watfordcommunityhousing

Report and Financial Statements

For the year ended 31 March 2017

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

Contents

The Board, Executive Management Team, Committees and Professional Advisers

The Board
John Swinney, Chair
Chris Meade, Vice Chair

Members
Nigel Benjamin
Peter Jeffree
Jeremy Kape
Raj Kumar
John Lavers
Raz Hussain (appointed September 2016)
Marsha Thompson (appointed September 2016)
Brian Trowbridge (resigned September 2016)
Chris Cheshire (Board Co-Optee: appointed December 2016)
Bernadette Laventure (appointed November 2016)

Executive Management Team
Tina Barnard, Chief Executive
Paul Richmond, Director of Finance and Resources (appointed September 2016)
Gareth Lewis, Director of Partnerships
Ben Johnson, Director of Operations (appointed May 2017)

Company Secretary
Tina Barnard

Committees
Audit and Risk Committee
Bernadette Laventure, Chair (November 2016 onwards). Previously Chris Meade

Business Development Committee
Jeremy Kape, Chair

Remuneration and Appraisal Committee
Nigel Benjamin, Chair

Operations Committee
Raj Kumar, Chair

Tenant Group
Gateway Membership Team

Registered office
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59 Clarendon Road
Watford
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Registered number
Registered Society No: 30183R
Registered by the Homes & Communities Agency No: L4495

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Mazars LLP
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Bankers
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London
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Group 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 eleven non-executive members. Other than the co-optees and local authority nominee (who became a Councillor in May 2017), all Board members are 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 Finance & Resources, the Director of Partnerships and the Director of Operations. The Board delegates some of its responsibilities to committees composed of Board members and independent committee members. The structure consists of an Audit and Risk Committee, a Business Development Committee, an Operations 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 reports regularly to the Board and monitors service deliveries and scrutinises our services. 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 now operates as a Group structure and has two fully owned subsidiaries:

- Clarendon Living Limited – formally Gateway Enterprises (Watford) Ltd. This is used to deliver and promote the Trust's commercial development activity. Clarendon Living has its own Board, which is chaired by an independent Board member, Chris Cheshire. This Board includes three non-executive members and two executive members.
- WCHT Devco Limited (Devco) – established in 2015 to provide design and build services to the Trust. It has a first accounting period ending 31 March 2017. The Devco Board is chaired by John Lavers and the Board consists of two non-executive members and two executive members.

The Group is now an active participant of a Joint Venture with Watford Borough Council (WBC), Hart Homes. Hart Homes consists of an asset holding entity (Hart Homes (Watford) Limited) and a Development, Design and Build company (Hart Homes (Watford) Development LLP). Both entities are split on a 50/50 basis with WBC and are managed by Boards with representatives from both Clarendon Living and WBC. The first scheme began in February 2017 and will deliver a combination of 40 temporary accommodation units and 36 affordable homes to the Watford area.

The Group is also actively considering joint venture opportunities with other local partners and is currently engaged in a joint venture with Three Rivers District Council which will commence development activity in 2017/18. The venture comprises Three Rivers Homes Limited which is asset holding and Three Rivers Development LLP a Development, Design and Build company.

Nature of Business

The Group operates five 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 Group on the remainder).
4. Market Rent schemes.
5. Selective market sale schemes and joint venture participation via Clarendon Living Limited.

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

Table 1: Stock Profile

Type of Units	2017 No.	2016 No.
Owned by the Group:		
General needs	3,988	4,055
Affordable rents	133	71
Housing for older people	510	514
Shared ownership	95	87
Leaseholds	348	347
Commercial and market rents	32	36
Commercial shops	22	21
Garages	1,270	1,280
Temporary	42	3
	6,440	6,414
Managed for others	136	105
Total	**6,576**	**6,519**

During the year the Group's stocks numbers increased by 57 homes. This movement includes 93 completed new homes, a net increase in managed properties of 31 units, 23 homes sold through right to buy, right to acquire, and shared ownership stair-casing, a disposal of 32 housing properties and 10 garages. The stock is in good condition and the Group 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. Investment will be determined by use of the Asset Investment Model, which was launched in 2016/17.

Objectives and Strategy

2016/17 was the first full year of the Group's 2016-20 Business Plan. Five 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 plan is underpinned by our Vision and Values.

Strategic Report

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.

Performance Indicators

The following table (Table 2) shows a year on year comparison of the Group's Key Performance Indicators set against its Business Plan objectives.

These form the basis of a Corporate Balanced Scorecard that is reviewed by our Executive Management Team, Gateway Membership Team and the Group's Board on a quarterly basis.

When viewing the Group's performance as a year on year comparison (as below) it has performed well and exceeded last year's performance in nine key indicators, had steady performance in two and only one indicator is underperforming.

