



Saxon
Weald

Group Annual Report & Financial Statements

For the year ended

31 March 2018



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Advisers, Board and Executive Directors

Advisers

External Auditor

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Bury St Edmunds, Suffolk IP32 7FA

Internal Auditor

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Newgate Lane, Fareham
PO14 1AH

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:

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

	Board Member	Committee Membership at 31 March 2018
EM	Steven Dennis (from 16 July 2018)	
EM	Norman Hill BSc Econ (Hons), FCPFA (Company Secretary)	
T	Debbie Joseph BSc (Hons), PGCE	Audit & Risk and Remuneration Committees.
T	Martin Loates	Emergency and New Business Committees.
I	Charlotte Moore B.Eng (Hons), C. Eng, MBA(MSc)	Emergency and New Business Committees.
I	Liz Nicolls BSc (Joint Hons)	Audit & Risk and Remuneration Committees.
I	Richard Perry	Emergency, New Business and Remuneration Committees.
I	Susan Sjuve BSc (Hons), FCII (to 4 July 2017)	
I	Mark Slater JP, AIEMA (from 17 July 2017)	Audit & Risk and New Business Committees.
EM	David Standfast MA (Cantab), Dip TP, DMS, MRTPI, FCMI (to 4 June 2018)	
I	Richard Stevens FCA (from 12 June 2017)	Audit & Risk and Emergency Committees.
I	Simon Turpitt (Chairman)	Emergency and New Business Committees.
I	Stephanie White MBA (Vice Chairman)	Audit & Risk, Emergency and Remuneration Committees.
T	Vanessa Williams	New Business and Remuneration Committees.

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.

David Standfast retired as Chief Executive and Board member on 4 June 2018. Steven Dennis (previously Property Director at Saxon Weald) was appointed Chief Executive with effect from 4 June 2018 and was appointed to the Board on 16 July 2018.

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

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

Steven Dennis
Property Director

Kath Hicks
BSc (Hons)
Housing Director

Norman Hill
BSc Econ (Hons), FCPFA
Finance Director

Strategic Report Incorporating the Operating and Financial Review

The strategic report incorporates the operating and financial review and a section on value for money.

The Company's main accounting policies are set out on pages 42 to 48 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 Regulator of Social Housing (RSH) and is a charity registered by the Charity Commission. 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.

The Housing and Planning Act 2016, enacted in May 2016, included a range of deregulatory measures for housing associations in response to the Office for National Statistics classification decision which put the debts of housing associations on the national balance sheet. Of the various deregulation measures introduced by this act, the removal of the consent regime for the disposal of land has had significant implications for

Saxon Weald. This is because due to the removal of the consents regime, Saxon Weald is no longer exempt from the provisions of the Charities Act 2011 which relate to the disposal of charitable property.

Saxon Weald, like a number of other non-exempt charitable housing associations, has made an in-principle decision to change its status to that of Community Benefit Society (this is the new name for what was known as Industrial and Provident Society). This will reduce the time and expense associated with disposals under the Charities Act, because as a charitable Community Benefit Society (CBS), a housing association is not subject to the Charity Commission's regulation. It is anticipated that this conversion will take place towards the end of 2018.

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 2018 owned 6,606 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), extra care properties and leasehold flats for older people make up 27% of the housing owned. In addition to the 5,687 social rented homes, we own 153 shared ownership homes, 157 leasehold homes for older people, 81 market rent homes and the freehold of 528 properties mainly sold under the right to buy/ right to acquire legislation. The purpose of the 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 characteristics, need additional

support to maintain an independent home and lifestyle. Saxon Weald collects rent and service charges from tenants (53% 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 1,500 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 2017/18, net interest payable on debt was 25% 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. Recently there has been welcome clarity on rent policy from April 2020. Rent increases will revert to the consumer price index (CPI) + 1%. Whilst this provides more certainty about rent increases from April 2020, other changes, such as the roll out of universal credit in Horsham from June 2018, continue.

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.

By 31 March 2018, savings/income generation of £1.5m have been made, leaving £0.8m of the £2.3m savings/income generation to be achieved by 31 March 2020. This will be made up of savings of £0.1m through our in-house repairs team (HomeFix), the elimination of Saxon Weald's revenue contingency of £0.3m and by generating £0.4m of income from new developments by 2019/20. The timing of this savings/income generation is planned to be: £0.4m in 2018/19 and £0.4m in 2019/20.

The focus of the Business Development Strategy approved by the Board in March 2018 is to deliver the £0.4m of additional net income from new developments referred to above, a continuing focus on redevelopment sites within Saxon Weald's control and selected section 106 sites, though values and competition remain strong. New development will include a small amount of market rent to help cross subsidise affordable rented homes and shared ownership homes.

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 impact of Brexit, welfare reform - particularly the roll out of universal credit - and sales risk in the increasingly subdued housing market in the South East. 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 pages four and five. In December 2017, the Board agreed an updated corporate strategy for 2018/19 – 2019/20. This updated corporate strategy identifies how Saxon Weald will respond to a changing and challenging external policy 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:

- Change our status from non-exempt charitable company to Community Benefit Society.
- Remain independent and financially strong.
- Continue to develop a mixed tenure house-building programme in accordance with our development strategy.
- Provide a service to customers we can be proud of.

- Aim for 50% of our customer transactions to be digital by 2020.
- Implement change through our seven service strategies and their action plans. Strategy reviews will be brought to Board annually.
- 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 2018/19 – 2019/20.

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; and
- To remain independent and financially strong

These strategic aims are translated into our strategic objectives for 2018-2020, the achievement of which is monitored and measured. Our strategic objectives for 2018-2020 are:

Develop a Digital First approach to services and transactions

What does it mean?

- We will set out how we intend to make digital services the key way in which we do business with customers.
- We will aim to move to a 'think digital first' way of working across the organisation.
- We will aim to have staff who are capable of delivering digital services and recruit for digital skills where necessary.
- 'Think digital first' will be a core and cross-cutting theme of all the other service strategies by 2018.

How will it be measured?

- Targets for customer channel shift will be set for the next three years and progress against these monitored (see strategic objective – provide a service to customers we can be proud of).

How will we get there?

- We will launch a 'think digital first' internal service standard which will set out our expectations for all staff.
- We will include these expectations in everyone's core objectives and monitor through the performance management process.
- We will support the development of digital services in the budget process.
- We will deliver initiatives and provide support to help more customers to become digitally included.

- We will ensure that managers make digital solutions central when reviewing services.

Provide a service to customers we can be proud of

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.
- 30% of customers will have signed up to the self-service portal by March 2018.
- 50% of the most frequent customer transactions will be digital by 2020.

How are we going to get there?

- Our September 2017 customer service strategy focuses on the digital transformation of customer transactions to enable customers to interact with us more flexibly and reduce costs in the long term. In order to achieve this, we will:
 - Continue to invest appropriately in technology to enable automated and digital services.

...Strategic Report Incorporating the Operating and Financial Review

- Develop a Digital First culture through training, performance management and recruitment.
- Continue to develop and promote 'My Saxon Weald'.
- Support digital inclusion amongst our customers.

Maximise rental income following the rollout 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 2018/19 keep rent arrears below a 3.2% cap.

How are we going to get there?

- Develop an action plan in preparation for universal credit to ensure effective and efficient rent collection. This will involve a restructuring of how work is organised and increased staff resources allocated to this area.
- 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.
- 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.
- We will ensure staff support our digital change agenda through training, performance targets, recruitment and development of effective systems.

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 focus on reducing the average real per-unit costs of responsive repairs and voids.

How are we going to get there?

- Seek supply chain efficiencies through our materials supply partner Buildbase;
- Optimise operative performance by improving the supply chain and waste disposal arrangements, improving operative zoning and resource allocation, and reviewing van stock regularly;
- Perform all kitchen and bathroom replacements, gas boiler replacements and cyclical maintenance in-house;
- Re-procure the van supply contract;
- Bring gas servicing and maintenance in-house by March 2019.

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 £400k to the income and expenditure account by 2019/20 from the identified schemes.
- Deliver a programme using the available conventional resources.

How are we going to get there?

- Implement the revised business plan setting out our potential development spend on the identified schemes.
- By following the approved business development strategy.
- Maximise the opportunities to secure grant from Homes England (HE) or local authorities.

- Seek to secure the management of new homes owned by others as part of an unconventional programme.
- Bid for s106 schemes at a price that works for us.

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.

How are we going to get there?

- Improve the quantity and quality of property-related data in our information systems.
- Make best use of our new property database, called Promaster, due to go live in 2018.
- Improve the way in which we communicate programmes of work to our residents.

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.

...Strategic Report Incorporating the Operating and Financial Review

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 the saving of more than £2.3m is to be achieved

What does it mean?

- An operational plan setting out broadly how savings of £2.3m will be made from 2016/17 to 2019/20 including income increases.
- 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.

- Increase efficiency through investment in new technology.
- Increasing our income – e.g. by raising service charges.
- Regular monitoring of the plan.

Supporting the corporate strategy are seven service strategies which are:

- Customer Services
- 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 2017-18, Saxon Weald made a surplus of £5.2m (2017: £7.8m) which is £2.1m above the target surplus for the year. In addition, there was an actuarial gain of £1.6m in respect of Saxon Weald's part of the West Sussex County Council pension fund, bringing total comprehensive income for the year to £6.8m. The 2017/18

surplus is £2.6m less than the surplus for 2016/17 of £7.8m. In 2017/18, the actuarial gain in respect of the pension scheme was £1.6m compared to an actuarial gain of £24,000 in 2016/17. Total comprehensive income for 2017/18 is £6.8m, compared to £7.9m for 2016/17.

At the statement of financial position date, 31 March 2018, Saxon Weald held £10.9m cash to help fund future development and had reserves of £50.9m. This is £6.8m more than reserves at 31 March 2017 due to a surplus for the year of £5.2m and an actuarial gain of £1.6m on the pension scheme.

