



Saxon
Weald

Saxon Weald Homes Limited Group

Annual Report and Financial Statements

For the year ended 31 March 2015



Company Registered number 3847737

Registered Charity Number 1114158

Registered with the Homes and Communities Agency L4299

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Board, Executive Directors and Advisers

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 2014
I	David Allan Avery (Chairman) (resigned 22 September 2014)	
CO	Norman Hill BSc Econ (Hons), CPFA (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	Christine Maclean (22 September 2014 to 2 December 2014)	
I	Charlotte Moore B.Eng (Hons), C. Eng, MBA(MSc)	Audit & Risk, Governance & Remuneration Committees and Complaints Review Panel
I	Richard Perry (from 8 December 2014)	Finance and New Business 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 from 22 September 2014)	Emergency, Finance, Governance & Remuneration and New Business Committees.
I	Richard Venables Kyrke	Audit & Risk, Emergency and New Business Committees.
I	Stephanie White MBA (Vice Chairman)	Emergency, Finance, New Business, Governance & Remuneration Committees
T	Vanessa Williams	Complaints Review Panel, Audit & Risk and Governance & Remuneration Committees

Registered Office

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

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
Mark Crosby BSc, MRICS	Business Development Director
Steven Dennis	Business Improvement Director
Kath Hicks BSc (Hons)	Housing Director
Norman Hill BSc Econ (Hons), CPFA	Finance Director

External Auditor

Baker Tilly UK Audit LLP
Statutory Auditor
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
Town Centre
Horsham
West Sussex
RH12 1FD

Solicitors

Trowers & Hamlin
3 Bunhill Row
London
EC1Y 8YZ

Capsticks
Staple House
Staple Gardens
Winchester
SO23 8SR

TLT Solicitors
One Redcliffe Street
Bristol
BS1 6TP

The strategic report incorporates the operating and financial review.

The Company's main accounting policies are set out on pages 58 to 63 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 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.

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 currently owns 6,216 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 28% of the social rented homes owned. In addition to rented homes, we manage 119 shared ownership homes, 146 leasehold homes for older people and the freehold of 463 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 rent homes to 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 1,200 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 2014/15, net interest payable on debt was 28% of turnover.

Purpose, Objectives and Strategy

Charitable purpose

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

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

Objectives and strategy

Saxon Weald is directed by the Board and Executive Team who are listed on pages four and five

Our purpose is to improve the quality of life for our customers and neighbourhoods.

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

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

These are underpinned by strategic objectives which are:

- 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

Each strategic objective has a number of corporate objectives, which are set annually – usually for implementation within the year - and are the key corporate action points.

As well as receiving progress reports on the achievement of corporate 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 2014-15, Saxon Weald made a surplus on ordinary activities of £1.7m (2014: £1.0m) which is £0.4m below the target surplus for the year. The 2014/15 surplus is £0.7m more than the surplus for 2013/14 of £1.0m. At the balance sheet date, 31 March 2015, Saxon Weald held £35.6m cash to fund future development and had revenue reserves of £21.6m. This is £0.1m less than revenue reserves at 31 March 2014 due to an actuarial deficit of £1.9m on the pension scheme liability more than offsetting the surplus for the year.

The net cost of housing properties (after depreciation and social housing grant) on the balance sheet at 31 March 2015 is £218m, which is an increase of £20.8m on the net cost at 31 March 2014. During the year, we completed 130 new homes and started building 136 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. At 31 March 2015, Saxon Weald had capital commitments of £42.7m, of which £23.7m has been contracted for and £19.0m which has been authorised by the Board but is not in contract.

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 FRS17. 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 2015 is £4.6m, an increase in the deficit of £1.9m since 31 March 2014. Actuarial losses of £1.9m are shown in the statement of total recognised surpluses and deficits. The total pension charge in the income and expenditure account amounts to £1.0m, including employer contributions paid of £0.8m, an additional £0.2m charge to staffing costs to match this to current service costs and a credit of £0.2m applied to interest costs.

Financial Performance

The company returned a surplus on ordinary activities of £1.7m. This is £0.4m below the target surplus for the year. Income is £0.3m higher than budget, operating expenditure £1.5m higher than budget, cost of sales £0.2m higher than budget, an unbudgeted surplus on sale of fixed assets of £0.2m and net interest £0.8m lower than budget.

Rent and service charge income is £0.1m below budget largely due to the late handover of affordable rented homes. Right to buy sales receipts are £0.1m below budget as a result of a lower number of sales than budgeted for.

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, new developments out-performed their development appraisals (costs lower and/or sales income higher), so that after reducing the costs of the rented homes on the balance sheet by £0.6m, there is £0.5m surplus taken to the income and expenditure account.

Staffing costs are £0.4m higher than budget, largely due to the additional pension charge resulting from the actuarial valuation and the engagement of two interim senior managers.

The severe storms in late 2013/14 continued to have an adverse impact on the volume of repairs in the first half of 2014/15, particularly for fence replacement and for damp issues where root cause analysis took some

time and a period of drying out was necessary before repair work. This resulted in an overspend of £0.8m on responsive maintenance. The number of repairs completed returned to normal levels in the second half of the year. In addition, there was an overspend of £0.2m on maintenance works contracts.

During the year, there were an unusually high number of major voids. Normally, there are around 40 to 50 major voids per annum, but this year work was completed on 95 major voids. The additional cost of major voids in 2014/15 was £0.9m, of which, the charge to the income and expenditure account was the vast majority of the £0.5m overspend on major repairs. The balance of the additional cost involved replacing major components (mainly kitchens and bathrooms) and was charged to fixed assets on the balance sheet. In the last quarter of 2014/15 and to date, the number of major voids and therefore spend, is back in line with the long term trend.

Net interest charged to the income and expenditure account was £0.8m less than budgeted for. This was largely as a result of higher capitalised interest during construction of new homes and the credit of £0.2m relating to the FRS17 actuarial valuation of Saxon Weald's share of the pension scheme.

A summary of financial performance for the last three years is shown below:

Financial Performance	2014/15	2013/14	2012/13
	£000	£000	£000
Turnover	38,273	36,574	38,392
Cost of sales	(1,981)	(2,658)	(6,687)
Operating costs – ongoing activities	(23,898)	(22,140)	(19,440)
Operating surplus	12,394	11,776	12,265
Net interest charges	(10,820)	(11,209)	(10,120)
Early repayment and breakage costs	-	-	(29,927)
Surplus on sale of fixed assets	161	393	118
Surplus/(deficit) on ordinary activities	1,735	960	(27,664)
Operating margin excluding sales	33%	34%	38%
Cash interest cover	160%	146%	163%*

*excluding early repayment and breakage costs.

Both of the internal financial targets set by the Board have been comfortably achieved. Operating margin excluding first tranche sales at 33% exceeds the target of 30% and cash interest cover at 160% is above the target of 135%.

The other internal target is asset cover of 120%. Savills carried out a valuation of Saxon Weald's properties at 31 March 2015. The total value of the stock on an existing use social housing basis (EUV-SH) is £317.5m. Asset cover comfortably exceeds the target at 141%. It is estimated that at around 320 of our properties could be valued at market value subject to tenancy, with voids sold (MV-ST) basis. This would increase the value of properties by an estimated £20m.

Cash

The cash flow statement on page 57 shows that Saxon Weald generated net cash from operating activities of £14.8m and made net interest payments of £11.9m. There was a net cash outflow of £21.6m after grant on the acquisition, construction and improvement of housing properties and other tangible fixed assets and a net cash outflow from the sale of properties of £0.8m. Included within this net cash outflow from the sale of properties is £1.0m which was paid to Horsham District Council in April 2014. That proportion of net proceeds generated from right to buy sales in one year is paid to Horsham District Council in the following April. The equivalent amount paid to Horsham District Council in April 2015 (generated in 2014/15 and also included in the net cash outflow) is £0.3m.

The group held cash of £35.6m (2014: £55.1m) at 31 March 2015. 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 and we were extremely pleased to be awarded, at the first attempt, Investors in People Gold during 2011. This accreditation is due to be re-assessed in 2015. During 2014/15, the overall level of staff sickness was 4.4% (short-term sickness was 1.8% and long-term sickness was a high 2.6%) which is above Saxon Weald's target of 3.0%.

We continue 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. For example, during 2014/15, residents have been part of the tender assessment and contractor selection panel that re-appointed the grounds maintenance contractor.

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 2013/14.

Operating Performance	2014/15	2013/14	2012/13	2013/14 upper quartile/ median*
	%	%	%	%
Rent arrears – 4 weekly average for March	2.6	2.3	2.4	2.0/2.9
Void rent loss (%)	1.2	1.0	1.1	0.6/0.8
Emergency repairs in target (%)	95.4	96.7	98.6	n/a
Average repair completion time (days)	10.5	8.2	6.0	7.8/9.0
Satisfaction with quality of last repair (% very and fairly satisfied)	95.1	95.3	n/a	97.1/94.8
Overall tenant satisfaction (very and fairly satisfied)	82.3	90.9	82.6	90.2/87.0

*HouseMark 2013/14 Southern LSVTs between 2,500-7,500 homes.

n/a – not available.

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

The March 2015 rent arrears (4 weekly average) of 2.6% whilst higher than previous years, is still better than the target of 2.7%. Similarly, despite the high number of major voids during the year, void rent loss at 1.2% remains less than the target of 1.3%.

The severe storms in late 2013/14 continued to have an adverse impact on the volume of repairs in the first half of 2014/15, particularly for fence replacement and for damp issues where root cause analysis took some time and a period of drying out was necessary before repair work commenced. This has adversely affected repairs performance for the year. The implementation of the recommendations from the repairs service improvement review was also delayed by the high number of repairs in the first half of the year. Repairs performance improved in the second half of the year so that in March 2015 the average number of days to complete a repair was 8.2 days.

Overall tenant satisfaction fell back to 82.3% in 2014/15 from 90.9% in the previous year. We have always prided ourselves on our customer service – having friendly, professional staff who do their best to effectively resolve customer queries and concerns. So, we were hugely disappointed to see our overall resident satisfaction results falling last year. By November 2014 we'd started on a two-year improvement project and are already making good progress.

Customer feedback showed that one of our key weaknesses was our inability to track customer contacts, with particular problems arising when a query had to be passed between departments. In order to address this we are implementing a sophisticated new customer relationship management system, which will capture information about who a customer has spoken to, what action was taken and if anything is outstanding. This makes sure messages are not lost and staff are clear about what they are responsible for and can be held to account accordingly.

Other improvements include the creation of a new knowledge base. This gives our customer service teams access to a much wider range of information, meaning they can answer more queries without passing the customer on. We aim to answer at least 80% of queries at the customer's first point of contact.

The project also includes a commitment to develop a self-service area of our website by December 2015. This will give customers even greater access to our services, at a time which suits them. Features will include checking rent balances, making payments and booking in repairs.

Further improvements include introducing mobile working technology for staff who visit tenants in their homes. We will have the ability to complete forms and checks online with the customer, saving staff substantial administration time in the office and speeding up the service to customers.

Our work also includes building on the quality of our responses to customers. We will be monitoring a proportion of calls taken by our customer service teams to use in reviewing individual performance. We will be updating our customer service training programme, with a view to including an element of external accreditation.

Saxon Weald will continue to use Voluntas to help us monitor customer satisfaction. However, we will be complementing this with a new text-based satisfaction survey which will take place within 24 hours of someone phoning us. This will help us to identify and resolve any problems very quickly.

Saxon Weald continues to invest in our homes to ensure that they are in a good condition for those who live in them. This year we have invested £4.3m replacing components (and therefore charged to fixed assets) in our homes, including 294 kitchens, 226 bathrooms, 311 boilers and 35 heating systems and £4.3m on major repairs and planned and cyclical maintenance charged to the income and expenditure account.

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 2015/16 a further reduction of £200,000 is anticipated, reducing annual Supporting People income to £465,000. A restructure of the Older People's Services team was implemented from January 2013. The restructure saved £205,000 per annum, mainly from management and back office roles. A service improvement review using lean principles was carried out and the improvements have now largely been implemented.

We have provided 354 new homes under our 2011-15 contact with the Homes and Communities Agency (HCA), 13 more than we contracted with the HCA to provide. These homes are funded by loan, local authority grant and shared ownership sales receipts. As part of the contract with the HCA, we agreed to convert 20% (241 homes) of our re-lets to an affordable rent by 2015 and we have achieved this.

After a number of delays to the development of a new extra care scheme in Hailsham, providing 45 affordable rent homes and 10 shared equity homes, work is now progressing well and completion is expected in autumn 2015.

Saxon Weald aims to start building 105 new homes and complete 181 new homes in 2015/16.

Saxon Weald has contracted with the HCA to build 120 new homes as part of the 2015-18 programme. The contract is 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. There is however, £795,000 of local authority grant supporting the contract. The private finance to deliver this programme will be provided from our existing loan and cash holdings.