Our customer satisfaction with the repairs service has shown steady improvement throughout the year and has shown a significant improvement on last year's satisfaction figure. There has been a major push to improve this service as it is at the core of what our customers care about most. Overall satisfaction has remained steady, and is still in excess of 80% for 2016/17. Despite our repairs satisfaction being positive, this shows that further work in other areas is needed to support the tenant experience.

There has been a marked improvement in our complaints to compliments ratio from this time last year. The Group's call centre figures have improved and also should continue into the following year with an upgrade completed to the phone operating system. The planned decrease in phone and email transactions and increase in digital transaction has not seen as much improvement as planned due to delays in deployment. However, work will continue in 2017/18 to deliver an improved digital offer for our customers.

The Group has also seen significant improvement in its financial performance and in staff satisfaction figures. The financial performance is covered elsewhere in these statements, staff satisfaction has shown a positive trend following recent restructures and embedding a cultural change programme. After setting an ambitious aspiration for building new homes, we are seeing positive signs in the number of homes being committed. We continue to also focus on building community capacity and the indicators for the increasing use of are Community Hubs is also showing a strong return. In the next year we will also include a KPI for the number of users at our Community Hubs as well as retaining the income figures.

In 2017/18, the Trust will be participating in a sector wide balanced scorecard pilot consisting of 15 KPIs. The aim is to provide a simple benchmarking tool for the sector. After consultation with our Executive Management Team and Board, next year's Corporate Scorecard will increase from 12 to 19 KPIs, 6 of which are incorporated from the sector scorecard We will continue to monitor performance proactively against identified KPIs to ensure the required level of performance is being achieved. These performance indicators will continue to be reviewed regularly by the Executive Management Team and formally reported to the Board, the Operations Committee and the Gateway Management Team to support review and scrutiny of performance.

Table 2

Key performance indicators	2017	2016	Flag
1. Super Brand			
% of tenants satisfied with overall service the Trust provides	80.2%	83.5%	
% of tenants satisfied with responsive repairs	88.3%	84.7%	
First call resolution	83.3%	78.0%	
Increased uptake of digital services	-10.9%	-13.7%	
Decrease in phone and email transactions	-38.8%	-13.9%	
% Ratio of complaints to compliments	42:58	60:40	
2. Strong Financial Position			
Operating Margin	36.0%	27.0%	
3. Partnership Working			
Net staff satisfaction (Q4 Outcome)	+78	+63	
4. Active Developer			
Number of homes committed for building	240	97	
Number of shared ownership homes committed	44	12	
5. Building Community Capacity			
Maximised Hubs income	£130,935	£80,888	
External finance obtained	£24,324	£37,000	

Flag key:

Positive improvement   Steady   In need of attention

Business and Financial Review

The Group 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 2016-17 with its operating surplus being £7.3m. The financial highlights over the past five years are set out below.

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

For year ended 31 March	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Summary Statement of Comprehensive Income					
Total turnover	31,410	29,729	29,025	28,818	27,883
Income from Social Housing lettings (note 3a)	27,757	27,626	26,880	25,595	24,064
Operating surplus: continuing activities	11,275	7,361	7,682	6,426	6,310
Surplus for the year transferred to reserves	7,321	4,985	4,756	3,541	4,442
Group Balance Sheet					
Intangible assets (note 11)	(29,568)	(29,985)	(30,402)	(30,818)	(31,235)
Investment in Joint Venture	2,393	0	0	0	0
Housing properties	241,743	219,634	211,424	211,880	191,804
Investment properties (note 14)	3,915	3,555	2,290	0	0
Other Property, Plant and Equipment (note 13)	12,974	13,437	13,571	13,501	12,206
Fixed assets	**231,457**	**206,641**	**196,883**	**194,563**	**172,775**
Net current assets	35,006	25,596	29,582	29,913	38,957
Total assets less current liabilities	**266,463**	**232,237**	**226,465**	**224,476**	**211,732**
Funded by:					
Loans (due over one year) (note 18)	132,158	85,027	84,979	79,036	79,002
Pension liability (note 23)	463	557	1,570	950	1,460
Other long term liabilities (note 18)	34,174	52,432	51,483	47,766	34,833
Reserves:					
Revenue inc. pension	33,398	25,175	19,106	14,923	10,613
Property revaluation	96,150	96,929	96,929	97,073	85,824
Cashflow hedge reserve	(29,881)	(27,883)	(27,602)	(15,272)	0
Consolidated funds	**266,463**	**232,237**	**226,465**	**224,476**	**211,732**
Key Ratios					
Operating Margin (% of turnover)	35.8%	24.4%	26.5%	22.3%	22.6%
Gearing (Loans / Properties at Cost)	55.9%	38.7%	40.2%	37.3%	41.2%
Liquidity (current assets / current liabilities)	3.2	3.2	2.9	3.4	4.4

The Financial Plan is reviewed annually by the Group Board. Where the position is clear, for instance the four year rent reduction from 2016, this has been built into the new Long Term Financial Forecast which demonstrates long term financial viability. The Group has carried out stringent testing of its Financial Plan to assess how strong it is in different scenarios and understands the impact of various events individually or taken together. As a result the Group Board is confident the Financial Plan is robust but will continue to monitor performance and delivery in conjunction with the review of its Risk Register.

