



Saxon  
Weald

# Group Annual Report & Financial Statements



# Contents

• Board, Executive Directors & Advisers	2 - 3
• Strategic Report incorporating the operating and financial review	4 - 19
• Business model and activities	4
• Purpose, objectives and strategy	6
• Performance	10
• Risks and trends	17
• Report of the Board	20 - 61
• Governance	20
• Board members' responsibilities	22
• Chief Executive and Executive Team	23
• Internal controls assurance	23
• Value for money self-assessment	25
• Independent auditor's report	62 - 63
• Group and Saxon Weald Homes Ltd statement of comprehensive Income	64
• Group and Saxon Weald Homes Ltd statement of financial position	65
• Group and Saxon Weald Homes Ltd statement of changes in reserves	66
• Group statement of cash flows	67
• Notes to the financial statements	68 - 97

## Advisers, Board and Executive Directors

### Advisers

#### External Auditor

RSM UK Audit LLP  
Abbotsgate House, Hollow Road  
Bury St Edmunds, Suffolk IP32 7FA

#### Internal Auditor

TIAA Ltd  
54-56 Gosport Business Centre  
Aerodrome Road, Gosport PO13 0QF

#### Main Bankers

National Westminster Bank Plc  
47 Carfax, Horsham, West Sussex RH12 1FD

#### Solicitors

Trowers & Hamblins  
3 Bunhill Row, London EC1Y 8YZ

Capsticks  
Staple House, Staple Gardens  
Winchester SO23 8SR

TLT Solicitors  
One Redcliffe Street, Bristol BS1 6TP

### Registered Office

Saxon Weald House  
38-42 Worthing Road  
Horsham, West Sussex RH12 1DT

## The Board

Members of the Board of Saxon Weald Homes Limited who served throughout the year, unless otherwise shown were:

	Board Member	Committee Membership at 31 March 2016
EM	<b>Norman Hill</b> BSc Econ (Hons), FCPFA (Company Secretary)	
T	<b>Debbie Joseph</b> BSc (Hons), PGCE	Audit & Risk and Remuneration Committees. Complaints Review Panel.
T	<b>Martin Loates</b>	Emergency and New Business Committees. Complaints Review Panel.
I	<b>Charlotte Moore</b> B.Eng (Hons), C. Eng, MBA(MSc)	Emergency and New Business Committees.
I	<b>Liz Nicolls</b> BSc (Joint Hons) (from 11 July 2016)	Audit & Risk and New Business Committees. Complaints Review Panel.
I	<b>Richard Perry</b>	Audit & Risk and Remuneration Committees.
I	<b>Susan Sjuve</b> BSc (Hons), FCII	Audit & Risk and Emergency Committees. Complaints Review Panel.
EM	<b>David Standfast</b> MA (Cantab), Dip TP, DMS, MRTPI, FCMI	
I	<b>Simon Turpitt</b> (Chairman)	Emergency, New Business and Remuneration Committees.
I	<b>Stephanie White</b> MBA (Vice Chairman)	Audit & Risk, Emergency and Remuneration Committees.
T	<b>Vanessa Williams</b>	New Business and Remuneration Committees. Complaints Review Panel.

T= Tenant Member, I = Independent Member, , EM = Executive Member of the Board

Susan Sjuve resigned as a Board member with effect from 4 July 2017. Richard Stevens was appointed a Board member from 12 June 2017 and Mark Slater was appointed a Board member from 17 July 2017.

## The Executive Directors

The Executive Directors of the company who served during the year are as follows:

**David Standfast** MA (Cantab), Dip TP, DMS, MRTPI, FCMI  
Chief Executive

**Kath Hicks** BSc (Hons)  
Housing Director

**Mark Crosby** BSc, MRICS  
Business Development Director

**Norman Hill** BSc Econ (Hons), FCPFA  
Finance Director

Steven Dennis - Property Director

# Strategic Report Incorporating the Operating and Financial Review

The strategic report incorporates the operating and financial review.

The Company's main accounting policies are set out on pages 68 to 75 of the financial statements.

## Business Model and Activities

Saxon Weald Homes Ltd ('Saxon Weald') is limited by guarantee, does not have share capital and is incorporated under the Companies Act 2006. Saxon Weald is a housing association registered with the Homes and Communities Agency (HCA) and is a charity registered by the Charity Commissioners. Saxon Weald is a public benefit entity for the purposes of Financial Reporting Standard 102 (FRS 102).

Saxon Weald is the parent of Saxon Weald Capital Plc and Weald Property Development Limited. Saxon Weald Capital Plc is a wholly owned subsidiary set up to secure funding from the capital markets to on-lend to Saxon Weald Homes Limited. Weald Property Development Limited is a wholly owned non-charitable subsidiary set up to develop a modest number of homes for open market sale. To date, Weald Property Development Limited has not been active and is therefore dormant. Saxon Weald holds one £1 share in Weald Property Development Limited, but is likely to invest additional sums in the purchase of shares when the company becomes active.

Saxon Weald was formed to take the transfer of the housing stock from Horsham District Council on 11 December 2000. The association provides social housing in East and West Sussex and Hampshire and at 31 March 2017 owned 6,578 homes. Demand for social housing in these areas is greater than the existing provision and in the coming years the gap between supply and demand is anticipated to grow. Retirement

housing for older people (previously referred to as sheltered housing) and extra care properties make up 30% of the social housing owned. In addition to the 5,673 social rented homes, we own 145 shared ownership homes, 157 leasehold homes for older people, 81 market rent homes and the freehold of 522 properties mainly sold under the right to buy/right to acquire legislation. The purpose of this investment in market rent flats is to generate a financial return that is used to help achieve Saxon Weald's charitable objectives.

Saxon Weald's primary business is to build and rent homes for those who cannot afford to buy or rent in the private market and/or who, as a result of age or other characteristic, need additional support to maintain an independent home and lifestyle. Saxon Weald collects rent and service charges from tenants (60% of tenants are eligible for full or partial housing benefit). Saxon Weald manages, maintains and invests in replacing major elements of these properties so that they will continue to be available for those who need them in the future.

The initial stock of properties bought from Horsham District Council was 100% debt financed. Since December 2000, Saxon Weald has built over 1,400 new homes, for the same target groups. The majority of funding to build these new homes is through debt. Central government grant, local government grant, cross subsidy from shared ownership/equity sales and cash generated from Saxon Weald's day-to-day operating rental activity have also made a contribution to the capital cost. However, the substantial reduction in the availability of central government grant in recent years, which is expected to continue, means that debt is overwhelmingly the largest source of funding to build new homes and will be in the future. In 2016/17, net interest payable on debt was 26% of turnover.

In the July 2015 budget, the Chancellor announced a number of reforms that will have an impact on housing associations. These include a reduction in rents for social housing of 1% per annum for four years from 2016/17 to 2019/20 and significant welfare reforms. These reforms are having and will have a significant impact on Saxon Weald's plans going forward, affecting Saxon Weald's ability to continue to develop new affordable homes at the scale originally intended.

Saxon Weald's response to the government's reforms has included identifying £2.3m of recurrent efficiency savings/income generation to be achieved by March 2020 and approving a new Business Development Strategy.

During 2016/17, savings/income generation of £1.3m was achieved, leaving £1.0m of the £2.3m savings/income generation to be achieved by 31 March 2020. This will be made up of savings of £0.3m through our in-house repairs team (HomeFix), the elimination of Saxon Weald's revenue contingency of £0.3m and by £0.4m of income generated from new developments by 2019/20. The timing of this savings/income generation is planned to be: £0.2m in 2017/18, £0.4m in 2018/19 and £0.4m in 2019/20.

The focus of the Business Development Strategy approved by the Board in March 2017 is to deliver the £0.4m of additional net income from new developments referred to above and for other new developments to achieve a neutral or positive financial return as soon as possible. This will require cross-subsidy from the development of some market sale and market rent homes to enable the development of new affordable homes, both for rent and shared ownership. More exposure to market sales increases risk which will be managed by monitoring cash, loans available for immediate drawdown and development commitments.

Saxon Weald uses the value of the existing properties it owns, to secure the necessary loans to continue to build new homes at a sustainable rate.

Saxon Weald is in a sustainable financial position, however there is significant uncertainty and risk over the next five years, not least, the amount by which rents will increase or decrease from April 2020, welfare reform and market sales risk. Saxon Weald's focus will be to improve efficiency and effectiveness to enable Saxon Weald to invest in building new homes and to ensure Saxon Weald's long term financial position.

# ...Strategic Report Incorporating the Operating and Financial Review

## Purpose, Objectives and Strategy

### Charitable purpose

Saxon Weald Homes Ltd is a registered charity – number 1114158. In preparing this report we have paid due regard to guidance on reporting on public benefit. This report explains how we have met our charitable purposes this year. The main ones are:

- Providing homes and associated services to people in necessitous circumstances, older people and people with disabilities; and
- Acting in the interests of social welfare with the object of improving the quality of life for local residents.

### Objectives and strategy

Saxon Weald is directed by the Board and Executive Team who are listed on page three. In December 2015, the Board agreed a corporate strategy for 2016-2019, which was updated for the two year period 2017/18 and 2018/19 and approved at the January 2017 Board meeting. The Board at its seminar on 21 November 2016 agreed the direction of travel for Saxon Weald over the years of reducing rents between 2017/18 to 2019/20. This updated corporate strategy for 2017 to 2019 identifies how Saxon Weald will respond to a challenging externally imposed financial situation as well as continuing to build excellent new homes and providing customer service to be proud of. The headlines are as follows. We will:

- Be independent and financially strong.
- Develop a significant house-building programme, though with a higher proportion of market housing. This will help us to subsidise affordable housing wherever possible. We will identify a site

for a new extra care scheme.

- Provide a service to customers we can be proud of.
- Implement change through our eight service strategies and their action plans. Strategy reviews on these will be brought to Board annually. In addition, exception reports will be made if an action plan goes significantly off course.
- Continue to make value for money savings. In particular, review our systems and processes – querying all that we do and why.

This corporate strategy sets out what we are, where we came from, our purpose, values, strategic aims and our strategic objectives for 2017-2019.

Our purpose is to manage, maintain and develop housing for those who are unable to provide for themselves in the market place.

Our values are what we stand for. They guide how we act and the decisions we make. We are committed to:

- Acting with integrity
- Treating people with respect
- Equality and acting fairly
- Valuing customers

These are underpinned by strategic aims which are:

- To deliver excellent customer service
- To grow in the south-east through the delivery of quality homes
- To maintain a vibrant work force and a dynamic, challenging but fun place to work
- To continue to develop our role as a leader in older people's housing
- To remain independent and financially strong

These strategic aims are translated into our strategic objectives for 2017-19, the achievement of which is monitored and measured. Our strategic objectives for 2017-19 are:

### A top performer in customer service

*What does it mean?*

- We will have comprehensive records of our communications with customers.
- Our customer support team will deal with 85% of queries at the first point of contact.
- We will do what we say we will do in our service commitments.
- We will facilitate and promote the use of digital communication, including the ability to self-serve, as the primary method of doing business with customers.
- We will understand who our customers are and tailor our services accordingly.
- We will learn from complaints and deal with them positively and promptly.

*How will it be measured?*

- Overall customer satisfaction will be at 85% or above as will satisfaction with HomeFix, gas maintenance, planned maintenance, newly let homes and housing support.
- 20% of customers will have signed up to the self-service portal by March 2018.

*How are we going to get there?*

- In 2017/18, we will develop a revised customer service strategy which will focus on increasing digital transactions to reduce costs and enable customers to interact with us more flexibly.
- We will use customer segmentation to understand who our customers are and respond to their needs accordingly.

- We will continue to improve our digital services including the Saxon Weald app.

### Maximise rental income following the roll out of universal credit.

*What does it mean?*

- The rent collection service maintains income levels.
- Residents are helped to maximise and manage their incomes at a time of benefit cuts and welfare reform changes.

*How will it be measured?*

- For 2017/18 keep rent arrears below a 2.8% cap.

*How are we going to get there?*

- Develop an action plan in preparation for universal credit to ensure effective and efficient rent collection.
- Residents affected by welfare reform will be given reliable and up to date information.
- We will continue to offer support to those residents most greatly affected by welfare reform.

### Develop the talent in our staff to ensure high job satisfaction and achieve our ambitions.

*What does it mean?*

- We will have great staff, in tune with our values, who are focussed on customer service, will drive value for money and deliver our corporate objectives.

*How will it be measured?*

- Staff overall satisfaction with their job at 85% or better in staff surveys. A staff survey is planned in June 2017.

# ...Strategic Report Incorporating the Operating and Financial Review

- Achieving our strategic objectives.

*How are we going to get there?*

- Individual training programmes related to staff aspirations and the needs of the company.
- An effective performance management process.
- Demonstrate our values, have focus on good customer service and deliver our objectives.

## HomeFix to become an exemplar in-house repairs service

*What does it mean?*

- Delivering a high performing, value for money in-house repair service expanded to include programmed works.

*How will it be measured?*

- Customer satisfaction will be at 85% plus overall.
- All emergency jobs will be attended within 24 hours.
- Responsive repairs will be completed within an average of 10 working days.
- General needs minor voids will be completed in 20 days or less.
- There will be a year on year reduction in the average real per unit costs of responsive repairs and voids.

*How are we going to get there?*

- A new, more effective materials supply chain.
- Optimising the use of operatives' time by improving supply chain and waste disposal arrangements, improving operative zoning and resource allocation, and reviewing van stock regularly.
- Grow HomeFix functions to include kitchen and bathroom replacements and cyclical maintenance.

## Optimise our development programme

*What does it mean?*

- Continue with a multi-tenure development programme that is positive in terms of its revenue contribution to the business.
- Identify a further extra care scheme.

*How will it be measured?*

- Achieve a contribution of £320k to the expenditure account by 2019/20 from the identified schemes.
- Deliver a programme using the available conventional resources that produces a positive overall financial contribution.

*How are we going to get there?*

- Implement the revised business plan setting out our potential development spend on the identified schemes.
- Adopt a revised business development strategy from April 2017.
- Maximise the opportunities to secure grant from the HCA or Local Authorities.
- Seek to secure the management of new homes owned by others as part of an unconventional programme.

## Determine how best to improve our homes.

*What does it mean?*

- Resources are targeted towards greatest need and customer expectations are managed.

*How will it be measured?*

- Delivery of at least 85% of the annual plan of programmed works. It is impractical to plan for 100% because of inevitable unplanned expenditure that comes to light during contracted works.

*How are we going to get there?*

- Improve the quantity and quality of property-related data in our information systems.
- Ensure a modernisation programme is published to residents each year.

## **Deliver housing and support to meet the priority needs of our older residents.**

*What does it mean?*

- Providing cost effective support services to older residents where it is most needed in line with available resources.
- Develop a greater input into the care function in our extra care schemes.
- Continue to seek opportunities to develop specialist housing for older people.

*How will it be measured?*

- We continue to develop housing for older people.
- Customer satisfaction with the scheme manager service is at least 85%.
- Funding for the scheme manager service is maintained at affordable levels.

*How are we going to get there?*

- Work with councils and voluntary organisations to ensure that we work together for the benefit of older residents.

- Keep the operating model under review, securing alternative income streams where possible and consider a greater use of assistive technology to reduce costs.

## **An operational plan setting out how saving of more than £2.3m is to be achieved**

*What does it mean?*

- An operational plan setting out broadly how the £1m balance of the £2.3m savings not already made will be achieved from 2017 to 2019.
- Continue to identify additional VfM savings year by year.

*How will it be measured?*

- Savings of £2.3m achieved and a surplus of at least £2m from 2018/19.
- Additional VfM savings each year.

*How are we going to get there?*

- A reduction in previously planned development activity.
- A focus on all areas of potential cost reduction using lean techniques.
- Consideration of pay freezes.
- Consideration of whether whole functions can be halted.
- Increase efficiency through investment in new technology.
- Increase our income.
- Regular monitoring of the plan.

# ...Strategic Report Incorporating the Operating and Financial Review

Supporting the corporate strategy are eight service strategies which are:

- Customer Services
- Resident Involvement (interim)
- Asset Management
- HomeFix
- Business Development
- IT
- HR
- VfM & Procurement

Each year, Board will receive a strategy and action plan review for all the strategies. These service strategy reviews will be the major means of the Board and the Executive Team giving significant focus to the key areas of the company's business. As well as receiving progress reports on the achievement of service strategies, senior management and the Board use key performance indicators to monitor performance. A number of these are shown in the table in the section on performance.

## Performance

### Overview

During 2016-17, Saxon Weald made a surplus of £7.8m (2016: £4.6m) which is £4.5m above the target surplus for the year. In addition, there was a small actuarial gain in respect of Saxon Weald's part of the West Sussex County Council pension fund, bringing total comprehensive income for the year to £7.9m. The 2016/17 surplus is £3.2m more than the surplus for 2015/16 of £4.6m. In 2016/17, the actuarial gain in respect of the pension scheme was £24,000 compared

to an actuarial gain of £2.8m in 2015/16. Total comprehensive income for 2016/17 is £7.9m, compared to £7.3m for 2015/16.

At the statement of financial position date, 31 March 2017, Saxon Weald held £13.2m cash to help fund future development and had reserves of £44.1m. This is £7.9m more than reserves at 31 March 2016 due to a surplus for the year of £7.8m and a small actuarial gain on the pension scheme.

The cost of housing properties (after depreciation) on the statement of financial position at 31 March 2017 is £290m, which is an increase of £10m on the net cost at 31 March 2016. During the year, we completed 131 new homes. With affordability an ever-increasing concern in the South East, demand for our homes continues to grow. In response, our development team has been working extremely hard to find opportunities to build new properties which meet a variety of needs.

Investment properties are properties not held for social benefit and are comprised of garages that are rented to tenants and non-tenants and market rent homes. At 31 March 2017, investment properties had a fair value of £23.9m, £17.3m higher than at 31 March 2016. This is because of the purchase of 81 market rent flats at Pelham and Waverley Courts for £16.4m, capital works at Pelham and Waverley Courts £0.3m and an increase in fair value of both the garages and market rent properties of £0.6m.

Government grants of £60.1m at 31 March 2017 are held as creditors on the statement of financial position. These include grants from the Homes and Communities Agency, local authorities and other government bodies. Grants are recognised when there is reasonable assurance that the grant conditions will be met and the grants received. Grants are amortised (written-off) to the statement of comprehensive income over the life of the property structure they are received in respect of.

At 31 March 2017, Saxon Weald had capital commitments of £12.3m, of which £11.0m has been contracted for and £1.3m which has been authorised by the Board, but is not in contract.

In July 2016, Saxon Weald completed a £20m five year revolving loan from Abbey National. Interest is calculated at a margin on libor and a non-utilisation charge is payable. This will enable Saxon Weald to continue to make development commitments to ensure a continuing programme of new build homes for those who need them.

## Pension Scheme

An actuarial valuation of Saxon Weald's assets and liabilities in the West Sussex County Council Pension Scheme at 31 March 2017 was carried out by a qualified independent actuary in accordance with FRS 102. It is a defined benefit pension scheme and the difference between Saxon Weald's assets and liabilities is recognised in the statement of financial position. Saxon Weald's net pension scheme deficit on the statement of financial position at 31 March 2017 is £3.4m, an increase in the deficit of £0.4m since 31 March 2016.

## Financial Performance

The company returned a surplus for the year of £7.8m. This is £4.5m above the target surplus for the year. Turnover is £0.2m lower than budget, cost of sales £1.7m lower than budget, operating expenditure £1.2m lower than budget, the gain on disposal of property is £0.9m higher than budgeted and net interest £0.3m lower than budget. In addition, there is an unbudgeted unrealised gain on investment properties of £0.6m.

Turnover is less than budget due to fewer sales

of the market sale homes at the Highwood Mill extra care scheme, offset by higher sales prices for both shared ownership sales and extra care sales. There were fewer sales at the Highwood Mill extra care scheme because it completed at the end of January 2017 rather than in October 2016 as assumed in the budget.

The cost of sales (first tranche shared ownership sales and the cost of sales of extra care properties) was £1.7m less than budgeted because fewer sales took place at the Highwood Mill extra care scheme due to the delay in completing the scheme.

Operating costs are £1.2m less than budget. This is mainly due to lower service costs (utilities, grounds maintenance, cleaning and scheme manager costs) than forecast, a lower depreciation charge and a delay to some ground works at the market rent scheme at Pelham and Waverley Courts.

There was an increased gain on the sale of properties of £0.8m. This is because of unbudgeted staircasing receipts, the sale of two pieces of land and higher right to buy sales.

Net interest charged to the income and expenditure account was £0.3m less than budgeted for. This was as a result of higher capitalised interest during the construction of new homes and reduced non-utilisation fees due to a delay in completing the loan facility with the Abbey National.

Under FRS 102 Saxon Weald's garages are classed as investment properties and the newly acquired market rent homes are also classed as investment properties. Investment properties are properties not held for social benefit and as such must be measured at fair value at the date of the statement of financial position. This has given rise to an unrealised gain of £0.5m in the statement of comprehensive income for 2016/17.

# ...Strategic Report Incorporating the Operating and Financial Review

A summary of financial performance for 2016/17, 2015/16 and 2014/15 is shown below:

Financial Performance	2016/17	2015/16	2014/15
	£000	£000	£000
Turnover	45,230	43,516	38,810
Cost of sales	(3,822)	(3,563)	(1,981)
Operating expenditure	(23,440)	(25,356)	(24,348)
Operating surplus	17,968	14,597	12,481
Gain on disposal of property, plant and equipment	941	669	161
Net interest charges	(11,617)	(11,257)	(11,157)
Unrealised gain on investment properties	536	545	382
<b>Surplus for the year</b>	<b>7,828</b>	<b>4,554</b>	<b>1,867</b>
Actuarial gain/(loss) in respect of pension scheme	24	2,793	(1,576)
<b>Total comprehensive income for the year</b>	<b>7,852</b>	<b>7,347</b>	<b>291</b>
Operating margin excluding sales – Rule minimum 30%	41%	35%	33%
Cash interest cover – Rule minimum 150%	201%	176%	156%
Adjusted cash interest cover* - Rule minimum 110%	144%	135%	110%
EBITDA MRI** - Rule minimum 110%	150%	135%	108%
Debt ratio*** - Rule - 65% or below	61%	61%	65%

\*Adjusted cash interest cover is adjusted operating surplus (defined as operating surplus + housing depreciation – amortised grant – capitalised repairs – surplus on sales) to net interest payable.

\*\*Earnings before interest, tax, depreciation, amortisation on intangible fixed assets, grant amortisation and capitalised major repairs added divided by total interest payable (including capitalised interest). Note: this is a revised definition.

\*\*\*Debt ratio is long term loans plus short term loans less free cash, as a percentage of (housing properties at cost plus investment properties at cost).

All of the internal financial rules set by the Board have been comfortably achieved. Operating margin excluding sales, and the cash interest cover ratios all improved. It is worthwhile noting that the cash interest cover internal rule of 150% is in excess of the bond covenant of 105% and the adjusted cash interest cover internal rule of 110% is above the Abbey National covenant requirement of 100%. The debt ratio has remained constant at 61% for 2016/17. The Abbey National covenant is a debt ratio of 70% or below compared to the internal rule of 65% or below.

The other internal target is asset cover of 120% for security purposes. Savills carried out a valuation of Saxon Weald's properties at 31 March 2017. The total value of the stock on an existing use social housing basis (EUV-SH) for security purposes is £380m. Asset cover comfortably exceeds the target at 169%.

## Cash

The cash flow statement on page 67 shows that Saxon Weald generated net cash from operations of £22.8m and made net interest payments of £12.1m. There was a net cash outflow of £30.1m from investing activities.

The group held cash of £13.2m (2016: £32.6m) at 31 March 2017. This is invested in line with the approved Treasury Management Policy in a range of banking counterparties with a minimum of A-/A2 (on the basis of Standard & Poor's long term credit ratings and short term ratings respectively) or a bank supported by the UK Government and in one money market fund with a Standard and Poor's rating of AAA. The bond covenants are a cash interest cover covenant and an assets cover covenant. The Abbey National covenants are an adjusted cash interest covenant and a debt covenant. All of the covenants are shown in the financial performance section above. The covenants were met during the year, at year end and are anticipated to be met going forward.

During 2016/17, Saxon Weald made the decision to introduce a defined contribution pension scheme. The scheme became operational in June 2017 and all new staff are auto-enrolled on to the scheme. The West Sussex County Council Pension Scheme remains open and new staff may transfer to it once they have completed their probationary period. It is anticipated that, in the medium term, the new defined contribution scheme will reduce costs and risk for Saxon Weald.

## Operating Performance

The table below shows Saxon Weald's key operating performance indicators over time and compared to the upper and median performance for Saxon Weald's peer group. Additional KPIs are given in the value for money section of the report to the board. Saxon Weald's benchmarking peer group (listed on page 61) comprises 20 housing associations with a stock size of between 2,500 to 12,500 homes, which are located in the South and South East of England and comprises both large scale voluntary transfer and traditional housing associations.

## People

The people that work at Saxon Weald are our most important asset. We were extremely pleased to be awarded, for the second time, Investors In People Gold during 2015/16. This was despite the assessment taking place when we were going through a restructure in response to the rent reductions. Only 7% of organisations in the UK, who have Investors In People, have the gold award. Excluding involuntary leavers, staff turnover in 2016/17 was 14%, just below the target of 15%. During 2016/17, the overall level of staff sickness was 3.5% (short-term sickness was 1.7% and long-term sickness was 1.8%) which is above Saxon Weald's target of 3.0%, but below the 4.1% in 2015/16.

# ...Strategic Report Incorporating the Operating and Financial Review

Operating Performance	2016/17	2015/16	2014/15	2015/16 upper quartile/ median*
Rent arrears – 4 weekly average for March (%)	2.7	2.5	2.6	2.0/2.7
Void rent loss (%)	1.5	1.4	1.2	0.5/0.6
Emergency repairs in target (%)	100.0	99.5	95.4	n/a
Average repair completion time (days)	13.0	9.2	10.5	8.1/8.8
Satisfaction with last repair (% very and fairly satisfied)	96	86	89	86/80
Overall tenant satisfaction (% very and fairly satisfied)	86.6	84.6	82.3	89.4/86

\*HouseMark 2015/16 n/a – not available.