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. 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>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 from £26,000 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. This will affect both working and non-working tenants under 65 who are in receipt of welfare benefits. The new system has the twin aims of simplifying the benefit system and increasing work incentives for those who are unemployed or working part-time. Information from the pilot projects is that rent arrears increase substantially, probably at least double. Whilst our current rent arrears are low, we are not complacent and we are pro-actively preparing for its introduction 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 new higher affordable rent presents an increased risk to our income stream. Whilst Saxon Weald is not converting any more relets to affordable rent, the vast majority of new developed homes will be let at an affordable rent.</p> <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 is likely to reduce the number of new homes built by Saxon Weald and will require cost savings to be made.</p>
Future Funding	<p>Whilst interest rates are currently low, the market is expecting interest rates to increase sometime over the next 12 months, possibly sooner. Long term (30 year) bank funding continues to be unavailable. We have sufficient liquidity to support the development in our existing business plan.</p>
Regulatory Changes	<p>A new governance and financial viability regulatory standard has been issued by the HCA with effect from 1 April 2015. The aim of this revised standard is to ensure social housing assets in a more diverse sector are protected. Whilst the Board is not required to assess and make a statement on compliance with it in these financial statements, this will be required from the financial statements 2015/16 onwards. We do not believe that this will be an issue for Saxon Weald, but we are currently working to ensure that Saxon Weald fully complies.</p>
Development	<p>The sales housing market is buoyant at the moment, with house prices increasing, particularly in London and the South East. Indeed, there is now concern that affordability is or will shortly become a problem. However, the cyclical nature of the housing market means that it is essential that we continue to effectively project manage our sales programme.</p> <p>Saxon Weald's new model extra care scheme in Horsham, Highwood Mill, is progressing well and handover is expected in the autumn of 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.</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 in excess of £330m. This is more than sufficient for both our current development programme and our on-going business plan target of developing 185 new homes per annum.

The government's affordable rents policy continues. Whilst Saxon Weald does not need to convert any more existing homes from a social rent as part of the 2015-2018 HCA contract, the vast majority of new rented homes will be at an affordable rent. Saxon Weald is continuing to assess the ability of new tenants to pay an affordable rent and supporting, where possible, tenants to pay their rent and stay in their homes.

The reduction in Supporting People income will continue. Saxon Weald is committed to increasing the efficiency and effectiveness of the support we provide, by targeting support to those who most need it and by assessing where support is needed by an individual, so that support is tailored to their specific needs.

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
20 July 2015

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 2015. The Board report includes Saxon Weald's value for money self-assessment. The strategic report is on pages 6 to 14.

Governance

Saxon Weald is governed by a Board comprising nine non executives and two executives, the Chief Executive and the Finance Director. David Avery resigned as Chairman of Saxon Weald in September 2014 and following a comprehensive selection process, was replaced by Simon Turpitt who has been a Board member for several years. The members of the Board are listed on page four.

The Board has adopted the National Housing Federation (NHF) code of governance – excellence in governance. Prior to the resignation of the former Chairman in September 2014, Saxon Weald did not comply with the code because David Avery, had been a member of the Board for 11 years which is in excess of the maximum recommended term of nine years. This was the final part of the transitional arrangements put in place to maintain the effective operation of the Board. Saxon Weald now fully complies with the NHF code of governance. The Board has also adopted 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 Perry joined the Board and followed a formal induction process. Richard is currently a consultant but has previously been a director of West Sussex County Council.

Saxon Weald assesses the skills and experience Saxon Weald requires from its Board members and assesses to what extent the skills and experience existing Board members match these. Following Richard Perry's appointment, 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.

During the year, IngatelC were selected to undertake a Governance Review on behalf of the Board of Saxon Weald, guided by its new Chair, Simon Turpitt. This was a "health check" review which focused on testing whether the board was fulfilling the "good business" expectations of what one would expect to see in the Board programme, including an "audit trail" of key issues discussed.

The review was undertaken through a combination of desk research of key governance documents and interviews with the Chair, Chief Executive, Finance Director (a Board Member and the Secretary) and selected Board members (Martin Loates resident Board member, Stephanie White Vice Chair and Sue Sjuve, Audit and Risk Chair and also providing a mix of longer and shorter terms of office on the Board). The review was also informed by attendance at one Board meeting.

The intention was to balance fact-finding based on interviews with paper-based fact-finding, bearing in mind that

a “health check” review should be relatively tightly time bound. During the period of the review a Board strategy day took place and feedback about that event was provided in the interviews with Board members.

The review showed:

- An established business planning and control framework;
- On-going changes to the risk management framework, taking into account changes in the external and internal environment e.g. sources of funding, increased level of development and overall strategy for growth in number of homes managed, asset management strategy and investment to preserve value;
- An established operating and financial performance reporting framework;
- A customer focused improvement culture;
- A clear resident engagement strategy which has value for money as one of its core objectives and aims to yield tangible improvements to service delivery; and
- Reporting to stakeholders which demonstrates a commitment to accountability and transparency and effective communication e.g. the annual report and care taken to produce a worthwhile new style VfM report.

The conclusion of the report states:

“Saxon Weald comes across as a well- managed organisation whose Board, and executive management are concerned to ensure that the Board adds maximum value. It therefore needs to focus on looking forward and ensuring that there is no complacency, a contribution that the executive as well as the Board is concerned to foster.”

A summary of the key areas identified for potential improvement is as follows:

- Make more space to discuss strategy – including informal conversation;
- Strengthen the link between the (financial) business plan and objective setting process;
- Consider relationship between asset and development, including sources of funding of social housing;
- Consider assets and factors that give rise to variations in asset value, particularly in the light of the HCA’s focus on social housing assets;
- Expectations that registered providers will have an asset register;
- Make some changes to strengthen Saxon Weald’s approach to strategic risk management. This should include a stress testing scenario to inform forward planning and assist in calibrating its risk appetite;
- On-going development of the capacity of the whole Board to add value to Saxon Weald’s success – not considered to be an area of weakness, but one where there is a collective interest in maximising the effectiveness of the Board.

The Board is responding to all of the areas for improvement. This includes its response to the new governance and financial viability regulatory standards and making room for an additional Board informal strategy session, which in April 2015 considered scenario planning and consideration of risk appetite.

During 2014-15, the non-executive Board members at Saxon Weald were paid as follows:

Chairman of the Board Simon Turpitt - from 22 September 2014:	£7,304
Chairman of the Board, David Avery – to 22 September 2014:	£5,411
Committee Chairman and Vice Chairman of the Board, Stephanie White:	£6,493
Committee Chairman, Martin Loates:	£5,411
Committee Chairman, Susan Sjuve:	£5,411
Committee Chairman Richard Venables Kyrke:	£5,411
Other non-executive Board members (or a proportion for part year membership):	£3,787

The total amount paid to non-executive Board members during 2014-15 was £49,177, 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 was carried out in 2011 and payments increased from January 2012.

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 2013 to July 2014, attendance at Board meeting was 91% and attendance at committee meetings 80%. 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 2013 to July 2014, Board members attended 10 external training session and 63 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 July 2013, the Homes and Communities Agency confirmed that we maintained the highest rating for governance and in November 2014, confirmed that we maintained the highest rating for 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 2010 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 2012. 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 2010.

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

Provision of information to auditors

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

Chief Executive and Executive Team

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

Internal controls assurance

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

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

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

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

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

"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 2014/15, there were four frauds involving small losses, which have been recovered.

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 2014/15;
- 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;
- 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 annual risk mapping exercise considered by the Audit and Risk Committee in April 2015 and by the Board in May 2015;
- The annual report of the Audit and Risk Committee;
- 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 2014/15. No material concerns have been raised by the HCA or any other stakeholder to which the Company submits reports or information.

Auditors

A resolution to re-appoint Baker Tilly UK Audit LLP as auditor of the Company will be proposed at the Annual General Meeting.

Contents

1. **Strategy** – Saxon Weald's strategic approach to delivering VFM in the context of its purpose and strategic objectives.
2. **About Saxon Weald** – What type of organisation Saxon Weald is, what it does, where it operates and its focus on homes for older people as well as general needs.
3. **The Board** – How the Board makes decisions on the use of resources and obtains assurance that resources and assets are being used economically, efficiently and effectively in achieving its strategic objectives.
4. **Approach to VFM** – How Saxon Weald continuously seeks to improve VFM to achieve its strategic objectives.
5. **How have we done?** – Saxon Weald's costs and outcomes of delivering specific services over time and compared to others. In the context of achieving its strategic objectives, what VFM gains have been realised, how decisions have been made on the use of assets and its improved understanding of the return on assets.
6. **Plans for the Future** – How Saxon Weald plans to use its financial capacity and assets to improve VFM in the achievement of its strategic objectives.

1. Strategy

Delivering VFM only makes sense in the context of achieving Saxon Weald's purpose and strategic objectives. It is the "what are we here to do" question. There is no value in being efficient but not achieving our purpose. Saxon Weald defines VFM as "achieving the best possible outcome for the funds we spend and the resources we commit". To Saxon Weald, VFM is about improving customer service, 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](#).

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

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

Our purpose is to improve the quality of life for our customers and neighbourhoods through well-managed, affordable homes.

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 are:

- 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 a 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 1,000 new homes, demolished and re-provided some 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; almost 29% of our homes are for older people. This includes nine 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	3,426	1,122	323	64	4,935
Affordable rent	478	33	-	42	553
Shared ownership	119	-	-	-	119
Shared equity	-	22	124	-	146
Total	4,023	1,177	447	106	5,753

Over 4,900 of our homes or 86% are in West Sussex (all but 260 within the Horsham district), 300 in East Sussex and 520 in Hampshire. In addition, we manage the freehold of 460 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 monthly management accounts suite of information;
- The performance management system, within which corporate objectives, which relate to our purpose and strategic objectives, are reviewed and agreed annually by our Board. Departmental and personal 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;
- Determining the planned programme of business improvement reviews (SWIPs), receiving reports on the findings, the planned improvements and the outcome of the changes implemented; and
- Minutes from Resident Action Panel (RAP).

4. Approach to VFM

Saxon Weald's approach to achieving VFM is to:

- Embed a culture of achieving VFM throughout Saxon Weald, including Board members, staff and involved residents;
- Use the golden thread of performance management to ensure that everything we do helps to achieve our purpose and strategic objectives;
- Involve residents in achieving and assessing VFM;
- 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.

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				Global Accounts Average				
	2015	2014	2013	2012	Traditional 2014	LSVT 2014	All 2014	All 2013	All 2012
Management costs per home	£693	£666	£629	£657	£1,032	£936	£990	£952	£908
Responsive repair & void cost per home	£754	£654	£501	£506	£705	£721	£712	£699	£699
Service & support cost per home	£926	£937	£902	£861	£700	£282	£517	£498	£555
Operating cost per home	£4,154	£3,937	£3,499	£3,297	£4,446	£3,472	£4,020	£3,883	£3,331
Operating margin excluding sales	33%	34%	38%	36%	34%	30%	33%	33%	24%
Cash interest cover	160%	146%	163%*	267%	158%	145%	154%	138%	116%

*excluding early repayment and breakage costs.

Saxon Weald's 2013 and 2012 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 2014/15 is above the average for both traditional and LSVT associations and has increased from £654 per home in 2013/14 to £754 per home in 2014/15. This increase reflects the continued impact of the severe storms in late 2013/14 on repairs in the first half of 2014/15, particularly for fence replacement, roofing and for damp issues where root cause analysis took some time and a period of drying out was necessary before repair work took place. This resulted in an overspend of £0.8m (£145 per home) on responsive maintenance. The number of repairs completed returned to normal levels in the second half of the year. 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 28% 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 in excess of £2,700 per home per annum and for general needs homes is just £210 per home per annum. It is therefore not surprising that Saxon Weald's operating cost per home is over £600 more than the average for LSVT associations.

Saxon Weald's operating margin (excluding sales) is good at 33% for 2014/15 and at or above the average for housing associations. Similarly, Saxon Weald's cash interest cover at 160% is better than the average for LSVT housing associations.

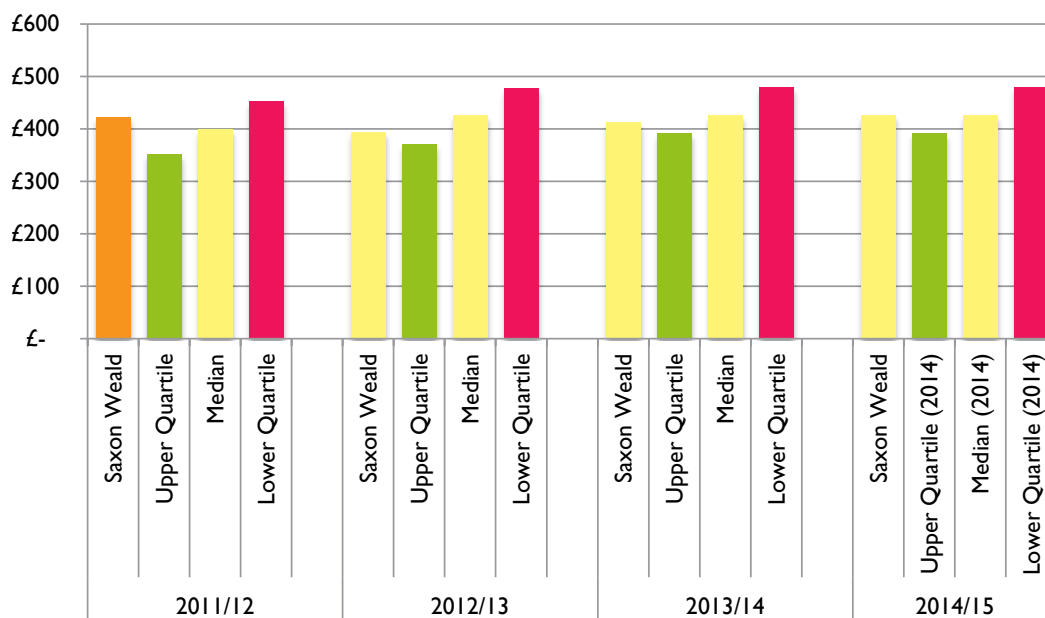
Activity Benchmarking

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 2014/15 for comparisons to be robust; therefore data from 2013/14 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.