The Group 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 2016/17 and is now seeking to increase its operating surplus in future years to release more money for services and building homes.

The Trust's subsidiary development company 'WCHT Devco Limited' (Devco) was fully operational in the year, and was used to facilitate 11 major development schemes. The company was able to novate historic costs between the Trust and Devco in order to reclaim VAT that has previously been irrecoverable by providing a zero rated Design and Build service to the Trust.

As part of the Transfer Agreement from WBC a significant portion of the Trust's tenants have the Preserved Right to Buy (RTB) and during the year 20 tenants exercised this right. Under the transfer agreement until 2020 WBC receives the proceeds of RTB sales after the Trust has deducted an allowance for administrative costs and rent foregone on the sold property.

The Group continues to develop new homes and is on course to meet its target of producing 1,000 new homes over the next 4 years. During the year 93 new homes were delivered.

Risk Assessment

Risk is proactively managed across the Group with ultimate responsibility resting with the Group 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 Group Board considers the following to be the Key Risks to the Group together with mitigating actions being taken. The risk is now considered at a Group level to reflect the increasing complexity of the organisation and assessed regularly to monitor whether the appropriate risks have been captured and also to monitor the assurance provided by the Executive Management Team.

Key risk	Mitigating actions being taken
Finance Risk: as a result of changes to government legislation, exposure to fraud, increased funding cost and market risks	• Refinancing activity underway at the Group, including the successful participation in a £30m AHF Bond in March 2017 • Ongoing monitoring and reporting of impact of welfare reform on areas such as bad debt and income arrears • Fraud policy regularly reviewed and fraud incidences reported quarterly to Audit and Risk Committee • Financial Plan annually stress tested to identify variety of economic assumptions and their impact on the Group's plan • VFM activity maintains focus on efficiency gains and productivity to mitigate any exposure of inflation / market risk
Poor Governance: arising from poor Board skill set, succession planning, compliance overkill, failure of strategic alliance and the gateway model	• Executive Management Team has been restructured to reflect appropriate skillset within the Group's leadership team • Subsidiary boards report up to the Group Board on regular basis including updates on Joint Venture activities • Terms of Reference and Group Financial Regulations (approved March 2017) provide assurance on decision making clarity within the Group • Ongoing skills development sessions provided to Board to support informed understanding and scrutiny of the Group, including Risk session, Asset Investment Model demonstration, and Treasury review
Culture and Identity: due to lack of Brand clarity, lack of service standards with tenants, ineffective community engagement	• Service Standards and Rule Changes underway to work with tenants on appropriate governance model for Trust and give clear standards / expectations of service from the Trust • Active Community Budget invested in a number of activities, including community programmes / Hub activity and supporting tenant scrutiny model • Revised Brand consultation process currently underway to refresh and invigorate brand. Launch due September 2017 • New management team structure in place for Executive Management Team. Work ongoing on succession planning and career development for management layers supporting Leadership Team
Best Use of Assets: due to lack of robust appraisal techniques for existing stock, poor decision making on asset investments, lack of investment in ICT estate	• Sheltered Housing consultation underway with Board and tenants to define long term strategy of Sheltered Housing stock • Asset Investment Model in place, with Board training provided, to ensure the Group is making appropriate decisions on stock management and prioritising long term investment decisions • IT Audit complete to provide schedule of work to give assurance to the Management Team on the Resilience of current IT Model and develop roadmap of priority changes to be delivered in IT capability at the Group.
Development Risk: Overstretching the Group's resources, delay or over-spend, issues over quality, exposure to market movements	• Monthly reporting and forecasting of development cashflow are in in place to monitor spend and over-run risk. Any material movements in scheme costs are reported to appropriate Board and Committee for oversight and review • During 2016/17, the development Team has been strengthened to increase capability and capacity for larger programmes • Terms of Reference and Financial Regulations are in place for managing Joint Ventures. A 12 month timetable of activity reviewed monthly by Executive Management Team to monitor risk and define priorities • Sales risk proportion published to Group Board as part of annual budget setting. All scheme appraisals include an exit plan to anticipate options should market conditions change

Value for Money (VFM)

Our Strategy:

The Group is committed to delivering Value for Money through our 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 Group 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 Group 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.

