to maintain a strong gross capital ratio thereby providing protection for investors' funds. The Directors believe that the profit for the year is both prudent and consistent with the concept of mutuality.

The management expenses ratio measures the proportion that the Society's administrative expenses bear to the average of the Society's total assets during the year.

# Independent Auditor's Statement

## Independent Auditor's statement to the Members and Depositors of Harpenden Building Society

We have examined the Summary Financial Statement of Harpenden Building Society set out on pages 14 to 16.

### Respective responsibilities of directors and auditor

The directors are responsible for preparing the Summary Financial Statement, in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the Summary Financial Statement with the full Annual Accounts, Annual Business Statement and Directors' Report and its conformity with the relevant requirements of Section 76 of the Building Societies Act 1986 and regulations made under it.

### Basis of opinion

#### Our examination of the Summary Financial Statement consisted primarily of:

- Agreeing the amounts included in the Summary Financial Statement to the corresponding items within the full annual accounts, Annual Business Statement and Directors' Report of the Society for the year ended 31 December 2021;
- Checking that the format and content of the Summary Financial Statement is consistent with the requirements of section 76 of the Building Societies Act 1986 and regulations made under it; and
- Considering whether information has been omitted which although not specifically prescribed by section 76 of the Building Societies Act 1986 and regulations made under it, in our opinion, is necessary to ensure consistency with the full annual accounts, the Annual Business Statement and Directors' Report of the Society for the year ended 31 December 2021.

We also read the other information contained in the Member review and consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the Summary Financial Statement. Our report on the Society's full annual accounts describes the basis of our opinions on those annual accounts, the Annual Business Statement and Directors' Report.

### Opinion on summary financial statement

In our opinion the Summary Financial Statement is consistent with the full annual accounts, the Annual Business Statement and Directors' Report of Harpenden Building Society for the year ended 31 December 2021 and complies with the applicable requirements of Section 76 of the Building Societies Act 1986 and regulations made under it.

### Use of the statement

This statement is made solely to the society's members and depositors as a body in accordance with section 76(5) of the Building Societies Act 1986. Our audit work has been undertaken so that we might state to the society's members and depositors those matters we are required to state to them in such a statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members and depositors as a body for our audit work, for this statement, or for the opinions we have formed.

### Mazars LLP

Statutory Auditor  
Tower Bridge House  
St. Katharine's Way  
London E1W 1DD  
15 March 2022

# Directors' Remuneration Report

The purpose of this report is to explain how the Society complies with the principles relating to remuneration in the UK Corporate Governance Code July 2018. The Society has adopted a Remuneration Policy, which describes how the Society complies with the FCA's Remuneration Code. The remuneration of the individual Directors is detailed on page 20.

## The Level and Components of Remuneration

Code Principle: Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values, and be clearly linked to the successful delivery of the company's long-term strategy.

### Board comment:

The Remuneration Committee has responsibility for the Remuneration Policy. In determining Executive Director and Leadership Team remuneration, it first reviews all workforce remuneration and the alignment of incentives and rewards with the Society's culture and strategy. The Remuneration Committee has delegated responsibility to determine the Remuneration Policy for the Executive Directors and the Leadership Team.

The Remuneration Policy outlines the overall approach and principles the Society adopts towards managing remuneration for all employees and non-executive directors. We have a simple approach to compensation which reinforces our strategy and values by rewarding the right behaviours and outcomes for members and the Society, focussing on long-term sustainable growth, and discouraging unnecessary risk taking in line with the Remuneration Code. The policy is made available to all employees.

## Executive Director Emoluments

Total remuneration includes base pay, performance related pay bonus, benefits and pension. Executive Director remuneration is reviewed annually.

