

Better homes **friendlier communities – together**



Report and Financial Statements

For the year ended 31 March 2016

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The Board, Executive Management Team, Committees and Professional Advisers

The Board

Chair	John Swinney
Vice Chair	Chris Meade

Members

Peter Jeffree	Judith Moores (<i>stood down May 2016</i>)
Jeremy Kape	Brian Trowbridge
Raj Kumar	Robert Rabinowitz (<i>resigned September 2015</i>)
John Lavers	Nigel Benjamin

Executive Team

Chief Executive	Tina Barnard
Director of Resources	Julie Robinson (<i>resigned May 2016</i>)
Director of Partnerships	Gareth Lewis
Director of Customer Excellence	Jackie Kelly (<i>appointed May 2015, resigned August 2015, Post disestablished</i>)
Assistant Director of Customer Services	Tony Lewis (<i>appointed September 2015</i>)

Company Secretary

Tina Barnard

Committees

Audit and Risk Committee	Chair – Chris Meade
Business Development Committee	Chair – Jeremy Kape
Remuneration and Appraisal Committee	Chair – Nigel Benjamin

Tenant Group

Gateway Membership Team

Registered office

Gateway House,
59 Clarendon Road
Watford
Hertfordshire
WD17 1LA

Registered number

Registered Society No: 30183R
Registered by the Homes & Communities
Agency No: L4495

Auditor

Mazars LLP
Birmingham
45 Church Street
Birmingham
B3 2RT

Principal Solicitors

Devonshires
Salisbury House
London Wall
London
EC2M 5QY

Bankers

Barclays Bank Plc
1 Churchill Place
London
B14 5HP

Strategic Report

Our Vision and Values

Watford Community Housing Trust ("the Trust") is a Registered Provider regulated by the Homes and Communities Agency (HCA) and as such is required to comply with the HCA's regulatory framework. The Trust was created in September 2007 as a Large Scale Voluntary Transfer (LSVT) and owns over 5,000 properties in the Watford and Three Rivers area. It is the largest Registered Provider in Watford and the second largest in Three Rivers.

Organisational Structure and Governance

The Trust is charitable, having the status of a Registered Society under the Co-operative and Community Benefit Societies Act 2014. As a Community Gateway, its tenants and leaseholders are its members.

The Trust is governed by a Board of management consisting of ten non-executive members, six independents, three tenants and one local authority nominee. At present there are two vacancies on the Board. Other than the Chair, the Board members are not remunerated.

The Trust is managed by an Executive Management Team which reports to the Board and is headed by a Chief Executive. The Chief Executive is supported by three Directors – the Director of Resources, the Director of Partnerships and Assistant Director of Customer Services. Julie Robinson, Director of Resources, resigned in May 2016. A recruitment process is underway and an experienced Finance Director is acting as Interim.

The Board delegates some of its responsibilities to committees composed of Board members and external co-optees. The structure consists of an Audit and Risk Committee, a Business Development Committee and a Remuneration and Appraisal Committee.

As a Community Gateway, the Trust's tenants have heavy involvement in its affairs. The Gateway Membership Team (formerly known as the Gateway Leadership Team) reports regularly to the Board and monitors service deliveries and strategies. Residents also have the opportunity to shape decision-making through a range of different channels including consultations, online discussion forums and feedbacks via social media.

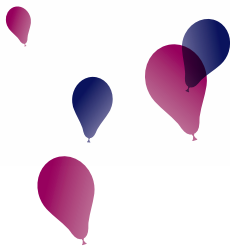
The Trust has 2 subsidiaries:

- Gateway Enterprise (Watford) Limited – dormant company.
- WCHT Devco Limited – established in 2015 to provide design and build services to the Trust. It has a first accounting period ending 31 March 2017.

Nature of Business

The Trust operates four key business streams:

1. Housing for rent, primarily for families who are unable to rent or buy at open market rates.
2. Housing for older people who need additional support or care.
3. Shared ownership properties (i.e. residents purchase a share in the equity of their homes and pay rent to the Trust on the remainder).
4. Selective market rental options via the Clarendon Living brand.



The numbers of units managed by the Trust (as per note 26 of the financial statements) were:

Table 1: Stock Profile

Type of Units	2016 No.	2015 No.
Owned by the Trust:		
General needs	4,055	4,116
Affordable rents	71	36
Housing for older people	514	538
Shared ownership	87	89
Leaseholds	347	345
Commercial and market rents	36	36
Commercial shops	21	21
Garages	1,280	1,280
Hostels	3	0
	6,414	6,461
Managed for others	105	122
Total	6,519	6,583

During the year the Trust completed 19 new homes and sold 22 houses under the Right to Buy Programme which are reflected in the numbers presented. The stock is in good condition and the Trust has made provision in its Business Plan to ensure that adequate investment is available in the future to maintain this position in accordance with its Asset Management Strategy.

Objectives and Strategy

During 2015/16 the Trust was in the latter stages of delivering its Business Plan for 2012-17 'Road Map for Excellent Services – Our Journey Together'. This Business Plan provided the base against which we delivered and monitored performance for the year. We had 4 Corporate Objectives and progress is detailed below:

Excellent Services

- Sustained improvement in customer satisfaction rising to 83.5%.
- Repairs satisfaction increased to 85%.
- Tenants satisfied with overall quality of home fell to 81.6%.
- Appointed new Out of Hours service provider – reduced our call waiting times and saved £22k.
- Financial Inclusion Team's proactive tenant engagement and pre-tenancy support resulted in 720 tenants being on average £100 per week better off with 35% of those engaging with the service having reduced arrears.

Community Focused

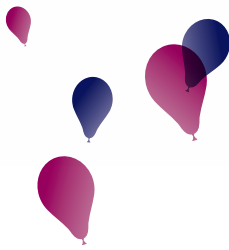
- Gateway Membership Team formed to represent the views of the Trust's members
- £120k invested in our communities in the year.
- Support to organisations which boost employment opportunities including Job Club, Enterprise Code and Chamber of Commerce.
- Invested in projects to make residents healthier, promoting exercise and independent living initiatives.
- Funded environmental improvements.
- Worked with Watford Borough Council to implement a new free Wi-Fi network for residents in 10 Community Hubs and Sheltered Schemes.

Growth Agenda

- 141 new homes completed since transfer with a forward pipeline of a further 624.
- Formalised Master Plan for 133 new homes at our Meriden regeneration scheme.
- Commenced development of our first shared ownership scheme.
- Developed 3 new hostels and working with Watford Borough Council converted some void properties to temporary accommodation to meet the shortage in the Borough.

Organisation of Choice

- Achieved Investors in People Gold Standard.
- Identified as 'One to Watch' by Best Companies with in-house staff engagement levels.
- Developed and implemented a corporate skills matrix to inform our People Development Training Programme.
- Committed to securing living wage accreditation and to paying our apprentices the new national living wage for over 25 year olds.
- Replaced newsletters to residents with improved online system in line with our Communication Strategy.



Objectives and Strategy (continued)

In the July 2015 Budget a number of measures were announced with significant implications for the housing sector. A rent cut of 1% each year for 4 years from April 2016 has been stipulated together with other initiatives around Right to Buy and Pay to Stay. For the Trust the 1% rent cut will reduce

income by £8.5m over the 4 years.

The Trust has produced a new Business Plan for 2016-20 entitled 'Our Journey Together Continues' which incorporates the impact of the rent reduction. The opportunity was taken to fully review our corporate strategy and how we

prioritise our work and following detailed discussion the new Plan was formally approved by the Board in March 2016.

5 priority areas have been agreed underpinned by delivery targets for each area as follows:

Priority Areas What Success Looks Like

Super Brand

- We will deliver our Road Map 2016-20 to enable us to provide consistent, reliable quality services to our tenants.
- We will develop our digital offer so that our tenants can engage with us via digital channels.
- We will utilise customer insight data to enable us to adapt our service offer to meet the changing needs of our current and future tenants.
- We will deliver our Asset Management Strategy to ensure that we maximise the use of our assets.

Strong Financial Position

- We will deliver our Value for Money and Procurement Strategies to ensure that we make the best use of our assets.
- We will ensure by the end of the Business Plan period that our operating margin is equivalent to 30% of our turnover.
- We will have robust procurement and financial systems in place to make best use of our resources.
- We will implement our Treasury Management Strategy to make best use of our cash holdings and funding streams.

Partnership Working

- We will lead on developing a shared service model that provides quality services to over 25,000 homes.
- We will explore merger opportunities when they produce 'win win' solutions for our tenants.
- We will be an 'organisation of choice' for our tenants, staff and partners.
- We will have a clear brand that enables us to manage stakeholders' expectations.

Active Developer

- We will deliver our Development Strategy to develop 1,000 new homes over the next four years.
- We will work with partners, via Joint Ventures, to make best use of our resources.
- We will deliver our market rent and shared ownership offer through our Clarendon Living brand.
- We will develop in six local authority areas across Hertfordshire and Buckinghamshire.

Building Community Capacity

- We will implement our Communities Strategy to build capacity in the areas where we work.
- We will focus our resources on projects that improve our services and produce the maximum social impact for us and our tenants.
- We will maximise our funding and external resources to enhance the projects we deliver.
- We will deliver our Community Hubs Strategy to enhance our tenants' life choices.

The new Business Plan sets a challenging series of objectives to enable us to grow as an organisation over its 4 year life until 2020.

It is underpinned by our Vision and Values.

Our Vision and Values

Even with all the recent policy changes our vision of providing **“Better homes, friendlier communities together”** remains as strong today as it was when we transferred in September 2007.

Our twin aims are to provide **‘better homes’** – ensuring a high-quality service offer to our tenants and delivering more homes – and **‘friendlier communities’** with a strong focus on community cohesion.

Our values remain integral to how we work at the Trust and we are proud that together we:

- Take **personal ownership** for our actions to provide an excellent service;
- Act **professionally** and with **integrity** to deliver our promises;
- Offer **progressive** and **innovative** ways of doing this.

To support delivery of our new Business Plan we have also carried out a detailed review of the key

strategies which set out how we will operate as a business. The strategies are listed below and all will have been reviewed and approved by the Board by mid 2016.

- Development Strategy
- Treasury Strategy
- Asset Management Strategy
- Community Development Strategy
- I.T. Strategy
- VFM Strategy
- Procurement Strategy

Performance Indicators

The following table shows the Trust’s performance against its Key Performance Indicators for the year. We have seen some pleasing improvement in a number of areas including tenant satisfaction, repairs satisfaction, reduced rent arrears and in customer services where call wait times have been reduced by an average of 20 seconds whilst still resolving 8 of our 10 calls right first time.

Disappointingly void and re-let time performance has deteriorated together with the average cost of

a repair and the number of repairs being completed right first time.

The Trust is implementing new repairs software which will improve the information flow between teams. Clear performance targets are set for all repairs operatives to ensure they are operating efficiently and suppliers and materials are being reviewed to ensure VFM is being achieved.

To improve void performance we have recently brought the service in-house, employing our own staff

rather than relying on contractors which will be more cost effective and improve performance.

The new major Improvement Programme to be carried out by Keepmoat is anticipated to produce an increase in tenant overall satisfaction with the overall quality of their home in the future.

We will continue to monitor performance proactively against identified KPIs to ensure the required level of performance is being achieved.

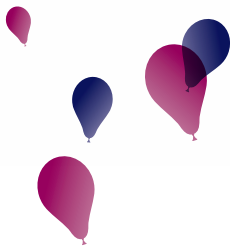


Table 2

Key performance indicators	2016	2015	Flag
1. Road Map KPIs			
% of tenants satisfied with overall services	83.5%	80.6%	●
% of tenants satisfied that the Trust listens to views and acts upon them	65.5%	63.8%	●
% of tenants feel that they have been treated professionally and with respect	86.4%	84.6%	●
Average wait time in seconds	25	45	●
% of tenants satisfied with the overall quality of their home	81.6%	83.2%	●
% of tenants satisfied with repairs and maintenance	84.7%	78.2%	●
2. Community Focused			
Number of tenants helped into employment	67	55	●
% of tenants and leaseholders who are members	41.9%	45%	●
3. Growth Agenda			
% of rent collected (over 12 months)	98.9%	98.6%	●
% of current rent arrears	2.07%	2.14%	●
Average cost of a repair (3 months rolling)	£235	£103	●
Average void cost (3 month rolling)	£2,884	£4,326	●
4. Excellent Service			
First Call Resolution	78%	75%	●
% of abandoned calls	1%	4%	●
% of repairs completed right first time	73.6%	78.3%	●
Average time to complete non-urgent repairs	18 days	14 days	●
% of tenants satisfied with their neighbourhood	84.9%	80.5%	●
% of tenant satisfied that rents provide VFM	80.6%	74.6%	●
5. Organisation of choice			
Net Promoter Score	59	50.7	●
% of staff turnover (12 months rolling)	22.8%	26.6%	●
Average permanent re-let times in days (GN)	18	15	●

Flag key: ● Positive improvement ● Steady ● In need of attention

Business and Financial Review

The Trust operates in increasingly challenging times while the demand for its services and homes remains as great as ever. It has produced a strong performance in 2015/16 with its operating surplus being £7.6m. The financial highlights over the past 5 years are set out below.

From 2015/16 the new accounting standard FRS102 has come into

effect. The Trust has complied with the new standard and prepared the attached accounts in the new format together with restating its opening balance sheet at 1 April 2014, as required. The decision has been made to use the exemption available in FRS102, to use the previous UK GAAP revaluation of housing properties at the date of transition to this FRS, as deemed cost at the revaluation date.

A reconciliation of the accounting changes is shown at note 28 in the accounts. It is recognised that FRS102 does introduce more complexity to the way in which the accounts are presented. Work is underway to review how the Financial Performance of the Trust is measured and presented to Board to ensure that we continue to have clarity in reporting how the business is performing.

Table 3 – Trust highlights, summary (5 year summary)

For year ended 31 March	2016	2015	2014	2013	2012
	£'000	restated £'000	£'000	£'000	£'000
Summary Statement of Comprehensive Income					
Total turnover (note 3a)	31,087	29,025	28,818	27,883	25,432
Income from Social Housing lettings (note 3b)	27,627	26,880	25,595	24,064	22,289
Operating surplus: continuing activities	7,582	7,682	6,426	6,310	3,661
Surplus for the year transferred to reserves	4,985	4,756	3,541	4,442	1,009
Summary Statement of Financial Position					
Intangible assets (note 11)	(29,985)	(30,402)	(30,818)	(31,235)	(31,651)
Housing properties (note 12)	219,634	211,424	211,880	191,804	135,241
Investment Properties (note 14)	3,555	2,290	-	-	-
Other Property, Plant and Equipment (note 13)	13,437	13,571	13,501	12,206	10,987
Total fixed assets	206,641	196,883	194,563	172,775	114,577
Net current assets	25,596	29,582	29,913	38,957	41,272
Total assets less current liabilities	232,237	226,465	224,476	211,732	155,849
Funded by:					
Loans (due over one year) (note 19)	85,027	84,979	79,036	79,002	75,568
Pension liability (note 23)	557	1,570	950	1,460	972
Other long term liabilities (note 19)	52,432	51,483	47,766	34,833	39,392
Capital and reserves:					
Revenue reserve	25,175	19,106	14,923	10,613	6,653
Property revaluation	96,929	96,929	97,073	85,824	33,264
Cash flow hedge reserve	(27,883)	(27,602)	(15,272)	0	0
Total reserves	232,237	226,465	224,476	211,732	155,849



New legislation will have a significant impact on Housing Associations going forward. Measures include:

- 1% p.a. rent reduction for 4 years from 2016
- Measures to deregulate Housing Association's to seek reversal of the ONS decision to reclassify them as public bodies
- Payment of grant to Associations to fund the extension of RTB
- Promotion of Starter Homes
- Pay to Stay
- Fixed term tenancies between 3 and 5 years

Where the position is clear, for instance the 4 year rent reduction, this has been built into the new Long Term Financial Forecast which demonstrates long term financial viability. Other measures, such as Pay to Stay, are still to be evaluated before a decision is made on whether they should be implemented.

The Trust has carried out stringent testing of its Financial Plan to assess how strong it is in different scenarios and understand the impact of various events individually or taken together. As a result the Board is confident the Financial Plan is robust but will continue to monitor performance

and delivery in conjunction with the review of its Risk Matrix.

The Trust continues to work on maintaining good services to its tenants whilst seeking to achieve VFM in its activities. It has achieved its financial target for efficiencies in 2015/16 and is now seeking to increase its operating surplus in future years to release more money for services and building homes. Progress and future planning are discussed in the VFM section of this report and set out below is the Trust's performance against the key operating measures it has adopted.

Table 4 - Key operational ratios

	2016	2015	2014	2013	2012
Operating surplus for the year as % of turnover	24.4%	26.5%	22.3%	22.6%	14.4%
Surplus for the year as % of income from lettings	18.0%	17.7%	13.8%	18.5%	4.5%
Rent losses (voids and bad debts as % of rent and service charges receivable)	2.0%	2.6%	2.3%	2.8%	3.6%
Rent arrears (gross arrears as % of rent and service charges receivable)	2.07%	2.14%	4.5%	4.5%	4.2%
Liquidity (current assets divided by current liabilities)	3.2	2.9	3.4	4.4	4.6
Gearing (bank loans as % of capital grants plus reserves)	69.2%	73.6%	70.9%	82.2%	187.8%
Total reserves per home owned	25,620	24,099	23,255	20,049	8,244

During the year the Trust set up a new company 'WCHT Devco' to carry out development on its behalf cost effectively. It will be preparing its first set of accounts for the period up to 31 March 2017. As a consequence of the establishment of WCHT Devco Ltd as a subsidiary of the Trust the accounts have been prepared on a Group basis.

As part of the Transfer Agreement from the Council the majority of the Trust's tenants have the Preserved Right to Buy and during the year 22 tenants exercised this right. Under the transfer agreement

until 2020 the Council receives the proceeds of RTB sales after the Trust has deducted an allowance for administrative costs and rent foregone on the sold property.

The Trust is committed to developing new homes and has set an aspirational target of producing 1,000 units over the next 4 years and is putting in place a new Development Strategy to support this objective. During the year 19 new homes were delivered.

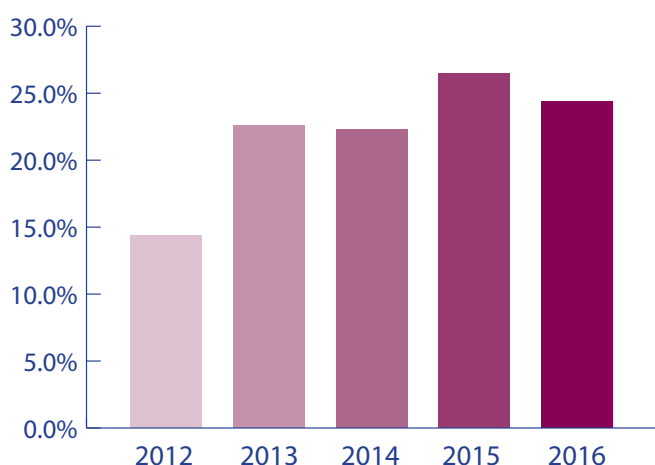
The Trust continues to monitor its loan facilities to ensure they remain

appropriate to support its activities and in particular the Development Programme. At year end secured facilities totalled £145m of which £86.3m was drawn.