THE GROUP BOARD
Approves the VFM Strategy, agrees targets, monitors performance against target, monitors subsidiary performance and receives an annual Internal Statement of Control

AUDIT & RISK COMMITTEE
Reviews VFM assessment, monitors corporate risks & assurance and ensures delivery against internal and external audit recommendations

BUSINESS DEVELOPMENT COMMITTEE
Ensures VFM is achieved through our development programmes and regeneration schemes

OPERATIONS COMMITTEE
Provides formal scrutiny of the Group's performance, including VFM delivery of services offered by the Trust

REMUNERATION & APPRAISAL COMMITTEE
Reviews the effectiveness of pay strategy

GATEWAY MEMBERSHIP TEAM
Represents the interests of our tenants and ensure compliance with promised service standards

EXECUTIVE MANAGEMENT TEAM (EMT)
Deliver VFM initiatives, increase provision for added value services, deliver cashable and non-cashable gains and ensures VFM is embedded in their services areas.

Value for Money (continued)

Achieving VFM by Maximising the Return on Our Assets:

The Group operates a large property estate comprising a total of 6,576 units which is estimated to have an open market value approaching £1bn. In 2017/18 we have budgeted to spend a total of £4.9m on maintenance of the properties plus a further £3.6m spent on programmed repairs.

The Group 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. Following the adoption of a new Asset Management Strategy in March 2016 the achievements in 2016/17 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. Mobilisation of new gas service in house which was delivered in August 2016

iii. Procured and rationalised our materials providers

iv. Fully embedded a new asset management software

The Group is continuing to explore additional income channels including expanding its managed services and maximising the use of void properties. We manage homes for Watford Borough Council (WBC), Network Homes, Hertfordshire County Council and Three Rivers District Council. We have also converted the use of some of our void properties to temporary accommodation to mitigate shortage in temporary accommodation being faced by WBC as well as to generate additional income for the Group.

To assist the evaluation of options for future use of properties we now calculate the Return on Capital Employed through our Asset Investment Model to inform future planning decisions on the Group's assets.

Achieving VFM Through Operational Efficiency:

As part of our continuous evaluation of operational costs, the Group Board agreed an efficiency target of £1.78m for the 2016/17 financial year. At the end of 2016/17, we were pleased to report a total cashable gain of £1.9m, meaning we have 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 the last three years, with an achievement of £210k greater than original projection. 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 3 years

Efficiency Gains over 3 years	2014-15 Target £'000	2014-15 achieved £'000	2015-16 target £'000	2015-16 achieved £'000	2016-17 target £'000	2016-17 achieved £'000	Total savings £'000	Target £'000	Variance £'000
Procurement and contract savings	70	206	70	111	525	645	962	665	297
Self servicing	50	10	50	16	-	-	26	100	-74
Energy innovation	130	146	130	-	103	9	155	363	-208
Streamlined customer engagement	20	21	20	141	364	364	526	404	122
IT infrastructural cost	65	11	65	9	-	-	20	130	-110
Implementation of system upgrades	27	16	27	-	4	4	20	58	38
Review use of consultants	25	112	25	-	30	30	142	80	62
Review of responsive repairs cost	150	38	150	349	400	439	826	700	126
Lean business processes	113	176	387	360	193	236	772	693	79
Other	50	-	50	11	9	9	20	109	-89
Income Generation	-	-	-	33	156	165	198	156	42
Total	**700**	**736**	**974**	**1,030**	**1,784**	**1,901**	**3,667**	**3,458**	**209**

In February 2017 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.

Cost per Unit (2015/16 and 2016/17)

Due to the publication of Global Accounts for the Housing Sector we are able to benchmark the Trust's Cost per Unit (CPU) performance against the sector. This has shown a positive performance year on year and is anticipated to continue as we improve against the sector average. This improvement is linked to work on expense efficiency, VFM and maximising income. In the coming years we should see greater visibility in these and other benchmarking figures as we participate in a pilot for a sector wide Balanced Scorecard.

Cost per Unit (£k)	2014/15	2015/16	2016/17
Watford Community Housing Trust	4.68	4.12	3.76
Average Performance in the Sector	3.94	3.96	

(2014-2016 figures taken from Global accounts)

To support delivery of VFM across the business the Group has put in place a new Procurement Strategy. The Group also recruited a new Finance and Risk Manager to support delivery of this strategy. The strategy is aligned with the new Business Plan and is designed to ensure the Group:

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 VFM activities planned for 2017/18 include the following:

- Continuation of the Improvement Programme contract with Keepmoat delivering year-on-year incremental savings
- Full year annualised benefit of in-house gas servicing
- Procurement savings from tendering process for materials contract
- Procurement of a framework for contractors/consultants with regard to development
- Optimising current stock tenure to deliver improved occupancy levels and most effective yield
- Budget efficiency savings with procurement saving focus on utilities, ICT and professional fees
- Review of garage utilisation and deliver initiatives to increase awareness and take-up rates

Financial Position

Capital Structure and Cashflow Forecast

At the year end the Group had long term borrowing facilities from one lender totalling £145m in place. These facilities are all secured and available for immediate drawdown. Total draw down borrowings amounted to £98.3m.