The cost of housing properties (after depreciation) on the statement of financial position at 31 March 2018 is £300m, which is an increase of £10m on the net cost at 31 March 2017. During 2017/18, 60 new homes were completed. This relatively low number of completions reflects the pause in development following the rent reduction. 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 2018, investment properties had a fair value of £23.7m, £0.2m lower than at 31 March 2017. This is because a number of garage sites have been decommissioned to enable their redevelopment for housing (loss in value of £0.3m), capital works to modernise the market rent properties of £0.3m and a unrealised loss in the value of the market rent properties of £0.2m.

Government grants of £58.3m at 31 March 2018 are held as long term creditors on the statement of financial position. These include grants from Homes England (HE), 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 2018, Saxon Weald had capital commitments of £25.2m, of which £19.4m has been contracted for and £5.8m 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 Santander. 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 2018 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 2018 is £2.7m, a decrease in the deficit of £0.7m since 31 March 2017.

Financial Performance

The company returned a surplus for the year of £5.2m. This is £2.1m above the target surplus for the year. Turnover is £0.6m higher than budget, cost of sales £1.2m lower than budget, operating expenditure £0.2m higher than budget, the gain on disposal of property is £0.2m higher than budgeted and net interest £0.5m lower than budget. In addition, there is an unbudgeted unrealised loss on investment properties of £0.2m.

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Turnover is higher than budget due to higher sales prices for both shared ownership sales and extra care market sales, offset by fewer sales of the market sale homes at the Highwood Mill extra care scheme. The cost of sales of extra care properties was £1.2m less than budgeted because five fewer sales took place at the Highwood Mill extra care scheme than forecast.

Operating costs are £0.2m higher than budget.

There was a gain on the sale of properties when compared to budget of £0.2m. This is because of unbudgeted surplus from staircasing sales and higher right to buy sales.

Net interest charged to the income and expenditure account was £0.5m less than budgeted for. This was largely as a result of higher than budgeted capitalised interest during the construction of new homes.

Under FRS 102 Saxon Weald's garages are classed as investment properties and the market rent homes at Pelham and Waverley Courts 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 revaluation has given rise to an unrealised loss of £0.3m in the statement of comprehensive income for 2017/18.

A summary of financial performance for 2017/18, 2016/17 and 2015/16 is shown below:

Financial Performance	2017/18	2016/17	2015/16
	£000	£000	£000
Turnover	48,547	45,230	43,516
Cost of sales	(5,997)	(3,822)	(3,563)
Operating expenditure	(25,381)	(23,440)	(25,356)
Operating surplus	17,169	17,968	14,597
Gain on disposal of property, plant and equipment	247	941	669
Net interest charges	(11,920)	(11,617)	(11,257)
Unrealised gain/(loss) on investment properties	(268)	536	545
Surplus for the year	5,228	7,828	4,554
Actuarial gain/(loss) in respect of pension scheme	1,608	24	2,793
Total comprehensive income for the year	6,836	7,852	7,347
Operating margin excluding sales – Rule minimum 30%	38%	41%	35%
Cash interest cover – Rule minimum 150%	194%	201%	176%
Adjusted cash interest cover* - Rule minimum 110%	130%	144%	135%
EBITDA MRI** - Rule minimum 110%	138%	150%	135%
Debt ratio*** - Rule - 65% or below	59%	61%	61%

*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).

***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).

Whilst operating margin excluding sales, and the cash interest cover ratios are lower than in 2016/17, all of the internal financial rules set by the Board have been comfortably achieved. 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 Santander covenant requirement of 100%. The debt ratio has improved to 59% for 2017/18. The Santander 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 2018. The total value of the stock on an existing use social housing basis (EUV-SH) for security purposes is £415m. Asset cover comfortably exceeds the target at 184%.

Cash

The cash flow statement on page 41 shows that Saxon Weald generated net cash from operations of £23.9m and made net interest payments of £12.2m. There was a net cash outflow of £14.0m from investing activities.

The group held cash of £10.9m (2017: £13.2m) at 31 March 2018. 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 Santander 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.

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 is supported by the staff survey carried in June 2017 which showed that 96.6% are satisfied with Saxon Weald as a place to work. It is intended to renew this accreditation to Investors In People over the next 12 months. Staff turnover in 2017/18 was 16%, just above the target of 15%. During 2017/18, the overall level of staff sickness was 3.3% (short-term sickness was 1.6% and long-term sickness was 1.7%) which is above Saxon Weald's target of 3.0%, but below the 3.5% recorded in 2016/17.

Saxon Weald introduced a defined contribution pension scheme in June 2017 and all new staff are auto-enrolled on to the scheme. The West Sussex County Council Pension Scheme (a defined benefit scheme) remains open and new staff may transfer to it once they have completed their probationary period. It is anticipated that the new defined contribution scheme will reduce costs and risk for Saxon Weald and this already appears to be the case.

...Strategic Report Incorporating the Operating and Financial Review

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 29), including Saxon Weald, comprises 18 housing associations with a stock size of between 2,500 and 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.

Operating Performance	2017/18	2016/17	2015/16	2016/17 upper quartile/median*
Rent arrears – 4 weekly average for March (%)	2.6	2.7	2.5	2.1/2.4
Void rent loss (%)	1.8	1.5	1.4	0.5/0.6
Emergency repairs in target (%)	100.0	100.0	99.5	n/a
Average repair completion time (days)	9.5	13.0	9.2	8.5/10.5
Satisfaction with last repair (% very and fairly satisfied)	95	96	86	86/83
Overall tenant satisfaction (% very and fairly satisfied)	86.7	86.6	84.6	88.8/85.7

*HouseMark 2016/17 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 2017/18 was encouraging. The arrears position at 31 March 2018 (4 weekly average) of 2.6%, is slightly lower than 2015/16 and meets the target of 2.7%. Performance on void rent for the year at 1.8% is disappointing, but the monthly void rent loss shows a downward trend from 2.7% in April 2017 to 1.2% in March 2018. Void rent loss in 2017/18, for general needs homes only, is 0.9% which is closer to the median of the peer group.

The percentage of emergency repairs completed within 24 hours remained at 100%, a pleasing performance. The average time to complete a repair in 2017/18 returned to below 10 days at 9.5 days.

A new customer service strategy was approved in September 2017. It reflects the more challenging financial

position brought on by the rent reduction policy and compounded by the introduction of Universal Credit (UC) and that delivering Value for Money services is more critical than ever. Saxon Weald, along with the rest of the housing association sector, has begun to capitalise on rapid advances in digital technology and the growth of online services as the default way that people communicate and do business. Evidence is available that shows the cost of digital transactions can be less than the cost of those done on the telephone or face to face.

This does not mean that Saxon Weald will stop providing services on the telephone or face to face. It is estimated that around 30% of Saxon Weald's customers are digitally excluded and there are some areas of services that may always remain more effective when conducted in person. This strategy will set out the commitment to continue to provide telephone or face to face services but will also consider how to support those who lack the confidence or the resources to get online.

The over-riding objective of the customer service strategy is to develop our digital offer for customers in order to increase use of digital, self-serve and automated services. Our target is to have 50% of our most frequent transactions (making a rent payment, a rent balance enquiry, reporting a repair and getting general information about Saxon Weald) carried out online by 2020. We aim to ensure our services are fit for purpose in the future and are provided in a cost effective way that meets customer expectations and the aspirations and needs of the business.

The strategy will also help prepare the business and customers for the roll out of full service Universal Credit from June 2018. It is estimated that 1,700 tenants will have to make a claim for UC between June 2018 and March 2022. The experience of other housing associations is that rent arrears for those on UC can be as high as 14%. The existing service arrangements need to be considered in the light of the varying support that tenants will require. All claims for UC must be made online, therefore there is also a need to consider how to support

those tenants who have no or limited access to the internet. Approval has been given for three new members of staff to enable Saxon Weald to better respond to UC, both in terms of providing support/assistance to customers and arrears management.

Overall customer satisfaction in 2017/18 was 86.7% which is above the target of 85%. Saxon Weald has also introduced online paperless direct debits and the ability for customers to choose and make repair appointments online at a time to suit them. The self-service portal, 'My Saxon Weald' is going well, with almost 3,000 customers now signed up.

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 £5.9m replacing components (and therefore capitalised this as housing properties in the statement of financial position) in our homes and £4.1m on major repairs and planned and cyclical maintenance charged to the statement of comprehensive income.

It was decided to bring gas servicing and repairs in-house from the end of February 2018. This work is being provided by HomeFix, our in-house repairs service. One of the objectives of this is to substantially improve customer satisfaction with the gas service. It is still early days, but satisfaction is improving. There was one property that did not have a valid gas safety certificate at the end of March 2018, but this completed the next working day and all properties have subsequently been in receipt of a valid gas safety certificate.

During 2017/18, 60 new homes were completed. This relatively low number of completions reflects the pause in development following the rent reduction. These consist of 33 homes at Lindfield (mix of affordable rent and shared ownership), 20 homes at Cowfold (all affordable rent on a rural exception site) and 7 homes at Angmering (all shared ownership).

...Strategic Report Incorporating the Operating and Financial Review

The Lindfield homes are the last phase of 69 homes being delivered over several years on a large s106 site by Barratt David Wilson. All the shared ownership homes have now sold with an average sales time of 39 days from completion date.

The Cowfold site is a rural exception scheme, these are an exception to general planning policy which allows the development of affordable homes for people with a local connection to a village.

The 7 homes at Angmering were the first out of 49 in total being delivered on a s106 site with CALA Homes. The majority are for shared ownership (39) with the remainder for affordable rent (10).

Saxon Weald is currently in contract with Homes England for the 2016-21 Shared Ownership and Affordable Housing Programme (SOAHP) for 117 homes. Another 24 homes will be submitted to the programme shortly. 36 of the submitted homes were eligible for grant funding and have been allocated grant of £1,169,755. In addition, Saxon Weald has allocated a further £1,064,945 of recycled capital grant.