We monitor our arrears performance using the average arrears for the four weeks of the housing benefit cycle.

In the light of the challenges such as the bedroom tax and the benefit cap, arrears performance during 2016/17 was encouraging. The arrears position at 31 March 2017 (4 weekly average) of 2.7%, is slightly higher than 2015/16, but meets the target of 2.7%. Similarly, void rent loss is on target at 1.5% for the year. Void rent loss 2016/17, for general needs homes only, is 0.8% which is closer to the median of the peer group.

The percentage of emergency repairs completed within 24 hours improved to 100%, a pleasing performance. Whilst the average time to complete a repair in 2016/17 at 13.0 days is not as good as the performance in 2014/15, this reflects the high number of fencing repairs caused by storm "Katie" in spring 2016.

In November 2014, a customer service improvement project was started and good progress is being made. This will be renewed later in 2017. Overall customer satisfaction reached 85% in July 2016 and remained above target for the rest of the year reaching a high of 92% in January 2017. The overall year end figure was 87%.

The two customer teams were brought together in January 2017 to form a single Customer Support Team. The team have developed their skills and expertise under a new Customer Service Manager. A new 'knowledge base' has been developed to ensure that team members have access to the right information and 88% of queries are now being answered right at the first point of contact. Avoidable contact rates have remained at 2%. Communication systems have been improved to ensure that all telephone contacts now come through the customer

support team. This has improved consistency and further reduced the number of calls being transferred to other departments.

Saxon Weald's self-service portal went live in March 2016. It is a customer-facing web-based system that our customers will be able to use. The portal will allow people to check their rent account, report a repair and make a payment online. Moving customer transactions to automated systems, or channel-shifting, provides a cheaper per-transaction cost. Numbers registered for and using the portal continued to increase in 2016/17 and by 31 March 2017, 900 residents had signed up, well over the target of 650. Services available online have increased in 2016/17 and now include: searching for and applying for garages, permissions for property changes, making payments, access to rent statements and reporting a repair.

Orchard's text messaging module is being used to capture customer experience feedback. Customers are polled within 24 hours of calling in and over 85% of callers rate us "good" or "excellent". Where we are rated "poor", we can call the customer back and resolve the issue, increasing overall satisfaction.

The continued focus for customer service will be on quality, dependability and flexibility as well as speed. The key outcome of the project will be to improve customer service measured by increased customer satisfaction and a reduction in incidents of service failure and complaints. The improved structures, operating systems and processes will lead to more efficient and effective ways of working, which will improve customer satisfaction for the same or less cost, as Saxon Weald grows.

Saxon Weald continues to invest in our homes to ensure that they are in a good condition for those who live in them. This year we have invested £4.8m replacing components (and therefore capitalised this as housing properties in the statement of financial position) in our homes and £3.2m on major repairs and planned and

cyclical maintenance charged to the statement of comprehensive income.

Disappointingly, the change in gas servicing contractor during March 2017 did not go as smoothly as planned. This resulted in 19 properties not having a valid gas safety certificate at the end of March and 64 properties not having a valid gas safety certificate at the end of April. All of the properties concerned received their certificates within four weeks of the expiry date. Once the situation came to light, strong and decisive action was taken at an operational level to regain control.

We have continued to build on our expertise in older people's housing, supporting more vulnerable over 60s in maintaining their independence. Supporting People funding has been drastically reduced in recent years and in 2016/17 a further reduction of £200,000, reduced annual Supporting People income to £245,000. We continue to seek to improve efficiency and effectiveness in the delivery of these services to the older people who need them.

During 2016/17, 131 new homes were completed and 81 market rents homes purchased. The new homes comprise 60 affordable rent homes for older people, six general needs affordable rent homes, 20 shared ownership homes and 45 sale homes for eligible older people.

The final phase of a section 106 site developed by Bovis Homes at Wickhurst Green completed in April 2016, providing 16 shared ownership homes. All the shared ownership homes have now been sold with an average sales time of 88 days.

Two more phases of the section 106 site developed by Barratts in Lindfield were handed over during 2016/17 providing six affordable rent homes and four shared ownership homes. All the shared ownership homes have now been sold

# ...Strategic Report Incorporating the Operating and Financial Review

with an average sales time of 36 days. The final phase will be handed over in March 2018.

Saxon Weald's new model extra care scheme in Horsham, Highwood Mill, was completed and ready for occupancy in late January 2017, three months later than anticipated. This is a very high quality extra care scheme and feedback from residents so far has been excellent. This scheme provides 60 affordable rent homes for older people and 45 sale homes for older people.

Saxon Weald has contracted with the HCA to build 120 new homes as part of the 2015-18 Affordable Homes Programme. All but 33 homes (on the Lindfield scheme) have now completed.

The 2015-18 programme is now closed to new bids. We are seeking to enter into contract with the HCA under the new programme for future delivery. We have bid for grant on 21 shared ownership homes at our Pelham and Waverley redevelopment site. This is a brownfield site close to Horsham town centre which has planning. The 49 unit s106 site at Cresswell Park, Angmering with Cala Homes will be included in the programme at nil grant. This site consists of 39 shared ownership homes and 10 affordable rented homes. Once this bid has been concluded the HCA will release a new contract to us and allow us to bid for additional provision.

## Risks and Trends

The current and future environment is more uncertain and has more risk than in the past. Some of the issues are:

- Brexit uncertainty
- The 2017 general election and the future policies that follow
- Rental income uncertainty post 2019/20
- The local housing allowance cap from 2019. Will the proposed mechanism to replace housing benefit provide the same income to Saxon Weald?
- Implementation of government required changes
  - Voluntary right to buy
  - The housing benefit cap
  - The level of future grant aid to affordable housing
  - The effects on our rental income of direct payments to tenants of universal credit
- The changing social and technological environment

Over the last 15 years, there has been an enormous shift by people in general to using digital communications. A large proportion of the population, including our tenants, now have smart phones and undertake the majority of their social and economic transactions on these devices. As well as email, there are considerable numbers of other channels on the internet such as Twitter, Facebook etc.

We need to acknowledge and make use of these new communication channels to interact with our customers and potential customers. This is quicker, cheaper and more responsive than using

the telephone or mail.

On 6 June 2012, Saxon Weald successfully issued a £225m bond at a coupon of 5.375% for an average of 25 years, through a newly formed, fully owned subsidiary, Saxon Weald Capital Plc. The bond was issued at a discount of 1.623%, so that the funds received were £221.3m which equates to a fixed interest rate of 5.496%. The cost of issuing the bond was £1.3m leaving a net of £220m available to repay existing loans and to fund future development. The underlying assets of the issuance belong to Saxon Weald through a security trust arrangement with the Prudential Trustee Company Limited. The bond premium (or discount) and the costs of issue are amortised using the effective interest rate methodology over the life of the bond. Saxon Weald is liable to Saxon Weald Capital Plc for both the bond coupon and the amortisation cost of the bond premium and issue cost. Saxon Weald has recently completed a new five year £20m variable rate revolving loan from the Abbey National. Saxon Weald's business plan and business development strategy indicate that new funding of £25m may be required in early 2020 in order to continue to develop new homes. The fixed rate on the bond means Saxon Weald has only limited exposure to interest rate risk, but there is a financing risk given the plan to continue to develop.

Saxon Weald has a formal treasury management policy and regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. The company acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

# ...Strategic Report Incorporating the Operating and Financial Review

This table summarises the main risks to the achievement of Saxon Weald's business plan and objectives:

<b>Welfare Reform and Rental -Income</b>
<p>In the July 2015 Budget, the Government announced that for the four years beginning April 2016, social housing rents will be reduced by 1% per annum. This will reduce our rental income by almost £11m over the four year period ending 2019/20. Saxon Weald has responded to these rent reductions by making savings of £1.3m in 2016/17 and plans to make a further £1m of savings by 2019/20. Implementation of the savings is being monitored closely to ensure that Saxon Weald's financial position remains sound.</p> <p>Following the return of a Conservative majority in the 2015 general election, substantial reductions (£12b) in welfare spending were planned over the life of the parliament. This will impact on our tenants and therefore on Saxon Weald. The reduction of the benefit cap to £20,000 per annum has had a limited impact initially, but if the cap continues to reduce or is cash limited it may have a greater impact on our tenants' finances over time.</p> <p>These reductions are in addition to the introduction of universal credit. It is still unclear when universal credit will be introduced for the majority of Saxon Weald's tenants, but it is anticipated to begin to be rolled out to significant numbers of tenants in 2018/19. This will affect both working and non-working tenants under retirement age who are in receipt of welfare benefits. Whilst our current rent arrears are relatively low, we are not complacent and we are pro-actively preparing by monitoring the pilot projects and making plans to minimise the impact of universal credit. We are continuing to support our tenants to enable them to pay their rent.</p> <p>In addition, the Government has announced that social landlords will be subject to the local housing allowance limits from April 2019. This will have limited impact on our general needs housing, but is likely to have a significant impact on the ability of our tenants to pay rent and service changes in our housing for older people and supported housing. The government has announced a mechanism to support tenants in supported and older people's housing through funding to local authorities. It is unclear how effective this will be in protecting Saxon Weald's income. Further detail was expected from the government in the spring. This has been delayed because of the June 2017 general election. This presents an additional risk to Saxon Weald's plan to continue to develop new extra care housing for those who need it.</p>
<b>Future Funding</b>
<p>Interest rates remain at a historic low. Market expectation is that the Bank of England will be cautious about raising base rate too early. Long term (30 year) bank funding continues to be scarce/unavailable. We have sufficient liquidity to support the committed development in our existing business plan. Additional funding of around £25m will be required in early 2020, to fund Saxon Weald's planned development going forward.</p>
<b>Regulatory Changes</b>
<p>A new governance and financial viability regulatory standard has been issued by the HCA with effect from 1 April 2015. The aim of this revised standard is to ensure social housing assets in a more diverse sector are protected. The Board is required to assess and make a statement on compliance with it in the financial statements. The HCA is currently undertaking a review of the value for money and consumer standards and a consultation on the new value for money standard is expected shortly.</p>

## **Development**

The Government's imposed rent reductions and the low levels of grant available make it more difficult to continue to build new affordable rented homes. Our aim is for the development programme to be revenue neutral, but this is very challenging in the current environment. To continue to develop new affordable homes will require more homes for sale and market rent to be built to cross-subsidise rented homes. This is reflected in Saxon Weald's business development strategy and business plan, which reduces the number of affordable rented homes to less than 40% of the programme with the remainder made up of shared ownership, market rent and market sale. Homes for sale (shared ownership and market) make up 56% (318 homes) of the business plan programme, with forecast income from these sales of £63m to 2023/24 (an average of £9m per annum).

House prices have continued to increase over the past twelve months, particularly in London and the South East. There must now be some concern that affordability is or will shortly become a problem. In addition, the uncertainties of Brexit and the economy in general may lead to a house price correction. The timing and nature of this correction is unknown. It is therefore essential that Saxon Weald can respond to a housing market downturn and continues to effectively project manage the sales programme.

The government's policy of very low or no capital grant to support the development of new homes will continue. This means that the funding for the vast majority of new homes is from loans. The implication is that for many housing associations, including Saxon Weald, property security for new loans is used up more quickly than under the old system of significant capital grants. Saxon Weald currently has assets valued for security of £380m. This is more than sufficient for both our current development programme and our on-going business plan target of developing 100 new homes per annum.

## **Going Concern**

The Board has reasonable expectation that the association has adequate resources to continue operations for the foreseeable future. For this reason, the going concern basis has continued to be used in preparing the financial statements. The funds raised from the bond issue and the Abbey National £20m loan are expected to meet the financing requirements for the development programme for at least the next two years.

By Order of the Board

Simon Turpitt, Chairman

17 July 2017

Saxon Weald House

38-42 Worthing Road, Horsham

West Sussex RH12 1DT

# Report of the Board

The directors present their report for the year ended 31 March 2017. The Board report includes Saxon Weald's value for money self-assessment. The strategic report is on pages 4 to 19.

## Governance

Saxon Weald is governed by a Board comprising nine non executives and two executives, the Chief Executive and the Finance Director. Simon Turpitt was appointed as Chairman of Saxon Weald in September 2014, after several years as a Board member. The members of the Board are listed on page three. Liz Nicolls joined the Board as a non executive director on 11 July 2016.

A new governance and financial viability standard was issued by the HCA in 2015. The Board has reviewed the standard and has assessed that Saxon Weald complies with it except that the change in gas servicing contractor during March 2017 did not go as smoothly as planned. This resulted in 19 properties not having a valid gas safety certificate at the end of March and 64 properties not having a valid gas safety certificate at the end of April. All of the properties concerned received their certificates within four weeks of the expiry date.

In autumn 2016, following an in-depth assessment, the Homes and Communities Agency confirmed that we maintained the highest rating for governance and financial viability of G1 and V1.

The Board has adopted and complies with the National Housing Federation (NHF) code of governance 2015 – excellence in governance. The Board has also adopted and complies with the NHF code of conduct – excellence in standards of conduct: code for members. Saxon Weald and individual members of the Board have a responsibility to both uphold the code and to maintain high standards of conduct at all times.

Our Board is responsible for ensuring the efficient strategic and financial management of the

company, including an effective risk management framework and effective arrangements for securing value for money. Board members determine the policies needed to make Saxon Weald run smoothly and in compliance with legislation and regulatory requirements. They also make decisions on service standards, resourcing and budgets and have a remit to monitor and review our performance. Our Chief Executive and staff are paid to manage the organisation on a day-to-day basis. Board members are recruited through an open advertisement and interview process, following an assessment of the skills and experience required by the Board.

Saxon Weald assesses the skills and experience Saxon Weald requires from its Board members and assesses to what extent the skills and experience of existing Board members match these. Saxon Weald believes that it currently has Board members with the right skills and experience to lead the organisation. Saxon Weald is not complacent however, and will re-assess the skills and experience it needs on a regular basis. In addition, an annual appraisal of individual Board members is carried out, including an assessment of training and development needs.

In 2016-17, the non-executive Board members at Saxon Weald were paid as follows:

Simon Turpitt, Chairman of the Board	£11,038
Stephanie White, Vice Chairman of the Board	£6,623
Martin Loates (Chairman of the Complaints Panel)	£5,519
Susan Sjuve (Chairman of the Audit & Risk Committee)	£5,519
Charlotte Moore (Chairman of the New Business Committee)	£5,519
Richard Perry (Chairman of the Remuneration Committees)	£5,519

Debbie Joseph	£3,863
Vanessa Williams	£3,863
Liz Nicolls	£2,743

In addition, Richard Reynolds as Chairman of Weald Property Development Limited was paid £2,850.

The total amount paid to non-executive Board members during 2016/17 was £53,057, which represents 0.1% of turnover. The level of payment to Board members is determined in relation to the individual Board member's responsibilities, the size and complexity of Saxon Weald and a comparison with Board members' pay elsewhere in the sector. The level of Board members' pay is reviewed regularly. A full independent review of Board members' pay was completed in October 2016.

The Board of Saxon Weald meets seven times each year. It has a robust Audit & Risk Committee that meets at least three times per annum and four other committees that meet when required. In the year August 2015 to July 2016, attendance at Board meetings was 86% and attendance at committee meetings 91%. Sixty seven percent of the non-executive Board members are female and 11% have a disability or limiting long term illness. There are currently no Board members who identify as being from a BME background. Saxon Weald offers Board members the opportunity to attend a wide range of training events including risk management and governance training. In the year August 2015 to July 2016, Board members attended four external training sessions and 45 internal training sessions.

The Audit and Risk Committee has responsibility:

- To ensure that the Company's management and in particular financial management is as efficient as practicable and operates in accordance with:

- ✓ approved financial practice and regulation
- ✓ HCA Regulatory Code and other advice and requirements

- To make the best use of internal financial staff, external and internal audit resources to ensure all relevant systems and procedures are reviewed within a rolling three year period.
- To promote and encourage a culture of risk awareness and risk management within the company by:
  - ✓ regularly reviewing the risk management policy, risk map, and the risk appraisal procedure and
  - ✓ ensuring that the Committee, Board and staff receive appropriate training and briefing on risk issues.
- To recommend to the Board the appointment of external auditors, ensuring that they are independent of the Company and are able to be objective in the performance of their duties. The Audit and Risk Committee will also review the performance of the external auditor on an annual basis.
- To review the operation of the Company's internal controls and report to the Board annually on their operation.
- To consider the annual financial statements and external auditor's management letter and to make recommendations to the Board.
- To consider reports of external auditors and, if necessary, make recommendations to the Board of action that needs to be taken.
- To appoint internal auditors and from time to time review their appointment.
- To determine a programme of work for internal auditors based on:
  - ✓ Financial risk assessment
  - ✓ The work of external auditors
  - ✓ The need for an effective review of key policies, programmes and procedures
  - ✓ Guidance from the HCA

# ...Report of the Board

- To receive reports from internal auditors and to act on their findings. Action requiring changes to Articles, Policies or Standing Orders would have to be recommended to the Board.
- To be able, on an exceptional basis, to make direct contact with external auditors about a matter of concern without reference to the Board as a whole.
- To meet regularly and make minutes available to all members of the Board. The reasons for the decisions taken must be recorded in the minutes and presented to the Board for endorsement. The Committee must be able to meet with the external auditors without paid staff being present at least once a year.

## Board members' responsibilities

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

Company law and social housing legislation require the Board members to prepare financial statements for each financial year. Under that law the Board members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and of the surplus or deficit of the group for that period.

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", published in 2014

have been followed, subject to any material departures disclosed and explained in the financial statements; and

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association will continue in business.

The Board members are responsible for keeping adequate accounting records that are sufficient to show and explain the group's transactions and disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the financial statements comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. 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", published in 2014.

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 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.

## **Provision of information to auditors**

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the directors has confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors.

## **Chief Executive and Executive Team**

The Executive Directors, who are listed on page three, hold no financial interest in the company. They act as executives within the authority delegated by the Board. The detailed scrutiny of performance, the development of policy and procedures and expenditure approvals within budget are carried out by the Chief Executive and the Executive Team.

## **Internal controls assurance**

The Board acknowledges that it is responsible for the association's system of internal control and for reviewing its effectiveness.

Although no system of internal control can provide absolute assurance or eliminate the risk of failure to achieve business objectives, the Company's system of internal control is designed to manage the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board confirms that Saxon Weald has a fraud policy and response plan, the purpose of which is to ensure that timely and effective action can be taken to:

- Prevent further loss of funds or other assets where fraud had occurred and to maximise recovery of losses;
- Minimise the occurrence of fraud;
- Identify the fraudster and maximise the success of any disciplinary/legal action taken;
- Minimise any adverse publicity for the Company as a result of the fraud;
- Identify any lessons which can be acted upon in managing fraud in the future; and
- Reduce the adverse impact on the Company.

The fraud policy and response plan also makes it clear that:

"All members of staff have an on-going duty to report suspected fraud to their line manager or Director of the Company. All managers have a continuing duty to deter, detect and respond to fraud in their business area."

The fraud policy and response plan also requires all cases of significant fraud to be reported to the police.

# ...Report of the Board

All staff have received training on their responsibilities under the Bribery Act 2010, the fraud policy and response plan and the Company's whistleblowing policy. The Audit and Risk Committee considers any entry into the fraud register at every meeting. During 2016/17, there have been 2 reported cases of fraud.

The system of internal control encompasses the Company's financial controls that are based on regular management information, segregation of duties and a system of delegation and accountability. It is based on an on-going process designed to identify the key risks to achieving the Company's objectives, to evaluate the nature and extent of those risks and to manage them effectively and efficiently.

In reviewing the effectiveness of the Company's systems of internal control the Board considered:

- Regular reporting of the management accounts and loan covenants;
- Regular reporting of the key performance indicators;
- The establishment and monitoring of the objectives of the Company for 2016/17;
- Regular reporting of complaints received;
- Audit and Risk Committee's annual overview of the management of risk, internal audit needs assessment, audit plan, annual internal audit report and the audit reports produced;
- Appropriate policies and procedures in place, including reporting to Board when appropriate (for example, treasury management policy, standing orders and financial regulations);
- Risk management activity including the effectiveness of the business planning, risk and control framework and the annual risk mapping exercise considered by the Audit and Risk Committee (April 2017) and the Board (May 2017);
- The annual report of the Audit and Risk Committee;

- The external audit findings reports;
- The annual report by the Executive Team on the effectiveness of the systems of internal control; and
- Other reports from members of the Executive Team on operational and financial matters.

## Material concerns

The Board has identified no material control issues or problems during 2016/17. No material concerns have been raised by the HCA or any other stakeholder to which the Company submits reports or information.

## Auditors

RSM UK Audit LLP continue as the auditor of the Group.

# Value for Money Self-Assessment

Strategy

## CONTENTS

**1. Strategy** – Saxon Weald's strategic approach to delivering VFM in the context of its purpose and strategic objectives.

**2. About Saxon Weald** – What type of organisation Saxon Weald is, what it does, where it operates and its focus on homes for older people as well as general needs.

**3. The Board** – How the Board makes decisions on the use of resources and obtains assurance that resources and assets are being used economically, efficiently and effectively in achieving its strategic objectives.

**4. Approach to VFM** – How Saxon Weald continuously seeks to improve VFM to achieve its strategic objectives in the context of the changing operating environment.

**5. How have we done?** – Saxon Weald's costs and outcomes of delivering specific services over time and compared to others. In the context of achieving its strategic objectives, what VFM gains have been realised, how decisions have been made on the use of assets and its improved understanding of the return on assets.

**6. Plans for the Future** – How Saxon Weald plans to use its financial capacity and assets to improve VFM in the achievement of its strategic objectives.

## 1. Strategy

Delivering VfM only makes sense in the context of achieving Saxon Weald's purpose and strategic objectives. It is the “what are we here to do” question. There is no value in being efficient but not achieving our purpose. Saxon Weald defines VfM as “achieving the best possible outcome for the funds we spend and the resources we commit”. To Saxon Weald, VfM is about improving customer service, achieving savings through the more efficient and economical use of resources and achieving the best financial and social return from the assets we have.

This value for money self-assessment is also available as a stand-alone document on our website (<https://www.saxonweald.com/about-us/publications/>).

Saxon Weald was set up to provide both good services and homes to existing residents and to build new affordable homes for those who need them in the areas in which we work, where there is high need for these homes.

Saxon Weald recognises that there is a tension in delivering both of these objectives. If Saxon Weald spends too much on existing homes, there is less to spend on providing new homes. Conversely, if Saxon Weald spends too little on our existing homes and services, we will not meet our goal of providing good services and homes. Saxon Weald aims to maximise the achievement of both objectives by striving to achieve the best VfM we can in providing homes and services to our existing residents and in building new homes.

In the July 2015 budget, the Chancellor announced a number of reforms that will have an impact on Saxon Weald. These include a reduction in rents for social housing of 1% per annum for four years from 2016/17 to 2019/20 and substantial welfare reforms. These reforms have and will have a significant impact on Saxon Weald's plans going forward, reducing rental

# ...Value for Money Self-Assessment

income by £11m for the period 2016/17 to 2019/20. This significantly impacts on Saxon Weald's VfM strategy particularly in terms of the scale of efficiencies to be achieved and the balance between services to existing residents and building new homes. Government's wider housing policy objectives are to substantially increase the number of new homes built (by the private sector and housing associations).

Our purpose is to manage, maintain and develop housing for those who are unable to provide for themselves in the market place.

Our values are what we stand for. They guide how we act and the decisions we make. We are committed to:

- Acting with integrity
- Treating people with respect
- Equality and acting fairly
- Valuing customers

These are underpinned by strategic aims which are:

- To deliver excellent customer service
- To grow in the south-east through the delivery of quality homes
- To maintain a vibrant work force and a dynamic, challenging but fun place to work
- To continue to develop our role as a leader in older people's housing
- To remain independent and financially strong

Our strategic aims help guide the organisation to where we want it to be in the future and provide a framework within which Saxon Weald determines strategic objectives, the achievement of which are monitored and measured. Saxon Weald's strategic objectives for 2017-19 are:

- A top performer in customer service.
- Maximise rental income following the roll out of universal credit.
- Develop the talent in our staff to ensure high job satisfaction and achieve our ambitions.
- HomeFix to become an exemplar in-house repairs service.
- Optimise our development programme.
- Determine how best to improve our homes.
- Deliver housing and support to meet the priority needs of our older residents.
- An operational plan setting out how savings of more than £2.3m are to be achieved.

## 2. About Saxon Weald

Saxon Weald Homes Ltd ('Saxon Weald') is limited by guarantee, does not have share capital and is incorporated under the Companies Act 2006. Saxon Weald is a housing association registered with the Homes and Communities Agency (HCA) and is a charity registered by the Charity Commission.

Saxon Weald was formed to take the transfer of the housing stock from Horsham District Council on 11 December 2000. This included 4,609 social rented homes and the freehold of 360 flats sold under the right to buy legislation. Since transfer, Saxon Weald has built over 1,400 new homes including extra care schemes, demolished 12 outdated retirement (sheltered) schemes, acquired nearly 600 homes from other housing associations and has sold 305 homes under the right to buy/acquire legislation. Although most of the properties remain in the Horsham district of West Sussex, Saxon Weald now owns homes across East and West Sussex and Hampshire.

Saxon Weald operates in areas with a high proportion of older people (21% in West Sussex compared to the national average of 16%), which is forecast to increase over the coming decades. By 2026 it is forecast that 24% of the population in West Sussex will be over 65 and 5% will be 85 or over. Saxon Weald therefore has a high proportion of homes for older people. Excluding leasehold flats (where we manage the freehold) and market rent flats; 30% of our homes are for older people. This includes 11 extra care schemes, which promote independent living for older people in their own flats, with support and care available on site when they need it.

This characteristic has an impact on the average age of our residents, our operating model, staffing numbers, location and our focus. Properties for older people have fewer bedrooms, a higher tenancy turnover and take longer to let because of the multiple agencies involved and the requirement to assess individual needs. In addition, service costs and income are significantly higher, all of which increases our total and average operating costs.

