



**SAXON WEALD**

*Great homes, building futures*

**GROUP ANNUAL REPORT  
& FINANCIAL STATEMENTS**

for the year ended 31 March 2019



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# Board, Executive Directors and Advisers

## The Board

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

	Board Member	Committee Membership at 31 March 2019
EM	Steven Dennis (from 16 July 2018)	
T	Adrian Hall (from 3 January 2019)	Asset Management & Development and Remuneration Committees
EM	Norman Hill BSc Econ (Hons), FCPFA	Secretary
T	Debbie Joseph BSc (Hons), PGCE	Audit & Risk and Remuneration Committees
T	Martin Loates	Audit & Risk and Emergency Committees
I	Charlotte Moore B.Eng (Hons), C. Eng, MBA(MSc)	Asset Management & Development and Emergency Committees
I	Liz Nicolls BSc (Joint Hons) (to 31 August 2018)	
I	Richard Perry	Asset Management & Development, Emergency and Remuneration Committees
I	Mark Slater JP, AIEMA	Audit & Risk and Remuneration Committees Board Cyber Security Lead
EM	David Standfast MA (Cantab), Dip TP, DMS, MRTPI, FCMI (to 4 June 2018)	
I	Richard Stevens FCA	Audit & Risk and Emergency Committees.
I	Simon Turpitt (Chairman)	Asset Management & Development and Emergency Committees
I	Stephanie White MBA (Vice Chairman)	Audit & Risk, Emergency and Remuneration Committees.
T	Vanessa Williams (to 17 September 2018)	

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

### Registered Office

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

Liz Nicolls resigned as a Board member with effect from 31 August 2018 and Vanessa Williams retired on 17 September 2018 after nine years on the Board. Adrian Hall was appointed a Board member from 3 January 2019.

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

## The Executive Directors

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

<b>David Standfast</b> MA (Cantab), Dip TP, DMS, MRTPI, FCMI	(to 4 June 2018)	Chief Executive
<b>Mark Crosby</b> BSc, MRICS	(to 30 November 2018)	Business Development Director
<b>Steven Dennis</b>	(From 4 June 2018) (to 3 June 2018)	Chief Executive Previously - Property Director
<b>Kath Hicks</b> BSc (Hons)		Executive Director - Customer Experience
<b>Norman Hill</b> BSc Econ (Hons), FCPFA		Executive Director - Resources

In the autumn of 2018, the Executive Team was restructured to reduce it from five to three executive directors. These are the Chief Executive, Executive Director – Customer Experience and the Executive Director – Resources. The Business Development Director left Saxon Weald on 30 November 2018. The Executive Team is now supported by nine assistant directors who take the lead in their area of responsibility.

### External Auditor

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

### Internal Auditor

**TIAA Ltd**  
Artillery House, Fort Fareham,  
Newgate Lane, Fareham  
PO14 1AH

### Main Bankers

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

### Solicitors

**Trowers & Hamblins**  
3 Bunhill Row,  
London EC1Y 8YZ

**Capsticks**  
Staple House,  
Staple Gardens  
Winchester SO23 8SR

**TLT Solicitors**  
One Redcliffe Street,  
Bristol BS1 6TP

# Strategic Report Incorporating the Operating and Financial Review

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

Saxon Weald's main accounting policies are set out on pages 44 to 50 of the financial statements.

## Business Model and Activities

Saxon Weald Homes Ltd was a company limited by guarantee, but became a Community Benefit Society on 28 December 2018 and changed its name to Saxon Weald. Saxon Weald, like a number of other non-exempt charitable housing associations, made the decision to change its status to that of a Community Benefit Society (this is the new name for what was previously known as an Industrial and Provident Society). This will reduce the time and expense associated with disposals under the Charities Act, because as a charitable Community Benefit Society (CBS), a housing association is not subject to the Charity Commission's regulation.

As a charitable Community Benefit Society, Saxon Weald is an exempt charity and, as such, is not subject to the Charity Commission's regulation or registration requirements. Saxon Weald's status as an exempt charity does not mean it is exempt from compliance with charity law and guidance issued by the Charity Commission. Much of charity law and Charity Commission guidance binds both exempt and registered charities and the Society must have regard to it when making decisions and operating the Society. However, certain provisions of the Charities Act 2011, such as the Charities Act property disposal regime, do not apply to exempt charities.

Saxon Weald has nine shareholders (all non-executive Board members) issued with a £1 share. The nature of the share capital of a Community Benefit Society allows the shareholders to have collective control of Saxon Weald without giving individual shareholders a realisable financial interest. When a Board

member ceases to be a Board member his/her shareholding membership automatically ceases.

As an exempt charitable housing association, Saxon Weald is registered with both the Regulator of Social Housing (RSH) and the Financial Conduct Authority (FCA). Saxon Weald is a public benefit entity for the purposes of Financial Reporting Standard 102 (FRS 102).

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

Saxon Weald was formed to take the transfer of the housing stock from Horsham District Council on 11 December 2000. The association provides social housing in East and West Sussex and Hampshire and at 31 March 2019 owned 6,635 homes. Demand for social housing in these areas is greater than the existing provision and in the coming years the gap between supply and demand is anticipated to grow. Retirement housing for older people (previously referred to as sheltered housing), extra care properties and leasehold flats for older people make up 27% of the housing owned. In addition to the 5,707 social rented homes, we own 171 shared ownership homes, 157 leasehold homes for older people, 81 market rent homes and the freehold of 519 properties mainly sold under the right to buy/right to acquire legislation. The purpose of the investment in market rent flats is to generate a financial return that is used to help achieve Saxon Weald's charitable objectives.

Saxon Weald's primary business is to build and

rent homes for those who cannot afford to buy or rent in the private market and/or who, as a result of age or other characteristics, need additional support to maintain an independent home and lifestyle. Saxon Weald collects rent and service charges from tenants (around 55% of tenants receive full or partial housing benefit or receive support for housing through Universal Credit). Saxon Weald manages, maintains and invests in replacing major elements of these properties so that they will continue to be available for those who need them in the future.

The initial stock of properties bought from Horsham District Council was 100% debt financed. Since December 2000, Saxon Weald has built over 1,600 new homes, for the same target groups. The majority of funding to build these new homes is through debt. Central government grant, local government grant, cross subsidy from shared ownership/equity sales and cash generated from Saxon Weald's day-to-day operating rental activity have also made a contribution to the capital cost. However, due to the low level of central government grant available, debt is overwhelmingly the largest source of funding to build new homes and will be in the future. In 2018/19, net interest payable on debt was 26% of turnover.

In the July 2015 budget, the Chancellor announced a number of changes that had an impact on housing associations. These included a reduction in rents for social housing of 1% per annum for four years from 2016/17 to 2019/20 and significant welfare changes. These changes have reduced Saxon Weald's ability to develop new affordable homes at the scale originally intended. Recently there has been welcome clarity on rent policy for five years from April 2020. Rent increases will revert to the consumer price index (CPI) + 1%. Whilst this provides more certainty about rent increases from April 2020, other changes, such as the roll out of Universal Credit continue.

Saxon Weald's response to the government's rent reforms has included identifying £2.3m of

recurrent efficiency savings/income generation to be achieved by March 2020. By 31 March 2019, savings/income generation of £1.9m have been made, leaving £0.4m of the £2.3m savings/income generation to be achieved by 31 March 2020. This will be made up by generating £0.4m of income from new developments by the end of 2019/20.

The focus of the new Development and Sales Strategy approved by the Board in March 2019 is to deliver more much needed affordable homes in our area of operation (Sussex and Hampshire). The aim is to build 500 new homes over the next five years. There is a continuing focus on redevelopment sites within Saxon Weald's control and selected section 106 sites, though values and competition remain strong. New development will include a very small amount of market rent to help cross subsidise affordable rented homes and shared ownership homes.

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

Saxon Weald is in a sustainable financial position, however there is significant uncertainty and risk over the next five years, not least, the impact of Brexit, welfare reform - particularly the roll out of Universal Credit - and sales risk in the increasingly subdued housing market in the South East. Saxon Weald's focus will be to improve efficiency and effectiveness to enable investment in building new homes and to ensure our long term financial position remains sound.

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

## Aims and Strategy

Saxon Weald is a Community Benefit Society, an exempt charitable housing association. In preparing this report we have paid due regard to guidance on reporting on public benefit.

Saxon Weald is directed by the Board and Executive Team who are listed on pages four and five. In October 2018, the Board agreed a new corporate plan 2019-2022. This identifies how Saxon Weald will respond to a changing and challenging external environment as well as continuing to build excellent new homes, modernise and deliver a great customer experience.

Saxon Weald's new vision "Great homes, building futures" is designed to be aspirational and ambitious, and refers to both people and our homes. It is a statement of what we want to be and what we are all about. It supports the work that we do in our communities, the re-investment in our existing homes and the new homes that we will build in the future.

Our values underpin everything that we do and how we do it. They determine and influence the decisions that we take and the culture that exists. They also guide how we work and interact with colleagues, our customers, our partners and other stakeholders. We share these values:

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

At the heart of our corporate plan are four strategic aims that support our vision and set our direction over the coming years. They are:

- 1 Deliver a great customer experience;
- 2 Provide great homes for more people;
- 3 Be a great place to work; and
- 4 Achieve value for money and be financially sound.

### 1 Deliver a great customer experience

Saxon Weald has always had a focus on customer service and this has delivered high levels of customer satisfaction. This aim widens the scope from customer service to include the entire customer experience. This means looking at how we interact with people from the day they collect their keys to the day they hand them back. We will:

- ▶ Find out more about the wide variety of people who live in our homes, so that we can better appreciate their differences, preferences and requirements.
- ▶ Use this information to influence service development, helping us to set our priorities and allocate resources effectively.
- ▶ Review the methods by which we gain the 'voice of the customer' and use feedback to challenge how we deliver our services.
- ▶ Look for innovative ways to involve customers in specific consultations or projects, in addition to the information we get from surveys, complaints and compliments.
- ▶ Review our retirement offer to ensure that we are providing a modern service that people



value and to ensure that our accommodation meets the latest standards.

- ▶ Continue to invest in technology to improve our systems, providing easy customer-friendly access to our services twenty-four hours a day, while seeking to improve the efficiency of the business.

### Key measures

- Customer satisfaction to exceed 85%.
- 50% of our most frequent customer transactions will be digital by 2020.

## 2 Provide great homes for more people

Saxon Weald has an important role to play in helping ease the regional shortage of affordable homes. Understanding and providing solutions for the local housing need will be a significant part of our revised development and sales strategy. We will:

- ▶ Build as many new affordable homes as possible.
- ▶ Achieve the right balance between investing in new homes and reinvestment in our existing properties.
- ▶ Develop, with our customers, a Saxon Weald property standard, that applies to all our homes, to help prioritise the money we spend on improving and updating them.
- ▶ Look for opportunities to maximise the value of our assets.
- ▶ Make better use of the information we hold to improve our investment decisions.

- ▶ Dispose of poor performing properties and use the capital receipts to build new and better quality replacements.
- ▶ Proactively deal with under-occupation in our properties to increase the number of people housed.
- ▶ Maintain the high quality and highly regarded responsive repairs service that HomeFix delivers, including seeking opportunities to grow the service reducing costs and improving efficiency.

### Key measures

- We will build around 100 new homes every year.
- We will improve the net present value of our assets every year.

## 3 Be a great place to work

Saxon Weald employs over 200 people and has developed a good reputation locally as an employer of choice. We will maintain this reputation by ensuring our employment offer is current and attractive to new and existing employees and we are committed to carrying out a salary and benefits review. We will:

- ▶ Provide inspirational leadership and clear messages about direction, strategy and performance.
- ▶ Empower staff to take decisions that are in the interests of our customers and seek ways to improve what we do.
- ▶ Continue to invest in staff training and development and make sure that the money

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

we spend is targeted on our priorities.

- ▶ Review the working environment and consider how we can have a positive impact on health and wellbeing.
- ▶ Encourage regular feedback using on-line pulse surveys.
- ▶ Ensure that the Staff Forum has an important part to play in the company's decision making and feedback framework.
- ▶ Encourage innovation at all levels and will seek to harness the creativity of our staff to improve our business.

### Key measures

- We will maintain our Investors in People Gold award.
- Overall staff satisfaction will exceed 90%.

### 4 Achieve value for money and be financially sound

Four years of rent cuts and changes to the levels of grant available to fund new homes has had a significant impact on both the social housing sector and Saxon Weald. We will:

- ▶ Maintain a financially sound position to ensure that the business is around for the long term, delivering social outcomes and preserving our independence.
- ▶ Plan for our short and medium-term funding requirements to provide the necessary funds for our development aspirations and to manage the uncertain economic future following Brexit.

- ▶ Consider value for money in all that we do.
- ▶ Set challenging value for money targets during our budget-setting process each year and make sure that value for money is an important consideration in the contracts we award and the investment decisions we make.
- ▶ Report progress regularly to the Board, staff and our customers.
- ▶ Carry out a programme of business reviews prioritised on what is important and will deliver demonstrable value for money outcomes.

### Key measures

- We will always exceed our financial covenants and rules.
- We will set value for money targets during budget setting. For 2019/20 our savings target is £0.5m.

Underpinning the strategic aims are eight service strategies. These individual service strategies contain the detailed approach, ambitions and objectives for that service and are supported by a detailed action plan. The service strategies, like the corporate plan are for three years. As well as approving the service strategies, the Board will each year, review progress and make any appropriate changes to each service strategy. These service strategy reviews will be the major means by which the Board and the Executive Team will give significant focus to the key areas of Saxon Weald's business. As well as receiving progress reports on the achievement of service strategies, senior management and the Board use key performance indicators to monitor performance. A number of these are shown in the table in the section on performance.

## Performance

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### Overview

During 2018-19, Saxon Weald made a surplus of £6.3m (2018: £5.2m) which is £3.9m above the target surplus for the year. In addition, there was an actuarial loss of £2.2m in respect of Saxon Weald's part of the West Sussex County Council pension fund, reducing total comprehensive income for the year to £4.2m (2018: £6.8m). The 2018/19 surplus is £1.1m more than the surplus for 2017/18 of £5.2m. In 2018/19, the actuarial loss in respect of the pension scheme was £2.2m compared to an actuarial gain of £1.6m in 2017/18. Total comprehensive income for 2018/19 is £4.2m, compared to £6.8m for 2017/18.