The Trust was compliant with all of its loan covenants for the year.

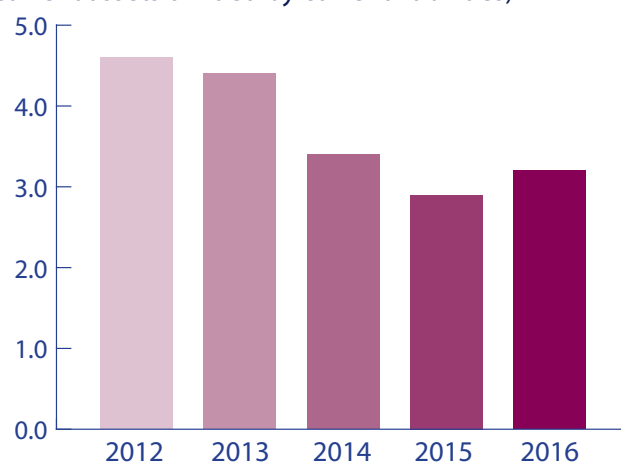
During the year the Trust completed its Assets and Liabilities Register in accordance with the HCA Regulatory Framework. The Register was subject to independent audit which confirmed that it was complete and an accurate representation.

Operating Surplus



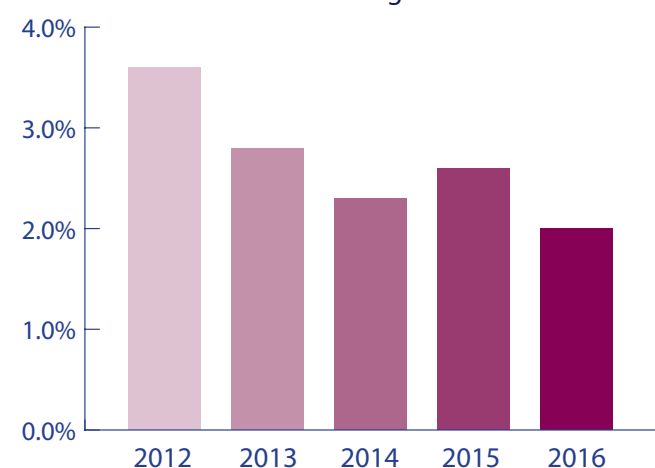
Liquidity Ratio

(current assets divided by current liabilities)



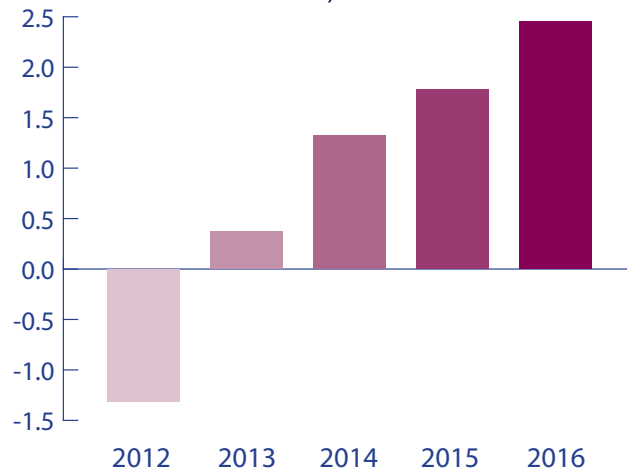
Rent Loss and Bad Debt

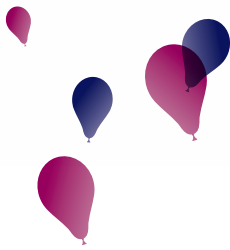
as a % of Rent and Service charges receivable



Interest Cover

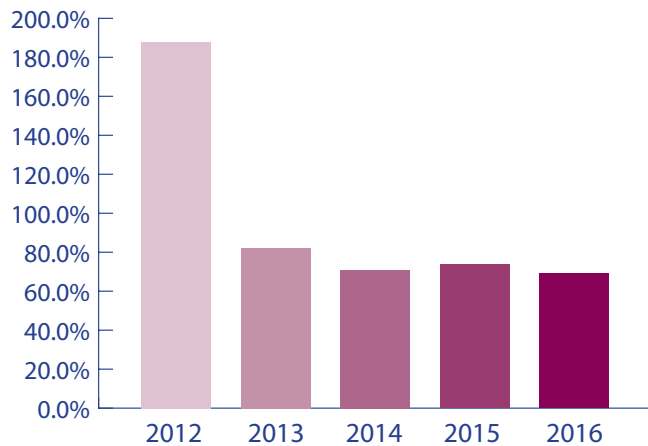
(EBITDA MRI to interest cost)





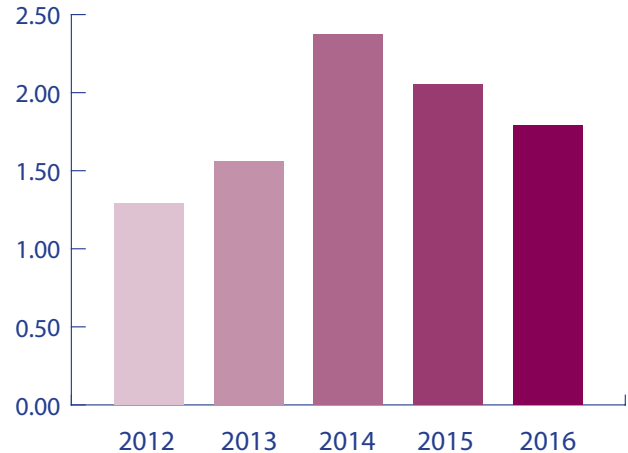
Gearing

(bank loans as % of capital grants plus reserves)

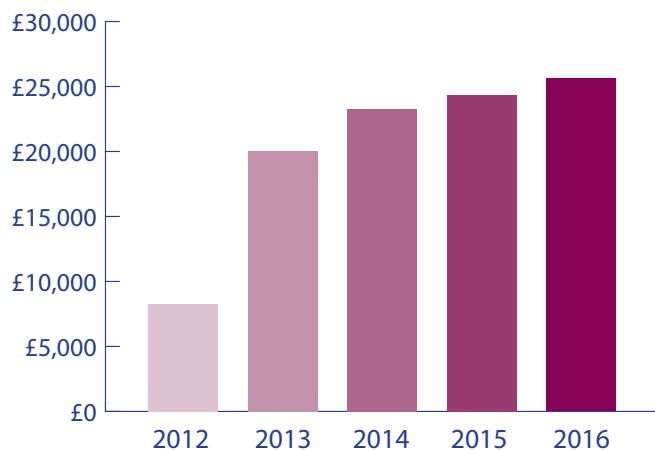


Asset Cover

(Asset Value to Loan & ISDA amount)



Reserves per Home Owned



Risk Assessment

Risk is proactively managed across the Trust with ultimate responsibility resting with the Board. Risks are identified at all levels in the organisation and

brought together into the Risk Map which considers how risks are being mitigated in the business. A system of internal control is in place which is monitored by the Audit

and Risk Committee supported by Internal Audit. The Board considers the following to be the Key Risks to the Trust together with mitigating actions being taken.

Key risk

Mitigating actions being taken

Lack of financial viability:

as a result of changes to government legislation, exposure to fraud, increased funding cost and market risks

- We have an undrawn loan facility and are seeking additional funding options.
- Impact of new legislation is modelled and stress-tested.
- Our dedicated Financial Inclusion team have taken a proactive approach with helping our tenants understand the risks, impact and available support to minimise the financial impact.
- We are working closely with other organisations, such as the Watford Credit Union and the local authorities. We have also recently procured new software to assist with better rent collection.

Poor governance:

arising from poor Board skill set, succession planning, compliance overkill, failure of strategic alliance and the gateway model

- We have undertaken a Board effectiveness review and ensure adequate training and development support is offered to our Board members.
- We have engaged the services of our professional and legal advisors in discussions on strategic alliances.
- An annual appraisal is undertaken for both staff and Board members.
- Performance against set objectives and KPIs are monitored to ensure gaps are identified and dealt with promptly.
- A new Road Map was developed for our Gateway Membership Team detailing Board's expectations with co-regulation.

Lack of robust Information

Technology: due to lack of resources, poor data integrity, ineffective Disaster Recovery Plan and exposure to data protection breaches

- A new ICT strategy has been developed and IT manager appointed.
- Archiving and backup solutions are being considered as an integrated option. Similarly, there will be investment in a more robust Disaster Recovery Plan in the coming year.
- We are considering options for shared services especially around digital agenda and procurement of IT infrastructure.
- In-house application owners have been appointed for each software application. The team has been restructured to ensure there is ongoing focus on enhancing data integrity and insight.

Failure to maximise assets and achieve development targets

- We are in consultation with key stakeholders and local councils on partnership and joint venture opportunities.
- We are looking at diversifying our housing stock and instructed Savills to undertake a viability review of our portfolio during the year.
- We have undertaken a stock condition survey of our assets and will commence a 5% validation exercise in due course.
- We have procured new asset management software – Keystone – to enhance system and data integrity.
- We have recently launched our Asset Investment Model strategy to drive efficiencies and value for money with the maintenance of our existing stock.

Lack of agility:

arising from lack of clarity of vision, lack of commercial agility and inability to respond to tightening government policies

- We have developed and launched our new Business Plan 2016-2020.
- A revised financial plan was agreed by the Board in March 2016.
- We keep up to date our Stakeholder Bulletin and ensure the Board are updated on progress on strategic alliances.
- We ensure our communication strategy is robust and appropriate channels are selected to suit the target audience.



Value for Money (VFM)

Our Strategy:

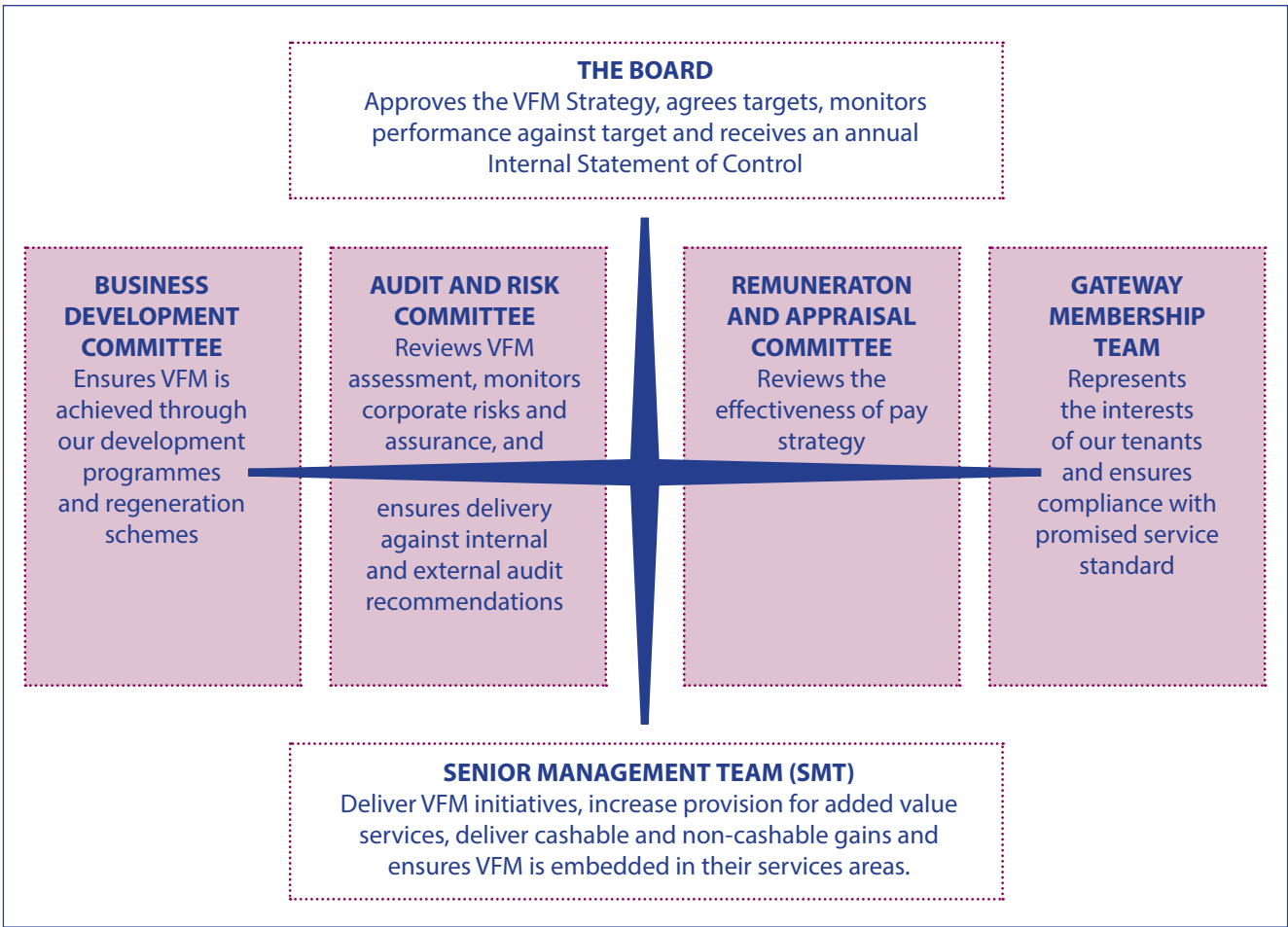
The Trust is committed to delivering Value for Money through its business activities. Our Business Plan 2016-20 sets clear objectives and key priority areas to ensure we deliver improvements to the quality of services, maintain a strong financial position and gain competitive advantage through partnership working. This plan is supported by our VFM strategy. Our strategy for delivery of VFM is reinforced by:

- Ensuring our approach to VFM stems from the corporate plan and flows through the practices adopted within the organisation for service standards;
- Being aligned to the Regulator’s standards and good practice;
- Ensuring staff are made aware of the expectations of delivering cashable and non-cashable gains and;
- Demonstrating to our stakeholders and tenants that we are an efficient organisation

making maximum use of our resources and achieving our environmental and social objectives.

To be effective, VFM is made integral to our business planning, with close links to our Performance Management Framework. It is a continual review of information, process, tenant scrutiny, customer feedback, benchmarking and performance management. VFM is embedded in our governance structure as illustrated below.

VFM Roles and Governance



Value for Money (VFM) (continued)

Achieving VFM by Maximising the Return on Our Assets:

The Trust operates a large property estate comprising a total of 6,500 units which is estimated to have an open market value approaching £1b. In 2016/17 we have budgeted to spend a total of £5m on maintenance of the properties plus a further £3.8m on programmed repairs.

The Trust is committed to actively managing the portfolio to ensure that it continues to meet the needs of residents and is maintained to an agreed standard whilst maximising the return achieved. To achieve this objective and following detailed consultation, the Board adopted a new Asset Management Strategy in March 2016. The key objectives included in the Strategy are as follows:

- i. Development of a new Asset Investment Model (AIM) to understand how the assets are performing, prioritise investment to drive strategic investment decisions and programmes of work.
- ii. Ensure data held on each property is accurate and accessible.
- iii. Use development options appraisal methodology to determine long term use of properties and whether they should be retained, refurbished or disposed of.
- iv. Agreeing the standard to which properties should be maintained and setting targets for cost of use measures such as SAP rating.

- v. Optimising assets through garage development, increasing density and changes of tenure to support our growth agenda.
- vi. Utilising new technology to support investment decisions, ensure works are carried out efficiently and that residents are kept informed and receive a quality service.

In 2015-16 we achieved the following:

- Increased the scope of our in-house maintenance team, including roofing and jetting
- Procured and rationalised our repairs sub-contractors
- Reviewed our gas service resulting in it being brought in house
- Reviewed our planned maintenance arrangements and procured a new contractor resulting in £2m saving against our previous delivery model
- Developed a new asset management strategy which set the strategic direction of how we invest in our properties
- Procured and implemented new asset management software
- Surveyed 3,000 properties to ensure we hold accurate data on our properties

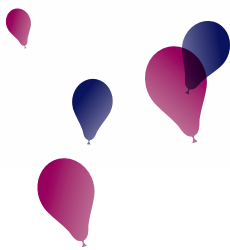
The drive to deliver increased value for money will continue into 2016-17 and include:

- Implementation of the new Asset Management Strategy

- Development of the Asset Investment Model (A.I.M) to understand the performance of our assets and to maximise value
- Implementation of a new asset management and responsive repairs ICT system focused on increased performance
- Mobilisation of new gas service in house

The Trust is continuing to explore additional income channels including expanding its managed services and maximising the use of void properties. We manage hostels for Watford Borough Council and provide an Easylet service for Three Rivers District Council. We have also converted the use of some of our void properties to temporary accommodation (such as Brightwell Court) to mitigate shortage in temporary accommodation being faced by the council as well as to generate additional income for the Trust.

To assist the evaluation of options for future use of properties we are developing a methodology to calculate the Return on Capital Employed. We have created an additional field in the fixed asset register to classify properties by tenure type and are in the process of determining the open market value of each property so that we can calculate the return being achieved. We are achieving a gross return of 6.1% on our market rent properties.



Value for Money (VFM) (continued)

Achieving VFM Through Operational Costs and Performance:

Performance is monitored on a monthly basis by the Senior

Management Team as well as being discussed at team meetings. The Board receives quarterly performance reports and more in-depth reports from individual

service areas. The delivery of the Road Map was a personal objective for each staff member and it focused on six Key Performance Indicators (KPIs) plus our efficiency target:

Overall tenant satisfaction	Improved from 80.6% to 83.5%
Satisfaction with views taken into account	Improved from 63.8% to 65.5%
Being treated professionally and with respect	Improved from 84.6% to 86.4%
Average wait times when calling Contact Centre	Improved from 45 to 25 seconds
Satisfaction with quality of home	Decreased from 83.2% to 81.6%
Satisfaction with repairs and maintenance	Increased from 78.2% to 84.7%

We have seen improvements in five out of these six indicators and expect satisfaction with quality of home to increase in 2016/17 as we are launching a new improvement programme with Keepmoat as our contractor.

Major changes have already been implemented in the delivery of our repairs service resulting in a big increase in tenant satisfaction. Our repairs staff are fully aware of their performance after the introduction of a league table to monitor individual performance.

Tenants are contacted straight after their repair by our Customer Relations Team to ascertain if there are any outstanding issues. Further changes will be made to the service by introducing new software enabling better recording and tracking of repairs. Materials are being re-procured to ensure additional value for money is provided. This will also help reduce average repair costs going forward.

As part of the changes within the Property Team void repairs are now being delivered by a dedicated in-

house team and we have already seen a reduction in average void costs from £4,300 to £2,900. Focus for 2016/17 will be on reducing overall turnaround times for both general needs and housing for older people.

To enable us to understand our Operational Performance we have established a number of Performance Indicators which we benchmark against other providers through Housemark where possible.