During the year there have been 30 sales, with the majority of these being at Highwood Mill (20). There are still 18 market sale homes for older people to be sold at the Highwood Mill extra care development in Horsham.

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 and the possibility of an economic downturn;**
- **Will the proposed 'sheltered rent' to operate from April 2020 provide the same income to Saxon Weald, especially for new retirement and extra care schemes?**

- **Implementation of government required changes:**

- The effects on our rental income of direct payments to tenants of universal credit;
- The housing benefit cap; and
- The level of future grant aid to affordable housing.

- **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.

The Grenfell Tower disaster is a significant event that has major implications on the management of fire safety now and in the future. Although Saxon Weald does not have any high-rise buildings and does not manage any buildings of a similar construction to Grenfell Tower, a thorough review of Saxon Weald's fire safety policy and procedures has been undertaken to ensure that there are robust measures in place to safeguard residents against a similar risk of fire.

The tallest building Saxon Weald owns and manages is five storeys tall and is a general needs block. As it is our tallest block it was first to be reassessed. No additional specific actions have been advised. It has also been reviewed by Sussex Fire Brigade and passed its inspection.

Amongst a plethora of recently published advice, a recent publication by TLT Solicitors in response to the Grenfell fire, recommended that Landlords with “complex buildings”, i.e. buildings which might be below 6 storeys, but where there may be more vulnerable occupants, should review their current fire safety position against the findings of the Lakanal House inquiry as well as statutory duties.

Saxon Weald's fire risk assessment (FRA) programme did not distinguish between complex and non-complex buildings. Although there is no legislation that dictates the frequency of the FRA programme, the increased vulnerability of residents within our complex buildings poses a greater risk to fire safety. It was therefore decided that Saxon Weald's complex buildings (56 sites) be identified and that the frequency of FRA's is increased for these buildings to an annual basis. All non-complex buildings (268 sites) will remain on a 3 year programme because this is considered suitable for the level of risk.

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 completed a new five year £20m variable rate revolving loan from Santander in

July 2016. Saxon Weald's business plan and business development strategy indicate that new funding of £47m (including the £20m revolving loan from Santander which expires in July 2021) may be required in June 2021 in order to continue to develop new homes. In order to reduce re-financing risk, the aim is to have this funding agreed by spring 2020. 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.

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

Welfare Reform and Rental - Income

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 £1.5m in 2016/17 and plans to make a further £0.8m of savings by 2019/20. Implementation of the savings is being monitored closely to ensure that Saxon Weald's financial position remains sound.

The government's recent announcement that rent increases will return to the consumer price index + 1% from April 2020 is most welcome.

Welfare reforms continue to have an 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.

These reductions are in addition to the introduction of Universal Credit. Universal Credit is expected to be rolled out to the vast majority of Saxon Weald tenants from June 2018 to March 2022. 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. Experience from the pilot projects suggests that arrears for those on Universal Credit are likely to be in the range of 10% -14%.

Future Funding

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 more than support the committed development in our existing business plan. Additional funding of around £47m (including the refinancing of the existing revolving credit facility of £20m) will be required in spring 2020, to help fund Saxon Weald's planned development going forward.

Regulatory Changes

A new value for money (VfM) standard has been issued by the RSH with effect from 1 April 2018. The VfM standard is complemented by a code of practice that is designed to help housing associations understand what the RSH is looking for when seeking assurance against the standard. The RSH wants to strengthen Board accountability and enhance transparency through a focused, outcome-based approach to measuring and reporting both VfM gains and areas for improvement. The focus would move away from the current expectations on narrative reporting in order to increase consistency, comparability and transparency. This removes the need to include a VfM self-assessment as part of the financial statements from the year ended 31 March 2018. Housing associations must annually publish evidence in the statutory accounts to enable stakeholders to understand their:

- a) Performance against their own VfM targets and any metrics set out by the regulator, and how that

performance compares to peers; and

- b) Measurable plans to address any areas of underperformance, including clearly stating any areas where improvements would not be appropriate and the rationale for this.

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. The focus of the Business Development Strategy approved by the Board in March 2018 is to deliver the £0.4m of additional net income from new developments as part of the £0.8m savings by 2019/20, a continuing focus on redevelopment sites within Saxon Weald's control and selected section 106 sites, though values and competition remain strong. New development will include a small amount of market rent to help cross subsidise affordable rented homes and shared ownership homes.

The housing market, particularly in London and the South East, has weakened both in terms of values and the number of transactions. There must now be some concern around the volume of sales income that can be achieved. In addition, the uncertainties of Brexit and the economy in general create greater risk. It is therefore essential that Saxon Weald can respond to a housing market downturn and continues to effectively project manage the sales programme and ensures that funding is available before making development commitments.

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 £415m. 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.

Value for Money (VfM)

During the autumn of 2017, the Regulator of Social Housing (RSH) consulted on a new VfM standard. This standard is applicable from 1 April 2018. It is accompanied by a code of practice that is designed to help housing associations understand what the RSH is looking for when seeking assurance against the standard. In addition, a technical note has been published which explains the sector wide metrics that housing associations are required to report against.

In summary, the new VfM standard requires housing associations to publish evidence in the statutory accounts to enable stakeholders to understand:

- Performance against their own VfM targets and any metrics set out by the regulator, and how that performance compares to peers; and
- Measurable plans to address any areas of underperformance, including clearly stating any areas where improvements would not be appropriate and the rationale for this.

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.

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.

Our purpose is to manage, maintain and develop housing for those who are unable to provide for themselves in the market place. This is 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 2018/19 – 2019/20 are:

- Develop a Digital First approach to services and transactions
- Provide a service to customers we can be proud of
- Maximise rental income following the rollout 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 saving of more than £2.3m is to be achieved

The seven metrics the RSH requires housing associations to report against are shown below. The table shows Saxon Weald's actuals 2014/15 to 2017/18 and Saxon Weald's targets for 2018/19 to 2020/21.

The table shows that both reinvestment (spend on the development of new properties plus spend on capital works to existing properties as a % of housing properties at cost) and new supply (the number of new properties as a % of existing properties) have fallen by about half since 2014/15 and are expected to continue at this lower level to 2020/21. This largely reflects the announcement in July 2015 that rents would decrease by 1% per annum for the four years 2016/17 to 2019/20. It is estimated that over the four year period, rental income will be £10.9m less than it would have been if rent increases had remained at the consumer price index (CPI) + 1%. Whilst Saxon Weald has responded to this reduction by making £2.3m of savings/income generation over the same period, the rent reduction has still reduced the capacity to invest in new homes by about 45% to around 95 new homes per annum.

The ability to build new homes is also lower because in the five years 2010/11 to 2014/15 Saxon Weald sought to build as many homes as possible. Over the five year period 2010/11 to 2014/15, Saxon Weald completed 845 new homes. As a consequence there is little spare revenue capacity to deal with the rent reductions to 2019/20. Saxon Weald aims to build 95 new homes per annum over the next five years. This level of development enables Saxon Weald to remain financially sound and to maintain adequate gearing and EBITDA MRI ratios.

As a large scale voluntary transfer, Saxon Weald was originally 100% debt funded and given that Saxon Weald has built over 1,500 new homes since transfer, it is not surprising that gearing (a measure of net debt as a % of housing properties at cost) is high at 70%+ until 2018/19. Gearing is planned to fall gradually to 64% in 2020/21. Clearly, this high level of gearing restricts the amount of debt that Saxon Weald is able to take on. Nevertheless, Saxon Weald plans to build new homes at a level consistent with this gearing performance and the other restricting factors.

RSH VfM Metrics	Actual 2014/15	Actual 2015/16	Actual 2016/17	Actual 2017/18	Target 2018/19	Target 2019/20	Target 2020/21
VfM 1 – Reinvestment	10.5%	5.1%	5.3%	5.9%	5.1%	4.5%	5.0%
VfM 2A – New supply social housing	2.5%	2.8%	1.4%	1.0%	0.7%	1.7%	0.8%
VfM 2B – New supply non-social housing	0%	0%	7.5%	0%	6.0%	0%	0%
VfM 3 – Gearing	72%	70%	72%	70%	70%	68%	64%
VfM 4 – EBITDA – MRI	108%	135%	147%	135%	121%	120%	122%
VfM5 – Headline social housing cost per unit	£4,075	£3,905	£3,734	£4,103	£4,247	£4,358	£4,326
VfM6A – Operating margin (social housing lettings)	32%	34%	40%	37%	34%	32%	33%
VfM6B – Operating margin (overall)	32%	34%	40%	35%	32%	30%	34%
VfM7 – Return on capital employed	4.0%	4.8%	5.8%	5.2%	4.3%	4.3%	4.5%

EBITDA MRI (Earnings Before Interest Tax, Depreciation, Amortisation Major Repairs Included) is a measure of how many times the surplus generated from day to day activities, including the capitalised replacement of components in existing properties, will pay interest payable. EBITDA MRI is falling and is forecast to hit a

Value for Money (VfM)

low of 120% in 2019/20, the last year of the rent reductions. Rent increases return to CPI + 1% from April 2020 and EBITDA MRI then gradually begins to improve. The movement in EBITDA MRI also reflects:

- The front loading of the £2.3m savings referred to above (£1.5m achieved by the end of 2017/18, £0.4m savings in 2018/19 and £0.4m contribution from development schemes in 2019/20);
- An additional non-cash cost of the local government defined benefit pension scheme over and above that required by the pension scheme due to the FRS 102 valuation of liabilities. This uses a conservative discount rate based on the return on good quality corporate bonds to value future liabilities, which increases the cost of pensions by £1m in 2016/17 and 2017/18 and by £0.5m in 2018/19 and 2019/20. Action has already been taken to mitigate these costs going forward by introducing a defined contribution pension scheme from 2017/18 for new starters. The benefit of this will however be gradual.
- Investment in health and safety compliance to ensure that our homes are as safe as they can be in terms of gas, electrical, asbestos, fire and legionella.
- From March 2018, gas servicing and repairs, as well as fitting new gas boilers will be carried out by our in-house repairs team, HomeFix. Whilst this will lead to savings of £0.1m per annum once it is established, the main objective is to improve the gas service and customer satisfaction with gas servicing and repairs from 75% to 85%.
- Investment in technology, including an additional member of staff in 2018/19. This is to continue to support the business in automating processes and to enable customers to engage with Saxon Weald on-line, when it's convenient for them to do so. By the end of May 2018, over 3,000 customers (around 50%) have signed up to Saxon Weald's on-line portal and the facility for customers to book their own repairs appointments online has just gone live. In the medium term this will reduce costs, but in the short

term it has not reduced customer engagement with Saxon Weald on the telephone or in person. This transitional phase is a challenging one, in which the cost of digital engagement sits alongside the costs of traditional ways of engaging with customers.

