



Saxon
Weald

Saxon Weald Homes Limited

**Group Annual Report
&
Financial Statements**

For the year ended
31 March 2016



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Advisers, Board and Executive Directors

Advisers

External Auditor

RSM UK Audit LLP
Marlborough House, Victoria Road South,
Chelmsford, Essex CM1 1LN

Internal Auditor

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

Main Bankers

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

Solicitors

Trowers & Hamlins
3 Bunhill Row, London EC1Y 8YZ

Capsticks
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Winchester SO23 8SR

TLT Solicitors
One Redcliffe Street, Bristol BS1 6TP

Registered Office

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

The Board

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

	Board Member	Committee Membership at 31 March 2016
CO	Norman Hill BSc Econ (Hons), FCPFA (Company Secretary)	
T	Debbie Joseph BSc (Hons), PGCE	Audit & Risk Committee and Complaints Review Panel
T	Martin Loates	Emergency, Finance and New Business Committees. Complaints Review Panel.
I	Charlotte Moore B.Eng (Hons), C. Eng, MBA(MSc)	Audit & Risk, New Business and Remuneration Committees. Complaints Review Panel.
I	Richard Perry	Finance, New Business and Remuneration Committees.
I	Susan Sjuve BSc (Hons), FCII	Audit & Risk, Emergency and New Business Committees. Complaints Review Panel.
CO	David Standfast MA (Cantab), Dip TP, DMS, MRTPI, FCMI	
I	Simon Turpitt (Chairman)	Emergency, Finance, Remuneration and New Business Committees.
I	Richard Venables Kyrke (to 30 March 2016)	Audit & Risk, Emergency and New Business Committees.
I	Stephanie White MBA (Vice Chairman)	Emergency, Finance, New Business & Remuneration Committees
T	Vanessa Williams	Audit & Risk and Remuneration Committees. Complaints Review Panel.

T = Tenant Member, I = Independent Member, CO = Co-Opted

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

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

Kath Hicks BSc (Hons)
Housing Director

Mark Crosby BSc, MRICS
Business Development Director

Norman Hill BSc Econ (Hons), FCPFA
Finance Director

Steven Dennis - Property Director



Strategic Report Incorporating the Operating and Financial Review

The strategic report incorporates the operating and financial review.

The Company's main accounting policies are set out on pages 66 to 73 of the financial statements.

Business Model and Activities

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

Saxon Weald is the parent of Saxon Weald Capital Plc, a wholly owned subsidiary set up to secure funding from the capital markets to on-lend to Saxon Weald Homes Limited. There are no other members of the group at present. Saxon Weald is in the process of establishing a wholly owned non-charitable subsidiary to develop a modest number of homes for open market sale.

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 2016 owned 6,376 homes. Demand for social housing in these areas is greater than the existing provision and in the coming years the gap between supply and demand is anticipated to grow. Retirement housing for older people (previously referred to as sheltered housing) and extra care properties make up 29% of the social rented homes owned. In addition to the 5,622 rented homes, we manage 127 shared ownership homes, 157 leasehold homes for older people and the

freehold of 470 properties sold under the right to buy/right to acquire legislation (or former shared ownership properties where Saxon Weald no longer owns a share).

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

The initial stock of properties bought from Horsham District Council was 100% debt financed. Since December 2000, Saxon Weald has built over 1,300 new homes, for the same target groups. Although 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 has 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 2015/16, net interest payable on debt was 26% of turnover.

In the July 2015 budget, the Chancellor announced a number of reforms that will have an impact on housing associations. These include a reduction in rents for social housing of 1% per annum for four years from 2016/17 to 2019/20 and significant welfare reforms. These reforms will have a significant impact on Saxon Weald's plans going forward, reducing rental income by £11m

for the period 2016/17 to 2019/20 and affecting Saxon Weald's ability to continue to develop new affordable homes at the scale originally intended. Government's wider housing policy objectives, including the starter homes initiative, are to substantially increase the number of new homes built (by the private sector and housing associations) for home ownership.

Saxon Weald's response to the government's reforms has been to:

- review its purpose and objectives (refer to the next section);
- identify £2.3m of recurrent efficiency savings/income generation to be achieved by March 2020;
- reduce the number of new homes developed over the next five years by 30%;
- change the balance of the development programme: reduce affordable rented homes from 70% of the programme to 40% and increase the proportion of shared ownership, market rent and market sale new homes;
- reduce the intended revolving five year loan from Abbey National to £20m; and
- continue to develop new homes by driving efficiencies.

As part of the 2016/17 budget process, savings of £1.3m in 2016/17 were approved. The balance of the recurrent savings/income generation required (£1m) are now planned to be £0.2m in 2017/18 and £0.4m in each of the financial years 2018/19 and 2019/20.

In April 2016, Saxon Weald acquired 81 market rented homes, comprising of two blocks of flats in central Horsham. The purpose of this investment in market rent flats is to generate a financial return that is used to help achieve Saxon Weald's charitable objectives. A garage and carport site was included as part of this acquisition. It is intended to establish a fully owned non-charitable subsidiary to develop this site for open market

sale homes, with the surplus used to help fund affordable homes.

Saxon Weald is in a sustainable financial position, however there is significant uncertainty and risk over the next five years, not least, the amount by which rents will increase or decrease from April 2020. 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.

Purpose, Objectives and Strategy

Charitable purpose

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

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

Objectives and strategy

Saxon Weald is directed by the Board and Executive Team who are listed on page three. In December 2015, the Board agreed a corporate strategy for 2016-2019. This corporate strategy sets out what we are, where we came from, our purpose, values, strategic aims and our strategic objectives for 2016-2019. This strategy takes account of the government's July 2015 budget with its required social/affordable rent reduction



of 1% per annum for four years. It is forecast that this will reduce income over the four years by £11m compared to the previous rent increase policy of the consumer price index (CPI) plus 1%.

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

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

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

These are underpinned by strategic aims which are:

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

These strategic aims are translated into our strategic objectives for 2016-19, the achievement of which is monitored and measured.

Our strategic objectives for 2016-19 are:

A top performer in customer service

What does it mean?

- We will have comprehensive records of our communications with residents.
- Our Customer Advisers will answer right first time in 80% of cases without passing callers on.
- We will do what we say we will do in our service commitments.

- We will encourage customers to communicate with us online including the ability to self-serve.
- 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.

Provide the right support to our residents to maximise their income and therefore enable them to keep their rent account up to date

What does it mean?

- We will help residents to maximise and manage their incomes at a time of benefit cuts.

How will it be measured?

- For 16/17 keep rent arrears below a 3.2% cap.

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.
- Achieving our objectives.

HomeFix to become an exemplar in-house repairs service

What does it mean?

- Delivering a high performing, value for money in-house repair service.

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.
- 90% of minor void works will be completed in less than 15 days.
- There will be a year on year reduction in the average real per unit costs of responsive repairs and voids.

Optimise our development programme that takes account of our reduced resources following the budget

What does it mean?

- Identify the scope for development spending once essential management and maintenance needs have been met.

How will it be measured?

- Achieve a contribution of £400k to the expenditure account by 2019/20.

Determine and publicise 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.

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

What does it mean?

- Providing support services to older residents in their homes where it is most needed in line with

the resources available.

- Work to develop a greater input into the care function in our extra care schemes.
- Continue to develop specialist housing for older people.

How will it be measured?

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

An operational plan setting out how saving £2.3m is to be achieved through efficiencies and income generation in the revenue budget by 2019.

What does it mean?

- An operational plan setting out broadly how savings will be made from 2016/17 to 2018/19 including income increases.

How will it be measured?

- Savings of £2.3m achieved.

As well as receiving progress reports on the achievement of the strategic objectives during the year, 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.

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.



Performance

Overview

During 2015-16, Saxon Weald made a surplus on ordinary activities of £4.6m (2015: £1.9m) which is £2.5m above the target surplus for the year. In addition, there was an actuarial gain in respect of Saxon Weald's part of the West Sussex County Council pension fund, bringing total comprehensive income for the year to £7.4m. The 2015/16 surplus is £2.7m before tax more than the surplus for 2014/15 of £1.9m. In 2015/16, the actuarial gain in respect of the pension scheme was £2.8m compared to an actuarial loss of £1.6m in 2014/15. Total comprehensive income for 2015/16 is £7.4m, compared to £0.3m for 2014/15.

At the balance sheet date, 31 March 2016, Saxon Weald held £32.6m cash to fund future development and had reserves of £36.3m. This is £7.4m more than reserves at 31 March 2015 due to a surplus for the year of £4.6m and an actuarial gain on the pension scheme of £2.8m.

The cost of housing properties (after depreciation) on the balance sheet at 31 March 2016 is £280m, which is an increase of £8m on the net cost at 31 March 2015. During the year, we completed 165 new homes. With affordability an ever-increasing concern in the South East, demand for our homes continues to grow. In response, our development team has been working extremely hard to find opportunities to build new properties which meet a variety of needs.

Investment properties are properties not held for social benefit and are comprised of garages that are rented to tenants and non-tenants. At 31 March 2016, investment properties had a fair value of £6.6m, £0.6m higher than at 31 March 2015.

Government grants of £59.7m at 31 March 2016 are held as creditors on the statement of financial position. These include grants from the Homes

and Communities Agency, local authorities and other government bodies. Grants are recognised when there is reasonable assurance that the grant conditions will be met and the grants received. Grants are amortised (written-off) to the statement of comprehensive income over the life of the property structure they are received in respect of.

At 31 March 2016, Saxon Weald had capital commitments of £30.8m, of which £29.6m has been contracted for and £1.2m which has been authorised by the Board, but is not in contract.

During 2014/15, Saxon Weald's Board approved a £50m five year revolving loan from Abbey National. This was due to be completed in July 2015. However, the announcement by the Chancellor of a reduction in rents for social housing of 1% per annum for four years from 2016/17 to 2019/20 and significant welfare reforms prompted a review of this proposed loan. The Board agreed that this loan should be reduced to £20m and this was completed in early July 2016. 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 2015 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 balance sheet. Saxon Weald's net pension scheme deficit on the balance sheet at 31 March 2016 is £3.0m, a decrease in the deficit of £1.6m since 31 March 2015. A cost of £2.8m (including costs relating to early retirements of £1.2m) is set against an actuarial gain of £2.8m in the statement of comprehensive income.

Financial Performance

The company returned a surplus on ordinary activities of £4.6m. This is £2.5m above the target surplus for the year. Turnover is £2.1m higher than budget, operating expenditure £1.6m higher than budget, cost of sales £0.2m lower than budget, an unbudgeted gain on the sale of property, plant and equipment of £0.7m, net interest £0.6m lower than budget and there is an unbudgeted unrealised gain on investment properties (garages) of £0.5m.

Rent and service charge income is £0.6m above budget largely due to higher service charges, particularly related to the enhanced housing management charge. Following the application of FRS 102, £0.6m of grant has been credited to income in 2015/16. The prudent assumption in the budget was that all of the surplus on first tranche shared ownership sales would, in line with the development appraisals, be required to cross-subsidise new rented homes. During the year, the selling price of first tranche shared ownership homes was substantially higher than assumed in their development appraisals, so that the turnover of first tranche sales was £1.0m higher than anticipated.

The cost of first tranche shared ownership sales was £0.2m less than budgeted, so that after cross-subsidising (reducing the cost of) the rented homes on the balance sheet by £0.6m, there is £1.1m surplus taken to the statement of comprehensive income.

Staffing costs are £1.5m higher than budget due to one-off redundancy costs and pension costs. The pension costs being largely related to the redundancies and ill-health retirements. This overspend was offset by £0.5m of savings against budget in relation to general overheads and, to a lesser extent, responsive maintenance. The cost of property depreciation was £0.6m higher than budgeted following the application of FRS 102, but this was matched by amortised grant

included in turnover.

There was a gain on the sale of properties of £0.7m, largely related to the sale of two general needs properties and income from three staircasing sales.

The introduction of FRS 102 for the first time has led to the classification of Saxon Weald garages as investment property. Investment properties are properties not held for social benefit and as such must be measured at fair value at the date of the statement of financial position. This has given rise to an unrealised gain of £0.5m in the statement of comprehensive income for 2015/16.

Net interest charged to the income and expenditure account was £0.6m less than budgeted for. This was as a result of higher capitalised interest during the construction of new homes and reduced non-utilisation fees due to a delay in completing the loan facility with the Abbey National.



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

Financial Performance	2015/16	2014/15
	£000	£000
Turnover	43,516	38,810
Cost of sales	(3,563)	(1,981)
Operating expenditure	(25,356)	(24,348)
Operating surplus	14,597	12,481
Gain on disposal of property, plant and equipment	669	161
Net interest charges	(11,257)	(11,157)
Unrealised gain on investment properties	545	382
Surplus on ordinary activities	4,554	1,867
Actuarial gain/(loss) in respect of pension scheme	2,793	(1,576)
Total comprehensive income for the year	7,347	291
Operating margin excluding sales – Target 30%	35%	33%
Cash interest cover – Target 150%	176%	156%
Adjusted cash interest cover* - Target 2015/16 – 110%	135%	110%
Debt ratio** - Target 2015/16 - 65% or below	61%	65%

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

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

All of the internal financial targets set by the Board have been comfortably achieved. Operating margin excluding sales, cash interest cover ratios and the debt ratio have all improved from 2014/15 to 2015/16. It is worthwhile noting that the cash interest cover target of 150% is in excess of the covenant of 105% required by the bond issue.

The other internal target is asset cover of 120%. Savills carried out a valuation of Saxon Weald's properties at 31 March 2016. The total value of the stock on an existing use social housing basis (EUV-SH) is £327.4m. Asset cover comfortably exceeds the target at 145%.

Cash

The cash flow statement on page 66 shows that Saxon Weald generated net cash from operations of £20.4m and made net interest payments of £11.9m. There was a net cash outflow of £11.6m from investing activities.

The group held cash of £32.6m (2015: £35.6m) at 31 March 2016. 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 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 was despite the assessment taking place when we were going through a restructure in response to the rent reductions. Only 7% of organisations in the UK, who have Investors In People, have the gold award. Excluding members of staff who were made redundant, staff turnover was 16%, just above the target of 15%. During 2015/16, the overall level of staff sickness was 4.1% (short-term sickness was 1.5% and long-term sickness was a high 2.6%) which is above Saxon Weald's target of 3.0%.

We have continued to work closely with our Residents' Action Panel and resident-led service interest groups, involving them in monitoring and improving the services we provide. Resident members of the Service Interest Groups are also involved in the procurement process for services that directly affect them.

Operating Performance

The table below shows Saxon Weald's key operating performance indicators over time and compared to the upper and median performance for southern large scale voluntary transfers in 2014/15.

Operating Performance	2015/16	2014/15	2013/14	2014/15
				upper quartile/ median*
Rent arrears – 4 weekly average for March (%)	2.5	2.6	2.3	1.9/2.5
Void rent loss (%)	1.4	1.2	1.0	0.6/0.8
Emergency repairs in target (%)	99.5	95.4	96.7	n/a
Average repair completion time (days)	9.2	10.5	8.2	8.3/9.4
Satisfaction with last repair (% very and fairly satisfied)	86	89	90	Median 85
Overall tenant satisfaction (very and fairly satisfied)	84.6	82.3	90.9	90/87

*HouseMark 2014/15 Southern LSVTs between 2,500-7,500 homes, except for repair satisfaction where the source is Voluntas.

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 2015/16 was encouraging. The arrears position at 31 March 2016 (4 weekly average) of 2.5% is an improvement on 2014/15 and is better than the target of 2.7%. Similarly, despite some high void periods from handover to letting at the new extra care scheme, Bentley Grange, void rent loss is 1.4% for the year.

The percentage of emergency repairs completed within 24 hours improved to 99.5%, a pleasing performance. Whilst the average time to complete a repair in 2015/16 at 9.2 days improved on the performance in 2014/15, this was not upper quartile performance, but was better than the benchmark median performance.

Overall tenant satisfaction improved to 84.6% in 2015/16 from 82.3% in the previous year, but this was still below the 90.9% achieved in 2013/14. We have always prided ourselves on our customer service – having friendly, professional staff who do their best to effectively resolve customer queries and concerns.

In November 2014, we started a two-year customer service improvement project and are making good progress. A single number is now in use for all customer calls with a simple phone menu system which routes callers to the correct department first time. Internal call transfers have fallen from nearly 50% to less than 20%. Additional call-centre features of the existing phone system have been enabled. This has enabled routing which allows the next available agent to take the call; the ability to monitor real-time call queue information; and, to retrospectively “replay” days or incidents to investigate the cause of abandoned calls. The benefits identified so far are as follows:

- **Reduced call transfer through simple phone menu system;**
- **Real time and retrospective reporting allows staff to react and make operational changes to improve call handling;**
- **Reduced volume in office environment as calls are automatically delivered to the correct agent rather than all phones ringing simultaneously;**
- **Single number for customers to remember and for us to publish;**
- **Greater visibility of calls queuing and abandoned calls.**

A specific central hub used by the customer service advisers and called the Case Resolution Screen has been developed. As well as providing access to the commonly used parts of the housing management system (Orchard), this solution incorporates a powerful knowledge base that enables frontline staff to resolve the majority of calls at the first point of contact. 83% of calls are now resolved at the first point of contact. Previously, nearly 50% of calls were being transferred internally. Having the ability to record contacts is now preventing customers from calling back with the same issue should they receive an unwanted answer from the initial call handler. The quality of information passed between departments when a call-back is required has improved dramatically as key information about the individual, property and reason for calling is passed automatically by the system. It is believed that by passing quality information, we are saving 2 minutes per call-back.

Over the space of a year, this equates to at least 150 hours of staff time. It is now possible to record how long each team takes to complete a call back where required and this improved management information allows us to make informed decisions about resourcing and prioritisation and is expected to help deliver an overall increase in customer satisfaction.

Orchard's text messaging module has been used to capture customer experience feedback for the last six months. Customers are polled within 24 hours of calling in and currently 85% of callers rate us “good” or “excellent”. Where we are rated “poor”, we can call the customer back and resolve the issue, increasing overall satisfaction. Since the end of February, the text messaging system has been used to replace garage arrear letters reducing production and postal costs of physical letters and, judging by external evidence, improving response rates and, therefore, payment. This will be followed by low-level rent arrears letters in due course. During 2016/17, we expect to send approximately 5,000 text messages instead of printing and posting letters. This will reduce administration, postage and production costs.

Saxon Weald's self-service portal went live in March 2016. It is a customer-facing web-based system that our customers will be able to use to request and get information and services through. Moving customer transactions to automated systems, or channel-shifting, provides a cheaper per-transaction cost. If 10% of payments and 5% of repairs requests are carried out through the self-service portal it is anticipated to save £30,000 per annum.

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 £3.2m replacing components (and therefore charged to property, plant and equipment in the statement of financial position) in our homes and £3.5m on major repairs and planned and cyclical maintenance charged to the statement of comprehensive income.