Value for Money (VFM) (continued)

The table below sets out the comparison of Performance:

Performance Indicator	2015/16 result	2015/16 target	Benchmark (where available - HM upper quartile)	2014/15 result
Satisfaction with last repair	85%	85%	96%	78.20%
Re-let times (excluding major works)	27 days	17 days	20 days	31 days
Current rent arrears	2.07%	2.30%	2.80%	2.14%
Void losses	1.78%	n/a	0.63%	1.09%
Gas safety compliance	100%	100%	100%	99.80%
Homes meeting the Decent Homes Standard	99.73%	100%	100%	99.40%
Average wait time in seconds	25	15	19	45
Satisfaction with overall services	83.50%	90%	90.40%	80.60%
VFM savings	£1.77m	£1.7m		£737k

Social housing costs	2015/16 result	2014/15 result	Benchmark (where available - HM upper quartile)
Total debt per unit	£18,028	£17,655	£17,530
Total Housing Management cost per property	£487.57	£516.03	£365.47
Total responsive repair cost per property	£734.56	£1,117.87	£735.02
Total major works and cyclical maintenance cost per property	£1,349.90	£1,911.93	£1,271.03
Operating margin	24.4%	26.5%	37.70%

Our customer service team has been going through a major review over the last 18 months, introducing individual performance targets, call quality assessments and improved training plans. This has resulted in excellent performance results, reducing wait times and abandoned calls as well as an increasing number of calls being dealt with right first time.

Our rents and income team have also performed well, reducing current rent arrears to 2.07%, against a target of 2.30%, as well as increasing rent collection slightly. The introduction of new software has helped to target tenants who might be experiencing financial difficulties and the team has worked closely with our financial inclusion team to reduce the

number of tenants falling into arrears as well as helping tenants to increase their income. Our Homes & Financial Inclusion Team has worked incredibly hard during the year and been rewarded with a nomination for the 'Frontline Team of the Year' at the Housing Heroes Awards.



Value for Money (VFM) (continued)

Achieving VFM Through Efficiency Gains:

As part of our continuous evaluation of operational costs, the Board agreed a cashable efficiency target of £1.7m at the end of 2013/14 financial year, to be achieved over two financial years. At the end of 2014/15, we

were pleased to report a total cashable gain of £0.74m and can now report a further £1.03m in 2015/16, meaning we have slightly exceeded our target. We have continued to work hard this year to ensure we deliver more gains. Tabulated below is the register of our efficiency gains over a 2-year period. The

gains have been identified in ten specific categories as set out in our "Road Map to Excellent Services – Our Journey Together". All cashable gains identified contribute to the surpluses realised in the financial year which is used to further our social objectives through investment in services and new homes.

Efficiency Gains over 2 years

Category	2014-15 Target	2014-15 achieved savings	2015-16 target	2015-16 achieved savings	Total savings	Target	Variance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Procurement and contract savings	70	206	70	111	317	140	177
Self servicing	50	10	50	16	26	100	(74)
Energy innovation	130	146	130	-	146	260	(114)
Streamlined customer engagement	20	21	20	141	162	40	122
IT infrastructural cost	65	11	65	9	20	130	(110)
Implementation of system upgrades	27	16	27	-	16	54	(38)
Review use of consultants	25	112	25	-	112	50	62
Review of responsive repairs cost	150	38	150	349	387	300	87
Lean business processes	113	176	387	360	536	500	36
Other initiatives	50	-	50	11	11	100	(89)
Income Generation	-	-	-	33	33	-	33
Total	700	736	974	1,030	1,766	1,674	92

The introduction of Universal Credit to Watford in November 2015 reinforced the need for tenants to access more services online. We have worked with Watford Borough Council on delivering free Wi-Fi for the whole of Watford by using 'street furniture' like lampposts as Wi-Fi routers. The financial impact of the project is minimal but the benefits to Watford residents are significant.

In the past we have set up social enterprises to have a positive social impact in our communities. One of these is Jobs at Home (JAH) which is directly linked to our repairs service and provides social value through apprenticeship schemes. JAH is a joint venture with Thrive Homes and B3Living. As part of our ongoing service reviews, we will continue to consider which services can be delivered in a more efficient way.

For 2016/17 a new approach has been adopted in setting a target for efficiency gains. Rather than set a specific number the Board has agreed a target for operating margin to be achieved at 30%.

The budgeted surplus for 2016/17 is actually £1.7m more than that for the previous year. It has been achieved by focussing on core services and removing some

Value for Money (VFM) (continued)

discretionary spend supported by more efficient ways of working and in particular insourcing services such as gas and voids which have more than offset the 1% rent reduction.

The budget for planned, cyclical and routine maintenance budget in 2016/17 is £1.86m less than the previous year and the major repairs budget is £3.83m, a reduction of £2.53m compared to the previous year. These savings have been achieved by initiatives such as insourcing gas and voids and a review of procurement for planned maintenance.

On 8 June 2016 the HCA published a new analysis of cost variations across the social housing sector to support Associations in understanding their costs and achieving VFM in their activities. The Trust has received the data relating to its own performance which is currently being evaluated. The Board will be considering the implications and assessing what enhancements to its VFM Strategy are appropriate.

To support delivery of VFM across the business the Trust has put in place a new Procurement Strategy. The strategy is aligned with the new Business Plan and is designed to ensure the Trust:

- i. Has in place an effective forecast framework which ensures that it meets OJEU and other legal requirements
- ii. Shows clarity in the procurement process for both staff and suppliers.

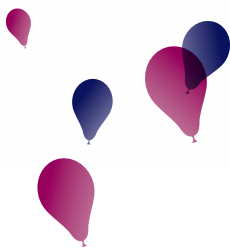
- iii. Carries out effective due diligence on suppliers to ensure they meet its criteria in areas including financial viability, insurance cover and health & safety.
- iv. Builds strong relationships and partnerships with its suppliers.
- v. Sets clear budgets for VFM through procurement and monitoring progress.
- vi. Keeps accurate records of contracts and the arrangements entered in to which are reviewed regularly to ensure the expected benefits are achieved.
- vii. Seeks to acquire added value from its supplier base in the way they support the business.
- viii. Has effective procure to pay arrangements in place to manage administrative costs, whilst ensuring supplies are paid on time.
- ix. Procure responsibly with attention to the impact on the environment of purchasing decisions and looking to work with responsible suppliers. We will look to achieve added value through training opportunities such as apprenticeships and other areas of support to tenants and the business.

The manner in which procurement will be delivered in the business is set out in the Strategy. The Trust is already in a good position in understanding its contractual position through the contracts register and has its Assets & Liabilities register in place.

To manage the delivery of the Trust's planned procurement strategy it has been recognised that a specialised procurement resource will be needed, which the Trust will begin to source. Consideration is being given to negotiating an arrangement with another Association which has spare capacity in its procurement function to share the resource.

The VFM activities planned for 2016/17 include the following:

- Delivery of the new Asset Investment Model
- Progress shared service arrangements and strategic alliances
- Implementation of the new Procurement Strategy
- Deliver an operating margin of at least 30%
- Deliver new IT Strategy incorporating digital strategy for engagement with tenants
- Bed in insourced services in gas and voids to deliver forecast efficiencies whilst maintaining satisfaction levels



Financial Position

Capital Structure and Cashflow Forecast

At the year end the Trust had long term borrowing facilities totalling £145m in place. The facilities are all secured and available for immediate drawdown. Total draw down borrowings amounted to £86.3m.

The Trust has approved a Treasury Policy prepared in conjunction with its funding advisors. The Policy is regularly reviewed and includes matters such as management of counter party risk, levels of liquidity to be maintained to meet commitments and how its treasury activities will be monitored and reported.

The ultimate intention being to ensure ongoing liquidity is available to meet all commitments whilst keeping risk at an acceptable level and minimising borrowing costs.

The Trust actively manages its interest costs and has entered into a number of interest rate swaps

totalling £57m. As a result at year end 66% of its debt was at fixed rates and 34% at floating rate.

The maturity of the Trust's borrowing was as follows:

Maturity Profile	2016 £'m	2015 £'m
Within 1 year	-	-
Between 1 and 5 years	1.9	-
After 5 years	84.4	86.3
Total	86.3	86.3

As part of arranging its loan facilities, the Trust is required to provide security by charging properties it owns. The properties are valued using the EUV-SH methodology and currently there is £234m in charge to Barclays Bank plus a further circa £10m uncharged.

The security is allocated to provide collateral for the drawn loans plus any exposure to the mark to market position on the interest swaps in place via the bank.

At year end there was an excess of £127m security charged to the bank after providing the amounts necessary to cover loans giving comfort that the Trust has adequate cover to meet its obligations under the swaps in place.

During the year £11.8m (2015:£9.8m) of cash was generated from operating activities meaning it was not necessary to make any drawdowns from the available loan facilities. In future years drawdowns will take place to support delivery of the development programme. Total interest of £3.8m (2015:3.6m) was incurred in the year giving an average borrowing rate of 3.88% (2015:3.88%).

The Trust continues to monitor its loan arrangements to ensure they remain appropriate to its needs in meeting its Business Plan objectives whilst maintaining long term financial viability.

Development

The Trust remains committed to the principle of providing urgently needed homes at a rate which can be accommodated within its long term Business Plan.

To date a total of 141 homes have been provided with a further 624 in the pipeline. Of these properties 195 are part of the HCA Affordable Housing Programme.

The Board have recently agreed a new Development Strategy which covers the period up to 2020 following a detailed evaluation of the types of property and locations where they can be achieved. The Development Strategy has been prepared in conjunction with a detailed risk assessment and in the context of Business Plan capacity and has been adopted in conjunction with a new Treasury Strategy to ensure availability of the required funding.

To ensure properties are procured cost effectively the Trust has set up a new development company in the year.

To further its position as an 'Active Developer' the Trust is working together with Watford Borough Council to create a joint venture which will produce additional properties. A range of products will be developed including shared ownership and outright sale to support provision of affordable housing.

Cash Flows

The Trust carries out regular reviews of cash flow risk as part of its treasury management procedures. The key elements of cash flow risks are fluctuations in interest rates and the availability of loan finance. The Statement of Cash Flows shows that the net cash inflow from operating activities increased to £11.8m (2015: £9.8m). Working capital moved as a result of the net cash flow from operating activities. A net interest payment of £3.4m was made during the year and a little under £15m was expended on developing new homes and improving existing properties.

Pension Costs

The Trust participates in two pension schemes, a corporate Stakeholder Pension Plan through Standard Life for all employees who have joined the Trust since 10 September 2007 and the Hertfordshire Local Government Pension Scheme (LGPS) for all participating employees who transferred to the Trust on 10 September 2007 from Watford Borough Council and which is closed to new entrants. The Stakeholder Pension Plan is a defined contribution scheme and the LGPS is a final salary scheme. Both schemes offer good benefits to Trust staff. The Trust has made contributions to both schemes of between 5% and 20.9%. The last formal valuation of the LGPS Fund was carried out as at 31 March

2013. An extract was taken from the actuarial valuation as at March 2016 for FRS102 purposes.

Compliance with Governance and Financial Viability

The Board confirms that the Group has met the Homes and Communities Agency's regulatory expectations in the Governance and Financial Viability Standard.

During the year the Board has complied with its adopted code of Governance (the NHF code of Governance – Excellence in Governance – Code for members). In March 2016 the HCA carried out an In Depth Assessment of the Trust which concluded that the following ratings for Governance and Viability were appropriate: G1 and V1.

Statement of Compliance

The Board confirm that this Strategic Report Review has been prepared in accordance with the principles set out in the 2014 SORP for registered housing providers.



John Swinney
Trust's Board Chair



Board Report

The Board of Watford Community Housing Trust is pleased to present its report together with the audited financial statements of the Group for the year ended 31 March 2016.

Principal Activities, Business Review and Future Developments

Details of the Group's principal activities, its performance during the year and factors likely to affect its future development are contained within the Strategic Report, which precedes this report.

The Board and Executive Directors

The Board and executive directors of the Trust who have served during the year are set out inside the front cover (page 4). The Board members are drawn from a wide background bringing together professional, commercial and local experience.

A Governance Review was carried out during 2014 and approved by the Membership at a Special General Meeting on 27 January 2015. The Board composition is:

- Overall number of Board Members is 10
- The number of tenant board members is 3
- The number of independent board members is 6
- The number of Local Authority Representatives is 1

There are two vacancies currently on the Board.

Changes to the Board during the financial year are as follows:

Independent Board Member Robert Rabinowitz resigned from the Board in September 2015. Tenant Board Member Judith Moores stood down from the Board in May 2016.

At the Full Council Meeting of Watford Borough Council in May 2016, Peter Jeffree was re-appointed Local Authority Nominee Board Member.

A successful Gateway Membership Team election was held in July 2015 with Chris Blackett, Cheryl Hollingsworth and Naomi Welch being elected.

The executive directors hold no interest in the Trust's shares and act as executives within the authority delegated by the Board.

The Trust has in place insurance which indemnifies the Board members and staff against liabilities when acting for the Trust.

Service contracts

The Chief Executive's notice period is six months and the other executive directors are employed on the same terms as other staff, their notice periods ranging from one to three months.

Pensions

The executive directors are all members of the Trust's stakeholder pension scheme. With the exception of the Chief Executive

and the Director of Partnerships, to whom special terms apply, namely 15% and 10% employer's contribution respectively, all other executive directors participate in the scheme on the same terms as other eligible staff.

Other Benefits

The executive directors are entitled to other benefits such as health screening. Full details of individual remuneration packages are included in note 9 of the audited financial statements.

Employees

We recognise that the success of our business, and our ability to meet our objectives and commitments to tenants, depends on our employees. It is the policy of the Trust that training, career development and promotion opportunities should be available to all employees.

In March 2016 the Trust achieved 'Gold' Investors in People Accreditation.

The Trust ensures that all employees understand their contribution towards delivery of the Business Plan 2016-20 which was launched on 1 April 2016. This is reinforced by regular individual meetings between managers and their direct reports, and by the Trust's annual performance appraisal and goal-setting process.

The Trust is firmly committed to equality of opportunity, and has in place modern employment

policies that ensure that we are an attractive and engaging employer to individuals regardless of their gender, age, ethnicity, sexual orientation, religion or disability status. We are particularly proud to be Two Ticks accredited, creating opportunities for people with disabilities who might otherwise be disadvantaged in the workplace.

The health, safety and wellbeing of all of our employees is of prime importance. The Trust has in place detailed health and safety policies, and provides staff training and education on health and safety matters, as well as more general wellbeing issues that support delivery of the Hertfordshire Health and Wellbeing Strategy.

Donations

The Trust donated £240 during the year to the W3RT Community Fund with no political donations made (2015: £150).

Financial Risk Management Objectives and Policies

The Trust's operations are financed primarily by loans and by the reinvestment of surpluses. The Trust also benefits from cash balances and trade creditors which arise directly from its operations. The main financial risks which arise in respect of its financing are considered by the Board to be interest rate risk, liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks which are summarised below

Interest Rate Risk

The Trust's exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and variable rate facilities, including interest rate swap instruments.

Liquidity Risk

The Trust seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and invests cash assets safely and profitably. In addition to drawn borrowings the Trust has £58.7 million of undrawn committed facilities.

Credit Risk

The Trust has proved resilient to welfare reforms during the financial year with arrears and bad debts lower than the preceding year. However, the changes imminent as a result of the introduction of Universal Credit pose the highest credit risk for the Trust. The payment of benefit for housing costs to tenants is likely to increase the risk of non-payment or underpayment of rents. This could undermine cash flow and potentially diminish operating margins. To mitigate this risk, the Trust's long term financial plan is being revised accordingly. The Trust's Financial Inclusion strategy will be made more robust and a Digital Inclusion strategy is being implemented in collaboration with Watford Borough Council.

Going Concern

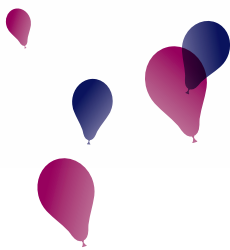
The Trust's business activities, its current financial position and factors likely to affect its future development are set out within the Strategic Report. The Trust has in place long-term debt facilities (including £58.7 million of undrawn facilities at 31 March 2016), which provide adequate resources to finance committed reinvestment and development programmes, along with the Trust's day-to-day operations. The Trust has a long-term business plan that shows it is able to service the debt facilities whilst continuing to comply with lenders' covenants.

On this basis, the Board has a reasonable expectation that the Trust has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Internal Controls Assurance

The Board acknowledges its overall responsibility for establishing and maintaining the whole system of internal control and conduct an annual review of the effectiveness of this system.

The Trust's system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable assurance against material misstatement or loss.



The process for identifying, evaluating and managing the significant risks faced by the Trust is on-going and has been in place throughout the period commencing 1 April 2015 up to the date of approval of the report and financial statements. These internal controls act to identify key risks and to provide reasonable assurance that planned business objectives are achieved. They also exist to give reasonable assurance that the financial and management performance information is reliable and that the Trust's assets are safeguarded. However, the Board recognises that no system of internal control can provide absolute assurance against material misstatement or loss.

Key elements of the systems of the control framework include:

- Board approved terms of reference and delegated authorities for committees
- clearly defined management responsibilities for the identification, evaluation and control of significant risks
- robust strategic and business planning processes, with detailed financial budgets and forecasts
- formal recruitment, retention, training and development policies for all staff
- established authorisation and appraisal procedures for significant new initiatives and commitments
- a robust approach to treasury management which is reviewed externally each year
- regular reporting to the appropriate committee on key business objectives, targets and outcomes

- Board approved whistle-blowing and fraud policies covering prevention, detection and reporting of assets
- regular monitoring of loan covenants and requirements for new loan facilities

A fraud register is maintained and reviewed by the Audit and Risk Committee on a quarterly basis. During the year there were two instances of alleged attempted fraud made against members of the Trust's staff. Following thorough investigations, neither case was proven. One case of theft was carried out by an employee of a care company working in one of the Trust's Sheltered Schemes. The culprit has been charged and all of the Trust's relevant processes and procedures have been fully reviewed.

The Board cannot delegate ultimate responsibility for the system of internal control but has delegated authority to the Audit and Risk Committee to regularly review the effectiveness of the system of internal control. The Board receives Audit and Risk Committee quarterly reports and minutes. The Committee has received the Chief Executive's annual review of the effectiveness of the system of internal control for the Trust, and the annual report of the internal auditor, and has reported its findings to the Board.

National Housing Federation (NHF) 2015 Code of Governance

We are pleased to report that the Trust complies with the principal recommendations of the NHF 2015 Code of Governance. The Trust observes best practice with regard to corporate governance

and complies with all the recommendations in the Code.

Statement of the Responsibilities of the Board for the Report and Financial Statements

The Board is responsible for preparing the report and financial statements in accordance with applicable law and regulations.

The Co-operative and Community Benefit Societies Act 2014 requires the Board to prepare financial statements for each financial year. Under that law the Board have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws), of which FRS102 Reporting Standard is included. Under the Co-operative and Community Benefit Societies Act the Board members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the Group and the Trust for that period. In preparing these financial statements, the Board members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice (SORP) Accounting by Registered Social Housing Providers Update 2014, have been followed, subject to any material departures disclosed

and explained in the financial statements; and

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Trust 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 the Group and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014. It is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board are responsible for the maintenance and integrity of the corporate and financial information included on the Trust's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In so far as each member of the Board is aware:

- there is no relevant audit information of which the Group's auditor is not aware of, and
- the members of the Board have taken all reasonable steps that they ought to have taken to make themselves aware of any relevant audit information to establish that the auditor is aware of that information.

Annual General Meeting

The annual general meeting will be held on 12 September 2016.