At the statement of financial position date, 31 March 2019, Saxon Weald held £6.6m cash to help fund future development and had reserves of £55.1m. This is £4.2m more than reserves at 31 March 2018 due to a surplus for the year of £6.3m and an actuarial loss of £2.2m on the pension scheme.

The cost of housing properties (after depreciation) on the statement of financial position at 31 March 2019 is £316m, which is an increase of £16m on the net cost at 31 March 2018. During 2018/19, 42 new homes were completed. This relatively low number of completions reflects the delay at Winterton Square (65 new homes) which handed over at the beginning of April 2019. With affordability an ever-increasing concern in the South East, demand for our homes continues to grow. In response, our development team has been working extremely hard to find opportunities to build new properties which meet a variety of needs.

Investment properties are properties not held for social benefit and are comprised of garages that are rented to tenants and non-tenants and market rent homes. At 31 March 2019, investment properties had a fair value of £24.7m, £1.0m

higher than at 31 March 2018. This reflects capital works to modernise the market rent properties of £0.4m, an unrealised gain in the value of the market rent properties of £0.4m and an unrealised gain in the value of garages of £0.3m.

Deferred capital grants of £58.7m at 31 March 2019 are held as long term creditors on the statement of financial position. These include grants from Homes England (HE), local authorities and other government bodies. Grants are recognised when there is reasonable assurance that the grant conditions will be met and the grants received. Grants are amortised (written-off) to the statement of comprehensive income over the life of the property structure they are received in respect of.

At 31 March 2019, Saxon Weald had capital commitments of £15.6m, of which £9.9m has been contracted for and £5.7m which has been authorised by the Board, but is not in contract.

In February 2019, Saxon Weald, by way of a variation letter to the existing facility, agreed a £35m seven-year revolving credit facility with Santander ending in February 2026. Interest is calculated at a margin on LIBOR and a non-utilisation charge is payable. This will enable Saxon Weald to continue to make development commitments to ensure a continuing programme of new build homes for those who need them.

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## Pension Scheme

An actuarial valuation of Saxon Weald's assets and liabilities in the West Sussex County Council Pension Scheme at 31 March 2019 was carried out by a qualified independent actuary in accordance with FRS 102. It is a defined benefit pension scheme and the difference between Saxon Weald's assets and liabilities is recognised in the statement of financial position. Saxon Weald's net pension scheme deficit on the statement of financial position at 31 March 2019 is £5.7m, an increase in the deficit of £3.1m since 31 March 2018.

## Financial Performance

The Saxon Weald group returned a surplus for the year of £6.3m. This is £3.9m above the target surplus for the year of £2.4m. Turnover is £0.2m lower than budget, cost of sales £1.3m lower than budget, operating expenditure £0.9m lower than budget, the gain on disposal of property is £1.0m higher than budgeted, net interest £0.2m lower than budget and unrealised gain on investment properties is £0.7m better than budget.

Turnover is lower than budget by £0.2m. This reflects:

- ▶ a reduction in sales income from the conversion of 10 sale flats to affordable rent at Highwood Mill extra care scheme of £1.4m largely offset by 11 more than budgeted shared ownership sales in 2018/19 (it had been forecast that they would not be sold until 2019/20); and
- ▶ a reduction in rent and service charge income of £0.2m due to properties being taken off charge to be redeveloped.

The cost of sales of extra care properties was £2.1m less than budgeted because of the conversion of 10 flats to affordable rent and the cost of sales of shared ownership properties was higher by £0.8m due to the higher number sold, giving an overall cost of sales £1.3m below budget.

Operating costs are £0.9m lower than budget. This is largely as a result of:

- ▶ lower staffing costs of £0.6m due to increased capitalisation of development staff time (£0.4m) and staff vacancies;
- ▶ an underspend on general overheads of £0.1m, including improved VAT recovery;
- ▶ an underspend on revenue programmed works of £0.1m due to reduced structural works; and
- ▶ other minor underspends.

There was an increased gain on the disposal of properties when compared to the budget of £1.0m. This is because of unbudgeted surpluses from staircasing sales and three unbudgeted right to acquire sales.

Net interest charged to the income and expenditure account was £0.2m less than budgeted for. This was largely as a result of higher than budgeted capitalised interest during the construction of new homes, offset by loan arrangement fees relating to the original £20m revolving credit facility which was replaced by a new £35m revolving credit facility in February 2019.

Under FRS 102 Saxon Weald's garages are classed as investment properties and the market rent homes at Pelham Court and Waverley Court are also classed as investment properties. Investment properties are properties not held for social benefit and as such must be measured at fair value at the date of the statement of financial position. This revaluation has given rise to an unrealised gain of £0.6m compared to a budgeted loss of £0.1m.

In addition, there is an unbudgeted actuarial loss of £2.2m in respect of Saxon Weald's share of the West Sussex County Council Pension Fund.

A summary of financial performance for 2018/19, 2017/18 and 2016/17 is shown below:

Financial Performance	2018/19	2017/18	2016/17
	£000	£000	£000
Turnover	45,970	48,547	45,230
Cost of sales	(3,171)	(5,997)	(3,822)
Operating expenditure	(26,143)	(25,381)	(23,440)
Operating surplus	16,656	17,169	17,968
Gain on disposal of property, plant and equipment	1,147	247	941
Net interest charges	(12,066)	(11,920)	(11,617)
Unrealised gain/(loss) on investment properties	605	(268)	536
<b>Surplus for the year</b>	<b>6,342</b>	<b>5,228</b>	<b>7,828</b>
Actuarial gain/(loss) in respect of pension scheme	(2,182)	1,608	24
<b>Total comprehensive income for the year</b>	<b>4,160</b>	<b>6,836</b>	<b>7,852</b>
Operating margin excluding sales – Rule minimum 30%	37%	38%	41%
Cash interest cover – Rule minimum 150%	189%	194%	201%
Adjusted cash interest cover* - Rule minimum 110%	124%	130%	144%
EBITDA MRI** - Rule minimum 110%	132%	138%	150%
Debt ratio*** - Rule - 65% or below	57%	59%	61%

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

\*\*Earnings before interest, tax, depreciation, amortisation on intangible fixed assets, grant amortisation and capitalised major repairs added, divided by total interest payable (including capitalised interest).

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

Whilst operating margin excluding sales, and the cash interest cover ratios in 2018/19 are lower than in 2016/17 and 2017/18, due to the continuation of the rent reductions, all of the internal financial rules set by the Board have been comfortably achieved. It is worthwhile noting that the cash interest cover internal rule

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of 150% is in excess of the bond covenant of 105% and the adjusted cash interest cover internal rule of 110% is above the Santander covenant requirement of 100%. The debt ratio has improved to 57% for 2018/19. The Santander covenant is a debt ratio of 70% or below compared to the internal rule of 65% or below.

The other internal target is asset cover of 120% for security purposes. Savills carried out a valuation of Saxon Weald's properties at 31 March 2019. The total security value of the stock on an existing use social housing basis (EUV-SH), with the special assumption that affordable rent properties are valued at social rent, is £400m (and without the special assumption are valued at £424m). Asset cover comfortably exceeds the target at 178%.

### Cash

The cash flow statement on page 43 shows that Saxon Weald generated net cash from operations of £25.4m and made net interest payments of £12.6m. There was a net cash outflow of £18.1m from investing activities.

The group held cash of £6.6m (2018: £10.9m) at 31 March 2019. This is invested in line with the approved Treasury Management Policy in a range of banking counterparties with a minimum rating 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 asset cover covenant. The Santander covenants are an adjusted cash interest cover covenant and a debt covenant. All of the covenants are shown in the financial performance section above. The covenants were met during the year, at year end and are anticipated to be met going forward.

### People

The people that work at Saxon Weald are our most important asset. We were extremely pleased to be awarded, for the third time, Investors In People Gold in June 2019. This is supported by the staff leadership survey carried out in December 2018 which returned an employee net promoter score of 46 (35+ is considered to be a good score). Similarly, in a survey carried out in May 2019, 86% of staff believed that Saxon Weald is a great place to work. Staff turnover in 2018/19 at 18.1%, was above the target of 15%, although managed turnover represented 3.1% of the total. During 2018/19, the overall level of staff sickness was 3.6% (short-term sickness was 1.5% and long-term sickness was 2.1%) which is above Saxon Weald's target of 3.0%.

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

### Operating Performance

The table below shows Saxon Weald's key operating performance indicators over time and compared to the upper and median performance for Saxon Weald's peer group. Additional KPIs are given in the value for money section of the report to the Board. Saxon Weald's benchmarking peer group (listed on page 32), including Saxon Weald, comprises 18 housing associations with a stock size of between 2,500 and 12,500 homes, which are located in the South and South East of England and comprises both large scale voluntary transfer and traditional housing associations.

Operating Performance	2018/19	2017/18	2016/17	2017/18 upper quartile/ median*
Rent arrears – 4 weekly average for March (%)	2.4	2.6	2.7	2.2/2.7
Void rent loss (%)	1.4	1.8	1.5	0.5/0.7
Emergency repairs in target (%)	100.0	100.0	100.0	n/a
Average repair completion time (days)	12.3	9.5	13.0	8.7/9.7
Satisfaction with repairs – STAR survey (% very and fairly satisfied)	86	87	86	83/82
Satisfaction with gas servicing – transaction survey (% very and fairly satisfied)	93	88	89	n/a
Overall tenant satisfaction – STAR survey (% very and fairly satisfied)	87.8	86.7	86.6	88.8/86.4

\*HouseMark 2017/18 n/a – not available.

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

In the light of the challenges such as the introduction of the benefit cap and Universal Credit, arrears performance during 2018/19 was encouraging. The arrears position at 31 March 2019 (4 weekly average) of 2.4%, is 0.2% lower than at 31 March 2018 and meets the internal target of 3.1%. At 31 March 2019, 433 tenants were on Universal Credit. Arrears for those on Universal Credit were 7.7% and for those not on Universal Credit 2.0%. Void rent loss performance at 1.4% is encouraging and below the target of 1.5%. The aim is to bring void rent loss down to 1.3% in 2019/20. Void rent loss in 2018/19, for general needs homes only, is 0.8% which is closer to the median of the peer group.

The percentage of emergency repairs completed within 24 hours remained at 100%, a pleasing performance. The average time to complete a repair in 2018/19, at 12.3 days, is disappointing and above the target of 10 days.

Overall customer satisfaction in 2018/19 was 87.8% which is above the target of 85% and an improvement on 2017/18. Saxon Weald has continued to increase the range of transactions that customers can carry out via the self-service portal, 'My SaxonWeald'. These now include the ability to choose and make appointments for repairs, set up a direct debit and rent a garage. Over 3,500 customers are signed up the portal with 48% of our most common transactions being carried out online.

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

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 £6.0m replacing components (and therefore capitalised this as housing properties in the statement of financial position) in our homes and £3.9m on major repairs and planned and cyclical maintenance charged to the statement of comprehensive income.

It was decided to bring gas servicing and repairs in-house from the end of February 2018. This work is being provided by HomeFix, our in-house repairs service. One of the objectives of this is to improve customer satisfaction with the gas service. It is still relatively early days, but satisfaction at 92.8% is pleasing.

During 2018/19, 42 new homes were completed. 24 of these were on developer-led section 106 sites, and 18 were built on our own land, which were previous garage blocks. This relatively low number of completions reflects the delay at Winterton Square (65 new homes) which handed over in early April 2019. The handovers in 2018/19 consist of 22 houses at Creswell Park, Angmering, two houses at Hammonds Ridge, Burgess Hill, nine flats at Copnall Court, Broadbridge Heath and nine flats at Harris Court, Broadbridge Heath.

The new homes at Creswell Park (20 shared ownership homes and two affordable rent homes) and Hammonds Ridge (shared ownership homes) are both on section 106 sites being developed by CALA Homes.

The nine new homes at Copnall Court (which have been leased to Horsham District Council for temporary housing) and the nine new homes at Harris Court (all affordable rent) are built on former garage sites.

Saxon Weald is currently in contract with Homes England for the 2016-21 Shared Ownership and Affordable Housing Programme (SOAHP) and is targeting to deliver 173 new homes

within the programme period. Saxon Weald secured £1,041,000 of Homes England Grant for schemes in 2018-19 (with a further £322,000 confirmed for 2019-2021) and £1,658,000 of grant from Horsham District Council for schemes completing in 2019-2022.

During the year there have been 26 sales. The majority were for shared ownership, but the last eight flats at Highwood Mill extra care scheme were also sold (10 flats at Highwood Mill were converted to affordable rent, with grant of £450,000 from Homes England). At year end, there were just six shared ownership homes waiting to be sold.

### Risks and Trends

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

- Brexit uncertainty including the possibility of a “no deal” exit and the potential of an economic downturn;
- The possibility of an early general election;
- The changing political, social and technological environment; and
- Implementation of government required changes:
  - ▶ The effects on our rental income of direct payments to tenants of Universal Credit;
  - ▶ The housing benefit cap; and
  - ▶ The level of future grant aid to affordable housing.

Over the last 15 years, there has been an enormous shift by people in general to using digital communications. A large proportion of the



population, including our tenants, now have smart phones and undertake the majority of their social and economic transactions on these devices. As well as email, there are a considerable number of other channels on the internet such as Twitter, Facebook etc.

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

The Grenfell Tower disaster and the subsequent Hackitt Review have major implications on the management of fire safety now and in the future. Although Saxon Weald does not have any high-rise buildings and does not manage any buildings of a similar construction to Grenfell Tower, a thorough review of Saxon Weald's fire safety policy and procedures has been undertaken to ensure that there are robust measures in place to safeguard residents against a similar risk of fire. The tallest building Saxon Weald owns and manages is five storeys tall and is a general needs block. As it is our tallest block it was first to be reassessed. No additional specific actions have been advised. It has also been reviewed by Sussex Fire Brigade and passed its inspection.

Saxon Weald's fire risk assessment (FRA) programme now distinguishes between complex and non-complex buildings. Although there is no legislation that dictates the frequency of the FRA programme, the increased vulnerability of residents within our complex buildings poses a greater risk to fire safety. It was therefore decided that Saxon Weald's complex buildings (56 sites) be identified and that the frequency of FRA's is increased for these buildings to an annual basis. All non-complex buildings (268 sites) will remain on a three year programme as this is considered suitable for the level of risk.