### Number of homes by tenure

	GENERAL NEEDS	RETIREMENT	EXTRA CARE	SUPPORTED	TOTAL
Social rent	3,447	1,118	323	20	4,908
Affordable rent	566	52	95	52	765
Shared ownership	145	-	-	-	145
Shared equity	-	23	134	-	157
Market rent	81	-	-	-	81
Leasehold flats	477	-	45	-	522
<b>Total</b>	<b>4,716</b>	<b>1,193</b>	<b>597</b>	<b>72</b>	<b>6,578</b>

Over 5,700 of our homes or 87% are in West Sussex (all but 295 within the Horsham district), 356 in East Sussex and 519 in Hampshire. In addition, we manage the freehold of 522 properties in the Horsham district, mainly sold under the right to buy legislation.

# ...Value for Money Self-Assessment

## 3. The Board

The Board is responsible for ensuring Saxon Weald delivers VfM and decides how limited resources are allocated. The Board receives assurance that VfM is being achieved through:

- The annual resource allocation cycle, where identified efficiencies are built into the financial plan and the allocation of resources determined based on our strategic and corporate objectives and resident priorities. These are monitored and reported to the Board as part of the management accounts suite of information at each of the seven meetings a year;
- The business planning process, which translates the corporate strategy into a long term financial plan, tests the plan against key sensitivities and stress tests the plan to identify the combinations of events that would severely challenge Saxon Weald. This enables mitigation strategies to be identified and key risks monitored;
- The annual risk map, which identifies key risks and counter measures. The Board receives regular reports on key risks;
- The performance management system, within which the corporate strategy based around our purpose and strategic aims and objectives is reviewed and agreed annually by our Board. Individual core objectives flow from the strategic objectives;
- The seven key strategies (which build on the corporate strategy) and the associated actions plans which are approved and monitored by the Board;
- Key Performance Indicators (KPIs) relating to the services we provide are set by the Board, which receives regular reports on our performance against these measures. KPI reports are also received and considered by the executive and management team and service teams;
- The risk appraisal framework, which not only considers risks, payback and net present value but which explicitly requires an assessment of how a project or investment will contribute to the achievement of Saxon Weald's strategic aims and objectives.

## 4. Approach to VfM

Saxon Weald's approach to achieving VfM is to:

- Embed a culture of achieving VfM throughout Saxon Weald, including Board members, staff and involved residents;
- Use the golden thread of performance management to ensure that everything we do helps to achieve our purpose and strategic objectives;
- Involve residents in achieving and assessing VfM using social media and electronic technology. This enables customers to engage with us on issues that affect or are of interest, at times convenient to them, from the comfort of their own homes and using modern methods of communication;
- Improve customer service and customer satisfaction;
- Regularly select specific services for a SWIPE

(Saxon Weald's Improvement Programme for Excellence). This is a detailed review of a service, using lean principles, to identify the value provided to the customer, waste in the system and best in class processes;

- Improve procurement;
- Develop new homes efficiently and economically (including building market rent and market sale homes to cross subsidise affordable homes) that meet the needs of those who live in the areas we work in;
- Understand the financial and social return on our assets and use this to make decisions;
- Understand how we are performing by benchmarking Saxon Weald over time and against others;

- Maximise Saxon Weald's financial capacity to deliver our strategic aims and objectives;
- Make use of external validation; and
- Report on our performance to stakeholders, who include residents, HCA, central government, the local authorities we work with and other partners.

### Operating environment

Saxon Weald's approach to achieving VfM takes accounts of the environment in which we operate. In particular, the government's rent and welfare reforms, the lack of housing (particularly affordable housing) in the areas Saxon Weald works, the uncertainties caused by Brexit and the 2017 general election and the lack of long term bank funding.

In the July 2015 budget, the Chancellor announced a number of reforms that will have an impact on Saxon Weald. These include a reduction in rents for social housing of 1% per annum for four years from 2016/17 to 2019/20 and significant welfare reforms. These reforms will have a substantial impact on Saxon Weald's plans going forward. Government's wider housing policy objectives are to substantially increase the number of new homes built (by the private sector and housing associations).

The impact of a 1% rent reduction per annum for the four years 2016/17 to 2019/20 is to reduce rental income, so that in 2019/20, the reduction is £5.0m in the year and £10.9m cumulatively from 2016/17 to 2019/20.

The Board at an away day in early October 2015 considered a number of responses to this and reviewed Saxon Weald's purpose and strategic objectives. Following the away day, the Board were very clear that they wanted to keep developing homes to the maximum possible,

allowing for financial and risk constraints and on that basis approved a revised 2015 business plan and corporate strategy which:

- reviewed its purpose and objectives;
- identified £2.3m of recurrent efficiency savings/income generation to be achieved by March 2020; and
- changed the balance of the development programme by reducing the number of affordable rented homes to 40% and increased the proportion of shared ownership, market rent and market sale new homes.

The Board was clear that they wanted to maintain customer satisfaction as far as possible and that these savings should be made from improvements in efficiencies and effectiveness, including income generation.

During 2016/17, savings/income generation of £1.3m was achieved, leaving £1.0m of the £2.3m savings/income generation to be achieved by 31 March 2019. This will be made up of savings of £0.3m through our in-house repairs team (HomeFix), the elimination of Saxon Weald's revenue contingency of £0.3m and by £0.4m of income generated from new developments by 2019/20. The timing of this savings/income generation is planned to be: £0.2m in 2017/18, £0.4m in 2018/19 and £0.4m in 2019/20.

The focus of the Business Development Strategy approved by the Board in March 2017 is to deliver £0.4m of additional net income from new developments by 2019/20 and for other new developments to achieve a neutral or positive financial return as soon as possible. This will require cross-subsidy from the development of some market sale and market rent homes to enable the development of new affordable homes, both for rent and shared ownership. More exposure to market sales, increases risk which will be managed by monitoring cash, loans available for immediate drawdown and development commitments.

# ...Value for Money Self-Assessment

## 5. How have we done?

This section is divided into three parts. The first part (5a) considers the cost and performance of specific services and benchmarks over time and against others. The second part (5b) considers VfM gains in delivering each of our strategic aims. Finally, the third part (5c) summarises what we said we would do last year and what we have achieved.

### 5(a) Costs, performance and benchmarking

In June 2016, Julian Ashby, Chair of the HCA, wrote to all housing associations about delivering better value for money and understanding differences in unit costs. This also included a summary of Saxon Weald's headline social housing costs per unit (CPU) for 2014/15 taken from the 2015 global accounts data, alongside the equivalent figures for the sector as a whole. These have been updated for the 2016 global accounts comparators and are shown below alongside the 2014/15, 2015/16 and 2016/17 unit costs for Saxon Weald.

#### Social housing unit costs

	SAXON WEALD			SECTOR LEVEL 2015/16		
	2016/17 £	2015/16 £	2014/15 £	Upper quartile £	Median £	Lower quartile £
Headline social housing costs CPU	3,734	3,905	4,075	4,350	3,570	3,120
Management CPU	604	648	670	1,320	1,020	740
Service charge CPU	918	955	921	600	360	240
Maintenance CPU	929	1,057	1,247	1,180	970	790
Major repairs CPU	1,016	759	995	1,080	810	540
Other social housing costs CPU	267	486	242	450	210	80

The headline social housing cost per unit is between the median and the upper quartile for the sector. This is largely because of the high service charge cost per unit, which reflects the high percentage of homes for older people managed by Saxon Weald. This is further magnified by the fact that housing for older people at Saxon Weald includes 11 extra care schemes (597 homes). Older people's homes make up 27% of Saxon Weald's homes and with other supported housing added, this makes up 28% of Saxon Weald's homes.

The management cost per unit is significantly below both the median and the lower quartile. The maintenance cost per unit has fallen from £1,247 in 2014/15 to £929 in 2016/17 and is below the median cost per unit,

## Costs, performance and benchmarking

but above the lower quartile. The major repairs cost per unit has increased to £1,016 per unit, approximately the same in real terms as in 2014/15. This reflects Saxon Weald's decision to continue to invest in our existing homes as well as build new homes. The 2016/17 unit cost of the provision of services for retirement and extra care schemes is almost £2,900 per unit and for general needs homes is just £160 per unit. It is therefore not surprising that Saxon Weald's headline social housing cost per unit is £164 per unit above the median.

Over the last couple of years, the sector has been developing a scorecard to deliver a short set of high-level measures which could be used to demonstrate the efficiency of housing associations. Originally 15 housing associations were involved in the development and design of the sector scorecard. Saxon Weald has now joined with over 200 other housing associations as part of a pilot project for the sector scorecard. The scorecard allows the sector to demonstrate that it is responding positively to the government's challenge on value for money; showing the sector is committed to being as efficient and effective as possible, so that housing associations can play an important role in supporting the national challenge to build more homes. The scorecard includes the unit costs shown in the table above, but also contains a broader range of indicators to help all types of housing associations to demonstrate how they are doing.

The HCA is currently reviewing the VfM standard and a consultation document is expected to be published in the summer/autumn 2017. It has indicated that the VfM self-assessment will be replaced by an extract of indicators from the sector scorecard. This will be used by the HCA to help assess the VfM arrangements/achievements of individual housing associations. A number of the indicators in the scorecard are shown below comparing Saxon Weald to others in the sector.

	SAXON WEALD				BENCHMARK 2015/16		
	2017	2016	2015	2014	Upper	Median	Lower
Operating margin	39.7%	33.5%	32.2%	32.2%	40.3%	33.0%	31.4%
Operating margin excluding sales	41.3%	34.8%	33.0%	33.7%	43.3%	34.5%	32.1%
Operating margin - social housing lettings	39.7%	33.7%	31.8%	33.5%	45.3%	36.9%	32.2%
EBITDA MRI	149.9%	134.9%	108.2%	104.2%	343.1%	208.5%	167.6%
Gearing*	63.5%	69.6%	72.4%	76.2%	46.4%	55.5%	69.4%
Rent collected	100.4%	101.5%	99.7%	99.8%	103.3%	99.8%	99.7%
Overheads	8.7%	9.3%	9.1%	9.7%	9.0%	10.6%	11.8%

\* Gearing is calculated by taking loans and long-term creditors as a percentage of housing and investment properties at historic cost.

# ...Value for Money Self-Assessment

Saxon Weald's 2017 operating margin, operating margin excluding sales and operating margin social housing lettings are good at 40%, 41% and 40% respectively. They are comfortably above the medium for the peer group referred to below.

EBITDA MRI (earnings before interest, tax, depreciation, grant amortisation and capitalised major repairs as a percentage of total interest payable including capitalised interest) at 150% is in the lowest 25% of the benchmarked peer group. This reflects Saxon Weald's history as a large scale voluntary stock transfer that was 100% debt financed and Saxon Weald's bond issue in 2012 to enable it to continue to develop new homes. Similarly, Saxon Weald's gearing (total debt as a percentage of housing and investment properties at cost) at 64% is just better than the lower quartile for the peer group.

Rent collected is 100.4%, which is higher than the medium of the peer group. Overheads as a percentage of turnover at 8.7% places Saxon Weald in the upper quartile of the peer group.

## Activity Benchmarking

During 2016/17, a review of our HouseMark benchmarking peer group was carried out. The aim of this review was to ensure that Saxon Weald was benchmarking its performance against the most appropriate organisations. The review has resulted in a peer group which better reflects organisational similarities. The criteria used to select the peer group was: organisations with between 2,500 – 10,000 general needs and retirement properties in management; geographic location in the south of England and organisation type. Historically, Saxon Weald has benchmarked with other LSVT organisations, however, the peer group selection has been opened up to include traditional housing associations that meet our criteria.

The following data was also captured to enable us to drill down further:

- % of general needs properties
- % of housing for older people properties
- Organisation turnover
- Whether or not they have an in-house repairs service (direct labour)
- Whether they are developing and the unit numbers being developed

A list of our new benchmarking peer group organisations is attached at Appendix A to this self-assessment.

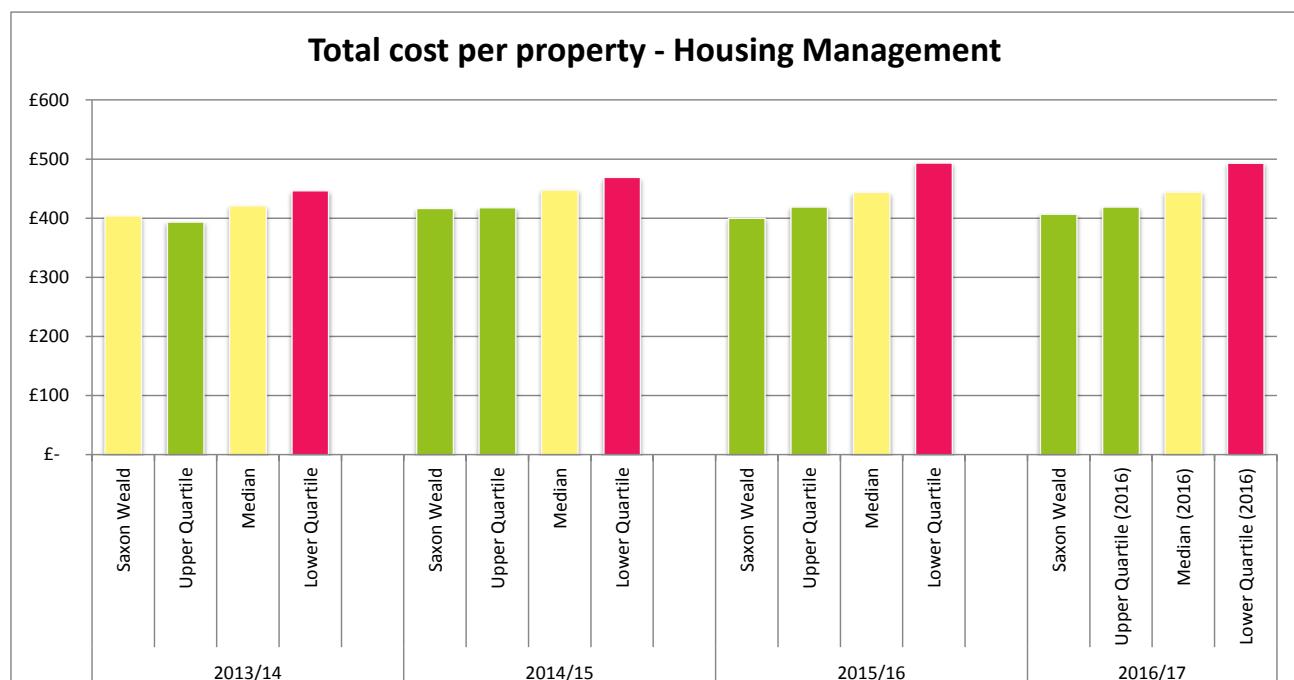
The following section uses data from HouseMark to benchmark costs and performance over time and against the peer group selected. The HouseMark benchmarking methodology validates each housing association's data, seeks to eliminate the impact of differences in interpretation of definition and aims to collect more detailed and specific activity costs through the allocation of staff time. The charts that follow include an apportionment for overheads in-line with the HouseMark methodology. All this means that it will, for example, produce a different management cost per unit than the one calculated from the global accounts. At the time of writing, not enough other organisations had submitted data for 2016/17 for comparisons to be robust; therefore data from 2015/16 has been used to provide an indication of Saxon Weald's relative performance.

The charts have been colour coded to allow for easy identification of Saxon Weald's performance against the peer group. Where we are within the top 25% of organisations, the upper quartile, Saxon Weald's chart bar is coloured green. Where we are between this level and the median (performance between the best 50% to 74%),

## Costs, performance and benchmarking

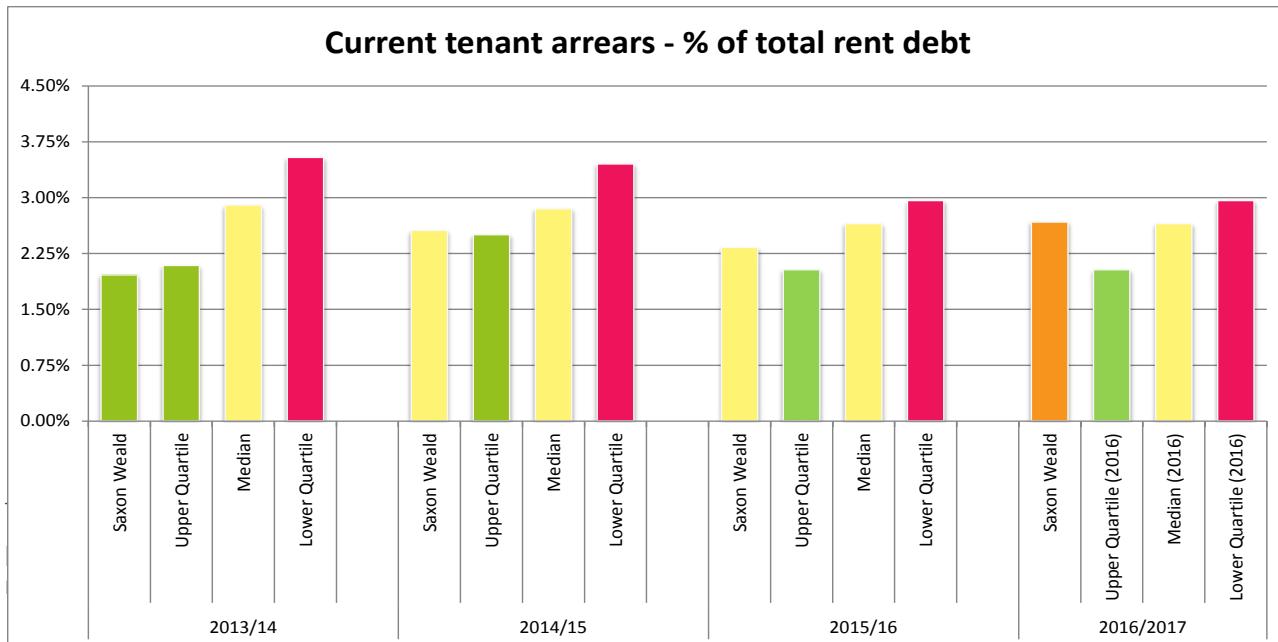
yellow has been used, where our performance is below the median, but above the lower quartile (performance in the range 26% to 49%) the bar is orange and where we are at or below the lower quartile (in the lowest 25%) the bar is coloured red.

### Housing Management

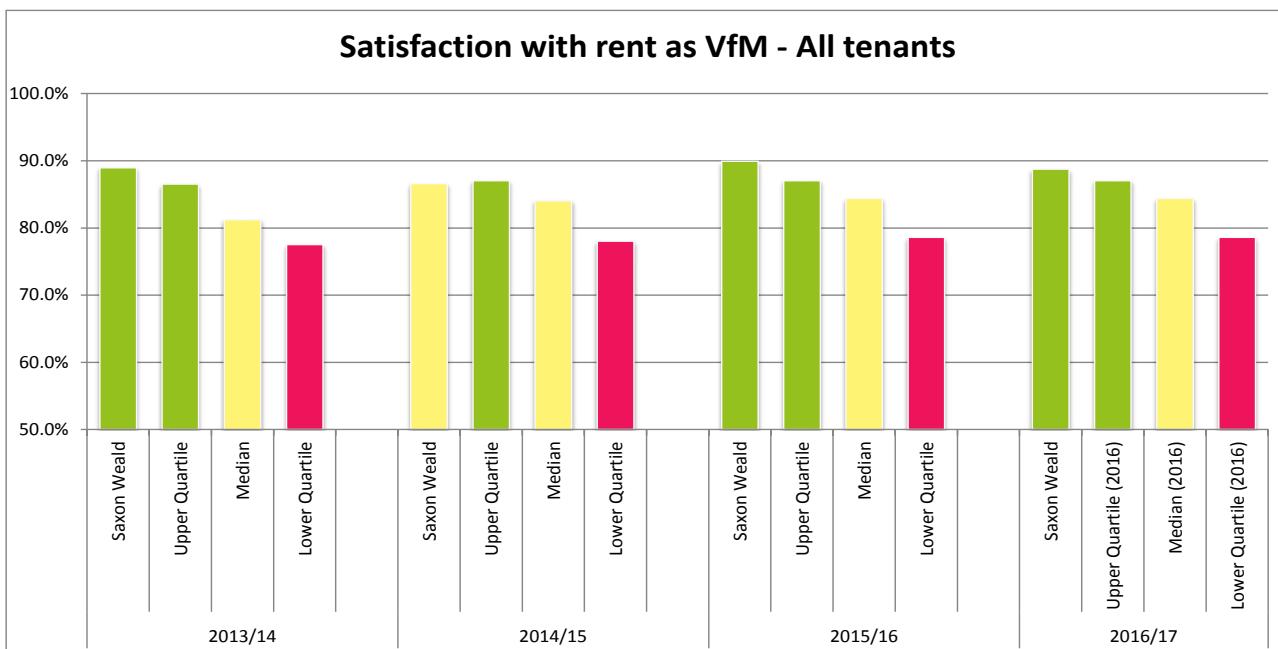


Saxon Weald's housing management cost per property is at or below the upper quartile cost for the three years 2014/15 to 2016/17. This means that at least 75% of the peer group have higher costs.

# ...Value for Money Self-Assessment



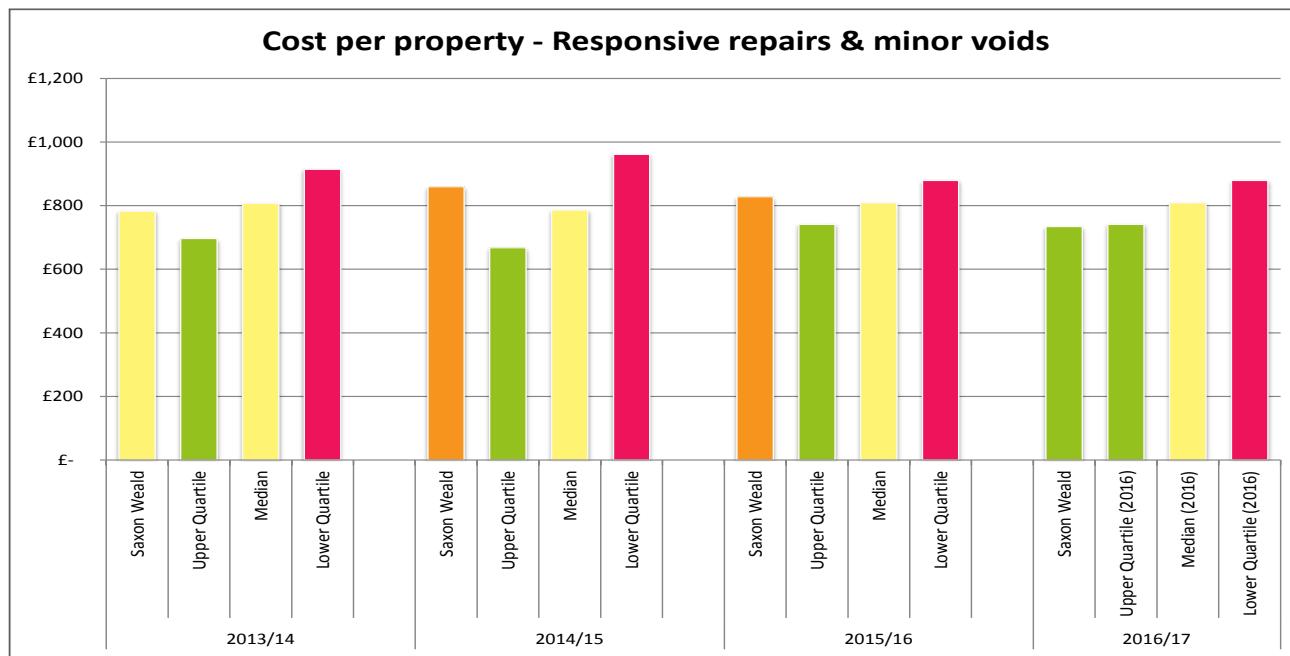
The chart shows an increasing trend over the period for Saxon Weald, but a fairly stable performance for the peer group. Saxon Weald's arrears for 2016/17 at 2.7% are slightly above the median for 2015/16 of 2.6%. This means that just less than 50% of the peer group have higher arrears.



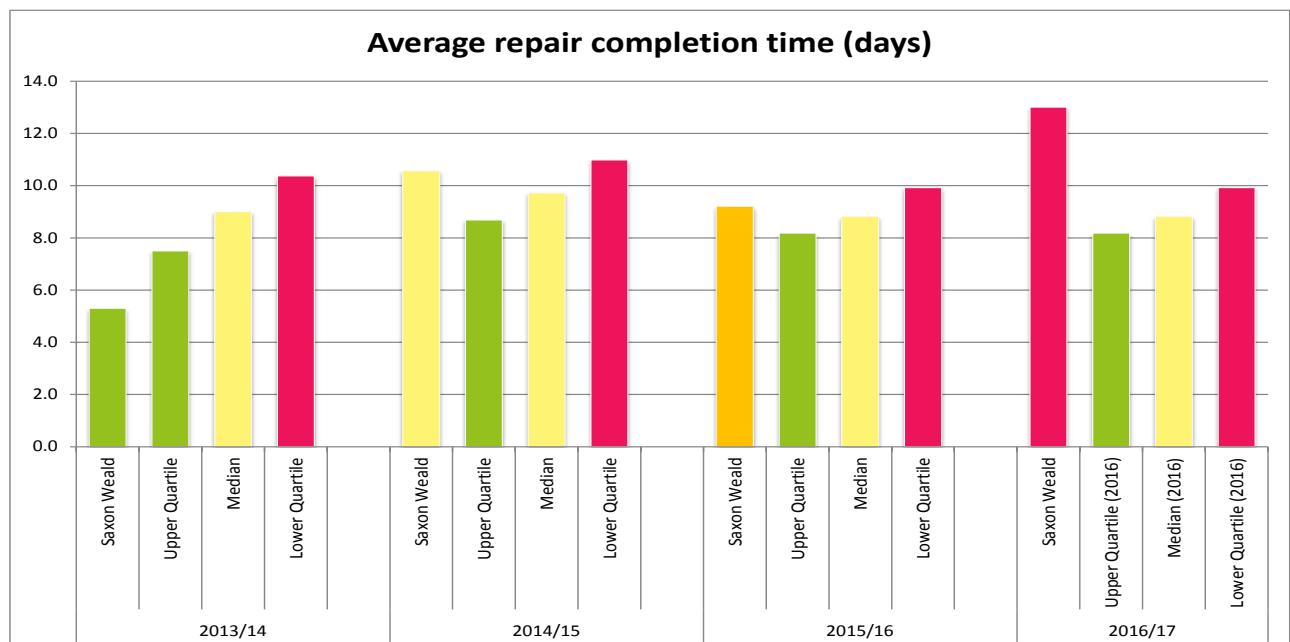
Satisfaction from our tenants that rent is value for money is high over the four years and in 2016/17, 89% are very or fairly satisfied that rent is VfM. This would place us in the top 25% of our peer group.