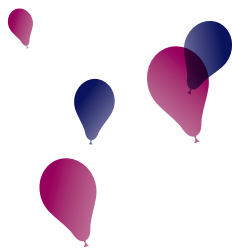
External auditor

A resolution to reappoint Mazars LLP as external auditor will be proposed at the forthcoming annual general meeting.

The report of the Board was approved by the Board on 27 July 2016 and signed on its behalf by:



John Swinney
Trust's Board Chair



Independent Auditor's Report to the members of Watford Community Housing Trust

We have audited the financial statements of Watford Community Housing Trust for the year ended 31st March 2016 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and the Trust's Statements of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Reserves and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Respective responsibilities of the Board and auditor

As explained more fully in the Statement of the Board's Responsibilities set out on page 26, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. This report is made solely to the Trust's members, as a body, in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014 and

Chapter 4 of Part 2 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the Trust'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 Trust and the Trust's members as a body for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

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

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group and Trust's affairs as at 31st March 2016 and of the Group's and the Trust's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Co-

operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Matters on which we are required to report by exception

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;

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

Mazars LLP

Mazars LLP

Chartered Accountants and Statutory Auditor
45 Church Street
Birmingham
B3 2RT

Date: 24 August 2016

Consolidated statement of comprehensive income

For the Year Ended 31 March 2016	Note	2016 £ '000	2015 £ '000
Turnover	3a	31,087	29,025
Operating expenditure	3a	(23,505)	(21,343)
Operating surplus	3a	7,582	7,682
(Deficit) / Surplus on disposal of property, plant and equipment	4	(133)	740
Finance income	6	17	19
Interest and financing costs	5	(3,857)	(3,600)
Change in fair value of financial instruments	20	111	(89)
Surplus on revaluation of investment properties		1,265	4
Surplus before tax		4,985	4,756
Taxation	10	-	-
Surplus for the year	7	4,985	4,756
Pension scheme actuarial gain/(loss)	23	1,084	(562)
Change in fair value of hedged financial instruments		(281)	(12,331)
Total comprehensive income for the year		5,788	(8,137)

There is no difference between the Group Statement of Comprehensive Income and that of the Trust for the years ended 31 March 2015 and 2016. The results relate wholly to continuing activities.

The financial statements on pages 29 to 68 were approved and authorised for issue by the Board on 27 July 2016 and signed on its behalf by:



John Swinney
Chair of the Trust's Board



Chris Meade
Chair of Audit & Risk Committee



Tina Barnard
Company Secretary



Consolidated statement of financial position

For the Year Ended 31 March 2016	Note	2016 £ '000	2015 £ '000
Fixed assets			
Intangible assets	11	(29,985)	(30,402)
Housing properties	12	219,634	211,424
Investment properties	14	3,555	2,290
Other property, plant and equipment	13	13,437	13,571
Total fixed assets		206,641	196,883
Current assets			
Stock and work in progress	16	2,996	-
Debtors	17	28,896	36,722
Cash		4,894	7,904
Total current assets		36,786	44,626
Creditors: Amounts falling due within one year	18	(11,190)	(15,070)
Net current assets		25,596	29,556
Total assets less current liabilities		232,237	226,439
Creditors: Amounts falling due after more than one year	19	(137,459)	(136,436)
Defined benefit pension liability	23	(557)	(1,570)
Net assets		94,221	88,433
Capital and reserves			
Non-equity share capital	22	-	-
Revenue reserve		25,175	19,106
Property revaluation reserve		96,929	96,929
Cash flow hedge reserve		(27,883)	(27,602)
Total reserves		94,221	88,433

These financial statements on pages 29 to 68 were approved and authorised for issue by the Board 27 July 2016 and signed on its behalf by:

John Swinney
Chair of the Trust's Board

Chris Meade
Chair of Audit & Risk Committee

Tina Barnard
Company Secretary

Trust statement of financial position

For the Year Ended 31 March 2016	Note	2016 £ '000	2015 £ '000
Fixed assets			
Intangible assets	11	(29,985)	(30,402)
Housing properties	12	219,634	211,424
Investment properties	14	3,555	2,290
Other property, plant and equipment	13	13,437	13,571
Total fixed assets		206,641	196,883
Current assets			
Stock and work in progress	16	1,135	-
Debtors	17	30,757	36,722
Cash		4,894	7,904
Total current assets		36,786	44,626
Creditors: Amounts falling due within one year	18	(11,190)	(15,070)
Net current assets		25,596	29,556
Total assets less current liabilities		232,237	226,439
Creditors: Amounts falling due after more than one year	19	(137,459)	(136,436)
Defined benefit pension liability	23	(557)	(1,570)
Net assets		94,221	88,433
Capital and reserves			
Non-equity share capital	22	-	-
Revenue reserve		25,175	19,106
Property revaluation reserve		96,929	96,929
Cash flow hedge reserve		(27,883)	(27,602)
Total reserves		94,221	88,433

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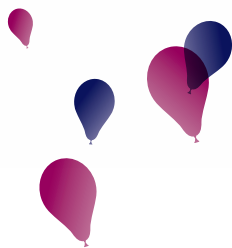
John Swinney
Chair of the Trust's Board



Chris Meade
Chair of Audit & Risk Committee



Tina Barnard
Company Secretary



Consolidated statement of changes in reserves

For the Year Ended 31 March 2016	Revaluation Reserve £ '000	Cash Flow Hedge Reserve £ '000	Revenue Reserve £ '000	2016 Total £ '000
At 1 April 2015	96,929	(27,602)	19,106	88,433
Surplus for the year	-	-	4,985	4,985
Pension scheme actuarial gain	-	-	1,084	1,084
Changes in fair value movement of derivatives	-	(281)	-	(281)
At 31 March 2016	96,929	(27,883)	25,175	94,221

	Revaluation Reserve £ '000	Cash Flow Hedge Reserve £ '000	Revenue Reserve £ '000	2015 Total £ '000
At 1 April 2014	96,929	(15,271)	14,912	96,570
Surplus for the year	-	-	4,756	4,756
Pension scheme actuarial loss	-	-	(562)	(562)
Changes in fair value movement of derivatives	-	(12,331)	-	(12,331)
At 31 March 2015	96,929	(27,602)	19,106	88,433

Consolidated statement of cash flows

For the Year Ended 31 March 2016	Note	2016 £ '000	2015 £ '000
Net cash generated from operating activities	39	11,789	9,830
Cash flow from investing activities			
Purchase of tangible fixed assets-Housing Properties		(14,370)	(9,896)
Proceeds from sale of tangible fixed assets		1,479	1,466
Proceeds from sale of other tangible fixed assets		-	575
Grants received		1,590	338
Interest received		17	19
		505	2,332
Cash flow from financing activities			
Interest paid		(3,362)	(3,099)
New secured loans		-	6,300
Capital element of finance lease rental payments		(153)	(118)
		(3,515)	3,083
Net change in cash and cash equivalents		(3,010)	5,415
Cash and cash equivalents at beginning of the year		7,904	2,489
Cash and cash equivalents at end of the year		4,894	7,904



Note to consolidated statement of cash flows

For the Year Ended 31 March 2016	2016	2015
Net cash generated from operating activities	£ '000	£ '000
Surplus for the year	4,985	4,756
Adjustments:		
Depreciation of tangible fixed assets	4,580	4,128
Amortisation of intangible assets	(417)	(416)
Increase in stock	(2,996)	-
Increase in trade and other debtors	2,641	3,004
Decrease/(increase) in trade and other creditors	2,106	(4,714)
(Decrease)/Increase in provisions	-	1,227
Pension costs less contributions payable	21	16
Disposal of tangible fixed assets	(1,612)	(2,194)
Change in fair value of financial instruments	(111)	89
Change in revaluation of investment properties	(1,265)	(4)
Government grants utilised in the year	-	338
Interest payable	3,857	3,600
Net cash generated from operating activities	11,789	9,830

Notes to the financial statements

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

Basis of Accounting

The financial statements are prepared under the historical cost convention, as modified for the revaluation of housing properties and to include certain items at fair value, in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The financial statements comply with the Statement of Recommended Practice for registered social housing providers 2014 (SORP), the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. The accounts are produced on a going concern basis. The accounts present information about the Group that includes the parent entity Watford Community Housing Trust and its subsidiary WCHT Devco Limited. Gateway Enterprises (Watford) Limited, another wholly owned subsidiary of Watford Community Housing Trust, remained dormant during the year.

Basis of consolidation

The Group financial statements consolidate those of the Trust and its subsidiary undertakings drawn up to 31 March 2016. Intra-group transactions are eliminated in full in accordance with FRS 102. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

Statement of Compliance

This is the first year the Group has prepared its financial statements in accordance with FRS 102, accordingly the financial information as at 1 April 2014 (being the date of transition) and for the year ended 31 March 2015 has been restated for material adjustments on adoption of FRS 102 in the current year. The Group is a public benefit entity as defined in FRS102 and applies the relevant paragraphs prefixed 'PBE' in FRS102.

Property, Plant and Equipment - Housing Properties

Housing properties are stated at deemed cost for assets held at valuation at the date of transition to FRS 102. Cost includes the cost of acquiring land and buildings, directly attributable development costs and borrowing costs directly attributable to the construction of new housing properties during the development. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

Depreciation is charged so as to write down the net book value of housing properties to their estimated residual value, on a straight line basis, over their useful economic lives. Freehold land is not depreciated. The Trust's housing properties have an expected useful life of 80 years.

Major components

Major components are treated as separable assets and depreciated on a straight line basis over their expected useful economic lives or of the structure to which they relate, if shorter, as follows:

Wall Structure	80 years
Roof Structure	50 years
Windows	30 years
External doors	30 years
Bathrooms	30 years
Heating distribution / electrical	30 years
Electrical systems	30 years
Lifts & Stair lifts	30 years
Kitchens	20 years
Garages	20 years
Heating Boilers	15 years
Communal doors and entry	15 years

Properties held on long leases are depreciated over their estimated useful economic lives or the lease duration if shorter.



Notes to the financial statements

1. Accounting policies (continued)

Improvements

Where there are improvements to housing properties that are expected to provide incremental future benefits, these are capitalised and added to the carrying amount of the property. Any works to housing properties which do not replace a component or result in an incremental future benefit are charged as expenditure in surplus or deficit in the Statement of Comprehensive Income.

Leaseholders

Where the rights and obligations for improving a housing property reside with the leaseholder or tenant, any works to improve such properties incurred by the Trust is recharged to the leaseholder and recognised in surplus or deficit in the Statement of Comprehensive Income along with the corresponding income from the leaseholder or tenant.

Non-Housing Property, Plant and Equipment

Non-housing property, plant and equipment is stated at historic cost less accumulated depreciation and any provision for impairment. Depreciation is provided on all non-housing property, plant and equipment, other than investment properties and freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Freehold office buildings	80 years
Office refurbishment	30 years
Furniture, fixtures and fittings	4 -10 years
Computers and office equipment	3 -5 years
Motor vehicles	3 years

Investment Properties

The classification of properties as investment property or property plant and equipment is based upon the intended use of the property. Properties held to earn commercial rentals or for capital appreciation or both are classified as investment properties. Properties that are used for administrative purposes or that are held for the provision of social housing are treated as property plant and equipment. Mixed use property is separated between investment property and property, plant and equipment.

Land is accounted for based on its intended use. Where land is acquired speculatively with the intention of generating a capital gain and/or a commercial rental return it is accounted for as investment property. Where land is acquired for use in the provision of social housing or for a social benefit it is accounted for as property, plant and equipment.

Investment properties are measured at fair value annually with any change recognised in surplus or deficit in the Statement of Comprehensive Income.

Intangible Assets

Negative Goodwill arose on the acquisition of a business whereby the fair value of the net assets acquired exceeded the acquisition cost. This negative goodwill is written off (amortised) over the remaining economic lives of the underlying housing assets, namely 80 years.

Impairment of Social Housing Properties

Properties held for their social benefit are not held solely for the cash inflows they generate and are held for their service potential. An assessment is made at each reporting date as to whether an indicator of impairment exists. If such an indicator exists, an impairment assessment is carried out and an estimate of the recoverable amount of the asset is made. Where the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in surplus or deficit in the Statement of Comprehensive Income. The recoverable amount of an asset is the higher of its value in use and fair value less costs to sell. Where assets are held for their service potential, value in use is determined by the present value of the asset's remaining service potential plus the net amount expected to be received from its disposal. Depreciated replacement cost is taken as a suitable measurement model. An impairment loss is reversed if the reasons for the impairment loss have ceased to apply and included in surplus or deficit in the Statement of Comprehensive Income.

Notes to the financial statements

1. Accounting policies (continued)

Social Housing Grant and Other Grants

Government grants are recognised using the accrual model and are classified either as a grant relating to revenue or a grant relating to assets.

Grants relating to revenue are recognised in income on a systematic basis over the period in which related costs for which the grant is intended to compensate are recognised. Where a grant is receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support with no future related costs, it is recognised as revenue in the period in which it becomes receivable.

Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset. Grants received for housing properties are recognised in income over the expected useful life of the housing property structure. Where a grant is received specifically for components of a housing property, the grant is recognised in income over the expected useful life of the component.

Social Housing Grant (SHG) is receivable from the Homes and Communities Agency (HCA) and formerly from the Housing Corporation in respect of capital costs of housing properties, including the land cost, is amortised over the useful life of the structure (or the useful life of

the component if the SHG relates to a component). SHG released on sale of a property may be repayable but is normally available to be recycled and is included in the Statement of Financial Position to recognise this obligation as a liability. Grants received from non-government sources are recognised as revenue using the performance model

Recycling of Grants

Where there is a requirement to either repay or recycle a grant received for an asset that has been disposed of, a provision is included in the Statement of Financial Position to recognise this obligation as a liability. When approval is received from the funding body to use the grant for a specific development, the amount previously recognised as a provision for the recycling of the grant is reclassified as a creditor in the Statement of Financial Position.

For shared ownership staircasing sales, when full staircasing has not taken place, the recycling of the grant may be deferred if the net sales proceeds are insufficient to meet the grant obligation relating to the disposal and is not to be recognised as a provision. On subsequent staircasing sales, the requirement to recycle the grant becomes an obligation if sufficient sales proceeds are generated to meet the obligation and a provision is recognised at this point.

On disposal of an asset for which government grant was received, if there is no obligation to repay

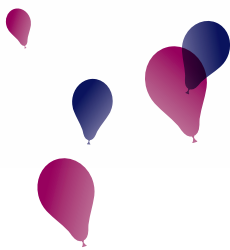
the grant, any unamortised grant remaining within liabilities in the Statement of Financial Position related to this asset is derecognised as a liability and recognised as revenue in surplus or deficit in the Statement of Comprehensive Income.

Agreements to Improve Existing Properties

Where an agreement has been entered into whereby the Trust has prepaid a third party to undertake work to existing properties and at the same time, there is an agreement with the same third party to undertake the improvement work on behalf of the third party, the rights to have improvement works carried out to properties by the third party are recognised as prepayments where payment has occurred in advance of the works being carried out and receipts in advance from the same third party are recognised as liabilities.

Finance Leased Assets

The Trust re-assessed agreements that transfer the right to use assets from the inception of the lease agreement. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement. Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum



Notes to the financial statements

1. Accounting policies (continued)

lease payments calculated using the interest rate implicit in the lease. Where this is not implicit in the lease, the Trust's average rate of borrowing has been applied.

Finance assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date. The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to surplus or deficit in the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

Properties for outright sale

Properties developed for outright sale and land held for sale are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes materials, direct labour and an attributable proportion of overheads based on normal levels of activity.

Interest Payable

Borrowing costs are interest and other costs incurred in connection

with the borrowing of funds. Borrowing costs are calculated using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of a financial instrument and is determined on the basis of the carrying amount of the financial liability at initial recognition. Under the effective interest method, the amortised cost of a financial liability is the present value of future cash payments discounted at the effective interest rate and the interest expense in a period equals the carrying amount of the financial liability at the beginning of a period multiplied by the effective interest rate for the period.

Interest is capitalised on borrowings to finance developments to the extent that it accrues in respect of the period of development if it represents interest on borrowings specifically financing the development programme after deduction of Social Housing Grant (SHG) received in advance. Other interest payable is charged to the Statement of Comprehensive Income.

Loan Finance Issue Costs

These are written off evenly over the life of the related loan. Loans are stated in the Statement of Financial Position at the amount of the net proceeds after issue, plus increases to account for any subsequent amounts written off. Where loans are redeemed during the year, any redemption penalty

and any connected loan finance issue costs are recognised in the Statement of Comprehensive Income in the year in which the redemption took place.

Pensions

The Trust is a participating employer in the Hertfordshire County Council Pension Fund (HCCPF), which is a multi-employer scheme, in respect of those employees already in the scheme who transferred from Watford Borough Council. For this scheme the amounts charged to operating surplus are the costs arising from employee services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to revenue and included within finance costs. Re-measurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Trust, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained annually and are updated at each Statement of Financial Position date.

Notes to the financial statements

1. Accounting policies (continued)

The Trust also operates a Defined Contribution Scheme for employees. The scheme is administered by an independent third party administrator and the funds are held independent of the Trust. The annual contributions payable are charged to the Statement of Comprehensive Income in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Statement of Financial Position.

Turnover

Turnover comprises rental income receivable in the year and other services at the invoiced value (net of rent and service charge losses from voids) and disposal proceeds of current assets such as properties developed for outright sale or shared ownership first tranche sales at completion together with revenue grants from local authorities and the Homes and Communities Agency and charitable fees and donations and revenue grants receivable in the year.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting. Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale. Service charge income is recognised

when expenditure is incurred as this is considered to be the point at which the service has been performed and the revenue recognition criteria met.

Value Added Tax (VAT)

The Trust is VAT registered. It charges Value Added Tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Trust and not recoverable from HM Revenue & Customs (HMRC). The balance of VAT payable or recoverable at the year end is included as a current liability or asset.

The Trust operates a VAT shelter arrangement in relation to Qualifying Works in the Development Agreement in relation to improvements to transfer properties whereby 100% of the VAT can be reclaimed from HMRC.

Under this arrangement:

- 100% of the first £1.1m of VAT reclaimed from the VAT Shelter arrangement for Qualifying Works is due to Watford Borough Council;
- 50% of the VAT reclaimed from the VAT Shelter arrangement for the remainder of the Qualifying Works is due to Watford Borough Council; the remaining 50% is retained by the Trust.

Service Charge Sinking Funds and Service Costs

Unutilised contributions to service charge sinking funds and over-recovery of service costs which are repayable to tenants or leaseholders or are intended to be reflected in reductions to future service charge contributions are recognised as a liability in the Statement of Financial Position. The amount included in liabilities in respect of service charge sinking funds includes interest credited to the fund. Where there has been an under-recovery of leaseholders' or tenants' variable service charges and recovery of the outstanding balance is virtually certain, the balance is recognised in the Statement of Financial Position as a trade receivable. Debit and credit balances on individual schemes are not aggregated as there is no right of set-off.

Supported Housing and Other Managing Agents

Where the Trust has ownership of a supported housing or other scheme but also has an agreement with a third party to manage the scheme (including Supporting People funded schemes or services), where there has been a substantial transfer of the risks and benefits attached to the scheme to the third party, any scheme revenue and expenditure is excluded from these financial statements.