- The investment in three additional members of staff in preparation for the roll-out of Universal Credit from June 2018. This is an upfront investment with the aim of minimising the impact on rent arrears, bad debts and to reduce potential evictions in future years.

Headline social housing cost per unit was introduced as a measure for housing associations in June 2016, when Julian Ashby, then Chair of the HCA, wrote to all housing associations about delivering better value for money and understanding differences in unit costs. The table above shows Saxon Weald's headline social housing costs per unit falling from £4,075 in 2014/15 to £3,734 in 2016/17, before increasing again to £4,326 in 2020/21. This reflects the front loading of the £2.3m savings, the additional pension costs and the investments referred to above.

To understand the make-up of these costs and how Saxon Weald compares to others, Saxon Weald's headline social housing cost per unit for 2016/17 and 2017/18 have been broken down and compared to the results for the sector as a whole for 2016/17 (the latest available information) and are shown in the table on the following page.

Headline social housing unit costs

	SAXON WEALD		SECTOR LEVEL 2016/17		
	2017/18 £	2016/17 £	Upper quartile £	Median £	Lower quartile £
Headline social housing costs CPU	4,103	3,734	4,330	3,300	2,920
Management CPU	570	604	1,150	940	740
Service charge CPU	992	918	600	370	240
Maintenance CPU	1,025	929	1,110	930	780
Major repairs CPU	1,206	1,016	960	680	490
Other social housing costs CPU	311	267	510	240	100

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 cost per unit, which reflects the high percentage of homes for older people owned and 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. Provision of good quality homes for older people which meets a range of needs is a major objective for Saxon Weald. In West Sussex, in 2016, people over the age of 65 made up 21% of the population compared to 18% nationally and this is expected to increase to 31% by 2036. The 2017/18 headline social housing cost for general needs housing is £3,209 per unit, which is below the 2016/17 sector median. Conversely, the 2016/17 headline social housing cost per unit for extra care housing is £8,869 and for retirement housing is £5,784, both of which are significantly above the 2016/17 sector upper quartile.

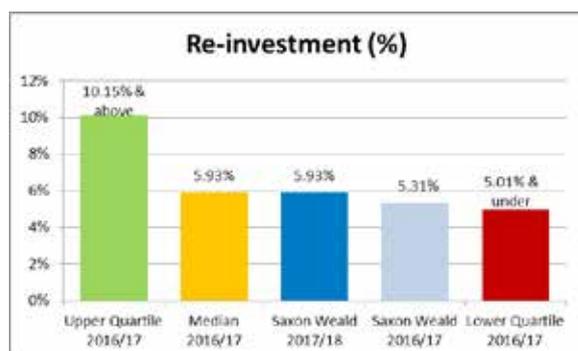
The management cost per unit is significantly below both the median and the lower quartile. The maintenance cost per unit is above the median, but below the upper quartile. The major repairs cost per unit has increased to £1,206 per unit, above both the median and the upper quartile. This reflects Saxon Weald's decision to continue to invest in our existing homes as well as build new homes. The 2017/18 unit cost of the provision of services for retirement and extra care schemes is £3,112 per unit and for general needs homes is just £206 per unit. Overall it is £992 per unit, £622 per unit above the median. This together with the investment in existing properties explains why Saxon Weald's headline social housing cost per unit is £803 above the median.

Operating margin peaks in 2016/17 at 40%, before gradually declining in 2019/20 (the last year of the rent reduction) to 32% for operating margin social housing lettings and 30% for overall operating margin. Operating margin then gradually begins to improve from 2020/21 onwards.

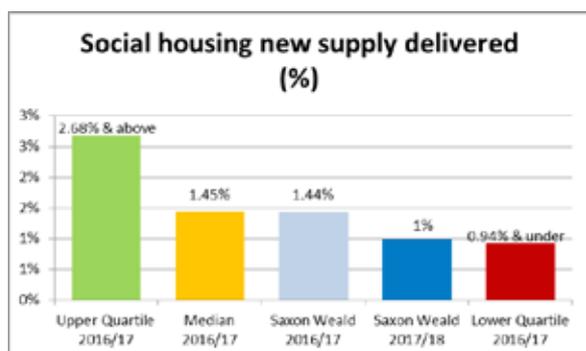
Value for Money (VfM)

The final metric specified by the RSH is the return on capital employed (operating surplus as a % total assets less current liabilities). This is a measure of the return an organisation makes from the capital used. The table of metrics shows that Saxon Weald's return on capital employed peaks at 5.8% in 2016/17 (due to the front loading of the £2.3m savings), declines to 4.35% in 2019/20 (the last year of rent reductions) before starting to improve.

Saxon Weald's 2016/17 and 2017/18 performance as measured by these metrics compared to our peer group performance 2016/17 is shown in the following section. The peer group was selected to ensure that Saxon Weald was benchmarking its performance against the most appropriate organisations. The criteria used to select the peer group were: 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. Details of the peer group are attached as Appendix A. The source of the data used to calculate these metrics, unless otherwise stated is the Housing Quality Network extract of global accounts data 2016/17 published by the RSH.

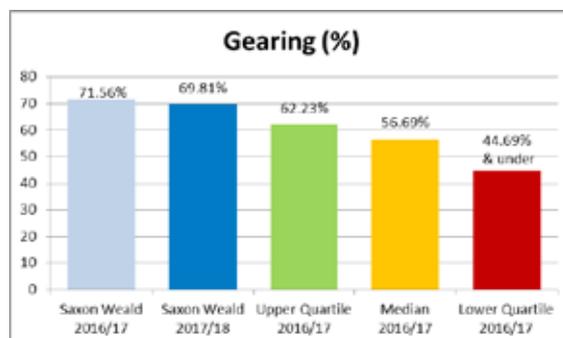


The above chart shows that Saxon Weald's spend on reinvestment is in line with the 2016/17 median of the peer group.

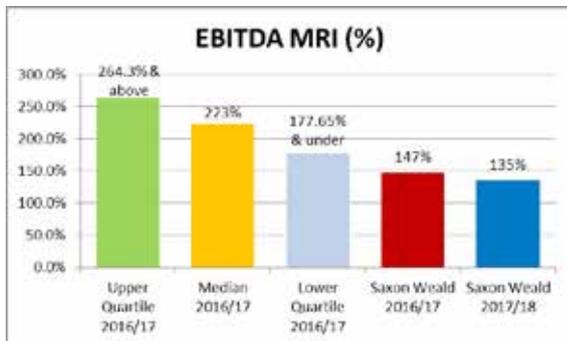


Whilst Saxon Weald's % of new supply delivered has fallen in 2017/18, this is a figure that does change from year to year depending on the peaks

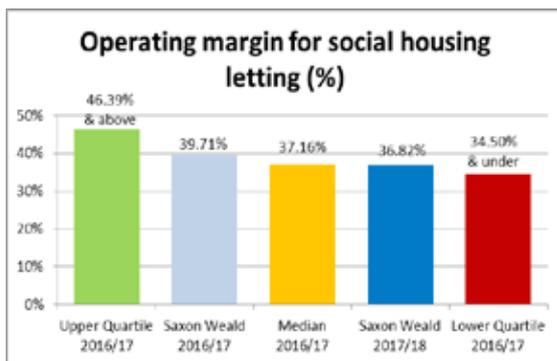
and troughs of the development programme. The trend for Saxon Weald is just below the 2016/17 median for the peer group. In the context of Saxon Weald's gearing and EBITDA MRI metrics, it would be challenging to improve this in the short/medium term.



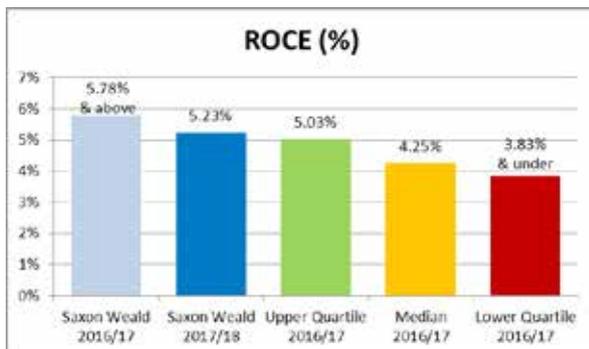
Gearing for Saxon Weald is high and easily in the top quartile for the peer group. It is not realistic to bring this measure back to the median of the peer group and to continue to develop new homes. It is however, planned to reduce gearing gradually over the next few years to bring it to below 65%.



Saxon Weald's EBITDA MRI is below the lowest quartile for both 2016/17 and 2017/18. This reflects Saxon Weald's determination with maximising the number of new homes built, whilst keeping EBITDA MRI above 120%.