On 6 June 2012, Saxon Weald successfully issued a £225m bond at a coupon of 5.375% for an average of 25 years, through a newly formed,

fully owned subsidiary, Saxon Weald Capital Plc. The bond was issued at a discount of 1.623%, so that the funds received were £221.3m which equates to a fixed interest rate of 5.496%. The cost of issuing the bond was £1.3m leaving a net of £220m available to repay existing loans and to fund future development. The underlying assets of the issuance belong to Saxon Weald through a security trust arrangement with the Prudential Trustee Company Limited. The bond 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 discount and issue cost.

Saxon Weald completed a variation to its revolving credit facility (RCF) with Santander in February 2019. This provides a seven year £35m variable rate RCF from Santander starting in February 2019. Saxon Weald's business plan indicates that new funding of £35m may be required in December 2022 in order to continue to develop new homes. In line with Saxon Weald's treasury management policy and to reduce the re-financing risk, the aim is to have this funding agreed by December 2020. The fixed rate on the bond means Saxon Weald has only limited exposure to interest rate risk, but there is a financing risk given the plan to continue to develop.

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

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

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

<p><b>Welfare Reform and Rental Income</b></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 will reduce our rental income by almost £11m over the four year period ending 2019/20. Saxon Weald has responded to these rent reductions by making savings of £1.9m up to 31 March 2019 and plans to make a further £0.4m of net income from new developments by the end of 2019/20.</p> <p>The government's announcement that rent increases will return to the consumer price index + 1% from April 2020 for five years is most welcome.</p> <p>Welfare reforms continue to have an impact on our tenants and therefore on Saxon Weald. The reduction of the benefit cap to £20,000 per annum has had a limited impact initially, but if the cap continues to reduce or is cash limited it may have a greater impact on our tenants' finances over time.</p> <p>These reductions are in addition to the introduction of Universal Credit. Universal Credit is expected to be rolled out to the vast majority of Saxon Weald tenants from June 2018 to March 2022. This will affect both working and non-working tenants under retirement age who are in receipt of welfare benefits. At the end of March 2019, 433 of Saxon Weald's tenants were on Universal Credit with arrears of 7.7% compared to total rent arrears of 2.4%. Whilst our current rent arrears are relatively low, we are not complacent and we are pro-actively engaging with our tenants.</p>
<p><b>Future Funding</b></p>
<p>Interest rates remain very low. Market expectation is that the Bank of England will be cautious about raising the base too quickly and too early. However, Brexit and its consequences make the funding future very uncertain. Long term (30 year) bank funding continues to be scarce/ unavailable. We have sufficient liquidity to more than support the committed development in our existing business plan. Additional funding of around £35m will be required in December 2020, to help fund Saxon Weald's planned development going forward.</p>
<p><b>Regulatory Changes</b></p>
<p>A new value for money (VfM) standard was issued by the RSH with effect from 1 April 2018. The VfM standard is complemented by a code of practice that is designed to help housing associations understand what the RSH is looking for when seeking assurance against the standard. The RSH wants to strengthen Board accountability and enhance transparency through a focused, outcome-based approach to measuring and reporting both VfM gains and areas for improvement.</p>

The focus has moved away from narrative reporting in order to increase consistency, comparability and transparency. Housing associations must annually publish evidence in the statutory accounts to enable stakeholders to understand their:

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

Following the Grenfell Tower disaster and the Hackitt Review it is anticipated that there will be greater focus on consumer regulation in the future.

## Development

The focus of the Development and Sales Strategy approved by the Board in March 2019 is to deliver 500 new homes over the next five years, through a continuing focus on redevelopment sites within Saxon Weald's control and selected section 106 sites, though values and competition remain strong. New development will include a small amount of market rent and market sale to help cross subsidise affordable rented homes and shared ownership homes.

The housing market, particularly in London and the South East, has weakened both in terms of values and the number of transactions. There must now be some concern around the volume of sales income that can be achieved, though to date Saxon Weald's shared ownership sales have held up well. In addition, the uncertainties of Brexit and the economy in general create greater risk. It is therefore essential that Saxon Weald can respond to a housing market downturn by managing development commitments and effectively project manage the development and sales programme.

The government's policy of low capital grant to support the development of new homes is likely to continue. This means that the funding for the vast majority of new homes is from loans. The implication is that for many housing associations, including Saxon Weald, property security for new loans is used up more quickly than under the old system of significant capital grants. Saxon Weald currently has assets valued for security of £400m. This is more than sufficient for both our current development programme and our on-going business plan target of developing 100 new homes per annum.

## Value for Money (VfM)

Delivering Value for Money (VfM) only makes sense in the context of achieving Saxon Weald's vision and strategic aims; as there is no value in being efficient but not achieving our goals and reason for being.

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 continuously improving services for our customers, achieving savings through the more efficient and economical use of resources and achieving the best financial and social return from the assets we have.

The Regulator of Social Housing's (RSH) Value for Money (VfM) Standard requires housing associations to publish evidence in their statutory accounts to enable stakeholders to understand:

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

Saxon Weald was set up to provide good quality homes and services for existing residents and people who need them in the areas in which we operate; as well to build new affordable homes to meet housing need in areas where there is high demand. There is an obvious tension in delivering both of these objectives as, if Saxon Weald spends too much on existing homes, there is less to spend on providing new homes. Conversely, if we spend too little on our existing homes and services, we will not meet our strategic aims of delivering a great customer experience and providing great homes for more people. In addition, it is essential that Saxon Weald remains financially sound, with sufficient

resilience to manage risk. Saxon Weald aims to maximise the achievement of these objectives by striving to achieve the best VfM we can in providing homes and services to our existing residents and in building new homes.

### Performance against targets - Key VfM achievements 2018/19

The corporate strategy for 2018/19 and the VfM statement for 2017/18 set out Saxon Weald's purpose, which is "to manage, maintain and develop housing for those who are unable to provide for themselves in the market place". The corporate strategy also sets out Saxon Weald's strategic objectives for 2018/19 and how they would be measured. The table on the next page shows how we did against the strategic objectives we set.

## Strategic Objectives and VfM 2018/19

Objective	Measure	How we did
Develop a Digital First approach to services and transactions	<p>30% of customers will have signed up to the self-service portal by March 2018.</p> <p>50% of the most frequent customer transactions will be digital by 2020.</p>	<p>At the end of March 2018, 48% of customers had signed up to the self-service portal. This has now increased to over 50%.</p> <p>49% of most frequent transactions were completed online by the end of March 2019.</p>
Provide a service to customers we can be proud of	Overall customer satisfaction will be at 85% or above as will satisfaction with HomeFix, gas maintenance, planned maintenance and newly let homes.	<p>Overall customer satisfaction was 87.8% in 2018/19.</p> <p>Satisfaction with repairs (HomeFix) was 86%.</p> <p>Satisfaction with our new in-house gas maintenance service was 93%.</p> <p>Satisfaction with planned maintenance (kitchen and bathroom replacements) was 100%.</p> <p>Satisfaction with new lettings was 94%.</p>
Maximise rental income following the rollout of universal credit	For 2018/19 keep rent arrears below a 3.2% cap.	Rent arrears in 2018/19 at 2.42% are below 3.2%.
Develop the talent in our staff to ensure high job satisfaction and achieve our ambitions	Staff satisfaction with their job at 85% or better in staff surveys.	In a survey carried out in May 2019 86% of staff said that Saxon Weald is a great place to work.
HomeFix to become an exemplar in-house repairs service	<p>Customer satisfaction will be at 85% plus overall.</p> <p>All emergency jobs will be attended within 24 hours.</p> <p>Responsive repairs will be completed within an average of 10 working days.</p> <p>General needs minor voids will be completed in 20 days or less.</p> <p>A focus on reducing the average real per-unit costs.</p>	<p>Overall customer satisfaction is 87.8% and satisfaction with repairs is 86%.</p> <p>HomeFix completed 100% of emergency jobs in 24 hours and contractors completed 96.3%.</p> <p>Responsive repairs were completed within an average of 12 days.</p> <p>General needs minor voids were completed in an average of 12 days.</p> <p>The overall cost of HomeFix reduced by £95,835 from 2017/18.</p>



## ...Value for Money (VfM)

Objective	Measure	How we did
Optimise our development programme	<p>Achieve a contribution of £400k to the income and expenditure account by 2019/20 from the identified schemes.</p> <p>Deliver a programme using the available conventional resources.</p>	<p>Schemes on target to deliver £400k contribution to the income and expenditure account 2019/20.</p> <p>Five-year programme of an average of 100 new homes per annum using conventional funding in place. In 2018/19, 42 new homes were completed and 65 new homes at Winterton Square due in 2018/19, were delayed until the first week of April 2019.</p>
Determine how best to improve our homes	Delivery of at least 85% of the annual plan of programmed works.	Our Asset Management Team delivered 100% of its annual planned works programmes in 2018/19.
Deliver housing and support to meet the priority needs of our older residents	<p>We continue to develop housing for older people.</p> <p>Customer satisfaction with the scheme manager service is at least 85%.</p>	<p>No schemes for older people were developed in 2018/19 and there are no immediate plans to do so due to the lack of capital subsidy available.</p> <p>Customer satisfaction with the scheme manager service achieved 76.2% in 2018/19. The reason for not achieving target is mainly due to residents being dissatisfied with no longer having a full-time scheme manager on-site.</p>
An operational plan setting out how savings of more than £2.3m is to be achieved	<p>Savings of £2.3m achieved and a surplus of at least £2m from 2018/19.</p> <p>Additional VfM savings each year.</p>	<p>£2.3m savings on target. £1.9m of savings achieved by March 2019 and a further £0.4m is on target for 2019/20. Planned surpluses are at least £2m per annum.</p> <p>Additional VfM savings of £0.3m budgeted for 2018/19 have been more than achieved.</p>

## Performance against the sector wide VfM metrics

The seven metrics the RSH requires housing associations to report against are shown below. The table shows Saxon Weald's actual results 2016/17 to 2018/19 and Saxon Weald's targets for 2018/19 to 2021/22.

RSH VfM Metrics	Actual 2017/18	Actual 2018/19	Target 2018/19	Target 2019/20	Target 2020/21	Target 2021/22
VfM 1 – Re-investment	5.9%	7.1%	5.1%	6.5%	6.8%	7.7%
VfM 2A – New supply social housing	0.9%	0.6%	0.7%	1.4%	1.5%	1.6%
VfM 2B – New supply non-social housing	0%	0%	0.4%	0.4%	0%	0%
VfM 3 – Gearing	70%	68%	70%	70%	69%	71%
VfM 4 – EBITDA MRI	135%	132%	121%	121%	125%	127%
VfM5 – Headline social housing cost per unit	£4,102	£4,189	£4,247	£4,296	£4,400	£4,469
VfM6A – Operating margin (social housing lettings)	37%	35%	34%	32%	33%	33%
VfM6B – Operating margin (overall)	35%	36%	32%	32%	33%	35%
VfM7 – Return on capital employed	5.2%	5.2%	4.3%	4.4%	4.4%	4.3%

This table shows that re-investment (spend on the development of new properties plus spend on capital works to existing properties as a % of housing properties at cost) has increased to 7.1% in 2018/19. The targets for reinvestment each year to 2021/22 are also higher than in last year's statement.

Reinvestment in existing stock at around £6m per annum has remained the same as 2017/18 and is projected to be at similar levels in the future. However, investment in building new homes has increased in 2018/19 to £16.5m and is projected to be maintained at or above this level to 2021/22. This reflects the firm commitment to deliver an average of 100 new homes per annum, with around 60% of these being affordable rent.

The new supply metric (the number of new properties as a % of existing properties) for social housing reflects this increased development spend over the period to 2021/22, with an average of 1.3% for the four years 2018/19 to 2021/22. It should be acknowledged that the delay in completing 65 new homes at Winterton Court to April 2019 reduces the new supply metric in 2018/19 and increases it in 2019/20.

As a large-scale voluntary transfer, Saxon Weald was originally 100% debt funded. Therefore, given that Saxon Weald has built over 1,600 new homes since transfer, it is not surprising that, at around 70%, gearing (a measure of net debt as a % of housing properties at cost) is high. Clearly, this high level of gearing is a limiting factor in terms of the amount of new debt and therefore development spend, that Saxon Weald is able to take on. Nevertheless, Saxon Weald plans to build 100 new homes per annum.

The metrics for reinvestment, new supply and gearing demonstrate Saxon Weald's commitment to fully utilise cash reserves and stretch borrowing capacity (whilst remaining financially viable) to build new properties and reinvest in maintaining existing stock.

EBITDA MRI (Earnings Before Interest Tax, Depreciation, Amortisation Major Repairs Included) is a measure of how many times the surplus generated from day to day activities, including the capitalised replacement of components in existing properties, will pay interest payable. EBITDA MRI is continuing to fall but at 132% the 2018/19 result is better than the

## ...Value for Money (VfM)

target of 121%. This is because of a higher surplus on first tranche shared ownership sales and open market new build sales than budgeted, increased capitalisation of development staff costs and other expenditure savings during the year. EBITDA MRI is forecast to be at a low of 120% in 2019/20, the last year of the rent reductions. Rent increases will return to CPI + 1% from April 2020.

In the light of the need to rebuild Saxon Weald's financial resilience following the end of the rent reductions, the Board agreed at its May 2019 meeting to change the EBITDA MRI internal financial rule to:

- ▶ A minimum EBITDA MRI of 120% in 2019/20, increasing to 125% from 2020/21, and 135% from 2023/24.

The targets set out for EBITDA MRI of 121% in 2019/20, 125% in 2020/21 and 127% in 2021/22, are in line with this and aim to raise EBITDA MRI to 135% by 2023/24.

Headline social housing cost per unit was introduced as a measure for housing associations in June 2016, when Julian Ashby, then Chair of the HCA, wrote to all housing associations about delivering better value for money and understanding differences in unit costs. This metric uses components from the financial statements to create a social housing cost, which is then divided by the number of units that an association owns or manages and is used to highlight the differences in those costs amongst associations.

Headline social housing cost per unit increased in 2018/19 by 2.1% but was £58 lower than the target. This metric is targeted to increase each year from 2019/20 to 2021/22 but by less than 2.5% per annum.

To understand the make-up of these costs and how Saxon Weald compares to others, our headline social housing cost per unit for 2018/19 and 2017/18 have been broken down and compared to the results for both the sector and our benchmark peer group for 2017/18 (the latest available information). These comparisons are shown in the table below.