We have continued to build on our expertise in older people's housing, supporting more vulnerable over 60s in maintaining their independence. Supporting People funding

has been drastically reduced in recent years and in 2016/17 a further reduction of £300,000 is anticipated, reducing annual Supporting People income to £200,000. Some of the loss of Supporting People income has been replaced by an enhanced housing management service charge, but we continue to seek to improve efficiency and effectiveness in the delivery of these services to the older people who need them.

During 2015/16, 165 new homes were completed. This comprised 143 affordable rent homes, 8 shared ownership homes and 14 shared equity homes for older people. Saxon Weald's new extra care scheme at Hailsham was completed in the autumn, providing 45 affordable rent flats and 10 shared equity flats. There were no starts on site during 2015/16, largely due to the hiatus caused by the announcement of rent reductions of 1% per annum for four years from April 2016.

Saxon Weald's new model extra care scheme in Horsham, Highwood Mill, is progressing well and handover is expected late 2016. This is a large scheme of 105 homes, with 45 apartments for market sale. The Highwood Mill project team is working well and preparations both for handover and for management are underway.

Saxon Weald has contracted with the HCA to build 120 new homes as part of the 2015-18 Affordable Homes Programme. That initial contract was for 87 affordable rented homes and 33 shared ownership homes, with no grant from the HCA and no further conversion of our existing homes from social rent to affordable rent. However, we subsequently added a further 20 affordable rented homes to this contract which have been grant funded by the HCA. That delivery programme is ongoing. In addition, we secured further grant support from the HCA under their Care and Support and Affordable Homes Guarantees programmes for 54 homes in three schemes which have been completed in 2015.



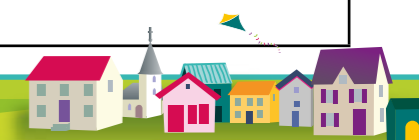
Risks and Trends

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

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.

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

Welfare Reform and Rental - Income	
	<p>In the July 2015 Budget, the Government announced that for the four years beginning April 2016, social housing rents will be reduced by 1% per annum. This will reduce our rental income by almost £11m over the four year period ending 2019/20. A one-off exemption for older people's housing and supported housing has been announced for 2016/17, whilst government assesses the impact on the provision of these types of housing. Saxon Weald has responded to these rent reductions by planning to make savings of £2.3m by 2019/20 including the deletion of 24 staffing posts, by reducing the development programme and by reducing the amount of a new loan to £20m. Implementation of the savings will be monitored closely to ensure that Saxon Weald's financial position remains sound.</p> <p>Following the return of a Conservative majority in the 2015 general election, substantial reductions (£12b) in welfare spending are anticipated over the life of the parliament. This is likely to impact on our tenants and therefore on Saxon Weald's finances. The reduction of the benefit cap to £20,000 per annum is likely to have a limited impact initially, but if the cap continues to reduce or is cash limited it may have a greater impact on our tenants' finances over time.</p> <p>These reductions are in addition to the introduction of universal credit. It is unclear when universal credit will be introduced for the majority of Saxon Weald's tenants.</p> <p>This will affect both working and non-working tenants under 65 who are in receipt of welfare benefits. Whilst our current rent arrears are relatively low, we are not complacent and we are pro-actively preparing by monitoring the pilot projects and making plans to minimise the impact of universal credit. We are continuing to support our tenants to enable them to pay their rent.</p> <p>In addition, the Government has announced that social landlords will be subject to the local housing allowance limits from April 2018. This will have limited impact on our general needs housing, but is likely to have a significant impact on the ability of our tenants to pay rent and service changes in our housing for older people and supported housing. The government is currently considering if and how the LHA limits will apply to sheltered, extra care and supported housing.</p>



Future Funding	Interest rates remain at an historic low. Market expectation is that the Bank of England will be cautious about raising base rate too early, with base rate increases pushed out to 2017. Long term (30 year) bank funding continues to be unavailable. We have sufficient liquidity to support the committed development in our existing business plan. Saxon Weald has agreed a £20m five-year revolving loan from the Abbey National which was completed in July 2016.
Regulatory Changes	A new governance and financial viability regulatory standard has been issued by the HCA with effect from 1 April 2015. The aim of this revised standard is to ensure social housing assets in a more diverse sector are protected. Saxon Weald has reviewed this standard and, where necessary, made improvements to ensure that Saxon Weald complies. The Board is required to assess and make a statement on compliance with it in these financial statements for the first time. The HCA will undertake a review of the remaining standards during 2016.
Development	<p>The Government's move away from supporting the building of affordable rented homes to building "starter homes" for sale will make it more difficult to continue to build new affordable rented homes and will require more homes for sale to be built to cross-subsidise rented homes. This is reflected in Saxon Weald's development plan, which reduces the number of affordable rented homes by half and increases the number of homes for sale and market rent. Homes for sale have been limited to 195 out of a total of 582 new homes to be built over the next five years. Nevertheless, the forecast income from these sales is £38m to 2021/22.</p> <p>House prices have continued to increase significantly over the past twelve months, particularly in London and the South East. There must now be some concern that affordability is or will shortly become a problem and will lead to a house price correction. The timing and nature of this correction is unknown. It is therefore essential that Saxon Weald can respond to a housing market downturn and continues to effectively project manage the sales programme.</p>

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 £327m. This is more than sufficient for both our current development programme and our on-going business plan target of developing 120 new homes per annum.

Going Concern

The Board has reasonable expectation that the association has adequate resources to continue operations for the foreseeable future. For this reason, the going concern basis has continued to be used in preparing the financial statements. The funds raised from the bond issue 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
 11 July 2016

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



Report of the Board

The directors present their report for the year ended 31 March 2016. The Board report includes Saxon Weald's value for money self-assessment. The strategic report is on pages 4 to 17.

Governance

Saxon Weald is governed by a Board comprising nine non executives (at 31 March 2016 there was one vacancy) and two executives, the Chief Executive and the Finance Director. Simon Turpitt was appointed as Chairman of Saxon Weald in September 2014, after several years as a Board member. The members of the Board are listed on page three.

A new governance and financial viability standard was issued by the HCA in 2015. The Board has reviewed the standard and has assessed that Saxon Weald fully complies with it.

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. During the year, Richard Venables Kyrke resigned from the Board and the vacant position has been advertised.

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

In 2015-16, the non-executive Board members at Saxon Weald were paid as follows:

Simon Turpitt, Chairman of the Board	£11,038
Stephanie White, Vice Chairman of the Board	£6,623
Martin Loates (Chairman of the Complaints panel)	£5,519
Susan Sjuve (Chairman of the Audit & Risk Committee)	£5,519
Richard Venables Kyrke (Chairman of the New Business Committee) to March 2016	£5,519
Charlotte Moore (Chairman of New Business Committee from March 2016)	£3,984
Richard Perry (Chairman Remuneration Committee from March 2016)	£3,984
Debbie Joseph	£3,863
Vanessa Williams	£3,863

The total amount paid to non-executive Board members during 2015/16 was £49,912, 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 review of Board members' pay is currently being commissioned.

The Board of Saxon Weald meets eight times each year. It has a robust Audit & Risk Committee that meets at least three times per annum and five other committees that meet when required. In the year August 2014 to July 2015, attendance at Board meetings was 89% and attendance at committee meetings 87%. Forty percent of the Board are female and 11% have a disability or limiting long term illness. There are currently no Board members who identify as being from a BME background. Saxon Weald offers Board members the opportunity to attend a wide range of training events including risk management and governance training. In the year August 2014 to July 2015, Board members attended nine external training sessions and 42 internal training sessions.

The Audit and Risk Committee has responsibility:

- To ensure that the Company's management and in particular financial management is as efficient as practicable and operates in accordance with:
 - ✓ approved financial practice and regulation
 - ✓ HCA Regulatory Code and other advice and requirements
- To make the best use of internal financial staff, external and internal audit resources to ensure all relevant systems and procedures are reviewed within a rolling 3 year period.
- To promote and encourage a culture of risk awareness and risk management within the company by:
 - ✓ regularly reviewing the risk management policy, risk map, and the risk appraisal procedure and
 - ✓ ensuring that the Committee, Board and staff

receive appropriate training and briefing on risk issues.

- To recommend to the Board the appointment of external auditors, ensuring that they are independent of the Company and are able to be objective in the performance of their duties. The Audit and Risk Committee will also review the performance of the external auditor on an annual basis.
- To review the operation of the Company's internal controls and report to the Board annually on their operation.
- To consider the annual financial statements and external auditor's management letter at a joint meeting with the Finance Committee and to make recommendations to the Board.
- To consider reports of external auditors and, if necessary, make recommendations to the Board of action that needs to be taken.
- To appoint internal auditors and from time to time review their appointment.
- To determine a programme of work for internal auditors based on:
 - ✓ Financial risk assessment,
 - ✓ The work of external auditors,
 - ✓ The need for an effective review of key policies, programmes and procedures,
 - ✓ Guidance from the HCA.
- To receive reports from internal auditors and to act on their findings. Action requiring changes to Articles, Policies or Standing Orders would have to be recommended to the Board.
- To be able, on an exceptional basis, to make direct contact with external auditors about a matter of concern without reference to the Board as a whole.
- To meet regularly and make minutes available to all members of the Board. The reasons for the decisions taken must be recorded in the minutes and presented to the Board for endorsement. The Committee must be able to meet with the external auditors without paid staff being present at least once a year.



In January 2016, the Homes and Communities Agency, on their website, confirmed that we maintained the highest rating for governance and financial viability.

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

Internal controls assurance

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

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

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

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

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

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

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

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 2015/16, there were no frauds and seven attempted frauds.

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

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

- Regular reporting of the management accounts and loan covenants;
- Regular reporting of the key performance indicators;
- The establishment and monitoring of the objectives of the Company for 2015/16;
- Regular reporting of complaints received;
- Audit and Risk Committee overview of the management of risk, internal audit needs assessment, audit plan and the audit reports produced;



Value for Money Self-Assessment

- Appropriate policies and procedures in place, including reporting to Board when appropriate (for example, treasury management policy, standing orders and financial regulations);
- Risk management activity including the effectiveness of the business planning, risk and control framework and the annual risk mapping exercise considered by the Audit and Risk Committee and the Board in May 2016;
- The annual report of the Audit and Risk Committee;
- The annual report by the Executive Team on the effectiveness of the systems of internal control; and
- Other reports from members of the Executive Team on operational and financial matters.

Material concerns

The Board has identified no material control issues or problems during 2015/16. No material concerns have been raised by the HCA or any other stakeholder to which the Company submits reports or information.

Auditors

Baker Tilly UK Audit LLP, now RSM UK Audit LLP, was appointed as auditor of the Group in 2010.

Contents

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

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

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

4. Approach to VFM and response to the July 2015 budget – How Saxon Weald continuously seeks to improve VFM to achieve its strategic objectives in the context of the changing operating environment.

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

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

I. Strategy

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

This value for money self-assessment is also available as a stand-alone document on our website ([click here](#)).

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

Saxon Weald recognises that there is a tension in delivering both of these objectives. If Saxon Weald spends too much on existing homes, there is less to spend on providing new homes. Conversely, if Saxon Weald spends too little on our existing homes and services, we will not meet our goal of providing good services and homes. Saxon Weald aims to maximise the achievement of both objectives by striving to achieve the best VFM we can in providing homes and services to our existing residents and in building new homes. In the July 2015 budget, the Chancellor announced a number of reforms that will have an impact on Saxon Weald. These include a reduction in rents for social housing of 1% per annum for four years from 2016/17 to 2019/20 and significant welfare reforms. These reforms will have a significant impact on Saxon Weald's plans going forward, reducing rental income by £11m for the period 2016/17 to 2019/20.



This significantly impacts on Saxon Weald's VFM strategy, particularly in terms of the scale of efficiencies to be achieved and the balance between services to existing residents and building new homes. Government's wider housing policy objectives, including the starter homes initiative, are to substantially increase the number of new homes built (by the private sector and housing associations) for home ownership. Section 4 - Approach to VFM and response to the July 2015 budget sets out Saxon Weald's response.

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

Our strategic objectives help guide the organisation to where we want it to be in the future and provide a framework within which Saxon Weald determines annual corporate objectives. Saxon Weald's strategic objectives for 2015/16 were:

- To become and be acknowledged as an excellent organisation with excellent customer service;
- To grow in Sussex and Hampshire to a target size of 10,000 homes;
- To establish and maintain a vibrant workforce, creating a dynamic, challenging but fun place to work;
- To develop our role as a leader in older people's housing; and
- To remain independent and financially strong.

2. About Saxon Weald

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

Saxon Weald was formed to take the transfer of the housing stock from Horsham District Council on 11 December 2000. This included 4,609 social rented homes and the freehold of 360 flats sold under the right to buy legislation. Since transfer, Saxon Weald has built over 1,300 new homes including extra care schemes, demolished 12 outdated retirement (sheltered) schemes, acquired nearly 600 homes from other housing associations, and has sold 289 homes under the right to buy/acquire legislation. Although most of the properties remain in the Horsham district of West Sussex, Saxon Weald now owns homes across East and West Sussex and Hampshire.

Saxon Weald operates in areas with a high proportion of older people (21% in West Sussex compared to the national average of 16%), which is forecast to increase over the coming decades. By 2026 it is forecast that 24% of the population in West Sussex will be over 65 and 5% will be 85 or over. Saxon Weald therefore has a high proportion of homes for older people. Excluding homes sold under the right to buy/acquire legislation where we retain the freehold; 29% of our homes are for older people. This includes ten extra care schemes, which promote independent living for older people in their own flats, with support and care available on site when they need it.

This characteristic has an impact on the average age of our residents, our operating model, staffing

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

Number of homes by tenure

	General Needs	Retirement	Extra Care	Supported	Total
Social rent	3,459	1,121	323	20	4,923
Affordable rent	559	53	35	52	699
Shared ownership	127	-	-	-	127
Shared equity	-	23	134	-	157
Total	4,145	1,197	492	72	5,906

Over 5,000 of our homes or 85% are in West Sussex (all but 285 within the Horsham district), 350 in East Sussex and 520 in Hampshire. In addition, we manage the freehold of 470 properties in the Horsham district sold under the right to buy/right to acquire legislation.

3. The Board

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

- The annual resource allocation cycle, where identified efficiencies are built in to the financial plan and the allocation of resources determined based on our strategic and corporate objectives and resident priorities. These are monitored and reported to the Board as part of the management accounts suite of information at each of the seven meetings a year;
- The performance management system, within which corporate objectives relating to our purpose and strategic objectives, are reviewed and agreed annually by our Board. Departmental objectives and individual core objectives flow from the corporate objectives;
- Key Performance Indicators (KPIs), relating to the services we provide are set by the Board, which receives regular reports on our performance

- against these measures. KPI reports are also received and considered by the Executive and Management Team, service teams and our involved residents, by way of the Service Interest Groups (SIGs) and our Residents' Action Panel (RAP);
- Key strategies (particularly VFM, procurement, customer service, and continuous improvement strategies) and the associated actions plans which are approved and monitored by the Board;
- The annual risk map, which identifies key risks and counter measures. The Board receives regular reports on key risks;
- The risk appraisal framework, which not only considers risks, payback and net present value but which explicitly requires an assessment of how a project or investment will contribute to the achievement of Saxon Weald's strategic objectives;
- Minutes from Resident Action Panel (RAP).



4. Approach to VFM and response to the July 2015 budget

Approach to VFM

Saxon Weald's approach to achieving VFM is to:

- Embed a culture of achieving VFM throughout Saxon Weald, including Board members, staff and involved residents;
- Use the golden thread of performance management to ensure that everything we do helps to achieve our purpose and strategic objectives;
- Involve residents in achieving and assessing VFM;
- Improve customer service and customer satisfaction;
- Regularly select specific services for a SWIPE (Saxon Weald's Improvement Programme for Excellence). This is a detailed review of a service, using lean principles, to identify the value provided to the customer, waste in the system and best in class processes;
- Improve procurement;
- Develop new homes efficiently and economically that meet the needs of those who live in the areas we work in;
- Understand the financial and social return on our assets and use this to make decisions;
- Understand how we are performing by benchmarking Saxon Weald over time and against others;
- Maximise Saxon Weald's financial capacity to deliver our strategic objectives;
- Make use of external validation; and
- Report on our performance to stakeholders, who include residents, HCA, central government, the local authorities we work with, and other partners.

Response to the July 2015 budget

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

The impact of a 1% rent reduction per annum for the four years 2016/17 to 2019/20 is to reduce rental income, so that in 2019/20, the reduction is £5.0m in the year and £10.9m cumulatively from 2016/17 to 2019/20. This reduces the forecast net surplus, so that in 2019/20, the reduction in the surplus is forecast to be £5.3m, turning a surplus of £3.4m in the original 2015 business plan into a deficit of £1.9m. The cumulative reduction in the surplus from 2016/17 to 2019/20 is £11.2m.

The Board at an away day in early October 2015 considered a number of responses to this and reviewed Saxon Weald's purpose and strategic objectives. The Board confirmed Saxon Weald's purpose with a minor word change and agreed to consider a new corporate strategy at the next meeting. The amended purpose is:

"To manage, maintain and develop housing for those who are unable to provide for themselves in the market place."

The options considered by the Board in response to the rent reductions ranged from maintaining the full development programme, taking a new loan of £50m and making recurrent savings of

£3m per annum to reducing the development programme by two thirds, not taking a new loan and making recurrent savings of £0.75m per annum.

The Board at its away day on 5 October 2015 said it wanted the Executive Team to be firm and creative in identifying where savings could be made. The Board also made it clear that it wanted the revised 2015 business plan to reflect significantly more than just committed development and to take a loan from the Abbey National.

Following the away day, the Board were very clear that they wanted to keep developing homes to the maximum possible allowing for financial and risk constraints and on that basis approved a revised 2015 business plan and corporate strategy which:

- reviewed its purpose and objectives;
- identified £2.3m of recurrent efficiency savings/ income generation to be achieved by March 2020;
- although there was a reduction needed in homes to be built, with the Board's direction, the target was set at 505 new homes;
- changed the balance of the development programme by reducing the number of affordable rented homes from 70% of the programme to 40% and increased the proportion of shared ownership, market rent and market sale new homes; and
- reduced the new five year revolving loan from Abbey National to £20m.

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

efficiencies is included in section 6 – Plans for the future.

In May 2016, a new 2016 business plan was approved, which built on the strategy agreed as part of the revised 2015 business plan. This business plan incorporates efficiencies of £2.3m and 582 new homes over the next five years. Included within this is the purchase of 81 market rent flats which will make a contribution of £0.8m before interest to the bottom line within three years.



5. How have we done?

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

5(a) Costs, performance and benchmarking

The following table shows key cost and financial measures on a simple and therefore broad-brush basis, over time and using the global accounts for housing associations, the average for traditional housing associations, stock transfers (LSVT) and all housing associations (All).