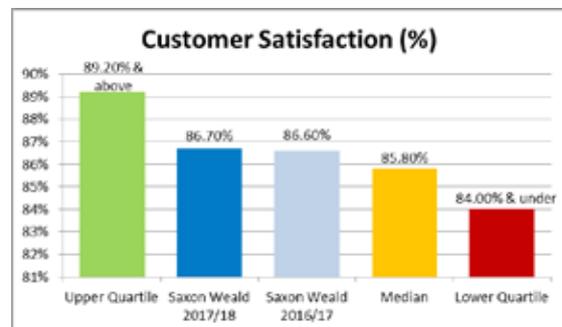


Saxon Weald's operating margin for social housing lettings is above the internal target of 30% and sits around the median of the peer group.



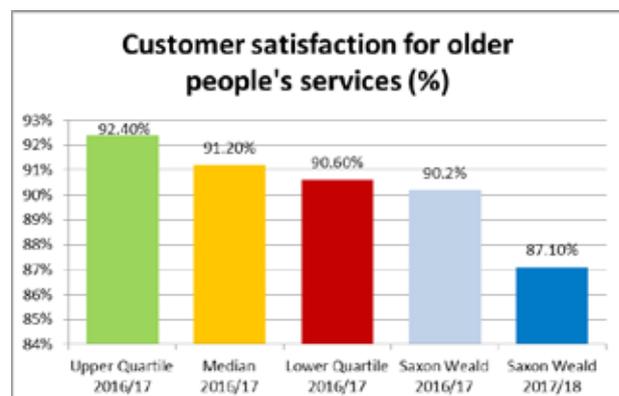
Return on capital employed is 5.2% for 2017/18 compared to the peer group upper quartile of 5% and the median of 4.3%. This measures the financial return on capital employed. As a housing association, the social return of providing homes for those in need is also a key objective.

Most of these measures are purely financial. Saxon Weald's approach to VfM is to consider quality, social return and the achievement of Saxon Weald's purpose and strategic objectives. As part of this, Saxon Weald measures delivering VfM in achieving its strategic objectives by considering overall customer satisfaction (a key measure of the customer experience), satisfaction with the repairs service (the service our customers tell us is the most important) and rent arrears (particularly important as universal credit is rolled out).



Source: Housemark

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 is at 86.7% in 2017/18, which is above our target of 85%. It is above 2016/17 median performance and below the 2016/17 top quartile performance of 89.2%.

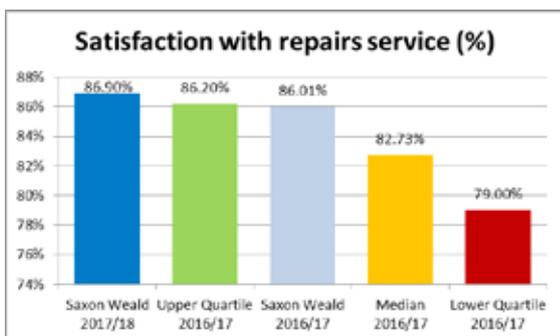


Source: Housemark

Tenant satisfaction with older people's services is a key measure in determining whether Saxon Weald is a leader in the provision of older people's housing.

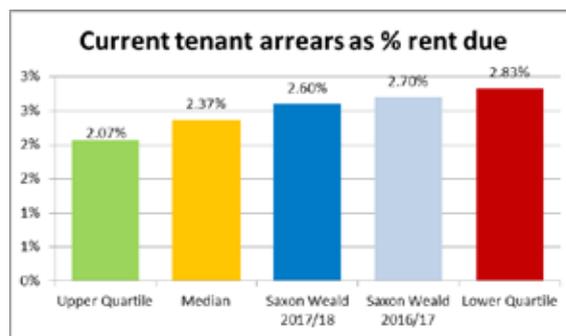
Value for Money (VfM)

Tenant satisfaction is at 87.1% in 2017/18, above the target of 85%. This is in the lowest quartile of our peer group, although unfortunately only seven of the peer group return scores for this measure. Nevertheless, further investigation and research is needed to understand why both customer satisfaction has fallen from 2016/17 and why it is less than Saxon Weald's peers.



Source: Housemark

Satisfaction with Saxon Weald's repairs service (excluding gas) improved in 2017/18 to 86.9%. This places it above the 2016/17 top quartile for the peer group.



Source: Housemark

The chart shows a slight improvement in Saxon Weald's performance in 2017/18, but it is still above the median of the peer group. The rollout of Universal Credit in June 2018 is likely to increase arrears going forward.

In summary, 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 has built over 1,500 new homes since it was created, the vast majority of which have been in the last 10 years. The plan is to continue to build around 95 new homes per annum. This is largely why Saxon Weald has a high gearing metric and a low EBITDA MRI metric, when compared to our peers. Saxon Weald has a good operating margin compared to our peers and whilst this will fall as the rent reductions continue, by 2019/20, Saxon Weald will have made £2.3m of savings/income generation since the rent reductions were introduced. Value for money is not just about new development and financial metrics, the service provided to our existing residents is also important. This includes an appropriate level of reinvestment in our existing stock and the current overall customer satisfaction of 87.2%.

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 Santander £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
16 July 2018

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

Housemark Benchmark Data 2016/17 - Peer Group Housing Associations

Organisation	Total Number Of Properties	% Properties General Needs	% Properties Older People	Organisation Annual Turnover	In-House Repairs Team	Number Of Properties Developed
Saxon Weald (2016/2017)	6,578	60.7%	24.4%	£42,386,669	Yes	215
B3living	4,624	72.3%	6.9%	£25,335,738	Yes	27
Bracknell Forest Homes	7,298	77.1%	5.4%	£39,278,097	Yes	0
Broadland Housing Association	4,964	80.9%	12.0%	£26,716,000	Yes	8
CHP	9,406	62.5%	23.0%	£52,853,000	Yes	328
Cottsway Housing Association	4,671	91.0%	0.0%	£30,144,763	Yes	64
Estuary Housing Association	4,352	75.9%	1.8%	£35,552,000	No	54
Greenfields Community Housing	8,405	88.4%	4.8%	£45,334,000	Yes	64
Hightown Housing Association Limited	5,387	55.4%	1.5%	£53,373,000	No	328
Housing Solutions	5,058	74.7%	5.4%	£39,143,811	Yes	0
Paragon Community Housing	9,189	66.7%	11.5%	£54,721,115	No	50
Raven Housing Trust	6,574	74.5%	5.3%	£39,300,538	Yes	206
Soha Housing	6,605	76.0%	10.0%	£36,445,716	No	183
Swan Housing Association	9,006	73.9%	0.9%	£72,715,698	No	123
Thrive Homes	4,429	72.7%	12.9%	£24,004,000	Yes	72
Town And Country Housing Group	9,274	79.1%	5.6%	£52,532,384	No	52
Vale Of Aylesbury Housing Trust	8,158	83.1%	7.1%	£41,935,240	Yes	69
Worthing Homes	3,646	79.1%	7.6%	£19,795,239	Yes	119

Report of the Board

The directors present their report for the year ended 31 March 2018. The strategic report is on pages 6 to 29.

Governance

Saxon Weald is governed by a Board comprising 10 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 five

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 Chairman of the Audit & Risk Committee from 3 July 2017. Mark Slater was appointed a Board member from 17 July 2017. David Standfast retired as Chief Executive and Board member on 4 June 2018. Steven Dennis (previously Property Director at Saxon Weald) was appointed Chief Executive with effect from 4 June 2018 and was appointed to the Board on 16 July 2018.

The governance and financial viability standard was issued by the RSH (formerly known as the Homes and Communities Agency - HCA) in 2015. The Board has reviewed the standard and has assessed that Saxon Weald complies with it except that at 31 March 2018, one property did not have a valid gas safety certificate. The gas safety certificate was completed on this property the next working day.

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. This was confirmed as part of a stability check in November 2017.

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 it 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 2017-18, the non-executive Board members at Saxon Weald were paid as follows:

Simon Turpitt, Chairman of the Board	£11,259
Stephanie White, Vice Chairman of the Board	£6,755
Martin Loates	£5,629
Charlotte Moore (Chairman of the New Business Committee).....	£5,629
Richard Perry (Chairman of the of the Audit & Risk Committees from 3 July).....	£5,629
Richard Stevens (Chairman of the Remuneration Committees).....	£4,547
Debbie Joseph	£4,080
Vanessa Williams	£4,080
Liz Nicolls	£4,080
Mark Slater	£2,893
Susan Sjuve (Chairman of the Audit & Risk Committee to 3 July).....	£1,429

In addition, Richard Reynolds as Chairman of Weald Property Development Limited was paid £5,814.

The total amount paid to non-executive Board members during 2017/18 was £61,823, 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 2016 to July 2017, attendance at Board meetings was 85% and attendance at committee meetings 78%. Fifty percent of the non-executive Board members are female and 10% 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 2016 to July 2017, Board members attended seven external training sessions and 70 internal training sessions.

The Audit and Risk Committee has responsibility:

- To ensure that Saxon Weald's management and in particular financial management, is as efficient as practicable and operates in accordance with:
 - ✓ approved financial practice and regulation
 - ✓ RSH 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.

...Report of the Board

- To recommend to the Board the appointment of external auditors, ensuring that they are independent of Saxon Weald 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 Saxon Weald's internal controls and report to the Board annually on their operation.
- To consider the annual financial statements and external auditor's Audit Findings Report (AFR) 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 RSH
- To receive reports from internal auditors and to act on their findings. Action requiring changes to Rules, 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 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 five, 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:

...Report of the Board

“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.

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 2017/18, there have been three reported cases of fraud. All of them consisted of a fraudulent standing order request being submitted to a local bank branch and all were refunded by the bank.