## Costs, performance and benchmarking

### Responsive Repairs and Minor Voids

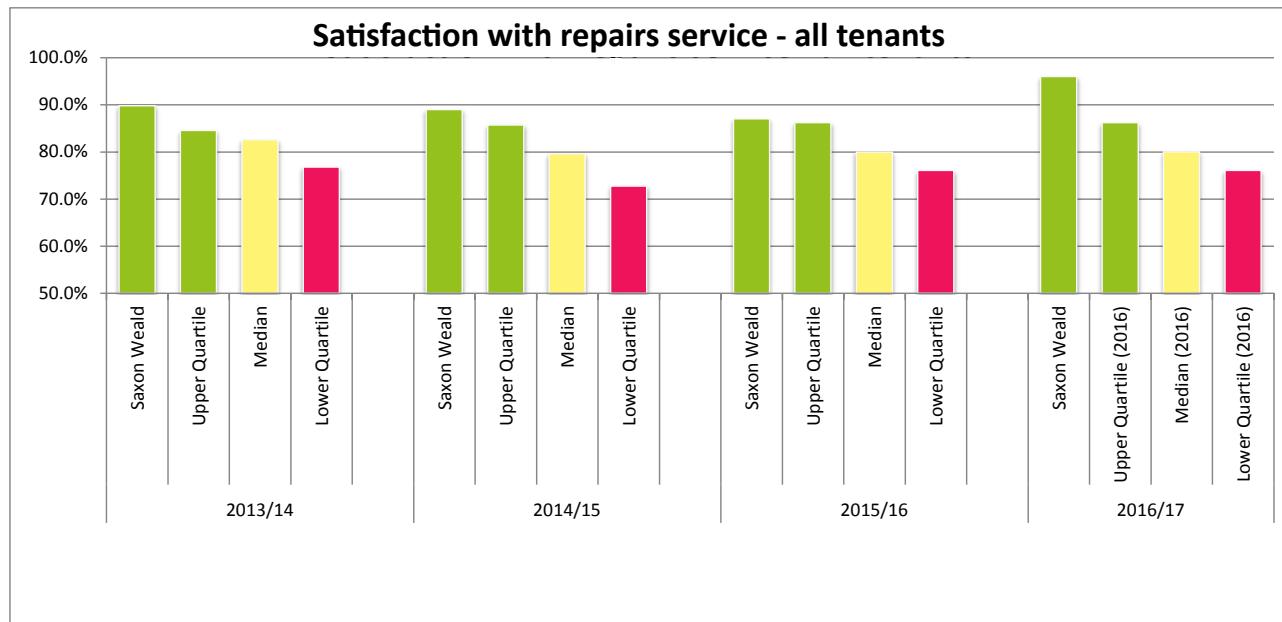


This chart shows that the trend of the cost of responsive repairs and minor voids per property is downwards, with Saxon Weald's cost per property falling in 2016/17 to £734 per property. This is just below the lower quartile for the peer group (2015/16) of £741 per property.

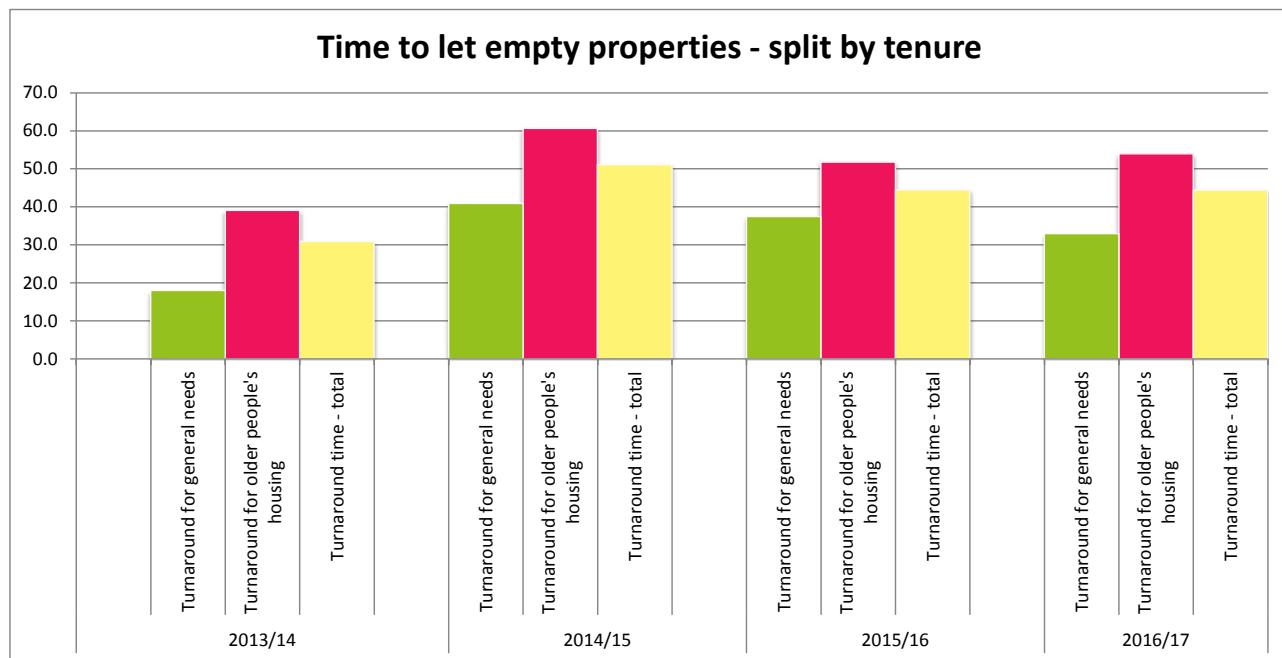


The average time to complete a repair increased to 13 days in 2016/17. This is disappointing, but reflects the high number of fencing repairs caused by storm "Katie" in spring 2016. The percentage of emergency repairs completed within 24 hours improved to 100%, a pleasing performance.

# ...Value for Money Self-Assessment



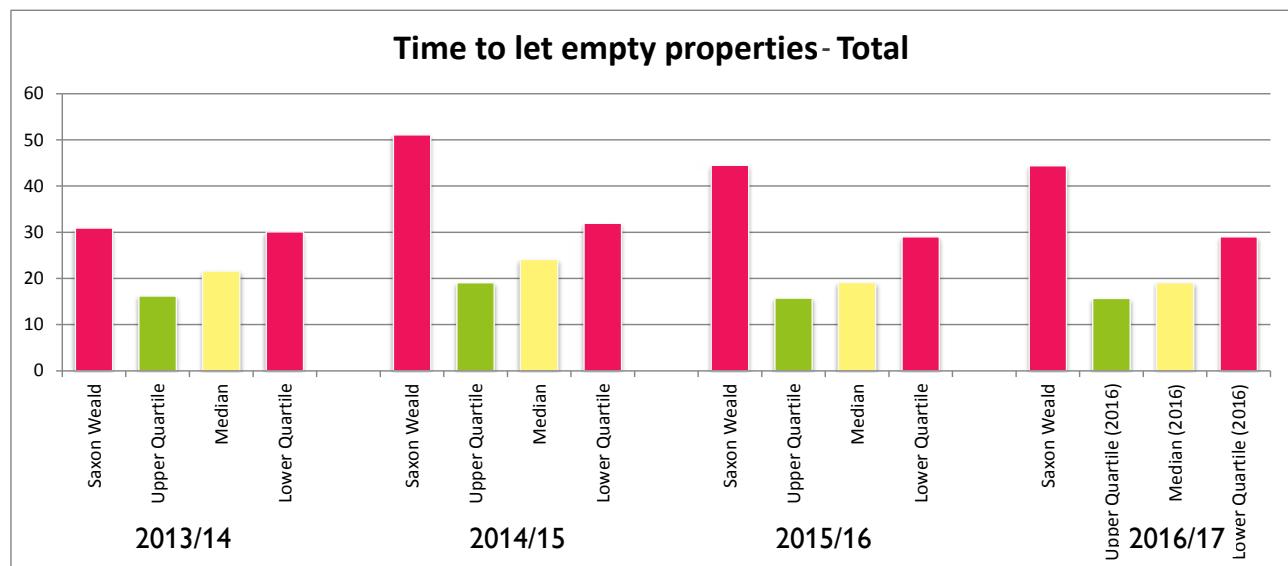
Tenant satisfaction with the repairs service is above the upper quartile of the peer group for all years and at 96% in 2016/17, as measured through the independent (Voluntas) survey of tenants who have had a repair; is comfortably above the peer group upper quartile of 86%.



The chart above illustrates that the time to let empty properties for older people's housing is longer than for general needs housing. This is because of the multiple agencies involved in extra care housing and the requirement to assess individual needs. Saxon Weald is atypical for the peer group because 30% of rented properties are for older people, which is much higher than usual.

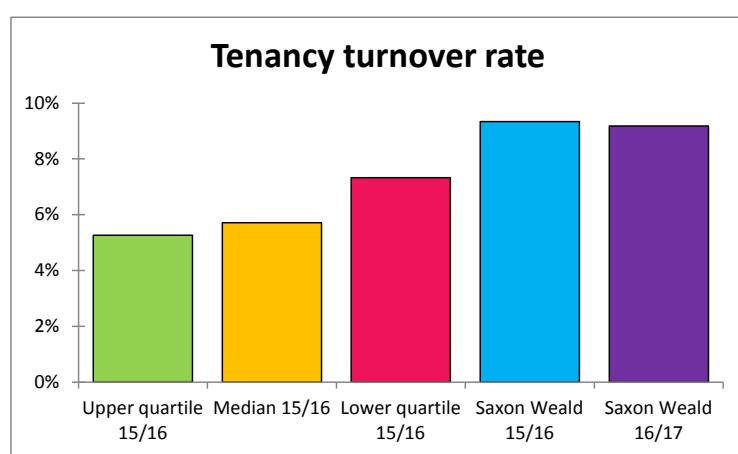
## Costs, performance and benchmarking

The increase in the turnaround time for general needs properties from 18 days in 2013/14 to 33 days in 2016/17, whilst it is an improvement on the previous two years, is disappointing. It reflects a focus on ensuring that the lettable standard is met. It also reflects the impact of welfare reform, especially bedroom tax and affordability, and an increase in the level of refusals.



It is welcome to see a slight overall improvement in re-let times in 2016/17, although they are still not where we want them to be. There are pressures inherent in the system with welfare reform, especially with bedroom tax and affordability, the supply of new homes across the Horsham district, and an increase in the level of refusals, along with current high turnover rate (see below). Significant changes have been made, which has seen the merging of the lettings and empty homes team that now come under one manager for the first time. Not only does this reduce costs, but it is intended to provide a more integrated service to help reduce the time taken to let empty properties.

### Tenancy turnover rate

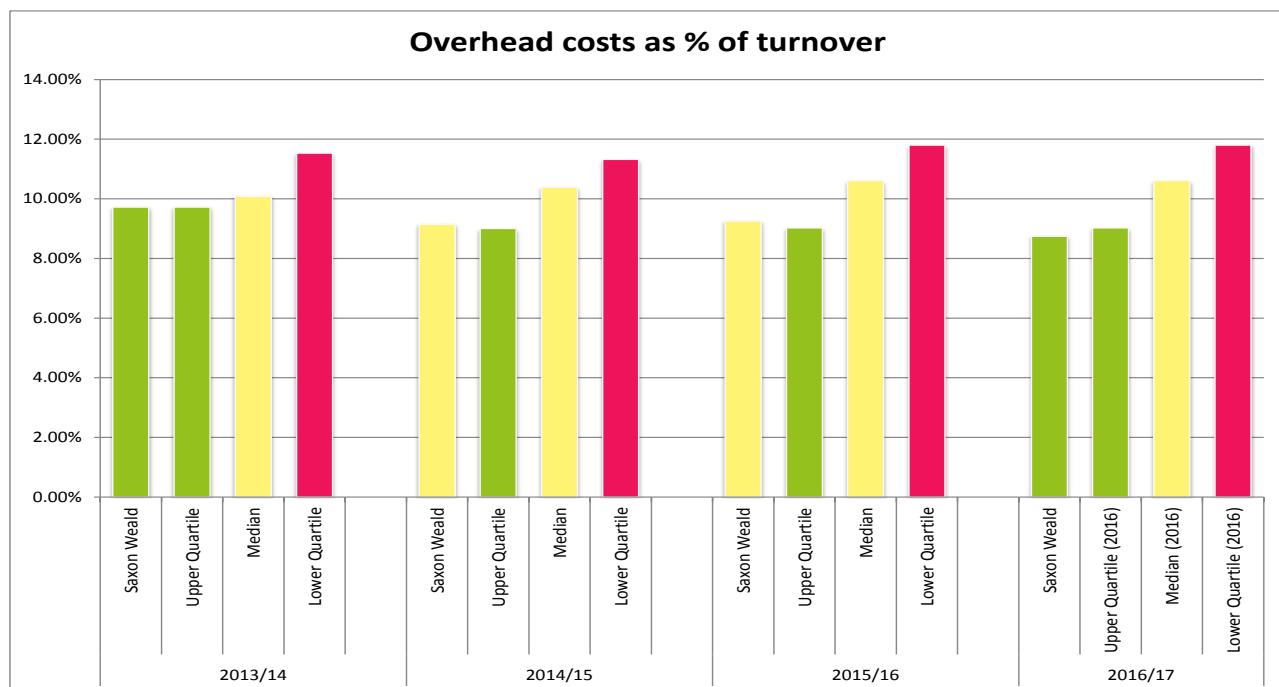


This chart shows that Saxon Weald has experienced particularly high tenancy turnover rate over the last two financial years, significantly over the rates experienced by our peer group. This relatively high number of properties needing to be re-let has hindered the ability to turn them around quickly. Saxon Weald's relatively high number of homes for older people, new build completions and a dynamic housing market in and around Horsham have certainly contributed to the high turnover rates. In order to reduce demand to more reasonable levels, internal transfers are now being actively controlled.

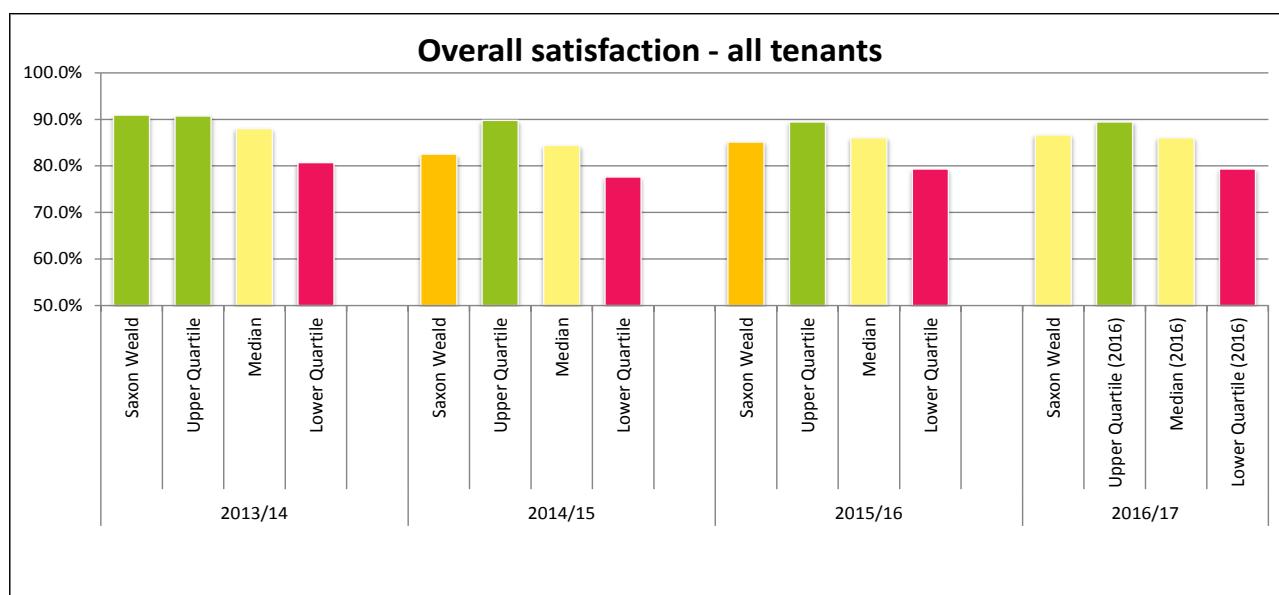
# ...Value for Money Self-Assessment

## Overheads

These are central service costs that do not provide services directly to our residents, such as the cost of office accommodation, IT systems, staff working on policy, human resources, finance etc. Overhead costs viewed against our turnover have steadily fallen over the past four years. This is largely because central staffing costs have remained stable as property numbers have increased through the development of new homes. This has kept Saxon Weald in the top quartile for overheads as a percentage of turnover.



## Overall satisfaction with Saxon Weald



Tenant satisfaction with the overall service provided by Saxon Weald is a key measure in determining whether we are providing an excellent service and achieving one of our key strategic objectives. Overall tenant satisfaction peaked at 91% in 2013/14. It fell back in 2014/15, but has gradually improved since then to 87% in 2016/17. This is just above median performance and below the top quartile performance of 89%.

### 5(b) Strategic Objectives and VfM

This section takes each of our strategic aims and assesses how Saxon Weald is achieving VfM in delivering these objectives.

#### *To deliver excellent customer service*

##### **Customer Service**

One of the original key aims of the three year customer service strategy approved in December 2014 was to achieve high customer satisfaction levels. The target for customer satisfaction is 85%. The customer service strategy also contributes to helping Saxon Weald achieve efficiencies and cost savings across the organisation.

Overall customer satisfaction reached 85% in July 2016 and remained above target for the rest of the year reaching a high of 92% in January 2017. The overall year end figure was 87%.

The channelling of customer contacts through two customer service teams who have the information and knowledge systems to enable them to deal with calls at the first point of contact is reducing the time spent by specialist staff on dealing with customer queries. The two customer teams were brought together in January 2017 to form a single Customer Support Team. The efficiencies created in this merger have resulted in the reduction of 1.5 full time posts – a saving of £39k (in addition to the £158k year on year savings made through the restructure in 2015/16).

The team have developed in skill and expertise under a new Customer Service Manager. A new 'knowledge base' has been developed to ensure that the CSA's have access to the right information and we are now answering 88% of queries right at the first point of contact. Avoidable contact rates have remained at 2%. The communication systems have been reviewed to ensure that all telephone contacts now come through the Customer Support Team. This has improved consistency and further reduced the number of calls being transferred to other departments.

Saxon Weald's self-service portal went live in March 2016. It is a customer-facing web-based system that our customers will be able to use. The portal allows people to check their rent account, report a repair and make a payment online. In the first three weeks, 350 households registered to use the self-service portal (the target for 2016/17 is for 650 households or 10% of our households to have registered on the portal). Numbers registered for and using the portal continued to increase in 2016/17 and by 31 March 2017, 900 residents had registered to use the portal, well over the target of 650. Moving customer transactions to automated systems, or channel-shifting provides a cheaper per-transaction cost. If 10% of payments and 5% of repairs requests are carried out through the self-service portal we expect to save £30,000 per annum.

Services available online have increased in 2016/17 and now include: searching for and applying for garages, permissions for property changes, making payments, access to rent statements and reporting a repair. Despite

# ...Value for Money Self-Assessment

this, the number of customers switching from contacting us by telephone to using the portal has been low. This will be addressed in 2017/18 through the new Customer Service Strategy.

Since November 2015, we have been using the Orchard text messaging module to measure customer experience with the call service and we are currently consistently achieving in excess of 85% of customers rating us as good or excellent.

## Performance measures

	Performance March 2017	Performance May 2015	Target performance
% queries dealt with at first point of contact	88%	83%	80%
Overall customer satisfaction	87%	85%	85%
Avoidable contacts	2%	2%	No target
Text survey – experience of recent telephone call with a rating of good or excellent	86%	89%	85%

The continued focus for customer service will be on quality, dependability and flexibility as well as speed. The key outcome of the project will be to improve customer service measured by increased customer satisfaction and a reduction in incidents of service failure and complaints. The improved structures, operating systems and processes will lead to more efficient and effective ways of working, which will improve customer satisfaction for the same or less cost as Saxon Weald grows.

## HomeFix (in-house repairs team)

HomeFix (Saxon Weald's in-house repairs and works team) generally continues to perform well. During 2016/17, it achieved the targeted savings of £0.4m.

The cost savings plan for HomeFix involves increasing the amount of work being done. Whilst costs rise through the employment of additional resources and greater use of materials, the allocation of overheads is spread across greater income. As a result, the overheads become a smaller proportion of a whole and the cost of providing the service reduces. During 2016/17, HomeFix took on additional work in the following areas:

- Gas boiler replacements;
- Kitchen and bathroom replacements;
- Fire door replacements;
- Pelham Court & Waverley Court void works; and
- Cyclical decorating programme.

## Strategic Objectives and VfM

Much work has been done to improve financial reporting for HomeFix and a comprehensive suite of management accounts is now produced every month. The three financial measures shown below are detailed in the HomeFix Strategy as being important indicators of how costs are being controlled. The outturn figures for 2016/17 reflect the continuing efforts to improve efficiency and deliver value for money outcomes.

	2014/15 £	2015/16 £	2016/17 £
Average cost per property for responsive repairs service	558	406	351
Average cost per minor void	3,615	2,137	1,664
Average cost per major void	14,277	10,550	9,526

Additional VfM activities have been tracked throughout the year some of which are detailed below. The financial values have contributed to the actual spend for the year and the resultant overall saving.

During the year, half of the kitchen and bathroom programme was brought in-house. The budget for the year was just over £1m and, with the other half of the programme being done by a contractor, a direct cost comparison was possible. This demonstrated lower costs being delivered by the in-house team. The full kitchen and bathroom programme will be delivered by HomeFix during 2017/18.

Item	HOMEFIX	CONTRACTOR	Difference (%)
	Average cost (£)	Average cost (£)	
Kitchen	5,756	6,937	17
Bathroom	3,200	4,178	23
Bathroom/WC	4,400	5,877	25

In addition, HomeFix have worked with Older People's Services to design kitchens and bathrooms fit for their residents e.g. level access showers and specially designed kitchens.

The programme is now completed and resulted in a saving of £70,668 on the allocated budget. As a result, Asset Management brought forward a further 40 replacements.

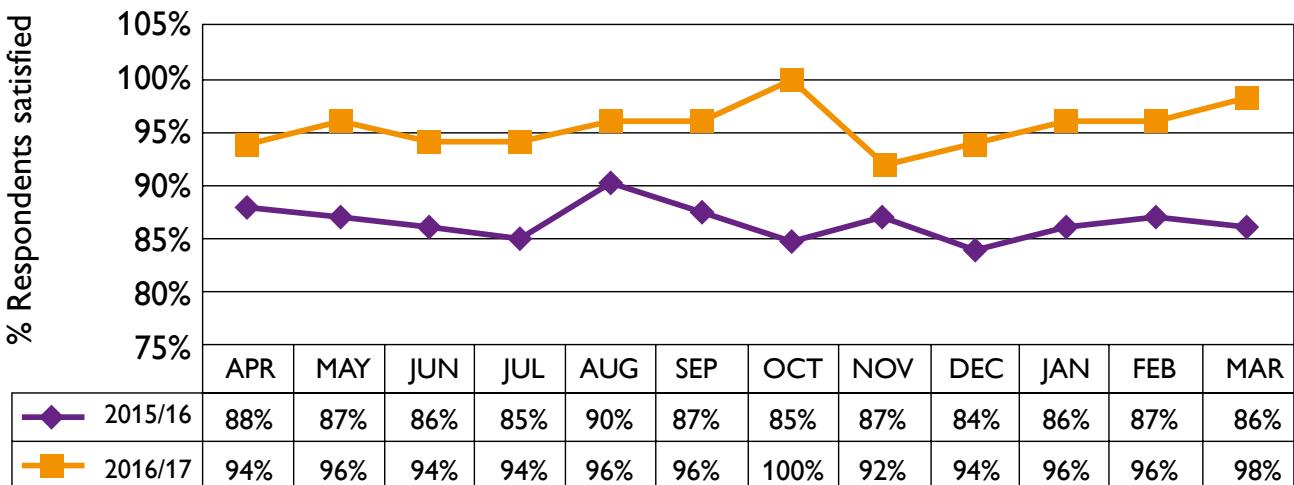
The materials supply chain now provided by Buildbase at our Southwater store has significantly contributed to efficiency. Where the operatives are concerned, this is primarily in reduced travelling time owing to the

# ...Value for Money Self-Assessment

more central location, but also includes an improved van-stock process and next-day delivery of special orders. During contract negotiations, a comparison of costs with our previous supplier revealed like-for-like savings of at least £50k per annum which we continue to benefit from. The implementation of an electronic ordering and invoicing system with Buildbase has supported the reduction of 1.5 staff in the Business Support Team. Taken together, the value for money outcome is worth at least £150k per annum.

The importance of good customer facing skills within our operative workforce is essential. All operatives attend the company's APE (a positive experience) training sessions. The feedback from our customers is generally positive – during the year 138 compliments were received against 7 complaints. The independent survey of customer satisfaction with the HomeFix service carried out by Voluntas shows an improved position for 2016/17 compared with the previous year.