Saxon Weald defined costs per home

	Saxon Weald				Global Accounts Average				
	2016	2015*	2014	2013**	Traditional 2015	LSVT 2015	All 2015	All 2014	All 2013
Management costs per home	£648	£670	£666	£629	£1,082	£972	£1,034	£990	£952
Responsive repair & void cost per home	£677	£752	£654	£501	£707	£716	£711	£712	£699
Service & support cost per home	£955	£921	£937	£902	£698	£276	£514	£517	£498
Operating cost per home	£4,309	£4,247	£3,937	£3,499	£4,512	£3,515	£4,077	£4,020	£3,883
Operating margin excluding sales	35%	33%	34%	38%	35%	33%	34%	33%	33%
Cash interest cover	176%	156%	146%	163%	153%	161%	156%	154%	138%

* Saxon Weald's 2015 figures have been re-stated for FRS 102.

**Saxon Weald's 2013 figures have been restated to reflect a prior year adjustment.

The management costs per home are significantly below the average for both traditional and LSVT associations, the cost of responsive repairs (including void works) per home in 2015/16 is below the average for both traditional and LSVT associations and has reduced from £752 per home in 2014/15 to £677 per home in 2015/16. This reduction reflects the impact of the severe storms in 2014/15, particularly for fence replacement, roofing and damp issues. The service and support costs per home (which is largely matched by income) is nearly double that of the average of traditional and LSVT associations together (All). This is because housing

for older people (retirement and extra care schemes) makes up 29% of our homes, 30% if other supported housing is included. This is atypical for a housing association; for Southern LSVT associations (2,500-7,500 units) the average proportion is 12%. The cost of the provision of services and support for retirement and extra care schemes is almost £2,800 per home per annum and for general needs homes is just £172 per home per annum. It is therefore not surprising that Saxon Weald's operating cost per home is over £650 more than the average for LSVT associations.

Saxon Weald's operating margin (excluding sales) is good at 35% for 2015/16 and at or above the average for housing associations. Similarly, Saxon Weald's cash interest cover at 176% is better than the average for LSVT housing associations.

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

Global accounts unit costs

	Saxon Weald		Sector level 2014/15		
	2015/16	2014/15	Upper quartile	Median	Lower quartile
Headline social housing costs CPU (£k)	3.91	4.08	4.30	3.55	3.19
Management CPU (£k)	0.65	0.69	1.27	0.95	0.70
Service charge CPU (£k)	0.96	0.93	0.61	0.36	0.23
Maintenance CPU (£k)	1.06	1.25	1.18	0.98	0.81
Major repairs CPU (£k)	0.76	1.0	1.13	0.80	0.53
Other social housing costs CPU (£k)	0.49	0.21	0.41	0.20	0.08
Closing social housing units managed	5,906	5,753			
% Supported housing	1.1%	1.1%	4%	1%	0%
% Housing for older people	24.4%	25.1%	15%	8%	4%

The table above shows much the same story as in the table showing the Saxon Weald defined costs per home. The headline social housing cost per unit is between the median and the upper quartile for the sector. This is largely because of the high service charge cost per unit, which reflects the high percentage of homes for older people managed by Saxon Weald. This is further magnified by the fact that housing for older people at Saxon Weald includes 10 extra care schemes (492 homes).

Older people's homes make up 25.9% of Saxon Weald's homes and if shared equity older people's homes are included (because they generate a service charge cost), they make up 28.6% of the homes. The indicator of the percentage of older people's housing used by the HCA (25.1% for 2014/15 and 24.4% for 2015/16) is lower because it does not include affordable rented homes (it only includes social rented homes) for older people and because shared equity homes for older people are also excluded.



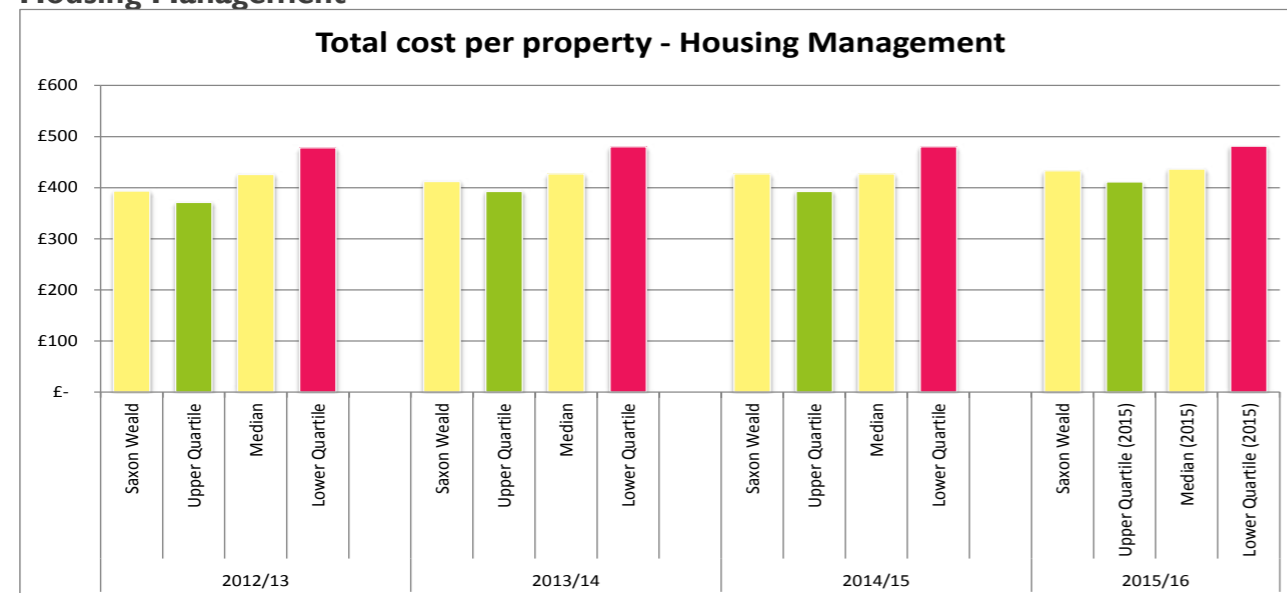
Management costs are firmly in the lower quartile. Maintenance costs for 2014/15 were in the upper quartile, but as the one-off costs related to the bad weather fall out, they have fallen to above the median but below upper quartile. There are already plans to substantially reduce maintenance costs, with savings of £370,000 built in to the 2016/17 budget and further savings of £300,000 to be made over the following two years. Major repairs costs have fallen in 2015/16 and are now around the median for the sector. Other social housing costs have increased in 2015/16 mainly because of one-off costs relating to early retirement pension costs.

Activity Benchmarking

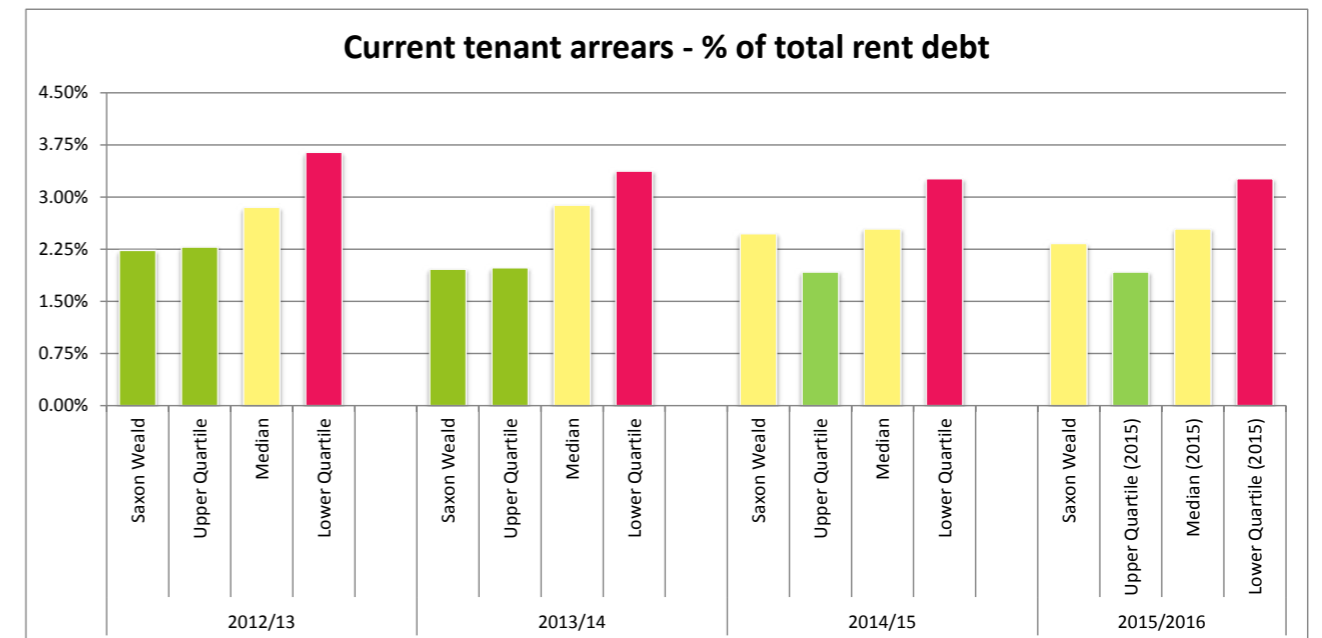
The following section uses data from HouseMark to benchmark costs and performance over time and against LSVT housing associations in the south of England with stock of between 2,500 and 7,500 units. A list of the comparator housing associations is attached at Appendix A to this self-assessment. The HouseMark benchmarking methodology validates each housing associations' data, seeks to eliminate the impact of differences in interpretation of definition and aims to collect more detailed and specific activity costs through the allocation of staff time. The charts that follow include an apportionment for overheads in-line with the HouseMark methodology. All this means that it will, for example, produce a different management cost per unit than the one calculated from the global accounts. At the time of writing, not enough other organisations had submitted data for 2015/16 for comparisons to be robust; therefore data from 2014/15 has been used to provide an indication of Saxon Weald's relative performance.

The charts have been colour coded to allow for easy identification of Saxon Weald's performance against the peer group. Where we are within the top 25% of organisations, the upper quartile, Saxon Weald's chart bar is coloured green. Where we are between this level and the median (performance between the best 50% to 74%), yellow has been used, where our performance is below the median, but above the lower quartile (performance in the range 26% to 49%) the bar is orange and where we are at or below the lower quartile (in the lowest 25%) the bar is coloured red.

Housing Management

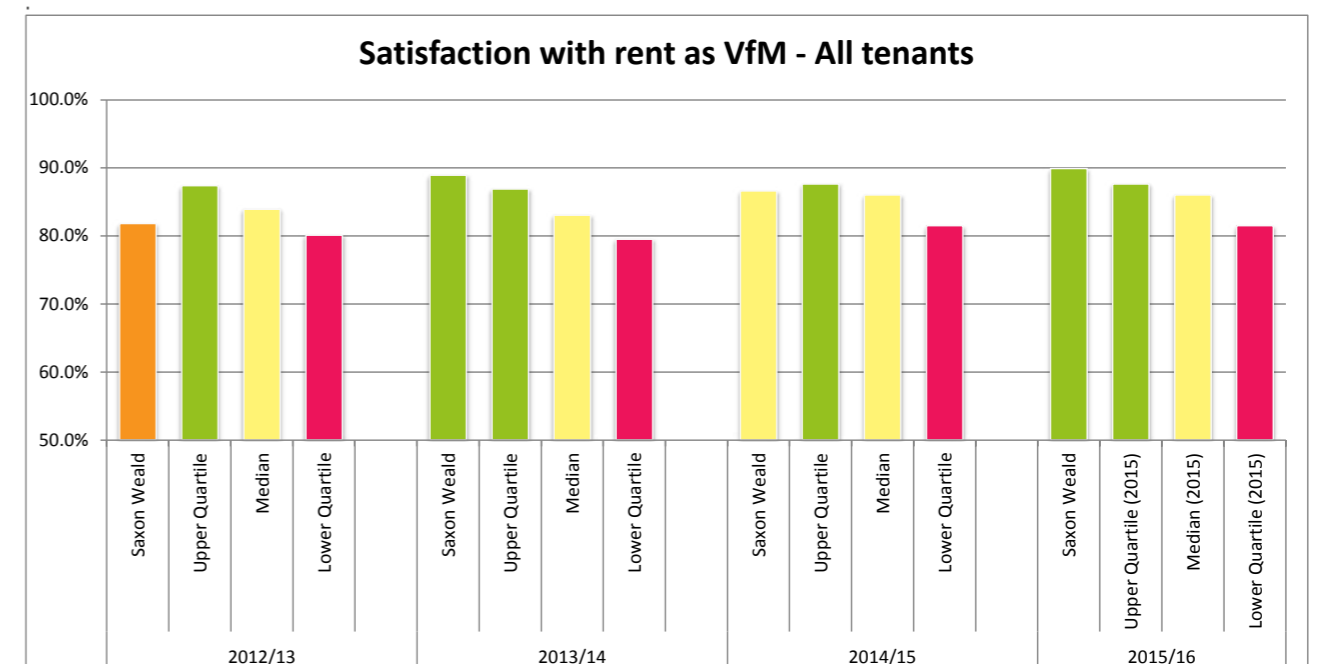


Saxon Weald's housing management cost per property is at or below the median cost for all years. This means that more than 50% of the peer group have higher costs.



Rent arrears as at 31 March.

The chart shows a fairly stable performance over the period 2012/13 to 2015/16, with arrears for 2015/16 at 2.3% which is below the median of 2.5%. This means that more than 50% of the peer group have higher arrears



Satisfaction from our tenants that rent is value for money is high over the four years and in 2015/16, 90% are very or fairly satisfied that rent is VfM. This would place us in the top 25% of our peer group.

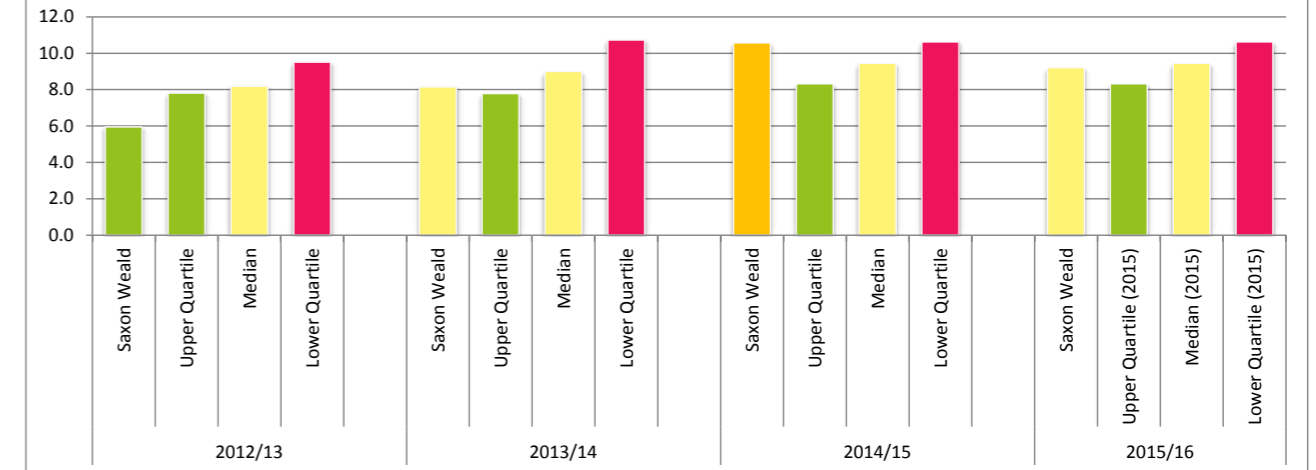


Responsive Repairs and Minor Voids



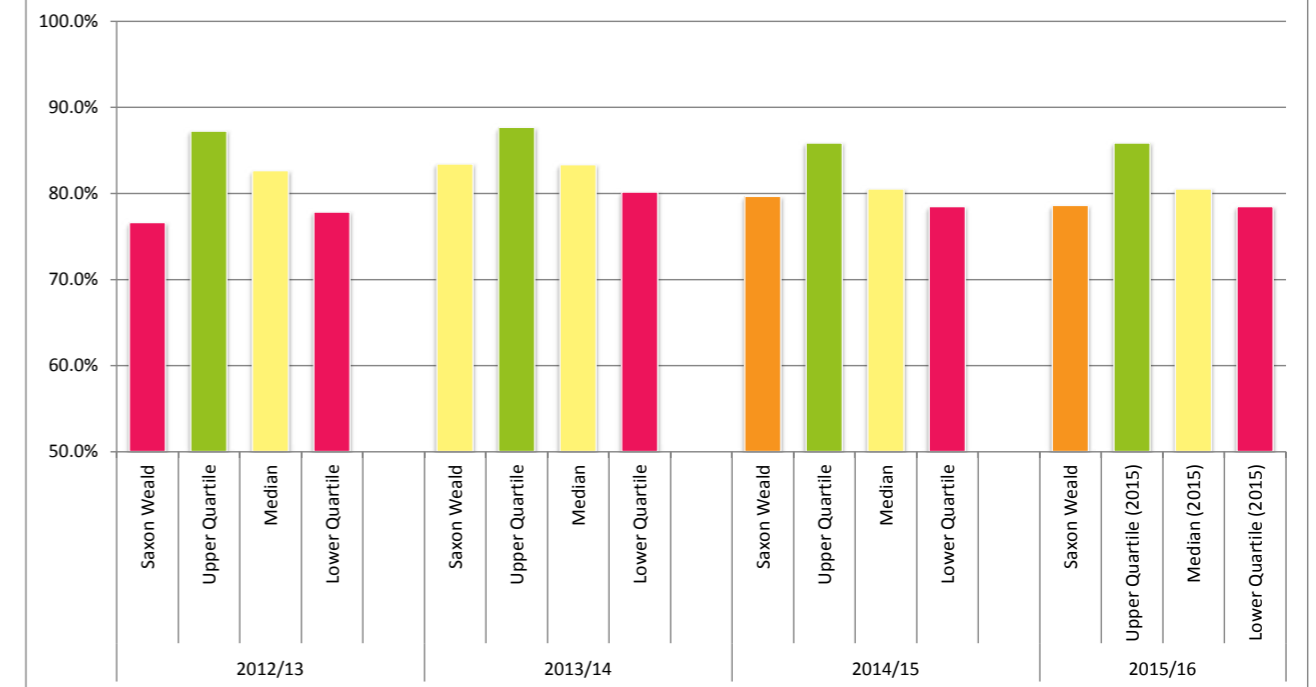
This chart shows that the cost of responsive repairs and minor voids per property was just above the lowest 25% of our peer group in 2012/13. However, cost per property increased in 2013/14 and 2014/15 before falling in 2015/16. In 2015/16, Saxon Weald's cost per property remains higher than the median for housing associations in the peer group. This is disappointing, but there is a clear action plan, with a strong focus on reducing costs via more effective management and using HomeFix, our in-house team, more.