	SAXON WEALD		SECTOR LEVEL & PEER GROUP COMPARISONS 2017/18					
	2018/19 £	2017/18 £	UPPER QUARTILE £		MEDIAN £		LOWER QUARTILE £	
			SECTOR	PEER GROUP	SECTOR	PEER GROUP	SECTOR	PEER GROUP
Headline social housing costs CPU	4,189	4,102	4,501	4,052	3,397	3,365	3,010	3,021
Management CPU	582	569	1,194	1,217	974	1,048	761	928
Service charge CPU	1,043	991	658	497	389	366	250	289
Maintenance CPU	1,049	1,025	1,155	1,517	948	1,029	812	906
Major repairs CPU	1,149	1,206	939	839	720	666	514	502
Other social housing costs CPU	366	311	531	125	223	23	88	0



The headline social housing cost per unit 2018/19 is between the 2017/18 median and the upper quartile for the sector and is in the top quartile for the peer group. This is largely because of the high service charge cost per unit, which reflects the high percentage of homes for older people managed by Saxon Weald. This is further magnified by the fact that housing for older people at Saxon Weald includes 11 extra care schemes (597 homes). Older people's homes make up 27% of Saxon Weald's homes.

Provision of good quality homes for older people which meets a range of needs is a major objective for Saxon Weald. In West Sussex, the percentage of people over the age of 65 is increasing and it is expected to be at 31% by 2036. The 2018/19 headline social housing cost per unit for general needs is £3,253 which is below the sector and peer group median. Conversely the 2018/19 headline social housing cost per unit for extra care housing is £9,068 and for retirement (sheltered) housing is £5,990, both of which are significantly above the 2017/18 sector and peer group upper quartile.

The management cost per unit continues to be significantly below both the median and lower quartiles for both the sector and the peer group. The maintenance cost per unit is above the median, but below the upper quartile of the sector and the peer group.

The major repairs cost per unit, whilst below that for 2017/18, is above the median and upper quartiles, which reflects Saxon Weald's decision to continue to invest in our existing homes as well as to build new homes.

The 2018/19 unit cost of the provision of services for retirement and extra care schemes is £3,306 per unit and for general needs homes is £208 per unit. Overall it is £1,043 per unit for 2018/19, £654 per unit above the 2017/18 median for the sector. This together with the investment in existing properties explains why Saxon Weald's 2018/19 headline social housing cost per unit is

£792 above the 2017/18 median for the sector and £824 above the 2017/18 median for the peer group.

Operating margin (social housing letting) is at its highest in 2017/18, then gradually declines to 2019/20 (the last year of the rent reduction) with a target of 32%. 2018/19 operating margin results have both exceeded the target at 35% for social housing lettings and 36% for overall. Operating margins are expected to improve from 2020/21 onwards as rent returns to a CPI +1% increase.

Return on capital employed reflects the operating surplus as a % of total assets less current liabilities. This is a measure of the return an organisation makes from the capital used. Return on capital employed remained at 5.2% in 2018/19 which is above the expected target of 4.3%.

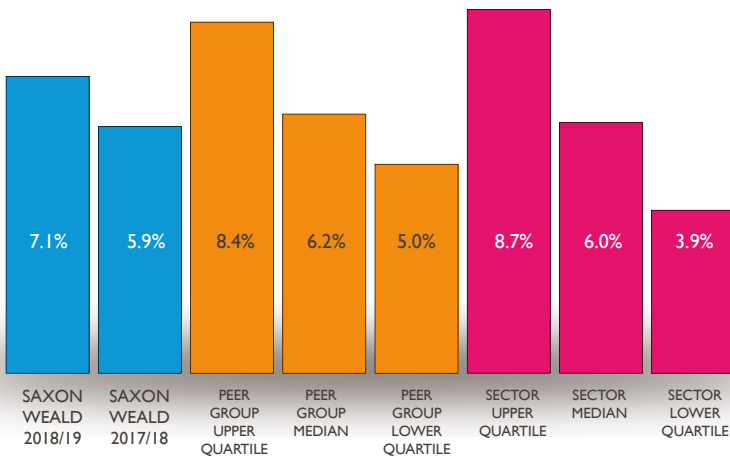
## VfM Metrics - Performance against Peer Group and the Sector

Saxon Weald's 2017/18 and 2018/19 performance, as measured by these metrics compared to our peer group and sector performance in 2017/18, is shown in the following section. The peer group was selected to ensure that Saxon Weald is benchmarking its performance against the most appropriate organisations.

The criteria used to select the peer group were: organisations with between 2,500 – 12,500 general needs and retirement properties in management; geographic location in the south of England outside of London and organisation type. Historically, Saxon Weald has benchmarked with other LSVT organisations, however, the peer group has been widened to include traditional housing associations that meet our criteria (attached as Appendix A).

## ...Value for Money (VfM)

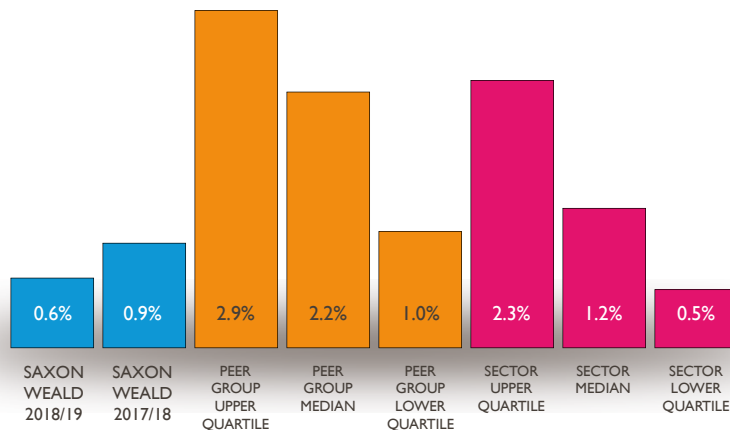
### Reinvestment (%)



This chart shows that, at 7.1%, Saxon Weald's spend on re-investment in 2018/19 is between the median and the upper quartile of both the peer group and the sector.

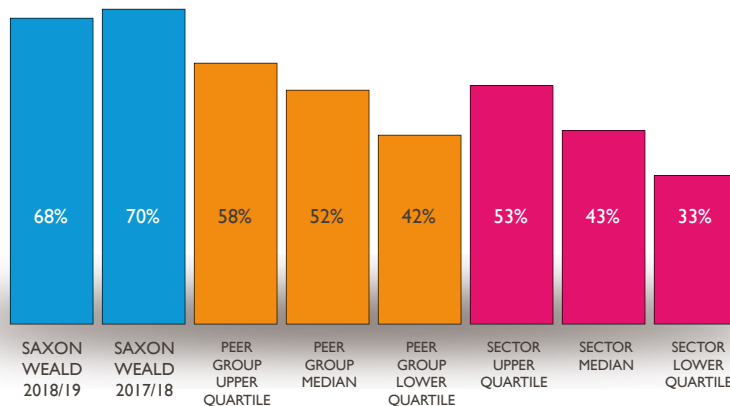
### Social housing new supply delivered (%)

The chart on the right shows that the percentage of properties developed for social housing in 2018/19 at 0.6% is in the lower quartile for the peer group and just above the lower quartile for the sector. However, Saxon Weald's metric for 2018/19 is distorted by the delay to the handover of 65 homes at Winterton Square (38 of which are social housing), which handed over in the first week of April 2019. Had these homes handed over in 2018/19 as intended, Saxon Weald's metric would have been 1.2%, the sector median.

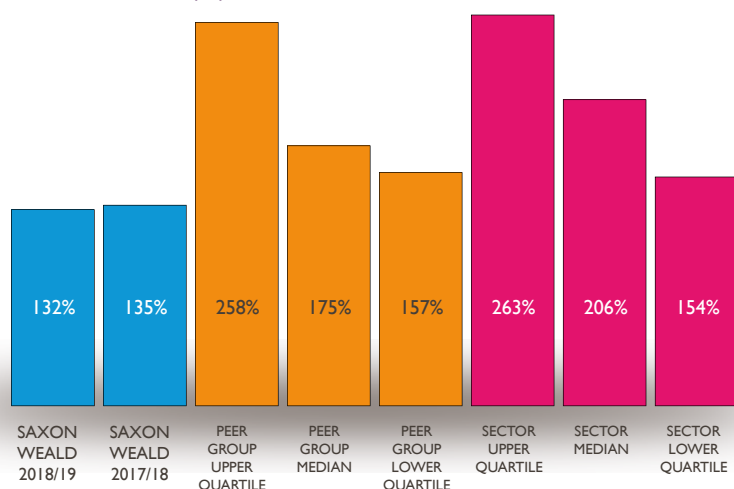


### Gearing (%)

Gearing for Saxon Weald remains high and is again easily in the top quartile for the peer group and the sector. However, in the context of Saxon Weald's origins and activity since transfer, it is not realistic to bring this measure back to the median of the peer group/sector and to continue to develop new homes.



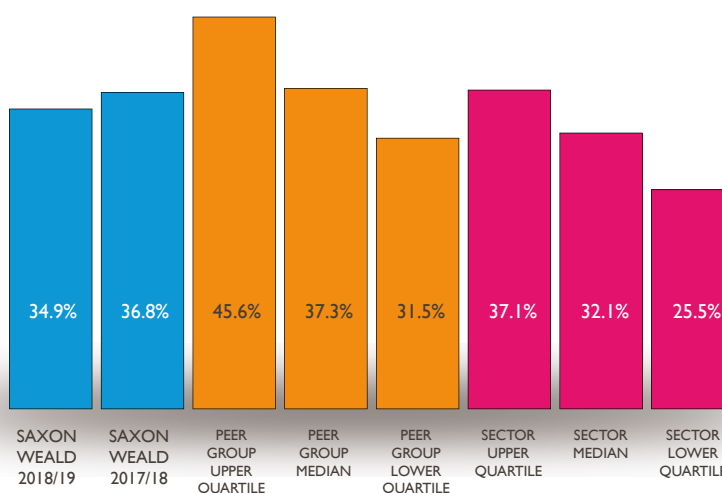
## EBITDA MRI (%)



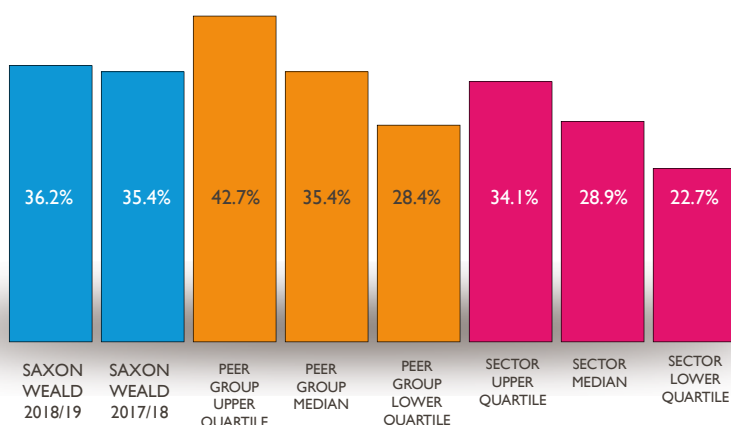
Saxon Weald's EBITDA MRI is below the peer group and sector lower quartiles for both 2017/18 and 2018/19. This reflects both the four years of rent reductions and Saxon Weald's determination to continue to develop through this period. Saxon Weald is committed to increasing EBITDA MRI to a minimum of 125% by 2020/21 and a minimum of 135% by 2023/24.

## Operating margin for social housing lettings (%)

Saxon Weald's operating margin for social housing lettings is below the median for the peer group but above the median for the sector. Research undertaken by HouseMark has reported that organisations like Saxon Weald, with a higher proportion of retirement housing or extra care housing, have lower operating margins due to the higher costs associated with managing these types of properties.



## Operating margin overall (%)



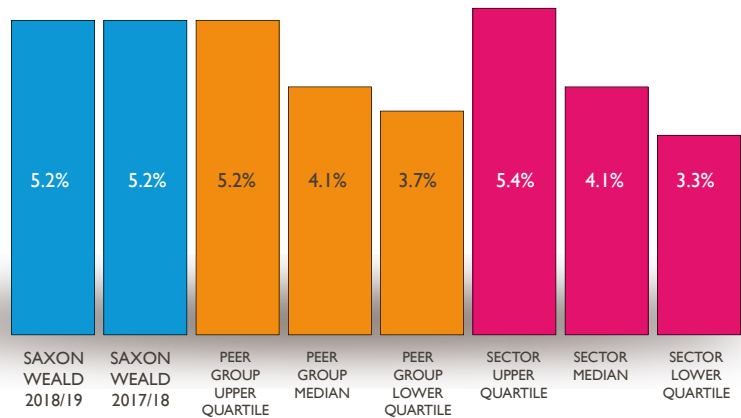
In contrast, Saxon Weald's overall operating margin is above the median for both the peer group and the sector.

## ...Value for Money (VfM)

### ROCE (%)

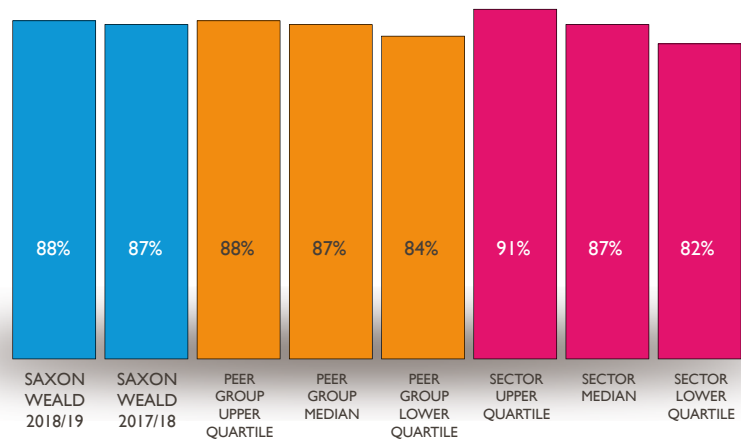
Return on capital employed (ROCE) is 5.2% in 2018/19 and is at the peer group upper quartile and just below the sector upper quartile.

As a housing association, the social return of providing homes for those in need is also a key objective. Most of these measures are purely financial. Saxon Weald's approach to VfM is to consider quality, social return and the achievement of Saxon Weald's vision and strategic aims. As part of this, Saxon Weald measures delivering VfM in achieving its strategic aims by considering overall customer satisfaction (a key measure of customer experience), satisfaction with the repairs service (the service our customers tell us is the most important) and rent arrears (particularly important as Universal Credit is rolled out).