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, covenant compliance, key financial rules and key performance indicators;**
- **The establishment and monitoring of the corporate strategy of the Company for 2017/18;**
- **Asset and liability register;**
- **Regular reporting of complaints received;**
- **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,**

stress testing and the annual risk mapping exercise considered by the Audit and Risk Committee (March 2018) and the Board (May 2018);

- **Audit & Risk Committee overview of the audit needs assessment, audit plan, audit reports produced and an annual internal audit report;**
- **Annual report by the Executive Team on the effectiveness of the systems of internal control;**
- **The report of the Property Director on the General Data Protection Regulation (GDPR);**
- **Other reports from members of the Executive Team on operational and financial matters;**
- **The annual report of the Audit and Risk Committee;**
- **External auditors' audit findings report; and**
- **Reports issued by the Regulator of Social Housing (RSH).**

Material concerns

The Board has identified no material control issues or problems during 2017/18. No material concerns have been raised by the RSH or HE or any other stakeholder to which the Company submits reports or information.

Auditors

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

By Order of the Board

Simon Turpitt, Chairman
16 July 2018

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

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

Opinion

We have audited the financial statements of Saxon Weald Homes Limited (the 'parent company') and its subsidiary (the 'group') for the year ended 31 March 2018 which comprise Group and company Statement of Comprehensive Income, Group and company Statement of Financial Position, Group and company Statement of Changes in Reserves, Group Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including 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 2018 and of the group's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance

with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge

...Independent auditor's report to the members of Saxon Weald Homes Limited

obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Report of the Board for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Board has 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 the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Report of the Board.

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

- adequate accounting records have not been kept by the 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

As explained more fully in the Board Members Responsibilities Statement set out on pages 32 to 33 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, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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 objectives are to obtain reasonable assurance about whether the financial statements as a

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

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

Use of our report

This report is made solely to the 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 2018

	Saxon Weald Homes Ltd			Group	
	Notes	2018 £000	2017 £000	2018 £000	2017 £000
Turnover	3	48,547	45,230	48,547	45,230
Cost of sales	3	(5,997)	(3,822)	(5,997)	(3,822)
Operating expenditure	3	(25,381)	(23,440)	(25,381)	(23,440)
Operating surplus	3	17,169	17,968	17,169	17,968
Gain on disposal of property, plant and equipment (fixed assets)	7a	247	941	247	941
Interest receivable	5	39	87	39	87
Interest and financing costs	6	(11,959)	(11,704)	(11,959)	(11,704)
Unrealised (loss) / gain on investment properties	11c	(268)	536	(268)	536
Surplus before taxation	7	5,228	7,828	5,228	7,828
Taxation	9	-	-	-	-
Surplus for the year		5,228	7,828	5,228	7,828
Actuarial gain in respect of pension scheme	29	1,608	24	1,608	24
Total comprehensive income for the year		6,836	7,852	6,836	7,852

These financial statements were approved by the Board on 16th July 2018

All amounts relate to continuing activities

The notes on pages 42 to 70 form part of these financial statements

Group and Saxon Weald Homes Ltd

Statement of Financial Position

as at 31 March 2018

	Saxon Weald Homes Ltd		Group		
	Notes	2018 £000	2017 £000	2018 £000	2017 £000
Fixed assets					
Intangible assets	10	267	358	267	358
Housing properties	11a	300,499	289,726	300,499	289,726
Other fixed assets	11b	1,682	1,759	1,682	1,759
Investment properties	11c	23,680	23,874	23,680	23,874
Investment in subsidiaries	12	50	50	-	-
		326,178	315,767	326,128	315,717
Current assets					
Properties held for sale	14	5,659	8,100	5,659	8,100
Stock	15	222	185	222	185
Trade and other debtors	16	3,047	2,311	3,047	2,311
Cash and cash equivalents		10,901	13,187	10,913	13,199
		19,829	23,783	19,841	23,795
Creditors: amounts falling due within one year	17	(13,255)	(12,237)	(13,255)	(12,237)
Net current assets		6,574	11,546	6,586	11,558
Total assets less current liabilities		332,752	327,313	332,714	327,275
Creditors: amounts due after more than one year					
Bond issue	18	-	-	220,668	220,540
Loans from group companies	18	220,668	220,540	-	-
Long term creditors - due to group companies		38	38	-	-
Grant creditors	18	58,437	59,230	58,437	59,230
		279,143	279,808	279,105	279,770
Provisions for Liabilities					
Pension provision	29	2,665	3,410	2,665	3,410
Other provisions	24	43	30	43	30
		2,708	3,440	2,708	3,440
Reserves					
Income and expenditure reserve		50,901	44,065	50,901	44,065
		50,901	44,065	50,901	44,065
		332,752	327,313	332,714	327,275

In view of the constitution of the company, all shareholdings relate to non-equity interests, as disclosed in note 25. [The notes on pages 42 to 70 form part of these financial statements.](#)

These financial statements were approved by the Board and authorised for issue on 16 July 2018 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 2018

	Income & Expenditure Reserve
	2018
	£000
Balance at 1 April 2016	36,213
Total comprehensive income for the year	7,852
Balance as at 31 March 2017	44,065
Total comprehensive income for the year	6,836
Balance as at 31 March 2018	50,901

The notes on pages 42 to 70 form part of these financial statements.

Group Statement of Cash Flows

for the year ended 31 March 2018

	Notes	2018 £000	2017 £000
Operating activities			
Net cash generated from operations	26	23,894	22,840
Returns on investments and servicing of finance			
Interest received	5	39	87
Interest paid		(12,250)	(12,208)
Net cash generated from operating activities		11,683	10,719
Cash flow from investing activities			
Acquisition and construction of housing properties		(9,839)	(12,620)
Acquisition and works to investment properties		(351)	(16,725)
Component replacement		(5,940)	(4,815)
Sale of properties		1,760	3,890
Purchase of other tangible fixed assets		(124)	(61)
Purchase of other intangible fixed assets		(55)	(57)
Grants received		580	294
Net cash flow used in investing activities		(13,969)	(30,094)
Net decrease in cash and cash equivalents		(2,286)	(19,375)
Cash and cash equivalents at beginning of year		13,199	32,574
Cash and cash equivalents at end of year		10,913	13,199

Notes to the Financial Statements

for the year ended 31 March 2018

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 is 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 active 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 2018.

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 on completion 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.

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.

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.

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

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Notes to the Financial Statements

for the year ended 31 March 2018

related conditions. Where the donation is not from a public source, the value of the donations less the consideration is included in income.

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.

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.

Changes in fair value are recognised in the Statement of Comprehensive Income.

The Companies Act 2006 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in FRS 102. 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 Homes England (HE), formerly 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.

Impairment

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. Where the recoverable amount of an asset is deemed to be less than the carrying value an impairment is made to reflect the asset at its carrying value.

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 2018

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:

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

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 and are recorded at original cost.

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 companies are 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.

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.



Notes to the Financial Statements

for the year ended 31 March 2018

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 future. This includes an estimate of the useful life of components for the purpose of depreciating housing properties. It accepts the principal assumptions used in the

calculation of the valuation of the pension plan assets as at 31 March 2018, provided by the LGPS (as shown in note 29). 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. Triggers of impairment of assets are considered annually. 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 2018

3 Group turnover, operating costs and operating surplus

	Turnover £000	Cost of sales £000	Operating costs £000	2018 Operating surplus £000	2017 Operating surplus £000
Social housing lettings					
- General needs, housing for older people, supported and shared ownership housing (See note 3a)	39,750	-	(25,104)	14,646	15,293
Other social housing activities					
- Shared ownership first tranche sales	1,119	(950)	-	169	844
- Sales to eligible older people	6,225	(5,047)	-	1,178	655
- Other social housing activities	81	-	-	81	86
Non social housing activities					
- Surplus on lettings (garages)	584	-	(29)	555	547
- Surplus on lettings (market rent)	788	-	(248)	540	543
	48,547	(5,997)	(25,381)	17,169	17,968

Notes to the Financial Statements

for the year ended 31 March 2018

3a Group income and expenditure from social housing lettings

	General needs £000	Housing for older people & supported housing £000	Shared ownership £000	2018 Total £000	2017 Total £000
Income					
Rents receivable net of identifiable service charges	25,353	8,004	80	33,437	33,043
Service charge income	949	4,747	15	5,711	4,895
Amortised Government Grants	169	423	10	602	576
Turnover from social housing lettings	26,471	13,174	105	39,750	38,514
Expenditure					
Management	(2,073)	(1,314)	(26)	(3,413)	(3,606)
Service charge costs	(836)	(5,083)	(27)	(5,946)	(5,484)
Responsive maintenance (routine maintenance)	(2,049)	(1,255)	(24)	(3,328)	(3,563)
Planned and cyclical maintenance	(1,649)	(1,167)	(2)	(2,818)	(1,987)
Major repairs expenditure	(1,095)	(196)	-	(1,291)	(1,259)
Bad debts	(154)	(63)	(6)	(223)	(125)
Depreciation of housing properties*	(4,305)	(1,750)	(166)	(6,221)	(5,603)
Pension (current cost less contributions)	(765)	-	-	(765)	(500)
Other costs	(1,069)	(30)	-	(1,099)	(1,094)
Operating costs on social housing lettings	(13,995)	(10,858)	(251)	(25,104)	(23,221)
Surplus / (deficit) on social housing lettings	12,476	2,316	(146)	14,646	15,293
Voids - rent lost through dwellings being vacant	(236)	(443)	(7)	(686)	(548)

* Includes accelerated depreciation of £531,000 (2017: £460,000).