## HomeFix customer satisfaction

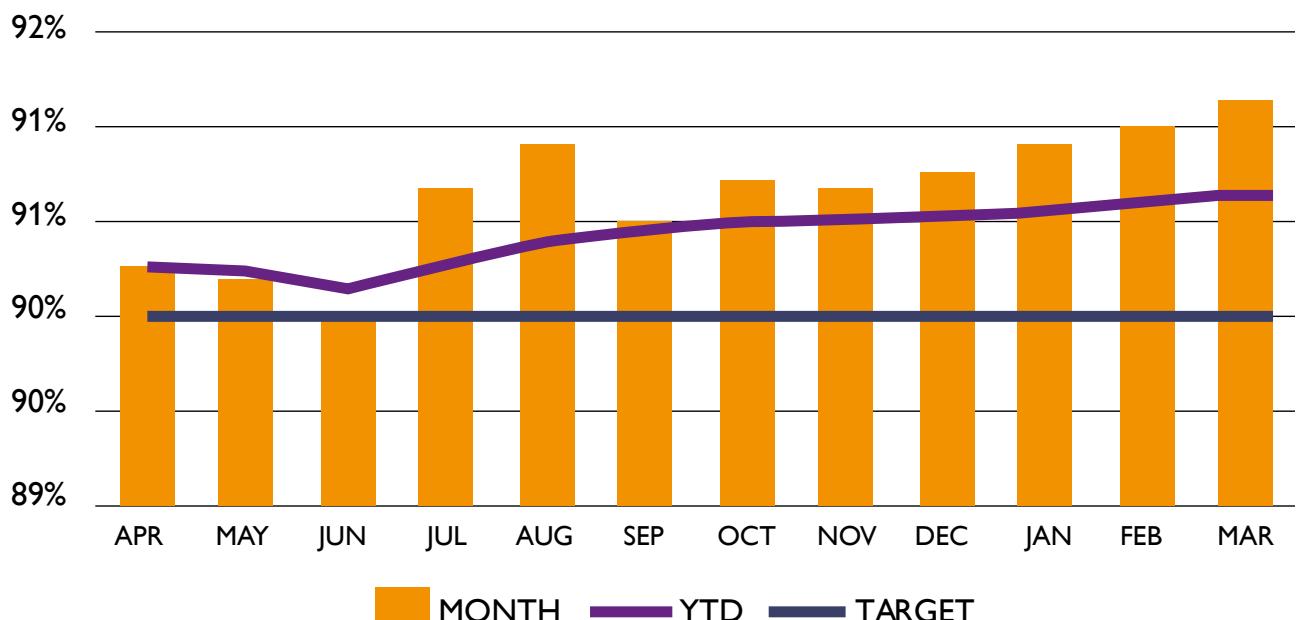


Appointments kept is an important measure of keeping our promises to the customer. This shows how many of the appointments made we turn up to on-time. Strong performance has been achieved this year with an average of 98.1% against a target of 95%.

Whilst not a formal target, we aim to complete jobs in an average of 10 working days. This year we have struggled to meet this target finishing with an average of 13 days for two main reasons. Firstly, we had a backlog of fencing jobs carried over from storm "Katie" in March 2016. In order to control costs, it was decided to do these jobs when resources allowed rather than outsource them to a contractor which extended the completion timescales for some jobs out to three or four months. The backlog has been cleared. Secondly, it has been a challenge to find the right balance between responsive jobs and the additional work that HomeFix now do. As we become more experienced and find the right level of staff resources this should improve. It should be noted that electrical and plumbing jobs, which make up just over three-quarters of all jobs, have been delivered in less than 10 days on average during the year.

Two main measures are used to assess the quality of the work being delivered; first-time fix and recall rates. The first-time fix is a measure of how good we are at sending an operative with the right skills and materials to fix the job at the first visit. The target for the year is 90% which has been achieved in eleven out of twelve months with an average of just over 91% for the year.

### First-timefix rates



Recall rate is a measure of how many jobs we need to return to owing to the original visit not solving the problem. This measure is reported for each operative and is discussed at one to ones and in team meetings. High levels of recalls may point to insufficient operative knowledge or skill, or that the operative is not fully aware of the quality standard required; where necessary, additional training, mentoring and support is given. The overall recall rate during 2016/17 for responsive repairs is 1.8% against a target of 5%.

Certain jobs are classified as emergencies and we have a 24-hour response target for them. During 2016/17, 801 emergency jobs were reported and HomeFix attended every one within 24 hours.

### Case study – Neighbourhood Assistants (NAs)

#### What needed improving?

Saxon Weald outsourced a number of functions (c.£80k per year) to contractors and it was

proposed that the NAs would take on this work for HomeFix whilst still continuing their current estate work for housing and neighbourhood services.

NAs were spending too much time on administrative tasks in the office and it was imperative that they were “on the road” for the majority of their time.

#### What we changed

The Neighbourhood Assistants (NAs) were brought into HomeFix to reduce the use of external contractors. Processes were streamlined, a mobile IT solution was implemented and the scheduling of work was moved to the current HomeFix work planners.

#### Impact

The NAs are now fully integrated within the HomeFix team and also carry out void tasks such as clearance and garden works which frees up a multi-trade operative to carry out other jobs or to move on to their next job more quickly.

# ...Value for Money Self-Assessment

This has saved an average of three days for the empty homes team operatives. Contractor spend within HomeFix on clearance and gardening in void properties was £52,000 and this significantly reduced to £8,500 in 2016-17, resulting in a saving of £43,500. Bringing the work in-house has enabled a recycling initiative to start, with over £2,000 being raised with our partner Horsham Matters in the first six months. In addition to this, the team have taken on numerous tasks for the housing management team that would have normally been outsourced, thereby saving more on contractor costs.

## *To grow in the South East through the delivery of quality homes*

During 2016/17, 131 new homes were completed and 81 market rents homes purchased. The new homes comprise 60 affordable rent homes for older people, six general needs affordable rent homes, 20 shared ownership homes and 45 sale homes for eligible older people.

The new focus on revenue contribution as a key outcome of appraisals/schemes has resulted in a wider programme view of schemes and consideration of tenures. The focus has been on delivering the key projects which contribute to the £400k revenue target. These schemes are now either onsite or have planning and are about to go into contract with a start on site in 2017/18.

The schemes contributing to the target and our approach to them evolved over the course of the year and were fine-tuned with the revenue target in mind, thus ensuring value for money for Saxon Weald.

Saxon Weald, as part of its response to the rent reductions, plans to gradually create a market rent portfolio through new build sites. The first development will deliver nine flats and the aim was to increase market rent homes incrementally to approximately 50 homes by

2019. This approach, whilst offering us time to develop processes and procedures, would have taken a number of years to get to a critical mass. However, the opportunity to purchase Pelham and Waverley Courts arose in early 2016. They are established blocks of 81 flats rented on the open market near Horsham town centre. The purchase of Pelham and Waverley Courts has enabled Saxon Weald to start with a sufficient number of market rent flats to adequately resource an efficient and effective service, which can be gradually expanded. The flats have generated a positive contribution to Saxon Weald's surplus from 2016/17, helping to secure and expand the development programme going forward.

This purchase also included a potential development site which will enable Saxon Weald to develop an additional 21 new homes. Initially, the Pelham and Waverley (P&W) garage site and a proportion of Winterton Court were to be open market sales. Switching these units to shared ownership considerably improved the revenue position and social outcomes on these sites.

Delays were incurred on the delivery of Winterton Court following a second planning refusal (despite officer's recommendations). This delay put the expected revenue well below the £400k target as this site is a significant contributor. The contractor at Winterton Court has recently provided a programme of works which is better than expected with all handovers at the start of 2019/20. This is because a contractor was chosen with the capacity to focus on the site and with a strong approach to collaborative working and VfM. This has pushed the revenue contribution forecast back above £400k.

These delays required us to seek an additional well performing site to bridge the gap and support the business' revenue target and core purpose. The Angmering scheme was identified as meeting this purpose.

## Strategic Objectives and VfM

The programme approach of combining three sites (Swann Way/Sleets Road/Pelham & Waverley) has enabled various savings. Submission of the three sites as one planning application enabled the tenures to be split rationally across the sites, and more effectively meet local housing needs. There will be one contract for all three sites which will enable economies of scale, a better build cost and will make the schemes more attractive to contractors. With one project manager dealing with all sites, there will also be a saving on staff time. Value engineering of these schemes has been carried out, so that amendments to the specification such as doors, kitchens, appliances etc. will save £56,822 across the three sites.

Saxon Weald is a member of the Housing Association Legal Alliance (HALA). This is an OJEU compliant legal framework. This enables us to access framework rates and HALA have provided the breakdown of savings below:

PANEL FIRM	SPEND FINANCIAL YEAR 2016/17	DISCOUNT	SPEND WITHOUT SAVINGS	SAVINGS ACHIEVED
Capsticks	£15,604	23%	£20,134	£4,530
Clarke Willmott	£695	19%	£862	£167
Pennington's Manches	£6,374	35%	£9,852	£3,478
<b>TOTAL</b>	<b>£22,673</b>	<b>26.5%</b>	<b>£30,848</b>	<b>£8,175</b>

31% of legal instructions through HALA across the organisation have been on a fixed fee which offers cost certainty and savings for us. Within the Business Development department 100% was on a fixed fee basis. 69% of instructions across the organisation were on an hourly rate which was more favourable under HALA than negotiated directly. In addition to cost savings on appointments through HALA, we are able to access a number of free training courses and hold in-house sessions at nil cost. In 2016-17 five individual training sessions were attended..

### **To maintain a vibrant workforce and a dynamic, challenging but fun place to work**

Our staff, Board members and involved residents are some of Saxon Weald's key assets. It is through them that Saxon Weald will achieve its purpose and strategic objectives in a way that delivers value for money and the best return on assets. We had 186 members of staff on 31 March 2017. We were extremely pleased to be awarded, for the second time, Investors in People Gold during 2015. This was despite the assessment taking place when we were going through a restructure in response to the rent reductions and the fact that only 7% of organisations in the UK, who have Investors in People, have the gold award.

Investment in our people through different training and development interventions continues to be a key priority across the whole organisation. It is critical to making the most of their enthusiasm, expertise and experience. We therefore continue to invest in training. As well as technical, management and IT training, this includes training on risk management and VfM. Significant investment has also been made in managers at Saxon Weald. The first cohort of 10 Saxon Weald managers have completed the Institute of Leadership and Management (ILM) level 5 leadership and management programme and the second cohort are progressing through the programme. We are committed to developing a coaching culture at Saxon Weald and we place all new managers on our bespoke in house coaching skills course.

# ...Value for Money Self-Assessment

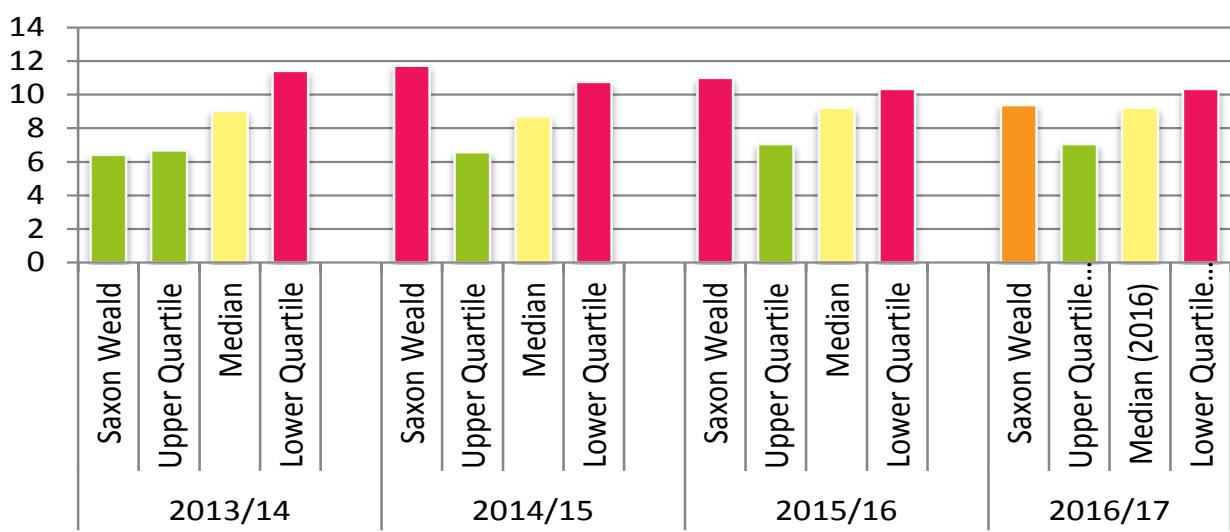
In 2015, Saxon Weald carried out a staff survey and it told us that 83% of our staff were either satisfied or very satisfied with Saxon Weald as an employer; 83% believe that their core objectives give them clarity about what they need to do in their job, 93% believes Saxon Weald takes customer service seriously, 98% have a good understanding of equality and diversity issues and 96% believes that Saxon Weald respects individual differences. A new survey will be carried out in early summer 2017.

Staff turnover – The UK average employee voluntary turnover figure reported in 2015 is 15%. Our target for turnover is 15% and is based on a 12 month rolling period. Our turnover as at 31 March 2017 was 13.9% voluntary and 7.2% involuntary. There is no optimal level of turnover as turnover rates deal with emotional and human issues and can never be scientific. Most companies believe that some amount of natural staff turnover is necessary to prevent lack of motivation setting in – and also to inject a company with fresh blood and ideas.

The Chartered Institute of Personnel and Development's annual survey of sickness absence rates, reported an average of 2.8% or 6.3 days per employee during 2016. Our target for sickness absence is 3% and as at 31 March 2017 our average was 3.5% or 9 days.

The long term absence level is 1.8%, but lower than at 31 March 2016 when it was 2.6%, and is effectively unavoidable. We are working with a local occupational health adviser to make earlier interventions when necessary to assess the ill health problem. We work with the occupational health adviser, the individual and line manager to manage the situation and establish capability and timescales for a return to work. We offer the WPA cash plan and an Employee Assistance Programme for staff to enable them to get medical/physical and psychological help as required and get them back to work sooner.

## Sickness absence - Average working days lost per employee



The short term sickness rate was 1.7% at 31 March 2017, contributing to the higher overall figure. We are taking a more robust approach to reduce the rate by setting up new triggers and actions. Exception reports will raise the profile of sickness absence within the organisation, coupled with the message that we need reduce the levels and achieve cost savings. Our aim will be to get the short term rate under 1% in the next three years and reduce the overall absence rate below the target of 3%.

During 2016/17, Saxon Weald made the decision to introduce a defined contribution pension scheme. The scheme became operational in June 2017 and all new staff are auto-enrolled on to the scheme. The West Sussex County Council Pension Scheme remains open and new staff may transfer to it once they have completed their probationary period. It is anticipated that, in the medium term, the new defined contribution scheme will reduce costs and risk for Saxon Weald.

### ***To continue to develop our role as a leader in older people's housing***

From the creation of Saxon Weald in December 2000, specialist housing for older people has been a key social objective, given the high proportion of older people in Sussex, which is forecast to increase.

Retirement and extra care housing make up 30% of Saxon Weald's housing stock. There are nearly 1,800 properties across West Sussex, East Sussex and Hampshire (rent, shared equity and leasehold), which include 39 retirement schemes and 11 extra schemes. During 2016/17, Saxon Weald's new model extra care scheme in Horsham, Highwood Mill, was completed and was ready for occupancy in late January 2017. This is a very high quality extra care scheme and feedback from residents so far has been excellent. This scheme provides 60 affordable rent homes for

older people and 45 sale homes for older people.

The portfolio of housing for older people is now diverse, ranging from housing specifically for the over 55's with no specialist support or facilities, to extra care schemes providing significant levels of care. This diversity is important in reducing risk and ensuring we reflect the differing needs and aspiration of older people. The care is usually provided by care organisations contracted to local authorities and not by Saxon Weald. The exception to this is the new model extra care scheme at Highwood Mill in Horsham. At this scheme, Saxon Weald has contracted directly with Alina Homecare for the provision of care at the scheme.

The scheme management quality assurance system continues to work well. It is based on six monthly 'Scheme Audits' during which the Regional Managers audit compliance with the requirements of the role and the quality of support planning. This has helped support the transformation process and improved the quality and consistency of service delivery to residents. Satisfaction with the scheme manager service remains high, at 86% in 2016/17.

Supporting People funding began to be withdrawn from April 2015. In line with our strategic aim to be a leader in the provision of older people's housing, we re-organised our services to provide enhanced housing management (EHM) in order to retain on-site scheme managers. By April 2016, EHM funding had been secured for our schemes in Hampshire, Southampton and East Sussex. In October 2016, we were successful in implementing EHM across all West Sussex retirement schemes. This allowed us to continue to provide an enhanced service to residents.

In addition, we have been successful in securing £57,000 of Supporting People funding for a new floating support service in the Horsham district. This provides support for our residents as well as

# ...Value for Money Self-Assessment

older people in the community and will consist mainly of scheme based support, maximising the use of the communal facilities we can offer.

## To remain independent and financially strong

### Financial Capacity

As a charity as well as a housing association, we retain the surplus we generate to re-invest in achieving our purpose and strategic aims. It is therefore very important to us that we get the best VfM from the resources we use and the best return on the assets we hold to achieve our purpose. VfM gains are used to re-invest in our existing properties and to build new homes in Sussex and Hampshire, where there is great demand for social housing and homes for older people.

We also borrow to help fund the cost of building new homes. In June 2012, we issued an own name bond for £225m for an average of 25 years, that enabled us to repay our existing loans and provided £60m to invest in building new homes. The Board were satisfied that the bond was good VfM because it removed the restrictions imposed by the previous loan syndicate, was long term and was at an interest rate of just below 5.5%, fixed for the term of the loan. In July 2016, Saxon Weald completed a five-year variable revolving loan facility for £20m with the Abbey National. This will enable the continued development of new homes.

A framework for ensuring Saxon Weald maintains a minimum level of financial strength was agreed as part of the approval of the 2017 business plan by the Board in May 2017. The framework below shows the internal financial rules agreed:

- A minimum statement of comprehensive income surplus before sales (underlying surplus) of £2m

per annum;

- A minimum annual operating margin (excluding sales) of 30%;
- A minimum bond cash interest cover of 150%;
- A minimum adjusted cash interest cover (Abbey National based covenant)\* of 110%;
- A minimum EBITDA MRI (earnings before interest, tax, depreciation and capitalised major repairs included) of 110%;
- Debt (Abbey National based covenant) – long term loans plus short term loans less free cash, less than 65% of housing properties at cost; and
- Positive cash generation from operating activities.

\*Adjusted cash interest cover is adjusted operating surplus (defined as operating surplus + housing depreciation – capitalised repairs – surplus on sales) to interest payable.

Saxon Weald has comfortably achieved these financial indicators in 2016/17 – surplus of £7.8m, operating margin (excluding sales) of 41%, cash interest cover 201%, adjusted cash interest cover of 144%, an EBITDA MRI of 150%, a debt ratio of 61% and has achieved a positive cash generation from operating activities. The EUV-SH valuation of our properties at 31 March 2017 is £380m and our bond liability is £225m. This means that we have an asset cover of 169% which exceeds the target of 120% set by the Board.

The operating margin is the surplus we make from on-going activities (mainly renting homes) as a percentage of turnover. The cash interest cover tells an organisation how many times after depreciation has been added back, the operating surplus will cover the net interest payments due. Asset cover tells an organisation by how much the value of property assets exceed loans outstanding. EBITDA MRI takes operating surplus, adds back depreciation and deducts capitalised repairs to see how many times this will pay

interest costs (including capitalised interest).

In line with good financial management, Saxon Weald will not commit to development schemes until the funding for these schemes is in place. The challenge is to secure additional funding to deliver our development programme, whilst retaining a sound financial position now and in the future. Saxon Weald's capacity to borrow additional funds is limited by three factors – sufficient surplus, interest cover and asset cover.

Saxon Weald has a healthy operating margin from existing homes and also from the newly developed homes. This is because we strive to improve VfM and because of the rigorous risk appraisal procedure prior to committing to new development schemes. This requires them to meet a payback target and assesses the net present value of the schemes.

Saxon Weald wishes to generate a sufficient surplus to hold against uncertainty and risk, whilst at the same time maximising the resources it has to develop new homes. The efficiencies of £2.3m to be achieved over the next four years are a critical part of Saxon Weald's strategy to do this.

Saxon Weald needs to obtain the best return on its property assets in terms of security for loans to build new homes. An assessment of this factor is now an important part of new scheme appraisals and has helped Saxon Weald negotiate changes to section 106 agreements to allow the properties to be valued as security on a market value subject to tenancy (MV-ST) basis, more than double the existing use value – social housing (EUV-SH) basis.

### Procurement

Saxon Weald's aim is to have a structured approach to procurement which delivers consistency of practice, improved efficiency and VfM. During 2016/17, a review of procurement was carried out.

### Case study – Procurement Review

#### What we did

Reviewed the company's approaches to procurement, examining how efficient and fit for purpose the processes were, how well legal and regulatory requirements were being met and were we achieving VfM.

#### What we found

The approaches to procurement were not as efficient and consistent as they could be. This was particularly in relation to establishing specific requirements and ensuring that the contract procured accurately reflected them, both in terms of service/works/product delivery and the performance management of contractors and suppliers.

The scale of procurement activity at Saxon Weald does not warrant employing dedicated procurement staff. This being so, there was nevertheless a need to enhance the procurement skills, knowledge and competence of those involved in procurement, to ensure that good procurement decisions are made and contracts are managed efficiently and effectively.

#### What has changed

A framework for procurement was developed and implemented to provide a more detailed, structured and efficient approach to procurement. This includes a process map, standardised procedure with guidelines and a VfM assessment tool.

#### Impact

The new procurement framework has resulted in:

- Improved specifications and quality standards incorporated within contracts and SLAs
- Better deals being established with contractors/suppliers

# ...Value for Money Self-Assessment

- An updated approved supplier/contractor list and central contracts register
- Better control and management of contractors and suppliers
- Greater reassurance of compliance
- More knowledgeable and confident staff
- Better considered and measured procurement decisions
- Better able to evidence VfM in procurement activities
- The introduction of quality assurance controls into contractor/supplier arrangements helps ensure that our required standards and VfM are achieved.

## Return on assets

During 2016/17, the five year external validation (by Savills) of Saxon Weald's projected stock investment cash flows took place. It confirmed Saxon Weald's projected investment cash flows and provides a firm foundation to plan for the future. This investment cash flow is an integral part of the business planning process and is incorporated into the business plan approved by the Board for submission to the HCA.

The net cost of housing properties (after depreciation) on the statement of financial position at 31 March 2017 is £290m and the value of investment properties £24m. During 2016/17, 131 new homes were completed and 81 market rent homes purchased. The new homes comprise 60 affordable rent homes for older people, six general needs affordable rent homes, 20 shared ownership homes and 45 sale homes for eligible older people. The total value of the social housing stock on an existing use social housing basis (EUV-SH) at 31 March 2017 is £380m, with the potential to increase this value by valuing those properties that can be, on a market value subject

to tenancy with voids sold (MV-ST) basis.

During 2016/17, Saxon Weald invested £4.8m replacing components in existing properties (including 257 kitchens, 145 bathrooms, 219 boilers, four commercial boilers, 83 heating systems, 118 roofs and 156 full window replacements) and £3.2m on major repairs and planned and cyclical maintenance.

There is a requirement that housing associations should be formally assessing the return on each asset, as a trigger to identify those assets where an options appraisal should take place. In London, where associations own some extremely high value properties in relatively poor condition, many associations consider whether to and do dispose of some of these properties.

Saxon Weald, as a stock transfer association based in Horsham, does not have extremely high value properties. In addition, the redevelopment on existing sites is problematic in view of the rules which apply to associations which transferred after 1997. Essentially, grant or public subsidy is not available for redevelopment or is only available on 'works only' basis for any additional units. This means that these sites need to be sold on or redeveloped in partnership with developers with a mix of housing for outright sale or shared ownership in order to subsidise the development of rented homes. The approach taken to maximising asset value has therefore been different.

Saxon Weald's approach (starting in 2003) has been to focus on two groups of properties: older retirement schemes with shared bathing facilities and/or bedsits and void properties that required substantial expenditure to bring them up to an acceptable condition. Saxon Weald established a Board member group to review and prioritise retirement schemes. In doing this, the group considered:

- Financial performance including net present value;

- Demand and void rent loss;
- Size and site characteristics;
- Facilities including shared bathing and bedsits;
- Locality including transport links and local amenities;
- Re-model – is it feasible and financially viable? Or demolish and rebuild; and
- Alternative uses – sale of site, provision of market sale, retirement, extra care or general needs homes.

The outcome of these reviews were:

- One scheme re-modelled;
- Four demolished and the site re-developed with homes for older people;
- Three demolished and re-developed for general needs;
- Two demolished, site sold and re-provided on an alternative site;
- One sold; and
- One demolished and in partnership with a private developer, developed new homes for market sale, shared ownership and general needs rent.

Saxon Weald is conscious of the need to obtain the best return (financial and social) from our investment in property assets. When a tenant leaves one of our properties, it is inspected and a schedule of required works drawn up. If the property is in an outlying area or needs a substantial amount of money spending on it, we will carry out an options appraisal of the property. This option appraisal will consider:

- Financial performance measured using net present value and including sensitivity to changes in assumptions;
- Cost of works required now and in the future;

- Open market value and how the receipt could be used to achieve our purpose;
- Demand from our target tenants and void rent loss;
- Location both in terms of accessibility to local amenities and impact on management costs;
- How suitable the property is for our target groups; and
- Energy performance.

On the basis of this analysis, a decision is then made about whether to carry out the works, sell the property or do something else.