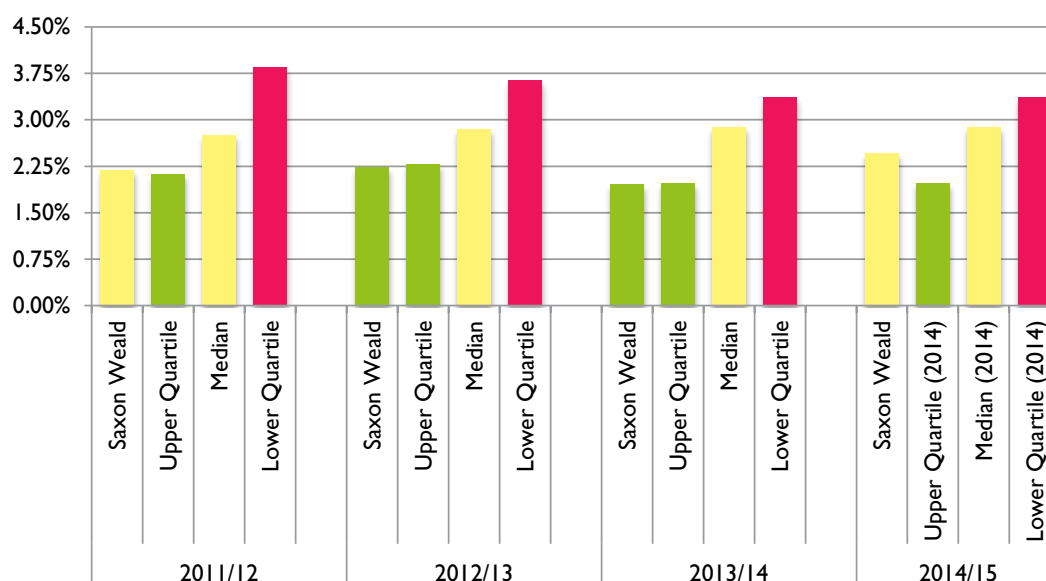
Housing Management

Total cost per property - Housing Management



With the exception of 2011/12, Saxon Weald's housing management cost per property is below the median cost. This means that more than 50% of the peer group have higher costs.

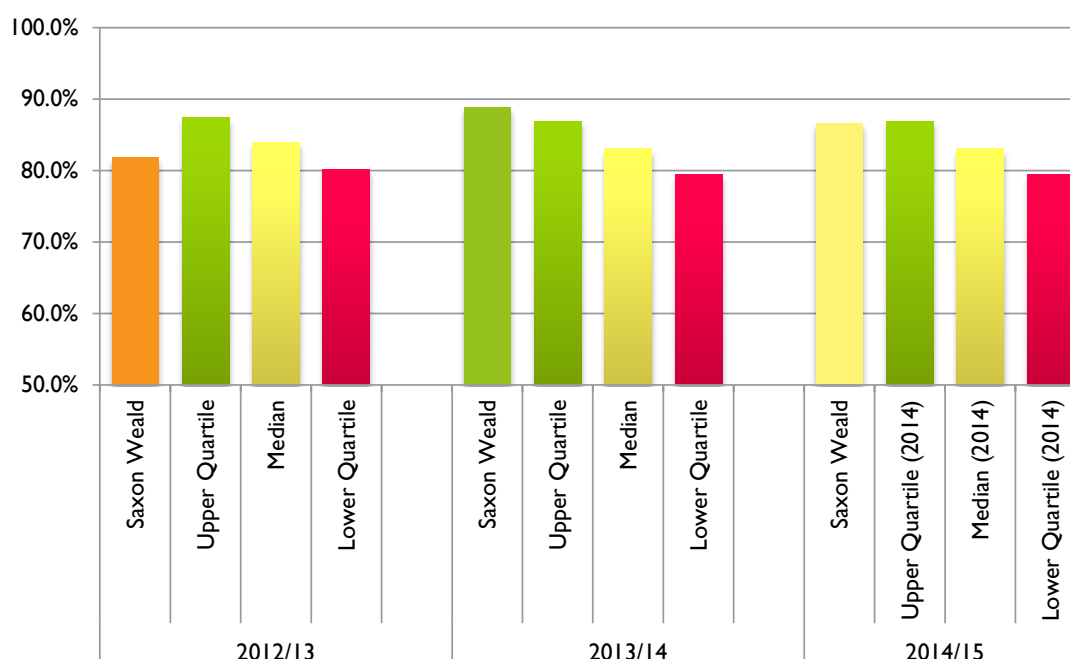
Current tenant arrears - % of total rent debt



Rent arrears as at 31 March.

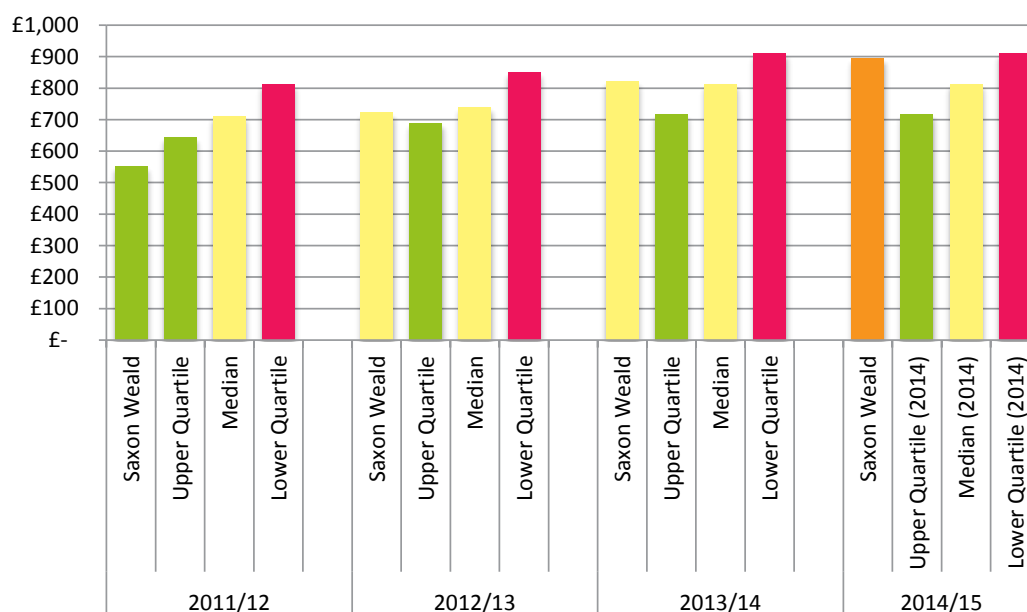
The chart shows a fairly stable performance over the period 2011/12 to 2013/14, with arrears for 2014/15 at 2.5% which is below the median of 2.9%. This means that more than 50% of the peer group have higher arrears.

Satisfaction with rent as Vfm - All tenants



Satisfaction from our tenants that rent is value for money is high over the three years and in 2014/15, 87% are very or fairly satisfied that rent is VFM. This would place us just below the top 25% of our peer group.

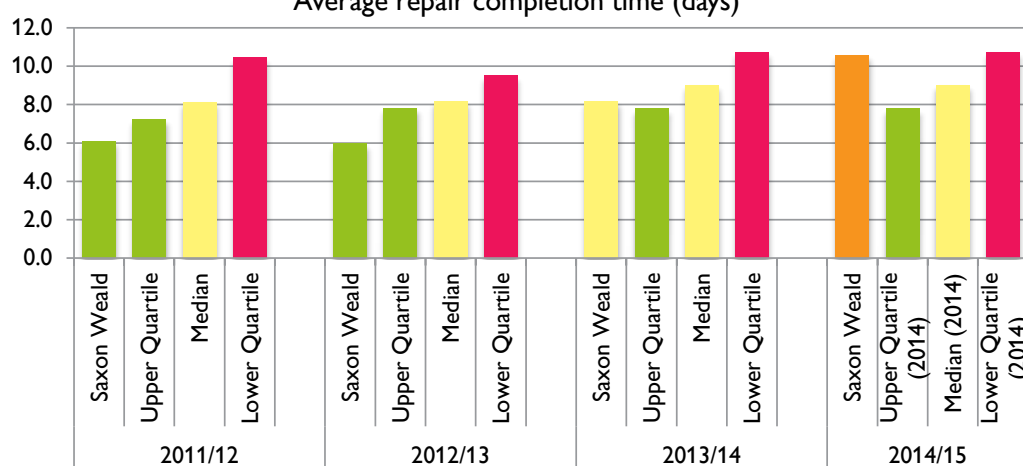
Cost per property - Responsive repairs & minor voids



Responsive Repairs and Minor Voids

This chart shows that the cost of responsive repairs and minor voids per property was in the lowest 25% of our peer group in 2011/12 and 2012/13. However, cost per property increased in 2013/14 and 2014/15, so that Saxon Weald's cost per property is now higher than the median for housing associations in the peer group. Two key factors have driven this increase: additional work arising from the prolonged period of bad weather experienced during the winter of 2013/14, which led to a 50% increase in demand on the responsive repairs service for a period of some six months; and a higher than expected number of major voids. Whilst this is disappointing, the reasons are well understood and particularly where the severe storms are concerned (the worst in 200 years), are unlikely to occur again. Section 5(b) further considers HomeFix, Saxon Weald's in-house repairs team.

Average repair completion time (days)

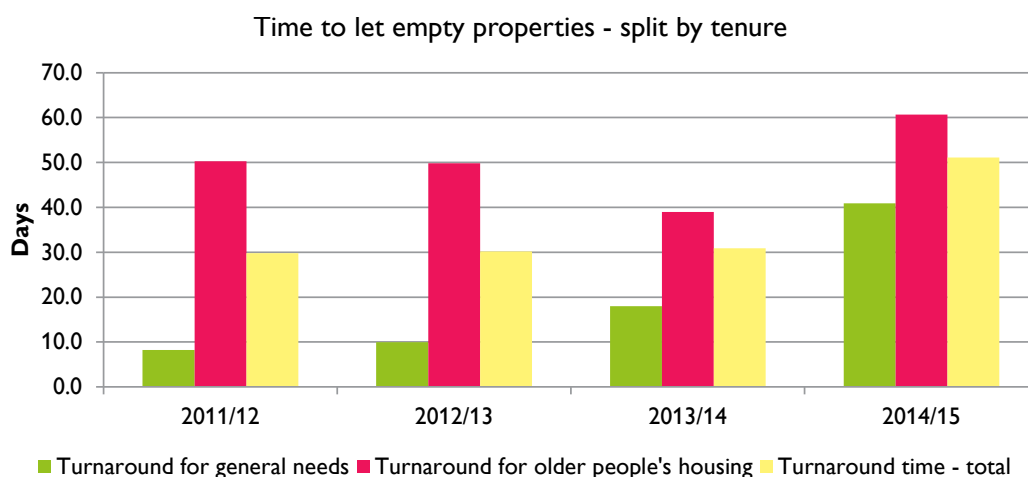


The average time to complete a repair increased from 6.1 days in 2011/12 to 10.6 days in 2014/15, from a position within the best 25% performing housing associations to above median performance and close to, but not in, the lowest 25% of performing housing associations. Again, whilst this is disappointing, it reflects the

problems caused by the extreme weather in early 2014 which caused a backlog of repairs jobs in the first half of 2014/15. By March 2015, job completion times had reduced to 8.2 days and are continuing to improve.

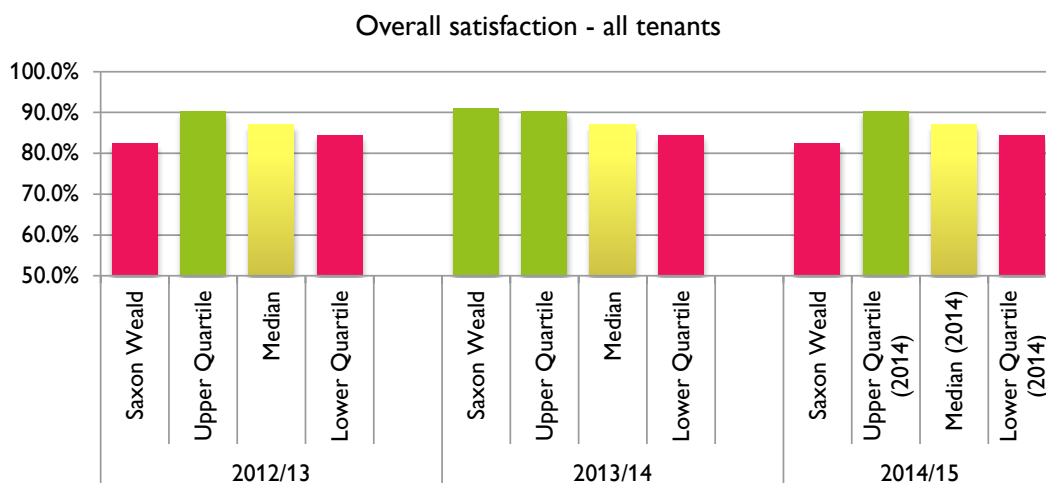


Tenant satisfaction with the repairs service as measured through STAR improved in 2013/14 and then given the problems in 2014/15, fell back again. This is disappointing. However, the survey of tenants who had just had a repair completed, shows tenant satisfaction with that repair maintained at 95%, which, considering the difficult operating environment, is pleasing.