Average repair completion time (days)



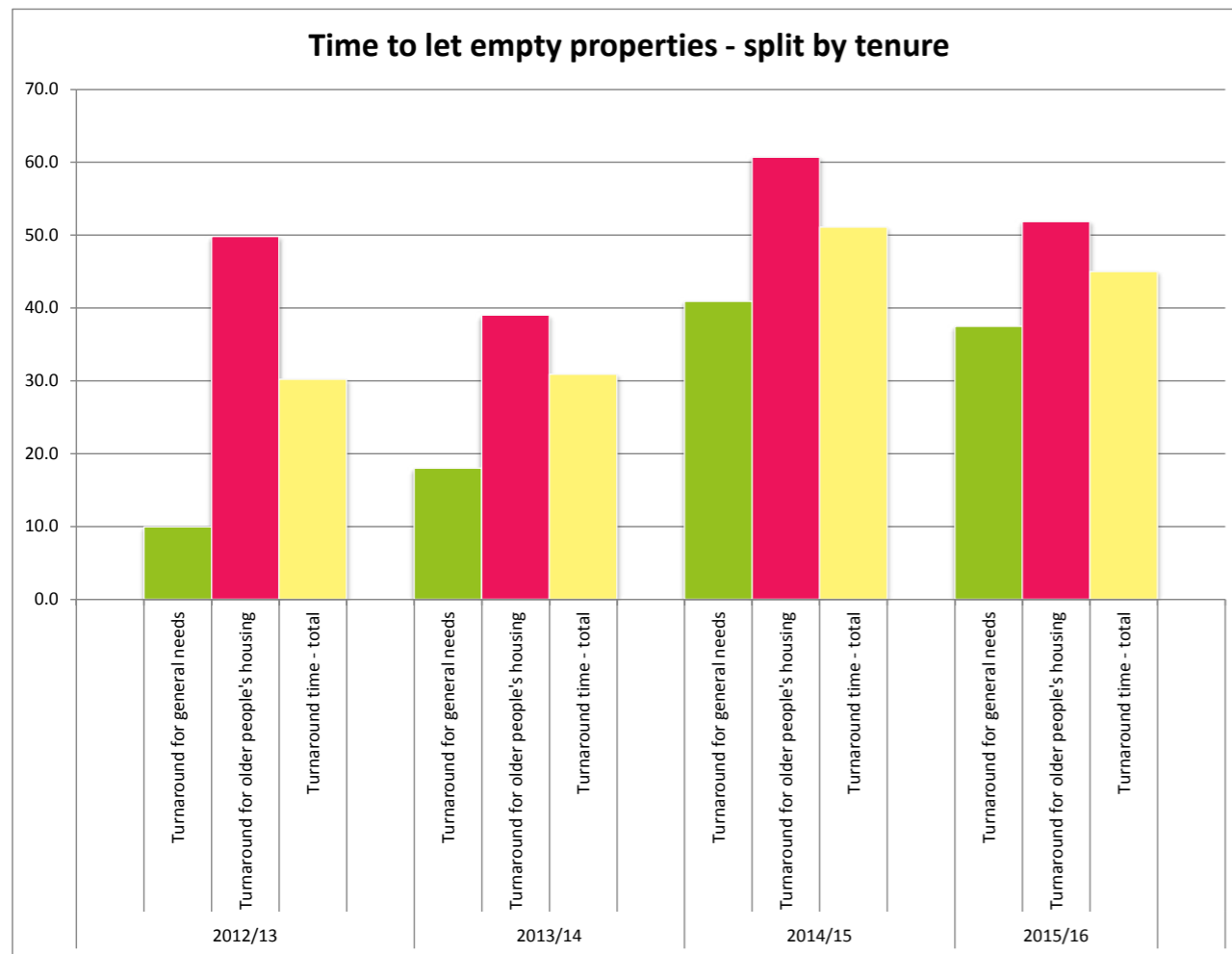
The average time to complete a repair increased from 6.0 days in 2012/13 to 10.6 days in 2014/15 and then reduced to 9.2 days in 2015/16. Average repair completion time is now better than median performance.

Satisfaction with repairs service - all tenants



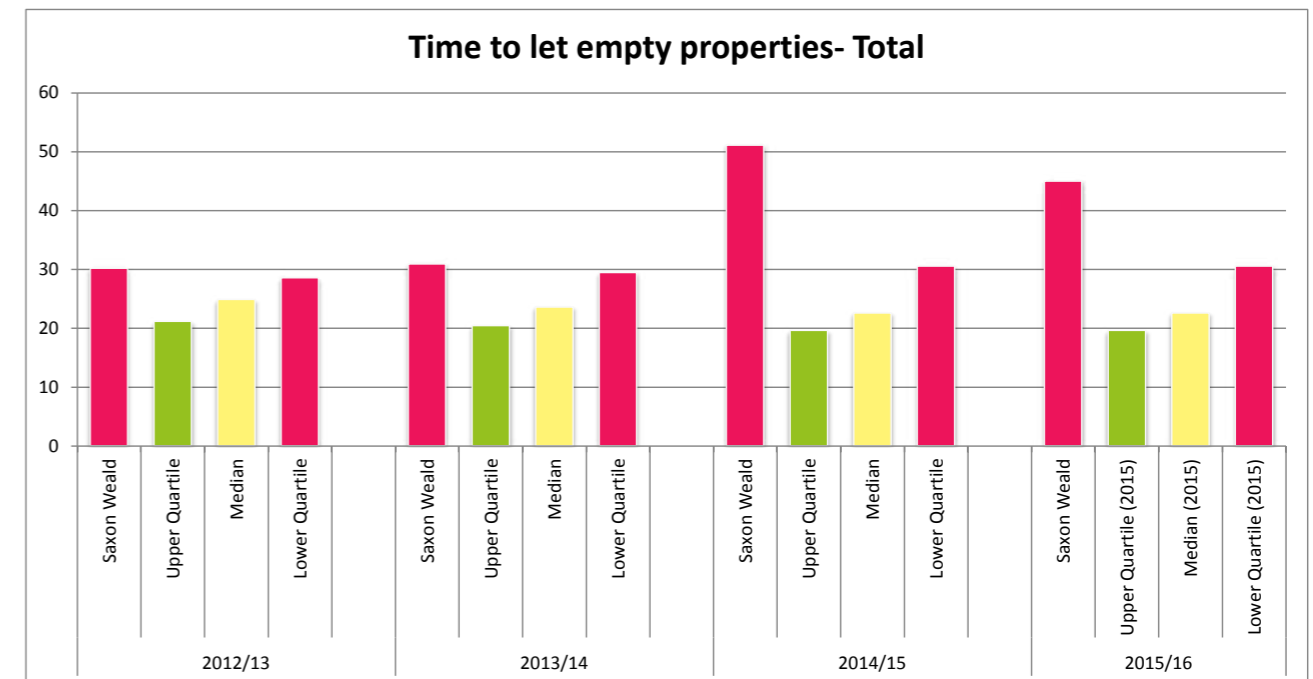
Tenant satisfaction with the repairs service as measured through STAR improved in 2013/14 and then, given the problems in 2014/15, fell back again to 79%.





The chart above illustrates that the time to let empty properties for older people's housing is longer than for general needs housing. This is because of the multiple agencies involved in extra care housing and the requirement to assess individual needs. Saxon Weald is atypical for the peer group, with 29% of rented properties for older people, much higher than usual.

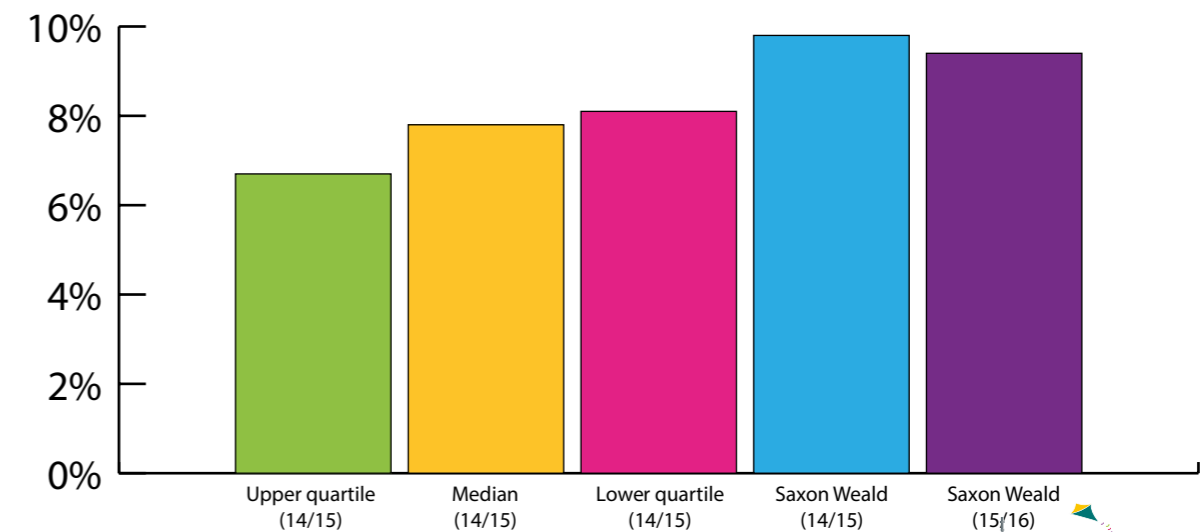
The increase in the turnaround time for general needs properties from 10 days in 2012/13 to 37 days in 2015/16, whilst it is an improvement on 2014/15, is disappointing. It reflects a focus on ensuring that the lettable standard is met. It also reflects the impact of welfare reform, especially bedroom tax and affordability, and an increase in the level of refusals.



It is welcome to see the overall improvement in re-let times in 2015/16 compared with the previous year although they are still not where we want them to be. Significant changes have been made during 2015/16, which has seen the merging of the lettings and empty homes team that now come under one manager for the first time. Not only does this reduce costs, but it is intended to provide a more integrated service to help reduce the time taken to let empty properties.

Whilst there are pressures inherent in the system with welfare reform, especially with bedroom tax and affordability, the supply of new homes across the Horsham district, and an increase in the level of refusals, along with current high turnover rate (see below) there has been noticeable improvement in the last 4 months of the year in letting general needs properties which have been done in an average of 24.9 days

Tenancy turnover rate



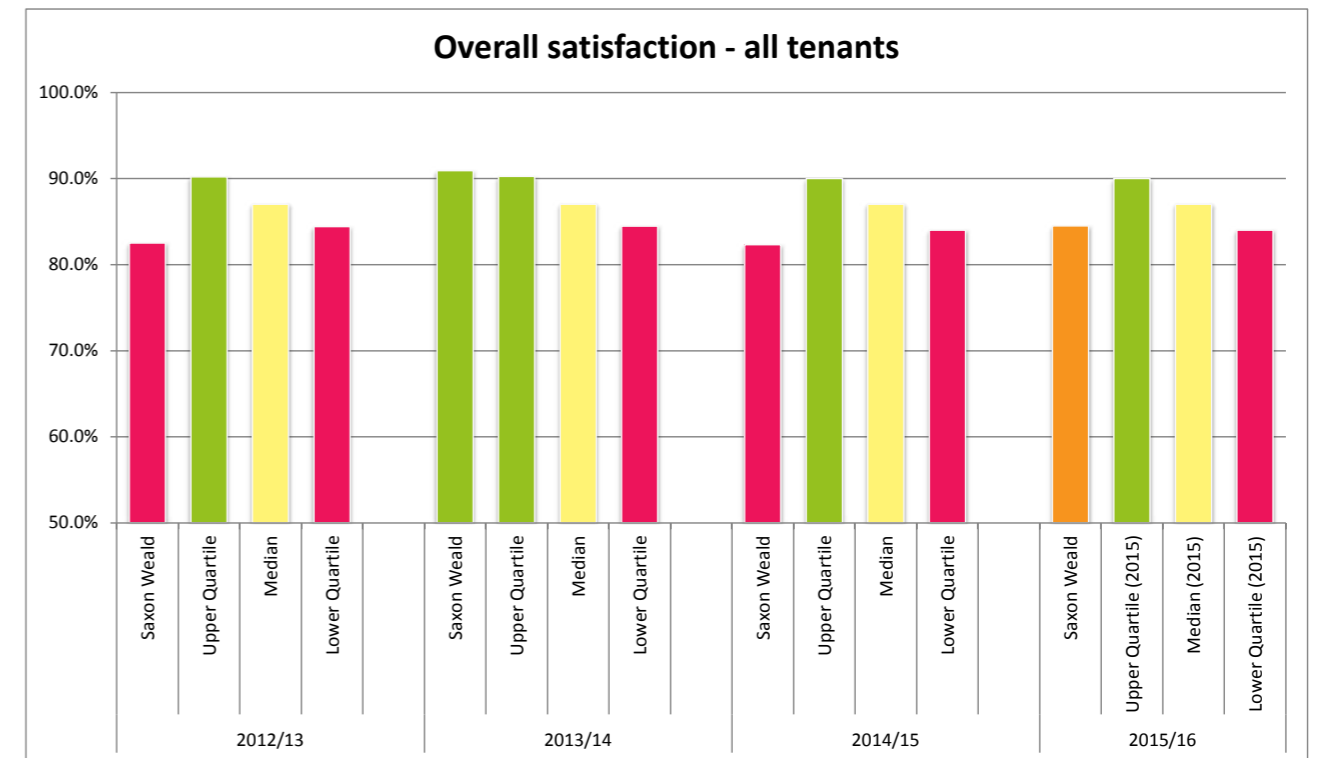
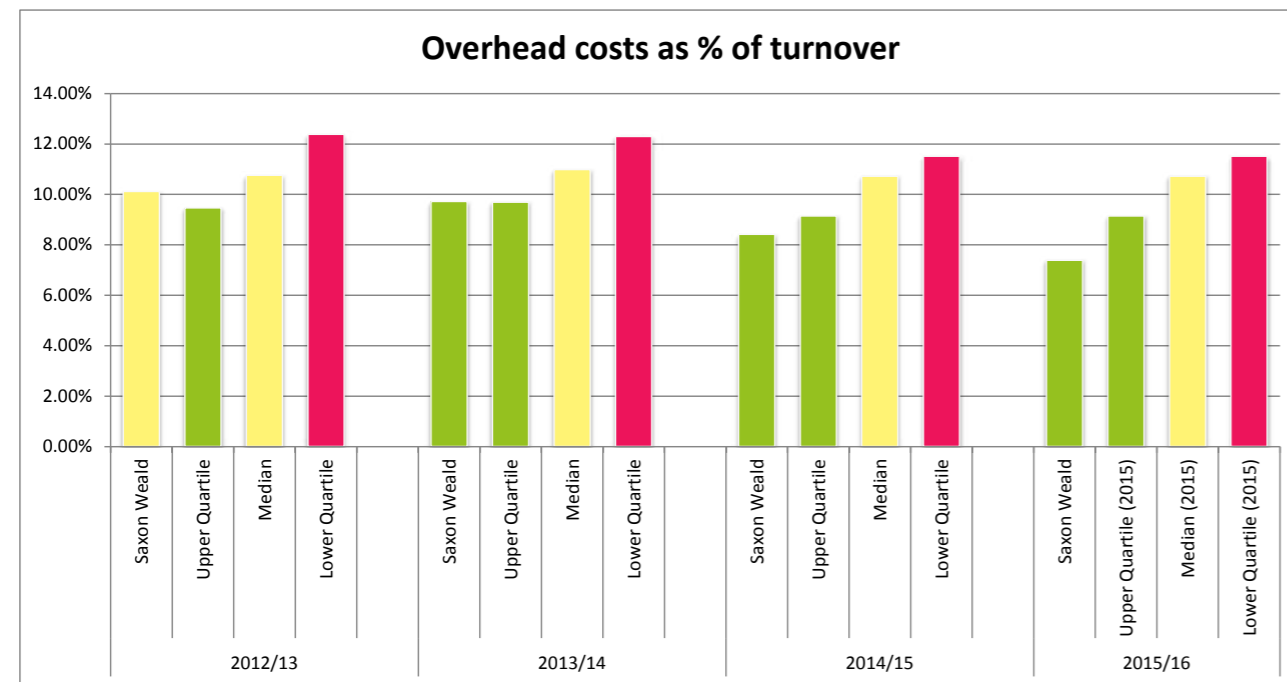
The previous chart shows that Saxon Weald has experienced particularly high tenancy turnover rate over the last two financial years, significantly over the rates experienced by our peer group. This relatively high number of properties needing to be re-let has hindered the ability to turn them around quickly.

During 2013/14 the termination rate was just 7.25% significantly lower than the 9.81% for 2014/15 and 9.47% for 2015/16. It has been difficult to assess the reasons for this rise although Saxon Weald's relatively high number of homes for older people and a dynamic housing market in and around Horsham have certainly contributed to this. In order to reduce demand to more reasonable levels we are looking to control internal transfers in future.

Overheads

These are central service costs that do not provide services directly to our residents, such as the cost of accommodation, IT systems, staff working on policy, human resources, finance etc.

Overhead costs viewed against our turnover have steadily fallen over the past four years. This is largely because central staffing costs have remained stable as property numbers have increased through the development of new homes. This has allowed us to move from the median position into the upper quartile. This is exaggerated in 2015/16 because turnover has been inflated by higher than usual first tranche sales income.



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 improved to 85% in 2015/16 from 82% in 2014/15. This is still less than the 91% achieved in 2013/14. Customer service remains a key focus, so implementing the two-year improvement project and new customer service strategy approved by the Board in December 2014 is a key priority.



5(b) Strategic Objectives and VFM

This section takes each of our strategic objectives (2015/16) and assesses how Saxon Weald is achieving VFM in delivering these objectives.

To become and be acknowledged as an excellent organisation with excellent customer service

Customer Service

One of the original key aims of the customer service strategy approved in December 2014 was to help us achieve customer satisfaction levels of 90%. This was perhaps an unrealistic aim and the target is now 85%. Going forward, the customer service strategy is also expected to play an increasing role in helping us achieve efficiencies and cost savings across the organisation.

The channelling of customer contacts through two customer service teams who have the information and knowledge systems to enable them to deal with calls at the first point of contact is reducing the time spent by specialist staff on dealing with customer queries. 83% of calls are now resolved at the first point of contact. For those calls that are transferred, the systems enable the transfer of quality data relating to the query which results in further efficiencies. This saves an estimated two minutes per call back (150 staff hours per year). We have reduced the amount of avoidable contacts from a high of 12% in November 2015 to 2% in April and May 2016 - reducing waste and saving staff time. This has enabled a number of manager positions to be deleted from 1 January 2016. Whilst the savings in 2015/16 have been largely offset by restructuring costs, from 2016/17 full year savings of £158,000 will be achieved.

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

Since November 2015, we have been using the Orchard text messaging module to measure customer experience with the call service and we are currently consistently achieving in excess of 85% of customers rating us as good or excellent (no previous comparisons exist). From February we have been using text to replace letters for garage arrears and we will be rolling this out in 2016/17 to include low level rent arrears letters. We anticipate sending out 5,000 texts in place of letters in 2016/17 equating to a saving of £17,500 on postage, stationary and administration time.

Our experience so far is that text messages also tend to generate a better response rate than a letter.