During 2016/17, £1.5m of receipts was generated from fixed asset land and property sales (excluding RTB and staircasing sales). This was largely as a result of three sales:

- Sale of land adjacent to Highdown Court, Worthing generated a receipt of £1m. All options for developing or using the land were appraised but the best value for Saxon Weald was concluded to be the open market sale of the land. A surplus on the sale of the land of £0.2m was achieved.
- A three bedroom semi-detached property in Merringdean Road, Billingshurst, Horsham became vacant. It was generally unmodernised and in a state of disrepair. After analysing the options for this property, including refurbishment and sale, it was concluded that sale of the property offered best value to Saxon Weald. The property generated a receipt of £0.3m and a surplus on disposal of £0.2m.
- Saxon Weald owned land at the rear of South Street, Partridge Green, Horsham suitable for the development of one dwelling. Again all the options were considered, including development by Saxon Weald, but the best value option was to dispose of the land on the open market. The land generated a receipt of £0.2m and a surplus on disposal of £0.1m.

# ...Value for Money Self-Assessment

During 2016/17, Saxon Weald worked with Savills to reinvigorate Saxon Weald's return on asset model called the Proactive Asset Management model (PAM). The model was updated and an analysis of all stock carried on the basis of the 2015/16 actual costs and income.

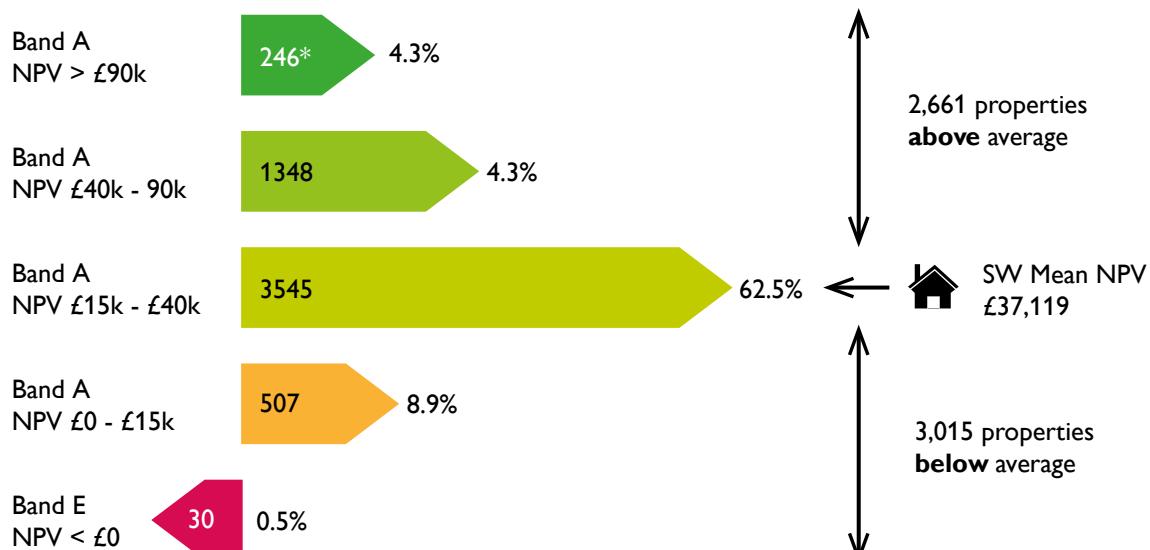
Saxon Weald's PAM incorporates data from 5,676 tenanted homes of a range of different tenancies including general needs, retirement, extra care, supported and market rent. For the purposes of the analysis, the stock has been split into 158 asset groups, based on the physical and geographical characteristics of each property.

## Financial Performance

The key outputs from PAM are as follows:

- 30-year net present value (NPV) of the income and expenditure of the units stands at an average of £37,119 per unit, equivalent to £210.69m across the stock.
- Only one asset group of 30 units (0.53%) has a mean NPV of below £0.
- 15 asset groups, containing 618 units (8.93%), have a 'marginal' average NPV of between £0 and £15,000.
- 142 asset groups made up of 5,139 properties, have a 'strong' financial performance over the 30 years, with an NPV of over £15,000.

The illustration below gives a further breakdown and indication of the performance of the asset groups within Saxon Weald's stock:

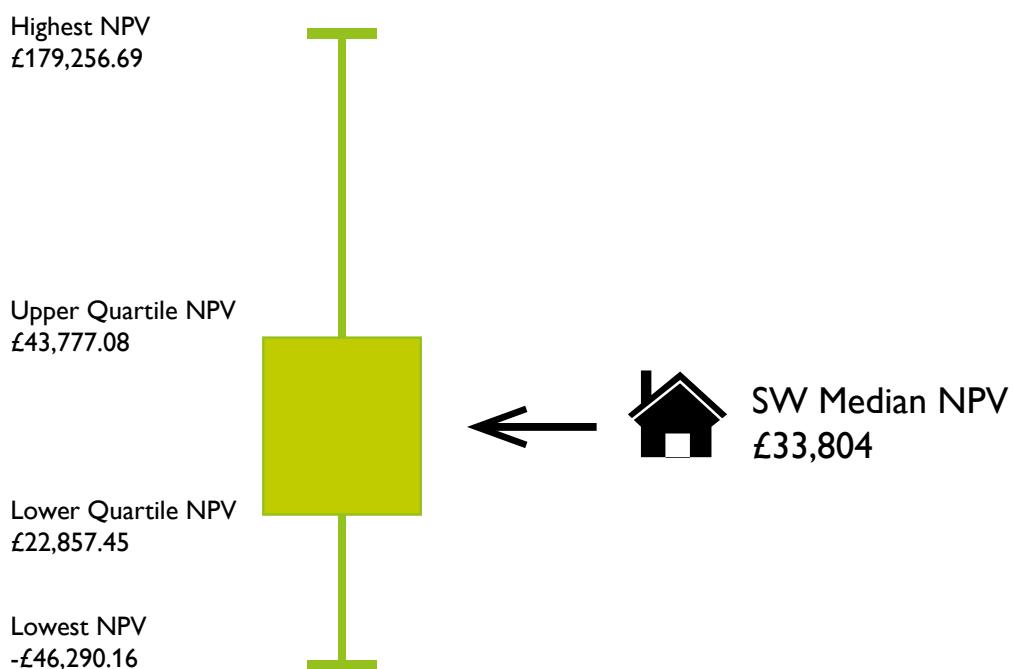


\* Number of properties in band, Total properties = 5,676

This division of the stock outlines the areas that require investment and demonstrates the strong performance of Saxon Weald's stock. The reasons why 30 properties have a negative NPV are being investigated further to

determine what action, if any, should be taken. It should be noted that the values above are based on the mean NPVs of the asset groups. A number of properties have a disproportionate effect on the mean NPV. Saxon Weald's 81 units in the private rented sector (PRS) significantly increase the average performance. As a result of these outliers, it was decided that a different metric may provide a more suitable analysis of the financial performance of the stock.

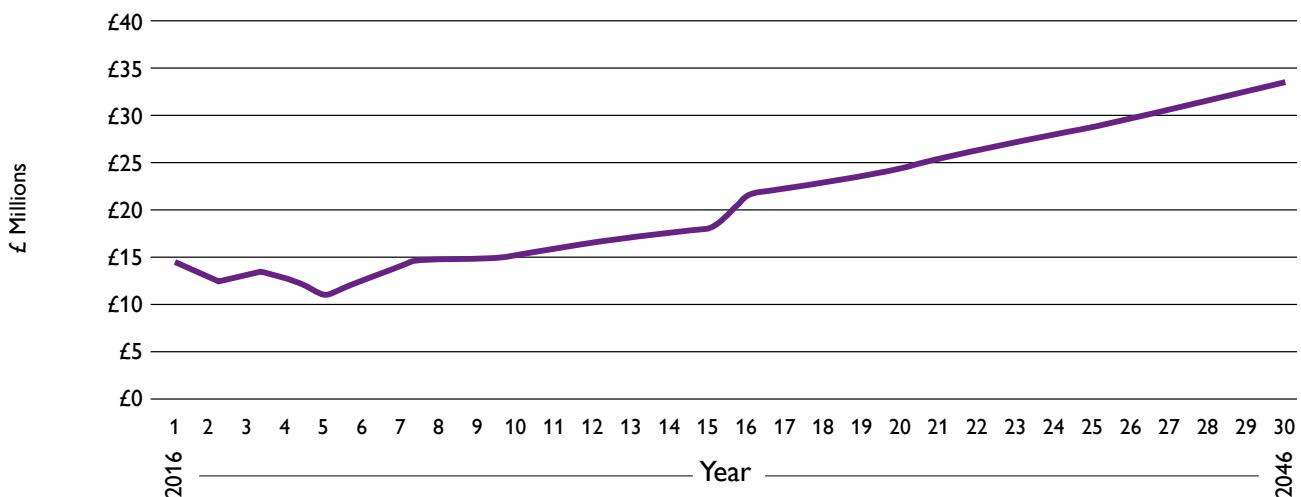
The chart below gives a clearer indication of the spread of the net present values of individual units. Whilst the lowest property NPV is -£46,290 and the highest is £179,257, the lower and upper quartiles are grouped quite closely together. This range is known as the interquartile range (IQR) and represents the 'middle' 50% of Saxon Weald's stock. Using the IQR and median NPV gives a robust measure of variance – this method of analysis is more appropriate when considering the profile of the stock, since it is not affected by the outlying properties – in this instance the PRS units. An IQR of £20,920 demonstrates that a majority of Saxon Weald's stock has a consistently strong financial performance over the 30 year period. As such, although it does not compare favourably to the mean NPV, the most appropriate measure of the performance of Saxon Weald's stock should be considered to be the median NPV - £33,804.



# ...Value for Money Self-Assessment

The model indicates that across the tenanted stock a total of £225.4m will be required for planned works across the next 30 years. This is equivalent to £39,710 per unit. It is anticipated that this figure will change in future iterations of PAM as the data held is improved and the costs achieved in areas of investment vary over time. Saxon Weald's total weekly starting rent is £647,535. This is equivalent to £114.08 per unit. The impact of the reductions in social housing rents over the next three years is reflected in the value of Saxon Weald's cash flows in the short term, as seen in the overall trend of the chart below. Thereafter the position becomes stronger as restrictions on rent increases are lifted.

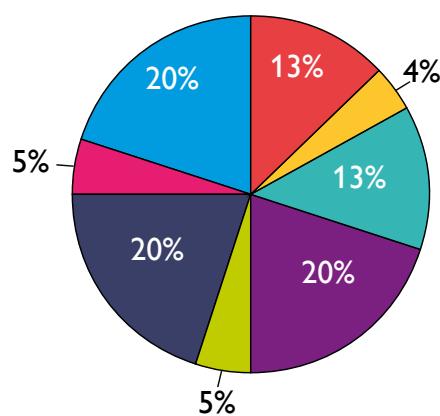
## Total Cashflow



## Social Performance

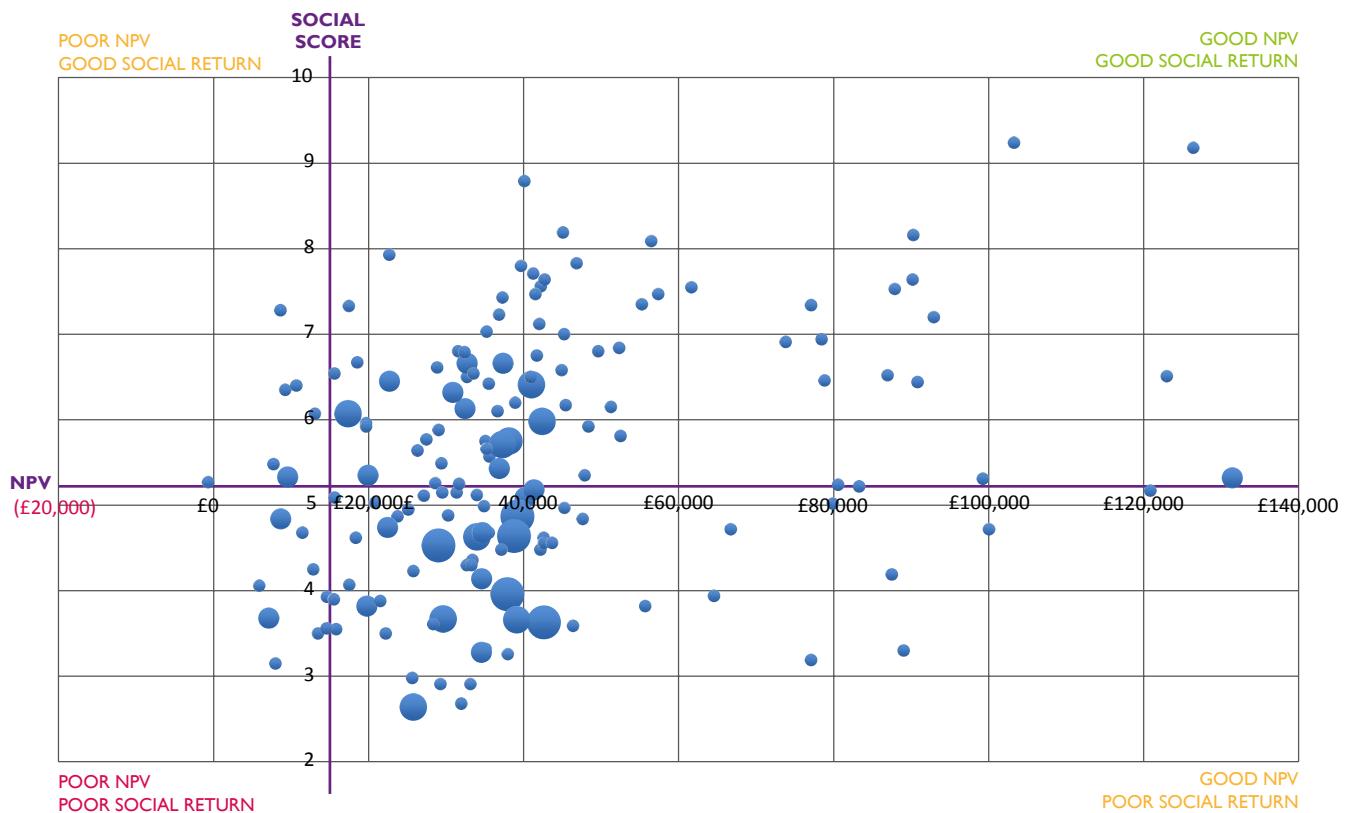
The sustainability score for each property was calculated using the weightings below. These scores are drawn up relative to Saxon Weald's stock – that is to say areas score well or poorly relative to the rest of the portfolio. The highest scoring properties (8.0 and above) are all newer properties; benefitting from improved thermal efficiency, affordable heating, high tenant satisfaction and in many cases lower social deprivation. Conversely, the lowest scoring areas (3.5 and below) are impacted due to the fact that they are situated in low-income areas of higher social deprivation, have lower tenant satisfaction and are perceived to be areas of lower desirability by Saxon Weald's housing team. They also tend to suffer from poor thermal efficiency and as a result higher heating costs due to their age.

■ Energy efficiency composite indicator - SAP	13%
■ Energy efficiency composite indicator - Heating type	4%
■ Energy efficiency composite indicator - Income IMD	13%
■ Tenant satisfaction	20%
■ Rates of refusals	5%
■ Desirability	20%
■ Proximity to local services	5%
■ Social deprivation IMD	20%



## Strategic Objectives and VfM

Plotting NPV and the social return on the same chart indicates clearly which homes have both a low NPV and a low social return, in the lower left quadrant. These are the properties to focus on.



The chart above plots the social return of Saxon Weald's properties against the NPV. Each 'bubble' represents an asset group, the larger the size of the bubble the greater the number of properties that are in the asset group. Social return is scored out of 10 on the vertical axis, whilst the NPV of properties is plotted against the horizontal axis.

Properties located above the horizontal axis have a good social return. The assets that also have a higher NPV tend to be new properties, these properties benefit from having a strong financial performance across 30 years and a high social value. A greater number of properties have lower NPVs but still have a good social return. These make up a large portion of the stock, offering social benefits to residents whilst still representing a good financial return for Saxon Weald across 30 years.

Homes that sit below the horizontal axis all have lower social return. There are fewer properties with high NPVs among those asset groups with a low social return. Many of these properties are of older construction and as such tend to suffer from poor thermal efficiency and as a result higher heating costs.

It is important to note that with all such analysis the quality of the data used is critical. Poor data will substantially reduce the validity of the analysis and output, and possibly be misleading. For this reason, to obtain the most value from this type of analysis requires an iterative process as the quality of the data is improved. It is also important to note that any analysis of return on assets (financial, social and environmental) is simply a starting point, not an end in itself. This analysis

# ...Value for Money Self-Assessment

helps determine relative return and which groups of properties should be prioritised for more detailed analysis and options appraisal.

PAM has been used to validate the programme of work for 2017/18 ensuring that properties in need of investment are prioritised. In preparation for the 2018/19 programme, PAM has identified properties that require investment and this will be validated by survey in the near future.

## 5(c) What VFM gains we said we would achieve in 2016/17

### We said

Inevitably, the reduction of rental income over the period 2016/2019 significantly influences our plans for VfM savings in 2016/17 and beyond. Saxon Weald's strategy is to continue to develop new homes. To do this, substantial efficiencies have been and will be made. The Board has agreed that £2.3m of recurrent revenue savings will be made by 2019. During 2016/17, we will make cash VfM savings of £1.3m. These savings have been built in to the 2016/17 budget and are made up as follows:

	£m
General staffing: gross £0.5m less increase costs of £0.2m to give net	0.3
Asset management non-staff	0.2
Housing management non-staff	0.2
Income generation	0.2
HomeFix including staff	0.4
<b>Total</b>	<b>1.3</b>

We also aim to make non-cash VfM improvements during 2016/17. These are:

- Restructure our customer service staff into a single team which will result in greater efficiencies through improved flexibility and cover arrangements;
- Continue to improve our Customer Relationship Management (CRM) system to include all email contacts and social media contacts;
- Continue to improve our in-house information knowledge system which provides the customer service teams with all relevant information and scripts to deal with customer queries;
- Deliver a new bespoke customer service training programme which will ensure staff have the right skills and tools available to them to deal with queries at the first point of contact. This programme includes training on the behaviours and attitudes required to deliver good customer service but also on the use of the new CRM and information systems necessary to aid the effective resolution of customer queries;
- Heavily promote our self-service portal which is a more efficient way of doing business both for the customer and for us. Over time, we will look to see a reducing number of telephone calls coming into the organisation as more people do business with us via the portal. We will be anticipating associated efficiencies in staff time over a longer timescale as a result;
- For HomeFix we will maximise operatives' productive time and reduce travel costs. We aim to achieve a first time

## What VFM gains we said we would achieve in 2016/17

- fix rate of 85%, reduce the time to complete a repair to eight days and maintain tenant satisfaction with repairs at 85%+;
- Complete a five-year revolving £20m loan to enable Saxon Weald to continue to make development commitments;
- An independent review of pension provision at Saxon Weald;
- Achieve an operating margin greater than 30% and a cash interest cover of at least 150%;
- Start on site in 2016/17, the development of 122 new homes; and
- Continue to improve our understanding of financial and social return on assets and identify the worst performing homes and understand why, to inform our decision making.

### We did

The recurrent savings of £1.3m for 2016/17 identified in the last self-assessment and built into the 2016/17 budget have all been achieved. During 2016-17, Saxon Weald made a surplus of £7.8m which is £4.5m above the target surplus for the year. Most of the improvement in performance against budget reflects one-off events, including better than anticipated surplus on sales, lower interest costs due to a delay in completing the Abbey National loan and an unrealised gain on investment properties.

The two customer teams were brought together in January 2017 to form a single customer support team. The efficiencies created in this merger have resulted in the reduction of 1.5 full time posts – a saving of £39k (in addition to the £158k year on year savings made through the restructure in 2015/16). The customer support team have primary responsibility for responding to all customer contacts received through our main telephone, email and social media channels.

All contacts received through social media (e.g. Facebook) are responded to by a member of the customer support team. These contacts are then

recorded on our CRM system using a new "Web Contact" case category. Email integration (the recording of email contact) commenced in January 2017. The customer support team are trialling this system before it is rolled out across the company. The recording of all customer contact on the CRM system will enable staff to access and check historic communications and therefore provide customers with quicker responses and a more effective service.

Version two of our in-house knowledge base, 'Harold', was updated in December 2016. The new system allows users to sign in, highlight information and suggest updates or comment on feedback. This enables us to ensure that Harold is continuously updated to reflect the most common customer issues and enquiries, enabling a quicker and more efficient response to customers who contact us.

Our in-house customer service training programme has been revised to better respond to the specific training needs identified in the 2015/16 staff survey and personal development plans. The new programme is scheduled to launch in summer 2017 and will be delivered by service managers. The induction programme for new staff has also been revised and it includes a new staff induction film. The film, developed in conjunction with colleagues from different departments across the company, introduces new employees to our culture. It will be used to engage them in a relaxed and informal conversation with their line manager about 'the Saxon Weald way' at an early stage of their employment with us.

Saxon Weald's self-service portal went live in March 2016. It is a customer-facing web-based system that our customers will be able to use. The portal will allow people to check their rent account, report a repair and make a payment online. Numbers registered for and using the portal continued to increase in 2016/17 and by 31 March 2017, 900 residents had registered to use the portal, well over the target of 650. Moving customer transactions to automated systems, or channel-shifting, provides a cheaper per-transaction cost.

# ...Value for Money Self-Assessment

The materials supply chain now provided by Buildbase at our Southwater store has significantly contributed to efficiency. Where the operatives are concerned, this is primarily in reduced travelling time owing to the more central location, but also includes an improved van stock process and next day delivery of special orders. During contract negotiations, a comparison of costs with our previous supplier revealed like-for-like savings of at least £50k per annum which we continue to benefit from. The implementation of an electronic ordering and invoicing system with Buildbase has supported the reduction of 1.5 staff in the business support team. Taken together, the value for money outcome is worth at least £150k per annum.

The first-time fix rate is a measure of how good we are at sending an operative with the right skills and materials to fix the job at the first visit. The average first-time fix rate for 2016/17 is just over 91%.

This year the average time to complete a job has been a disappointing 13 days for two main reasons. Firstly, we had a backlog of fencing jobs carried over from storm "Katie" in March 2016. In order to control costs, it was decided to do these jobs when resources allowed rather than outsource them to a contractor which extended the completion timescales for some jobs out to three or four months. The backlog has been cleared. Secondly, it has been a challenge to find the right balance between responsive jobs and the additional work that HomeFix now do. As we become more experienced and find the right level of staff resources this should improve. It should be noted that electrical and plumbing jobs, which make up just over three quarters of all jobs, have been delivered in less than 10 days on average during the year.

Tenant satisfaction with the repairs service is above the upper quartile of the peer group at 96% in 2016/17, as measured through the independent (Voluntas) survey of tenants who

have had a repair.

The five-year revolving loan with the Abbey National was completed in July 2016. This loan is now fully secured and available for drawdown when needed.

During 2016/17, Saxon Weald carried out a review of pension provision with the help of independent consultants. The outcome was a decision to introduce a defined contribution pension scheme. The scheme became operational in June 2017 and all new staff are auto-enrolled on to the scheme. The West Sussex County Council Pension Scheme remains open and new staff may transfer to it once they have completed their probationary period. It is anticipated that, in the medium term, the new defined contribution scheme will reduce costs and risk for Saxon Weald.

Saxon Weald more than met all its internal financial rules during 2016/17, including an operating margin (excluding sales) of 41% and a cash interest cover of 199%.

During 2016/17, 131 new homes were completed and 81 market rents homes purchased. The new homes comprise 60 affordable rent homes for older people, six general needs affordable rent homes, 20 shared ownership homes and 45 sale homes for eligible older people. 27 homes started on site, 20 of these were at the site at Cowfold where we are developing general needs affordable rented homes. The other seven were at the Angmering site and these will all be for shared ownership. We expected to start on site at Winterton Court during the year, but due to a second planning refusal the scheme was delayed. Planning approval was obtained at the end of the year, and the homes will start on site during 2017/18.

During 2016/17, Saxon Weald worked with Savills to reinvigorate Saxon Weald's return on asset model called the Proactive Asset Management model (PAM). The model was updated and an

analysis of all stock carried on the basis of the 2015/16 actual costs and income. PAM has been used to validate the programme of work for 2017/18 ensuring that properties in need of investment are prioritised. In preparation for the 2018/19 programme, PAM has identified properties that require investment and this will be validated by survey in the near future.

## 6. Plans for the Future

In response to the rent reductions and in order to continue to develop new homes, Saxon Weald decided to make efficiencies of £2.3m over the period 2016/17 to 2019/20. £1.3m of these recurrent savings were achieved in 2016/17, leaving a balance of £1m to be made in 2017/18 to 2019/20. HomeFix will contribute £0.3m of this by continuing to improve its operating efficiency and extend the work it does to spread its overheads over a higher volume of activity. The contingency of £0.25m built into the budget will be removed. £50,000 of additional interest will be capitalised, reflecting the development programme. The housing department will make an additional £40,000 of efficiencies. The remaining £0.4m will be generated from new developments making a contribution to the surplus from 2019/20.

The efficiencies to be achieved in 2017/18 are:

	£000
Housing management non-staff	20
Capitalised interest	50
HomeFix	170
<b>Total</b>	<b>240</b>

These efficiencies have been built into the budget for 2017/18 and will be monitored as part of the management accounts. In addition to these

efficiencies, further savings of £250,000 have also been identified and built into the 2017/18 budget.

We also aim to make many non-cash VfM improvements during 2017/18. These are:

- Reduce staffing in the new single customer service team by 1.5 posts and review office opening hours and telephone answering hours to free up time to complete value added tasks and encourage the use of the self-service portal.
- Develop a new customer service strategy building on the existing strategy. This will set out how Saxon Weald will encourage customers to engage with Saxon Weald digitally. This channel shift will reduce both transaction costs and meet the expectations of those customers who prefer to engage with us online at the time of their choosing.
- Further develop the self-service portal to allow much better access from mobile phones to help increase the use of the portal.
- Carry out a full review of the complaints process with the objective of addressing system issues, reduce the administrative time and cost involved and improve the experience for the customer.
- Extend the use of the in-house repairs team, HomeFix, to boiler installations, the programme of fire door replacements, all of the kitchen and bathroom replacements and the cyclical works programme. This will enable HomeFix to spread its overheads over a larger volume of work and provide a better and more cost effective service to asset management.
- Implement a new planned works system for HomeFix to improve scheduling and cost management.
- Implement a new integrated and comprehensive asset management system to enable wider access to the asset management programme and improve the efficiency of programme management.
- Introduce paperless direct debits to speed up the process and plan for the introduction of

# **...Value for Money Self-Assessment**

daily direct debits to help our tenants pay their rent.