The chart above illustrates that the time to let empty properties for older people's housing is much 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 28% 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 40 days in 2014/15 is disappointing. It reflects a significant increase in the volume of voids and the review of the void process which showed that Saxon Weald had not been meeting our lettable standard consistently. This has changed and it is therefore taking longer to complete void works. It also reflects the impact of welfare reform, especially bedroom tax and affordability, and an increase in the level of refusals. Detailed analysis shows that it is the time taken to start work that has adversely affected performance, which reflects the increase in volume experienced. Turnaround times will improve during 2015/16.

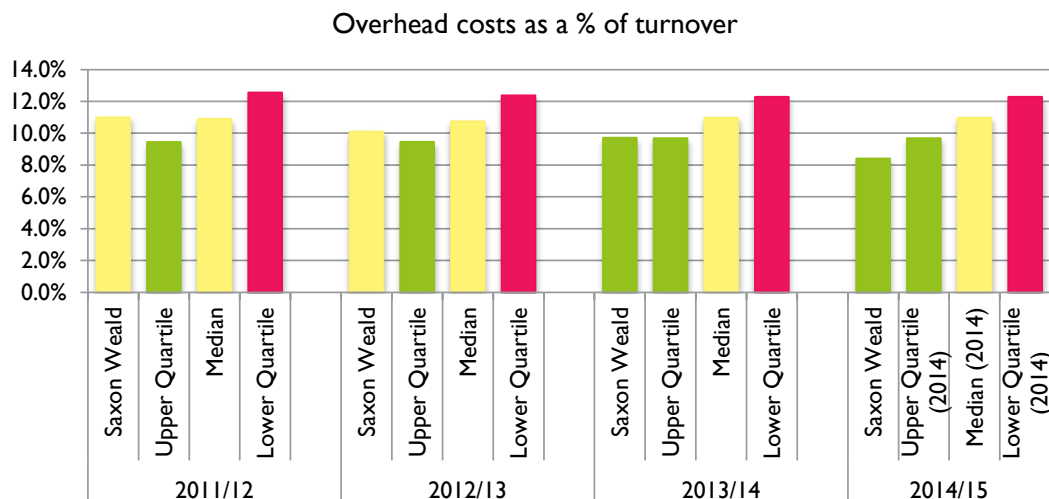


Benchmarking data is not available for the time to let empty properties separately for general needs and older people's housing. Therefore as a result of the high proportion of older people's housing within our stock, Saxon Weald is consistently in the lowest 25% of performers.

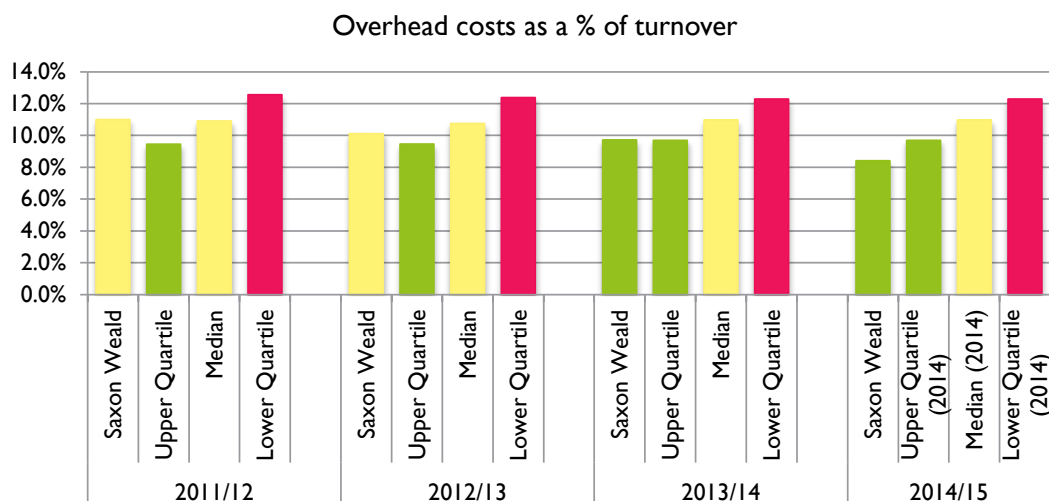
Saxon Weald performs relatively well in terms of void rent loss, which also takes into account the number of properties becoming void. Void rent loss has progressively improved from 2010/11 at 1.6% to 1.2% in 2014/15.

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.



Overall Satisfaction with Saxon Weald



Tenant satisfaction with the overall service provided by Saxon Weald is a key measure in determining whether we are providing an excellent service and achieving one of our key strategic objectives. Overall tenant satisfaction fell back to 82% in 2014/15 from 91% in the previous year. We have always prided ourselves on our customer service – having friendly, professional staff who do their best to effectively resolve customer queries and concerns. So, we were hugely disappointed to see our overall resident satisfaction results falling last year. By November 2014 we had started on a two-year improvement project and in December the Board approved a new customer service strategy.

5(b) Strategic Objectives and VFM

This section takes each of our strategic objectives 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

Saxon Weald was disappointed that an independent STAR survey of our tenants and residents (including leaseholders) in April 2012, showed that only 80% of all our residents were very or fairly satisfied with the overall service they receive from Saxon Weald.

What we did

In the summer of 2013, Saxon Weald carried its biggest ever resident consultation exercise (Saxon Weald's "Let Us Have It" campaign) to find out what our residents thought of the homes and services Saxon Weald provides. Almost 2,400 residents took part.

Although the average score given was 8 out of 10, it was clear that we need to improve customer service. This included:

- Improve our communication with customers;
- Improve our knowledge and understanding of the contact we have had with customers in order to provide an improved service;
- Be better able to respond to people's individual needs and circumstances; and
- Improve reliability and dependability in our dealings with customers and ensure we get things right first time.

What we found

The result at a 95% confidence level was that 90.9% (+/- 1.6%) of tenants, excluding leaseholders, were very or fairly satisfied with the overall service provided by Saxon Weald, compared to the 82.6% of tenants in the April 2012 survey. Disappointingly, for April 2014 to March 2015 the corresponding level of overall tenant satisfaction fell back to 82.3% (+/- 2.1%). This was perhaps to be expected. An increase in overall tenant satisfaction of almost 10%, in such a short time period and when Saxon Weald had only just begun to address the issues identified, seemed 'too good to be true'. It may be that the "Let Us Have It" campaign itself, where around 50% of our tenants were directly engaged in a conversation by a member of staff produce a short-term peak in overall satisfaction. In addition, the impact of the severe storms in early 2014 on the performance of the repairs service will undoubtedly have reduced overall tenant satisfaction. Finally, as Saxon Weald stated in the 2013/14 VFM self-assessment "It is possible that customer service and satisfaction will initially fall during the change process and that real improvement will not be reflected in measureable outcomes until 2015/16."

In early 2014, a full review of Saxon Weald's approach to customer service began. A key VFM objective for 2014/15, was therefore a new customer service strategy to help Saxon Weald achieve a transformational improvement in customer service.

In December 2014, the Board approved the new customer service strategy. The key aim of this strategy is to help us achieve customer satisfaction levels of 90% by 2016/17. In consultation with residents and staff we have set out our commitments to customers within the strategy. The most important of these, is a commitment to be able to answer 80% of queries at the first point of contact. This will be delivered through two customer service teams, one for repairs and maintenance and one for all other enquiries.

The outcomes of this commitment will be:

- High levels of customer satisfaction with the service we deliver (this is measured through the STAR survey questions);
- Reduced waste – if we can get things right first time this will reduce the number of times that customers will need to call us back (this will be measured through the number of ‘avoidable contacts’ that we log);
- Fewer first time service failures (this will be measured through the number of first time service failures recorded);
- Freeing up the time of more specialist staff to focus on those activities that need their expertise *(this will be measured by the number of enquiries that are passed on to other staff); and
- Efficiency gains across the organisation will enable staff numbers to remain the same as the number of properties and customers grow (this will be measured by salary budgets and staff head count).

*This includes finance staff, housing managers, lettings staff, surveyors and the leasehold manager. If the front line customer service teams can deal with high numbers of issues at the first point of contact there will be less need for other staff to respond to these issues. This will free them up to focus on other valuable tasks and therefore improve their effectiveness and efficiency. For example, the housing managers will have more time to spend on dealing with the impact of welfare reform – supporting tenants and maximising rental income.

What has/will change?

In order to implement the strategy we have:

- Restructured our customer service staff across the organisation into two customer facing teams, one team dealing only with repairs and maintenance issues (including all job logging for our in-house maintenance service HomeFix) and one team dealing with all other customer service issues. This has already freed up finance staff and surveying staff from taking the majority of customer calls they used to take. Surveyors are therefore now focusing asset management activities including carrying out stock condition surveys to inform the planned maintenance programme for future years.
- Invested in a Customer Relationship Management (CRM) system (including workflow) which will enable us to record all customer contacts and monitor how effectively we are responding to customers, including recording the number of queries we deal with at the first point of contact. Once fully implemented, this will help Saxon Weald ensure that our customers receive a pro-active, consistent, efficient and timely service.
- Invested in a bespoke, in-house information knowledge system, which provides the customer service teams with all relevant information and scripts to deal with customer queries. This has significantly reduced the number of queries which are passed on to other staff, freeing up housing managers, lettings staff and surveying staff to focus on their key business objectives.
- Improved our telephone system to enable customers to be able to get through to the right team more easily and quickly. The average time currently taken to answer the telephone is under 8 seconds.
- Begun devising a new customer service training programme which will ensure our staff have the right attitude, approach, 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, as well as how to make best use of the new CRM and information systems necessary to effectively meet customer needs and resolve customer queries.

Impact

The scale of change required means that this will take time to fully deliver. We do not expect to see significant improvement in customer service until late in 2015/16. Some of the measures that will be used to assess progress are set out in the table below.

Performance measures

	Current performance March 2015	Target performance
% queries dealt with at first point of contact	Not available	80%
Overall customer satisfaction	82.1%	90%
Was getting hold of the right person easy?	76.4%	85%
Were staff helpful?	84%	85%
Was your query answered in a reasonable time?	76.9%	85%

In addition, we will measure and set targets for: avoidable contacts, first time service failures, number of staff per home managed, and salary costs per home managed.

The focus of 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), a series of Service Interest Groups (SIGs), and Service Testing Teams (STT), 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.

Some of the specific areas in which residents have contributed to improving VFM are:

- The RAP has referred particular services to the service testing team (STT) as a result of their own experience and the formal information they receive;
- The service inspections carried out by the STTs have a focus on VFM;
- The RAP who decides on the allocation of community grants, specifically consider VFM, including community benefit and social value;
- The SWIPEs of Older People's Services and HomeFix;
- The STT identified improvements required in the scheme meals service, contributed to the new specification (particularly on quality and choice), were involved in the evaluation of tenders and the selection of a new contractor;
- Auditing grounds maintenance performance, contributed to the new specification, were involved in the evaluation of tenders and the selection of the existing contractor to continue to provide the service, but at a lower cost and better quality; and
- Contributed to the new specification and evaluation of tenders for the new cleaning contract.

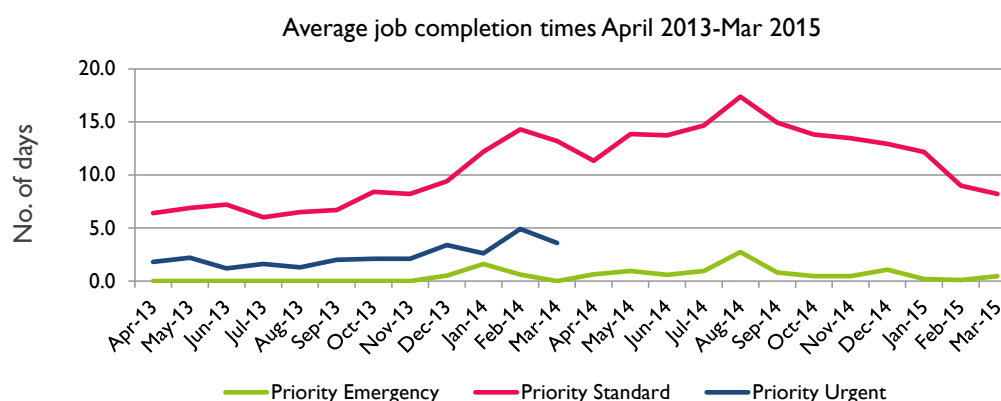
Overall satisfaction with the opportunity for residents to make their views known at March 2015 has reduced from 83% for 2013/14 to 78% for 2014/15. It is likely that the "Let Us Have It" campaign itself, where around 50% of our tenants were directly engaged in a conversation by a member of staff temporarily inflated the results for 2013/14.

A case study looking at the work of the resident service testing team is included in the section considering the strategic objective to develop our role as a leader in older people's housing.

HomeFix (in-house repairs team)

The last year has been a particularly challenging year for HomeFix, our in-house repairs team. Many of the improvements planned for in 2014/15 were overtaken by the need to respond to the consequences of the, for Saxon Weald, unprecedented extreme weather in late 2013/14. These severe storms substantially increased the volume of repairs in the first half of 2014/15, particularly for fence replacement, roofing and for damp issues where root cause analysis took some time and a period of drying out was necessary before repair work commenced. This has adversely affected repairs performance and costs for the year. The implementation of the recommendations from the repairs service improvement review was also delayed by the high number of repairs in the first half of the year. Repairs performance improved in the second half of the year so that in March 2015 the average number of days to complete a repair was 8.2 days.