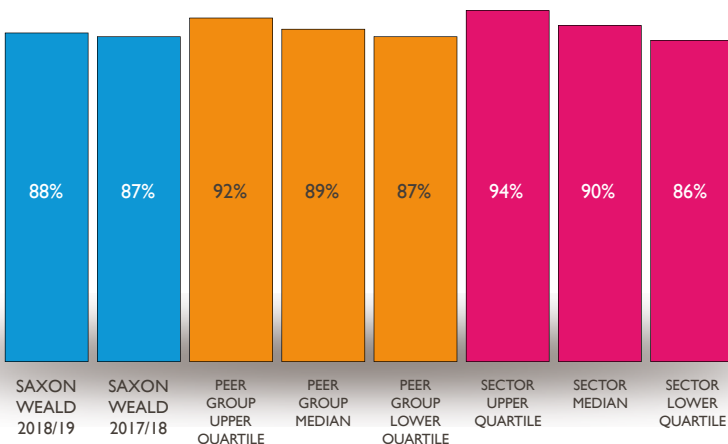


### Overall customer satisfaction (%)

Tenant satisfaction with the overall service provided by Saxon Weald is a key measure in determining whether we are achieving our corporate strategy. Overall tenant satisfaction in 2018/19 is 88%, which is a slight increase over the 2017/18 performance and is above the target of 85%. This is on the peer group upper quartile and below the sector upper quartile.



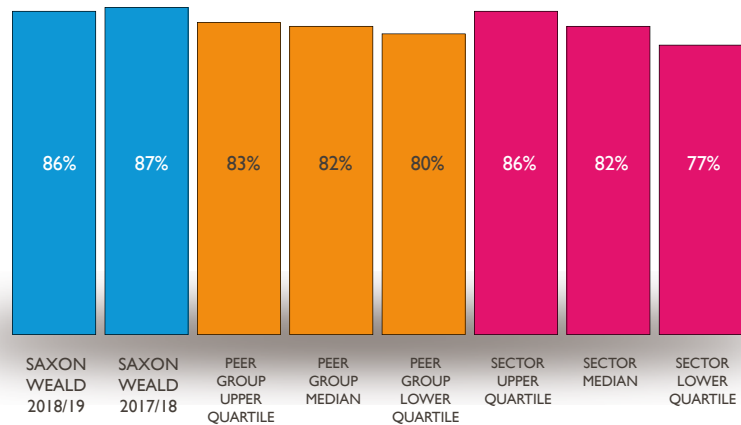
### Customer satisfaction for older people's services (%)



Tenant satisfaction with older people's services is a key measure in determining whether Saxon Weald is a leader in the provision of older people's housing. Older people's overall satisfaction is at 88%, above the previous year's result and above target, but it is below the median for both the peer group and the sector. As part of delivering the new customer experience strategy, Saxon Weald intends to gain a deeper understanding of the different types of customers and their experiences, so that resources can be targeted to those issues that matter to customers.

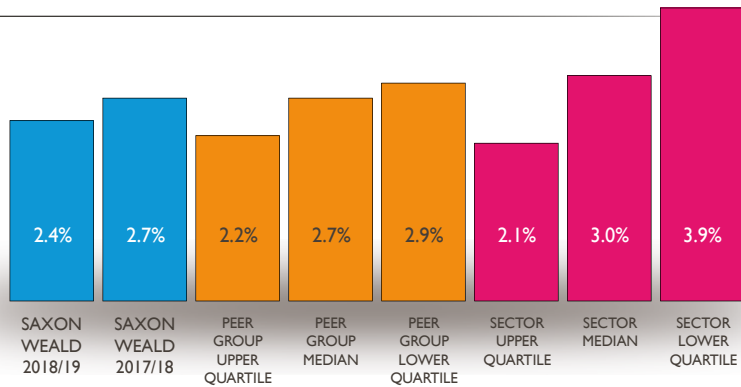
## Customer satisfaction with repairs service (%)

At 86% in 2018/19, customer satisfaction with Saxon Weald's repairs service (excluding gas) is above the upper quartile for the peer group and on the upper quartile for the sector. These figures are based on the STAR survey, which asks all tenants how satisfied they are with repairs. Saxon Weald also carry out real-time transactional surveys after a repair has been completed. Satisfaction from these surveys in 2018/19 achieved 95.2%, which is slightly above the 94.8% reported in 2017/18. Gas repairs are monitored through their own survey, with satisfaction recorded at 92.8%; although there is no benchmarking data available for this survey.



## Current tenant arrears as % of rent due

The chart on the right shows there has been an improvement in rent arrears performance in 2018/19 and that is better than the median for both the peer group and the sector. At 2.4% for 2018/19, it is an improvement on the 2.7% for 2017/18. This is particularly pleasing given that by 31 March 2019, Saxon Weald had 433 tenants on Universal Credit. Arrears will continue to be monitored closely as the roll out of Universal Credit continues.



## ...Value for Money (VfM)

### Looking ahead – our VfM priorities and targets for 2019/20

Saxon Weald's new corporate plan was approved by the Board in October 2018. It contains a new vision that defines Saxon Weald's purpose and aspirations "Great homes, building futures".

At the heart of our corporate plan is a new set of strategic aims, which support our vision and help guide the organisation to where we want it to be in the future. Each aim has its own challenging measures; the performance against which is monitored and reported on regularly to the Board. Our new strategic aims and their associated measures are:

AIM	MEASURE
Deliver a great customer experience	<ul style="list-style-type: none"> <li>Customer satisfaction to exceed 85%</li> <li>50% of our most frequent customer transactions to be digital by 2020</li> </ul>
Provide great homes for more people	<ul style="list-style-type: none"> <li>We will build around 100 new homes each year</li> <li>We will improve the net present value of our assets every year</li> </ul>
Be a great place to work	<ul style="list-style-type: none"> <li>We will maintain our Investors in People gold award</li> <li>Overall staff satisfaction will exceed 90%</li> </ul>
Achieve value for money and be financially sound	<ul style="list-style-type: none"> <li>We will always exceed our financial covenants and rules</li> <li>We will set VfM targets during budget setting. For 2019/20 our savings target is £0.5m</li> </ul>

In March 2019, the Board of Saxon Weald approved a new value for money strategy; the purpose of which is to provide a clear, robust and consistent approach to VfM and demonstrate how Saxon Weald intends to meet the requirements and expectations of the VfM Standard.

In addition to the VfM strategy, Saxon Weald has eight individual service strategies, representing key areas of the business. To ensure that VfM is integral to everything we do, each service strategy has its own VfM objectives and targets, which support the delivery of Saxon Weald's vision and strategic aims.

In summary, Saxon Weald was set up to provide both good services and homes to existing residents and to build new affordable homes for those who need them in the areas in which we work, where there is high need for these homes. Saxon Weald has built over 1,600 new homes since it was created, the vast majority of which have been in the last 10 years. The plan is to continue to build an average of 100 new homes per annum. This is largely why Saxon Weald has a high gearing metric and a low EBITDA MRI metric, when compared to our peers and the sector, though there are plans to increase EBITDA MRI to a minimum of 125% by 2020/21 and a minimum of 135% by 2023/24. Value for money is not just about new development and financial metrics, the service provided to our existing residents is also important. This includes an appropriate level of reinvestment in our existing stock and the current overall customer satisfaction of 88%.

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## Going Concern

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The Board has reasonable expectation that the association has adequate resources to continue operations for the foreseeable future. For this reason, the going concern basis has continued to be used in preparing the financial statements. The funds raised from the bond issue and the Santander £35m loan are expected to meet the financing requirements for the development programme for at least the next two years.

## By Order of the Board

**Simon Turpitt, Chairman**  
**15 July 2019**

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

## Appendix A

### Benchmark data 2017/18 – Peer Group Housing Associations

Organisation	Total Number Of Properties	% Properties General Needs	% Properties Older People	Organisation Annual Turnover	In-House Repairs	Number Of Properties Developed
Saxon Weald	6561	62.8%	22.1%	£48,547,000	Yes	60
B3 Living	4624	72.3%	6.9%	£25,335,738 *	Yes	84
Broadland Housing Association	4971	81.3%	11.9%	£26,515,000	Yes	15
CHP	9406	62.5%	23.0%	£52,853,000 *	Yes	332
Cottsway Housing Association	4772	90.9%	0.0%	£30,996,000	Yes	137
Estuary Housing Association	4352	75.9%	1.8%	£35,552,000 *	No	37
Greenfields Community Housing	8582	88.1%	4.7%	£47,091,000	Yes	195
Hightown Housing Association Limited	6076	57.4%	1.3%	£69,415,000	No	641
Housing Solutions	5243	73.5%	5.1%	£43,220,000	Yes	198
PA Housing (formerly Paragon Community Housing)	9189 *	66.7% *	11.5% *	£54,721,115 *	No	372
Raven Housing Trust	6668	74.0%	5.1%	£49,622,000	Yes	147
Silva Homes (formerly Bracknell Forest Homes)	7415	76.9%	5.7%	£42,905,000	Yes	192
Soha Housing	6707	76.6%	9.1%	£45,368,000	No	185
Swan Housing Association	9006	73.9%	0.9%	£91,118,000	No	19
Thrive Homes	4429	72.7%	12.9%	N/A	Yes	0
Town and Country Housing Group	9263	79.3%	5.2%	£59,679,000	No	48
Vale of Aylesbury Housing Trust	8242	83.1%	7.0%	£45,238,000	Yes	107
Worthing Homes	3716	78.8%	7.5%	£23,672,000	Yes	73

\* 2016/17 data used where 2017/18 data in not yet available

#### Peer group criteria

- Organisations that have between 2,500-10,000 general needs and retirement properties in management
- Geographic location in the south of England
- Are either an LSVT organisation or a traditional housing association.



# Report of the Board

The directors present their report for the year ended 31 March 2019. The strategic report is on pages 6 to 32.

## Governance

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Saxon Weald is governed by a Board comprising nine non executives and two executives, the Chief Executive and the Executive Director - Resources. Simon Turpitt was appointed as Chairman of Saxon Weald in September 2014, after several years as a Board member. The members of the Board are listed on page four.

Liz Nicolls resigned as a Board member with effect from 31 August 2018 and Vanessa Williams retired on 17 September 2018 after nine years on the Board. Adrian Hall was appointed a Board member from 3 January 2019. David Standfast retired as Chief Executive and Board member on 4 June 2018. Steven Dennis (previously Property Director at Saxon Weald) was appointed Chief Executive with effect from 4 June 2018 and was appointed to the Board on 16 July 2018.

The governance and financial viability standard was issued by the Regulator of Social Housing - RSH in 2015. The Board has reviewed the standard and has assessed that Saxon Weald complies with it.

In autumn 2016, following an in-depth assessment, the regulator, confirmed that we maintained the highest rating for governance and financial viability of G1 and V1. This was confirmed again as part of a stability check in October 2018.

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

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

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

## ...Report of the Board

In 2018-19, the non-executive Board members at Saxon Weald were paid as follows:

Simon Turpitt, Chairman of the Board.....	£11,484
Stephanie White, Vice Chairman of the Board.....	£6,890
Martin Loates.....	£5,742
Charlotte Moore (Chairman of the Asset Management & Development Committee).	£5,742
Richard Perry (Chairman of the Remuneration Committee).....	£5,742
Richard Stevens (Chairman of the Audit & Risk Committee).....	£5,742
Debbie Joseph.....	£4,162
Mark Slater.....	£4,162
Vanessa Williams.....	£1,910
Liz Nicolls.....	£1,734
Adrian Hall.....	£1,387

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

The total amount paid to non-executive Board members during 2018/19 was £60,512, which represents 0.1% of turnover. The level of payment to Board members is determined in relation to the individual Board member's responsibilities, the size and complexity of Saxon Weald and a comparison with Board members' pay elsewhere in the sector. The level of Board members' pay is reviewed regularly. A full independent review of Board members' pay was completed in October 2016.

The Board of Saxon Weald meets seven times each year. It has a robust Audit & Risk Committee that

meets at least three times per annum and three other committees that meet when required. In the year August 2017 to July 2018, attendance at Board meetings was 86% and attendance at committee meetings 84%. 33% of the non-executive Board members are female and 11% have a disability or limiting long term illness. There is one Board member who identifies 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 2017 to July 2018, Board members attended 12 external training sessions and 91 internal training sessions.

The Audit and Risk Committee has responsibility:

- To ensure that Saxon Weald's management and in particular financial management, is as efficient as practicable and operates in accordance with:
  - ▶ approved financial practice and regulation
  - ▶ RSH Regulatory Code and other advice and requirements
- To make the best use of internal financial staff, external and internal audit resources to ensure all relevant systems and procedures are reviewed within a rolling three year period.
- To promote and encourage a culture of risk awareness and risk management within Saxon Weald 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 Saxon Weald and are able to be objective in the performance of their duties. The Audit

and Risk Committee will also review the performance of the external auditor on an annual basis.

- To review the operation of Saxon Weald's internal controls and report to the Board annually on their operation.
- To consider the annual financial statements and external auditor's Audit Findings Report (AFR) and to make recommendations to the Board.
- To consider reports of external auditors and, if necessary, make recommendations to the Board of action that needs to be taken.
- To appoint internal auditors and from time to time review their appointment.
- To determine a programme of work for internal auditors based on:
  - ▶ Financial risk assessment
  - ▶ The work of external auditors
  - ▶ The need for an effective review of key policies, programmes and procedures
  - ▶ Guidance from the RSH
- To receive reports from internal auditors and to act on their findings. Action requiring changes to Rules, Policies or Standing Orders would have to be recommended to the Board.
- To be able, on an exceptional basis, to make direct contact with external auditors about a matter of concern without reference to the Board as a whole.
- To meet regularly and make minutes available to all members of the Board. The reasons for the decisions taken must be recorded in the minutes and presented to the Board for endorsement. The Committee must be able to meet with the external auditors without paid staff being present at least once a year.

## Board Responsibilities

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The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of Saxon Weald and of the surplus or deficit for that period. In preparing these financial statements, the board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards 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 Saxon Weald will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of Saxon Weald and to enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, The Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing. It has general responsibility for taking reasonable steps to safeguard the assets of Saxon Weald and to prevent and detect fraud and other irregularities.

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.

## ...Report of the Board

### Provision of information to auditors

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

### Chief Executive and Executive Team

The Executive Directors, who are listed on page 5, hold no financial interest in the Saxon Weald. 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, Saxon Weald'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 has 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 Saxon Weald 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 Saxon Weald.