- Achieve an operating margin (excluding sales) greater than 30%, a cash interest cover of at least 150% and an EBITDA MRI of at least 120%.
- Start on site in 2017/18, the development of 100+ new homes.
- Continue to improve our understanding of financial and social return on assets and identify the worst performing homes and understand why.

We consider that we perform well in delivering value for money in the context of achieving our strategic objectives. To Saxon Weald, VfM is about improving customer service, savings through the more efficient and economical use of resources, achieving the best financial and social return from the assets we have and delivering new homes for those who need them.

Saxon Weald has an embedded culture of striving to achieve VfM in all we do, guided by our VfM strategy. The Board is responsible for ensuring that Saxon Weald delivers VfM and makes decisions on the efficient and effective use of resources through the resource allocation and business planning framework. We use the golden thread of performance management to ensure that everything we do delivers VfM in achieving our purpose and strategic aims and objectives.

Key performance indicators and financial information are reviewed by and often provoke challenge from the Board at our eight meetings each year. Saxon Weald has a good understanding of its costs and how these and its performance compare with others. We have a track record of using option appraisal analysis to make decisions about retirement schemes and general needs properties. We will make further progress on systematically understanding the return (including social return) on groups of assets. VfM can never be fully achieved, but it is something that Saxon Weald consistently strives for.

**By Order of the Board**

**Simon Turpitt, Chairman**

**17 July 2017**

**Saxon Weald House  
38-42 Worthing Road,  
Horsham  
West Sussex  
RH12 1DT**

# Appendix A

## Housemark Benchmark Data - Peer Group Housing Associations

Organisation	Total number of all properties	% properties general needs	% properties older people	Organisation annual turnover	In-house repairs team	Number of properties developed
Saxon Weald	6376	63.0%	24.8%	£40,148,843	Yes	150
B3 Living	6034	48.9%	10.3%	£24,744,397	Yes	119
Bracknell Forest Homes	9727	57.2%	3.8%	£39,647,044	Yes	109
Broadland Housing association	5323	76.6%	11.2%	£28,483,000	Yes	2
CHP (Chelmer Housing partnership)	10325	56.4%	21.0%	£51,428,759	Yes	319
Cottsway Housing association	4701	87.6%	3.7%	£29,665,759	Yes	27
Estuary Housing association	4305	77.6%	1.8%	£33,243,415	Yes	160
Greenfield Community housing	11411	65.4%	3.4%	£45,530,307	Yes	64
Hightown Housing association	4925	56.3%	1.6%	£42,828,299	No	393
Housing Solutions	5572	65.2%	4.9%	£38,069,781	Yes	283
Paragon Community Housing	10596	55.8%	10.2%	£55,150,523	No	203
Raven Housing Trust	6393	74.7%	5.5%	£35,538,552	Yes	113
Red Kite Community Housing	8173	49.8%	22.5%	£36,507,023	No	0
Sentinel Housing association	9734	78.7%	4.2%	£56,668,197	Yes	448
Soha Housing association	6478	75.3%	11.1%	£35,197,612	No	276
Swan Housing association	10847	62.1%	0.7%	£56,347,023	No	504
Thrive Homes	4293	74.8%	13.6%	£26,666,202	Yes	0
Town and Country Housing group	9483	79.3%	5.4%	£50,844,626	No	325
Vales of Aylesbury Housing trust	10048	67.2%	5.8%	£44,028,164	Yes	52
West Kent Housing association	6895	77.3%	13.2%	£41,846,876	Yes	140
Worthing Homes	4027	74.3%	5.3%	£20,034,116	Yes	0

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

## Opinion on financial statements

We have audited the parent and group financial statements of Saxon Weald Homes Limited for the year ended 31 March 2017 (the "financial statements") on pages 64 to 97. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 group's and the parent company's affairs as at 31 March 2017 and of the group's and parent company's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

## Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Board and Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial

statements and, based on the work undertaken in the course of our audit, the Report of the Board and Strategic Report have been prepared in accordance with applicable legal requirements.

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

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

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

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

## Respective responsibilities of Board members, as Trustees and auditor

As explained more fully in the Statement of Board Members' Responsibilities set out on pages 22 to 23, the Trustees (who are also the directors of the company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed auditors under the Companies Act 2006 and section 151 of the

Charities Act 2011 and report in accordance with those Acts.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

This report is made solely to the company's members as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company'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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**PETER HOWARD**  
**(Senior Statutory Auditor)**

For and on behalf of RSM UK Audit LLP  
Statutory Auditor Chartered Accountants

Abbotsgate House, Hollow Road  
Bury St Edmunds,  
Suffolk  
IP32 7FA

Date:

# Group and Saxon Weald Homes Ltd Statement of Comprehensive Income

for the year ended 31 March 2017

	Saxon Weald Homes Ltd		Group	
	Notes	2017 £000	2016 £000	2017 £000
Turnover	3	45,230	43,516	45,230
Cost of Sales	3	(3,822)	(3,563)	(3,822)
Operating expenditure	3	(23,440)	(25,356)	(23,440)
<b>Operating surplus</b>	<b>3</b>	<b>17,968</b>	<b>14,597</b>	<b>17,968</b>
Gain on disposal of property, plant and equipment (fixed assets)	7a	941	669	941
Interest receivable	5	87	209	87
Interest and financing costs	6	(11,704)	(11,466)	(11,704)
Unrealised gain on investment properties	11c	536	545	536
<b>Surplus before taxation</b>	<b>7</b>	<b>7,828</b>	<b>4,554</b>	<b>7,828</b>
Taxation	9	-	-	-
<b>Surplus for the year</b>		<b>7,828</b>	<b>4,554</b>	<b>7,828</b>
Actuarial gain in respect of pension scheme	29	24	2,793	24
<b>Total comprehensive income for the year</b>		<b>7,852</b>	<b>7,347</b>	<b>7,852</b>

These financial statements were approved by the Board on 17 July 2017

All amounts relate to continuing activities

The notes on pages 68 to 97 form part of these financial statements

# Group and Saxon Weald Homes Ltd

## Statement of Financial Position

as at 31 March 2017

	Saxon Weald Homes Ltd		Group	
	2017 Notes	2016 £000	2017 £000	2016 £000
<b>Fixed assets</b>				
Intangible assets	10	358	431	358 431
Housing properties	11a	289,726	280,410	289,726 280,410
Other fixed assets	11b	1,759	1,908	1,759 1,908
Investment properties	11c	23,874	6,613	23,874 6,613
Investment in subsidiaries	12	50	50	- -
		<b>315,767</b>	<b>289,412</b>	<b>315,717</b> <b>289,362</b>
<b>Current assets</b>				
Properties held for sale	14	8,100	6,635	8,100 6,635
Stock	15	185	123	185 123
Trade and other debtors	16	2,311	4,059	2,311 4,059
Cash and cash equivalents		13,187	32,562	13,199 32,574
		<b>23,783</b>	<b>43,379</b>	<b>23,795</b> <b>43,391</b>
Creditors: amounts falling due within one year	17	(12,237)	(13,377)	(12,237) (13,377)
<b>Net current assets</b>		<b>11,546</b>	<b>30,002</b>	<b>11,558</b> <b>30,014</b>
<b>Total assets less current liabilities</b>		<b>327,313</b>	<b>319,414</b>	<b>327,275</b> <b>319,376</b>
<b>Creditors: amounts due after more than one year</b>				
Bond issue	18	-	-	220,540 220,419
Loans from group companies	18	220,540	220,419	- -
Long term creditors - due to group companies		38	38	- -
Grant creditors	18	59,230	59,700	59,230 59,700
		<b>279,808</b>	<b>280,157</b>	<b>279,770</b> <b>280,119</b>
<b>Provisions for Liabilities</b>				
Pension provision	29	3,410	3,015	3,410 3,015
Other provisions	24	30	29	30 29
		<b>3,440</b>	<b>3,044</b>	<b>3,440</b> <b>3,044</b>
<b>Reserves</b>				
Income and expenditure reserve		44,065	36,213	44,065 36,213
		<b>44,065</b>	<b>36,213</b>	<b>44,065</b> <b>36,213</b>
		<b>327,313</b>	<b>319,414</b>	<b>327,275</b> <b>319,376</b>

In view of the constitution of the company, all shareholdings relate to non-equity interests, as disclosed in note 25. **The notes on pages 68 to 97 form part of these financial statements.**

These financial statements were approved by the Board and authorised for issue on 17 July 2017 and signed on its behalf by:

**Simon Turpitt** .....  
Chairman

**Norman Hill** .....  
Finance Director and Company Secretary

Saxon Weald Homes Ltd. Company Registration No: 03847737

# Group and Saxon Weald Homes Ltd

## Statement of Changes in Reserves

for the year ended 31 March 2017

Income & Expenditure Reserve	2017
	£
Balance at 1 April 2015	28,866
<b>Total comprehensive income for the year</b>	<b>7,347</b>
Balance as at 31 March 2016	36,213
<b>Total comprehensive income for the year</b>	<b>7,852</b>
<b>Balance as at 31 March 2017</b>	<b>44,065</b>

The notes on pages 68 to 97 form part of these financial statements

# Group Statement of Cash Flows

for the year ended 31 March 2017

	Notes	2017 £'000	2016 £'000
<b>Operating activities</b>			
Net cash generated from operations	26	22,840	19,094
<b>Returns on investments and servicing of finance</b>			
Interest received	5	87	209
Interest paid		(12,208)	(12,128)
<b>Net cash generated from operating activities</b>		<b>10,719</b>	<b>7,175</b>
<b>Cash flow from investing activities</b>			
Acquisition and construction of housing properties		(12,620)	(11,389)
Acquisition and works to investment properties		(16,725)	-
Component replacement		(4,815)	(3,220)
Sale of properties		3,890	1,947
Purchase of other tangible fixed assets		(61)	(220)
Purchase of other intangible fixed assets		(57)	(83)
Grants received		294	2,737
<b>Net cash flow used in investing activities</b>		<b>(30,094)</b>	<b>(10,228)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(19,375)</b>	<b>(3,053)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>32,574</b>	<b>35,627</b>
<b>Cash and cash equivalents at end of year</b>		<b>13,199</b>	<b>32,574</b>

# Notes to the Financial Statements

for the year ended 31 March 2017

## 1 Legal status

Saxon Weald Homes Limited (the "Company") is a public benefit entity and is established under the Companies Act 2006 as a Company limited by guarantee and is an English registered social housing provider. The address of the registered office is Saxon Weald House, 38-42 Worthing Road, Horsham, West Sussex, RH12 1DT.

The Company's principal activity is the provision of social housing in East and West Sussex and Hampshire. The nature of the company's operation are given in the strategic report contained elsewhere in this document.

## 2 Accounting policies

### Basis of accounting

These consolidated financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), the Housing SORP 2014 "Statement of Recommended Practice for Registered Housing Providers" and they comply with the Accounting Direction for Private Registered Providers of Social Housing 2015, under the historical cost convention, modified to include investment properties at fair value

Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

### Basis of consolidation

The consolidated financial statements incorporate those of the Association and all of its subsidiaries (i.e. entities that the Group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are

consolidated using the purchase method. Their results are incorporated from the date that control passes. All financial statements are made up to 31 March 2017.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation.

### Reduced Disclosures

"In accordance with FRS 102, the Company has taken advantage of the exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows' – Presentation of a Statement of Cash Flow and related notes and disclosures
- Section 11 'Basic Financial Instruments' & Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedge fair value changes recognized in profit or loss and in other comprehensive income.

### Going Concern

"At the date of these financial statements the Directors have carried out a detailed and comprehensive review of the business and its future prospects. In particular, they have considered the forecast future performance, anticipated cash flows and the ability of the parent to meet interest payments. In the opinion of the Directors, the Group and Company is expected to be able to continue trading within the current arrangements and consequently the financial statements are presented on a going concern basis.

## **Turnover**

Turnover comprises rental and service charge income receivable in the period, income from shared ownership first tranche sales, sale of properties built for sale, other services provided at the invoice value (excluding VAT) and revenue grants receivable in the period.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting net of any voids. Income from first tranche sales and sales of properties built for sale is recognised at the point of when risks and rewards transfer.

Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met and are applied under the accruals method of grant accounting. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities.

## **Other Income**

Interest income is accrued on a time-apportioned basis, by reference to the principal outstanding at the effective interest rate.

## **Intangible fixed assets - Software**

Software is capitalised and written off using the straight line method of amortisation as in the opinion of the directors, this represents the period over which the software is expected to give rise to economic benefits. Currently this would be four years.

## **Tangible fixed assets - Housing properties**

Housing properties are properties for the provision of social housing and are principally properties available for rent and shared ownership. Completed housing and shared

ownership properties are stated at cost less accumulated depreciation and impairment losses.

Cost includes the cost of acquiring land and buildings, and expenditure incurred during the development period.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that enhance the economic benefits of the assets, are capitalised as improvements. Such enhancements can occur if improvements result in either:

- An increase in rental income;
- A material reduction in future maintenance costs;
- A significant extension to the life of the property;

Land or other assets which have been donated by a government source are added to cost of assets at the fair value of the land at the time of the donation. The difference between the fair value of the asset donated and the consideration paid is treated as a non-monetary government grant and included within the Statement of Financial Position as a liability. The terms of the donation are considered to be performance related conditions. Where the donation is not from a public source, the value of the donations less the consideration is included in income.

## **Investment properties**

Investment properties (including properties held under an operating lease) consist of commercial properties and properties not held for social benefit. These properties are initially measured at cost and subsequently measured at fair value whilst a reliable measure of fair value is available without undue cost or effort. Changes in fair value are recognised in the Statement of Comprehensive Income.



# Notes to the Financial Statements

for the year ended 31 March 2017

The Companies Act 2006 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in FRS102. The board considers that, because investment properties are not held for consumption, rather for their investment potential, to depreciate them would not give a true and fair view.

If this departure from the Companies Act 2006 had not been made in order to give a true and fair view, the profit for the financial year would have been reduced by depreciation. However the amount of depreciation cannot reasonably be quantified because depreciation is only one of many factors reflected in the annual valuation and the amount relating to the depreciation of the property cannot be separately identified.

## Government grants

Government grants include grants receivable from the Homes and Communities Agency ("HCA"), local authorities and other government bodies.

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received. Grants are received both in advance and in arrears for a grant funded scheme, assurance of receipt of the grant is given prior to commencement.

Government grants received for housing properties are recognised in income over the useful economic life of the structure of the asset and, where applicable, the individual components of the structure (excluding land) under the accruals model.

Government grants relating to revenue are recognised as income over the periods when the related costs are incurred once reasonable

assurance has been gained that the Group will comply with the conditions and the funds will be received.

## Depreciation of housing properties

Component	Years from date of acquisition or practical completion	
Structure	Flats & houses	100
	Studio flats	50
	Garages	30
Pitched roof		60
Flat roof		25
Windows		30
Kitchens		20
Bathrooms		30
Heating systems		40
Boilers		15
Lifts		30
Complete re-wire		40
Communication systems		20
Commercial kitchens		20
Solar panels		20

Leasehold properties are depreciated over the lesser of the above lives or the remaining length of the lease. Freehold land is not depreciated.

Housing properties in the course of construction are stated at cost and are not depreciated. Housing properties are transferred to completed properties when they are ready for letting and are stated at cost.

Impairment reviews are carried out on our different property groups on a regular basis. We consider the findings of these reviews in detail and consider any fluctuations in valuation

resulting from this process. We consider whether any impairment is necessary and update our asset register and carrying costs accordingly. We further undertake an annual impairment review of all assets at the statement of financial position date to ensure our assets are fairly valued within the financial statements. This review is based on three measures - existing use value - social housing; discounted cash flow; and depreciated replacement cost.

### **Capitalisation of interest and development administration costs**

Costs including staff costs and loan interest relating to development activity are capitalised only where the costs are incremental and directly related to bringing the properties into working condition for their intended use.

Interest on loans financing development is capitalised from the date of the works commence up to the date of practical completion of the scheme. The average cost of borrowing in the year is used to calculate the interest capitalised, which is 5.5%.

### **Mixed tenure development**

A mixed tenure development is evaluated and considered on the basis of how the costs incurred in acquiring and developing the land are attributed to each element of the scheme.

### **Major repairs and refurbishments**

Major repairs and refurbishments to housing properties are capitalised where major components are replaced or to the extent of improvements to the property which lead to either enhanced rent potential, reduced costs or an extension in the useful economic life of the property in excess of the previously assessed standard of performance when the assets were first acquired, constructed or last replaced. In

other cases, major repairs are charged to the statement of comprehensive income as incurred.

### **Properties developed for sale**

Completed properties and properties under construction for sale, either as first tranche Low Cost Home Ownership (LCHO) sales or outright sale, are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour, direct development overheads and capitalised interest. Net realisable value is based on estimated sales prices after allowing for all further costs of completion and disposal. Until sold these properties are held as current assets.

Shared ownership properties are split proportionally between fixed assets and current assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds are included in turnover. The remaining element is classed as a fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment. Where the first tranche has been sold prior to the acquisition of the properties, these are included in fixed assets only.



# Notes to the Financial Statements

for the year ended 31 March 2017

## Other tangible fixed assets

Depreciation is charged on other fixed assets to write off the cost less estimated residual values on a straight line basis over the useful lives shown below:

<b>Freehold office building</b> 50 years straight line
<b>Freehold office fixtures and fittings</b> 25 years straight line
<b>Office furniture and equipment</b> seven years straight line
<b>IT equipment</b> four years straight line
<b>Freehold land is not depreciated</b>

## Right to acquire (RTA) sales

The proceeds of the sale plus the discount that is repaid to the company from the Homes and Communities Agency (HCA) less allowable costs of sale are transferred to the Disposal Proceeds Fund. Balances in the Disposals Proceeds Fund will be utilised in the future for building new homes. See note 20.

## Value added tax

All expenditure is stated including irrecoverable value added tax.

## Stock

The stock holding relates to materials held on vans for the in-house repairs team to use for completing repairs jobs. The materials are charged to the cost of the job once the repair is complete.

## Supporting People income and expenditure

Supporting People income is recognised on the basis of contracted hours worked. Expenditure relating to Supporting People activities is recorded as incurred.

## Service charges

Service charges on rented properties are recognised in the financial statements when the weekly rent debit is raised. Service charges on shared ownership properties are credited monthly. The amount recognised in the financial statements is adjusted to reflect either additional amounts to be collected or amounts to be repaid based on the costs incurred in the year.

## Taxation

The Company is considered to pass the tests set out in Paragraph 1, Schedule 6, Finance Act 2010 and therefore meets the definition of a charitable company for UK corporation tax purposes. Accordingly, it is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3, Part 11, Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied

exclusively to charitable purposes. The subsidiary company is subject to corporation tax in the same way as any commercial organisation.

## Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

The best estimate of the expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

## Pension costs

The Group participates in the West Sussex County Council Local Government Pension Scheme (LGPS). The amount payable by the company in regards to contributions is set by the scheme's actuaries.

For the LGPS, the cost of providing benefits is determined using the projected unit credit method.

### Asset/Liability

The net defined benefit asset/liability represents the present value of the defined benefit obligation less the fair value of plan assets out of which obligations are to be settled. Any asset resulting from this calculation is limited to the present value of available refunds or reductions in future contributions to the plan.

The rate used to discount the benefit obligations to their present value is based on market yields for high quality corporate bonds with terms and currencies consistent with those of the benefit obligations.

## Gains/Losses

Gains or losses recognised in profit or loss:

- The change in the net defined benefit liability arising from employee service during the year is recognised as an employee cost.
- The cost of plan introductions, benefit changes, settlements and curtailments are recognised as incurred.
- Net interest on the net defined benefit asset/liability comprises the interest cost on the defined benefit obligation and interest income on the plan assets, calculated by multiplying the fair value of the plan assets at the beginning of the period by the rate used to discount the benefit obligations.

Gains or losses recognised in other comprehensive income:

- Actuarial gains and losses.
- The difference between the interest income on the plan assets and the actual return on the plan assets.

## Financial instruments

The Group and Company have elected to apply the provisions of Section 11 'Basic Financial Instruments' in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument, and are offset only when the Group currently has a legally enforceable right to offset the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.



# Notes to the Financial Statements

for the year ended 31 March 2017

## Financial assets

### Debtors

Debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Such debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a trade debtor constitutes a financing transaction, the debtor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

A provision for the impairment of debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in profit or loss.

## Financial liabilities

### Creditors

Creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with such creditors constitutes a financing transaction, the creditor is

initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

### Borrowings

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

## Provisions

Provisions are recognised when the Group has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and that obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

## Operating leases

Rentals payable under operating leases are charged to the profit or loss on a straight line basis over the lease term.

## **Investment in subsidiaries**

Investment in subsidiaries are recorded at cost less any impairment for permanent diminutions in value.

## **Critical accounting estimates and areas of judgement**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### *Critical accounting estimates and assumptions*

The Group and Company make estimates and assumptions concerning the useful life of components for the purpose of depreciating housing properties and accepts the principal assumptions used in the calculation of the valuation of the pension plan assets, provided by the LGPS. In the directors' opinion, there are no other estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### *Critical areas of judgement*

The Group and Company make judgements regarding the level of impairment on the carrying value of both debtors and fixed assets. For debtors this judgement is on the basis of discounted net present value. For fixed assets the judgement is assessed on a combination of existing use value - social housing, discounted cash flow, and depreciated replacement cost.



## Notes to the Financial Statements

for the year ended 31 March 2017

### 3 Group turnover, operating costs and operating surplus

#### Social housing lettings

- General needs, housing for older people, supported and shared ownership housing (See note 3a)

	Turnover £000	Cost of sales £000	Operating costs £000	2017 Operating surplus £000	2016 Operating surplus £000
Social housing lettings					
- General needs, housing for older people, supported and shared ownership housing (See note 3a)	38,514	-	(23,221)	15,293	12,901
Other social housing activities					
- Shared ownership first tranche sales	3,191	(2,347)	-	844	1,078
- Sales to eligible older people	2,130	(1,475)	-	655	-
- Other social housing activities	86	-	-	86	62
- Amortised government grants	-	-	-	-	-
Non social housing activities	-	-	-	-	-
- Surplus on lettings (garages)	576	-	(30)	547	556
- Surplus on lettings (market rent)	733	-	(189)	543	-
	<b>45,230</b>	<b>(3,822)</b>	<b>(23,440)</b>	<b>17,968</b>	<b>14,597</b>

### 3a Group income and expenditure from social housing lettings

	General needs £000	Housing for older people and supported housing £000	Shared ownership £000	2017 Total £000	2016 Total £000
<b>Income</b>					
Rents receivable net of identifiable service charges	25,314	7,662	68	33,043	32,760
Service charge income	499	4,373	23	4,895	4,915
Amortised Government Grants	80	487	10	576	582
<b>Turnover from social housing lettings</b>	<b>25,893</b>	<b>12,522</b>	<b>101</b>	<b>38,514</b>	<b>38,257</b>
<b>Expenditure</b>					
Management	(2,265)	(1,319)	(22)	(3,606)	(3,823)
Service charge costs	(643)	(4,820)	(21)	(5,484)	(5,636)
Responsive maintenance (routine maintenance)	(2,325)	(1,219)	(19)	(3,563)	(3,999)
Planned and cyclical maintenance	(1,208)	(778)	(1)	(1,987)	(2,249)
Major repairs expenditure	(1,052)	(207)	-	(1,259)	(1,264)
Bad debts	(98)	(25)	(2)	(125)	(82)
Depreciation of housing properties*	(3,844)	(1,613)	(146)	(5,603)	(5,432)
Pension (past service costs, curtailments and one off costs)	(500)	-	-	(500)	(1,766)
Other costs	(1,069)	(25)	-	(1,094)	(1,105)
<b>Operating costs on social housing lettings</b>	<b>(13,004)</b>	<b>(10,006)</b>	<b>(211)</b>	<b>(23,221)</b>	<b>(25,356)</b>
<b>Surplus / (deficit) on social housing lettings</b>	<b>12,889</b>	<b>2,516</b>	<b>(110)</b>	<b>15,293</b>	<b>12,901</b>
<b>Voids - rent lost through dwellings being vacant</b>	<b>(223)</b>	<b>(325)</b>	<b>-</b>	<b>(548)</b>	<b>(520)</b>

\* Includes accelerated depreciation of £460,000 (2016: £298,000)



# Notes to the Financial Statements

for the year ended 31 March 2017

## 4 Accommodation in Management and Development

### Under management at end of year:

#### Social Housing

##### General needs housing

	2017	Group 2016
	Number	Number
• Social	3,402	3,415
• Affordable	566	559
• Owned general needs managed by others	45	44

##### Retirement and supported housing

• Social	1,461	1,464
• Affordable	199	140

##### Shared ownership

Leasehold for older people	145	127
----------------------------	-----	-----

<b>Total Social Housing</b>	<b>5,975</b>	<b>5,906</b>
-----------------------------	--------------	--------------

Market rent	81	-
Leasehold flats	522	470

<b>Total owned and managed</b>	<b>6,578</b>	<b>6,376</b>
--------------------------------	--------------	--------------

### Under development at end of year:

Rented Homes	-	-
Shared Ownership	12	25
Affordable Rent	48	94
Full Market Sale	-	45
	<b>60</b>	<b>164</b>

## 5 Interest receivable and similar income

	Saxon Weald Homes Ltd		Group	
	2017	2016	2017	2016
	£000	£000	£000	£000
Interest on bank deposits	87	209	87	209
	<b>87</b>	<b>209</b>	<b>87</b>	<b>209</b>

## 6 Interest payable and similar charges

	Saxon Weald Homes Ltd		Group	
	2017	2016	2017	2016
	£000	£000	£000	£000
Interest on inter-company loan	12,094	12,094	-	-
Interest on bond	-	-	12,094	12,094
Bank charges and arrangement fees	52	34	52	34
Amortisation of bond premium and fees	121	115	121	115
Loan non-utilisation fees	62	-	62	-
Pension fund interest cost	950	888	950	888
Pension fund expected return on assets	(839)	(724)	(839)	(724)
Capitalised interest on development*	(736)	(941)	(736)	(941)
	<b>11,704</b>	<b>11,466</b>	<b>11,704</b>	<b>11,466</b>

\* Interest costs directly attributable to the financing of housing property developments were capitalised at the weighted average cost of the related borrowings (see note 11a) which was 5.5% (2016: 5.5%)



# Notes to the Financial Statements

for the year ended 31 March 2017

## 7 Group surplus on ordinary activities before taxation

Is stated after charging:

	Saxon Weald Homes Ltd		Group	
	2017	2016	2017	2016
	£000	£000	£000	£000
Depreciation of housing properties (including accelerated depreciation of £460k (2016: £298k) (note 11a)	5,603	5,432	5,603	5,432
Depreciation of other tangible fixed assets (note 11b)	218	169	218	169
Amortisation of intangible fixed assets (note 10)	167	139	167	139
Fees payable to RSM UK Audit LLP in respect of both audit and non-audit services are as follows;				
Audit services - statutory audit of the company - in their capacity as auditors	57	56	57	56
Operating lease expenditure	388	344	388	344
Salaries directly attributable to development projects capitalised	487	489	487	489

## 7a Surplus on sale of fixed assets - Housing properties

	Saxon Weald Homes Ltd		Group	
	2017	2016	2017	2016
	£000	£000	£000	£000
Disposal Proceeds	3,916	1,948	3,916	1,948
Carrying value of fixed assets	(1,432)	(727)	(1,432)	(727)
Payable to Horsham District Council	(1,517)	(504)	(1,517)	(504)
Other costs to sell	(26)	(28)	(26)	(28)
Transfer from current assets	-	(20)	-	(20)
	<b>941</b>	<b>669</b>	<b>941</b>	<b>669</b>
Capital grant recycled (note 19)	59	108	59	108
Disposal proceeds fund (note 20)	-	230	-	230

## 8 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

### Actual

	2017 Number	2016 Number
• Office and management *	102	103
• Housing support and care *	37	36
• Maintenance **	47	39
	<b>186</b>	<b>178</b>
<b>Full time equivalents</b>		
• Office and management *	94	95
• Housing support and care *	33	33
• Maintenance **	46	39
	<b>173</b>	<b>167</b>

\* Full time equivalents are calculated based on a standard working week of 37, 40 and 45 hours.