The chart below shows the impact of the severe weather on job completion times, with completion times starting to increase during the winter of 2013/14 and not starting to improve again until around September 2014.



Although the average repair time for standard priority jobs substantially increased, HomeFix continued to respond to emergency repairs promptly. Customer satisfaction with a repair (measured by the independent organisation Voluntas, who telephone a random sample of customers who have had a repair) remained good at 95%.

Despite the challenges in 2014/15, work to improve the performance of HomeFix continued to be an important focus. The improvement in the time to complete a repair towards the end of the year is an early indication of this and it is anticipated that improvements in performance will be demonstrated in 2015/16.

Our materials supply contract is currently being re-tendered and it is anticipated that, not only will this reduce materials costs, but that the improved means of delivery including the provision of a dedicated store in Horsham will increase operatives' productive time. In the back office, there will be significant IT integration, improving the efficiency of material ordering, goods receipting, invoice payment and stock control.

Similarly, indications from the pilot project to zone plumbers demonstrate a substantial reduction in both mileage and time spent travelling (30%+), reducing costs and improving operatives' time to do value work. Next the team of electricians will be zoned and should similar results be realised, zoning will be extended to other teams within HomeFix.

Significant investment in improved IT systems has also been made. Locator+ software is now used to improve initial job diagnosis with standardisation of job description and codes possible by the introduction of the NHF schedule of rates. Our operative scheduling system has been substantially upgraded to the class leading "Kirona Dynamic Resource Scheduling (DRS)" software. A new reporting tool has been introduced which will provide detailed management information helping identify further efficiency gains. Operatives now have tablet computers, replacing smartphones, which improve their ability to access and update key information.

Other areas of improvement are:

- Painting packs from Brewers replacing decorating vouchers – anticipated 50% saving and improved customer service (delivered to site with everything you need to do the job in the pack).
- Move to British Gas for their void care system regarding utility bill payment cards – we don't have to chase the debt, there is minimal administration for us and a quicker resolution of issues.
- Improved rates and supply chain efficiency from Howdens for our kitchens.
- Reduced reliance and therefore cost on contractors through additional operatives.

- After a challenging year, HomeFix is actively working to improve performance in 2015/16 including, for the second year running, the use of Housemark's detailed responsive repairs VFM toolkit. This delivers over 60 cost and performance measures for responsive and void repairs that will be used to plan improvements. In 2015/16 HomeFix will 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 90%+.

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

Saxon Weald has become an established regional developer of affordable homes. This has evolved as both the expertise and scale has increased over 15 years of development activity.

Saxon Weald focuses its core development activity in five local authority areas. We focus the bulk of our activity in these areas in order to provide our external partners a high quality development service. It also ensures we are able to provide an effective management and maintenance service from our head office in Horsham.

We continue to maintain a diverse development programme that incorporates s106 sites and land led opportunities. It is land led schemes that enable us to maintain a commercial focus through all aspects of the procurement process, most notably through the design and tendering stages. A recent example of this is at our Cowfold scheme, that when completed will deliver 20 family houses.

In addition to buying the land at Cowfold, we also had to acquire a ransom strip in order to access the site. It was our valuer's opinion that the land was valued at £775,000 and the ransom strip at £350,000. After extensive negotiations with both owners we were able to acquire the site for £255,000 and the ransom strip for £175,000. A total saving of £695,000. This saving helped to keep down our subsidy and borrowing requirements at this scheme.

The table below shows key benchmarks for cost and quality for the three years 2011/12 to 2013/14 based on the most recently available Catalyst benchmarking data. Catalyst has 21 members who operate in the broad area of London and the South East. Although all are housing associations, some are part of large groups e.g. three parts of the Guinness Group. The BM (benchmark) is an average of the results from members. BM indicators are not available for 2014/15.

	2011/12		2012/13		2013/14		2014/15
Measure	SW	BM	SW	BM	SW	BM	SW
Housing Quality Indicator score %	62.1	63.0	67.2	63.7	55.2	61.6	59.8
Time to complete new homes after land contract – days*	773	1,036	429	1,072	469	1,027	465
Total scheme cost per unit - £000,s	174	186	157	169	143	198	149
Number of staff per 100 units completed	5.16	4.73	8.98	4.09	2.2	3.8	4.7
Resident satisfaction % - fairly or very satisfied	97.0	88.7	87.0	87.7	100	88	92
Number of homes started	147	N/A	108	N/A	234	N/A	183
Number of homes completed	330	420	100	329	110	300	130

*This is the average time it takes from signing a site acquisition contract to delivery of the completed units.

Whatever, the nature of the development, we have chosen to invest in schemes with good design and sustainability qualities. This has benefits for Saxon Weald in that schemes that are good places to live tend to mean they are easier to manage because residents value them. They can also be cheaper to run from a resident perspective if energy usage in particular is efficient. Our performance in terms of independent qualitative measures (HQL scores) is good, despite the challenges presented by many of our more rural locations, and supports our view that good design is a wise long term investment.

Residents also report a high degree of satisfaction with their new homes compared with our peers. The reduction in satisfaction in 2012/13, is largely attributable to a very small sample which reflected scheme specifics largely outside our control.

However, good design, a range of scheme types, acting as the lead developer on controlled sites, maintaining a direct contract with the HCA and being a specialist in older people's housing across a modest programme does carry an extra investment in staff costs. Therefore, on a straight unit output comparison basis, we tend to appear less efficient than some of our competitors. This is exaggerated by the wide fluctuations that can occur in the volume of completions in a moderate programme like ours. We recognise this and are mindful of it, but we believe the other qualitative and favourable financial returns from our schemes are ample justification for the investment in our staff.

Saxon Weald is alive to the level of borrowing associated with the provision of homes at affordable rents and how this impacts on our borrowing capacity. Therefore soon after affordable rents were introduced in 2011, we began looking at how our capacity could be maximised.

This led to closely looking at how we could move from a charging rate based on an Existing Use Valuation – Subject to Tenancy (EUV-ST) to Market Value – Subject to Tenancy (MV-ST). We have now agreed with most of our local authority partners to amend their mortgagee in possession clause on new schemes so that we can secure a charging valuation based on MV-ST.

To illustrate the financial benefit of the move to MV-ST, see the following example:

Type of scheme	Location	Size	EUV-SH	MV-ST	Difference
S106 quota site	Horsham	27 Homes	£930,790	£2,059,710	£1,128,920

We can see from this example that as a result of some changes to the wording of the mortgage in possession clause leads to a forecast increase in the charging valuation of over £1.1m. Maximising the value of security in new developments helps Saxon Weald to maximise the number of new homes it can develop in the future.

Recently, Saxon Weald has secured additional grant over and above that which we originally forecast in our business plan. Across four schemes in Horsham and Wealden we have secured additional grant of £2.04m. This additional grant has helped us to not only deliver high quality schemes but preserves our borrowing for other affordable homes.

Many of the schemes that Saxon Weald develops have a mixture of rent and sale. We see this tenure mix as a key ingredient in helping us to create and maintain a balanced and sustainable community. When we're selling homes we use an array of marketing tools to attract potential buyers. One marketing tool regularly used is advertising via Rightmove. Normally advertising would cost around £450 per month. On two schemes we have recently entered into a Service Level Agreement with a local estate agent at nil cost to Saxon Weald. The agent gains their fee income through the potential to sell homes elsewhere in the chain. The primary reason behind entering into the SLA was for the agent to validate that all the homes in the chain were likely to sell, before we committed to a formal offer. However, a bi-product of this arrangement is that we've managed to agree with the estate agents that they will advertise the schemes through their own Rightmove account, thus saving us around £900 per month across two schemes.

During 2015/16, we are anticipating further bedding in of the Housing Association Legal Alliance framework (HALA) through which we are able to procure Legal Services across the business. The framework, as well as providing a pool of firms selected both for cost and quality, should enable better control of legal spend and savings against hourly rates, through the use of fixed fees. Our instructions and spend are monitored through HALA to ensure that we are gaining the best value from this framework. We are anticipating savings of around 5-10% per annum.

As part of our membership of HALA, we benefit from free legal training sessions which all members benefit from. We can also request two bespoke training sessions per year to meet our organisation's identified need. We are anticipating savings of our training budget in excess of £3,000 for the coming year.

This year Sovereign Development Consortium Framework (SDC) has re-procured the contractor framework which will enable us to procure contractors for schemes above the EU procurement threshold without having to tender each scheme individually. This will save both time and money as well as promoting consistency, high quality and cost reductions through operational efficiency. For a number of years, we have been part of the SDC and use this to appoint various consultants. The consultant framework is being re-procured in 2015/16 and we are anticipating reporting an improvement in both cost and quality once this process has been concluded, when compared to what would be available if we were procuring as a single organisation.

We continue to develop the role of our Service Interest Group (SIG). This group of existing Saxon Weald residents is involved in gaining resident feedback on our completed schemes. They do this by meeting residents in person and completing a questionnaire. Whilst this process does not produce instant value for money savings, the inter-action provides much improved quality and depth of information which helps us to learn lessons from completed schemes and influence the new homes we design and build.

During 2015/16, we are commencing the process of reviewing our existing assets to maximise the return for the organisation. This is being assisted through the appointment of an Investment Project Manager who will be commencing a review of our garage sites, looking at existing plots of land that we own and assessing homes, where available, for disposal. This will generate receipts for the organisation as well as reducing planned and reactive maintenance costs.

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

Our staff, Board members and involved residents are one 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 182 members of staff on 31 March 2015. We were extremely pleased to be awarded, at the first attempt, Investors in People Gold during 2011. This external rating of Saxon Weald will be re-assessed in 2015.

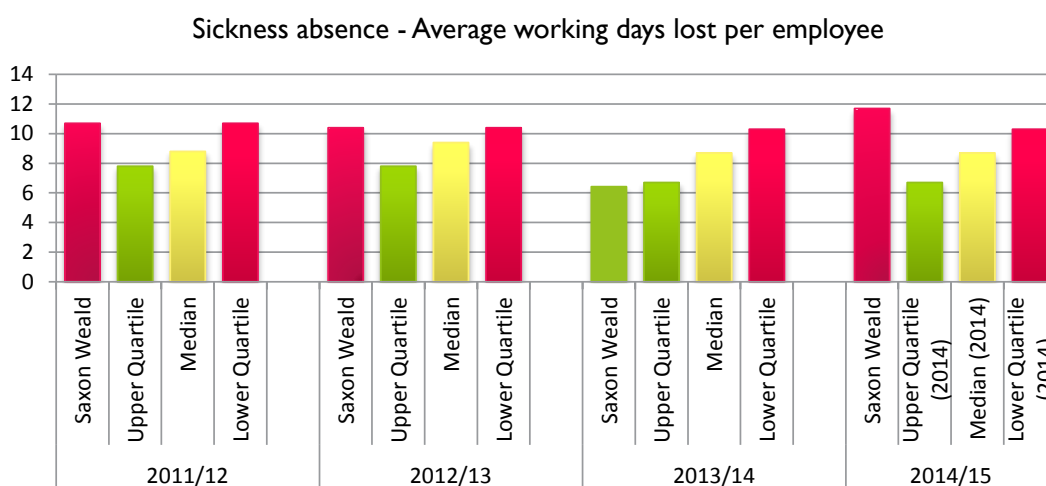
We have just implemented a new performance management process. We have moved away from the more traditional approach of annual appraisals and replaced them with regular monthly one to ones, where quality, customer satisfaction, dependability, and value for money are regularly monitored and measured and 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 3% of our staffing budget 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. It is recognised that coaching is not always happening across the organisation in the way that we intended, even though we believe it is one of the essential skills for our managers to have in their 'toolbox'. We need to ensure our managers take more responsibility for developing their people and maximising the potential to improve our services and our overall performance. HR will invest time in discussing 'coaching' with managers to encourage them to use their coaching skills to better effect.

Saxon Weald's improvement programme for excellence is our commitment to deliver value for money throughout the business. The programme is based on embedding a lean thinking culture and a clear focus on what adds value to our customers. Individual projects focus on key areas of the business looking to remove waste activities and design more efficient processes. We provide training to our staff on lean techniques and actively encourage them to look for ways to improve what they do – we want continuous improvement to be part of everyone's role.

In 2013, Saxon Weald carried out a 'Staff Wellbeing' survey and it told us that 93% of our staff were either satisfied or very satisfied with Saxon Weald as an employer. A new staff survey (the results of which are not yet available) was completed by staff in June 2015. It asked staff for feedback about working for Saxon Weald. A full analysis of the findings will be used to plan for the future.

Our target for sickness absence is 3%. Sickness absence for the year to March 2015 was 4.4 % comprising long term sickness of 2.6% and short term sickness of 1.8%. This long term level is significantly higher than normal and effectively unavoidable. The short term rate is within the expected range. The level of days lost to sickness absence has been fairly stable at around 10 days over the last four years, with a dip in 2013/14. The table below is from HouseMark - LSVT housing associations in the south of England with total stock of between 2,500 and 7,500 units. Our sickness rate for May 2015 has fallen to 2.9%.



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 28% of Saxon Weald housing stock. Consisting of 39 retirement schemes and nine extra schemes, there are 1,600 properties across West Sussex, East Sussex and Hampshire (rented and shared equity). The portfolio of housing for older people is now diverse, ranging from housing specifically for the over 55s with no specialist support or facilities, to extra care schemes providing significant levels of care. This diversity is important in reducing risk and ensuring we reflect the differing needs and aspiration of older people.