Additionally, on 28 March 2017, the Group concluded a 26 year Fixed Term Bond with Affordable Housing Finance (AHF manages a Government run affordable housing scheme and is funded by the European Investment Bank and bonds issued through capital-markets) for funding of £30.0m which refinanced some of its existing debt. This gave the Trust a long-term debt facility at a low rate of interest (2.06%) and supported its Treasury Management policy on fixed versus variable debt. On 4 April 2017 the market pricing was finalised for the Bond resulting in £35.1m of funding being available once fully secured.

This means at 31 March 2017 facilities available were the original £145m facility with a market pending (nominal) £30m AHF bond. At end April 2017, the £145m facility reduced to £130m and the Group now had £35.1m (in a sinking fund – see "Creditors - more than one year" in the Statement of Financial Position on note 18). On the expectation that the Group secures the AHF Bond by September 2017, the debt profile would be total debt of £145m of which £35.1m (£30m nominal) AHF, and the balance with our existing lender. Work will continue during 2017/18 to retain our strong financial position whilst building debt capacity to support the Group's development ambitions.

The Group has approved a Treasury Policy prepared in conjunction with its funding advisors. The Policy is regularly reviewed and includes risk management of liquidity, interest rate, covenant, counterparty, refinancing and legal and regulatory matters and how its treasury activities will be monitored and reported. The ultimate intention is to ensure ongoing liquidity is available to meet all commitments whilst keeping risk at an acceptable level and minimising borrowing costs.

The Group actively manages its interest costs and has five interest rate swaps totalling £57m. Together with the AHF Bond above there is £92.1m of fixed rate debt. As a result, 69% of the drawn debt of the Group is at a fixed rate of interest. The maturity of the Group's borrowing was as follows on 31 March 2017:

Maturity Profile

(excludes AHF Bond which was priced on 4 April 2017)	2017 £'m	2016 £'m
Within 1 year	-	-
Between 1 and 5 years	-	-
After 5 years	98.3	86.3
Total	**98.3**	**86.3**

As part of arranging its loan facilities, the Group is required to provide security by charging properties it owns. The properties are valued using the EUV-SH methodology and currently the charged properties are valued at £260m, plus a further circa £10m uncharged. The security is allocated to provide collateral for the loans plus exposure to the mark to market position arising on the five interest swaps in place via the bank. At year end there was circa £60m excess security cover in the Group. This gives comfort there is sufficient asset cover for all existing facilities and for raising additional finance.

During the year £20.7m (2016: £11.8m) of cash was generated from operating activities and £12.0m of loans were drawn down reflecting the increased development activity through the year. Total interest of £3.9m (2016: £3.4m) was paid in cash terms during the year.

The Group 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. In 2017/18 the Group will be looking at its overall funding structure and working with advisers to ensure that the appropriate funding is in place to support the Group's aspiration.

The Group has created a Treasury Working Group, consisting of two Board/Committee members and two Trust employees. The Trust employees are the Director of Finance & Resources and the Head of Treasury & Financial Planning. This Working Group is to provide initial guidance and review of Treasury policies and funding options, and to make recommendations to the Group Board.

Development

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

The Devco subsidiary is fully operational and enables the Trust to make tangible savings through reclaimed VAT costs. The Trust (via its Clarendon Living subsidiary) has also entered into a Joint Venture with Watford Borough Council to develop and provide homes in Watford and the surrounding area. These homes will be a mixture of tenures ranging from temporary accommodation to market sale. The Group via Clarendon Living also entered into a joint venture with Mears New Homes in September 2016 to deliver 13 homes for the Group.

The Group also has future plans to enter into a second Joint Venture in 2017/18 with Three Rivers District Council, with the same aims of providing much needed accommodation in the Three Rivers area.

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 £20.7m (2016: £11.8m). Working capital moved as a result of the net cash flow from operating activities. A net interest payment of £3.9m was made during the year and approximately £28.5m 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 LPGS Fund was carried out as at 31 March 2016. Note 23 of the financial statements details the financial performance of this scheme.

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 Group Board has complied with its adopted code of Governance (the NHF code of Governance – Excellence in Governance – Code for members).

Statement of Compliance

The Group 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
Group'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 2017.

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, including co-optees currently are eleven in number and are drawn from a wide background bringing together professional, commercial and local experience.

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

Brian Trowbridge resigned from the Board in September 2016.

Raz Hussain and Marsha Thompson were appointed to the Board in September 2016.

Bernadette Laventure was appointed to the Board in November 2016. Chris Cheshire was appointed as an Independent Chair to Clarendon Living in December 2016 and joined the Group Board as a Co-optee on the same date.

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

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

Service contracts

The Chief Executive's notice period is six months, with the other executive directors having a three month notice period. Other staff are employed on contracts that range between one and two month's notice period.

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 Group that training, career development and promotion opportunities should be available to all employees.

The Group 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 a new online appraisal tool and regular individual meetings between managers and their direct reports, and by the Group's annual performance appraisal and goal-setting process.