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 Saxon Weald. 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 Saxon Weald's whistleblowing policy. The Audit and Risk Committee considers any entry into the fraud register at every meeting. During 2018/19, there have been five reported cases of fraud. Four of the five cases consisted of a fraudulent initial direct debit and all were refunded by the bank. The fifth fraud related to a third party charity collection box.

The system of internal control encompasses Saxon Weald'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 Saxon Weald's objectives, to evaluate the nature and extent of those risks and to manage them effectively and efficiently.

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

- Regular reporting of the financial risk triggers dashboard, management accounts, covenant compliance, key financial rules and key performance indicators;
- The establishment and monitoring of the corporate strategy of Saxon Weald for 2018/19;
- Asset and liability register;
- Regular reporting of complaints received;
- Appropriate policies and procedures in place, including reporting to Board when appropriate (for example, treasury management policy, standing orders and financial regulations);
- Risk management activity including the effectiveness of the business planning, risk and control framework, stress testing and the annual risk mapping exercise considered by the Audit and Risk Committee (April 2019) and the Board (May 2019);
- Audit & Risk Committee overview of the audit needs assessment, audit plan, audit reports produced and an annual internal audit report;
- Annual report by the Executive Team on the effectiveness of the systems of internal control;
- Other reports from members of the Executive Team on operational and financial matters;
- The annual report of the Audit and Risk Committee;
- External auditors' audit findings report; and
- Reports issued by the Regulator of Social Housing (RSH).

## Material concerns

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The Board has identified no material control issues or problems during 2018/19. No material concerns have been raised by the RSH or HE or any other stakeholder to which the Saxon Weald submits reports or information.

## Auditors

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

## By Order of the Board

**Simon Turpitt, Chairman**  
**15 July 2019**

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

# Independent auditor's report to the members of Saxon Weald

## Opinion

We have audited the financial statements of Saxon Weald (the 'Association') and its subsidiary (the 'Group') for the year ended 31 March 2019 which comprise the group and company statement of comprehensive income, the group and company statement of financial position, the group and company statement of changes in reserves, the group statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and Association's affairs as at 31 March 2019 and of the income and expenditure of the Group and the income and expenditure of the Association for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

## Basis for opinion

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

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

## Conclusions relating to going concern

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

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

## Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information. Our opinion on the financial statements does not cover the other information and, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or

a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account of the Association; or
- we have not received all the information and explanations we require for our audit.

### Responsibilities of the Board

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As explained more fully in the Board's responsibilities statement set out on page 35, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditor's responsibilities for the audit of the financial statements

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

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

The engagement partner on the audit resulting in this independent auditor's report is Peter Howard.

### Use of our report

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This report is made solely to the Association's members as a body, in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association'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 Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

16 July 2019

## Group and Saxon Weald Statement of Comprehensive Income

for the year ended 31 March 2019

	Saxon Weald		Group		
	Note	2019 £000	2018 £000	2019 £000	2018 £000
Turnover	3	45,970	48,547	45,970	48,547
Cost of sales	3	(3,171)	(5,997)	(3,171)	(5,997)
Operating expenditure	3	(26,143)	(25,381)	(26,143)	(25,381)
<b>Operating surplus</b>	<b>3</b>	<b>16,656</b>	<b>17,169</b>	<b>16,656</b>	<b>17,169</b>
Surplus on sale of fixed assets - Housing properties	7a	1,147	247	1,147	247
Interest receivable	5	45	39	45	39
Interest and financing costs	6	(12,111)	(11,959)	(12,111)	(11,959)
Unrealised (loss) / gain on investment properties	11c	605	(268)	605	(268)
<b>Surplus before taxation</b>	<b>7</b>	<b>6,342</b>	<b>5,228</b>	<b>6,342</b>	<b>5,228</b>
Taxation	9	-	-	-	-
<b>Surplus for the year</b>		<b>6,342</b>	<b>5,228</b>	<b>6,342</b>	<b>5,228</b>
Actuarial (loss) / gain in respect of pension scheme	29	(2,182)	1,608	(2,182)	1,608
<b>Total comprehensive income for the year</b>		<b>4,160</b>	<b>6,836</b>	<b>4,160</b>	<b>6,836</b>

These financial statements were approved by the Board on 15th July 2019

All amounts relate to continuing activities

The notes on pages 44 to 71 form part of these financial statements



# Group and Saxon Weald Statement of Financial Position

for the year ended 31 March 2019

	Saxon Weald		Group	
	2019	2018	2019	2018
Note	£000	£000	£000	£000
<b>Fixed assets</b>				
Intangible assets	10	245	245	267
Housing properties	11a	316,022	316,022	300,499
Other fixed assets	11b	1,570	1,570	1,682
Investment properties	11c	24,650	24,650	23,680
Investment in subsidiaries	12	50	-	-
		<b>342,537</b>	<b>326,178</b>	<b>342,487</b>
				<b>326,128</b>
<b>Current assets</b>				
Properties held for sale	14	3,361	3,361	5,659
Stock	15	240	240	222
Trade and other debtors	16	2,247	2,247	3,047
Cash and cash equivalents		6,586	6,598	10,913
		<b>12,434</b>	<b>19,829</b>	<b>19,841</b>
Creditors: amounts falling due within one year	17	(12,719)	(12,719)	(13,255)
<b>Net current (liabilities) / assets</b>		<b>(285)</b>	<b>6,574</b>	<b>(273)</b>
<b>Total assets less current liabilities</b>		<b>342,252</b>	<b>332,752</b>	<b>342,214</b>
				<b>332,714</b>
<b>Creditors: amounts due after more than one year</b>				
Bond issue	18	-	220,803	220,668
Loans from group companies	18	220,803	-	-
Revolving Loan Facility	18	749	749	-
Long term creditors - due to group companies		38	-	-
Grant creditors	18	59,817	59,817	58,437
		<b>281,407</b>	<b>279,143</b>	<b>279,105</b>
<b>Provisions for Liabilities</b>				
Pension provision	29	5,741	5,741	2,665
Other provisions	24	43	43	43
		<b>5,784</b>	<b>5,784</b>	<b>2,708</b>
<b>Reserves</b>				
Income and expenditure reserve		55,061	55,061	50,901
		<b>55,061</b>	<b>55,061</b>	<b>50,901</b>
		<b>342,252</b>	<b>332,752</b>	<b>342,214</b>
				<b>332,714</b>

In view of the constitution of the company, all shareholdings relate to non-equity interests, as disclosed in note 25. The notes on pages 44 to 71 form part of these financial statements.

These financial statements were approved by the Board and authorised for issue on 15 July 2019 and signed on its behalf by:

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

**Steven Dennis** .....  
Chief Executive

**Norman Hill** .....  
Executive Director of Resources  
and Society Secretary

**Saxon Weald**  
Community Benefit Society Registration No: 7971

## Group and Saxon Weald Statement of Changes in Reserves

for the year ended 31 March 2019

	Income & Expenditure Reserve
	2019
	£000
Balance at 1 April 2017	44,065
<b>Total comprehensive income for the year</b>	<b>6,836</b>
Balance as at 31 March 2018	50,901
<b>Total comprehensive income for the year</b>	<b>4,160</b>
<b>Balance as at 31 March 2019</b>	<b>55,061</b>

The notes on pages 44 to 71 form part of these financial statements.

# Group Statement of Cash Flows

for the year ended 31 March 2019

	Note	2019 £000	2018 £000
<b>Operating activities</b>			
Net cash generated from operations	26	25,367	23,894
<b>Returns on investments and servicing of finance</b>			
Interest received	5	45	39
Interest paid		(12,629)	(12,250)
<b>Net cash generated from operating activities</b>		<b>12,783</b>	<b>11,683</b>
<b>Cash flow from investing activities</b>			
Acquisition and construction of housing properties		(15,314)	(9,839)
Acquisition and works to investment properties		(385)	(351)
Component replacement		(5,957)	(5,940)
Sale of properties		2,733	1,760
Purchase of other tangible fixed assets		(105)	(124)
Purchase of other intangible fixed assets		(111)	(55)
Grants received		1,041	580
<b>Net cash flow used in investing activities</b>		<b>(18,098)</b>	<b>(13,969)</b>
<b>Cash flow from financing activities</b>			
New secured loans		1,000	-
<b>Net cash from financing activities</b>		<b>1,000</b>	<b>-</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(4,315)</b>	<b>(2,286)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>10,913</b>	<b>13,199</b>
<b>Cash and cash equivalents at end of year</b>		<b>6,598</b>	<b>10,913</b>

# Notes to the Financial Statements

for the year ended 31 March 2019

## 1 Legal status

Saxon Weald (the "Society") is a public benefit entity registered under the Cooperative and Community Benefit Society Act 2014 and is an English registered social housing provider. Saxon Weald Homes Ltd was a company limited by guarantee, but became a Community Benefit Society on 28 December 2018 and changed its name to Saxon Weald. The address of the registered office is Saxon Weald House, 38-42 Worthing Road, Horsham, West Sussex, RH12 1DT.

Saxon Weald's primary business is to build and rent homes for those who cannot afford to buy or rent in the private market and/or who, as a result of age or other characteristics, need additional support to maintain an independent home and lifestyle.

## 2 Accounting policies

### Basis of accounting

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

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

### Basis of consolidation

The consolidated financial statements incorporate those of the Society and all of its active subsidiaries (i.e. entities that the Group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes. All financial statements are made up to 31 March 2019.

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

### Reduced Disclosures

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

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

### Going Concern

At the date of these financial statements the Directors have carried out a detailed and comprehensive review of the business and its future prospects. In particular, they have considered the forecast future performance, anticipated cash flows and the ability of the parent to meet interest payments for 12 months from the date of signing the accounts. In the opinion of the Directors, the Group and Society are expected to be able to continue trading within the current arrangements and consequently the financial statements are presented on a going concern basis.

## Turnover

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

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

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

## Service charges

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

## Supporting People income and expenditure

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

## Other Income

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

## Intangible fixed assets - Software

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

## Tangible fixed assets - Housing properties

Housing properties are properties for the provision of social housing and are principally properties available for rent and shared ownership. Completed housing and shared ownership properties are stated at cost less accumulated depreciation and impairment losses.

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

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

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

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

## ... Notes to the Financial Statements

for the year ended 31 March 2019

### Depreciation of Housing properties

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

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

Housing properties in the course of construction are stated at cost and are not depreciated.

Housing properties are transferred to completed properties when they are ready for letting and are stated at cost.

### Investment properties

Investment properties (including properties held under an operating lease) consist of commercial properties and properties not held for social

benefit. These properties are initially measured at cost and subsequently measured at fair value. Changes in fair value are recognised in the Statement of Comprehensive Income.

### Government grants

Government grants include grants receivable from Homes England (HE), local authorities and other government bodies.

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

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

Government grants relating to revenue are recognised as income over the periods when the related costs are incurred once reasonable assurance has been gained that the Group will comply with the conditions and the funds will be received.

### Impairment

Impairment reviews are carried out on our different property groups on a regular basis. We consider the findings of these reviews in detail and consider any fluctuations in valuation resulting from this process. We consider whether any impairment is necessary and update our asset register and carrying costs accordingly. We further undertake an annual impairment review

of all assets at the statement of financial position date to ensure our assets are fairly valued within the financial statements. This review is based on three measures - existing use value - social housing; discounted cash flow; and depreciated replacement cost. Where the recoverable amount of an asset is deemed to be less than the carrying value an impairment is made to reflect the asset at its carrying value.

### Capitalisation of interest and development administration costs

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

Interest on loans financing development is capitalised from the date the works commence up to the date of practical completion of the scheme. The average cost of borrowing in the year is used to calculate the interest capitalised, which is 5.36%.

### Mixed tenure development

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

### Major repairs and refurbishments

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

### Properties developed for sale

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

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

### Other tangible fixed assets

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

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

## ... Notes to the Financial Statements

for the year ended 31 March 2019

### Value added tax

All expenditure is stated including irrecoverable value added tax.

### Stock

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

### Taxation

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

### Employee benefits

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

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

### Pension costs

The Group participates in the West Sussex County Council Local Government Pension Scheme (LGPS). The amount payable by the

society in regards to contributions is set by the scheme's actuaries.

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

### Asset/Liability

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

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

### Gains/Losses

Gains or losses recognised in profit or loss:

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

Gains or losses recognised in other comprehensive income:

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



## Financial instruments

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

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

## Financial assets

### Debtors

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

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

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

## Financial liabilities

### Creditors

Creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and

subsequently measured at amortised cost, being the transaction price less any amounts settled.

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

## Borrowings

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

## Provisions

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

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

## Operating leases

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

## Investment in subsidiaries

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

## ... Notes to the Financial Statements

for the year ended 31 March 2019

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

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

### **Critical accounting estimates and assumptions**

The Group and Society make estimates and assumptions concerning the future. These include an estimate of the useful life of components for the purpose of depreciating housing properties. It accepts the principal assumptions used in the calculation of the valuation of the pension plan assets as at 31 March 2019, provided by the LGPS (as shown in note 29). In the directors' opinion, there are no other estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### **Critical areas of judgement**

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

The items in the financial statements where these judgements are estimates have been made include:"

### **Impairment**

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

### **Accruals**

Accruals for certain items are based on work completed but where no invoice has been issued at the reporting date and in subsequent weeks. Management are satisfied that estimates made are reliable and in line with expectations.

### **Disposal of property**

The Group and Society makes a judgement that the gain or loss on the disposal of Right to Acquire, Right to Buy and Staircasing of properties are excluded from operating surplus. This is because these types of disposals are resident led, they are not within the Group and Society's control and therefore do not form part of the Group and Society's operating strategy. First tranche sales and market sales to older people remain within operating surplus.