The SWIPE review of older peoples' services in 2013/14, in response to the substantial reductions in Supporting People income and the desire to deliver a more efficient and effective support service, continues to guide the development of the service. In addition to the cost reductions of £205,000 in 2013/14, a further £39,000 of staffing savings have been achieved in 2014/15. This reflects the further implementation of the SWIPE review recommendations including the scheme audit as a performance management tool and new bespoke software to help improve the efficiency and effectiveness of support planning.

Scheme managers now provide a more pro-active and planned approach to support which replaced the "daily check" which traditionally defined the service. The primary functions of the scheme manager, as defined by the SWIPE review, are to:

- Support residents to live independently and have the best quality of life;
- Manage the scheme buildings and equipment (facilities management); and
- Provide housing management within the schemes (carry out lettings, manage voids, monitor rent arrears and deal with low level anti-social behaviour).

The most recent feedback from the STAR survey carried out by Voluntas indicates that 92% of residents, who live in retirement and extra care housing, are satisfied or very satisfied with the service provided by the scheme manager. Rent arrears for older peoples' housing have increased from 1.5% at 31 March 2014 to 1.8% at 31 March 2015. Retirement housing rent loss for 2014/15 is 1.9% compared to 1.3% for 2013/14 and extra care rent loss for 2014/15 is 2.5% compared to 2.7% for 2013/14.

Case study – Service Testing Team – Older Peoples' Meals Service

Saxon Weald's Service Testing Team (STT), is a group of residents who test and check our services and make recommendations for improvements in service and VFM.

What they did

A meals service, provided by an external catering contractor, is offered at 10 of Saxon Weald's schemes for older people, which includes all of the organisations extra care schemes and Page Court retirement scheme. There is a mandatory charge for meals as part of the service charge, so it is critical that the service provides value for money.

Following consideration of complaints received and comments from the "Let us have it" campaign the Residents Action panel asked the service testing team to carry out a test of this service. It was decided to conduct undercover visits during meal times. A total of 13 visits took place.

What they found

The STT found that the service was offering good value for money and meeting nutritional needs in an environment encouraging socialisation. 80% of visits were rated either good or excellent. However, some schemes show significantly worse results. Discussions with scheme manager and service users evidence suggested that it is the quality of the chef manager that determines the quality of the meals service at a scheme.

What changed

The results of the STT's review were included within the new specification for the meals service. Some specific areas for improvement were:

- Chefs should make themselves more visible during meal service;
- More attention should be paid, particularly in terms of presentation, to side vegetables and deserts;
- Water should be served in lidded rather than open jugs;
- Tea and coffee should be served at the end of meals to encourage more socialisation amongst residents; and
- Scheme managers are required to monitor the quality of the meals service at their scheme. They are expected to meet with the chef at least monthly to discuss the quality of the service.

Impact

The changes made will increase customer satisfaction and ensure that a high standard is achieved consistently across all schemes.

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.

The 2014/15 key financial targets set by the Board to measure financial performance are:

- **Operating margin (excluding sales) at a minimum of 30%;**
- **Asset cover (valuation on a EUV-SH basis as a percentage of long term debt) of 120%; and**
- **Cash interest cover – a minimum of 135% rising to 150% from 2015/16 onwards.**

The table at the beginning of this section (section 5) shows that we are comfortably achieving these financial targets for operating margin (2014/15: 33%) and cash interest cover (2014/15: 160%). The EUV-SH valuation of our properties at 31 March 2015 is £317.5m and our bond liability is £225m. This means that we have an asset cover of 141% which exceeds the target set by the Board.

The operating margin is the surplus we make from on-going activities (mainly renting homes) as a percentage of turnover. Asset cover tells an organisation by how much the value of property assets exceed loans outstanding. 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.

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 two factors - cash interest cover and asset cover.

Saxon Weald has a healthy operating margin from existing homes and also from the new 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, that requires them to meet a payback target and assesses the net present value of the schemes.

The limiting factor for Saxon Weald in continuing to develop new homes is the property security required to secure additional borrowing. This is not a problem for Saxon Weald at the moment. However, the change in the funding regime for new development requires more debt to be taken on to build new homes. This is putting pressure on the gearing and available security of many housing associations.

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 (EUVS-H) 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. The outcome was the decision to limit the development of new homes (funded from conventional means) to 185 new homes per annum and secure additional debt to fund this for the next five years. In addition, it was decided to explore the options to develop additional new homes through alternative means. We have sufficient liquidity to support committed development.

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 new procurement strategy;
- 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, from 1,000 to 320;
- 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 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:

- Grounds maintenance – From 2015/16, the new annual fixed price contract for an improved service is £399k, saving £136K on the previous annual contract price. A majority of this is being reinvested into tree surveys and surgery. In addition, the new contract provides 1,000 hours of gardening for residents who require assistance with their garden, saving £30k from the Saxon Weald budget, a new web based client zone, meet the contractor days for residents, garden workshops for residents and an apprenticeship for a Saxon Weald resident. The effectiveness of the contract will be measured by targeting resident satisfaction at 95%;
- Meals service at extra care schemes – An improved service with an annual contract saving of £54k from November 2014. The new contract also introduces a waiter service at all schemes, an additional starter/dessert for £1, increased resident involvement and other added value benefits such as breakfast, morning snack and afternoon tea availability. The effectiveness of the contract will be measured by targeting resident satisfaction at 85%; and
- Building cleaning including all retirement and extra care schemes – From 2015/16 the annual fixed price for the service has reduced by £48k to £543k. This saving has been recycled to part fund a one-off deep clean of general needs communal areas. The contract will also provide work opportunities and training for local residents. The effectiveness of the contract will be measured by targeting resident satisfaction at 95%.

There is still more to do to improve procurement, including better contract management, which has been identified as a priority by our residents. In addition, the intention is to develop e-bis further; to automate paper based systems such as mileage and expenses claims.

Return on assets

Saxon Weald has implemented a new asset management system called Keystone. 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. As part of the process of validating the data held within Keystone a 20% survey of properties is currently underway. Following this, the five year external validation (by Savills) of Saxon Weald's projected stock investment cash flows will take place in 2016. 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 and social housing grant) on the balance sheet at 31 March 2015 is £218m. During the year, we completed 130 new homes and started building 136 new homes. The total value of the stock on an existing use social housing basis (EUV-SH) at 31 March 2015 is £317.5m, with the potential to increase this value by £20m by valuing those properties that can be, on a market value subject to tenancy with voids sold (MV-ST) basis.

During 2014/15, Saxon Weald invested £4.3m replacing components in existing properties (including 294 kitchens, 226 bathrooms, 311 boilers and 35 heating systems) and £4.3m 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 out-right 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.

During 2014/15, Cunningham House, a retirement scheme in poor condition, with six bedsits was sold. This followed an options appraisal report which considered a number of options including refurbishment, alternative uses, redevelopment and disposal.

Similarly, Winn Road, two substantial Victorian houses in a good residential location was also sold in 2014/15. Both of the properties had been sub-divided providing 19 bedsits which were let as supported housing. The properties were not in good condition, particularly internally. Given the considerable cost of refurbishment, an options appraisal was carried out and the decision made to dispose of the properties.

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. As an example: during 2014/15, the decision was made to dispose of 18 Foxfield Cottages (the sale was completed in early 2015/16). The property was originally two properties 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 appraised including converting back into two properties (costing £30k). The net present value of refurbishing the six bedroom property was negative and the demand for six bedroomed properties low. With an estimated surplus on disposal of £370k, which would fund 2.5 new build homes, the decision was made to sell the property.

Asset Performance Evaluation

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 into 79 asset groups and the general needs into 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:

- Heating fuel - connected to mains gas – 20%
- Tenant satisfaction – 20%
- Proximity to local services – 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, response 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;
- 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 – with only 13.1% with good or marginal cashflows.

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.

The return on assets project is a work in progress. There is much work still to be done including:

- The financial data needs to be refined to reflect more local management and responsive maintenance costs;
- The methodology for measuring social return needs to be tested;
- The asset groups need to be reviewed and refined;
- The financial and social return for groups of assets needs to be combined or considered together; and
- The weaker performing groups of assets need to be identified and the drivers of poor performance understood.

Once further developed and refined, the information on financial and social return will be used to inform investment decisions, 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 2014/15

“During 2014/15, our aim is to make cash VFM savings of £0.5m, including £0.1m from the procurement of new gas boilers and gas repairs, safety checks and servicing and £0.1m from the implementation of the HomeFix SWIPE. In addition we aim to make non-cash VFM improvements. These are:

- Develop a new customer service strategy and implementation plan and maintain or improve overall tenant satisfaction with Saxon Weald of at least at 91%;
- Implement the HomeFix SWIPE to achieve the £0.1m cash saving referred to above, increase the first time fix rate to 85%, reduce the time to complete a repair to eight days and improve tenant satisfaction with repairs to 90%;
- Complete the Older People’s Service’s SWIPE by implementing new IT tools to improve service and efficiency;
- Determine the optimum funding strategy to secure additional loans to fund new development, which balances the cost of the debt and the most efficient use of property security;
- Start on site the development of 183 new homes; and
- Continue to improve our understanding of financial and social return on assets and use to support asset management decisions.”

The cash VFM savings achieved in 2014/15 total £0.2m. We did achieve the savings related to the review of scheme managers (£40k), gas safety checks (£81k), drain cleaning, sewerage pumping stations and building control fees (£26k) and the meals service contract (£27k). For the reasons considered in section 5 (b), we did not make the VFM savings in HomeFix, although tenant satisfaction with repairs was at 95%. The VFM savings anticipated from the new contract for replacement boilers did not happen and the savings from the new grounds maintenance and cleaning contracts will not be realised until 2015/16.

A new customer service strategy was developed and approved by the Board in December 2014, the Older Peoples Service’s SWIPE was completed, an optimum funding strategy determined, we started the development of 136 new homes and we have continued to improve our understanding of the financial and social return on our assets. We are disappointed that overall tenant satisfaction fell back to 82% for 2014/15 and that we were not able to deliver the improvements in HomeFix that we planned to.

6 Plans for the Future

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.

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 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 have made good progress on systematically understanding the return (including social return) on groups of assets and this continues to be developed. VFM is never fully achieved, but is something that Saxon Weald consistently strives for.

By Order of the Board
Simon Turpitt, Chairman
20 July 2015

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

Housemark Benchmark Data - Comparison Housing Associations

Alliance Homes
Bracknell Forest Homes
Coastline Housing
Cottsway Housing Association
Housing Solutions
Magna Housing Association
Magna West Somerset Housing Association
MHS Homes
North Devon Homes
Ocean Housing
Phoenix Community Housing
Poplar HARCA
Raven Housing Trust
Red Kite Community Housing
Richmond Housing Partnership
Selwood Housing
Sentinel Housing Association
Severn Vale Housing Society
Soha Housing
Teign Housing
Town and Country Housing Group
Two Rivers Housing
Vale of Aylesbury Housing Trust
West Kent Housing Association
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 2015 (the "financial statements") on pages 54 to 80. 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).

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 19, 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 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 2015 and of the group and association's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012.

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 BAKER TILLY UK AUDIT LLP, Statutory Auditor

Marlborough House
Victoria Road South
Chelmsford
Essex
CM1 1LN

Date:

Group and Saxon Weald Homes Ltd Income and Expenditure Account

for the year ended 31 March 2015

		Saxon Weald Homes Ltd		Group	
		2015	2014	2015	2014
	Note	£000	£000	£000	£000
Turnover	2	38,273	36,574	38,273	36,574
Cost of sales	2	(1,981)	(2,658)	(1,981)	(2,658)
Operating costs - ongoing activities	2	(23,898)	(22,140)	(23,898)	(22,140)
Operating surplus	2	12,394	11,776	12,394	11,776
Surplus on sale of fixed assets	6	161	393	161	393
Interest receivable		284	537	284	537
Interest payable and similar charges	7	(11,104)	(11,746)	(11,104)	(11,746)
Surplus on ordinary activities before taxation	8	1,735	960	1,735	960
Taxation on surplus on ordinary activities	9	-	-	-	-
Surplus on ordinary activities after taxation	19	1,735	960	1,735	960

All amounts relate to continuing activities

Historical cost surpluses and deficits were identical to those shown in the income and expenditure account

The notes on pages 58 to 80 form part of these financial statements

Group and Saxon Weald Homes Ltd Statement of Total Recognised Surpluses and Deficits for the year ended 31 March 2015

		2015	2014
	Note	£000	£000
Surplus for the year		1,735	960
Actuarial (loss) recognised in respect of pension scheme	18	(1,913)	(650)
Total recognised (deficit)/surplus relating to the year		(178)	310

The notes on pages 58 to 80 form part of these financial statements

Group and Saxon Weald Homes Ltd Balance Sheets

as at 31 March 2015

		Saxon Weald Homes Ltd		Group	
		2015	2014	2015	2014
Note		£000	£000	£000	£000
Tangible fixed assets					
Housing properties					
Depreciated cost	10	285,460	264,324	285,460	264,324
Social housing grant		(67,436)	(67,065)	(67,436)	(67,065)
		218,024	197,259	218,024	197,259
Other fixed assets	11	2,246	2,172	2,246	2,172
Fixed asset investment	12	50	50	-	-
		220,320	199,481	220,270	199,431
Current assets					
Properties held for sale	13	6,226	2,674	6,226	2,674
Stock		115	82	115	82
Debtors - due within one year	14	2,135	2,282	2,135	2,282
Cash at bank and in hand		35,615	55,094	35,627	55,106
		44,091	60,132	44,103	60,144
Creditors: amounts falling due within one year	15	(12,756)	(11,896)	(12,756)	(11,896)
Net current assets		31,335	48,236	31,347	48,248
Total assets less current liabilities		251,655	247,717	251,617	247,679
Creditors: amounts due after more than one year					
Bond issue	16	-	-	220,304	220,195
Loans from group companies	16	220,304	220,195	-	-
Long term creditors - due to group companies		38	38	-	-
Recycled grants	17	3,343	1,249	3,343	1,249
		223,685	221,482	223,647	221,444
Pension liability	18	4,617	2,704	4,617	2,704
Capital and reserves					
Designated reserves	19	1,780	1,780	1,780	1,780
Revenue reserves	19	21,573	21,751	21,573	21,751
		23,353	23,531	23,353	23,531
		251,655	247,717	251,617	247,679

In view of the constitution of the company, all shareholdings relate to non-equity interests, as disclosed in note 26. The notes on pages 58 to 80 form part of these financial statements.