4 Accommodation in Management and Development

	Group			2017 Total Number
	Social Number	Affordable Number	2018 Total Number	
Under management at end of year:				
Social Housing				
General needs housing				
Owned general needs	3,397	613	4,010	3,968
Owned general needs managed by others	44	-	44	45
Older Peoples Housing				
Extra Care	328	95	423	423
Retirement - Supported	1,038	62	1,100	1,127
Retirement - Non-Supported	69	41	110	110
	4,876	811	5,687	5,673
Shared ownership			153	145
Leasehold for older people			157	157
Total Social Housing			5,997	5,975
Market rent			81	81
Leasehold flats			528	522
Total owned and managed			6,606	6,578
Under development at end of year:				
Market Rented Homes			36	-
Shared Ownership			59	12
Affordable Rent			31	48
			126	60

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Notes to the Financial Statements

for the year ended 31 March 2018

5 Interest receivable and similar income

	Saxon Weald Homes Ltd		Group	
	2018	2017	2018	2017
	£000	£000	£000	£000
Interest on bank deposits	39	87	39	87
	39	87	39	87

6 Interest payable and similar charges

	Saxon Weald Homes Ltd		Group	
	2018	2017	2018	2017
	£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	52	52	52
Amortisation of bond premium and fees	128	121	128	121
Loan non-utilisation fees	105	62	105	62
Pension fund interest cost	884	950	884	950
Pension fund expected return on assets	(786)	(839)	(786)	(839)
Capitalised interest on development*	(518)	(736)	(518)	(736)
	11,959	11,704	11,959	11,704

* 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% (2017: 5.5%)

7 Group surplus on ordinary activities before taxation

Saxon Weald Homes Ltd		Group	
2018	2017	2018	2017
£000	£000	£000	£000

Is stated after charging:

Depreciation of housing properties (including accelerated depreciation of £531k (2017: £460k) (note 11a))	6,221	5,603	6,221	5,603
Depreciation of other tangible fixed assets (note 11b)	211	218	211	218
Amortisation of intangible fixed assets (note 10)	159	167	159	167

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 - current year	50	48	50	48
- in their capacity as auditors - prior year	8	10	8	10

Total audit services **58** **58** **58** **58**

Operating lease expenditure 469 388 469 388

Salaries directly attributable to development projects capitalised 496 487 496 487

7a Surplus on sale of fixed assets - Housing properties

Saxon Weald Homes Ltd		Group	
2018	2017	2018	2017
£000	£000	£000	£000

Disposal proceeds	1,772	3,916	1,772	3,916
Carrying value of fixed assets	(432)	(1,432)	(432)	(1,432)
Payable to Horsham District Council	(1,082)	(1,517)	(1,082)	(1,517)
Other costs to sell	(11)	(26)	(11)	(26)
	247	941	247	941
Capital grant recycled (note 19)	121	59	121	59
Disposal proceeds fund (note 20)	-	-	-	-

Notes to the Financial Statements

for the year ended 31 March 2018

8 Group and Company Employees

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

Actual

	2018 Number	2017 Number
Office and management *	114	106
Housing support and care *	38	34
Maintenance **	67	52
Board members	11	9
	230	201

The average annual full time equivalent of persons (including directors) employed by the company during the year was:

Full time equivalents

	2018 Number	2017 Number
Office and management *	101	94
Housing support and care *	32	33
Maintenance **	61	46
Board members	11	10
	205	183

* 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

	2018 £000	2017 £000
Wages and salaries	7,007	6,295
Social security costs	744	673
Other pension costs and current service cost	1,987	1,187
	9,738	8,155

8 Group and Company Employees

The full time equivalent number of staff with remuneration in the bandings below (inc. Employer Pension Contributions.)

	2018 Number	2017 Number
£60,000 to £70,000	4	6
£70,001 to £80,000	2	5
£80,001 to £90,000	5	1
£90,001 to £100,000	2	1
£100,001 to £110,000	0	0
£110,001 to £120,000	0	1
£120,001 to £130,000	1	1
£130,001 to £140,000	1	1
£140,001 to £150,000	1	0
£150,001 to £160,000	0	1
£160,001 to £170,000	1	0
£170,001 to £180,000	0	0
£180,001 to £190,000	0	1
£190,001 to £200,000	1	0
	18	18

Executive directors and Board members

Executive directors remuneration and fees	613	592
Company contribution to defined benefit scheme	115	86
Money value of benefits in kind	27	28
Expense allowances (subject to tax) -	-	-
	755	706

The Executive directors and Board members are considered key management personnel for the purposes of FRS 102 and their remuneration is £1,028,000 (2017: £891,000).

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

Defined benefit schemes is:	5	5
	5	5

Highest paid director

	2018 £000	2017 £000
Remuneration (includes benefits in kind and excluding pension)	169	165
Company contributions to pension scheme	29	22
	198	187
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.

Board members'

	2018 £000	2017 £000
Emoluments	62	53
	62	53

Notes to the Financial Statements

for the year ended 31 March 2018

9 Group taxation on surplus on ordinary activities

Factors affecting charge for the period

	Saxon Weald Homes Ltd		Group	
	2018 £000	2017 £000	2018 £000	2017 £000
Surplus on ordinary activities before taxation	5,228	7,828	5,228	7,828
Surplus on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2016/17: 20%)	993	1,566	993	1,566
Effects of:				
Charitable exemption	(993)	(1,566)	(993)	(1,566)
Current tax charge for the period	-	-	-	-

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 Group and Company Intangible Fixed Assets

Cost

	Software £000	Total £000
At 1 April 2017	1,564	1,564
At 1 April 2017	1,564	1,564
Additions	53	53
Transfer from Other Fixed Assets	15	15
Disposals	(112)	(112)
At 31 March 2018	1,520	1,520
Accumulated Amortisation		
At 1 April 2017	1,206	1,206
Charge for the year	159	159
Disposals	(112)	(112)
At 31 March 2018	1,253	1,253
Carrying amount:		
At 31 March 2018	267	267
At 31 March 2017	358	358

11a Group and Company tangible fixed assets - housing properties

Cost	Completed properties available for letting		Properties under construction		Total £000
	Rented £000	Shared ownership £000	Rented £000	Shared ownership £000	
At 1 April 2017	302,881	17,383	6,434	2,819	329,517
Schemes completed	6,861	1,706	(6,861)	(1,706)	-
Replacement components	5,940	-	-	-	5,940
Additions	-	-	7,877	4,001	11,878
Disposals*	(411)	(273)	-	-	(684)
Transfer to work in progress	(406)	-	-	-	(406)
Components disposed of	(1,098)	-	-	-	(1,098)
At 31 March 2018	313,767	18,816	7,450	5,114	345,147

Depreciation and impairment **

At 1 April 2017	39,201	590	-	-	39,791
Charge for the year	5,533	157	-	-	5,690
Disposals	(241)	(25)	-	-	(266)
On components disposed of	(567)	-	-	-	(567)
At 31 March 2018	43,926	722	-	-	44,648

Carrying amount:

At 31 March 2018	269,841	18,094	7,450	5,114	300,499
At 31 March 2017	263,680	16,793	6,434	2,819	289,726

The cumulative amount of capitalised interest included in fixed asset housing properties at 31 March 2018 was £6,316,000 (2017: £5,798,000).

Housing properties book value net of depreciation	2018 £000	2017 £000
Freehold properties	281,780	271,041
Long leasehold properties	18,719	18,685
	300,499	289,726

Works to existing rented properties

Replacement components capitalised as above	5,940	4,815
Major repair works charged to revenue (note 3)	1,291	1,259
	7,231	6,074

All housing properties are for social housing use.

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

** Accumulated impairment at year end is £nil (2017: £nil).

Notes to the Financial Statements

for the year ended 31 March 2018

11b Group and Company Tangible Fixed Assets - Other

	Freehold office £000	Office equipment £000	IT equipment £000	Total £000
Cost				
At 1 April 2017	2,618	91	1,289	3,998
Additions	-	9	140	149
Transfer to Intangible Fixed Assets	-	-	(15)	(15)
Disposals	-	-	(257)	(257)
At 31 March 2018	2,618	100	1,157	3,875
Depreciation				
At 1 April 2017	1,156	79	1,004	2,239
Charge for the year	81	3	127	211
Disposals	-	-	(257)	(257)
At 31 March 2018	1,237	82	874	2,193
Carrying amount:				
At 31 March 2018	1,381	18	283	1,682
At 31 March 2017	1,462	12	285	1,759

11c Group and Company Investment Properties

Group

	Garage stock £000	Market rented properties £000	2018 £000	2017 £000
At 1 April 2017	6,751	17,123	23,874	6,613
Transfer to housing properties	(277)	-	(277)	-
Additions and works	6	345	351	16,725
(Decrease) / Increase in value	(10)	(258)	(268)	536
Value as at 31 March	6,470	17,210	23,680	23,874

All investment properties were valued as at 31 March 2018 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 2018 was £17,887,000 and at 31 March 2017 was £17,943,000.

The key assumptions used for the garage properties valuation were:

Inflation rate - medium term (CPI)
Long term rental increases

	2018 %	2017 %
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:

Average percentage reduction for investment - units let on Assured shorthold tenancies

Average percentage reduction for investment - units let on Assured tenancies and Regulated tenancies

Average age of tenants within Assured Tenancies and Regulated Tenancies

Remaining tenant lifespan within Assured Tenancies and Regulated Tenancies

	2018 %	2017 %
Average percentage reduction for investment - units let on Assured shorthold tenancies	10.0%	10.0%
Average percentage reduction for investment - units let on Assured tenancies and Regulated tenancies	36.5%	36.5%
Average age of tenants within Assured Tenancies and Regulated Tenancies	75 years	75 years
Remaining tenant lifespan within Assured Tenancies and Regulated Tenancies	8 years	8 years

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

- all units are let on Assured Shorthold Tenancies



Notes to the Financial Statements

for the year ended 31 March 2018

12 Company investments in subsidiaries

	2018 £000	2017 £000
Cost		
At 1 April	50	50
At 31 March	50	50

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. The company is dormant and is registered in England and Wales with the Companies Registrar.

13 Subsidiary Undertakings

Saxon Weald Homes Ltd's subsidiary undertakings are:

Name of undertaking	Class of shareholding	Proportion of nominal value held directly	Nature of business
Saxon Weald Capital Plc. *	Ordinary	100% (2017: 100%)	Group financing
Weald Property Development Ltd	Ordinary	100% (2017: 100%)	Dormant

* Saxon Weald Capital Plc. has issued £50,000 of share capital of which £12,500 is paid up.