Notes to the financial statements

1. Accounting policies (continued)

Shared Ownership Property Sales

Shared ownership properties, including those under construction, are split between non-current assets and current assets. The split is determined by the percentage of the property to be sold under the first tranche disposal which is shown on initial recognition as a current asset, with the remainder classified as a non-current asset within property plant and equipment. Where this would result in a surplus on the disposal of the current asset that would exceed the anticipated overall surplus, the surplus on disposal of the first tranche is limited to the overall surplus by adjusting the costs allocated to current or noncurrent assets.

Proceeds from first tranche disposals are accounted for as turnover in the Statement of Comprehensive Income of the period in which the disposal occurs and the cost of sale is transferred from current assets to operating costs. Proceeds from subsequent tranche sales are treated as disposals of fixed assets.

Financial Instruments

Financial assets and financial liabilities are recognised when the Trust becomes a party to the contractual provisions of the instrument.

Financial assets carried at amortised cost

Financial assets carried at amortised cost comprise rent

arrears, trade and other receivables and cash and cash equivalents. Financial assets are initially recognised at fair value plus directly attributable transaction costs. After initial recognition, they are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

If there is objective evidence that there is an impairment loss, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced accordingly.

A financial asset is derecognised when the contractual rights to the cash flows expire, or when the financial asset and all substantial risks and reward are transferred.

If an arrangement constitutes a financing transaction, the financial asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial liabilities carried at amortised cost

These financial liabilities include trade and other payables and interest bearing loans and borrowings. Non-current debt instruments which meet the necessary conditions in FRS 102, are initially recognised at fair

value adjusted for any directly attributable transaction cost and subsequently measured at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs in the Statement of Comprehensive Income. Discounting is omitted where the effect of discounting is immaterial.

A financial liability is derecognised only when the contractual obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

Financing transactions – rent arrears

For rent arrears where the arrangement constitutes, in effect, a financing transaction because of extended credit arrangements the arrears are derecognised as a financial asset and a new financial asset measured at the present value of the future payments discounted at an appropriate market rate of interest. The present value adjustment is recognised in surplus or deficit in the Statement of Comprehensive Income.

Derivative financial instruments

The Group uses derivative financial instruments to reduce exposure to interest rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at

Notes to the financial statements

1. Accounting policies (continued)

each reporting date. The resulting gain or loss is recognised in surplus or deficit immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in surplus or deficit depends on the nature of the hedge relationship.

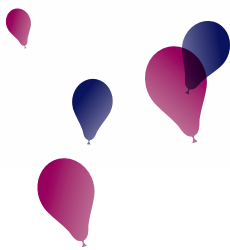
Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

Going Concern

The Trust's business activities, its current financial position and factors likely to affect its future development are set out within the Strategic Report. The Trust has in place long-term debt facilities (including £58.7 million of undrawn facilities at 31 March 2016), which provide adequate resources to finance committed reinvestment and development programmes, along with the Trust's day-to-day operations. The Trust has a long-term business plan that shows it is able to service the debt facilities whilst continuing to comply with lenders' covenants.

On this basis, the Board has a reasonable expectation that the Trust has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.



Notes to the financial statements

2. Significant management judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Significant management judgements

The following are management judgements in applying the accounting policies of the Trust that have the most significant effect on the amounts recognised in the financial statements:

- Impairment of social housing properties: The Trust has to make an assessment as to whether an indicator of impairment exists. In making the judgement, management considered the detailed criteria set out in the SORP.

Estimation uncertainty

The Trust makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The 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 are addressed below:

- Fair value measurement: Management uses valuation techniques to determine the fair value of assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management base the assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual process that would be achievable in an arm's length transaction at the reporting date.
- Provisions: Provision is made for bad debts. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management's judgement.
- Defined benefit pension scheme: The Trust has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the Statement of Financial Position. The assumptions reflect historical experience and current trends.

Notes to the financial statements

3a. Turnover, operating costs and operating surplus – Group and Trust

	2016 Turnover £'000	2016 Operating costs £'000	2016 Operating surplus £'000	2015 Turnover £'000	2015 Operating costs £'000	2015 Operating surplus £'000
Social housing lettings (see note 3b)	27,627	(19,296)	8,331	26,880	(20,224)	6,656
Other social housing activities						
Supporting People contract income	59	(59)	-	221	(221)	-
Management services	398	(239)	159	469	(250)	219
Other	208	(908)	(700)	230	(174)	56
	665	(1,206)	(541)	920	(645)	275
Non-social housing activities						
Lettings	1,108	(558)	550	1,136	(891)	245
Other	1,687	(2,861)	(1,174)	89	-	89
Amortisation of Goodwill	-	416	416	-	417	417
	2,795	(3,003)	(208)	1,225	(474)	751
	31,087	(23,505)	7,582	29,025	(21,343)	7,682



Notes to the financial statements

3b. Income and expenditure from Social Housing Lettings – Group and Trust

	General needs housing	Supported housing and housing for older people	Shared ownership	2016 Total	2015 Total
	£'000	£'000	£'000	£'000	£'000
Income					
Rent receivable net of identifiable service charges	24,345	2,082	145	26,572	25,888
Service income	485	476	41	1,002	833
Amortisation of Social Housing Grant	27	-	-	27	13
Other revenue grants	26	-	-	26	146
Turnover from social housing lettings	24,883	2,558	186	27,627	26,880
Expenditure					
Management costs	(7,807)	(713)	(118)	(8,638)	(8,131)
Service charge costs	(429)	(793)	(41)	(1,263)	(445)
Routine maintenance	(2,848)	(256)	-	(3,104)	(4,754)
Planned maintenance	(357)	(32)	-	(389)	(224)
Major repairs expenditure	(1,749)	(157)	-	(1,906)	(2,833)
Bad debts	(89)	18	-	(71)	(64)
Depreciation of housing properties	(3,737)	(238)	50	(3,925)	(3,773)
Operating costs on social housing lettings	(17,016)	(2,171)	(109)	(19,296)	(20,224)
Operating surplus on social housing lettings	7,867	387	77	8,331	6,656
Void losses	384	109	-	493	635

Notes to the financial statements

4. (Deficit) /Surplus on disposal of property, plant and equipment – Group and Trust

	2016 £'000	2015 £'000
Right to Buy & shared ownership staircasing		
Disposal proceeds	5,046	4,548
Less: Share of proceeds due to Watford Borough Council	(3,567)	(2,980)
Less : Carrying value of fixed assets	(1,612)	(1,403)
(Deficit)/Surplus on disposal	(133)	165
Other disposals		
Proceeds	-	575
Less: Carrying value of fixed assets	-	-
Surplus on disposal	-	575
Total (Deficit)/Surplus on disposal	(133)	740

5. Interest and finance costs – Group and Trust

	2016 £'000	2015 £'000
Bank loan and overdraft	3,803	3,552
Finance lease charges	6	5
Loan fee costs	48	43
	3,857	3,600

Borrowing costs have been capitalised based on a capitalisation rate of 3.88% per cent (2015: 3.88%) which is the weighted average of rates applicable to the Trust's general borrowings outstanding during the year.

6. Finance income – Group and Trust

	2016 £'000	2015 £'000
Interest receivable and similar income	17	19



Notes to the financial statements

7. Surplus for the year – Group and Trust

Surplus for the year is stated after charging/(crediting):

	2016	2015
	£'000	£'000
Depreciation of housing properties	3,925	3,773
Depreciation of other property, plant and equipment	655	355
Government grant amortisation	(27)	(13)
Amortisation of goodwill	(416)	(416)
Operating Lease rental	52	29
External Auditor's remuneration (excluding VAT)		
for audit services	20	18
for non-audit services:		
- tax compliance	1	1
- other	8	2

8. Staff costs – Group and Trust

Average monthly number of employees expressed in full time equivalents based on a standard working week of 37 hours:

	2016	2015
	No.	No.
Administration	43	42
Asset management and development	15	18
Housing, support and care	48	48
In-house repairs team	36	31
	142	139

	2016	2015
	£'000	£'000
Employee costs:		
Wages and salaries	4,644	4,230
Social security costs	459	455
Other pension costs	395	411
	5,498	5,096

In addition to employee costs are redundancy and severance payments of £71k (2015: £110k)

Notes to the financial statements

8. Staff costs – Group and Trust (continued)

The full time equivalent number of staff which includes executive directors who received remuneration from £60,000 upwards are as follows:

	2016 No.	2015 No.
Salary band (including on-costs)		
£60,000 to £69,999	2	2
£70,000 to £79,999	1	-
£80,000 to £89,999	-	-
£90,000 to £99,999	-	-
£100,000 to £109,999	-	-
£110,000 to £119,999	2	2
£120,000 to £129,999	-	-
£130,000 to £139,999	-	-
£140,000 to £149,999	1	1



Notes to the financial statements

9. Board members and executive directors – Group and Trust

	Basic Salary £'000	Performance Related Pay £'000	Pension Contributions £'000	Ex Gratia Payment £'000	2016 Total £'000	2015 Total £'000
Chief Executive						
Tina Barnard	122.0	6.1	18.3	0.0	146.4	145.4
Director of Resources						
Julie Robinson	102.0	3.1	6.1	0.0	111.2	112.7
Director of Partnerships						
Gareth Lewis	102.0	3.1	10.2	0.0	115.3	117.8
Director of Customer Excellence						
Jackie Kelly (<i>resigned Aug 15</i>)	30.5	0.0	2.8	6.0	39.3	0.0
Assistant Director of Customer Services						
Tony Lewis (<i>appointed September 2015</i>)	46.7	0.0	4.7	0.0	51.4	0.0
Total	403.2	12.3	42.1	6.0	463.6	375.9

The Board agreed to remunerate its Chair from June 2014. Remuneration paid to the Chair of the Board was £6,113 (2015: £5,290). No other payments were made to Board members in the year 2016 (2015: £Nil). Board members expenses were £12.1k (2015: £10.8k).

The emoluments of the highest paid director, the Chief Executive, including Performance Related Pay but excluding pension contributions, were £128.1k (2015: £127k).

The Chief Executive is a member of the stakeholder scheme with Standard Life. She is an ordinary member of the pension scheme but special terms apply. The Trust does not make any further contribution to an individual pension arrangement for the Chief Executive.

Notes to the financial statements

10. Taxation – Group and Trust

The Trust's main activities have been recognised as charitable by HM Revenue and Customs. No liability to corporation tax arises.

11. Intangible non-current assets: negative goodwill – Group and Trust

The stock transfer from Watford Borough Council on 10 September 2007 has been treated as an acquisition of an equity business in accordance with the SORP 2014. All assets and liabilities were stated at their fair value on acquisition.

As the fair value on acquisition was greater than the acquisition cost, a negative goodwill of £33.3m arose. This is being amortised over the useful economic life of the assets, which is 80 years. Annual amortisation charge is £416.5k.

£ '000

Cost

At 1st April 2015 and 31 March 2016	33,326
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Amortisation

At 1 April 2015	(2,924)
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Charge for the year	(417)
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At 31st March 2016	(3,341)
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Net book value

At 31st March 2016	29,985
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At 31st March 2015	30,402
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Notes to the financial statements

12. Property, plant and equipment – housing properties – Group and Trust

	Social housing properties held for letting	Social housing properties under construction	Completed shared ownership housing properties	2016 Total
	£'000	£'000	£'000	£'000
Cost				
At 1 April 2015	210,086	2,683	2,372	215,141
Additions	-	11,332	-	11,332
Reclassification	(5,256)	5,256	-	-
Completed properties	6,001	(6,001)	-	-
Works on existing properties	2,426	-	-	2,426
Disposals	(1,673)	-	-	(1,673)
At 31 March 2016	211,584	13,270	2,372	227,226
Depreciation and impairment				
At 1 April 2015	3,695	-	22	3,717
Charge for the year	3,870	-	55	3,925
Released on disposal	(50)	-	-	(50)
At 31 March 2016	7,515	-	77	7,592
NET BOOK VALUE				
At 31 March 2016	204,069	13,270	2,295	219,634
At 31 March 2015	206,391	2,683	2,350	211,424

Additions to housing under construction include capitalised interest of £0.2m (2015 £0.1m). Interest is capitalised at the weighted average interest cost for the group of 3.88%.

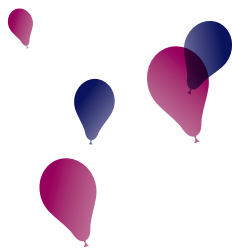
During the year the Group disposed of 22 properties (2015:32 properties) to tenants under RTB entitlements. These properties were valued at £5.0m during the year (2015: £4.5m).

Notes to the financial statements

13. Property, plant and equipment – other – Group and Trust

	Freehold properties	Office computers	Furniture and fittings	Office equipment and vehicles	2016 Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2015	14,239	1,176	159	567	16,141
Additions	250	189	25	279	743
Disposals	(302)	-	-	-	(302)
At 31 March 2016	14,187	1,365	184	846	16,582
Depreciation					
At 1 April 2015	1,247	1,119	72	132	2,570
Charge for the year	286	50	13	306	655
Released on disposal	(80)	-	-	-	(80)
At 31 March 2016	1,453	1,169	85	438	3,145
Net book value					
At 31 March 2016	12,734	196	99	408	13,437
At 31 March 2015	12,992	57	87	435	13,571

Included in the category Office equipment and vehicles are finance leases on vans.



Notes to the financial statements

14. Investment Properties – Group and Trust

	2016 Properties held for market rent £'000	2015 Properties held for market rent £'000
Valuation as at 1st April	2,290	2,286
Additions	-	-
Disposals	-	-
Gain from adjustment to fair value	1,265	4
At 31 March	3,555	2,290

15. Group subsidiaries

Gateway Enterprises (Watford) Limited, a non-regulated subsidiary of Watford Community Housing Trust, has not traded during 2015/16. The investment in the subsidiary is £1 share capital.

WCHT Devco Limited, a non-regulated subsidiary and wholly owned by Watford Community Housing Trust, was set up during the year. The investment in the subsidiary is £1 share capital.

16. Stock and work in progress

	2016 £'000	2015 £'000
GROUP		
Work in progress	2,996	-
TRUST		
Work in progress	1,135	-

During the year development costs for three schemes amounting to £1.86m were novated to WCHT Devco Limited.

Notes to the financial statements

17. Debtors – Group

	2016 £ '000	2015 £ '000
Due within one year		
Rent and service charges arrears	799	939
Less: Provision for bad and doubtful debts	(480)	(577)
	319	362
Service charges sinking fund account	177	321
Escrow account – Rembrandt House development programme	1,447	3,758
Other debtors	646	803
Refurbishment works deferred (note 19)	3,827	8,176
Prepayments and accrued income	740	749
Debtors due within one year	7,156	14,169
Due after more than one year		
Refurbishment works deferred (note 19)	21,740	22,553
Debtors due after one year	21,740	22,553
Total debtors	28,896	36,722
TRUST		
	2016 £ '000	2015 £ '000
Due within one year		
Rent and service charges arrears	799	939
Less: Provision for bad and doubtful debts	(480)	(577)
	319	362
Service charges sinking fund account	177	321
Escrow account – Rembrandt House development programme	1,447	3,758
Other debtors	646	803
Refurbishment works deferred (note 19)	3,827	8,176
Prepayments and accrued income	740	749
Intercompany balances	1,861	-
Debtors due within one year	9,017	14,169
Due after more than one year		
Refurbishment works deferred (note 19)	21,740	22,553
Debtors due after one year	21,740	22,553
Total debtors	30,757	36,722

No disclosure has been made of the net present value of rental debtors subject to repayment plans as the amount has been deemed to be minimal.



Notes to the financial statements

18. Creditors: amounts falling due within one year – Group and Trust

	2016 £ '000	2015 £ '000
Refurbishment work obligation (note 19)	3,827	8,176
Trade creditors	319	1,010
Rent and service charges received in advance	1,046	972
Government grants (note 19)	27	13
Other taxation and social security	137	139
Pension contributions	44	35
Other creditors	1,513	1,535
Accruals and deferred income	4,277	3,190
	11,190	15,070

Within accruals is a provision of £1.03m related to a historic housing management issue currently being managed by our legal advisors.

19. Creditors: amounts falling due after more than one year – Group and Trust

	2016 £ '000	2015 £ '000
Bank loans	85,027	84,979
Government grants	2,651	1,191
Derivative financial instruments	27,883	27,713
Refurbishment works obligation	21,740	22,553
Finance lease obligation	158	-
	137,459	136,436

The bank loans are secured by a floating charge over the assets of the Trust and by fixed charges on individual properties. Total loans drawn by the Trust are £86.3m, secured by legal charges on the housing properties. The loans are managed on fixed and variable floating rate debt and through the use of hedging on interest rate swaps. Floating rate debt bears interest at LIBOR only. The average rate of interest on all debt at 31 March 2016 was 3.88% (2015: 3.88%). The Trust has hedged £57m (66%) into fixed rate through the use of interest rate swaps.

The interest rate profile at 31 March 2016 is as follows:

Floating rate	£29.3m
Hedged rate liabilities	£57m

At 31 March 2016 the Trust had undrawn committed loan facilities of £58.7m (2015:£58.7m).

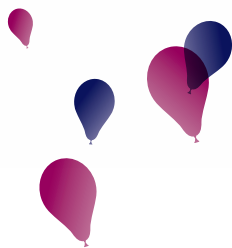
Swap expiration dates: £8m 1 April 2033, £8m 1 April 2034, £8m 1 April 2035, £8m 1 April 2036 and £25m 10 September 2037.

Notes to the financial statements

19. Creditors: amounts falling due after more than one year – Group and Trust

	2016 £ '000	2015 £ '000
Due after more than one year		
Bank loan	86,300	86,300
Loan set up costs	(1,273)	(1,321)
Total loan	85,027	84,979
Terms of repayment		
Within one year or on demand	-	-
In one year or more but less than two years	-	-
In two years or more but less than five years	-	-
In five years or more	86,300	86,300
	86,300	86,300
Deferred income - Government grants	2016	2015
	£'000	£'000
At 1 April	1,204	496
Grants receivable	1,447	695
Amortisation to Statement of Comprehensive Income	27	13
At 31 March	2,678	1,204
Due within one year	27	13
Due after one year	2,651	1,191
Refurbishment works obligation	2016	2,015
	£ '000	£ '000
At 1 April	30,729	36,571
Less: Work completed in year	(5,162)	(5,842)
Balance at 31 March	25,567	30,729
Of which		
Due within 1 year	3,827	8,176
Due after more than 1 year	21,740	22,553

This represents the Trust's current obligations to carry out refurbishment works as contained in the Development Works Agreement with Watford Borough Council.



Notes to the financial statements

20. Financial instruments – Group and Trust

The carrying values of the financial assets and liabilities are summarised by category below:

Financial assets	2016 £'000	2015 £'000
Measured at undiscounted amount receivable		
Rent arrears (see note 17)	319	362
Other debtors (see note 17)	646	803
	965	1,165
Financial liabilities		
Measured at fair value		
Derivative financial liabilities (see note 19)	27,883	27,713
Measured at amortised cost		
Loans payable (see note 19)	85,027	84,979
Measured at undiscounted amount payable		
Trade creditors and others	7,363	6,881
	120,273	119,573

The income, expense, gains and losses in respect of financial instruments are summarised below:

	2016 £'000	2015 £'000
Fair value gains and losses		
On financial assets (including listed investments) measured at fair value through Statement of Comprehensive Income	111	(89)
Obligation under finance leases		
In less than one year	-	-
In one year or more but less than two years	116	153
In two years or more but less than five years	42	158
In five years or more	-	-
	158	311

Notes to the financial statements

21. Interest rate swap contracts – Group and Trust

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at the reporting date. The interest rate swap contracts are designated as hedges of variable interest rate risk of recognised financial liabilities.