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

	Turnover	Cost of sales	Operating costs	2019 Operating surplus	2018 Operating surplus
	£000	£000	£000	£000	£000
<b>Social housing lettings</b>					
- General needs, housing for older people, supported and shared ownership housing (See note 3a)	39,755	-	(25,880)	13,875	14,646
<b>Other social housing activities</b>					
- Shared ownership first tranche sales	2,084	(1,480)	-	604	169
- Sales to eligible older people	2,595	(1,691)	-	904	1,178
- Other social housing activities	112	-	-	112	81
<b>Non social housing activities</b>					
- Surplus on lettings (garages)	613	-	(32)	581	555
- Surplus on lettings (market rent)	811	-	(231)	580	540
	<b>45,970</b>	<b>(3,171)</b>	<b>(26,143)</b>	<b>16,656</b>	<b>17,169</b>

## ... Notes to the Financial Statements

for the year ended 31 March 2019

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

	General needs £000	Housing for older people & supported housing £000	Shared ownership £000	2019 Total £000	2018 Total £000
<b>Income</b>					
Rents receivable net of identifiable service charges	25,484	7,982	144	33,610	33,437
Service charge income	679	4,829	26	5,534	5,711
Amortised Government Grants	178	424	9	611	602
<b>Turnover from social housing lettings</b>	<b>26,341</b>	<b>13,235</b>	<b>179</b>	<b>39,755</b>	<b>39,750</b>
<b>Expenditure</b>					
Management	(2,099)	(1,384)	(30)	(3,513)	(3,413)
Service charge costs	(848)	(5,418)	(31)	(6,297)	(5,946)
Responsive maintenance (routine maintenance)	(2,190)	(1,230)	(23)	(3,443)	(3,328)
Planned and cyclical maintenance	(1,700)	(1,187)	(1)	(2,888)	(2,818)
Major repairs expenditure	(755)	(220)	-	(975)	(1,291)
Bad debts	(87)	(35)	(4)	(126)	(223)
Depreciation of housing properties*	(4,452)	(1,800)	(180)	(6,432)	(6,221)
Pension (current cost less contributions)	(811)	-	-	(811)	(765)
Other costs	(1,395)	-	-	(1,395)	(1,099)
<b>Operating costs on social housing lettings</b>	<b>(14,337)</b>	<b>(11,274)</b>	<b>(269)</b>	<b>(25,880)</b>	<b>(25,104)</b>
<b>Surplus / (deficit) on social housing lettings</b>	<b>12,004</b>	<b>1,961</b>	<b>(90)</b>	<b>13,875</b>	<b>14,646</b>
<b>Voids - rent lost through dwellings being vacant</b>	<b>(176)</b>	<b>(312)</b>	<b>(35)</b>	<b>(523)</b>	<b>(686)</b>

\* Includes accelerated depreciation of £516,000 (2018: £531,000)

## 4 Accommodation in Management and Development

			Group	
	Social Number	Affordable Number	2019 Total Number	2018 Total Number
<b>Under management at end of year:</b>				
<b>Social Housing</b>				
General needs housing				
Owned general needs	3,388	624	4,012	4,010
Owned general needs managed by others	56	-	56	44
Older People's Housing				
Extra Care	328	105	433	423
Retirement - Supported	1,034	62	1,096	1,100
Retirement - Non-Supported	69	41	110	110
	<b>4,875</b>	<b>832</b>	<b>5,707</b>	<b>5,687</b>
Shared ownership			171	153
Leasehold for older people			157	157
<b>Total Social Housing</b>			<b>6,035</b>	<b>5,997</b>
Market rent			81	81
Leasehold flats			519	528
<b>Total owned and managed</b>			<b>6,635</b>	<b>6,606</b>
<b>Under development at end of year:</b>				
Market Rented Homes			27	36
Shared Ownership			60	59
Affordable Rent			54	31
			<b>141</b>	<b>126</b>

## ... Notes to the Financial Statements

for the year ended 31 March 2019

### 5 Interest receivable and similar income

	Saxon Weald		Group	
	2019	2018	2019	2018
	£000	£000	£000	£000
Interest on bank deposits	45	39	45	39
	45	39	45	39

### 6 Interest payable and similar charges

	Saxon Weald		Group	
	2019	2018	2019	2018
	£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	54	52	54	52
Amortisation of bond premium and fees	135	128	135	128
Interest on loan	18	-	18	-
Amortisation of loan discount and fees	355	-	355	-
Loan non-utilisation fees	120	105	120	105
Pension fund interest cost	966	884	966	884
Pension fund expected return on assets	(883)	(786)	(883)	(786)
Capitalised interest on development*	(748)	(518)	(748)	(518)
	<b>12,111</b>	<b>11,959</b>	<b>12,111</b>	<b>11,959</b>

\* Interest costs directly attributable to the financing of housing property developments were capitalised at the weighted average cost of the related borrowings (see note 11a) which was 5.36% (2018: 5.5%)

## 7 Group surplus on ordinary activities before taxation

Saxon Weald		Group	
2019	2018	2019	2018
£000	£000	£000	£000

### Is stated after charging:

Depreciation of housing properties (including accelerated depreciation of £516k (2018: £531k) (note 11a))

6,432	6,221	6,432	6,221
-------	-------	-------	-------

Depreciation of other tangible fixed assets (note 11b)

221	211	221	211
-----	-----	-----	-----

Amortisation of intangible fixed assets (note 10)

125	159	125	159
-----	-----	-----	-----

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

Audit services - statutory audit of the company

- in their capacity as auditors - current year

53	50	53	50
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- in their capacity as auditors - prior year

1	8	1	8
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**Total audit services**

<b>54</b>	<b>58</b>	<b>54</b>	<b>58</b>
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Operating lease expenditure

504	469	504	469
-----	-----	-----	-----

Salaries directly attributable to development projects capitalised

442	496	442	496
-----	-----	-----	-----

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

Saxon Weald		Group	
2019	2018	2019	2018
£000	£000	£000	£000

Disposal proceeds

2,709	1,772	2,709	1,772
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HE grant

41	-	41	-
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Carrying value of fixed assets

(522)	(432)	(522)	(432)
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Payable to Horsham District Council

(1,054)	(1,082)	(1,054)	(1,082)
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Other costs to sell

(27)	(11)	(27)	(11)
------	------	------	------

<b>1,147</b>	<b>247</b>	<b>1,147</b>	<b>247</b>
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Capital grant recycled (note 19)

-	121	-	121
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Disposal proceeds fund (note 20)

-	-	-	-
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## ... Notes to the Financial Statements

for the year ended 31 March 2019

### 8 Group and Society Employees

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

#### Actual

	2019 Number	2018 Number
Office and management *	123	114
Housing support and care **	37	38
Maintenance ***	71	67
Board members****	10	11
	<b>241</b>	<b>230</b>

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

#### Full time equivalents

	2019 Number	2018 Number
Office and management *	109	101
Housing support and care **	31	32
Maintenance ***	71	61
Board members****	10	11
	<b>221</b>	<b>205</b>

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

\*\* Full time equivalents are calculated based on a standard working week of 24 & 37 hours.

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

\*\*\*\* Full time equivalents are calculated based on a standard working week of 2 hours.

#### Staff costs for the above

	2019 £000	2018 £000
Wages and salaries	7,642	7,007
Social security costs	794	744
Other pension costs and current service cost	1,760	1,987
	<b>10,196</b>	<b>9,738</b>



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

	2019	2018
	Number	Number
£60,000 to £70,000	3	4
£70,001 to £80,000	1	2
£80,001 to £90,000	3	5
£90,001 to £100,000	5	2
£100,001 to £110,000	1	0
£110,001 to £120,000	0	0
£120,001 to £130,000	0	1
£130,001 to £140,000	2	1
£140,001 to £150,000	0	1
£150,001 to £160,000	0	0
£160,001 to £170,000	2	1
£170,001 to £180,000	0	0
£180,001 to £190,000	0	0
£190,001 to £200,000	0	1
	<b>17</b>	<b>18</b>

### Executive directors and Board members

	2019	2018
	£000	£000
Executive directors remuneration and fees	508	613
Company contribution to money purchase pension schemes	94	115
Compensation for loss of office	39	-
Money value of benefits in kind	8	27
	<b>649</b>	<b>755</b>

The Executive directors and Board members are considered key management personnel for the purposes of FRS 102 and their remuneration is £893,000 (2018: £1,028,000)

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

	2019	2018
	Number	Number
Defined benefit schemes was:	3	5
	<b>3</b>	<b>5</b>

### Highest paid director

	2019	2018
	£000	£000
Remuneration (includes benefits in kind and excluding pension)	142	169
Society contributions to pension scheme	25	29
	<b>167</b>	<b>198</b>

Accrued lump sum at year end (defined benefit scheme) - -

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

### Board members'

	2019	2018
	£000	£000
Emoluments	61	62
	<b>61</b>	<b>62</b>

## ... Notes to the Financial Statements

for the year ended 31 March 2019

### 9 Group taxation on surplus on ordinary activities

#### Factors affecting charge for the period

	Saxon Weald		Group	
	2019	2018	2019	2018
	£000	£000	£000	£000
<b>Surplus on ordinary activities before taxation</b>	<b>6,342</b>	<b>5,228</b>	<b>6,342</b>	<b>5,228</b>
Surplus on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2017/18: 19%)	1,205	993	1,205	993
<b>Effects of:</b>				
Charitable exemption	(1,205)	(993)	(1,205)	(993)
<b>Current tax charge for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### Factors that may affect future tax charges

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

### 10 Group and Society Intangible Fixed Assets

#### Cost

	Software	Total
	£000	£000
At 1 April 2018	1,520	1,520
Additions	103	103
<b>At 31 March 2019</b>	<b>1,623</b>	<b>1,623</b>

#### Accumulated Amortisation

At 1 April 2018	1,253	1,253
Charged to expense	125	125
<b>At 31 March 2019</b>	<b>1,378</b>	<b>1,378</b>

#### Carrying amount:

<b>At 31 March 2019</b>	<b>245</b>	<b>245</b>
<b>At 31 March 2018</b>	<b>267</b>	<b>267</b>

## 11a Group and Society tangible fixed assets - housing properties

Cost	Completed properties available for letting		Properties under construction		Total
	Rented	Shared ownership	Rented	Shared ownership	
	£000	£000	£000	£000	£000
At 1 April 2018	313,767	18,816	7,450	5,114	345,147
Schemes completed	3,516	4,050	(3,516)	(4,050)	-
Replacement components	5,957	-	-	-	5,957
Additions	1,833	-	9,180	5,507	16,520
Disposals*	(240)	(356)	-	-	(596)
Components disposed of	(1,577)	-	-	-	(1,577)
<b>At 31 March 2019</b>	<b>323,256</b>	<b>22,510</b>	<b>13,114</b>	<b>6,571</b>	<b>365,451</b>
<b>Depreciation and impairment **</b>					
At 1 April 2018	43,926	722	-	-	44,648
Charge for the year	5,758	158	-	-	5,916
Disposals	(60)	(14)	-	-	(74)
On components disposed of	(1,061)	-	-	-	(1,061)
<b>At 31 March 2019</b>	<b>48,563</b>	<b>866</b>	<b>-</b>	<b>-</b>	<b>49,429</b>
<b>Carrying amount:</b>					
<b>At 31 March 2019</b>	<b>274,693</b>	<b>21,644</b>	<b>13,114</b>	<b>6,571</b>	<b>316,022</b>
<b>At 31 March 2018</b>	<b>269,841</b>	<b>18,094</b>	<b>7,450</b>	<b>5,114</b>	<b>300,499</b>

The cumulative amount of capitalised interest included in fixed asset housing properties at 31 March 2019 was £7,065,000 (2018: £6,316,000).

	2019	2018
	£000	£000
<b>Housing properties book value net of depreciation</b>		
Freehold properties	297,624	281,780
Long leasehold properties	18,398	18,719
	<b>316,022</b>	<b>300,499</b>

### Works to existing rented properties

Replacement components capitalised as above	5,957	5,940
Major repair works charged to revenue (note 3)	975	1,291
	<b>6,932</b>	<b>7,231</b>

All housing properties are for social housing use.

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

\*\* Accumulated impairment at year end is £nil (2018: £nil).

## ... Notes to the Financial Statements

for the year ended 31 March 2019

### 11b Group and Society Tangible Fixed Assets - Other

	Freehold office £000	Office equipment £000	IT equipment £000	Total £000
<b>Cost</b>				
At 1 April 2018	2,618	100	1,157	3,875
Additions	12	39	58	109
<b>At 31 March 2019</b>	<b>2,630</b>	<b>139</b>	<b>1,215</b>	<b>3,984</b>
<b>Depreciation</b>				
At 1 April 2018	1,237	82	874	2,193
Charge for the year	81	5	135	221
<b>At 31 March 2019</b>	<b>1,318</b>	<b>87</b>	<b>1,009</b>	<b>2,414</b>
<b>Carrying amount:</b>				
<b>At 31 March 2019</b>	<b>1,312</b>	<b>52</b>	<b>206</b>	<b>1,570</b>
<b>At 31 March 2018</b>	<b>1,381</b>	<b>18</b>	<b>283</b>	<b>1,682</b>

## 11c Group and Society Investment Properties

### Group

	Garage stock £000	Market rented properties £000	2019 £000	2018 £000
At 1 April 2018	6,470	17,210	23,680	23,874
Transfer to housing properties	(20)	-	(20)	(277)
Additions and works	-	385	385	351
(Decrease) / Increase in value	250	355	605	(268)
<b>Value as at 31 March</b>	<b>6,700</b>	<b>17,950</b>	<b>24,650</b>	<b>23,680</b>

All investment properties were valued as at 31 March 2019 by Savills (UK) Limited, Chartered Surveyors. The valuation of the group's investment properties was carried out in accordance with the Royal Institute of Chartered Surveyors ("RICS") Appraisal and Valuation Manual. A discounted cash flow methodology was followed in undertaking the valuation. The historical cost at 31 March 2019 was £18,620,000 and at 31 March 2018 was £18,238,000.

#### The key assumptions used for the garage properties valuation were:

	2019 %	2018 %
Inflation rate - medium term (CPI)	2%	2%
Long term rental increases	CPI + 1%	CPI + 1%

#### The key assumptions used for the market rent properties Investment valuation were:

	2019 %	2018 %
Average percentage reduction for investment - units let on Assured shorthold tenancies	10.0%	10.0%
Average percentage reduction for investment - units let on Assured tenancies and Regulated tenancies	36.5%	36.5%
Average age of tenants within Assured Tenancies and Regulated Tenancies	75 years	75 years
Remaining tenant lifespan within Assured Tenancies and Regulated Tenancies	8 years	8 years

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

- all units are let on Assured Shorthold Tenancies

## ... Notes to the Financial Statements

for the year ended 31 March 2019

### 12 Society investment in subsidiaries

	2019	2018
	£000	£000
<b>Cost</b>		
At 1 April	50	50
<b>At 31 March</b>	<b>50</b>	<b>50</b>

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

Saxon Weald is the parent company of Weald Property Development Ltd and owns 100% of the share capital. The company is dormant and is registered in England and Wales with the Companies Registrar.