- a) Fixed Remuneration - Base Pay.** This takes into account role and experience, comparison to the local external market and benchmark data.
- b) Variable Remuneration – Annual Bonus<sup>1</sup>.** The discretionary performance-related bonus scheme is linked to both individual performance and the achievement of Society corporate targets. Targets include member satisfaction, profitability, mortgage book growth and employee engagement. This is reviewed by the committee annually to ensure the measures are appropriate. The bonus payment is not pensionable, and the scheme is designed to deliver a maximum award of 20% of basic salary. Payments may be reduced or withdrawn if the Board considers there is an item or event of material importance or relevance to have a significant influence on the regulatory status, financial performance, or financial statements of the Society. In addition, a 'profit hurdle' has been set that should be exceeded before any element of the bonus is payable. The Society does not operate a long-term incentive scheme. The 2021 discretionary performance-related bonus scheme did not pay out as the profit hurdle was not reached.
- c) Retirement Benefits – Pension.** The Executive Directors have defined contribution pension plans, to which the Society and employee both contribute. The pension contribution to Executive Directors aligns with that of the workforce and is set at 10% of basic salary.
- d) Employee Benefits.** The Executive Directors are entitled to a car allowance, private medical insurance ('self' and partner), Group Income Protection and Life Assurance.
- e) Contractual Terms** - R. Doe is employed on a Service Contract dated 24 September 2021, terminable by the Society or by the individual on six months' notice. G. McGrady is employed on a Service Contract dated 3 January 2017, terminable by the Society or by the individual on six months' notice.

<sup>1</sup>Richard Doe's basic salary has intentionally been set below that of the previous incumbent, with the potential for a higher discretionary bonus, to encourage the achievement of predetermined targets and metrics. Any increased percentage will only be paid if the Society achieves significant stretch targets in the performance year it relates to. There was no bonus paid to Executive Directors in 2021.



# Directors' Remuneration Report (continued)

## Non-Executive Director Emoluments

Fees are based on comparable data from similar financial service organisations and are reviewed annually. Non-Executive Directors do not qualify for a pension or a bonus but do qualify for Life Assurance at the rate of three times annual fees. Performance of individual Directors is assessed by the Chair and their fellow Board members. The remuneration of the Chair is reviewed by the Committee and set by the Board with their performance assessed by all members of the Board. All other Non-Executive Directors' remuneration is also set by the Board, following review by the Remuneration Committee.

## The Procedure for Determining Remuneration

*Code Principle: A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established. No director should be involved in deciding their own remuneration outcome.*

### Board comment:

The Remuneration Committee reviews the Society's Remuneration Policy, including Director Remuneration Frameworks annually. The Committee consists of three Non-Executive Directors, one of whom chairs the Committee. Members of the Committee are unable to determine their own remuneration. This is stipulated in the Committee Terms of Reference.

*Code Principle: Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance and wider circumstances.*

### Board comment:

The Board has delegated authority to the Remuneration Committee, to review annually and effect appropriate remuneration packages for the Board of Directors, Chief Executive, Finance Director, and other members of the Leadership Team, ensuring that these are fair and appropriate to the duties and responsibilities of each and reflect their contribution to the Society's overall performance.

## Nigel Boothroyd

Chair of Remuneration Committee

15 March 2022

## Directors' Remuneration Report (continued)

The total emoluments for both Executive and Non-Executive Directors for the year amounted to £697,429 (2020: £614,518).

<b>2021</b>	<b>Salaries</b>	<b>Bonus</b>	<b>Benefits</b>	<b>Pension Contributions</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
R. Doe (Chief Executive)	45	-	-	-	45
S. Howe (former Chief Executive)	262	-	14	23	299
G. McGrady (Finance Director)	143	-	12	14	169
	<b>450</b>	<b>-</b>	<b>26</b>	<b>37</b>	<b>513</b>

Mrs S. Howe resigned from the Board on 17 September 2021 with Mr R. Doe appointed to the Board as Chief Executive on 24 September 2021. Mrs S. Howe received additional contractual payments of £53k in 2021, included in Directors' emoluments. There are further contractual payments and compensation of £66k payable during 2022, this has also been accrued in 2021 and included in Executive Directors' emoluments.

<b>2020</b>	<b>Salaries</b>	<b>Bonus</b>	<b>Benefits</b>	<b>Pension Contributions</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	
S. Howe (Chief Executive)	199	-	12	20	231
G. McGrady (Finance Director)	141	-	12	14	167
	<b>340</b>	<b>-</b>	<b>24</b>	<b>34</b>	<b>398</b>

Non-Executive Director Emoluments (comprising fees only):

	<b>2021</b>	2020
	<b>£000</b>	£000
S. Richardson	<b>45</b>	45
J. Mortimer Sykes (Retired 23 April 2021)	<b>10</b>	32
P. Baynham	<b>-</b>	27
J. Robinson	<b>-</b>	7
N. Boothroyd	<b>32</b>	26
M. Willis	<b>32</b>	32
R. Doe (Resigned as a Non-Executive Director 24 September 2021)	<b>20</b>	22
D. Green	<b>32</b>	23
L. Beecher	<b>13</b>	-
	<b>184</b>	214



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