	Notional principal value		Fair value	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
5 years +	57,000	57,000	27,883	27,713

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is three months' LIBOR. The Group will settle the difference between the fixed and floating interest rate on a net basis.

All interest rate swap contracts are designated as hedges of variable interest rate risk of the Group's floating rate borrowings. The hedged cash flows are expected to occur and to affect gain or loss over the period to maturity of the interest rate swaps.

22. Non-equity share capital – Group and Trust

	2016 No.	2016 £	2015 No.	2015 £
Shares of 10p each issued and fully paid				
At 1 April	2,724	272	2,724	272
Shares issued during the year	284	28	-	-
Shares surrendered during the year	(392)	(39)	-	-
At 31 March	2,616	261	2,724	272

The shares provide members with the right to vote at general meetings, but do not provide any rights to dividends or distributions on a winding up. Associate members do not have any voting rights.



Notes to the financial statements

23. Retirement benefit schemes – Group and Trust

Hertfordshire County Council Pension Fund (HCCPF)

The HCCPF is a multi-employer scheme, administered by Hertfordshire County Council under the regulations governing the Local Government Pension Scheme (LGPS), a defined benefit scheme. The most recent formal triennial actuarial valuation was completed as at 31 March 2016 by a qualified actuary.

The employer's contributions to the HCCPF by the Trust for the year ended 31 March 2016 were £37k (2015: £50k) at a contribution rate of 20.9% of pensionable salaries, set until the next funding valuation at 31 March 2016.

Financial Assumptions

	2016 % pa.	2015 % pa.
Discount rate	3.5%	3.2%
Expected rate of return on plan assets at 31 March	3.3%	3.2%
Future salary increases	3.7%	3.8%
Future pension increases	2.2%	2.4%

Mortality Assumptions

The post-retirement mortality assumptions used to value the benefit obligation at March 2015 are based on the Fund's Vita Curves with improvements in line with the CMI 2010 model assuming current rates of improvements have peaked and will converge to a long term rate 1.25% p.a.

Based on these assumptions, the average life expectancies at age 65 are summarised below:

	Males (years)	Females (years)
Current Pensioners	22.3	24.5
Future Pensioners	24.3	26.7

Analysis of the amount charged to the Statement of Comprehensive Income

	2016 £'000	2015 £'000
Current service cost	58	66
Income on assets	1,084	(531)
Interest on pension scheme liabilities	382	423
Total operating charge/(credit)	1,524	(42)

Notes to the financial statements

23. Retirement benefit schemes – Group and Trust (continued)

Amount recognised in Statement of Comprehensive Income

	2016	2015
	£'000	£'000
Actuarial gains/(losses) recognised	1,084	(562)

Amounts recognised in the Statement of Financial Position

	2016	2015
	£'000	£'000
Present value of funded obligations	(10,502)	(11,596)
Fair value of plan assets	9,945	10,026
Net pension liability	(557)	(1,570)

Changes in present value of the plan assets

	2016	2015
	£'000	£'000
Opening defined benefit plan assets	10,026	8,984
Interest cost	317	382
Actuarial (losses)/gains	(166)	869
Contributions by Employer	37	50
Contributions by members	12	16
Estimated benefits paid	(281)	(275)
Closing defined benefit plan assets	9,945	10,026

Changes in present value of defined benefit obligation

	2016	2015
	£'000	£'000
Opening defined benefit obligation	11,596	9,934
Service cost	58	66
Interest cost	368	423
Actuarial (gains)/losses	(1,251)	1,432
Contributions by members	12	16
Estimated benefits paid	(281)	(275)
Closing defined benefit obligation	10,502	11,596



Notes to the financial statements

23. Retirement benefit schemes – Group and Trust (continued)

Major categories of plan assets as percentage of total plan assets

	2016	2015
Equities	63%	66%
Bonds	26%	24%
Property	8%	7%
Cash	3%	3%

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

	2017 £'000	2017 % of pay
Projected Current Service Cost	(51)	(29.2)
Expected Return on Plan Assets	345	197.1
Interest on obligation	(364)	(208)
Total	(70)	(40.1)

Employer's contributions for the year 31 March 2017 are estimated to be £45k.

24. Financial commitments – Group and Trust

	2016 £'000	2015 £'000
Capital expenditure		
Expenditure contracted for but not provided in the accounts	11,914	12,174
Expenditure authorised by the Board, but not contracted for	13,070	19,775
Total	24,984	31,949

The above capital commitments will be financed primarily through borrowing of £23.52m, which is available for drawdown under existing loan arrangements with the balance of £1.46m funded through Social Housing Grant.

Notes to the financial statements

25. Operating leases

The total minimum lease payments under non-cancellable operating leases are as follows:

	2016	2015
	£ '000	£ '000
Office equipment and computers payments in the following periods		
Within one year	52	29
Two to five years	81	104
	133	133

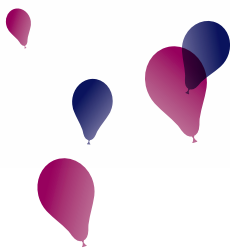
Operating lease payments represent rentals payable by the Group for certain of its office equipment. Leases are negotiated for an average term of 2- 3 years and rentals are fixed for an average of one to three months with an option to extend for a further one years at the then prevailing market rate.

26. Stock Profile

At the end of the year accommodation in management for each class of accommodation was as follows:

	2016	2015
	No.	No.
Social housing		
General housing	4,126	4,152
Supported housing and housing for older people	517	538
Shared ownership	87	89
Total social housing owned	4,730	4,779
Accommodation managed for others	105	122
Total social housing managed	4,835	4,901
Leasehold	347	345
Total social housing owned and managed	5,182	5,246
Non-social housing		
Commercial shops	21	21
Commercial & Market Rented properties	36	36
Garages	1,280	1,280
	1,337	1,337
Total owned and managed	6,519	6,583

The Trust manages accommodation for Watford Borough Council and Hertfordshire County Council.



Notes to the financial statements

27. Related parties

As a tenant gateway association, the constituent of the Board includes positions for three members who are tenants of the Trust. Residents who are board members have tenancies which are on normal business terms of the Trust, and as such their position does not afford them any additional benefits over other residents. The aggregate rents paid by those residents during the year ended 31 March 2016 was £16,358 and the arrears at 31 March 2016 was £0.

The Board also includes one member nominated by Watford Borough Council. All transactions with Watford Borough Council are conducted at arms-length on normal business terms.

As part of our Business Plan Growth Agenda, the Trust is committed to setting up social enterprises. We have engaged in this in a variety of ways.

Green Canteen

A horticultural training centre and community trading sheds provide tenants and residents within the community with the opportunity of taking up placements on the training schemes provided. £130,000 of the Better Communities Fund was invested in this project in support of Herts Mind Network (a mental health charity). Sales to date have been modest. To date, the social value of the project has

been significant, with HMN service users reporting a significant benefit to their wellbeing and there has yet to be any financial return on investment.

Watford Cycle Hub

The Trust has previously provided financial support to this social business, although no financial support was made in 2015/16. The project creates a social return for the community, providing employment and training for local people.

Community Maintenance Team

This social enterprise project ceased trading in 2015, with all amounts owing to it settled in a timely manner. This project allowed the Trust to provide apprenticeship training and work on our Improvement Programme, creating employment for local people.

Jobs at Home

The Trust also has a vested interest in a joint venture, Jobs at Home (JAH), in partnership with Thrive Homes and B3Living. The purpose of Jobs at Home is to provide works and services to the Trust and Thrive by employing tenants in need of employment and training, which would then equip them for securing permanent employment thereafter. Jobs at Home is a company which is limited by guarantee and the Trust has a liability as a member of £1.

Jointly controlled entities are accounted for using the equity method where the investment is initially recognised at the transaction price and is subsequently adjusted to reflect the share of the profit or loss, other comprehensive income and equity of the joint venture. Since these amounts are not material to these financial statements, for JAH the following disclosures are provided:

Notes to the financial statements

27. Related parties (continued)

	2016 £ '000	2015 £ '000
Income and expenditure		
Turnover	1,256	1,256
Direct expenses	(146)	(111)
Purchases	(390)	(436)
Overhead costs	(720)	(732)
Deficit	-	(23)
Balance Sheet		
Current assets	173	142
Liabilities due within 1 year	(173)	(165)
Net assets	-	(23)
Capital and reserves	-	(23)

28. Explanation of transition to FRS 102 – Group and Trust

This is the first year that the Trust has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under previous UK GAAP were for the year ended 31 March 2015 and the date of transition to FRS 102 was therefore 1 April 2014. As a consequence of adopting FRS 102, a number of accounting policies have changed to comply with that standard.

- The Group has utilised the exemption relating to Business Combinations and Goodwill
- The election to measure property, plant and equipment (fixed assets), investment property and goodwill at fair value as deemed cost at the transition date using a previous GAAP revaluation.



28. Explanation of transition to FRS 102 – Group and Trust (continued)

On adoption of FRS 102 the Group and Trust have restated the comparatives, the impact on reserves is as follows:

Reconciliation of net assets and reserves at 1 April 2014 - date of transition to FRS 102

	UK GAAP as previously reported £'000	Effect of transition into FRS 102			FRS 102 £'000
		A £'000	B £'000	C £'000	
Fixed assets					
Intangible assets	(30,818)	-	-	-	(30,818)
Property, plant and equipment	211,880	862	(2,286)	-	210,456
Other property, plant and equipment	13,501	242	(34)	-	13,709
Investment properties	-	-	2,286	-	2,286
	194,563				195,633
Current assets					
Debtors	39,727	-	-	-	39,727
Cash	2,522	-	-	-	2,522
	42,249				42,249
Total assets	236,812				237,882
Current liabilities					
Trade and other payables	12,336	-	-	-	12,336
	12,336				12,336
Non-current liabilities					
Loans and borrowings	112,480	862	-	342	113,684
Derivative financial instruments	-	15,292	-	-	15,292
	112,480				128,976
Total liabilities	124,816				141,312
Net Asset	111,996				96,570
EQUITY					
Revenue reserve	14,923	(21)	(34)	44	14,912
Revaluation reserve	97,073	(144)	-	-	96,929
Cash flow hedge reserve	-	(15,271)	-	-	(15,271)
Total equity	111,996	-	-	-	96,570

Notes to the financial statements

28. Explanation of transition to FRS 102 – Group and Trust (continued)

Reconciliation of net assets and reserves at 1 April 2015

	UK GAAP as previously reported £'000	2014 FRS 102	Effect of transition into FRS 102			FRS 102 £'000
			A £'000	B £'000	C £'000	
Fixed assets						
Intangible assets	(30,402)	-	-	-	-	(30,402)
Property, plant and equipment	225,113	(1,424)	(12,603)	325	13	211,424
Other property, plant and equipment	13,363	208	-	-	-	13,571
Investment properties	-	2,286	4	-	-	2,290
	208,074					196,883
Current assets						
Debtors	36,722	-	-	-	-	36,722
Cash	7,904	-	-	-	-	7,904
	44,626					44,626
Total assets	252,700					241,509
Current liabilities						
Trade and other payables	14,954	-	-	325	(209)	15,070
	14,954					15,070
Non-current liabilities						
Loans and borrowings	109,102	1,204	-	-	(13)	110,293
Derivative financial instruments	-	15,292	12,331	-	90	27,713
	109,102					138,006
Total liabilities	124,056					153,076
Net assets	128,644					88,433
EQUITY						
Revenue reserve	19,614	(11)	-	(495)	(2)	19,106
Revaluation reserve	109,030	(144)	(11,957)	-	-	96,929
Cash flow hedge reserve	-	(15,271)	(12,331)	-	-	(27,602)
Total equity	128,644					88,433

Notes to the financial statements

28. Explanation of transition to FRS 102 – Group and Trust (continued)

	UK GAAP as previously reported	Effect of transition into FRS 102			FRS 102
	£'000	A	B	C	£'000
Turnover	29,012	13	-	-	29,025
Operating expenditure	(21,526)	-	183	-	(21,343)
Operating surplus	7,486	13	183		7,682
Gain / (loss) on disposal of property, plant and equipment	740	-	-	-	740
Interest receivable	19	-	-	-	19
Interest and financing costs	(3,599)	(1)	-	-	(3,600)
Change in fair value of financial instruments	-	-	-	-	-
Changes in fair value hedged financial instruments	-	-	(89)	-	(89)
Other finance income/costs	108	-	(108)	-	-
Surplus / (deficit) on revaluation of investment properties	-	-	-	4	4
Surplus for the year	4,754	12	(14)	4	4,756
Actuarial (loss) / gain in respect of pension schemes	(709)	-	147	-	(562)
Change in fair value of hedged financial instruments	-	(12,331)	-	-	(12,331)
Total comprehensive income for the year	4,045	(12,319)	133	4	(8,137)

Notes to the reconciliation

For each transitional adjustment made set out below is a brief explanation of the previous accounting policy and treatment that was applied under extant UK GAAP and an explanation of the new accounting policy and treatment that has been applied as a result of adopting FRS 102.

Also the financial impact that the change in accounting policy and treatment has had on the financial position of the Trust/Group as at the date of transition, as at the prior year reporting date that is being restated and the impact on surplus or deficit for the prior financial year that is being restated is shown below.

Other financial Instruments Issues – Derivative contracts

This adjustment relates to the recognition of the fair value of derivative financial instruments held by the Group as at 1 April 2014 and as at 31 March 2015. The Group uses derivative financial instruments to reduce exposure to interest rate movements. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The resulting gain or loss is recognised in surplus or deficit immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in surplus or deficit depends on the nature of the hedge relationship.

Accordingly on transition £15.2m was recognised with fair value

movement increase of £12.3m as at 31 March 2015. The ineffective hedge of £89K was recognised in March 2015

This adjustment has resulted in initial recognition of opening reserves position of £15.3m on transition, movement during the year of £12.3m as at March 2015 and a subsequent recognition as at 31 March 2016 of £27.88m. (see transition column A).

Holiday pay accrual

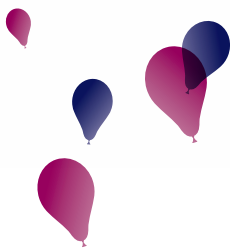
FRS 102 requires short term employee benefits to be charged in surplus or deficit to the Statement of Comprehensive Income as the employee service is received. This has resulted in the Group recognising a liability for holiday pay of £36K on transition to FRS 102 (see transition column B, included within revenue reserve). Previously holiday pay accruals were not recognised and were charged to the Income and Expenditure account as they were paid.

Defined benefit pension scheme

Under previous UK GAAP the company recognised an expected return on defined benefit plan assets in the Income and expenditure account. Under FRS 102 a net interest expense, based on the net defined benefit liability, is recognised in surplus or deficit in the Statement of Comprehensive Income. There has been no change in the defined benefit liability at either 1 April 2014 or 31 March 2015. The amount of £147k relates to the effect on the actuarial gain on assets from the changes to the pension accounting under FRS102.

Revaluation of housing land and buildings

Under previous UK GAAP the Group had a policy of revaluing housing land and buildings. On transition to FRS 102 the Group has elected to use the previous revaluation of certain land and buildings at 31 March 2014 as the deemed cost for those assets. There is no effect on the Statement of Financial Position on transition. In the year ended 31 March 2015 the revaluation increase for the year ended 31 March 2015 of £12.6m (see transition column A) is no longer recognised. As the revaluation was effected at the end of the financial year there was no change to the depreciation charge for the year ended 31 March 2015. During the transition year we have made adjustment on revaluation reserve on £144k.



Notes to the reconciliation

Other Adjustments arising on transition to FRS 102

In addition to the transition adjustments identified above which affect the surplus for the financial year, the following adjustments have arisen which have had no effect on net reserves or Statement of Comprehensive Income but which have affected the presentation of these items on the Statement of Financial Position. The main items are:

(a) Statement of cash flows

The Group's cash flow statement reflects the presentation requirements of FRS 102, which is different to that prepared under FRS 1. In addition the cash flow statement reconciles to cash and cash equivalents whereas under previous UK GAAP the cash flow statement reconciled to cash. Cash and cash equivalents are defined in FRS 102 as 'cash on hand and demand deposits and short term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value' whereas cash was defined in FRS 1 as 'cash in hand and deposits repayable on demand with any qualifying institution, less overdrafts from any qualifying institution repayable on demand'. The FRS 1 definition is more restrictive.

(b) Investment property

Properties held for mid-market and commercial rent were previously held in housing properties and other tangible fixed assets respectively. These have been reclassified as investment properties, since they predominantly have the characteristics of market rather than social rented properties. For mid-market rental properties, this includes being let on short assured tenancies by Group, and a requirement for prospective tenants to be in employment when assessing tenancy applications. These properties are therefore not depreciated but subject to annual revaluation with any gain or loss taken through surplus or deficit in the Statement of Comprehensive Income. This increases the value of investment properties and reduces the amount of depreciation charged to operating costs. Investment properties were previously recognised under the UK GAAP as part of housing asset. This is now reclassified with £2.286m on transition, £2.29m in 2015 shown separately and the increase on revaluation of £1.2m recognised in Statement of Comprehensive Income (see transition column B).

(c) Plant, Property & Equipment-Others

Under previous UK GAAP leased vans were previously classified as an operating lease. FRS 102 requires that operating lease incentives including rent free periods and fit-out contributions, were spread over the shorter of the lease period or the period to when the rental was set to a fair market rent. The resultant effect was the initial recognition of net £242K in other plant, property and equipment with equivalent depreciation of £34K (see transition column B).

(d) Recognition of Grant Income

Previously capital grants received were netted off against the cost of housing properties. In line with the Housing SORP 2014 and FRS 102, grant received by the Group is now amortised over the useful life of the property in accordance with the accrual model. This adjustment has resulted in recognition of £13K in turnover and reversal of £338k recognised in March 2015 (net impact of £325k-see transition column C).

Notes



Watford Community Housing Trust has charitable status. It is a Registered Society under the Co-operative and Community Benefit Societies Act 2014 and is regulated by the Homes and Communities Agency (HCA).



Better homes **friendlier** communities – *together*

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**Watford Community
Housing Trust**
Gateway House
59 Clarendon Road, Watford
Hertfordshire WD17 1LA
T 0800 218 2247
E enquiries@wcht.org.uk
W www.wcht.org.uk

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Registered Society No: 30183R
Registered Housing Trust No: L4495



Value for Money Self Assessment

2015-2016

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1. About us

Watford Community Housing Trust was created in September 2007 as a Large Scale Voluntary Transfer (LSVT) of over 5,000 properties in the Watford and Three Rivers area; we are the largest registered provider in Watford and the second largest in Three Rivers.

The Trust is charitable (a Registered Cooperative and Community Benefit Society) and a 'community gateway'; nearly half of our residents are members, meaning that they own the Trust. Our rules make explicit reference to the requirement for the Trust to undertake community development.

We are a registered social landlord regulated by the Homes and Communities Agency (HCA) and required to comply with their regulatory framework.