There was a delay in the rolling out of mobile working as a result of problems with the original software company, but during 2016/17 it will be delivered for housing managers, lettings staff and surveyors. This will mean staff will have access to data whilst out visiting tenants and will significantly reduce the re-keying of information once back at the office. Estimated savings from this by 2017/18 is £30,000.

Performance measures

	Performance March 2015	Performance May 2015	Target performance
% queries dealt with at first point of contact	Not available	83%	80%
Overall customer satisfaction	82%	85%	85%
Avoidable contacts	Not available	2%	No target
Text survey – experience of recent telephone call with a rating of good or excellent	Not available	89%	85%

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

Resident Involvement in Customer Service and VFM

Resident involvement at Saxon Weald includes a Residents' Action Panel (RAP) and a series of Service Interest Groups (SIG's), as well as direct consultation and involvement of individual residents, including three Board members.

The current resident involvement strategy has a focus on:

- Value for money;
- Customer service excellence through continuous service improvement;
- Continuing development of the RAP and SIGs; and
- Improving communication between landlord and residents.

Involved residents have taken part in VFM training over the last two years, which has improved their understanding of VFM, helping them to be more effective in service scrutiny and monitoring and decision making. They make a key contribution to the monitoring, development and improvement of key services. This has been enhanced by time spent learning from and sharing their expertise with involved residents at other housing associations. The resident involvement strategy is currently under review and is likely to be different from the existing strategy, reflecting the reduced resources available for resident involvement and a much wider range of methods of collecting resident views.



HomeFix (in-house repairs team)

After two particularly challenging financial years, 2013/14 and 2014/15, which were coloured by the effect of the prolonged bad weather during the winter of 2013/14, it is pleasing to note a marked improvement in the performance of HomeFix, our in-house repairs team.

The main impact of the bad weather was to increase demand, and therefore costs, of the responsive repairs service. 2015/16 has seen a reduction in the number of jobs logged and a reduction in the cost of provision. Much of the additional demand in previous years was taken up by contractors whom have proved to be, on the whole, more expensive per job than HomeFix. In 2015/16 we have reduced the number of jobs issued to contractors by 50%.

The empty homes team will look to continue to drive down costs during this year. The average cost of major void works reduced by 16% during 2015/16 from £14,277 to £10,550. The vast majority of the work was completed by the in-house team a change from the previous year where most work was outsourced to a contractor.

Even better performance has been evidenced in minor void works where average costs have reduced by 40% from £3,615 to £2,137. Again, almost all of the work has been done by the in-house team. Based on the volume of void works for the 2015/16 year the reduced average cost has saved £730,000 in comparison to the average cost of works for 2014/15. This has been achieved by more rigorous application of our lettable standard, better material costs through our Buildbase managed store, a more balanced skill set within the operative teams and improved scheduling and organisation in the back office.

In order for HomeFix to become more efficient, it is important to increase the scope and scale

of works carried out. Ultimately this will reduce the level of overhead by spreading the costs over more income. During 2016/17 we will take on half of the kitchen and bathroom replacements and half of the gas boiler replacement programme. Work was starting in 2015/16 to recruit additional staff and to work with Buildbase on ensuring the new materials required would be available. In quarter 4 of the year the team started to carry out capital works with 14 kitchens and bathrooms and 16 gas boilers replaced. The plan is for the whole programme to be brought in-house from 2017/18.

The capacity of the electrical team has also been expanded. The additional resources will be used to improve the electrical safety check regime by moving from a 10 year to a 5 year cycle and to carry out electrical heating replacements. Additional efficiencies are realised from bringing programmes in-house particularly related to data collection, improved communication, and easier resolution of any issues.

Case study - Managed Store (Buildbase) for HomeFix

What needed improving?

Previous supply arrangements for building materials to support our in-house repairs service HomeFix had not delivered the quality of products and service required to provide value for money. Specifically:

- **Material costs appeared to be higher than could be obtained elsewhere;**
- **Travel time to the supplier's base to collect materials was too long leading to operative downtime and high fuel costs;**
- **Focus on Saxon Weald as the customer was less than desired, resulting in materials purchased from other suppliers, operatives waiting for materials and delivery to site did not happen; and**
- **Onerous paper based invoicing system requiring considerable staffing resources to manage.**

What we changed

Having explored various options, we decided that our own managed store, with a bespoke service, would enable us to have greater control over the cost, quality and delivery of our materials and the service provided. This is now being achieved through our own managed store, which went live in November 2015. It is managed by the national builders merchant Buildbase, located in Southwater, two miles from our head office. The contract was chosen through the Procurement for Housing (PfH) framework thereby guaranteeing competitive product prices.

Impact

The PfH framework tender evidences the competitiveness of Buildbase's prices against those its competitors. Buildbase came out top for both managed facilities and the supply of building materials. These prices are reviewed every six

months to ensure they remain competitive and respond to market fluctuations. Based on our core items, this will achieve almost £70,000 (8%) cost savings in comparison to those purchased from our previous supplier. In the event that the supplier's net profit is exceeded, any net profit in excess of that specified in the contract is rebated to HomeFix.

Buildbase lease the commercial premises and, as such, have the responsibility for managing and maintaining them effectively; whilst protecting the safety and wellbeing of staff and visitors. They also have responsibility for employing and managing the staff who run the store, along with ensuring that business continuity measures are in place.

The managed store is located just off a major route that runs through our area of operation and is close to our offices; thus reducing travel time and fuel costs, whilst increasing operative availability. Deliveries to site is included thus reducing down time and increasing productivity.

Monthly invoices containing all purchases (from single and third party suppliers) are sent electronically, via PfH. The invoices include a breakdown of purchases by date; supplier; operative and materials, which make reconciliation simpler and less time consuming for staff. We then make one payment to PfH who then pay Buildbase and ensure that prices remain in-line with those set in the framework agreement. This has helped enable the number of staff in our business support team to be reduced by two, saving £50,000 per annum.

Buildbase has responsibility for ensuring the continuity of van stocks, along with carrying out two audits per year of each vehicle's stock (to reconcile van stocks against items used). Van stock audits were previously carried out once a year by the Business Support Team, so this not only adds value, but frees-up their time to focus on other priorities.



To grow in Sussex and Hampshire to a target size of 10,000 homes

This has been a year of new challenges for Saxon Weald and its business development activity. It is the first year since starting to develop that no starts on site were achieved. The development programme was put on hold following the government's summer budget to enable due care and consideration to be given to how best to respond to the new challenges. However, during 2015/16, 165 new homes were completed. This comprised 143 affordable rent homes, 8 shared ownership homes and 14 shared equity homes for older people. Saxon Weald's new extra care scheme at Hailsham was completed in the autumn, providing 45 affordable rent flats and 10 shared equity flats.

From the Board down, there is a continued desire to keep on building new homes. A full review of all pipeline schemes was undertaken and seven key projects were reworked to ensure a positive rental return (before interest) which would bring in £400,000 per annum by 2019-20 and help to offset the impact of the rent reduction. This has meant a review of the tenure mix of schemes, with the aim of balancing the social heart and the commercial head.

The Winterton Court scheme in Horsham was being worked up as an all affordable homes project, with a mix of affordable rented and shared ownership homes. It performed within normal development finance parameters, however when the rent reduction was applied, the scheme would have been delivered to the detriment of the organisation's finances and, at least in the short-term, would have been a drain on Saxon Weald's surplus. The scheme has been reworked in a number of ways.

We have worked with contractors, Drew Smith (at risk) to alter the scheme design to make it easier to build, and therefore more cost efficient. We have also reviewed the materials and ensured that their long term maintenance costs are reduced, for example metal rainwater goods. These changes have not been to the detriment

of the design and ensure the scheme delivered offers Saxon Weald best value for money.

The site was re-modelled to provide a wider mix of properties, including open market sale homes, affordable rent homes and shared ownership homes. The open market sale housing will subsidise the affordable element of the site, create a more mixed community and meet varied housing aspirations. This outcome offers significant value for money for Saxon Weald, delivering a positive revenue stream (before interest) in 2019/20.

Saxon Weald, as part of its response to the rent reductions, plans to gradually create a market rent portfolio through new build sites. The first development will deliver nine flats and the aim was to increase market rent homes incrementally to approximately 50 homes by 2019. This approach, whilst offering us time to develop processes and procedures, would have taken a number of years to get to a critical mass. However, the opportunity to purchase Pelham and Waverley Courts arose in early 2016. They are established blocks of 81 flats rented on the open market near to Horsham town centre. The purchase of Pelham and Waverley Courts has enabled Saxon Weald to start with a sufficient number of market rent flats to adequately resource an efficient and effective service, which can be gradually expanded. As important, from 2015/16, the flats will generate a positive return to Saxon Weald's surplus, helping to secure and expand the development programme going forward. This purchase also included a potential development site which will enable Saxon Weald to develop an additional 15 to 18 new homes.

The Alley Groves, Cowfold, project had secured planning as a social rented site. Following the rent review, at social rent this project didn't offer Saxon Weald a sufficient return. It is a key rural exception site and the social value of an affordable development was at the heart of our decision making. In close liaison with Horsham

District Council, the scheme was changed to affordable rent. This enabled it to secure HCA grant of £587,500 to support delivery and retain the site for affordable housing. By working closely with Horsham DC, the s106 agreement was amended to ensure that the change to affordable rent would still enable us to borrow against the scheme at the higher Market Value Subject to Tenancy (MV-ST) valuation as opposed to Existing Use Value Social Housing (EUV-SH). This change was made quickly and therefore progress to continue. The contractor was also involved at the earliest possible stage to value engineer the site. This offers us further value for money, as well as still providing an attractive development in a rural location.

East Sussex County Council (ESCC) provided grant to enable the delivery of three supported housing schemes in the county. The original legal agreement did not allow Saxon Weald to borrow against the schemes at a MV-ST valuation, but only at the lower EUV-SH valuation. Through lengthy negotiations with ESCC, Saxon Weald agreed to pay £45,000 to vary the agreement to enable these schemes to be used as security on an MV-ST basis. This has increased Saxon Weald's loan security by £1.5m helping to maximise Saxon Weald's capacity to develop new homes.

A review of the resales process was undertaken in 2015-16. The purpose of this review was to ensure that providing the resales function within Saxon Weald offered the best value for money for us and service for customers. The sales team have reviewed their processes to improve efficiency. Changes made include:

- **Scheme managers conducting viewings for extra care, rather than a member of the sales team who would be required to travel.**
- **Marketing information for buyers and customer service advisers has been improved, meaning buyers who contact the Sales team about a resale are well informed; reducing the time the Sales team need to give supporting the decision.**

- **As a result of benchmarking with others in the sector, the resales fee has been increased from 1% to 1.5% in new general needs shared ownership leases and 2% in new Older Person's Shared Ownership leases. This change will ensure that our costs are covered, revenue is generated and a high level of service can be maintained for customers.**

Saxon Weald is a member of the Housing Association Legal Alliance (HALA). This is an OJEU compliant legal framework used by our development team. This enables us to access framework rates and HALA have provided the total of savings achieved of £32,000. In addition to cost savings on appointments, through HALA we are able to access a number of free training courses and hold in-house sessions at nil cost. In 2015-16 13 individual training sessions were attended, providing a cost saving of £1,715. One in-house training session was provided for free, a saving of £3,000.

The primary focus of the business development department is achieving the forecast starts for 2016-17 to deliver the £400k revenue contribution by 2019-20 and securing the sales income within the business plan. We will continue, as we have with Winterton Court and Alley Groves, to maximise the financial and social outcomes for Saxon Weald and the communities we operate in for all new sites. In terms of sales we will continue to market at the earliest possible stages and in the most effective way for the client group, further promote off-plan reservations and work closely with buyers to secure completions.

By the end of the financial year, 'oven-ready' sites will be prepared. These are sites which we own and have secured planning on. These will enable us to offset any delays and issues within the programme without detriment to the £400k target and the wider impact and cost implications this would have on the organisation. We will also be working with partners to secure grant funding



where appropriate for our schemes. This will reduce the level of private finance required and our aim is to deliver as many homes as possible with the available finance. This approach will enable us to deliver more

To establish and maintain a vibrant workforce, creating a dynamic, challenging but fun place to work

Our staff, Board members and involved residents are some of Saxon Weald's key assets. It is through them that Saxon Weald will achieve its purpose and strategic objectives, in a way that delivers value for money and the best return on assets. We had 178 members of staff on 31 March 2016. We were extremely pleased to be awarded, for the second time, Investors in People Gold during 2015. This was despite the assessment taking place when we were going through a restructure in response to the rent reductions and the fact that only 7% of organisations in the UK, who have Investors in People, have the gold award.

2015/16 was the first year of our new performance management process. We have moved away from the more traditional approach of annual appraisals and replaced them with regular monthly one to ones, where quality, customer satisfaction, dependability, and value for money are regularly monitored and measured and evidence is provided to support the assessment of individual performance. We want managers to get closer to their staff and have increased confidence their staff are getting the basics right through constant monitoring and feedback.

Investment in our people through different training and development interventions continues to be a key priority across the whole organisation. It is critical to making the most of their enthusiasm, expertise and experience. We

therefore continue to invest in training. As well as technical, management and IT training, this includes training on risk management and VFM. We are committed to developing a coaching culture at Saxon Weald and we place all new managers on our bespoke in house coaching skills course.

Immediately after the budget announcement in July 2015, we made the decision not to fill the nine vacant posts we were recruiting for and remove 2 temporary posts from the structure. In December 2015 we made 14 posts of senior managers, middle managers and junior staff redundant to achieve efficiency savings. A total of 24 posts were deleted, achieving an immediate cost saving of £500,000 on the salary budget. Within the new business context we have less resource and less staff, so making the best use of our staff is critical if we are to achieve our corporate objectives and deliver services to our customers.

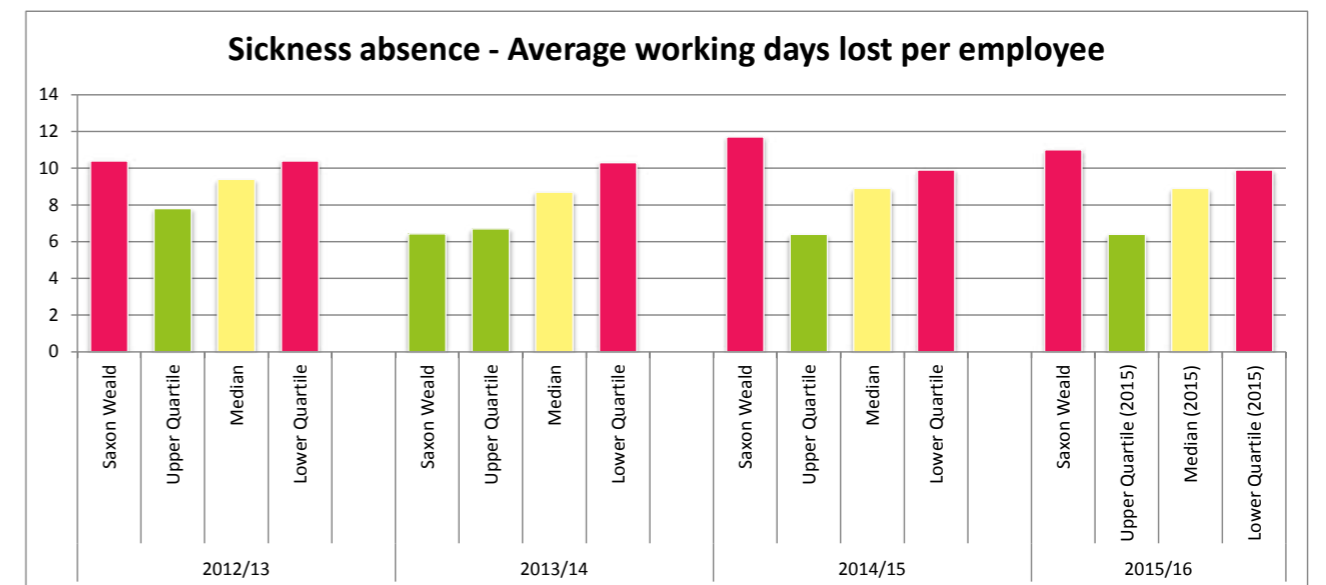
In 2015, Saxon Weald carried out a staff survey and it told us that 83% of our staff were either satisfied or very satisfied with Saxon Weald as an employer, 83% believe that their core objectives give them clarity about what they need to do in their job, 93% believes Saxon Weald takes customer service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

Staff turnover - The UK average employee voluntary turnover figure reported in 2015 is 15%. Our target for turnover is 15% and is based on a 12 month rolling period. Our turnover as at 31 March 2016 was 15.9% voluntary and 10.8% managed. There is no optimal level of turnover as turnover rates deal with emotional and human issues and can never be scientific. Most companies believe that some amount of natural staff turnover is necessary to prevent lack of motivation setting in – and also to inject a company with fresh blood and ideas.

The UK's largest annual survey of sickness absence rates in 2015, reported an average of 2.8% or 6.5 days per employee during 2014. Saxon Weald's average at that time was 2.57%. Our target for sickness absence is 3% and as at 31 March 2016 our average was 4.10% or 10.5 days.

The long term absence level is high at 2.6%, but lower than at 31 March 2015, and effectively unavoidable. We are working with a local occupational health adviser to make earlier interventions when necessary to assess the ill health problem. We work with the occupational health adviser, the individual and line manager to manage the situation and establish capability and timescales for a return to work. We offer 'Simply Health' cash plan and an Employee Assistance programme for staff to enable them to get medical/physical and psychological help as required and get them back to work sooner.

The short term rate was over 1.5% during the last six months of the financial year, contributing to the higher overall figure. We propose to take a more robust approach to reduce the rate by reviewing our sickness absence procedure and setting up new triggers and actions. Exception reports will raise the profile of sickness absence within the organisation, coupled with the message that we need reduce the levels and achieve cost savings. Our aim will be to get the short term rate under 1% in the next 3 years and reduce the overall absence rate below the target of 3%.



To develop our role as a leader in older people's housing

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

Retirement and extra care housing make up 29% of Saxon Weald's housing stock. Consisting of 39 retirement schemes and ten extra care schemes, there are nearly 1,700 properties across West Sussex, East Sussex and Hampshire (rented and shared equity). During 2015/16, one new extra care scheme, Bentley Grange in Hailsham, was completed providing 35 extra care rented homes, 10 extra care shared equity homes and 10 supported rented homes. A new retirement (sheltered) scheme, Adur View, Upper Beeding in Horsham district, was also completed. This provides 21 rented homes and 4 shared equity homes.

The portfolio of housing for older people is now diverse, ranging from housing specifically for the over 55's with no specialist support or facilities, to extra care schemes providing significant levels of care. The care is provided by care organisations contracted to local authorities and not by Saxon Weald. This diversity is important in reducing risk and ensuring we reflect the differing needs and aspiration of older people.