### 13 Subsidiary Undertakings

Saxon Weald's subsidiary undertakings are:

Name of undertaking	Class of shareholding	Proportion of nominal value held directly	Nature of business
Saxon Weald Capital Plc. *	Ordinary	100% (2018 100%)	Group financing
Weald Property Development Ltd	Ordinary	100% (2018: 100%)	Dormant

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

### 14 Group and Society properties held for sale

	2019	2018
	£000	£000
Shared ownership - completed properties	471	120
Market sales for eligible older people - completed properties	-	3,291
Work in progress	2,890	2,248
	<b>3,361</b>	<b>5,659</b>

### 15 Group and Society Stock

The stock holding relates to materials held on vans for the in-house repairs team to use for completing repair jobs. The value of stock held as at 31 March 2019 was £240,000 (2018: £222,000).

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

### Amounts receivable within one year:

	2019 £000	2018 £000
Rents and services receivable	1,021	1,038
Less: provision for bad debts	(372)	(279)
	649	759
Other debtors	361	605
Other taxes and social security costs	27	69
Prepayments and accrued income	1,210	1,614
	<b>2,247</b>	<b>3,047</b>

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

	2019 £000	2018 £000
Housing loan interest	3,854	3,854
Contractors for certified work	2,785	2,344
Other taxes and social security costs	236	215
Rent charged in advance	5	109
Rent paid in advance	455	341
Trade creditors	678	504
Deferred capital grant	637	610
Recycled capital grant	455	1,422
Disposals proceeds fund	245	233
Other creditors	2,314	2,540
Due to Horsham DC re. RTB sales receipts	1,055	1,083
	<b>12,719</b>	<b>13,255</b>

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

	2019 £000	2018 £000
Debt (note 23)	220,803	220,668
Loan - revolving credit facility (Note 23)	749	-
Recycled capital grant fund (note 19)	1,158	180
Disposal proceeds fund (note 20)	-	-
Deferred capital grant (note 21)	58,659	58,257
Grant creditors	59,817	58,437
	<b>281,369</b>	<b>279,105</b>

## ... Notes to the Financial Statements

for the year ended 31 March 2019

### 19 Group and Society Recycled Capital Grant Fund

Funds pertaining to activities within areas covered by:

	HE 2019 £000	HE 2018 £000
<b>Opening balance inputs to RCGF:</b>		
As at 1 April	180	1,422
RCGF short term from prior year	1,422	870
Grants recycled	-	121
Interest accrued	11	6
<b>Recycling of grant:</b>		
New Build	-	(817)
Transfers to RCGF short term	(455)	(1,422)
<b>Closing balance</b>	<b>1,158</b>	<b>180</b>
<b>Short term Recycled Capital Grant Fund</b>	<b>455</b>	<b>1,422</b>
<b>Long term Recycled Capital Grant Fund</b>	<b>1,158</b>	<b>180</b>
Amounts 3 years or older where repayment may be required:	-	-

### 20 Group and Society Disposal Proceeds Fund (DPF)

Funds pertaining to activities within areas covered by:

	HE 2019 £000	HE 2018 £000
<b>Opening balance inputs to DPF:</b>		
As at 1 April	-	528
DPF short term from prior year	233	-
Interest accrued	2	2
Other	10	-
<b>Use/allocation of funds:</b>		
New Build	-	(297)
<b>Closing balance</b>	<b>245</b>	<b>233</b>
<b>Short term Disposals Proceeds Fund</b>	<b>245</b>	<b>233</b>
<b>Long term Disposals Proceeds Fund</b>	<b>-</b>	<b>-</b>
Amounts 3 years or older where repayment may be required:	-	-



## 21 Group and Society Deferred Capital Grant

	2019	2018
Grant	£000	£000
As at 1 April	63,317	61,744
Additions	1,041	1,695
Disposals	-	(121)
<b>As at 31 March</b>	<b>64,358</b>	<b>63,318</b>

### Amortisation

As at 1 April	(4,451)	(3,862)
Credit for the year	(611)	(602)
Eliminated on disposal	-	12
<b>As at 31 March</b>	<b>(5,062)</b>	<b>(4,452)</b>
<b>Carrying amount at 31 March</b>	<b>59,296</b>	<b>58,866</b>

Social Housing Grants (SHG) are repayable in the event of the disposal of the related property. When this occurs, the total original grant is repayable and this comprises the unamortised balance together with the amortised amount. At the end of the year, the total amount of SHG potentially repayable was £64,358,000 (2018: £63,318,000).

## 22 Group and Society Financial Instruments

Measured at amortised cost

	2019	2018
	£000	£000
<b>Financial assets:</b>		
Cash and cash equivalents	6,598	10,913
Other financial assets (included in note 16)	1,038	1,433
<b>Total</b>	<b>7,636</b>	<b>12,346</b>
<b>Financial liabilities</b>		
Debt *	221,552	220,668
Other financial liabilities (included in note 17, 19, 20)	12,781	12,375
<b>Total</b>	<b>234,333</b>	<b>233,043</b>

\* Further details are provided within note 23

## 23 Group 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.

## ... Notes to the Financial Statements

for the year ended 31 March 2019

The bond discount and the costs of issue are amortised over the average term of the bond of 25 years. Saxon Weald is liable to Saxon Weald Capital plc. for both the bond coupon and the amortisation cost of the bond discount and issue cost.

The fair value (market value) of the bond at 31 March 2019 was £299,237,625 (£300,822,750 in 2018).

On 14 February 2019 Saxon Weald put in a place a re-stated 7 year revolving credit facility of £35,000,000.

	Saxon Weald		Group	
	2019	2018	2019	2018
	£000	£000	£000	£000
Loans to Group undertakings	220,803	220,668	-	-
Total	220,803	220,668	-	-
Bond issue	-	-	225,000	225,000
Bond discount and fees	-	-	(4,197)	(4,332)
<b>Net bond</b>	<b>220,803</b>	<b>220,668</b>	<b>220,803</b>	<b>220,668</b>
Loan - revolving credit facility	1,000	-	1,000	-
Loan discount and fees	(251)	-	(251)	-
Net Loan	749	-	749	-
<b>Total Creditors: amounts falling due after one year</b>	<b>221,552</b>	<b>220,668</b>	<b>221,552</b>	<b>220,668</b>

	Saxon Weald		Group	
	2019	2018	2019	2018
	£000	£000	£000	£000
<b>Loans repayable by instalments:</b>				
In five years or more	221,552	220,668	221,552	220,668
	<b>221,552</b>	<b>220,668</b>	<b>221,552</b>	<b>220,668</b>

## 24 Group and Society Provisions for liabilities

	Holiday Pay £000
As at 1 April 2018	43
Additional provision in year	-
<b>As at 31 March 2019</b>	<b>43</b>

### Holiday Pay

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

## 25 Share capital

Saxon Weald is a Community Benefit Society. Non-executive board members shall be the only shareholders and become shareholders on appointment. The liability of each member is limited to £1.

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

	2019 £000	2018 £000
Surplus after tax for the year	6,342	5,228
Adjustments for:		
Depreciation of tangible fixed assets	6,653	6,432
Amortisation of intangible assets	125	159
Amortisation of government grants	(611)	(602)
Fair value (gains) / losses on investment properties	(605)	268
Defined benefit pension scheme	811	765
(Gain) on disposal of tangible fixed assets	(1,147)	(247)
Decrease in properties held for sale	2,297	2,441
Interest receivable	(45)	(39)
Interest and financing costs	12,111	11,959
<b>Operating cash flows before movements in working capital</b>	<b>25,931</b>	<b>26,364</b>
(Increase) in stock	(17)	(39)
Decrease / (Increase) in trade and other debtors	549	(736)
(Decrease) in trade and other creditors	(1,096)	(1,695)
	(564)	(2,470)
<b>Cash generated from operations</b>	<b>25,367</b>	<b>23,894</b>

### Cash and cash equivalents

Cash and cash equivalents represent:-

	2019 £000	2018 £000
Cash at bank *	6,598	10,913
	<b>6,598</b>	<b>10,913</b>

\* Cash at bank includes £525,000 (2018: £431,000) which is ring fenced for sinking funds and tenancy deposits. ■■■

## ... Notes to the Financial Statements

for the year ended 31 March 2019

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

	2019	2018
	£000	£000
<b>Reconciliation of net cash flow to movement in net debt</b>		
(Decrease) in cash in the year	(4,315)	(2,286)
Increase in debt funding	(741)	-
Changes in net debt resulting from cashflows	(5,056)	(2,286)
Non - cash movement	(143)	(128)
Net debt at beginning of year	(209,755)	(207,341)
<b>Net debt at end of year</b>	<b>(214,954)</b>	<b>(209,755)</b>

Net debt reconciliation	At 31 March 2018	Cashflow	Non-cash movement	At 31 March 2019
Cash at bank and in hand	10,913	(4,315)	-	6,598
Bond Debt due after one year	(220,668)	-	(135)	(220,803)
Loan Debt due after one year	-	(741)	(8)	(749)
	<b>(209,755)</b>	<b>(5,056)</b>	<b>(143)</b>	<b>(214,954)</b>

### 27 Group and Society capital commitments and other contractual obligations

	2019	2018
	£000	£000
Capital expenditure for new development / acquisition that has been contracted for but has not been provided for in these financial statements		
To be spent within 1 year	5,847	13,484
To be spent after 1 year	4,098	5,941
	<b>9,945</b>	<b>19,425</b>
Capital expenditure for new development / acquisition that has been authorised by the Board but has not been contracted for	-	-
	<b>9,945</b>	<b>19,425</b>
The group and society expects to finance the above commitments by:		
Social housing grant receivable	293	884
Property sales	3,569	6,151
Loan	4,485	6,477
Cash	1,598	5,913
	<b>9,945</b>	<b>19,425</b>
In addition to the above, the Board has authorised capital expenditure on property components which have not been contracted for totalling:	<b>5,670</b>	<b>5,739</b>

## 28 Group and Society commitments under operating leases

As at 31 March 2019, the total future minimum lease payments under non-cancellable operating leases not relating to land and buildings as set out below:

	2019 £000	2018 £000
Less than one year	474	462
Between one and five years	715	870
	<b>1,189</b>	<b>1,332</b>

## 29 Group Retirement benefits

The LGPS is a multi-employee pension administered by West Sussex County Council under regulations governing the Local Government Pension Scheme, a defined benefit pension scheme. The most recent comprehensive actuarial valuation of the plan assets and the present value of the defined benefit obligation was carried out at 31 March 2019.

The employer's contribution to the LGPS by Saxon Weald for the year ended 31 March 2019 was £949,000 (2018: £1,222,000) at a contribution rate of 20.8% of pensionable salaries. The employer's contribution rate for the year ending 31 March 2020 has been set at 20.8%.

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

### Changes in the present value of the defined benefit obligation:

	2019 £000	2018 £000
Defined benefit obligation at 1 April 2018	35,073	33,134
Current service cost	1,760	1,987
Interest cost	966	884
Contributions by scheme participants	322	350
Plan introductions, changes, curtailments and settlements	-	-
Benefits paid	(634)	(547)
Actuarial losses / (gains)	3,393	(735)
<b>Defined benefit obligation at 31 March</b>	<b>40,880</b>	<b>35,073</b>

### Changes in the fair value of plan assets:

	2019 £000	2018 £000
Plan assets at 1 April 2018	32,408	29,724
Interest income	883	786
Return on plan assets (excluding amounts included in net interest)	1,211	873
Contributions by employer	949	1,222
Contributions by scheme participants	322	350
Benefits paid	(634)	(547)
<b>Plan assets at 31 March</b>	<b>35,139</b>	<b>32,408</b>

The actual return on plan assets was £2,094,000 (2018: £1,659,000).

## ... Notes to the Financial Statements

for the year ended 31 March 2019

### ...29 Group Retirement benefits (continued)

	2019	2018
	£000	£000
<b>Reconciliation to balance sheet</b>		
Fair value of employer's assets	35,139	32,408
Present value of funded liabilities	(40,880)	(35,073)
<b>Net (Liability)</b>	<b>(5,741)</b>	<b>(2,665)</b>

#### Amounts in the balance sheet

Liabilities	(5,741)	(2,665)
<b>Net (Liability)</b>	<b>(5,741)</b>	<b>(2,665)</b>

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

	2019	2018
	£000	£000
Current service cost	1,760	1,987
Net interest on the net defined benefit pension liability	83	98
Actuarial loss / (gain) in respect of pension scheme	2,182	(1,608)
	<b>4,025</b>	<b>477</b>

#### Financial Assumptions

	2019	2018
Discount rate	2.4%	2.7%
Future salary increase rate	3.2%	3.1%
Future pension increase rate	2.5%	2.4%

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

	Fair value of assets	
	2019	2018
The analysis of the scheme assets at the reporting date were as follows:		
Equity instruments	51%	51%
Debt instruments	36%	37%
Property	9%	8%
Cash	4%	4%

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

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

Future pensioners are assumed to be currently 45 years old.

## ...29 Group Retirement benefits (continued)

### 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 2018	CMI 2013 Model (non-peaked) and a long term rate of improvement of 1.5% p.a, with allowance for short term rates of improvement and declining mortality for the over 90's.	CMI 2013 Model (non-peaked) and a long term rate of improvement of 1.5% p.a, with allowance for short term rates of improvement and declining mortality for the over 90's.

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

### Analysis of projected amount to be charged to operating surplus for the year 31 March 2020

	31 March 2020	
	£000	% of pay
Projected current service cost	(2,049)	(44.9%)
Interest on obligation	851	18.7%
Expected interest income on plan assets	(1,002)	(22.0%)
	<b>(2,200)</b>	<b>(48.2%)</b>

The actuary estimates the employer's contributions for the year to 31 March 2020 will be approximately £948,000.

## 30 Post balance sheet events

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

## 31 Related Parties

Three members of the Board are tenants of the Society. Their tenancies are subject to the same terms and conditions as all other tenants. The annual rent in relation to board members is £17,000 and there were nil arrears on these accounts at 31 March 2019. Details of key management personnel's remuneration are included in note 8. Key management personnel are non-executive directors of the Board and members of the Executive Team. There are no other parties regarded as key management personnel who have a controlling interest or influence over the society.

Saxon Weald has paid interest of £12.1m (2018: £12.1m) to Saxon Weald Capital plc, its subsidiary company, during the year. Details of the outstanding liabilities to Saxon Weald Capital plc are disclosed in note 23.



**SAXON WEALD**

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