These financial statements were approved by the Board and authorised for issue on 20 July 2015 and signed on its behalf by:

Simon Turpitt
Chairman

David Standfast
Chief Executive

Norman Hill
Finance Director and Company Secretary

Group Cash Flow Statement

for the year ended 31 March 2015

		2015	2014
	Note	£000	£000
Net cash inflow from operating activities	20(a)	14,806	17,100
Returns on investments and servicing of finance			
Interest received		284	537
Interest paid		(12,140)	(12,157)
Net cash (outflow) from returns on investments and servicing of finance		(11,856)	(11,620)
Capital expenditure			
Acquisition and construction of housing properties		(19,732)	(18,540)
Component replacement		(4,305)	(3,923)
SHG and other grants and donations received		2,319	2,496
Sales of properties		380	729
Sale of other fixed assets		-	-
Proceeds from sale of properties (including amount to be repaid to Horsham District Council*)		(808)	1,122
Purchase of other tangible fixed assets		(283)	(625)
Net cash (outflow) relating to capital expenditure		(22,429)	(18,741)
Net cash (outflow) before management of liquid resources and financing		(19,479)	(13,261)
Financing			
Loans received	20(b)	-	18
Loan repayments		-	-
Net cash inflow from financing		-	18
(Decrease) in cash	20(b)	(19,479)	(13,243)

* Includes £299,000 (2014: £993,000) which is payable to Horsham District Council

The notes on pages 58 to 80 form part of these financial statements

Notes to the Financial Statements

for the year ended 31 March 2015

1 Principal accounting policies

Establishment

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

The Company provides social housing in East and West Sussex and Hampshire.

Basis of accounting

The historical financial information has been prepared under the historical cost convention and in accordance with applicable Accounting Standards, the Statement of Recommended Practice "Accounting by Registered Social Housing Providers" published in 2010 and the Accounting Direction for Private Registered Providers of Social Housing 2012.

The Group has prepared detailed budgets and cash flow forecasts and, on this basis, the Board is satisfied that it is appropriate to prepare the financial statements on the going concern basis.

Basis of consolidation

In line with the Companies Act, the Group financial statements incorporate the financial statements of the Group's parent, Saxon Weald Homes Ltd and its subsidiary Saxon Weald Capital Plc. A summary of the principal accounting policies is set out below.

Turnover

Turnover represents rental income, service charges and proceeds from first tranche shared ownership sales.

Proceeds on sale are recognised on completion of sale, all other income is recognised as receivable on delivery of the services provided.

Fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation.

Housing properties

Housing properties are stated at cost. Where properties have been acquired through the acquisition of a business or transfer of engagements, the cost represents the fair value of the properties as at the date of acquisition.

In accordance with FRS 15 and the SORP 2010, major components of all properties are depreciated on a straight line basis over their useful economic lives, which are estimated to be:

Component		Years from date of acquisition or practical completion
Structure	Flats and 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 balance sheet date to ensure our assets are fairly valued within the financial statements.

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 commencing 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.

Mixed tenure development

A mixed tenure development is evaluated as a single scheme and is expected to demonstrate it achieves the policy internal rate of return required by the company overall. In the event that the value of an individual element in the scheme falls below the costs less attributable grant, then any overall surplus is reduced by the shortfall on those elements.

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.

Other fixed assets

Depreciation is charged on other fixed assets to write off the cost less estimated residual values at the rates 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 17.

Value added tax

All expenditure is stated including irrecoverable value added tax.

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.

Deferred 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.

Pension costs

The difference between the fair value of the assets held in the Company's defined benefit pension scheme and the scheme's liabilities as measured on an actuarial basis using the projected unit method is recognised in the Company's balance sheet as a pension scheme asset or liability as appropriate.

The carrying value of any resulting pension scheme asset is restricted to the extent that the Company is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme. The pension scheme balance is recognised net of any related deferred tax balance.

Changes in the defined benefit pension scheme asset or liability arising from factors other than cash contribution by the Company are charged to the income and expenditure account or the statement of total recognised surpluses and deficits in accordance with FRS17 'Retirement Benefits'.

Operating leases

Rentals payable under operating leases are charged to the income and expenditure account on a straight line basis over the lease term.

Financial instruments

Financial instruments are classified and accounted for according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments.

Financial instruments are initially recorded at fair value. Subsequent measurement depends on the designation of the instruments.

Finance costs

Bonds and loans are held at amortised cost using the effective interest rate method. The discount and issue costs of the bond are amortised over its life.

Social Housing Grants

Social Housing Grants, receivable from the HCA and from local authorities, relating to capital expenditure reduce the capital costs of housing properties. Social housing grant is accounted for as it becomes receivable. Grant receivable in excess of related expenditure is treated as deferred income.

Any social housing grant in respect of revenue expenditure is credited to the income and expenditure account in the same period to which the expenditure relates.

Social housing grant relating to properties sold is credited to the recycled capital grant fund. Social housing grant is repayable under some circumstances e.g. if properties are disposed of.

Allocation of expenses and finance costs

As far as possible, expenses are allocated directly to the activity to which they relate. Other overheads are allocated in proportion to the split of staff or property numbers attributable to that department.

Salary costs are allocated, by individual, to the activities in which each staff member is engaged. This apportionment is reached by discussion with staff. In so far as they relate to new development activity, they are charged to that activity. All other finance costs are charged as indirect overheads and apportioned in the manner set out above.

LCHO and staircasing

Under low cost home ownership (LCHO) arrangements, the Company disposes of a long lease on low-cost home ownership properties to persons who occupy them at a share equal to between 25% and 75% of value, (the "first tranche"). The occupier has the right to purchase further proportions at the then current valuation up to 100% ("staircasing").

Under Leasehold Housing for Older Persons (LHOP) arrangements, the Company disposes of a long lease on older people's properties. This is normally for a share equal to 75% of value. The occupier has no right to purchase the remaining 25% share.

A shared ownership property comprises two assets: that to be disposed of in the first tranche sale, which is recorded as a current asset; and that retained by the Company, which is recorded as a fixed asset in the same manner as for general needs housing properties.

Proceeds of sale of first tranches are accounted for as turnover in the income and expenditure account, with the apportioned cost being shown within operating results as a cost of sale.

Subsequent tranches sold ("staircasing sales") are disclosed in the income and expenditure account after operating results as a surplus or deficit on sale of fixed assets. Such staircasing sales may result in capital grant being deferred or abated and this is credited in the sale account in arriving at the surplus or deficit.

Social Housing Grant in respect of LCHO and LHOP properties is allocated against the fixed asset element of the cost of LCHO and LHOP properties and is treated as a deduction from fixed assets.

The fixed asset element of low cost home ownership properties is included in housing properties at cost less provisions needed for impairment.

Designated reserves

The company transfers to specific designated reserves discount repaid under the terms of Right To Buy sales and surpluses generated on the voluntary sale of property fixed assets intended for reinvestment in future developments.

Investment in subsidiaries

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

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.

2 Group turnover, operating costs and operating surplus

	Turnover £000	Cost of sales £000	Operating costs £000	2015 Operating surplus £000	2014 Operating surplus £000
Social housing lettings					
- General needs, retirement and shared ownership housing (note 3)	35,682	-	(23,898)	11,784	11,158
Other social housing activities					
- Shared ownership first tranche and current asset sales	2,447	(1,981)	-	466	506
- Other social housing activities	128	-	-	128	102
Non social housing activities	16	-	-	16	10
	38,273	(1,981)	(23,898)	12,394	11,776

3 Group income and expenditure from social housing lettings

	General needs £000	Retirement housing £000	Shared ownership £000	2015 Total £000	2014 Total £000
Income					
Rents receivable net of identifiable service charges	24,344	6,841	73	31,258	29,189
Service charge income	446	3,961	17	4,424	4,118
Turnover from social housing lettings	24,790	10,802	90	35,682	33,307
Expenditure					
Management	(2,318)	(1,641)	(23)	(3,982)	(3,745)
Service charge costs	(758)	(4,540)	(28)	(5,326)	(5,272)
Responsive maintenance (routine maintenance)	(2,986)	(1,347)	(6)	(4,339)	(3,682)
Planned and cyclical maintenance	(1,804)	(1,049)	(6)	(2,859)	(2,377)
Major repairs expenditure	(1,261)	(165)	-	(1,426)	(1,367)
Bad debts	(99)	(18)	(1)	(118)	(120)
Depreciation of housing properties*	(3,140)	(1,386)	(109)	(4,635)	(4,310)
Other costs	(1,183)	(30)	-	(1,213)	(1,276)
Operating costs on social housing lettings	(13,549)	(10,176)	(173)	(23,898)	(22,149)
Surplus / (deficit) on social housing lettings	11,241	626	(83)	11,784	11,158
Voids - rent lost through dwellings being vacant	(250)	(237)	-	(487)	(366)

* Includes accelerated depreciation of £302,000 (2014 £351,000).

4 Group Directors' emoluments

The Directors are defined as the Board members, the Chief Executive, the Finance Director and any other executive directors.

No pension contributions or benefits in kind were paid to the Board members of the company other than the Chief Executive and the Finance Director.

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.

	Group	
	Period to 31 Mar 15	Period to 31 Mar 14
	£000	£000
Total emoluments paid to the executive Directors including benefits in kind	591	564
Pension contributions in respect of services as Directors	83	82
Total emoluments paid to the Board members excluding executive Directors	49	48
	723	694
Emoluments of the highest paid Director (excluding pension contributions and including benefits in kind):		
Chief Executive	160	154
Total expenses reimbursed to the Directors not chargeable to United Kingdom income tax	4	2

The number of persons including executive directors whose total remuneration (excluding employer pension contributions, or pay in lieu thereof, and compensation for loss of office) exceeds £60,000 per annum is as follows:

Salary bandings for all employees earning over £60,000	Group		Salary bandings for all employees earning over £60,000	Group	
	2015 Number	2014 Number		2015 Number	2014 Number
£60,000 to £70,000	6	6	£120,001 to £130,000	0	1
£70,001 to £80,000	3	1	£130,001 to £140,000	1	0
£80,001 to £90,000	1	2	£140,001 to £150,000	0	0
£90,001 to £100,000	2	1	£150,001 to £160,000	0	1
£100,001 to £110,000	1	1	£160,001 to £170,000	1	0
£110,001 to £120,000	0	0			
				15	13

All staff are employed by Saxon Weald Homes Ltd, none are employed by Saxon Weald Capital plc.

5 Group employee information

	2015 Number	2014 Number
Actual		
Office staff *	105	102
Scheme based staff *	36	37
Maintenance team **	41	34
	182	173
Full time equivalents		
Office staff *	99	96
Scheme based staff *	34	35
Maintenance team **	41	33
	174	164

* 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 persons)	2015 £000	2014 £000
Wages and salaries	6,430	5,531
Other staff costs	135	89
Social security costs	518	489
Pension costs (see note 18)	1,014	883
	8,097	6,992

6 Group Sale of Fixed Assets

	2015 £000	2014 £000
Proceeds of sales	2,940	1,734
Cost of sales	(2,779)	(1,341)
Surplus on sales of assets	161	393

7 Group interest payable and similar charges

	Saxon Weald Homes Ltd		Group	
	2015	2014	2015	2014
	£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	45	44	45	44
Amortisation of bond premium and fees	109	19	109	19
Pension fund interest cost	926	812	926	812
Pension fund expected return on assets	(1,142)	(837)	(1,142)	(837)
Capitalised interest on development*	(928)	(386)	(928)	(386)
	11,104	11,746	11,104	11,746

*The Interest rate used to calculate capitalised interest is the average cost of borrowings, which in 2015 was 5.5% (2014 5.5%).