The Group 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 Disability Confident 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 Group 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 Group made no donations during the year (2016: £240).

Financial Risk Management Objectives and Policies

The Group's operations are financed primarily by loans and by the reinvestment of surpluses. The Group also benefits from government grant, 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 Group Board to be interest rate risk, liquidity risk and credit risk. The Group Board reviews and agrees policies for managing each of these risks which are summarised below.

Interest Rate Risk

The Group'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 Group 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 available cash, the Trust has £46.7 million of undrawn committed facilities.

Credit Risk

The Group has proved resilient to welfare reforms during the financial year with arrears and bad debts continue to track in line with expectations. However, the changes imminent as a result of the introduction of Universal Credit pose the highest credit risk for the Group. 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 Group's long term financial plan is being revised accordingly.

Going Concern

The Group's business activities, its current financial position and factors likely to affect its future development are set out within the Strategic Report. The Group has in place long-term debt facilities (including £46.7 million of undrawn facilities at 31 March 2017 and the AHF Bond placed at the end of March 2017), which provide adequate resources to finance committed reinvestment and development programmes, along with the Group's day-to-day operations. The Group 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 Group 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 Group'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 Group is on-going and has been in place throughout the period commencing 1 April 2016 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 Group'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:

- Group Board approved terms of reference and delegated authorities for committees and subsidiaries
- annually reviewed financial regulations and standing orders to inform authority levels for decision making and appropriate procurement activity
- 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 Board / Committee on key business objectives, targets and outcomes
- Group 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 by members of the Trust's staff. Both cases are subject of ongoing investigations and the relevant authorities are being supported in the conclusion of their investigations.

The Group Board has delegated authority to the Audit and Risk Committee to regularly review the effectiveness of the system of internal control. The Group 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 Group, and the annual report of the internal auditor, and has reported its findings to the Board.

Board report (continued)

National Housing Federation (NHF) 2015 Code of Governance

We are pleased to report that the Group complies with the principal recommendations of the NHF 2015 Code of Governance. The Group 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 11 September 2017.

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 17 July 2017 and signed on its behalf by:

John Swinney

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 31 March 2017 which comprise the Consolidated and the Trust's Statements of Comprehensive Income, the Consolidated and the Trust's Statements of Financial Position, the Consolidated and the Trust's Statements of Changes in Reserves, the Consolidated Cash Flow Statement 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 3, 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 31 March 2017 and of the Group and Trust's surplus for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 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
Chartered Accountants and Statutory Auditor
45 Church Street
Birmingham
B3 2RT

Mazars LLP

Mazars LLP
Chartered Accountants and Statutory Auditor
Birmingham

Date: **8th August 2017**

Consolidated Statement of Comprehensive Income

For the Year Ended 31 March 2017

	Note	2017 £ '000	2016 £ '000
Turnover		31,410	29,729
Operating costs		(20,135)	(22,368)
Operating surplus		11,275	7,361
Share of joint venture profit/loss after tax		(8)	0
Surplus/(deficit) on disposal of property, plant and equipment	4	(770)	(133)
Finance Income		22	17
Interest and financing costs	5	(3,556)	(3,636)
Change in fair value of financial instruments		(2)	111
Surplus/(deficit) on revaluation of investment properties	14	360	1,265
Surplus before tax		7,321	4,985
Taxation	10	0	0
Surplus for the financial year		7,321	4,985
Actuarial (loss)/gain in respect of pension schemes	23	124	1,084
Change in fair value of hedged financial instruments		(1,998)	(281)
Total comprehensive income for the year		**5,446**	**5,788**

These financial statements on pages 20 to 55 were approved and authorised for issue by the Board on **17 July 2017** and signed on its behalf by:

John Swinney
Chair of the Trust's Board

Bernadette Laventure
Chair of Audit & Risk Committee

Tina Barnard
Company Secretary

Consolidated Statement of Financial Position

For the Year Ended 31 March 2017

	Note	2017 £ '000	2016 £ '000
Fixed assets			
Intangible assets	11	(29,568)	(29,985)
Investments in joint ventures	28	2,393	0
Housing properties		241,743	219,634
Investment properties	14	3,915	3,555
Other property, plant and equipment	13	12,974	13,437
Total fixed assets		**231,457**	**206,641**
Current assets			
Stock - Work in progress	16	0	2,996
Debtors	17	44,242	28,896
Cash		6,009	4,894
Total current assets		50,251	36,786
Creditors: Amounts falling due within one year	18	(15,244)	(11,190)
Net current assets		**35,006**	**25,596**
Total assets less current liabilities		**266,463**	**232,237**
Creditors: Amounts falling due after more than one year	18	(166,332)	(137,459)
Defined benefit pension liability	23	(463)	(557)
Net assets		**99,668**	**94,221**
Capital and reserves			
Share capital		0	0
Revenue reserve		33,398	25,175
Property revaluation reserve		96,150	96,929
Cash flow hedge reserve		(29,881)	(27,883)
Total reserves		**99,668**	**94,221**