\*\* Full time equivalents are calculated based on a standard working week of 40 and 45 hours.

### Staff costs for the above

	£'000	£'000
Wages and salaries	6,295	6,616
Social security costs	673	554
Other pension costs and current service cost (note 29)	1,187	2,603
	<b>8,155</b>	<b>9,773</b>

The full time equivalent number of staff who received remuneration.

	2017 Number	2016 Number
£60,000 to £70,000	5	5
£70,001 to £80,000	2	2
£80,001 to £90,000	1	1
£90,001 to £100,000	1	2
£100,001 to £110,000	1	1
£110,001 to £120,000	1	1
£120,001 to £130,000	-	-
£130,001 to £140,000	1	1
£140,001 to £150,000	-	-
£150,001 to £160,000	-	-
£160,001 to £170,000	1	1
	<b>13</b>	<b>14</b>



# Notes to the Financial Statements

for the year ended 31 March 2017

## ...8 Employees Executive directors and Board members

	2017 £000	2016 £000
Executive directors		
Remuneration and fees	592	583
Company contribution to defined benefit scheme	86	85
Money value of benefits in kind	28	29
Expense allowances (subject to tax)	-	-
	<b>706</b>	<b>697</b>

The Executive directors and Board members are considered key management personnel for the purposes of FRS 102 and their remuneration is £891,000 (2016: £896,000).

### The number of directors to whom retirement benefits are accruing under:

Defined benefit schemes was:	5	5
	<b>5</b>	<b>5</b>

	2017 £000	2016 £000
<b>Highest paid director</b>		
Remuneration (includes benefits in kind and excluding pension)	165	164
Amounts receivable under long term incentive schemes	-	-
Company contributions to pension scheme	22	22
	<b>187</b>	<b>186</b>

Accrued lump sum at year end (defined benefit scheme)

*The Chief Executive is an ordinary member of the West Sussex Pension Scheme. He is an ordinary member of the pension scheme and no enhanced or special terms apply. The company does not make any further contributions to an individual pension arrangement for the Chief Executive.*

	2017 £000	2016 £000
<b>Board members'</b>		
Emoluments	53	50
	<b>53</b>	<b>50</b>

## 9 Group taxation on surplus on ordinary activities

Factors affecting charge for the period	Saxon Weald Homes Ltd		Group	
	2017	2016	2017	2016
	£000	£000	£000	£000
<b>Surplus on ordinary activities before taxation</b>	<b>7,828</b>	<b>4,554</b>	<b>7,828</b>	<b>4,554</b>
Surplus on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2015/16: 21%)	1,566	911	1,566	911
<b>Effects of:</b>				
Charitable exemption	(1,566)	(911)	(1,566)	(911)
<b>Current tax charge for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### Factors that may affect future tax charges

The company is considered to pass the tests set out in Paragraph 1, Schedule 6, Finance Act 2010 and therefore meets the definition of a charitable company for UK corporation tax purposes. Accordingly, it is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3, Part 11, Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. The subsidiary company is subject to corporation tax in the same way as any commercial organisation.

## 10 Intangible Fixed Assets

Cost	Software	Total
	£000	£000
At 1 April 2016	1,470	1,470
Additions	94	94
<b>At 31 March 2017</b>	<b>1,564</b>	<b>1,564</b>
<b>Accumulated Amortisation</b>		
At 1 April 2016	1,039	1,039
Charge for the year	167	167
<b>At 31 March 2017</b>	<b>1,206</b>	<b>1,206</b>
<b>Carrying amount:</b>		
<b>At 31 March 2017</b>	<b>358</b>	<b>358</b>
<b>At 31 March 2016</b>	<b>431</b>	<b>431</b>



# Notes to the Financial Statements

for the year ended 31 March 2017

## 11a Group tangible fixed assets - housing properties

Cost	Completed properties available for letting		Properties under construction		TOTAL
	Shared ownership £000	£000	Shared ownership £000	£000	
At 1 April 2016	288,734	15,824	9,639	1,451	315,648
Schemes completed	10,574	1,823	(10,574)	(1,823)	-
Replacement components	4,815	-	-	-	4,815
Additions	-	-	7,369	3,191	10,560
Disposals*	(466)	(264)	-	-	(730)
Components disposed of	(776)	-	-	-	(776)
<b>At 31 March 2017</b>	<b>302,881</b>	<b>17,383</b>	<b>6,434</b>	<b>2,819</b>	<b>329,517</b>

### Depreciation and impairment\*\*

At 1 April 2016	34,613	465	160	-	35,238
Charge for the year	5,008	135	-	-	5,143
Impairment on schemes held for development	-	-	-	-	-
Disposals	(104)	(10)	(160)	-	(274)
On components disposed of	(316)	-	-	-	(316)
<b>At 31 March 2017</b>	<b>39,201</b>	<b>590</b>	<b>-</b>	<b>-</b>	<b>39,791</b>

### Carrying amount:

<b>At 31 March 2017</b>	<b>263,680</b>	<b>16,793</b>	<b>6,434</b>	<b>2,819</b>	<b>289,726</b>
<b>At 31 March 2016</b>	<b>254,121</b>	<b>15,359</b>	<b>9,479</b>	<b>1,451</b>	<b>280,410</b>

The cumulative amount of capitalised interest included in fixed asset housing properties at 31 March 2017 was £5,798,000 (2016: £5,062,000).

Housing properties book value net of depreciation	2017	2016
	£	£
Freehold properties	271,041	261,323
Long leasehold properties	18,685	19,087
	<b>289,726</b>	<b>280,410</b>

### Works to existing rented properties

Replacement components capitalised as above	4,815	3,220
Major repair works charged to revenue (note 3)	1,259	1,264
	<b>6,074</b>	<b>4,484</b>

All housing properties are for social housing use

\* Disposals relate to Right to Buy, Right to Acquire, Shared Ownership staircasing and other property sales.

\*\* Accumulated impairment at year end is nil (2016: £160,000).

## 11b Tangible Fixed Assets - Other

	Freehold office	Office equipment	IT equipment	Total
Cost	£000	£000	£000	£000
At 1 April 2016	2,618	80	1,231	3,929
Additions	-	11	58	69
<b>At 31 March 2017</b>	<b>2,618</b>	<b>91</b>	<b>1,289</b>	<b>3,998</b>
<b>Depreciation</b>				
At 1 April 2016	1,064	75	882	2,021
Charge for the year	92	4	122	218
<b>At 31 March 2017</b>	<b>1,156</b>	<b>79</b>	<b>1,004</b>	<b>2,239</b>
<b>Carrying amount:</b>				
<b>At 31 March 2017</b>	<b>1,462</b>	<b>12</b>	<b>285</b>	<b>1,759</b>
<b>At 31 March 2016</b>	<b>1,554</b>	<b>4</b>	<b>349</b>	<b>1,908</b>



# Notes to the Financial Statements

for the year ended 31 March 2017

## 11c Investment Properties

	Garage stock £000	Market rented properties £000	2017 £000	2016 £000
<b>Group</b>				
At 1 April 2016	6,613	-	6,613	6,068
Additions	-	16,725	16,725	-
Increase in value	138	398	536	545
<b>Increase in value</b>	<b>6,751</b>	<b>17,123</b>	<b>23,874</b>	<b>6,613</b>

All investment properties were valued as at 31 March 2017 by Savills (UK) Limited, Chartered Surveyors. The valuation of the group's investment properties was carried out in accordance with the Royal Institute of Chartered Surveyors ("RICS") Appraisal and Valuation Manual. A discounted cash flow methodology was followed in undertaking the valuation. The historical cost at 31 March 2017 was £17,943,000 and at 31 March 2016 was £1,218,000.

The key assumptions used for the garage properties valuation were:	2017 %	2016 %
Inflation rate - medium term (CPI)	2%	2%
Long term rental increases	CPI + 1%	CPI + 1%

The key assumptions used for the market rent properties Investment valuation were:	2017 %	2016 %
Average percentage reduction for investment - units let on Assured shorthold tenancies	10.0%	-
Average percentage reduction for investment - units let on Assured tenancies and Regulated tenancies	36.5%	-
Average age of tenants within Assured Tenancies and Regulated Tenancies	75 years	-
Remaining tenant lifespan within Assured Tenancies and Regulated Tenancies	8 years	-

The key assumption used for the market rent properties rental valuation were:

- all units are let on Assured Shorthold Tenancies

## 12 Company investments in subsidiaries

	2017 £000	2016 £000
<b>Cost</b>		
At 1 April	50	50
<b>At 31 March</b>	<b>50</b>	<b>50</b>

Saxon Weald Homes Ltd is the parent company of Saxon Weald Capital Plc. and owns 100% of the share capital. Its nature of business is group financing and is registered in England and Wales with the Companies Registrar.

Saxon Weald Homes Ltd is the parent company of Weald Property Development Ltd and owns 100% of the share capital. Its nature of business is market sale and is registered in England and Wales with the Companies Registrar.

## 13 Subsidiary Undertakings

Saxon Weald Homes Ltd subsidiary undertaking is:

Name of undertaking	Class of shareholding	Proportion of nominal value held directly	Nature of business
Saxon Weald Capital plc	Ordinary	100% (2016: 100%)	Group financing.
Weald Property Development Ltd	Ordinary	100%	Dormant

Registered in England

## 14 Group properties held for sale

	2017 £000	2016 £000
Shared ownership - completed properties	-	770
Market sales for eligible older people - completed properties	6,851	-
Work in progress	1,249	5,838
Other property to be sold	-	27
	<b>8,100</b>	<b>6,635</b>

## 15 Stock

The stock holding relates to materials held on vans for the in-house repairs team to use for completing repair jobs. The value of stock held as at 31 March 2017 was £185,000 (2016: £123,000)



## Notes to the Financial Statements

for the year ended 31 March 2017

### 16 Group debtors: amounts falling due within one year:

#### Amounts receivable within one year:

	2017 £000	2016 £000
Rents and services receivable	1,031	989
Less: provision for bad debts	(245)	(208)
	<b>786</b>	<b>781</b>
Other debtors	372	534
Other taxes and social security costs	47	-
Prepayments and accrued income	1,106	2,744
	<b>2,311</b>	<b>4,059</b>

### 17 Group creditors: amounts falling due within one year

	2017 £000	2016 £000
Housing Loan interest	3,854	3,854
Contractors for certified work	1,506	3,372
Other taxes and social security costs	27	163
SHG received in advance	-	657
Rent charged in advance	206	317
Rent paid in advance	315	277
Trade creditors	292	959
Deferred capital grant	602	573
Recycled capital grant	870	-
Other creditors	3,045	2,701
Due to Horsham DC re. RTB sales receipts	1,520	504
	<b>12,237</b>	<b>13,377</b>

### 18 Group creditors: amounts falling due after more than one year

	2017 £000	2016 £000
Debt (note 23)	220,540	220,419
Recycled capital grant fund (note 19)	1,422	2,705
Disposal proceeds fund (note 20)	528	976
Deferred capital grant (note 21)	57,280	56,019
<b>Grant creditors</b>	<b>59,230</b>	<b>59,700</b>
	<b>279,770</b>	<b>280,119</b>

## 19 Group Recycled Capital Grant Fund

Funds pertaining its activities within areas covered by:

	HCA 2017 £000	HCA 2016 £000
<b>Opening balance inputs to RCGF:</b>		
As at 1 April	2,705	2,597
Grants recycled	59	108
Interest accrued	26	-
<b>Recycling of grant:</b>		
New Build	(498)	-
Major repairs and work to existing stock	-	-
Transfers to RCGF short term	(870)	-
<b>Closing balance</b>	<b>1,422</b>	<b>2,705</b>
<b>Amounts 3 years or older where repayment may be required:</b>	<b>-</b>	<b>-</b>

## 20 Group Disposal Proceeds Fund (DPF)

Funds pertaining its activities within areas covered by:

	HCA 2017 £000	HCA 2016 £000
<b>Opening balance inputs to DPF:</b>		
As at 1 April	976	746
Funds recycled	-	230
Interest accrued	9	-
<b>Use/allocation of funds:</b>		
New Build	(457)	-
<b>Closing balance</b>	<b>528</b>	<b>976</b>
<b>Amounts 3 years or older where repayment may be required:</b>	<b>-</b>	<b>-</b>

## 21 Group Deferred Capital Grant

### Grant

	2017 £000	2016 £000
As at 1 April	59,879	57,913
Additions	1,907	2,066
Disposals	(42)	(100)
<b>As at 31 March</b>	<b>61,744</b>	<b>59,879</b>

### Amortisation

	2017 £000	2016 £000
As at 1 April	(3,288)	(2,713)
Credit for the year	(576)	(582)
Eliminated on disposal	2	8
<b>As at 31 March</b>	<b>(3,862)</b>	<b>(3,287)</b>
<b>Carrying amount at 31 March</b>	<b>57,882</b>	<b>56,592</b>

Note: Comparative figures now include the short term portion of deferred capital grant.



# Notes to the Financial Statements

for the year ended 31 March 2017

## 22 Group Financial Instruments

Measured at amortised cost

### Financial assets:

	2017 £000	2016 £000
Cash and cash equivalents	13,200	32,574
Other financial assets (included in note 16)	1,205	1,315
<b>Total</b>	<b>14,405</b>	<b>33,889</b>

### Financial liabilities

Debt*	220,540	220,419
Other financial liabilities (included in note 17)	11,113	11,553
<b>Total</b>	<b>231,653</b>	<b>231,972</b>

\* Further details are provided within note 23

## 23 Group borrowings

On 6 June 2012, Saxon Weald Capital Plc. successfully issued a £225,000,000 bond at a coupon of 5.375% for an average of 25 years. The bond was issued at a discount of 1.623%, so that the funds received were £221,300,000 which equates to a fixed interest rate of 5.496%.

The cost of issuing the bond was £1,300,000 leaving a net of £220,000,000 available to repay existing loans and to fund future development. The underlying assets of the issuance belong to Saxon Weald Homes Ltd through a security trust arrangement with the Prudential Trustee Company Limited.

The bond premium (or discount) and the costs of issue are amortised over the average term of the bond of 25 years. Saxon Weald Homes Ltd is liable to Saxon Weald Capital Plc. for both the bond coupon and the amortisation cost of the bond premium and issue cost.

	Saxon Weald Homes Ltd		Group	
	2017	2016	2017	2016
	£000	£000	£000	£000
<b>Loans from Group undertakings</b>	220,540	220,419	-	-
Total housing loans	220,540	220,419	-	-
Bond Issue	-	-	225,000	225,000
Bond premium and fees	-	-	(4,460)	(4,581)
Net bond	-	-	220,540	220,419
<b>Total Creditors: amounts falling due after one year</b>	<b>220,540</b>	<b>220,419</b>	<b>220,540</b>	<b>220,419</b>

	Saxon Weald Homes Ltd		Group	
	2017	2016	2017	2016
	£000	£000	£000	£000
<b>Loans repayable by instalments:</b>				
In five years or more	220,540	220,419	220,540	220,419
	<b>220,540</b>	<b>220,419</b>	<b>220,540</b>	<b>220,419</b>

## 24 Provisions for liabilities

	Holiday Pay £000
As at 1 April 2016	29
Additional provision in year	1
<b>As at 31 March 2017</b>	<b>30</b>

### Holiday Pay

This represents holiday accrued as a result of services rendered in the current period and which employees are entitled to carry forward. The provision is measured as the contractual cost payable for the period of absence.

## 25 Share capital

Saxon Weald Homes Ltd is limited by guarantee and does not have share capital. The liability of each member is limited to £1, being the amount guaranteed. Saxon Weald Capital Plc. has £12,500 of issued share capital which is paid up, the remaining issued share capital of £37,500 is shown in debtors.



## Notes to the Financial Statements

for the year ended 31 March 2017

### 26 Group reconciliation of surplus after tax to net cash generated from operations

	2017 £000	2016 £000
Surplus after tax for the year	7,828	4,554
<b>Adjustments for:</b>		
Depreciation of tangible fixed assets	5,821	5,601
Amortisation of intangible assets	167	139
Amortisation of government grants	(576)	(582)
Fair value gains on investment properties	(536)	(545)
Defined benefit pension scheme	308	1,027
(Gain) on disposal of tangible fixed assets	(941)	(668)
(Increase) in properties held for sale	(1,492)	(409)
Interest receivable	(87)	(209)
Interest and financing costs	11,704	11,466
Taxation	-	-
<b>Operating cash flows before movements in working capital</b>	<b>22,196</b>	<b>20,374</b>
Decrease/(increase) in stock	(59)	(9)
Decrease/(increase) in trade and other debtors	1,748	(1,918)
Increase/(decrease) in trade and other creditors	(1,045)	647
	644	(1,280)
<b>Cash generated from operations **</b>	<b>22,840</b>	<b>19,094</b>

	2017 £000	2016 £000
<b>Cash and cash equivalents</b>		
Cash and cash equivalents represent:-		
Cash at bank *	13,199	32,574
	<b>13,199</b>	<b>32,574</b>

\* Cash at bank includes £366,000 (2016: £231,000) which is ring fenced for sinking funds and tenancy deposits.

\*\* In the financial statements for year end 31 March 2016, cash generated from operations was £20,439,000. This has been corrected to reflect a higher cost of first tranche sale properties and is now £19,094,000. Similarly, the cost of the acquisition and construction of housing properties has been reduced to £11,389,000 and the sale of properties has been corrected to reflect a more appropriate treatment and is increased to £1,947,000.

## 27 Group capital commitments and other contractual obligations

2017	2016
£000	£000

Capital expenditure for new development / acquisition that has been contracted for but has not been provided for in these financial statements

To be spent within 1 year	5,288	24,848
To be spent after 1 year	5,732	4,717
	<b>11,020</b>	<b>29,565</b>

Capital expenditure for new development / acquisition that has been authorised by the Board but has not been contracted for	1,246	1,220
	<b>12,266</b>	<b>30,785</b>

The group and company expects to finance the above commitments by:

Social housing grant receivable	294	-
Property sales	4,296	15,812
Cash	7,676	14,973
	<b>12,266</b>	<b>30,785</b>
In addition to the above, the Board has authorised capital expenditure on property components which have not been contracted for totalling:	5,624	5,135

## 28 Group commitments under operating leases

2017	2016
£000	£000

As at 31 March 2017, the total future minimum lease payments under non-cancellable operating leases not relating to land and buildings as set out below:

Less than one year	277	334
Between one and five years	367	526
	<b>644</b>	<b>860</b>



# Notes to the Financial Statements

for the year ended 31 March 2017

## 29 Group Retirement benefits

The LGPS is a multi-employee/pension administered by West Sussex County Council under regulations governing the Local Government Pension Scheme, a defined benefit pension scheme. The most recent comprehensive actuarial valuation of the plan assets and the present value of the defined benefit obligation was carried out at 31 March 2017.

The employer's contribution to the LGPS by Saxon Weald Homes Ltd for the year ended 31 March 2017 was £879,000 (2016: £1,576,000) at a contribution rate of 16% of pensionable salaries. The employer's contribution rate for the year ending 31 March 2018 has been set at 20.8%.

The principal assumptions used in the calculation of the valuation of the plan assets and the present value of the defined benefit obligation include:

	2017 £000	2016 £000
<b>Changes in the present value of the defined benefit obligation:</b>		
Defined benefit obligation at 1 April	26,866	26,522
Current service cost	1,187	1,352
Interest cost	950	888
Contributions by scheme participants	355	353
Plan introductions, changes, curtailments and settlements	-	1,251
Benefits paid	(932)	(458)
Actuarial losses/(gains)	4,708	(3,042)
<b>Defined benefit obligation at 31 March</b>	<b>33,134</b>	<b>26,866</b>

	2017 £000	2016 £000
<b>Changes in the fair value of plan assets:</b>		
Plan assets at 1 April	23,851	21,905
Interest income	839	724
Return on plan assets (excluding amounts included in net interest)	4,732	(249)
Contributions by employer	879	1,576
Contributions by scheme participants	355	353
Benefits paid	(932)	(458)
<b>Plan assets at 31 March</b>	<b>29,724</b>	<b>23,851</b>

The actual return on plan assets was £5,571,000 (2016: £475,000).

### Reconciliation to balance sheet

Fair value of employer's assets	29,724	23,851
Present value of funded liabilities	(33,134)	(26,866)
<b>Net (Liability)</b>	<b>(3,410)</b>	<b>(3,015)</b>



■ ■ ■

### Amounts in the balance sheet

	2017 £000	2016 £000
Liabilities	(3,410)	(3,015)
<b>Net (Liability)</b>	<b>(3,410)</b>	<b>(3,015)</b>

Amounts recognised in the statement of comprehensive income in respect of the defined benefit schemes are as follows:

	2017 £000	2016 £000
Current service cost	1,187	1,352
Net interest on the net defined benefit pension liability	111	164
Past service cost and losses on curtailments and settlements	-	1,251
Actuarial (gain) in respect of pension scheme	(24)	(2,793)
	<b>1,274</b>	<b>(26)</b>

### Financial Assumptions

	2017	2016
Discount rate	2.6%	3.5%
Future salary increase rate	3.1%	3.7%
Future pension increase rate	2.4%	2.2%

### Breakdown of the expected return on assets by category

The analysis of the scheme assets at the reporting date were as follows:

	Fair value of assets	
	2017	2016
Equity instruments	74%	72%
Debt instruments	14%	16%
Property	8%	9%
Cash	4%	3%

### Mortality

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

	Males	Females
Current Pensioners	23.6 years	25.0 years
Future Pensioners	26.0 years	27.8 years

Future pensioners are assumed to be currently 45 years old

■ ■ ■

# Notes to the Financial Statements

for the year ended 31 March 2017

## ...29 Group Retirement benefits

### Historic Mortality

Life expectancies for the prior period end are based on the Fund's VitaCurves.

The allowance for future life expectancies are shown below:

	Prospective Pensioners	Pensioners
31 March 2017	CMI 2010 Model (non peaked) and a long term rate of improvement of 1.25% p.a.	CMI 2010 Model (non peaked) and a long term rate of improvement of 1.25% p.a.

Please note that the mortality assumptions are identical to those used in the previous accounting period.

### Analysis of projected amount to be charged to operating surplus for the year 31 March 2018

	31 March 2018 £000	% of pay
Projected current service cost	1,986	40.1%
Interest on obligation	885	17.9%
Expected interest income on plan assets	(784)	(15.8%)
	<b>2,087</b>	<b>43.2%</b>

The actuary estimates the employer's contributions for the year to 31 March 2018 will be approximately £1,031,000.

## **30 Post balance sheet events**

At the date of publishing, there are no known adjusting or non adjusting post balance sheet events that impact the accounts of Saxon Weald.

## **31 Related Parties**

Three members of the Board are tenants of the company. Their tenancies are subject to the same terms and conditions as all other tenants. Details of key management personnel's remuneration are included in note 8. Key Management Personnel are statutory directors and members of the Executive Team. There are no other parties regarded as Key Management Personnel who have a controlling interest or influence over the company.

Saxon Weald Homes Ltd has paid interest of £12.1m (2016: £12.1m) to Saxon Weald Capital, its subsidiary company, during the year.



Saxon  
Weald

**Head Office**  
Saxon Weald House  
38-42 Worthing Road, Horsham  
West Sussex RH12 1DT

Tel: 01403 226000

email: [info@saxonweald.com](mailto:info@saxonweald.com)  
[www.saxonweald.com](http://www.saxonweald.com)

Company Registered number 3847737  
Registered Charity Number 1114158  
Registered with the Homes and Communities Agency L4299