The Trust operates four key business streams:

- Housing for rent, primarily for families who are unable to rent or buy at open market rates.
- Housing for older people who need additional support or care.
- Shared ownership properties (i.e. residents purchase a share in the equity of their homes and pay rent to the Trust on the remainder).
- Selective market rental options via the Clarendon Living brand.

The Trust is much more than just a landlord and we strive hard to improve our efficiency and 'profit making' activities to give us surplus to invest in the creation of new homes in an area where private rents and purchase prices are among the most expensive outside London. In the last year we have completed 19 new homes and have a further 314 committed (either on site or in contract) and 52 in active consideration (in design and consultation).



Historically we saw the "value" element of VFM in being as much the increase of the social benefit of our services to the community as the provision of the basic housing service. It is this which is inherent to the Gateway model which produced the situation that the Trust's costs per unit seemed relatively high. The introduction of the 1% pa reduction in rents in 2015 has led us to reconsider our approach.

In reformulating the Business Plan submitted to the HCA in autumn 2015 we amended our approach to eliminate those costs which were covering more than the minimum service. This enabled us to improve our profitability on the basis of which we are able to propose an increased development programme to help meet the need of additional affordable housing in our area of operations.

The challenge we were then facing was to maintain our community values and to continue without increasing costs to improve our levels of customer satisfaction and thus the value of our service. This we are doing through programmes of cultural change for our staff and focussing on the service elements of most importance to our residents. Our Performance KPI results to date show that we are on our way to success in this approach.

Considering Value for Money (VFM) is integral in every plan we make, every project we plan and every contract we procure. It is central to the Trust's Business Plan and Corporate Objectives. It is a review of information, process, tenant scrutiny, customer feedback, benchmarking and performance management.

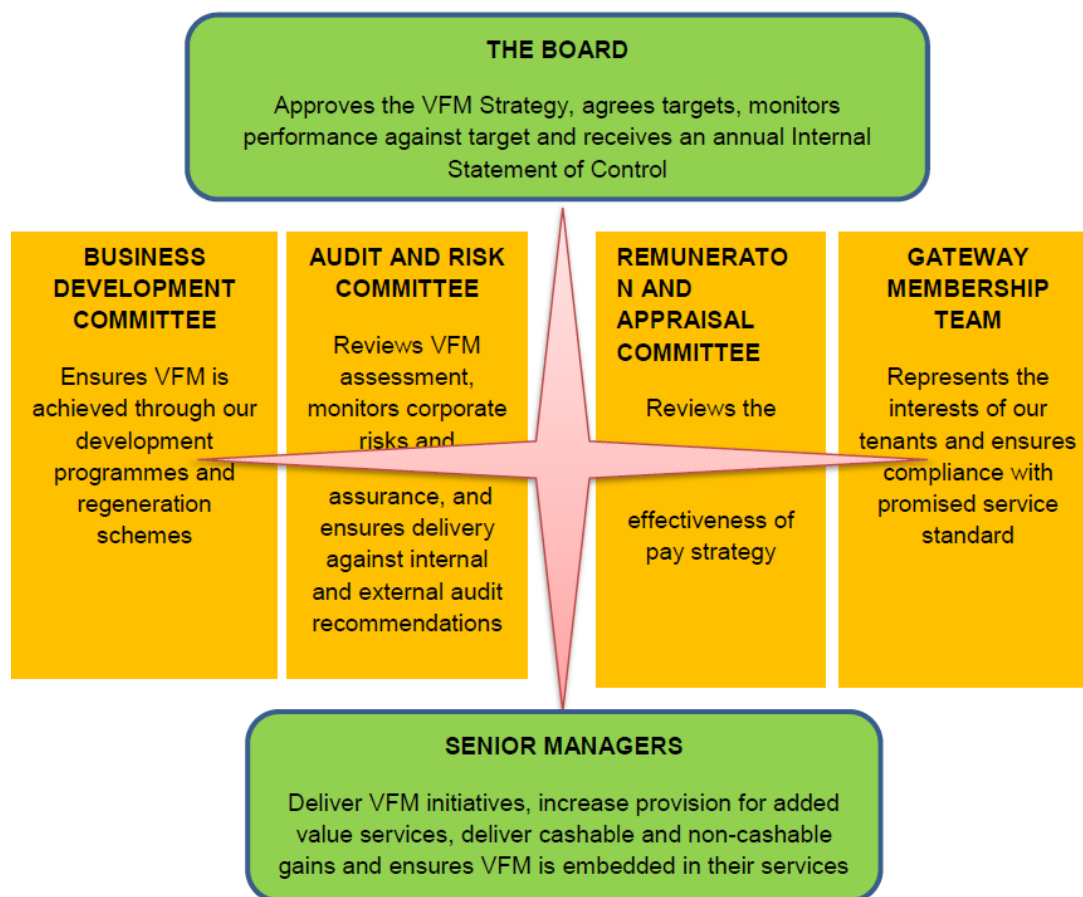
We benchmark ourselves against our peers and our current target is to achieve median performance on service versus cost. We do not always aim for the cheapest because of our commitment to value, especially social value, as part of our Gateway ethos.

In order to evidence our commitment to VFM for our stakeholders, we carry out a robust self-assessment of our VFM performance, showing inroads already made and identifying areas that need further improvements. The Trust has reviewed its value for money framework and a new [value for money strategy](#) is in place for 2016-2020 to support the overall business plan.

Our strategy for delivery of VFM is reinforced by:

- Ensuring our approach to VFM stems from the corporate plan and flows through the practices adopted within the organisation for service standards
- Being aligned to the Regulator's standards and best practice
- Ensuring staff are made aware of the expectations of delivering cashable and non-cashable gains
- Demonstrating to our stakeholders and tenants that we are an efficient organisation making maximum use of our resources and achieving our environmental and social objectives.

This [Value for Money Self Assessment](#) is available publicly on our website with a summary also available in our [Financial Statements 2015-16](#).



2. Our Objectives and Strategy

Our twin aims are to provide ‘**better homes**’ – ensuring a high-quality service offer to our tenants and delivering more homes – and ‘**friendlier communities**’ with a strong focus on community cohesion.

On 1st April 2016 we launched our new Business Plan 2016-2020. Our values remain integral to how we work at the Trust and we are proud that together we:

- Take **personal ownership** for our actions to provide an excellent service;
- Act **professionally** and with **integrity** to deliver our promises;
- Offer **progressive** and **innovative** ways of doing this.

The Trust’s objectives and strategy were set out in our previous Business Plan 2012 - 2017. The Business Plan was underpinned by four key objectives:

- **Excellent Services** - we will strive for excellence together to provide quality services that meet our communities’ expectations
- **Community Focused** - we will work with our diverse local community areas to build capacity to assist them in improving the place where they live
- **Growth Agenda** - we will make best use of our assets to provide additional homes and services for our communities
- **Organisation of Choice** - we will be a community business of choice for our members, staff and partners

Our Board sets the overall direction and reviews the business plans, policies and strategies which flow from it. They robustly monitor performance to ensure our targets are achieved and value for money is delivered.

Senior managers deliver value for money initiatives with their teams and opportunities for additional cost-savings and efficiencies are included in appraisals when setting objectives as well as being discussed at one-to-ones and team meetings.

The Gateway Membership Team (GMT) review the Trust's performance on a quarterly basis with detailed reports provided on frontline services showing the cost and performance of each area. GMT will commission reviews and scrutiny exercises if they see there is a need for improvement.

The Trust's Programme Board oversees the delivery of all projects and ensures that they align to the needs of the business, deliver the corporate objectives and are managed on time and within budget.

Key achievements against the corporate objectives include:

- **Excellent Services**

- Sustained improvement in customer satisfaction, rising to 83.5%
- Repairs satisfaction increased to 85%
- Appointed a new Out of Hours call centre provider, which helped reduce our wait times and generate an annual saving of £22k
- The Financial Inclusion team's proactive tenant engagement and pre-tenancy support resulted in 720 tenants being on average £100 per week better off with 35% of those engaging with the service having reduced arrears.

- **Community Focused**

- The Gateway Membership Team formed to represent the Trust's members ensuring that we deliver cost-effective services that our tenants value
- £120k invested in our communities in the year, providing community support to tenants and residents associations
- Provided support to organisations which boost employment opportunities including Job Club, Enterprise Cube and Chamber of Commerce
- Invested in projects to make residents healthier, promoting exercise and independent living initiatives, therefore improving our tenant's lifestyles overall
- Worked with Watford Borough Council to implement a new free Wi-Fi network for residents in 10 Community Hubs and Sheltered Schemes, allowing residents to access online services at no cost to themselves

- **Growth Agenda**

- 141 new homes completed since transfer with a forward pipeline of a further 624 (committed and under feasibility) meeting much needed housing needs in the area
- Obtained planning permission for 133 new homes at our Meriden regeneration scheme
- Commenced development of our first shared ownership scheme which supports expanding this business stream going forward

- Developed 3 new hostels and working with Watford Borough Council converted some void properties to temporary accommodation to meet the shortage in the Borough and generate additional income to the Trust

- **Organisation of Choice**

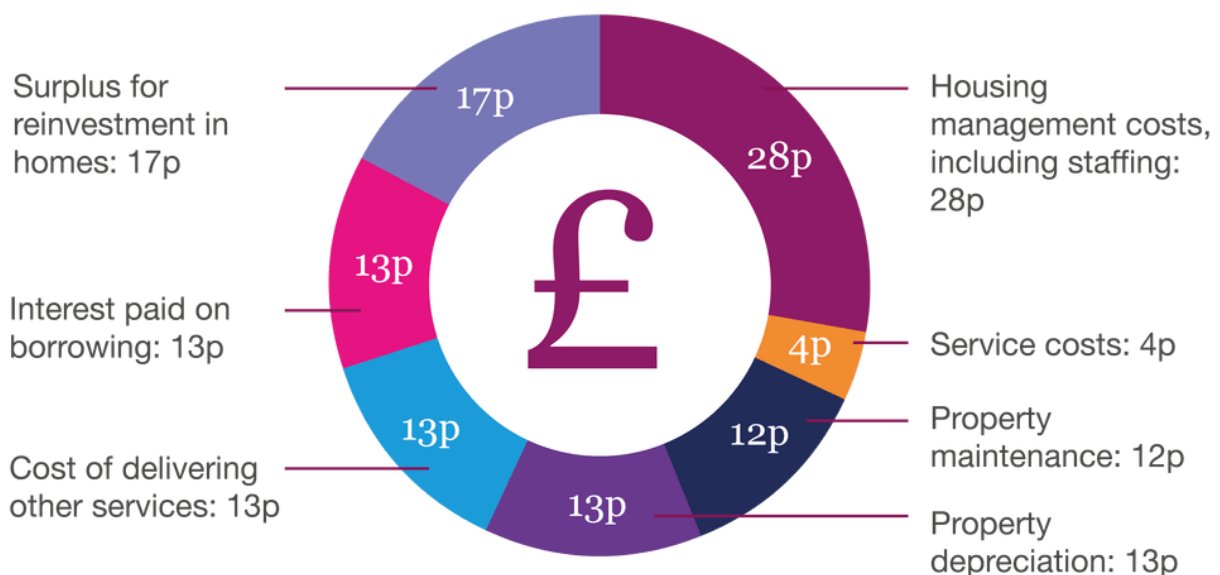
- Identified as 'One to Watch' by Best Companies with in-house staff engagement levels
- Developed and implemented a corporate skills matrix to inform our People Development Training Programme, offering better opportunities for staff to grow
- Committed to securing living wage accreditation and to paying our apprentices the new national living wage for over 25 year olds, ensuring that we attract and retain talented staff
- Replaced newsletters to residents with improved online system in line with our Communication Strategy, in the process reducing printing and mailing costs

3. This is how we generated and spent our money in 2015/2016

Over the year we generated a surplus of c£5.0 million (compared to c£4.8 million in 2014/15), as a result of careful financial management and our drive to achieve greater value for money from all our activities. Surpluses will be reinvested into delivering more of our promises to our residents, reinvestment in our existing stock and the development of new affordable homes in Hertfordshire and Buckinghamshire.

For every pound we received in the year, 92p was received from rents. We got 1p from providing property management services on behalf of other landlords and 2p from water commission and 1p from other income. The remaining 4p were realised from service charges. From 1 April 2015 to the end of March 2016, the total income generated was £29.4m of which £21.5m was spent.

How each pound was spent



- **Housing management cost including staff:** We spent 28p in each pound to provide services to our tenants and to pay for staffing costs and overheads.
- **Service cost:** We spent 4p in each pound on heating, lighting, cleaning and other costs recoverable by service charges.
- **Property maintenance:** We spend 12p in each pound on repairs and maintenance work.
- **Property depreciation:** 13p in each pound account for the wear and tear of our assets including the homes we own.
- **Interest in borrowing:** We paid 13p in each pound to the bank as interest for the loan we borrowed.
- **Surplus for reinvestment:** We will be reinvesting 17p in each pound in maintaining and improving our existing homes, providing better services, developing our communities and building new homes.

4. Return on assets

To assist the evaluation of options for future use of properties we are developing a methodology to calculate the Return on Capital Employed. We have created an additional field in the fixed asset register to classify properties by tenure type and are in the process of determining the open market value of each property so that we can calculate the return being achieved. We are achieving a gross return of 6.1% on our market rent properties.

The Trust owns a portfolio of properties which is estimated to have an open market value approaching £1bn:

Type of Units	2015/16	2014/15	Average annual rental income per property 2015/16
Owned by the Trust:			
General needs	4,055	4,116	£5,873.96
Affordable and intermediate rents	69	36	£8,692.37
Housing for Older People	514	538	£4,472.59
Shared ownership	87	89	£1,630.41
Leaseholds	347	345	-
Commercial and market rents	36	36	£10,944.86
Commercial shops	21	21	£11,483.87
Garages	1,280	1,280	£ 753.07
Hostels	3	0	£8,388.50
:	6,412	6,461	
Managed for others:	105	122	£10,968.82
Total:	6,517	6,583	

Average annual rental income comparisons clearly show higher income generated by market rental and managed properties as well as temporary accommodation.

The Trust is continuing to explore additional income channels including expanding its managed services and maximising the use of void properties. We manage hostels for Watford Borough Council and provide an Easylet service for Three Rivers District Council. Furthermore in 2016/17 we will also be managing two hostels for Network Stadium HA.

We have also converted the use of some of our void properties to temporary accommodation (such as Brightwell Court) to mitigate shortage in temporary accommodation being faced by Watford Borough Council as well as to generate additional income for the Trust.

There is now recognition of utilising assets effectively to get best value. In this context a new Asset Management Strategy has been developed which is now being implemented including an Asset Investment Model (AIM) which will enable clear options appraisals of our properties.

In 2016/17 we have budgeted to spend a total of £5.0m on maintenance of the properties plus a further £3.8m on programmed repairs. This is compared to a total of £6.5m spend on maintenance in 2015/16 as well as £2.99m on programmed repairs during that time.

Our asset management strategy has been developed through staff and resident consultation. The aim is to create sustainable homes which enhance our tenants' lives and reduce their fuel bills, thus creating more affordable and sustainable tenancies.

The key areas the strategy will address include:

- Asset Investment Model (AIM) – The implementation of AIM will increase the Trust's understanding of how assets perform from a social and financial aspect.
- Therefore allowing for better decision-making around options appraisals including investment, component replacement, re-classification and disposal.
- Over the next five years we will invest £45.5m into our existing homes.
- We will implement a whole house investment approach to reduce cost and inconvenience to our residents.
- We are aiming to achieve 100% stock condition surveys over a five year rolling programme.
- We will enter into longer-term arrangements to deliver cyclical and planned works.
- Over the life of the strategy we aim to increase the average SAP rating of our properties from 70 to 75, thus creating more sustainable properties.
- We are also looking at further asset optimisation including land and garage site appraisals, switching property tenures where appropriate and maximizing lease renewals.

In 2015/16 headline achievements were as follows:

- Increased the scope of the in-house maintenance team, including roofing and jetting
- Procured and rationalised repairs sub-contractors
- Reviewed gas service resulting in it being brought in house
- Reviewed planned maintenance arrangements and procured a new contractor resulting in £2m saving against our previous delivery model
- Procured and implemented new asset management software
- Surveyed 3,000 properties to ensure accurate data on our properties is held

4.1 Asset Investment Model (AIM)

Towards the end of 2015/16 we started building our asset investment model to inform property options appraisals going forward. This takes a holistic view of our properties using information in regards to investment in a property i.e. responsive and planned maintenance as well as capital improvements, age of the property and various social factor e.g. ASB within the area and tenancy turnover. Once all the information is mapped and compared it will categorise properties and calculate their NPV (Net Present Value).

We are still in the early stages of analysing the information though we expect the data to inform decision-making around:

- Individual property investment needed
- Local area investment needed
- Re-classification of tenure types
- Disposal options
- Re-generation areas
- Re-development opportunities
- Investment forecast over a 30 year period
- Focussing additional services provided to tenants
- Focus for housing management services
- Planned and capital maintenance priorities

We will be looking to ensure that we are deploying the right resources in the right areas to gain the best value for money and provide the highest positive impact to our residents.

5. Benchmarking and cost comparison

The following table shows the Trust's performance against its Key Performance Indicators for the year. We have seen some pleasing improvement in a number of areas including tenant satisfaction, repairs satisfaction, reduced rent arrears and in customer services where call wait times have been reduced by an average of 20 seconds whilst still resolving 8 of our 10 calls right first time.

Disappointingly, void and re-let time performance has deteriorated together with the average cost of a repair and the number of repairs being completed right first time.

The Trust is implementing new repairs software which will improve the information flow between teams. Clear performance targets are set for all repairs operatives to ensure they are operating efficiently and suppliers and materials are being reviewed to ensure VFM is being achieved.

To improve void performance we have recently brought the service in-house, employing our own staff rather than relying on contractors which will be more cost effective and improve performance.

The new major Improvement Programme to be carried out by Keepmoat is anticipated to produce an increase in tenant overall satisfaction with the overall quality of their home in the future.

5.1 Organisational performance – Direction of travel

Key Performance Indicators	2015/16	2014/15	Flag
1. Road Map KPIs			
% of tenants satisfied with overall services*	83.5%	80.6%	
% of tenants satisfied that the Trust listens to views and acts upon them	65.5%	63.8%	
% of tenants that feel they have been treated professionally and with respect	86.4%	84.6%	
Average call wait time in seconds*	25	45	
% of tenants satisfied with their home*	81.6%	83.2%	
% of tenants satisfied with repairs and maintenance*	84.7%	78.2%	
2. Community Focused			
Number of tenants helped into employment*	67	55	
% of tenants and leaseholders who are members	41.9%	45%	
3. Growth Agenda			
% rent collected (over 12 months)*	98.9%	98.6%	
% of current rent arrears*	2.07%	2.14%	
Average cost of a repair (3 months rolling)*	£235	£103	
Average void cost (3 months rolling)*	£2,884	£4,326	
4. Excellent Service			
First call resolution*	78%	75%	
% of abandoned calls	1%	4%	
% of repairs completed right first time*	73.6%	78.3%	
Average time to complete non-urgent repairs (in days)	18	14	
% of tenants satisfied with their neighbourhood	84.9%	80.5%	
% of tenants satisfied that rents provide VFM*	80.6%	74.6%	
5. Organisation of Choice			
Net Promoter Score	59	50.7	
% of staff turnover (12 months rolling)*	22.8%	26.6%	
Average permanent re-let times in days (GN)*	18	15	

*indicate KPIs with a direct contribution to delivering value for money

Performance is monitored on a monthly basis by the Senior Management Team as well as being discussed at team meetings. The Board receives quarterly performance reports and more in-depth reports from individual service areas. We also report quarterly performance to our Gateway Membership Team (GMT), the elected body representing all our tenants.