These financial statements on pages 20 to 55 were approved and authorised for issue by the Board on **17 July 2017** and signed of its behalf by:

John Swinney
Chair of the Trust's Board

Bernadette Laventure
Chair of Audit & Risk Committee

Tina Barnard
Company Secretary

Trust Statement of Comprehensive Income

For the Year Ended 31 March 2017

	Note	2017 £ '000	2016 £ '000
Turnover	3a	31,473	29,729
Operating expenditure	3a	(19,149)	(22,368)
Cost of sales	3a	(1,049)	0
Operating surplus	3a	11,275	7,361
Surplus/(deficit) on disposal of property, plant and equipment	4	(770)	(133)
Finance Income	6	197	17
Interest and financing costs	5	(3,556)	(3,636)
Change in fair value of financial instruments		(2)	111
Surplus/(deficit) on revaluation of investment properties	14	360	1,265
Surplus/(deficit) before tax		7,504	4,985
Taxation	10	0	0
Surplus for the financial year		7,504	4,985
Gift Aid		595	0
Actuarial (loss)/gain in respect of pension schemes	23	124	1,084
Change in fair value of hedged financial instruments		(1,998)	(281)
Total comprehensive income for the year		**6,224**	**5,788**

Trust Statement of Financial Position

For the Year Ended 31 March 2017

	Note	2017 £ '000	2016 £ '000
Fixed assets			
Intangible assets	11	(29,568)	(29,985)
Housing properties	12	236,561	219,634
Investment properties	14	3,915	3,555
Other property, plant and equipment	13	12,974	13,437
Total fixed assets		**223,882**	**206,641**
Current assets			
Stock - Work in progress	16	0	1,135
Debtors	17	53,007	30,757
Cash		5,800	4,894
Total current assets		58,807	36,786
Creditors: Amounts falling due within one year	18	**(15,448)**	**(11,190)**
Net current assets		**43,358**	**25,596**
Total assets less current liabilities		**267,241**	**232,237**
Creditors: Amounts falling due after more than one year	18	(166,332)	(137,459)
Defined benefit pension liability	23	(463)	(557)
Net assets		**100,445**	**94,221**
Capital and reserves			
Revenue reserve		34,176	25,175
Property revaluation reserve		96,150	96,929
Cash flow hedge reserve		(29,881)	(27,883)
Total reserves		**100,445**	**94,221**

These financial statements on pages 20 to 55 were approved and authorised for issue by the Board on **17 July 2017** and signed on its behalf by:

John Swinney
Chair of the Trust's Board

Bernadette Laventure
Chair of Audit & Risk Committee

Tina Barnard
Company Secretary

Financial Statements

Consolidated Statement of Changes in Reserves

For the Year Ended 31 March 2017

	Revaluation Reserve £ '000	Cash Flow Hedge Reserve £ '000	Revenue Reserve £ '000	2017 Total £ '000
At 1 April 2016	96,929	(27,883)	25,175	94,221
Surplus for the year	0	0	7,321	7,321
Actuarial gain in respect to pension scheme	0	0	124	124
Transfer from Revaluation Reserve to Revenue Reserve	(779)	0	779	0
Changes in fair value movement of derivatives	0	(1,998)	0	(1,998)
At 31 March 2017	**96,150**	**(29,881)**	**33,398**	**99,668**

	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	0	0	4,985	4,985
Actuarial gain in respect to pension scheme	0	0	1,084	1,084
Changes in fair value movement of derivatives	0	(281)	0	(281)
At 31 March 2016	**96,929**	**(27,883)**	**25,175**	**94,221**

Trust Statement of Changes in Reserves

For the Year Ended 31 March 2017

	Revaluation Reserve £ '000	Cash Flow Hedge Reserve £ '000	Revenue Reserve £ '000	2017 Total £ '000
At 1 April 2016	96,929	(27,883)	25,175	94,221
Surplus for the year	0	0	7,504	7,504
Actuarial gain in respect to pension scheme	0	0	124	124
Gift aid from subsidiary	0	0	595	595
Transfer from Revaluation Reserve to Revenue Reserve	(779)	0	779	0
Changes in fair value movement of derivatives	0	(1,998)	0	(1,998)
At 31 March 2017	**96,150**	**(29,881)**	**34,176**	**100,445**

	Revaluation Reserve £ '000	Cash Flow Hedge Reserve £ '000	Revenue Reserve £ '000	2017 Total £ '000
At 1 April 2015	96,929	(27,602)	19,106	88,433
Surplus for the year	0	0	4,985	4,985
Actuarial gain in respect to pension scheme	0	0	1,084	1,084
Changes in fair value movement of derivatives	0	(281)	0	(281)
At 31 March 2016	**96,929**	**(27,883)**	**25,175**	**94,221**