A restructuring of staff in Older People's Services (OPS) took place in early 2013 resulting in on-going savings of £250,000 a year. Following this, a lean review of the scheme manager service was completed in November 2013. The outcomes of this review were:

- Clarification of the role of the scheme manager between housing management, facilities management and support
- Improvements in the delivery of the support

service to ensure that it was focused on outcomes for individuals. This included a review of the purpose and frequency of 'visits' to residents. Visits are now only provided to those people who need them for specific support purposes. As a result total numbers of visits carried out reduced by 20%.

- Replacement of paper based records with a bespoke IT system, creating efficiencies in administration and support planning.

The implementation of the new ways of working took place throughout 2014.

In 2015, a new quality assurance system was introduced. This is based on six monthly 'Scheme Audits' during which the Regional Managers audit compliance with the requirements of the role and the quality of support planning. This has helped support the transformation process and improved the quality and consistency of service delivery to residents. Satisfaction with the scheme manager service was 88% in 2014 and rose to 91% in 2015.

Supporting People funding began to be withdrawn from April 2015. In line with our strategic aim to be a leader in the provision of older peoples housing, we re-organised our services to provide enhanced housing management (EHM) in order to retain on-site scheme managers. By April 2016, EHM funding had been secured for our schemes in Hampshire, Southampton and East Sussex. In West Sussex, where the majority of our support services are currently run, the support funding will be removed in October 2016. Our aim is also to transform the service here to EHM. As part of the reform to EHM, we are also preparing to withdraw the out of hours 'duty manager' service.

Out of hours responses will instead come from our lifeline provider. Removing the duty manager service will generate savings of £32,000 per year.

In addition, we have been successful in securing £57,000 Supporting People funding for a new

floating support service in the Horsham District. This will provide support for our residents as well as older people in the community and will consist mainly of scheme based support, maximising the use of the communal facilities we can offer.

To remain independent and financially strong

Financial Capacity

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

We also borrow to help fund the cost of building new homes. In June 2012, we issued an own name bond for £225m for an average of 25 years, that enabled us to repay our existing loans and provided £60m to invest in building new homes. The Board were satisfied that the bond was good VFM because it removed the restrictions imposed by the previous loan syndicate, was long term and was at an interest rate of just below 5.5%, fixed for the term of the loan.

A framework for ensuring Saxon Weald maintains a minimum level of financial strength was agreed as part of the approval of the revised 2015 business plan by the Board on 2 November 2015. The framework below shows the minimum level of the indicators, rather than targets to aim for. Given the uncertainty and risk in the next few years, Saxon Weald aims to have a margin over and above these indicators to enable it to manage the most likely adverse movements in the external environment.

- A reasonable and acceptable I&E surplus (say £1m+ per annum);
- An operating margin of 30%+ – current internal financial target;
- A bond cash interest cover of 150%+ - current internal financial target;
- Adjusted cash interest cover (Abbey National based covenant)* a minimum of 110% - current internal financial target;
- An EBITDA MRI (earnings before interest, tax, depreciation and capitalised major repairs included) of 110%+. The old Housing Corporation used to look for this level, unfortunately there has been no defined measure from the HCA on this;
- Debt ratio (Abbey National based covenant) - long term loans plus short term loans less free cash, less than 65% of housing properties at cost – current internal financial target;
- Asset cover (valuation on a EUV-SH basis as a percentage of long term debt) of 120%; and
- Positive cash generation from operating activities.

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

Saxon Weald has comfortably achieved these financial indicators in 2015/16: surplus of £4.6m, operating margin of 35%, cash interest cover 176%, adjusted cash interest cover of 135%, an EBITA MRI of 144%, a debt ratio of 61% and has achieved a positive cash generation from operating activities. The EUV-SH valuation of our properties at 31 March 2016 is £327.4m and our bond liability is £225m. This means that we have an asset cover of 145% which exceeds the target of 120% set by the Board.

The operating margin is the surplus we make from on-going activities (mainly renting homes)



as a percentage of turnover. The cash interest cover tells an organisation how many times after depreciation has been added back, the operating surplus will cover the net interest payments due. Asset cover tells an organisation by how much the value of property assets exceed loans outstanding. EBITDA MRI takes operating surplus, adds back depreciation and deducts capitalised repairs, to see how many times this will pay interest costs. The old Housing Corporation used to use 110% as a benchmark.

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

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

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

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

double the existing use value – social housing (EUV-SH) basis.

During 2014/15, Saxon Weald considered the optimum strategy for securing additional loans to fund new development. This strategy aimed to balance the desire to maintain a long term capacity to develop new homes, the cost of the debt and the most efficient use of property security. This strategy was upset by the July 2015 announcement of rent reductions over the next four years. The revised 2015 business plan set out the new strategy which is outlined in section 4 of this report.

Saxon Weald has taken an additional loan of £20m, this will enable the development of 582 new homes over the next five years.

Procurement

Saxon Weald's aim is to have a structured approach to procurement which delivers consistency of practice, improved efficiency and value for money. We have:

- **A robust procurement policy and procedure, along with a clear and simple guide;**
- **Improved central contracts register;**
- **Standard templates for contracts and service level agreements;**
- **Reduced the number of approved contractors and suppliers;**
- **Improved the efficiency and internal control of ordering and payment of suppliers and contractors through the implementation of eBis – an electronic purchase to payment system, which links to our financial accounts system; and**
- **A contractor/supplier VFM assessment tool. This enables us to set specific VFM criteria and compare prospective new contractors and suppliers. This helps staff to determine the VFM priorities for a contract, based on the three Es (economy, efficiency and effectiveness) and takes into account social and environmental value.**

During 2014/15, three major contracts were

re-tendered which generated real savings during 2015/16. The grounds maintenance contract delivered a slightly higher specification with savings of £136,000 (there is more detail in the case study below). The meals service contract at extra care schemes delivered full year savings of £54,000 and additional savings in 2015/16 of £31,000. The building cleaning contract delivered savings in 2015/16 of £48,000.

In 2015/16, the contract for materials supplies was re-tendered on the basis of a managed store. In year this saved £29,000 (full year £70,000) on materials costs as well back office savings and saved operatives travel time. A case study of this is included in section 5(b) (see page 41).

Case study Grounds Maintenance

In the last six months of 2014-15, the existing grounds maintenance and tree contracts were up for re-tender. In previous years all tree works on communal land had not been recovered through service charges.

What we did

We brought together a group of interested residents and staff members to establish what they liked/disliked about the existing grounds maintenance contract and whether there were additional items they'd like to see included. We then drew up a specification based on this information. We were clear about what we had, what we wanted and what our customers wanted. This included using Geographic Information System (GIS) to identify where land we owned was and what type of work was required to maintain it. We also used tree survey information on GIS to determine the quantity of trees which required surveying. A section 20 consultation was carried out with all residents. The contract was over OJEU thresholds so we advertised on their website for interested tenders to return a pre-qualifying questionnaire (PQQ). The contract sum estimation was

£450,000 per annum for a five year contract. The tender split was based on 60% quality and 40% price.

What we found

Two contractors failed to return a tender bid. Of the remaining three tender returns, they varied enormously in terms of price. The existing contractor, Burleys, was the lowest price by far and outscored its competitors through the tender evaluation process both in price and also what they offered in terms of additional added value services. Burleys contract sum reduced by £136,747 per annum based on a five-year fixed term contract.

What has changed

We have increased the specification slightly with additional weed killing done throughout the contract as well as more edging of pathways and more attention to moss and alga removal on hard areas such as footpaths, drying areas and patios which included weed removal as well as weed killing.

The new contract also included a number of improvements which will add value:

- **1,000 free hours to support the Saxon Weald assisted gardening scheme**
- **A new 'client zone' on the Burleys website to enable staff and residents to see when Burleys are next due to attend**
- **"Meet the Contractor" days for residents**
- **Tree planting parties to offset carbon emissions, helping Burleys to become carbon neutral**
- **Champion and sponsor an annual "In Bloom" initiative**
- **Delivery of 'garden workshops'**
- **Offer an apprenticeship to a Saxon Weald resident**
- **Provision of a tool library for residents**
- **Improved IT for electronic data capture and performance monitoring**



The communal tree work has also saved the organisation £16,000 in 2015-16. This is because for the first time we have re-charged tenants for tree works in defined communal areas where they live.

What the impact is

The overall satisfaction for grounds maintenance remains constant with 92% of all residents satisfied with their neighbourhood as a place to live. The overall contract sum is reduced by £136,747 per annum, thus reducing service charges for residents. They are getting a slightly enhanced specification but at a lower price.

Return on assets

In 2014/15, Saxon Weald purchased a new asset management system called Keystone and its implementation was continued in 2015/16. This system has enhanced reporting capabilities that will enable Saxon Weald to better understand the life-cycle costs of different groups of our property assets, make the best use of the information we have on our stock and inform decisions to help improve the return on assets. Keystone also links directly with our housing system Orchard, through which all members of staff can access information, so they can for example, tell a tenant when their kitchen is due for replacement. The robustness of stock data is critical to making efficient and effective decisions on stock investment, so a survey of 17% of properties was carried out during 2015/16. This largely confirmed the data held, so Saxon Weald now has confidence in the data held on Keystone. In 2016/17, the five year external validation (by Savills) of Saxon Weald's projected stock investment cash flows will take place. This investment cash flow is an integral part of the business planning process and is incorporated into the business plan approved by the Board for submission to the HCA.

The net cost of housing properties (after depreciation) on statement of financial position at 31 March 2016 is £280m. During the year,

we completed 165 new homes, but did not start to build any new homes. This was because the development programme was put on hold following the government's summer budget to enable due care and consideration to be given to how best to respond to the new challenges. The total value of the stock on an existing use social housing basis (EUV-SH) at 31 March 2015 is £327.4m, with the potential to increase this value by valuing those properties that can be, on a market value subject to tenancy with voids sold (MV-ST) basis.

During 2015/16, Saxon Weald invested £3.2m replacing components in existing properties (including 122 kitchens, 68 bathrooms, 189 boilers, 3 commercial boilers, 80 heating systems, 21 roofs including 3 retirement scheme roofs and 31 full window replacements including 2 at retirement schemes) and £3.5m on major repairs and planned and cyclical maintenance.

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

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

Saxon Weald's approach (starting in 2003) has been to focus on two groups of properties: older retirement schemes with shared bathing facilities and/or bedsits and void properties that required substantial expenditure to bring them up to an acceptable condition. This seemed to align with customer priorities, be more cost effective and be a better use of resources than attempting to determine the relative return on 5,500 properties.

Saxon Weald established a Board member group to review and prioritise retirement schemes. In doing this, the group considered:

- Financial performance including net present value;
- Demand and void rent loss;
- Size and site characteristics;
- Facilities including shared bathing and bedsits;
- Locality including transport links and local amenities;
- Re-model – is it feasible and financially viable? Or demolish and rebuild; and
- Alternative uses – sale of site, provision of market sale, retirement, extra care or general needs homes. A net present value of the alternative options being an essential part of this assessment.

The outcome of these reviews was:

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

Saxon Weald is conscious of the need to obtain the best return (financial and social) from our investment in property assets. When a tenant leaves one of our properties, it is inspected and a schedule

of required works drawn up. If the property is in an outlying area or needs a substantial amount of money spending on it, we will carry out an options appraisal of the property. This option appraisal will consider:

- Financial performance measured using net present value and including sensitivity to changes in assumptions;
- Cost of works required now and in the future;
- Open market value and how the receipt could be used to achieve our purpose;
- Demand from our target tenants and void rent loss;
- Location both in terms of accessibility to local amenities and impact on management costs;
- How suitable the property is for our target groups; and
- Energy performance.

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

During 2015/16, 18 Foxfield Cottages, a six bedroom house, was sold for £407,500. This property was originally two properties. It was built in 1947 and converted into a single six bedroom property some years ago. A substantial amount of work costing £53k would be required to restore the property to a suitable condition for letting. A number of alternative options were considered including converting back into two properties. The net present value of refurbishing the six bedroom property was negative and the demand for six bed roomed properties low.

A one bedroom flat in Southampton was also sold generating a receipt of £90,000. Although this flat did not have a high value, it did have considerable management difficulties including few general needs properties in the area and its leasehold tenure made it difficult to control costs.



Asset Performance Evaluation

During 2014/15, a firm of property consultants were engaged to help us develop a methodology to model the return on groups of assets. The initial focus has been on financial return. The stock has been separated into properties for older people and general needs properties for modelling purposes. This will enable a different view of acceptable financial and social return for properties for older people and general needs properties, if thought appropriate. The properties for older people were broken down in to 79 asset groups and the general needs in to 187 asset groups.

A methodology for measuring the social return has been developed. For older people's housing the methodology measures social return using five weighted indicators:

- Tenant satisfaction – 25%
- Proximity to local services – 25%
- Social inclusion/activities – 25%
- Energy efficiency SAP rating – 15%
- Index of social deprivation – 10%

For general needs housing the methodology measures social return using five weighted indicators:

- Tenant satisfaction – 20%
- Proximity to local services – 20%
- Heating fuel - connected to mains gas – 20%
- Index of social deprivation – 20%
- Employment opportunities – in receipt of housing benefit – 20%

The data to populate the financial model and social model was gathered together by Saxon Weald. It included:

- Stock data (including addresses, dwelling types, age, house types, use);
- Rent levels;
- Historic void periods (over three financial years, setting out rent loss days in each year). This was analysed by asset group;
- Day to day repair and management costs including planned/cyclical, responsive and void maintenance as well as gas servicing costs;
- Investment required based on data from the stock condition survey, which provides a 30-year cost profile of planned works;
- Tenant satisfaction;
- Proximity to local services;
- Social inclusion/activities for older people's properties;
- Index of social deprivation; and
- Housing benefit status.

Initial results from the model shows that the 30-year net present value (NPV) of Saxon Weald's older people's properties of 1,456 units is £25,769 per unit and the 30-year NPV of Saxon Weald's general needs housing stock of 3,821 units stands at £39,059 per unit.

On the basis of the NPV profile and experience with other housing associations, Savills determined the following financial performance bands.

Performance bands for asset groups – older people's housing

30 year NPV per unit	Performance	No. of units	% units
Greater than £30,000	Excellent	463	31.8%
Between £15,000 and £30,000	Good	604	41.5%
Less than £15,000	Marginal	389	26.7%
Totals		1,456	

The table shows that overall performance is excellent for 31.8% of the stock and a total of 73.3% as good or better – with only 26.7% with marginal cashflows.

For general needs the results are:

Performance bands for asset groups – general needs

30 year NPV per unit	Performance	No. of units	% units
Greater than £30,000	Excellent	3,321	86.9%
Between £15,000 and £30,000	Good	496	13.0%
Less than £15,000	Marginal	4	0.1%
Totals		3,821	

The table shows that overall performance is excellent for 86.9% of the stock – only 13% with a good cashflow and only 0.1% with a marginal cashflow.

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

Progress on return on assets in 2015/16 was slower than anticipated due to the need to test the robustness of the stock condition data and unexpected priorities such as responding to the announcement of rent reductions. The opportunity was also taken to test the return on assets model against others on the market and a decision was made to move to a new model. This will be implemented during 2016/17, with the intention of using the information to prioritise stock investment, support option appraisals, focus effort on poorly performing groups of assets and help optimise the return on assets.



5(c) What VFM gains we said we would achieve in 2015/16

We said

"During 2015/16, our aim is to make cash VFM savings of £0.4m, including £50k from the procurement of new gas boilers, £100k from the extension of the cyclical decoration cycle, full year savings of £54k from the new meals contract, £100k from the new grounds maintenance contract and £50k from the new cleaning contract.

In addition, we aim to make non-cash VFM improvements. These are:

- **Begin to implement the new customer service strategy.** This includes rolling out the customer relationship management system to the whole organisation so that we have a complete history of customer contacts, increase our information knowledge base so that our customer service teams are able to answer 80% of customer queries at first contact, roll out a new customer service training programme and be well on our way to improving customer satisfaction to 90%;
- **Implement the new HomeFix materials contract,** including a dedicated store, which will reduce materials costs and reduce travelling time for operatives. Extend the process of using zones to other trade teams to maximise operatives productive time and reduce travel costs.

Achieve a first time fix rate of 85%, reduce the time to complete a repair to eight days and maintain tenant satisfaction with repairs at 90%+;

- **Legally complete a five-year revolving loan to enable Saxon Weald to continue to make development commitments;**
- **Achieve an operating margin greater than 30% and a cash interest cover of at least 150%;**
- **Start on site the development of 100 new homes; and**
- **Continue to improve our understanding of financial and social return on assets and identify the worst 5% performing homes and understand why, so that decisions to maximise the return on assets can be made.**

We consider that we perform well in delivering value for money in the context of achieving our

strategic objectives. To Saxon Weald, VFM is about improving customer service, savings through the more efficient and economical use of resources and achieving the best financial and social return from the assets we have."

We did

The cash VFM savings achieved in 2015/16 total £0.4m. We did achieve the savings related to the procurement of new gas boilers, the extension of the cyclical decoration cycle, the new meals contract, the new grounds maintenance contract and the new cleaning contract. In addition, £26k was saved by bringing the drains repair service in-house.

We are making good progress in implementing the new customer service strategy. A single number is now in use for all customer calls with a simple phone menu system which routes callers to the correct department first time. Internal call transfers have fallen from nearly 50% to less than 25%.

Additional call centre features of the existing phone system have been enabled. The benefits identified so far are as follows:

- **Reduced call transfer through a simple phone menu system;**
- **Real time and retrospective reporting allows staff to react and make operational changes to improve call handling;**
- **Reduced noise in the office environment as calls are automatically delivered to the correct person rather than all phones ringing simultaneously;**
- **Single number for customers to remember and for us to publish;**
- **Greater visibility of calls queuing and abandoned calls.**

A specific central hub used by the customer service advisers and called the Case Resolution Screen has been developed. As well as providing

access to the commonly used parts of the housing management system (Orchard), this solution incorporates a powerful knowledgebase that enables frontline staff to resolve the majority of calls at the first point of contact. 83% of calls are now resolved at the first point of contact. Previously, nearly 50% of calls were being transferred internally. Having the ability to record contacts is now preventing customers from calling back with the same issue should they receive an unwanted answer from the initial call handler. The quality of information passed between departments when a call-back is required has improved dramatically as key information about the individual, property and reason for calling is passed automatically by the system. It is believed that by passing quality information, we are saving 2 minutes per call-back.

Over the space of a year, this equates to at least 150 hours of staff time. It is now possible to record how long each team takes to complete a call back where required. This improved management information allows us to make informed decisions about resourcing and prioritisation and is expected to help deliver an overall increase in customer satisfaction.

Orchard's text messaging module has been used to capture customer experience feedback for the last six months. Customers are polled within 24 hours of calling in and currently 85% of callers rate us "good" or "excellent". Where we are rated "poor", we can call the customer back and resolve the issue, increasing overall satisfaction. Since the end of February, the text messaging system has been used to replace garage arrear letters reducing production and postal costs of physical letters and, judging by external evidence, improving response rates and, therefore, payment. This will be followed by low-level rent arrears letters in due course. During 2016/17, we expect to send approximately 5,000 text messages instead of printing and posting letters. This will reduce administration, postage and production costs.