Major changes have already been implemented in the delivery of our repairs service resulting in a big increase in tenant satisfaction. Our in-house repairs staff are fully aware of their performance after the introduction of a league table to monitor individual performance.

Tenants are contacted straight after their repair by our Customer Relations Team to ascertain if there are any outstanding issues. Further changes will be made to the service by introducing new software enabling better recording and tracking of repairs. Materials are being re-procured to ensure additional value for money is provided. This will also help reduce average repair costs going forward.

As part of the changes within the Property Team void repairs are now being delivered by a dedicated in-house team and we have already seen a reduction in average void costs from £4,300 to £2,900. Focus for 2016/17 will be on reducing overall turnaround times for both general needs and housing for older people.

5.2 Performance benchmarking

To enable us to understand our Operational Performance we have established a number of Performance Indicators which we benchmark against other providers through Housemark where possible.

The table below sets out the comparison of Performance:

Performance indicator	2015/16 result	2015/16 target	Benchmark (where available HM upper quartile 2014/15)	2014/15 result
Satisfaction with last repair	85%	85%	96%	78.2%
Re-let times (excl. major works)	27 days	17 days	20 days	31 days
Current rent arrears	2.07%	2.3%	2.8%	2.14%
Void losses	1.78%	n/a	0.63%	1.09%
Gas safety compliance	100%	100%	100%	99.8%
Homes meeting the Decent Homes standard	99.73%	100%	100%	99.4%
Average wait times in seconds	25	15	19	45
Satisfaction with overall services	83.5%	90%	90.4%	80.6%
VFM savings	£1.77m	£1.7m		£737k

Our customer service team has been going through a major review over the last 18 months, introducing individual performance targets, call quality assessments and improved training plans. This has resulted in excellent performance results, reducing wait times and abandoned calls as well as an increasing the number of calls being dealt with right first time.

Our rents and income team have also performed well, reducing current rent arrears from 2.30% to 2.07% as well as increasing rent collection slightly. The introduction of new software has helped to target tenants who might be experiencing financial difficulties and the team has worked closely with our Financial Inclusion team to reduce the number of tenants falling into arrears as well as helping tenants to increase their income. Our Homes & Financial Inclusion Team has worked incredibly hard during the year and been rewarded with a nomination for the 'Frontline Team of the Year' at the Housing Heroes Awards.

The table below sets out the comparison of cost benchmarked against HouseMark information 2014-15 (benchmark group LSVT Southern):

Social Housing Cost	2015/16 result	2014/15 result	Benchmark (where available HM upper quartile 2014/15)
Total debt per unit	£18,028	£17,655	£17,530
Total Housing Management cost per property	£487.57	£516.03	£365.47
Total responsive repair cost per property	£734.56	£1,117.87	£735.02
Total major works and cyclical maintenance cost per property	£1,349.90	£1,911.93	£1,271.03
Operating margin	24.4%	26.5%	37.70%

5.3 Unit cost analysis

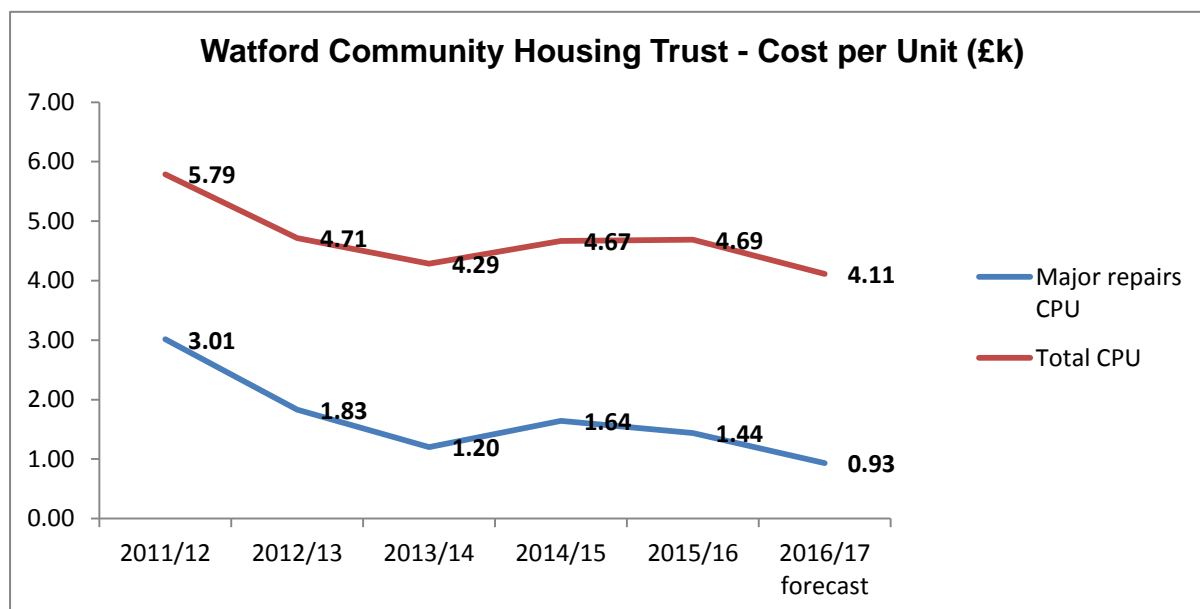
The HCA published a new analysis of cost variations (data from 2014/15) across the social housing sector to support associations in understanding their costs and achieving VFM in their activities. The Trust has received the data relating to its own performance which has been evaluated. The basis for this analysis is identifying the cost per unit managed by the Trust which is then further broken down into management, repairs and maintenance, capitalised repairs, service charges and other cost.

We replicated the HCA analysis going back to 2011/12 as well as forecast results for 2016/17 based on current budgets. Results can be found in the table below.

Watford Community Housing Trust						
	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17 forecast
Management cost CPU (£k)	1.54	1.53	1.63	1.53	1.75	1.64
Service charge CPU	0.08	0.07	0.11	0.17	0.21	0.26
Maintenance CPU	0.94	0.98	1.01	1.05	0.98	1.00
Major Repairs CPU	3.01	1.83	1.20	1.64	1.44	0.93
Other social housing costs	0.22	0.30	0.32	0.27	0.31	0.29
Total	5.79	4.71	4.29	4.67	4.69	4.11

The trend analysis shows that the overall cost per unit is reducing with a direct correlation to major repairs cost per unit reducing. This is due to major stock investment within the first five years of transfer which came to an end in 2012/13.

A new major repair programme is commencing in 2016/17 with a new contractor appointed over five years. Contract costs will be reduced compared to delivering major works in-house or as part of smaller contracts during the last three years.

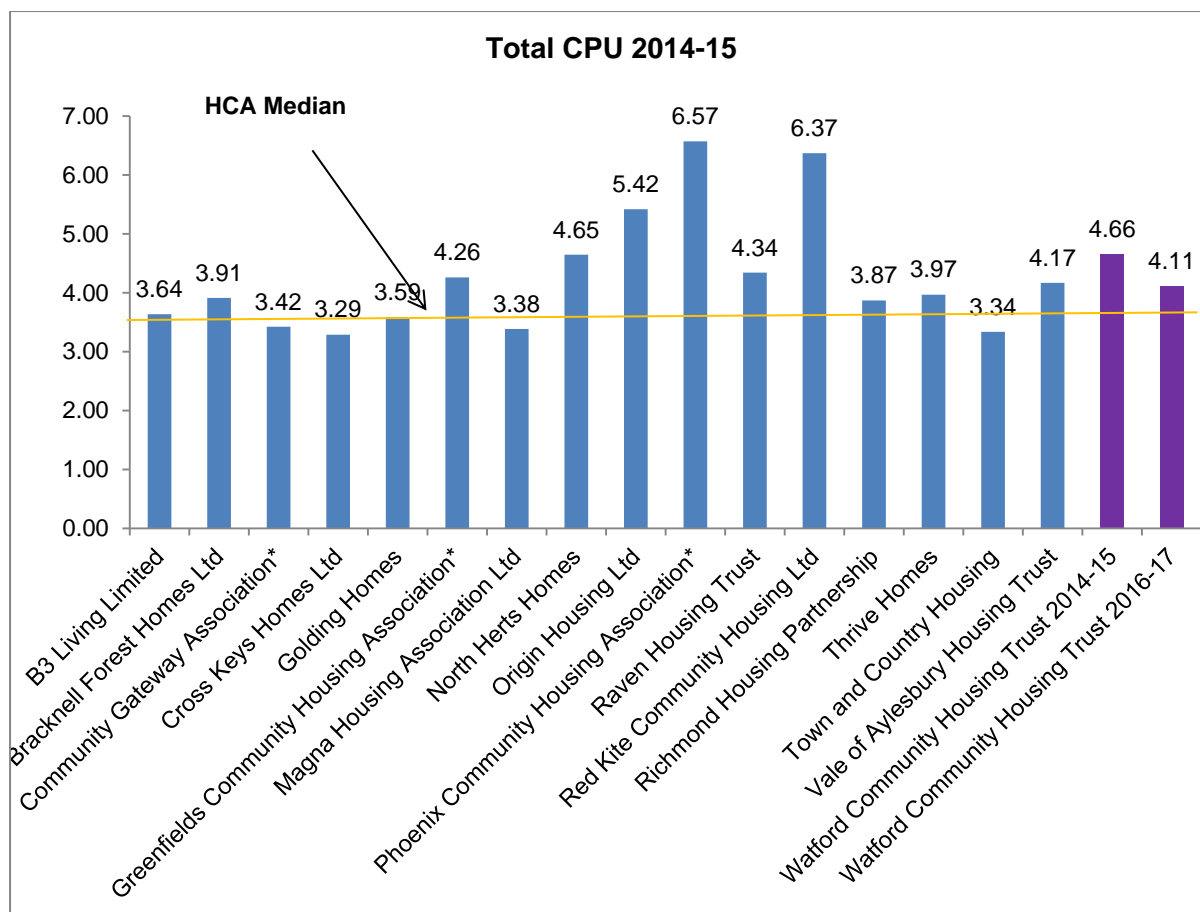


In 2014/15 the median performance for the sector was 3.55 with the upper quartile being 4.3. The Trust therefore fell into the high-cost category for this time period. However, this will be improved to lower median for 2016/17, showing that direction of travel in regards to cost and performance is positive.

In order to understand the Trust's relative performance within the sector a benchmarking exercise has been undertaken against 16 other providers. These have been chosen on criteria of similar stock size, being part of the same HouseMark benchmarking group (LSVT Southern), roughly same geographical location and also include registered providers operating as a Community Gateway Association.

B3 Living Limited	Phoenix Community Housing Association*
Bracknell Forest Homes Ltd	Raven Housing Trust
Community Gateway Association*	Red Kite Community Housing Ltd
Cross Keys Homes Ltd	Richmond Housing Partnership
Golding Homes	Thrive Homes
Greenfields Community Housing Association*	Town and Country Housing
Magna Housing Association Ltd	Vale of Aylesbury Housing Trust
North Herts Homes	
Origin Housing Ltd	

* Community Gateway Associations



When comparing the Trust against other associations, total CPU was higher than most with specifically management costs and major works costs within upper quartile. However, the Trust is working to improve its CPU by 12% in the coming financial year, moving it much closer to the HCA benchmark.

The HCA have identified certain factors that contribute to costs variations between providers:

- Supported housing units are much more costly to manage (£10,800 per unit): the Trust isn't affected by this as we do not manage this type of housing
- Regional wages affect costs per units with providers in London having increased costs of £1,900: as Watford is close to London there will be some effect. However, a lot of the other housing associations benchmarked against will also be affected.
- There is a clear correlation between the age of an organisation and cost per unit with the highest effect in years 1-6 (£1,500 per unit): there is an additional cost of £300 per unit for an organisation of the Trust's age. 11 of the 16 associations benchmarked against are older than the Trust.
- Housing for older people units have an additional cost of £1,800 to manage: 11% of the Trust's stock is of this type so this has an effect on the overall CPU, increasing it against the median figure.
- Operating in the 1% most deprived neighbourhoods adds an additional £500 per unit to overall costs: the Trust is not significantly affected by this.
- Bringing properties to the Decent Homes Standard is associated with £8,800 per unit: as the Trust only has residual properties below this level, this cannot be identified as a deciding factor.

Bearing in mind the effects of the age of an organisation and stock type managed, £0.5k of the Trust's unit costs can be attributed to those factors.

We will continue to analyse the data to identify efficiencies and cost reductions, specifically within management costs.

6. Value for money gains achieved

The Trust has already enjoyed significant success in its drive to achieve VFM and since transfer has been steadily growing its operating surplus. These successes have been achieved whilst monitoring customer satisfaction levels to ensure they remain at target levels.

At the end of 2013/14 the Board set a target of £1.7m of cashable efficiency gains to be achieved over the subsequent 2 years. At the end of 2014/15, we were pleased to report a total cashable gain of £0.74m and can now report a further £1.03m in 2015/16, meaning we have slightly exceeded our target. We have continued to work hard this year to ensure we deliver more gains. Tabulated below is the register of our efficiency gains over a 2-year period. The gains have been identified in ten specific categories as set out in our *"Road Map to Excellent Services – Our Journey Together"*. All cashable gains identified contribute to the surpluses realised in the financial year which is used to further our social objectives through investment in services and new homes.

Category	2014-15 Target	2014-15 achieved savings	2015-16 target	2015-16 achieved savings	Total savings	Target	Variance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Procurement and contract savings	70	206	70	111	317	140	177
Self servicing	50	10	50	16	26	100	(74)
Energy innovation	130	146	130	-	146	260	(114)
Streamlined customer engagement	20	21	20	141	162	40	122
IT infrastructural cost	65	11	65	9	20	130	(110)
Implementation of system upgrades	27	16	27	-	16	54	(38)
Review use of consultants	25	112	25	-	112	50	62
Review of responsive repairs cost	150	38	150	349	387	300	87
Lean business processes	113	176	387	360	536	500	36
Other initiatives	50	-	50	11	11	100	(89)
Income Generation	-	-	-	33	33	-	33
Total	700	736	974	1,030	1,766	1,674	92

The Trust identified significant efficiencies around procurement specifically with negotiating new energy supply contracts as well as receiving better value for money out of existing contracts through the inclusion of additional services e.g. grounds maintenance.

Another area that contributed to our VFM gains achieved is our customer engagement where we identified different ways of communication and interaction with our customers; working with partners and pushing the digital agenda.

During the year we have conducted several lean service reviews and re-structured areas like our Executive Management Team, Communities, Housing and Innovation and Research Teams resulting in the savings outlined above.

We continue to look at more cost effective ways to deliver services and that might mean upskilling our workforce and bringing certain aspects in-house, which we have done with our Voids team for example.

The introduction of Universal Credit to Watford in November 2015 reinforced the need for tenants to access more services online. We have worked with Watford Borough Council on delivering free Wi-Fi for the whole of Watford by using 'street furniture' like lampposts as Wi-Fi routers. The financial impact of the project is minimal but the benefits to Watford residents are significant.

7. Value for money gains to be made

In response to the July 2015 Budget proposals we launched a new [Business Plan 2016 – 2020](#) titled 'Our Journey Together Continues'. While our overall vision to provide **Better homes, friendlier communities...together** remains the same we have identified 5 key priority areas underpinned by delivery targets to deliver the plan.

Priority Areas – What success looks like

Super Brand

- We will deliver our Road Map 2016-20 to enable us to provide consistent, reliable quality services to our tenants.
- We will develop our digital offer so that our tenants can engage with us via digital channels, reducing transaction costs in the process.
- We will utilise customer insight data to enable us to adapt our service offer to meet the changing needs of our current and future tenants.
- We will deliver our Asset Management Strategy to ensure that we maximise the use of our assets by appraising all our options and delivering better value for money.

Strong Financial Position

- We will deliver our Value for Money and Procurement Strategies to ensure that we make the best use of our assets.
- We will ensure by the end of the Business Plan period that our operating margin is equivalent to 30% of our turnover.
- We will have robust procurement and financial systems in place to make best use of our resources.
- We will ensure our Treasury Management Strategy is fit for purpose.

Partnership Working

- We will lead on developing a shared service model that provides quality services to over 25,000 homes.
- We will explore merger opportunities when they produce 'win win' solutions for our tenants.
- We will be an 'organisation of choice' for our tenants, staff and partners.
- We will have a clear brand that enables us to manage stakeholders' expectations.

Active Developer

- We will deliver our Development Strategy to achieve our aspiration of 1,000 new homes over the next four years to meet local housing need and generate additional income.
- We will work with partners, via Joint Ventures, to make best use of our resources, reducing costs and creating efficiencies in doing so.
- We will deliver our market rent and shared ownership offer through our Clarendon Living brand, generating additional income to be reinvested into our services and properties.
- We will develop in six local authority areas across Hertfordshire and Buckinghamshire.

Building Community Capacity

- We will implement our Communities Strategy to build capacity in the areas where we work.
- We will focus our resources on projects that improve our services and produce the maximum social impact for us and our tenants.
- We will maximise our funding and external resources to enhance the projects we deliver, therefore reducing costs and deliver better value for money.
- We will deliver our Community Hubs Strategy to enhance our tenants' life choices.

The delivery of the Business Plan 2016-2020 is supported by key strategies, specifically the VFM and Treasury strategy, which set out how we will operate as a business. More information can be found on our [website](#).

The Trust currently has a loan facility of £145m of which £91.3m is drawn down and the remaining facility will be sufficient to fund the 2016-2020 Business Plan aspirations.

Any additional development as part of our ambitious plans over the next five years will mean extra funds will be needed with several options open to the Trust as part of its borrowing capacity.

We will be exploring the best strategy to meet these additional funding requirements as stated in the Treasury Strategy. We are in the process of entering into a new SWAP (Pay Fixed – Receive Variable) transaction to fix some of the drawn down loan to take advantage of current historically low interest rates.

We achieved a VFM result of £1.7m over the last two years and we will continue to identify savings with a target of £0.975m set for specific projects in 2016/17. This will be achieved by creating efficiencies in the following areas:

Area	Activities	Savings target
Planned and cyclical maintenance	Procurement of new planned maintenance contractor and gas servicing delivered in-house	£470k
Re-structures	Senior management team and executive support	£78k
Housing	Additional income generation through better stock use and providing managed services	£204k
Procurement	Contract negotiations and new contract procurement	£223k

The VFM activities planned for 2016/17 include the following:

- Delivery of the new Asset Investment Model
- Using the information within the Asset and Liabilities Register to inform decision-making in regards to investment and future activities
- Progress shared service arrangements and strategic alliances
- Implementation of the new Procurement Strategy
- Deliver an operating margin of at least 27%
- Deliver new IT Strategy incorporating digital strategy for engagement with tenants
- Bed in in-house services in gas and voids to deliver forecast efficiencies whilst maintaining satisfaction levels

Additional cost savings are expected to be identified throughout the year which will contribute to achieve the operating margin target of 27% by end of March 2017.