8 Group surplus on ordinary activities before taxation

Is stated after charging:

	2015	2014	2015	2014
	£000	£000	£000	£000
Depreciation (including accelerated depreciation of £302k (2014 £351k))	4,909	4,603	4,909	4,603
Operating lease rentals (including VAT)	362	332	362	332
Auditors' remuneration (including VAT)				
- in their capacity as auditors	49	48	49	48
- other services	-	-	-	-
Salaries directly attributable to development projects capitalised	576	508	576	508

9 Group taxation on surplus on ordinary activities

2015	2014	2015	2014
£000	£000	£000	£000

Factors affecting charge for the period

Surplus on ordinary activities before taxation	1,735	960	1,735	960
Surplus on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21% (2013/14: 23%)	364	221	364	221

Effects of:

Charitable exemption	(364)	(221)	(364)	(221)
Current tax charge for the period	-	-	-	-

Factors that may affect future tax charges

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

10 Group tangible fixed assets - housing properties

	Completed properties available for letting		Properties under construction		
	Shared ownership		Shared ownership		Total
	£000	£000	£000	£000	£000
Cost					
At 1 April 2014	259,104	11,952	16,629	1,324	289,009
Schemes completed	15,460	2,645	(15,460)	(2,645)	-
Replacement components	4,306	-	-	-	4,306
Additions	129	-	21,068	3,155	24,352
Write back of surplus on first tranche sales	(578)	-	-	-	(578)
Disposals	(2,301)	-	-	-	(2,301)
Sales*	(190)	(55)	-	-	(245)
Components replaced	(625)	-	-	-	(625)
At 31 March 2015	275,305	14,542	22,237	1,834	313,918
Social housing grant					
At 1 April 2014	57,581	5,711	3,653	120	67,065
Reclassification	-	-	(131)	131	-
Schemes completed	2,836	64	(2,836)	(64)	-
Received during year	-	-	1,927	212	2,139
Eliminated on property sales	(726)	(25)	-	-	(751)
Transferred to recycled capital grant fund	(1,017)	-	-	-	(1,017)
At 31 March 2015	58,674	5,750	2,613	399	67,436
Depreciation and impairment					
At 1 April 2014	24,400	125	160	-	24,685
Charge for the year	4,278	55	-	-	4,333
Impairment on schemes held for development	-	-	-	-	-
Disposals	(236)	(1)	-	-	(237)
On components replaced	(323)	-	-	-	(323)
At 31 March 2015	28,119	179	160	-	28,458
Net book value					
At 31 March 2015	188,512	8,613	19,464	1,435	218,024
At 31 March 2014	177,123	6,116	12,816	1,204	197,259

The cumulative amount of capitalised interest included in fixed assets housing properties at 31 March 2015 was £4,121k (2014 £3,329k).

	2015	2014
	£000	£000
Freehold properties	204,289	188,206
Long leasehold properties	13,735	9,053
	218,024	197,259
Works to existing rented properties		
Replacement components capitalised as above	4,306	4,275
Major repair works charged to revenue (note 3)	1,426	1,367
	5,732	5,642

All housing properties are for social housing use

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

11 Group other fixed assets

	Freehold office £000	Office equipment £000	IT equipment £000	Total £000
Cost				
At 1 April 2014	2,576	100	1,971	4,647
Reclassification	23	(23)	-	-
Additions	-	-	356	356
Disposals	-	-	(4)	(4)
At 31 March 2015	2,599	77	2,323	4,999
Depreciation				
At 1 April 2014	890	73	1,512	2,475
Reclassification	-	(1)	1	-
Charge for the year	92	2	180	274
Disposals	-	-	4	4
At 31 March 2015	982	74	1,697	2,753
Net book value				
At 31 March 2015	1,617	3	626	2,246
At 31 March 2014	1,709	4	459	2,172

12 Company investments in subsidiaries

	2015 £000	2014 £000
At the beginning of the year	50	50
Investment in Saxon Weald Capital Plc. at the end of the year	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 Group properties held for sale

	2015 £000	2014 £000
Shared ownership completed properties	1,514	49
Shared ownership properties under construction	4,668	2,355
Other property to be sold	44	270
	6,226	2,674

The cumulative amount of capitalised interest included in properties held for sale at 31 March 2015 was £136k (2014 £30k).

14 Group debtors due within one year

	2015 £000	2014 £000
Amounts receivable within one year:		
Rents and service charge arrears	1,030	807
Less provision for bad debts	(255)	(195)
	775	612
Other debtors	632	543
Social housing grant receivable	65	596
Prepayments	663	531
	2,135	2,282

15 Group creditors: amounts falling due within one year

	2015 £000	2014 £000
Loan interest	3,854	3,854
Contractors for certified work	5,221	3,831
Other taxes and social security costs	165	164
SHG received in advance	-	281
Rent charged in advance	496	553
Rent paid in advance	272	288
Trade creditors	1,013	475
Other creditors and accruals	1,436	1,457
Due to Horsham DC re. RTB sales receipts	299	993
	12,756	11,896

16 Creditors: amounts falling due after one year

Borrowings

On 6 June 2012, Saxon Weald Capital Plc. successfully issued a £225m 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 £221.3m 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 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.

The fair value (market value) of the bond at 31 March 2015 was £293,892,750 (£250,726,500 in 2014).

	Saxon Weald Homes Ltd		Group	
	2015	2014	2015	2014
	£000	£000	£000	£000
Loans to Group undertakings	220,304	220,195	-	-
Total loans	220,304	220,195	-	-
Bond issue	-	-	225,000	225,000
Bond premium and fees	-	-	(4,696)	(4,805)
Net bond	-	-	220,304	220,195
Total Creditors: amounts falling due after one year	220,304	220,195	220,304	220,195

	2015	2014	2015	2014
	£000	£000	£000	£000
Loans repayable by instalments:				
Less than one year	-	-	-	-
Between one and two years	-	-	-	-
Between two and five years	-	-	-	-
In five years or more	220,304	220,195	220,304	220,195
	220,304	220,195	220,304	220,195

17 Group Recycled Grants

	Recycled Capital Grant Fund	Recycled Capital Grant Fund	Disposal proceeds fund	Disposal proceeds fund	Total group recycled grants	Total group recycled grants
	2015 £000	2014 £000	2015 £000	2014 £000	2015 £000	2014 £000
At the beginning of the year	863	-	386	266	1,249	266
Funds released from sales	716	3	361	386	1,077	389
Excess of grant received from HCA due to tenure mix change	1,017	860	-	-	1,017	860
Grant and net sales proceeds recycled into new schemes	-	-	-	(266)	-	(266)
At the end of the year	2,596	863	747	386	3,343	1,249
Due within one year	-	-	-	-	-	-
Due in more than one year	2,596	863	747	386	3,343	1,249

18 Group pension costs

Group pension costs

The company participates in the West Sussex County Council Pension Scheme, a funded defined benefit pension scheme. A full actuarial valuation was carried out as at 31 March 2013 and, for the purposes of FRS17, updated to 31 March 2015 by a qualified independent actuary at bid value.

Reconciliation of defined benefit obligation	2015 £000	2014 £000
Opening defined benefit obligation	21,114	17,831
Current service cost	981	876
Interest cost	926	812
Contributions by members	322	255
Actuarial losses	3,608	2,031
Past service cost	-	7
Losses on curtailments	33	-
Estimated benefits paid	(462)	(698)
	26,522	21,114

Reconciliation of fair value of employer assets	2015 £000	2014 £000
Opening fair value of employer assets	18,410	16,013
Expected return on assets	1,142	837
Contributions by members	322	255
Contributions by the employer	798	622
Actuarial gains	1,695	1,381
Benefits paid	(462)	(698)
	21,905	18,410

Reconciliation to balance sheet	2015 £000	2014 £000
Fair value of employers assets	21,905	18,410
Present value of funded liabilities	(26,522)	(21,114)
Net (Liability)	(4,617)	(2,704)
Amounts in the balance sheet		
Liabilities	4,617	2,704
Net (Liability)	(4,617)	(2,704)

18 Group pension costs (continued)

Recognition in the income and expenditure account	2015 £000	2014 £000
Current service cost	981	876
Interest cost	926	812
Expected return on employer assets	(1,142)	(837)
Past service cost	-	7
Losses on curtailments and settlements	33	-
	798	858

Amounts recognised in statement of surpluses and deficits (SRSD)	2015 £000	2014 £000
Actuarial (losses)	(1,913)	(650)
Cumulative amount of (losses) recognised in the statement of surpluses and deficits	(5,054)	(3,141)

Composition of plan assets	2015 £000	2014 £000
Equities	16,210	14,360
Bonds	3,286	2,209
Property	1,314	1,473
Cash	1,095	368
	21,905	18,410
Actual return on plan assets	2,836	1,540

Amounts for the current and previous accounting periods	2015 £000	2014 £000	2013 £000	2012 £000	2011 £000
Fair value of employer assets	21,905	18,410	16,013	13,507	12,872
Present value of defined benefit obligation	(26,522)	(21,114)	(17,831)	(14,531)	(13,116)
(Deficit)	(4,617)	(2,704)	(1,818)	(1,024)	(244)
Experience gains/(losses) on assets	1,695	1,381	1,237	(457)	958
Experience gains/(losses) on liabilities	155	(1,088)	19	(145)	509

18 Group pension costs (continued)

Principal actuarial assumptions used at the balance sheet date	2015 % p.a.	2014 % p.a.
Financial Assumptions		
Inflation/pension increase rate	2.4%	2.8%
Salary increase rate	3.8%	4.1%
Expected return on assets	3.2%	6.1%
Discount rate	3.2%	4.3%
Breakdown of the expected return on assets by category	2015 % p.a.	2014 % p.a.
Equities	3.2%	6.7%
Bonds	3.2%	3.7%
Property	3.2%	4.8%
Cash	3.2%	3.7%
Mortality	Males	Females
The average future life expectancies at age 65 are:		
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 2015	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.

Commutation

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax free cash for post-April 2008 service.

Analysis of projected amount to be charged to operating profit for the year to 31 March 2016	31 March 2016 £000	% of pay
Projected current service cost	1,266	28.0%
Interest on obligation	867	19.2%
Expected return on plan assets	(711)	(15.7%)
	1,422	31.5%

The expected return on plan assets for the year to 31 March 2016 in the table above is based on the discount rate as per forthcoming revisions to FRS disclosures.

The actuary estimates the employer's contributions for the year to 31 March 2016 will be approximately £789,000.

19 Group designated reserve and revenue reserves

Designated reserves	Proceeds from sales £000	RTB Discounts £000	Total £000
At the beginning of the year	1,545	235	1,780
Discount returned	-	-	-
Transferred to revenue reserves	-	-	-
Proceeds from sales in year	-	-	-
At the end of the year 31 March 2015	1,545	235	1,780

Designated reserves represent the net sales proceeds from voluntary sale of property fixed assets and discounts that have been returned under the Right to Buy rules. The proceeds are used by the Company for future development of properties.

	2015 £000	2014 £000
At the beginning of the year	21,751	20,775
Surplus for the year	1,735	960
Transfer from designated reserves	-	666
Actuarial (deficit) on pension scheme liability	(1,913)	(650)
At the end of the year 31 March 2015	21,573	21,751

20 Notes on the group cash flow statement

	2015	2014
	£000	£000
(a) Reconciliation of operating surplus to net cash inflow		
Operating surplus	12,394	11,776
Depreciation	4,909	4,252
(Increase)/decrease in debtors	(401)	101
(Increase) in stock	(33)	(30)
(Increase) in properties held for sale	(3,552)	(641)
Increase in creditors	911	1,036
Restriction of surplus on first tranche sales	578	606
Net cash inflow from operating activities	14,806	17,100

(b) Reconciliation of net cash flow to movement in net debt		
(Decrease)/ increase in cash in the year	(19,479)	(13,243)
(Increase) in debt funding	-	(18)
Changes in net debt resulting from cashflows	(19,479)	(13,261)
Non-cash movement	(109)	-
Net debt at beginning of year	(165,089)	(151,828)
Net debt at end of year	(184,677)	(165,089)

(c) Analysis of changes in net debt	At 1 April 2014	Cashflow	Non-cash movement	At 31 March 2015
	£000	£000	£000	£000
Cash at bank and in hand	55,106	(19,479)	-	35,627
Debt due after one year	(220,195)	-	(109)	(220,304)
Total	(165,089)	(19,479)	(109)	(184,677)

21 Group capital commitments

	2015	2014
	£000	£000
Capital expenditure for new development that has been contracted for but has not been provided for in these financial statements		
To be spent within 1 year	13,910	25,968
To be spent within 2 years	9,770	10,501
	23,680	36,469
Capital expenditure for new development that has been authorised by the Board but has not been contracted for	15,350	21,995
	39,030	58,464
The company expects to finance the above commitments by:		
Social housing grant receivable	4,085	4,393
Property sales	8,260	8,877
Cash	26,685	45,194
	39,030	58,464
In addition to the above, the Board has authorised capital expenditure on property components which have not been contracted for totalling:	3,686	4,693

22 Group commitments under operating leases

	Restated
2015	2014
£000	£000

As at 31 March 2015, the company had annual commitments under non-cancellable operating leases not relating to land and buildings as set out below:

Less than one year	52	37
Between one and five years	235	239
	287	276

The 2014 operating lease commitments are restated to show only the annual commitment.

23 Homes and bed spaces

	2015	2014
	Number	Number

Under management at end of year:

Social Housing

General needs housing

Social	3,426	3,492
Affordable	478	367
Owned general needs managed by others	44	46

Retirement and supported housing

Social	1,465	1,475
Affordable	75	17
Shared ownership	119	99
Leasehold for older people	146	130

Total Social Housing

5,753 5,626

Leasehold flats

463 460

Total owned and managed

6,216 6,086

	2015	2014
	Number	Number

Under development at end of year:

Shared ownership	47	67
Affordable rent	237	282
Full market sale	45	45
	329	394

24 Legislative provisions

Saxon Weald Homes Ltd is incorporated under the Companies Act 2006 and is a Registered Social Housing Provider registered with the Homes and Communities Agency under the Housing Act 1996, as amended by the Housing and Regeneration Act 2008.

25 Social housing grant

As at 31 March 2015, the company had received £67,436,000 (2014 £67,065,000) of social housing grant all of which has been capitalised.

26 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.

27 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.





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