Saxon Weald's self-service portal went live in March 2016. It is a customer-facing web-based system that our customers will be able to use to request and get information and services through. Moving customer transactions to automated systems, or channel-shifting, provides a cheaper per-transaction cost. If 10% of payments and 5% of repairs requests are carried out through the self-service portal it is anticipated to save £30,000 per annum.

The new HomeFix materials contract through a managed store is now operating reducing the cost of materials by £70,000 in a full year and improving the efficiency of the workforce. A case study of the managed store is shown under section 5(b). The process of using zones to maximise operatives' productive time has been extended to all trades. A first time fix rate of 89.2% was achieved for 2015/16 against a target of 85%. The time to complete a repair had not reached the target of 8 days, but has reduced to 9.2 days and satisfaction with HomeFix repairs is 87% against a target of 90%.

As explained in section 5(b), the loan from Abbey National has been reduced from £50m to £20m and although it did not complete in 2015/16, it completed in early July 2016.

Both our operating margin minimum of 30% and the cash interest cover minimum of 150% have been comfortably achieved.

During the year, we completed 165 new homes, but did not start to build any new homes. This was because the development programme was put on hold following the government's summer budget to enable due care and consideration to be given to how best to respond to the new challenges.

The revised 2015 business plan sets out the new strategy which is outlined in section 4 of this report. This will enable the development of 582 new homes over the next five years.



We have continued to improve the stock condition data that we hold, so that we can make the right investment decisions. Following the sample stock condition survey carried out in-house in 2015, we now have confidence in our information. We will use it to inform a new stock investment plan and renew the systematic analysis of the performance of our properties. This will enable us to focus on the weakest performers and maximise return on assets.

6. Plans for the future

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

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

As part of the response to the rent reduction, the Board agreed, that 24 staff posts would be deleted which required 14 members of staff made redundant. This was completed in December 2015. The savings will not be made until 2016/17 because in 2015/16 the savings were more than offset by the costs of redundancies including pension costs.

There are unfortunately some specific additional costs totalling £0.2m that Saxon Weald must fund from 2016/17 onwards. These are increased national insurance contributions as a result of the end of contracting out and the cost of providing the pension bond to the West Sussex County Council Pension Fund. During 2016/17, we will be reviewing our company pension options.

The lettings and empty homes teams have been merged under one manager, enabling a manager's post to be lost. The entire new team sits together and has reviewed and improved its procedures. In time, this will assist in reducing the void turn around. The two neighbourhood assistants have moved to HomeFix as their previous manager's role is redundant. Here they will also take on estate clearance, saving the cost of the contractor previously used. Both housing management and asset management have lost a professional member of staff. This has required a review of how housing managers and surveyors plan their time whilst still being responsive to customer demands. In PR and marketing, two posts have been lost. This has inevitably reduced our ability to communicate in detail. We will still be able to get our message across. Following the deletion of the Community Support Manager post, a review is being undertaken to determine how resident involvement is taken forward. The business development department has been restructured and slimmed down as it deals with a more limited development programme.

Asset management non-staff costs will make efficiencies from the overall planned revenue programme. This includes re-evaluating the replacement/work cycles and priorities to ensure major repairs are only done where and when necessary. The emphasis will be on capital replacements wherever justified, rather than repeated revenue repairs.

Housing management non-staff costs will reduce expenditure across a range of different areas – the most significant being community grants,

tenant consultation, relocation and incentives, environmental improvements and aids and adaptations.

The leaseholder management fee has increased so that it recovers costs and the policy cap on the maximum increase in service charges has been increased; both of these together will generate almost £0.2m per annum.

HomeFix is contributing £0.4m to the efficiencies required during 2016/17. This will be achieved in a number of different ways. This includes a reduction in the number of staff in the business support team, improved operative efficiency through zoning and the new managed store, a reduction in the reliance on contractors for responsive repairs, procurement efficiencies through the new materials supply contract with Buildbase and increasing income by providing in-house services for asset management (thereby spreading the HomeFix overhead over a larger volume of activity). The cost of providing these services for asset management has been benchmarked against the external cost of these services to ensure that value for money is being achieved.

The balance of efficiencies of £1m will be made from 2017/18 to 2019/20. HomeFix will contribute £0.3m of this by continuing to improve its operating efficiency and extend the work it does to spread its overheads over a higher volume of activity. The contingency of £0.25m built in to the budget will be removed.

Saxon Weald still holds funds generated by issuing the bond. Interest is payable on these funds, so we will generate a net contribution to the income and expenditure account by re-balancing the development programme to include fewer affordable rent homes, introducing some market rent homes and increasing market sale homes. This will contribute a net £0.4m in 2019/20.

In addition to this £1m of efficiencies in 2017/18

to 2018/19, the market rent homes at Pelham and Waverley Courts purchased in April 2016, will contribute £0.5m in 2017/18 and £0.7m in 2018/19 to our bottom line. This will be spent on developing new homes and ensuring that Saxon Weald maintains a sound financial position.

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

- **Restructure our customer service staff into a single team which will result in greater efficiencies through improved flexibility and cover arrangements;**
- **Continue to improve our Customer Relationship Management (CRM) system to include all e-mail contacts and social media contacts;**
- **Continue to improve our in-house information knowledge system which provides the customer service teams with all relevant information and scripts to deal with customer queries;**
- **Deliver a new bespoke customer service training programme which will ensure staff have the right skills and tools available to them to deal with queries at the first point of contact. This programme includes training on the behaviours and attitudes required to deliver good customer service but also on the use of the new CRM and information systems necessary to aid the effective resolution of customer queries;**
- **Heavily promote our self-service portal which is a more efficient way of doing business both for the customer and for us. Over time, we will look to see a reducing number of telephone calls coming into the organisation as more people do business with us via the portal. We will be anticipating associated efficiencies in staff time over a longer timescale as a result;**
- **For HomeFix we will maximise operatives' productive time and reduce travel costs. We aim to achieve a first time fix rate of 85%, reduce the time to complete a repair to eight days and maintain tenant satisfaction with repairs at 85%+;**
- **Complete a five-year revolving £20m loan to enable Saxon Weald to continue to make development commitments;**



- An independent review of pension provision at Saxon Weald;
- Achieve an operating margin greater than 30% and a cash interest cover of at least 150%;
- Start on site in 2016/17, the development of 122 new homes; and
- Continue to improve our understanding of financial and social return on assets and identify the worst performing homes and understand why, to inform our decision making.

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

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

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

strives for:

By Order of the Board
Simon Turpitt, Chairman

11 July 2016

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

Housemark Benchmark Data - Comparison Housing Associations

Alliance Homes	Raven Housing Trust
Bracknell Forest Homes	Red Kite Community Housing
Coastline Housing	Richmond Housing Partnership
Cottsway Housing Association	Selwood Housing
Housing Solutions	Sentinel Housing Association
Magna Housing Association	Soha Housing
Magna West Somerset Housing Association	Teign Housing
MHS Homes	Town and Country Housing Group
North Devon Homes	Two Rivers Housing
Ocean Housing	Vale of Aylesbury Housing Trust
Phoenix Community Housing	West Kent Housing Association
Poplar HARCA	Worthing Homes



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

We have audited the parent and group financial statements of Saxon Weald Homes Limited for the year ended 31 March 2016 (the "financial statements") on pages 63 to 96. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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.

Respective responsibilities of Board Members, as Trustees and auditor

As explained more fully in the Statement of Board Members' Responsibilities set out on page 20, the Trustees (who are also the directors of the company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed auditors under the Companies Act 2006 and section 151 of the Charities Act 2011 and report in accordance with those Acts.

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

Scope of the audit of the financial statements

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

Opinion on financial statements

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 2016 and of the income and expenditure of the group and the association for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Opinion on other requirement of the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

ANDREW MONTEITH
(Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP
(formerly Baker Tilly UK Audit LLP),
Statutory Auditor Chartered Accountants

Marlborough House
Victoria Road
South Chelmsford
CM1 1LN

Date:



Group and Saxon Weald Homes Ltd Statement of Comprehensive Income

for the year ended 31 March 2016

	Notes	Saxon Weald Homes Ltd		Group	
		2016 £000	2015 £000	2016 £000	2015 £000
Turnover	3	43,516	38,810	43,516	38,810
Cost of Sales	3	(3,563)	(1,981)	(3,563)	(1,981)
Operating expenditure	3	(25,356)	(24,348)	(25,356)	(24,348)
Operating surplus	3	14,597	12,481	14,597	12,481
Gain/(loss) on disposal of property, plant and equipment (fixed assets)	7b	669	161	669	161
Interest receivable	5	209	284	209	284
Interest and financing costs	6	(11,466)	11,441)	(11,466)	(11,441)
Unrealised gain on investment properties	11c	545	382	545	382
Surplus before taxation		4,554	1,867	4,554	1,867
Taxation	9	-	-	-	-
Surplus for the year		4,554	1,867	4,554	1,867
Actuarial (loss)/gain in respect of pension scheme	29	2,793	(1,576)	2,793	(1,576)
Total comprehensive income / (loss) for the year		7,347	291	7,347	291

These financial statements were approved by the Board on 11 July 2016

All amounts relate to continuing activities

The notes on pages 66 to 94 form part of these financial statements

Group and Saxon Weald Homes Ltd Statement of Financial Position

as at 31 March 2016

	Notes	Saxon Weald Homes Ltd		Group	
		2016 £000	2015 £000	2016 £000	2015 £000
Fixed assets					
Intangible assets	10	431	417	431	417
Housing properties	11a	280,410	272,704	280,410	272,704
Other fixed assets	11b	1,908	1,829	1,908	1,829
Investment properties	11c	6,613	6,068	6,613	6,068
Investment in subsidiaries	12	50	50	-	-
		289,412	281,068	289,362	281,018
Current assets					
Properties held for sale	14	6,635	6,226	6,635	6,226
Stock	15	123	117	123	117
Trade and other debtors	16	4,059	2,135	4,059	2,135
Cash and cash equivalents		32,562	35,615	32,574	35,627
		43,379	44,093	43,391	44,105
Creditors: amounts falling due within one year	17	(13,377)	(13,328)	(13,377)	(13,328)
Net current assets		30,002	30,765	30,014	30,777
Total assets less current liabilities		319,414	311,833	319,376	311,795
Creditors: amounts due after more than one year					
Bond issue	18	-	-	220,419	220,304
Loans from group companies	18	220,419	220,304	-	-
Long term creditors - due to group companies		38	38	-	-
Grant creditors	18	59,700	57,972	59,700	57,972
		280,157	278,314	280,119	278,276
Provisions for Liabilities					
Pension provision	29	3,015	4,617	3,015	4,617
Other provisions - previous designated reserves	24	29	36	29	36
		3,044	4,653	3,044	4,653
Reserves					
Income and expenditure reserve		36,213	28,866	36,213	28,866
		36,213	28,866	36,213	28,866
		319,414	311,833	319,376	311,795

In view of the constitution of the company, all shareholdings relate to non-equity interests, as disclosed in note 26. The notes on pages 66 to 94 form part of these financial statements.

These financial statements were approved by the Board and authorised for issue on 11 July 2016 and signed on its behalf by:

Simon Turpitt
Chairman

David Standfast
Chief Executive

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 2016

	Income & Expenditure Reserve
	2016
	£
Balance at 1 April 2014	28,575
Total comprehensive income for the year	291
Balance as at 31 March 2015	28,866
Total comprehensive income for the year	7,347
Balance as at 31 March 2016	36,213

The notes on pages 66 to 94 form part of these financial statements

Group Statement of Cash Flows

for the year ended 31 March 2016

	Notes	2016 £000	2015 £000
Operating activities			
Net cash generated from operations	26	20,439	14,806
Returns on investments and servicing of finance			
Interest received	5	209	284
Interest paid		(12,128)	(12,140)
Net cash generated from/(used in) operating activities		8,520	2,950
Cash flow from investing activities			
Acquisition and construction of housing properties		(11,944)	(19,732)
Component replacement		(3,220)	(4,306)
Sale of properties* (including amount to be repaid to Horsham District Council)		1,157	(808)
Purchase of other tangible fixed assets		(220)	(79)
Purchase of other intangible fixed assets		(83)	(203)
Grants received		2,737	2,319
Net cash flow used in investing activities		(11,573)	(22,429)
Net decrease in cash and cash equivalents		(3,053)	(19,479)
Cash and cash equivalents at beginning of year		35,627	55,106
Cash and cash equivalents at end of year		32,574	35,627

* Includes £299,000 paid to Horsham District Council in 2015/16 in respect of Right to Buy proceeds 2014/15 and £504,000 proceeds to be passed to Horsham District Council in 2016/17 in respect of Right to Buy sales 2015/16.



Notes to the Financial Statements

for the year ended 31 March 2016

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

2 Accounting policies

Basis of accounting

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

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

Basis of consolidation

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

Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes. All financial statements are made up to 31 March 2016.

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

Reduced Disclosures

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

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

Going Concern

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

Turnover

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

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

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

Other Income

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

Intangible fixed assets - Software

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

Tangible fixed assets - Housing properties

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

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

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

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

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

Tangible fixed assets - Housing properties

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

Investment properties

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



Notes to the Financial Statements

for the year ended 31 March 2016

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

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

Government grants

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

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

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

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

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

Depreciation of housing properties

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

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

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

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

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

Capitalisation of interest and development administration costs

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

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

Mixed tenure development

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

Major repairs and refurbishments

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

other cases, major repairs are charged to the income and expenditure account 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 2016

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

Right to acquire (RTA) sales

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

Value added tax

All expenditure is stated including irrecoverable value added tax.

Stock

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

Supporting People income and expenditure

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

Service charges

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

Taxation

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

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

Employee benefits

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

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

Pension costs

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

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

Asset/Liability

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

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

Gains/Losses

Gains or losses recognised in profit or loss:

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

Gains or losses recognised in other comprehensive income:

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

Financial instruments

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

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



Notes to the Financial Statements

for the year ended 31 March 2016

Financial assets

Debtors

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

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

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

Financial liabilities

Creditors

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

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

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

Borrowings

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

Provisions

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

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

Operating leases

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

Investment in subsidiaries

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

Critical accounting estimates and areas of judgement

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

Critical accounting estimates and assumptions

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

Critical areas of judgement

The Group and Company make judgements regarding the level of impairment on the carrying value of both debtors and

fixed assets. For debtors this judgement is on the basis of discounted net present value. For fixed assets the judgement is assessed on a combination of existing use value - social housing, discounted cash flow, and depreciated replacement cost.



3 Group turnover, operating costs and operating surplus

Social housing lettings

General needs, retirement and shared ownership housing (See note 3a)

Other social housing activities

- Shared ownership first tranche and sales
- Other social housing activities

Non social housing activities

- Income from lettings (garages)

	2016	2015
Turnover £000	Operating surplus £000	Operating surplus £000
38,257	12,901	11,331
4,641	1,078	463
62	62	129
-	-	0
556	556	558
43,516	14,597	12,481

3a Group income and expenditure from social housing lettings

Income

Rents receivable net of identifiable service charges

Service charge income

Amortised Government Grants

Turnover from social housing lettings

Expenditure

Management

Service charge costs

Responsive maintenance (routine maintenance)

Planned and cyclical maintenance

Major repairs expenditure

Bad debts

Depreciation of housing properties*

Pension (past service costs, curtailments and one off costs)

Other costs

Operating costs on social housing lettings

Surplus / (deficit) on social housing lettings

	2016	2015		
General needs £000	Retirement housing £000	Shared ownership £000	Total £000	Total £000
25,362	7,328	70	32,760	30,716
629	4,263	23	4,915	4,424
85	487	10	582	536
26,076	12,078	103	38,257	35,676
(2,388)	(1,411)	(24)	(3,823)	(3,855)
(691)	(4,921)	(24)	(5,636)	(5,301)
(2,593)	(1,386)	(20)	(3,999)	(4,327)
(1,252)	(996)	(1)	(2,249)	(2,844)
(1,039)	(225)	-	(1,264)	(1,419)
(39)	(40)	(3)	(82)	(118)
(3,614)	(1,684)	(134)	(5,432)	(5,088)
(1,766)	-	-	(1,766)	(216)
(1,071)	(34)	-	(1,105)	(1,177)
(14,453)	(10,697)	(206)	(25,356)	(24,345)
11,623	1,381	(103)	12,901	11,331

Voids - rent lost through dwellings being vacant (232) (288) - (520) (407)

* Includes accelerated depreciation of £298,000 (2015 £302,000).

4 Accommodation in Management and Development

Under management at end of year:

Social Housing

General needs housing

- Social
- Affordable
- Owned general needs managed by others

Retirement and supported housing

- Social
- Affordable

Shared ownership

Leasehold for older people

Total Social Housing

Leasehold flats

Total owned and managed

	2016	Group	2015
Number	Number	Number	Number
3,415		3,426	
559		478	
44		44	
1,464		1,465	
140		75	
127		119	
157		146	
5,906		5,753	
470		463	
6,376		6,216	

Under development at end of year:

Rented Homes

Shared Ownership

Affordable Rent

Full Market Sale

164 329



5 Interest receivable and similar income

	Saxon Weald Homes Ltd		Group	
	2016	2015	2016	2015
	£000	£000	£000	£000
Interest on bank deposits	209	284	209	284
	209	284	209	284

6 Interest payable and similar charges

	Saxon Weald Homes Ltd		Group	
	2016	2015	2016	2015
	£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	34	45	34	45
Amortisation of bond premium and fees	115	109	115	109
Pension fund interest cost	888	926	888	926
Pension fund expected return on assets	(724)	(805)	(724)	(805)
Capitalised interest on development*	(941)	(928)	(941)	(928)
	11,466	11,441	11,466	11,441

* 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% (2015 5.5%)

7 Group surplus on ordinary activities before taxation

Is stated after charging:

	2016	2015	2016	2015
	£000	£000	£000	£000
Depreciation of housing properties (including accelerated depreciation of £298k (2015 £302k) (note 11a))	5,432	5,173	5,432	5,173
Depreciation of other tangible fixed assets (note 11b)	179	170	179	170
Amortisation of other intangible fixed assets (note 10)	139	109	139	109

Fees payable to RSM UK Audit LLP in respect of both audit and non-audit services are as follows:

	2016	2015	2016	2015
	£000	£000	£000	£000
Audit services - statutory audit of the company				
• in their capacity as auditors	56	49	56	49
Operating lease expenditure	344	365	344	344
Salaries directly attributable to development projects capitalised	489	576	489	576

7a Surplus on sale of fixed assets - Housing properties

	2016	2015	2016	2015
	£000	£000	£000	£000
Disposal Proceeds	1,948	3,349	1,948	3,349
Carrying value of fixed assets	(1,231)	(3,159)	(1,231)	(3,159)
Other costs to sell	(28)	(29)	(28)	(29)
Transfer from current assets	(20)	-	(20)	-
	669	161	669	161
Capital grant recycled (note 19)	108	716	108	716
Disposal proceeds fund (note 20)	230	361	230	361

7b Surplus on sale of shared ownership

	2016	2015	2016	2015
	£000	£000	£000	£000
Disposal Proceeds	4,641	2,444	4,641	2,444
Carrying value of fixed assets	(2,970)	(1,382)	(2,970)	(1,382)
Cross subsidy	(563)	(578)	(563)	(578)
Other costs to sell	(30)	(21)	(30)	(21)
	1,078	463	1,078	463



8 Employees

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

Actual

	2016 Number	2015 Number
• Office and management *	103	105
• Housing support and care *	36	36
• Maintenance **	39	41
	178	182

Full time equivalents

	2016	2015
• Office and management *	95	99
• Housing support and care *	33	34
• Maintenance **	39	41
	167	174

* Full time equivalents are calculated based on a standard working week of 37 hours.