14 Group and Company properties held for sale

	2018 £000	2017 £000
Shared ownership - completed properties	120	-
Market sales for eligible older people - completed properties	3,291	6,851
Work in progress	2,248	1,249
	5,659	8,100

15 Group and Company 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 2018 was £222,000 (2017: £185,000).

16 Group and Company debtors: amounts falling due within one year:

	2018 £000	2017 £000
Amounts receivable within one year:		
Rents and services receivable	1,038	1,031
Less: provision for bad debts	(279)	(245)
	759	786
Other debtors	605	372
Other taxes and social security costs	69	47
Prepayments and accrued income	1,614	1,106
	3,047	2,311

17 Group and Company creditors: amounts falling due within one year

	2018 £000	2017 £000
Housing Loan interest	3,854	3,854
Contractors for certified work	2,344	1,506
Other taxes and social security costs	215	27
Rent charged in advance	109	206
Rent paid in advance	341	315
Trade creditors	504	292
Deferred capital grant	609	602
Recycled capital grant	1,422	870
Disposals proceeds fund	233	-
Other creditors	2,542	3,048
Due to Horsham DC re. RTB sales receipts	1,082	1,517
	13,255	12,237

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

	2018 £000	2017 £000
Debt (note 23)		
Recycled capital grant fund (note 19)	180	1,422
Disposal proceeds fund (note 20)	-	528
Deferred capital grant (note 21)	58,257	57,280
Grant creditors	58,437	59,230
	279,105	279,770

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Notes to the Financial Statements

for the year ended 31 March 2018

19 Group and Company Recycled Capital Grant Fund

Funds pertaining its activities within areas covered by:

Opening balance inputs to RCGF:

	HE 2018 £000	HE 2017 £000
As at 1 April	1,422	2,705
RCGF short term from prior year	870	-
Grants recycled	121	59
Interest accrued	6	26

Recycling of grant:

New Build	(817)	(498)
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Closing balance	1,602	2,292
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Short term Recycled Capital Grant Fund	1,422	870
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Long term Recycled Capital Grant Fund	180	1,422
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Amounts 3 years or older where repayment may be required:	-	-
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20 Group and Company Disposal Proceeds Fund (DPF)

Funds pertaining to activities within areas covered by:

Opening balance inputs to DPF:

	HE 2018 £000	HE 2017 £000
As at 1 April	528	976
Interest accrued	2	9

Use/allocation of funds:

New Build	297)	(457)
Other	-	-

Closing balance	233	528
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Short term Disposals Proceeds Fund	233	-
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Long term Disposals Proceeds Fund	-	528
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Amounts 3 years or older where repayment may be required:	-	-
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21 Group and Company Deferred Capital Grant

	2018	2017
Grant		
As at 1 April	£61,744	£59,879
Additions	1,695	1,907
Disposals	(121)	(42)
As at 31 March	63,318	61,744
Amortisation		
As at 1 April	(3,862)	(3,288)
Credit for the year	(602)	(576)
Eliminated on disposal	12	2
As at 31 March	(4,452)	(3,862)
Carrying amount at 31 March	58,866	57,882

Social Housing Grants (SHG) are repayable in the event of the disposal of the related property. When this occurs, the total original grant is repayable and this comprises the unamortised balance together with the amortised amount. At the end of the year, the total amount of SHG potentially repayable was £63,318,000 (2017: £61,744,000).

22 Group and Company Financial Instruments

Measured at amortised cost

Financial assets:

	2018	2017
	£000	£000
Cash and cash equivalents	10,913	13,199
Other financial assets (included in note 16)	1,433	1,205
Total	12,346	14,404

Financial liabilities

Debt *	220,668	220,540
Other financial liabilities (included in note 17, 19, 20) **	12,375	13,063
Total	233,043	233,603

* Further details are provided within note 23

** Comparative year has been updated to include the long term portion of the RCGF and DPF creditor in Note 19 and 20

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%.

Notes to the Financial Statements

for the year ended 31 March 2018

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 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	
	2018	2017	2018	2017
	£000	£000	£000	£000
Loans from Group undertakings	220,668	220,540	-	-
Total housing loans	220,668	220,540	-	-
Bond Issue	-	-	225,000	225,000
Bond premium and fees	-	-	(4,332)	(4,460)
Net bond	-	-	220,668	220,540
Total Creditors: amounts falling due after one year	220,668	220,540	220,668	220,540

	Saxon Weald Homes Ltd		Group	
	2018	2017	2018	2017
	£000	£000	£000	£000
Loans repayable by instalments:				
In five years or more	220,668	220,540	220,668	220,540
	220,668	220,540	220,668	220,540

24 Group and Company Provisions for liabilities

	Holiday Pay £000
As at 1 April 2017	30
Additional provision in year	13
As at 31 March 2018	43

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.

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

	2018 £000	2017 £000
Surplus after tax for the year	5,228	7,828
Adjustments for:		
Depreciation of tangible fixed assets	6,432	5,821
Amortisation of intangible assets	159	167
Amortisation of government grants	(602)	(576)
Fair value losses / (gains) on investment properties	268	(536)
Defined benefit pension scheme	765	308
(Gain) on disposal of tangible fixed assets	(247)	(941)
Decrease / (Increase) in properties held for sale	2,441	(1,492)
Interest receivable	(39)	(87)
Interest and financing costs	11,959	11,704
Operating cash flows before movements in working capital	26,364	22,196
(Increase) in stock	(39)	(59)
(Increase) / Decrease in trade and other debtors	(736)	1,748
(Decrease) in trade and other creditors	(1,695)	(1,045)
	(2,470)	644
Cash generated from operations	23,894	22,840
Cash and cash equivalents	2018	2017
	£000	£000
Cash and cash equivalents represent:-		
Cash at bank *	10,913	13,199
	10,913	13,199

* Cash at bank includes £431,000 (2017: £366,000) which is ring fenced for sinking funds and tenancy deposits.

Notes to the Financial Statements

for the year ended 31 March 2018

27 Group and Company capital commitments and other contractual obligations

2018	2017
£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	13,484	5,288
To be spent after 1 year	5,941	5,732
	19,425	11,020

Capital expenditure for new development / acquisition that has been authorised by the Board but has not been contracted for

-	1,246
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19,425	12,266
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The group and company expects to finance the above commitments by:

Social housing grant receivable	884	294
Property sales	6,151	4,296
Loan	6,477	-
Cash	5,913	7,676
	19,425	12,266

In addition to the above, the Board has authorised capital expenditure on property components which have not been contracted for totalling:

5,739	5,624
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28 Group and Company commitments under operating leases

2018	2017
£000	£000

As at 31 March 2018, 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	462	277
Between one and five years	870	367
	1,332	644

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 2018.

The employer's contribution to the LGPS by Saxon Weald Homes Ltd for the year ended 31 March 2018 was £1,222,000 (2017: £879,000) at a contribution rate of 20.8% of pensionable salaries. The employer's contribution rate for the year ending 31 March 2019 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:

	2018 £000	2017 £000
Changes in the present value of the defined benefit obligation:		
Defined benefit obligation at 1 April	33,134	26,866
Current service cost	1,987	1,187
Interest cost	884	950
Contributions by scheme participants	350	355
Plan introductions, changes, curtailments and settlements	-	-
Benefits paid	(547)	(932)
Actuarial (gains) / losses	(735)	4,708
Defined benefit obligation at 31 March	35,073	33,134
	2018 £000	2017 £000
Changes in the fair value of plan assets:		
Plan assets at 1 April	29,724	23,851
Interest income	786	839
Return on plan assets (excluding amounts included in net interest)	873	4,732
Contributions by employer	1,222	879
Contributions by scheme participants	350	355
Benefits paid	(547)	(932)
Plan assets at 31 March	32,408	29,724

The actual return on plan assets was £1,659,000 (2017: £5,571,000).



Notes to the Financial Statements

for the year ended 31 March 2018

29 Group Retirement benefits (continued)

	2018 £000	2017 £000
Reconciliation to balance sheet		
Fair value of employer's assets	32,408	29,724
Present value of funded liabilities	(35,073)	(33,134)
Net (Liability)	(2,665)	(3,410)

Amounts in the balance sheet

Liabilities	(2,665)	(3,410)
Net (Liability)	(2,665)	(3,410)

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

	2018 £000	2017 £000
Current service cost	1,987	1,187
Net interest on the net defined benefit pension liability	98	111
Actuarial (gain) in respect of pension scheme	(1,608)	(24)
	477	1,274

Financial Assumptions

	2018	2017
Discount rate	2.7%	2.6%
Future salary increase rate	3.1%	3.1%
Future pension increase rate	2.4%	2.4%

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	
	2018	2017
Equity instruments	51%	74%
Debt instruments	37%	14%
Property	8%	8%
Cash	4%	4%

...29 Group Retirement benefits

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.

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:

31 March 2018	Prospective Pensioners CMI 2013 Model (non peaked) and a long term rate of improvement of 1.5% p.a.	Pensioners CMI 2013 Model (non peaked) and a long term rate of improvement of 1.5% p.a.
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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 2019

	31 March 2019	
	£000	% of pay
Projected current service cost	(1,912)	(38.6%)
Interest on obligation	885	17.9%
Expected interest income on plan assets	(969)	(19.6%)
	(1,996)	(40.3%)

The actuary estimates the employer's contributions for the year to 31 March 2019 will be approximately £1,031,000.

Notes to the Financial Statements

for the year ended 31 March 2018

■ ■ ■ 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. The annual rent in relation to board members is £20,000 and there were £0 arrears on these accounts at 31 March 2018. 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 (2017: £12.1m) to Saxon Weald Capital, its subsidiary company, during the year.





Saxon
Weald

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Registered Charity Number 1114158

Registered with the Homes and Communities Agency L4299