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

Staff costs for the above

	£'000	£'000
Wages and salaries	6,616	6,565
Social security costs	554	518
Other pension costs and current service cost (note 29)	2,603	1,014
	9,773	8,097

The full time equivalent number of staff who received remuneration.

	2016 Number	2015 Number
£60,000 to £70,000	5	6
£70,001 to £80,000	2	3
£80,001 to £90,000	1	1
£90,001 to £100,000	2	2
£100,001 to £110,000	1	1
£110,001 to £120,000	1	0
£120,001 to £130,000	0	0
£130,001 to £140,000	1	1
£140,001 to £150,000	0	0
£150,001 to £160,000	0	0
£160,001 to £170,000	1	1
	14	15

Executive directors and Board members

Executive directors

	2016 £	2015 £
Remuneration and fees	583	571
Company contribution to defined benefit scheme	85	83
Money value of benefits in kind	29	20
Expense allowances (subject to tax)	0	0
	697	674

The Executive directors and Board members are considered key management personnel for the purposes of FRS 102 and their remuneration is £896,000 (2015: £835,000)

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

	2016	2015
Defined benefit schemes was:	5	5
	5	5

Highest paid director

	2016 £	2015 £
Remuneration (includes benefits in kind and excluding pension)	164	160
Amounts receivable under long term incentive schemes	0	0
Company contributions to pension scheme	22	22
	186	182
Accrued lump sum at year end (defined benefit scheme)	0	0

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'

	2016 £	2015 £
Emoluments	50	49
	50	49



9 Group taxation on surplus on ordinary activities

	2016 £000	2015 £000	2016 £000	2015 £000
Factors affecting charge for the period				
Surplus on ordinary activities before taxation	4,554	1,867	4,554	1,867
Surplus on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21% (2013/14: 23%)	911	392	911	392
Effects of:				
Charitable exemption	(911)	(392)	(911)	(392)
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 Intangible Fixed Assets

Cost

	Software £	Total £
At 1 April 2015	1,317	1,317
Additions	153	153
At 31 March 2016	1,470	1,470

Accumulated Amortisation

At 1 April 2015	900	900
Charge for the year	139	139
At 31 March 2016	1,039	1,039

Carrying amount:

At 31 March 2016	431	431
At 31 March 2015	417	417

11a Group tangible fixed assets - housing properties

Cost	Completed properties available for letting Shared ownership		Properties under construction Shared ownership		TOTAL £000
	£000	£000	£000	£000	
At 1 April 2015	264,570	14,543	22,237	1,831	303,181
Schemes completed	22,518	1,476	(22,518)	(1,476)	-
Replacement components	3,220	-	-	-	3,220
Additions	20	-	9,920	1,096	11,036
Write back of surplus on first tranche sales	(563)	-	-	-	(563)
Sales*	(426)	(195)	-	-	(621)
Components disposed of	(605)	-	-	-	(605)
At 31 March 2016	288,734	15,824	9,639	1,451	315,648

Depreciation and impairment**

At 1 April 2015	29,959	357	160	-	30,476
Charge for the year	5,014	120	-	-	5,134
Impairment on schemes held for development	-	-	-	-	-
Disposals	(53)	(12)	-	-	(65)
On components disposed of	(307)	-	-	-	(307)
At 31 March 2016	34,613	465	160	-	35,238

Carrying amount:

At 31 March 2016	254,121	15,359	9,479	1,451	280,410
At 31 March 2015	234,610	14,186	22,077	1,831	272,704

The cumulative amount of capitalised interest included in fixed asset housing properties at 31 March 2016 was £5,062,000 (2015 £4,121,000).

Housing properties book value net of depreciation

	2016 £	2015 £
Freehold properties	261,323	253,368
Long leasehold properties	19,087	19,336
	280,410	272,704

Works to existing rented properties

Replacement components capitalised as above	3,220	4,306
Major repair works charged to revenue (note 3)	1,264	1,419
	4,484	5,725

All housing properties are for social housing use

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

** Accumulated impairment at year end is £160,000 (2015: £160,000).



11b Tangible Fixed Assets - Other

	Freehold office	Office	IT	Total
	£000	£000	£000	£000
Cost				
At 1 April 2015	2,599	79	1,004	3,682
Additions	19	1	227	247
Disposals	-	-	-	-
At 31 March 2016	2,618	80	1,231	3,929
Depreciation				
At 1 April 2015	982	73	797	1,852
Reclassification	-	-	-	-
Charge for the year	82	2	85	169
Disposals	-	-	-	-
At 31 March 2016	1,064	75	882	2,021
Carrying amount:				
At 31 March 2016	1,554	5	349	1,908
At 31 March 2015	1,617	5	207	1,829

11c Investment Properties

	2016	2015
	£000	£000
Group		
At 1 April 2015	6,068	5,687
Disposals	-	(1)
Additions	-	-
Increase in value	545	382
Increase in value	6,613	6,068

Investment properties were valued as at 31 March 2016 by Savills (UK) Limited, Chartered Surveyors. The valuation of the group's 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 2016 and 31 March 2015 was £1,218,000.

	2016	2015
	%	%
The key assumptions used were:		
Discount rate	10%	10%
Inflation rate - medium term (CPI)	2%	2%
Long term rental increases	CPI + 1%	CPI

12 Company investments in subsidiaries

	2016	2015
	£000	£000
Cost		
At 1 April	50	50
Investment in Saxon Weald Capital Plc. 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.

13 Subsidiary Undertakings

Saxon Weald Homes Ltd subsidiary undertaking is:

Name of undertaking	Class of shareholding	Proportion of nominal value held directly	Nature of business
Saxon Weald Capital plc Registered in England	Ordinary	100% (2015: 100%)	Group financing.

14 Group properties held for sale

	2016	2015
	£000	£000
Shared ownership completed properties	770	1,514
Work in progress	5,838	4,668
Other property to be sold	27	44
	6,635	6,226

15 Stock

The stock holding relates to materials held on vans for the in-house repairs team to use for completing repair jobs. The value of stock held as at 31 March 2016 was £123,000 (2015 £117,000)



16 Group debtors Amounts falling due within one year:

	2016 £000	2015 £000
Amounts receivable within one year:		
Rents and services receivable	989	1,030
Less: provision for bad debts	(208)	(255)
	781	775
Other debtors	535	632
Social housing grant receivable	-	65
Prepayments and accrued income	2,743	663
	4,059	2,135

17 Group creditors: amounts falling due within one year

	2016 £000	2015 £000
Housing Loan interest	3,854	3,854
Contractors for certified work	3,372	5,221
Other taxes and social security costs	163	165
SHG received in advance	657	-
Rent charged in advance	317	496
Rent paid in advance	277	272
Trade creditors	959	1,013
Deferred capital grant	573	571
Other creditors	2,701	1,437
Due to Horsham DC re. RTB sales receipts	504	299
	13,377	13,328

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

	2016 £000	2015 £000
Debt (note 23)	220,419	220,304
Recycled capital grant fund (note 19)	2,705	2,597
Disposal proceeds fund (note 20)	976	746
Deferred capital grant (note 21)	56,019	54,629
	280,119	278,276

19 Group Recycled Capital Grant Fund

Funds pertaining its activities within areas covered by:

	HCA 2016 £000	HCA 2015 £000
Opening balance inputs to RCGF:		
As at 1 April 2015	2,597	863
Grants recycled	108	716
Excess of grant received from HCA due to tenure mix change	-	1,017
Closing balance	2,705	2,597
Amounts 3 years or older where repayment may be required:	-	-

20 Group Disposal Proceeds Fund (DPF)

Funds pertaining its activities within areas covered by:

	HCA 2016 £000	HCA 2015 £000
Opening balance inputs to DPF:		
As at 1 April 2015	746	385
Funds recycled	230	361
Closing balance	976	746
Amounts 3 years or older where repayment may be required:	-	-

21 Group Deferred Capital Grant

	2016 £000	2015 £000
Grant		
As at 1 April	57,342	56,939
Additions	2,066	2,139
Disposals	(100)	(1,165)
Movement on deferred capital grant	(2)	(571)
As at 31 March	59,306	57,342
Amortisation		
As at 1 April	(2,713)	(2,177)
Charge for the year	(580)	(548)
Eliminated on disposal	6	12
As at 31 March	(3,287)	(2,713)
Carrying amount at 31 March	56,019	54,629



22 Group Financial Instruments

Measured at amortised cost

Financial assets:

	2016 £000	2015 £000
Cash and cash equivalents	32,574	35,627
Other financial assets (included in note 16)	1,315	1,473
Total	33,889	37,100

Financial liabilities

Debt*	220,419	220,304
Other financial liabilities (included in note 17)	11,553	11,988
Total	231,972	232,292

Further details are provided within note 23

23 Group borrowings

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

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

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

	Saxon Weald Homes Ltd		Group	
	2016 £000	2015 £000	2016 £000	2015 £000
Loans to Group undertakings	220,419	220,304	0	0
Total housing loans	220,419	220,304	0	0
Bond Issue			225,000	225,000
Bond premium and fees			(4,581)	(4,696)
Net bond	220,419	220,304	220,419	220,304
Total Creditors: amounts falling due after one year	220,419	220,304	220,419	220,304

	Saxon Weald Homes Ltd		Group	
	2016 £000	2015 £000	2016 £000	2015 £000
Loans repayable by instalments:				
In five years or more	220,419	220,304	220,419	220,304
	220,419	220,304	220,419	220,304

24 Provisions for liabilities

	Holiday Pay £000
As at 1 April 2015	36
Utilised in the year	(7)
As at 31 March 2016	29

Holiday Pay

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

25 Share capital

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



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

	2016 £000	2015 £000
Surplus after tax for the year	4,554	1,867
Adjustments for:		
Depreciation of tangible fixed assets	5,601	5,258
Amortisation of intangible assets	139	109
Amortisation of government grants	(582)	(536)
Fair value gains on investment properties	(545)	(382)
Defined benefit pension scheme	1,027	216
(Gain)/loss on disposal of tangible fixed assets	(668)	(161)
(Increase) / decrease in properties held for sale	(409)	(3,552)
Restriction of surplus on first tranche sales	563	578
Interest receivable	(209)	(284)
Interest and financing costs	11,466	11,441
Operating cash flows before movements in working capital	20,937	14,554
Decrease/(increase) in stock	(9)	(33)
Decrease/(increase) in trade and other debtors	(1,918)	(400)
Increase/(decrease) in trade and other creditors	1,429	685
	(498)	252
Cash generated from operations	20,439	14,806

Cash and cash equivalents

	2016 £000	2015 £000
Cash and cash equivalents represent:-		
Cash at bank	32,574	35,627
	32,574	35,627

27 Capital Commitments

	2016 £000	2015 £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	24,848	13,910
To be spent after 1 year	4,717	14,141
	29,565	28,051
Capital expenditure for new development / acquisition that has been authorised by the Board but has not been contracted for	1,220	15,350
	30,785	43,401

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

Social housing grant receivable	-	4,085
Property sales	15,812	17,846
Cash	14,973	21,470
	30,785	43,401

In addition to the above, the Board has authorised capital expenditure on property components which have not been contracted for totalling:	5,135	3,686
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28 Group commitments under operating leases

	2016 £000	2015 £000
As at 31 March 2016, 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	334	282
Between one and five years	526	287
	860	569



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 2016.

The employers contribution to the LGPS by Saxon Weald Homes Ltd for the year ended 31 March 2016 was £1,576,000 (2015 - £798,000) at a contribution rate of 16% of pensionable salaries. The employers contribution rate for the year ending 31 March 2017 has been set a 16%. The employers contributions for the year ended 31 March 2017 is estimated to be £860,000.

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

	2016 £000	2015 £000
Changes in the present value of the defined benefit obligation:		
Defined benefit obligation at 1 April	26,522	21,114
Current service cost	1,352	981
Interest cost	888	926
Contributions by scheme participants	353	322
Plan introductions, changes, curtailments and settlements	1,251	33
Benefits paid	(458)	(462)
Actuarial losses/(gains)	(3,042)	3,608
Defined benefit obligation at 31 March	26,866	26,522

	2016 £000	2015 £000
Changes in the fair value of plan assets:		
Plan assets at 1 April	21,905	18,410
Interest income	724	805
Return on plan assets (excluding amounts included in net interest)	(249)	2,032
Contributions by employer	1,576	798
Contributions by scheme participants	353	322
Benefits paid	(458)	(462)
Plan assets at 31 March	23,851	21,905

The actual return on plan assets was £475,000 (2015 £2,837,000)

	2016 £000	2015 £000
Reconciliation to balance sheet		
Fair value of employers assets	23,851	21,905
Present value of funded liabilities	(26,866)	(26,522)
Net (Liability)	(3,015)	(4,617)

Amounts in the balance sheet

Liabilities	3,015	4,617
Net (Liability)	3,015	4,617

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

	2016 £000	2015 £000
Current service cost	1,352	981
Net interest on the net defined benefit pension liability	164	121
Past service cost and losses on curtailments and settlements	1,251	33
Actuarial loss / (gain) in respect of pension scheme	(2,793)	1,576
	(26)	2,711

Financial Assumptions

Discount rate	3.5%	3.2%
Future salary increase rate	3.7%	3.8%
Future pension increase rate	2.2%	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	
	2016	2015
Equity instruments	72%	74%
Debt instruments	16%	15%
Property	9%	6%
Cash	3%	5%

Mortality

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

	Males	Females
Current Pensioners	24.4 years	25.8 years
Future Pensioners	26.9 years	28.5 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:

	Prospective Pensioners	Pensioners
31 March 2016	CMI 2010 Model (non peaked) and a long term rate of improvement of 1.25% p.a.	CMI 2010 Model (non peaked) and a long term rate of improvement of 1.25% p.a.

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

Analysis of projected amount to be charged to operating surplus for the year 31 March 2017

	31 March 2017 £000	% of pay
Projected current service cost	1,159	24.0%
Interest on obligation	959	19.9%
Expected interest income on plan assets	(848)	(17.6%)
	1,270	26.3%

The actuary estimates the employers contributions for the year to 31 March 2017 will be approximately £860,000



30 Post balance sheet events

The purchase of Pelham and Waverley was completed on 21 April 2016, when a final payment of £15,210,000 was made. This investment in 81 market rented homes is to generate a financial return that will help Saxon Weald to achieve its charitable objectives. The garage and carport site within this investment property will be developed for open market sale homes, with the surplus used to help fund affordable homes. It is intended to establish a fully owned non-charitable subsidiary to assist in achieving this outcome.

Saxon Weald has agreed a £20m five-year revolving loan from the Abbey National on the 4 July 2016. This will ensure there is sufficient liquidity to support the committed development in the board approved 2016 business plan.

31 Related Parties

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

32 First time adoption of FRS102

These financial statements are the first financial statements of Saxon Weald Homes Limited prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102). The financial statements of Saxon Weald Homes Limited for the year ended 31 March 2015 were prepared in accordance with the previous UK GAAP.

Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from the previous UK GAAP. Consequently, the directors have amended certain accounting policies to comply with FRS 102.

Comparative figures have been restated to reflect the adjustments made, except to the extent that the directors have taken advantage of exemptions to retrospective application of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'. Adjustments are recognised directly in retained income and expenditure reserves at the transition date.

Reconciliations and descriptions of the effect of the transition to FRS 102 on; (i) capital and reserves at the date of transition to FRS 102, being 1 April 2014; (ii) capital and reserves at the end of the comparative period; and (iii) surplus for the comparative period reported under the previous UK GAAP are given below.

Under FRS 102, the Statement of Cash Flows presents changes in cash and cash equivalents (which include cash in hand, deposits repayable on demand and overdrafts and short-term, highly liquid investments), showing changes arising from operating activities, investing activities and financing activities separately. Under previous UK GAAP, the Cash Flow Statement presented changes in cash (which includes cash in hand, deposits repayable on demand and overdrafts) under the headings of operating activities, returns on investments and servicing of finance, taxation, capital expenditure and financial investment, acquisitions and disposals, equity dividends paid, management of liquid resources, and financing.

Reconciliation of capital and reserves - Group

	2014	2015
Notes	£000	£000
Capital and reserves as previously reported under UK GAAP	23,530	23,353
Fair value gain/(losses) on investment properties	B 4,740	5,121
Holiday pay accrual	C (43)	(36)
Adjustment for depreciation	D (1,829)	(2,286)
Adjustment for government grant amortisation	E 2,177	2,714
Capital and Reserves reported under FRS102	28,575	28,866

Reconciliation of surplus - Group and Company

	2015
Notes	£000
Surplus as previously reported under UK GAAP	1,735
LGPS Pension scheme	A (337)
Fair value gain on investment properties	B 382
Holiday pay accrual	C 7
Adjustment for depreciation	D (457)
Adjustment for government grant amortisation	E 537
Surplus reported under FRS102	1,867



First time adoption of FRS102 (continued)

Notes

A LGPS Pension Scheme

The expected rate of return on plan assets was recognised in profit or loss under previous UK GAAP for the year ended 31 March 2015. In the same period, a difference of £1,913,000 between the actual return and expected return was recognised in other comprehensive income. Under FRS 102, interest income of £337,000 was recognised on the plan assets using the discount rate applied to the defined benefit obligations, which is based on market yields for high quality corporate bonds. The amount recognised in other comprehensive income was £1,576,000, being the difference between the actual return and the interest income recognised in profit or loss.

B Investment properties

During the year ended 31 March 2015, fair value gains on investment properties were £382,000. These were not previously recognised under UK GAAP as they were recognised at cost. Under FRS 102, those fair value gains and losses result in a surplus of £382,000. In addition the RP SORP 2014 requires properties held for commercial purposes to be treated as investment properties and therefore £1,218,000 which were previously treated as housing properties have now been transferred to investment properties and a fair value allocated within the Statement of Financial Position. This was £4,740,000 on transition on 31 March 2014.

C Holiday accrual

FRS102 requires holiday pay to be accrued as a liability specifically and therefore as at 31 March 2015 a provision has been made of £36,000 reflecting the value of holiday pay entitlement which had not been taken as at that date by employees.

D Depreciation

Under FRS 102, depreciation is provided on the gross cost of the asset unlike under previous UK GAAP where government grant would be applied to net off the cost of acquisition or replacement of component parts.

E Government grants

Government grants are now amortised and taken to income over the life of the asset to which they are applied.





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