Consolidated Statement of Cash flows

For the Year Ended 31 March 2017

	Note	2017 £ '000	2016 £ '000
Net cash generated from operating activities	Page 27	20,685	11,789
Cash flows from investing activities			
Purchase of property, plant and equipment		(28,202)	(14,370)
Investment in Joint Venture		(2,400)	0
Proceeds from sale of property, plant and equipment		1,267	1,479
Grants received		1,612	1,590
Interest received		22	17
Net cash flows from investing activities		**(7,016)**	**505**
Cash flows form financing activities			
Interest paid		(3,860)	(3,362)
New secured loans		12,050	0
Capital element of finance lease payments		(59)	(153)
Net cash flows from financing activities		**8,131**	**(3,515)**
Net increase/(decrease) in cash and cash equivalents		1,115	**(3,010)**
Cash and cash equivalents at beginning of year		4,894	**7,904**
Cash and cash equivalents at end of year		6,009	**4,894**

The accompanying note forms part of these financial statements.

Note to Consolidated Statement of Cash flows

For the Year Ended 31 March 2017

	2017 £ '000	2016 £ '000
Cash flow from operating activities		
Surplus for the year	7,321	4,985
Adjustment for non-cash items: Depreciation of property, plant and equipment	4,841	4,580
Amortisation of intangible assets	(417)	(417)
Decrease / (increase) in inventories	2,996	(2,996)
Decrease / (increase) in debtors	(5,831)	2,641
Increase / (decrease) in creditors	7,848	2,106
Share of loss of joint ventures	8	0
Pension costs less contributions payable	11	21
Carrying amount of property, plant & equipment disposals	2,037	(1,612)
Impairment loss on property, plant and equipment		
(Increase)/decrease in fair value of investment property	(360)	(1,265)
Adjustments for investing or financing activities: Proceeds from the sale of property, plant and equipment	(1,267)	0
Movement in fair value of financial instrument	2	(111)
Government grants utilised in the year	(39)	0
Interest received	(22)	0
Interest payable	3,556	3,857
Cash generated by operations	20,685	11,789

Notes to the Financial Statements

For the Year Ended 31 March 2017

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 subsidiaries WCHT Devco Limited and Clarendon Living Limited (CLL), as well as its investment in two joint ventures via CLL, namely Hart Homes (Watford) Limited and Hart Homes (Watford) Development LLP.

The Group meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside these consolidated financial statements. Exemptions have been taken in relation to the following:

- A Statement of Cash Flows has not been presented for the parent company
- Certain disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the Group as a whole.

Basis of consolidation

The Group financial statements consolidate those of the Trust and its subsidiary undertakings drawn up to 31 March 2017. 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.

Property, Plant and Equipment – Housing Properties at deemed cost

Where housing properties were measured at fair value at the date of transition to FRS102 and this valuation was used as deemed cost, taking advantage of the exemption available on transition to FRS 102 from previous UK GAAP, this was considered to be a valuation and a revaluation reserve established to account for the movement. The difference between historical cost depreciation and depreciation charged on the fair value balance is transferred from the revaluation reserve to the income and expenditure reserve annually.

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.

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.

Joint Ventures

Entities in which the Group holds an interest and which are jointly controlled by the Group and one or more other venturers under a contractual arrangement are treated as joint ventures. In the Group financial statements, joint ventures are accounted for using the equity method. In the parent Association financial statements investments in joint ventures are accounted for at cost less impairment and dividends receivable. The Group assesses at each reporting date whether there is any indication of impairment.

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 are 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.

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

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 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.

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. 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.

The above arrangement formally expired in March 2017 and the Trust intends to liaise with Watford Borough Council to agree the end of the scheme.

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

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 non-current 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 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 Group's business activities, its current financial position and factors likely to affect its future development are set out within the Strategic Report. The Group has in place long-term debt facilities (including £46.7 million of undrawn facilities at 31 March 2017), which provide adequate resources to finance committed reinvestment and development programmes, along with the Group's day-to-day operations. The Group 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 Group 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.

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

3a. Particulars of turnover, cost of sales and operating surplus - Trust

	2017 Turnover £'000	2017 Operating costs £'000	2017 Operating surplus £'000	2016 Turnover £'000	2016 Operating costs £'000	2016 Operating surplus £'000
Social housing lettings (see note 3b)	27,757	(17,433)	10,324	27,626	(19,517)	8,109
Other social housing activities						
Supporting People contract income	38	(38)	-	59	(59)	-
Management services	335	(266)	69	398	(239)	159
Other	337	(686)	(349)	208	(908)	(700)
	710	(990)	(280)	665	(1,206)	(541)
Non-social housing activities						
Lettings	1,211	(602)	609	1,107	(558)	549
Other	143	(541)	(398)	330	(1,504)	(1,173)
Amortisation of Goodwill	-	417	417	-	416	416
Shared Ownership Equity & Sales Income	1,651	(1,049)	602	-	-	-
	3,006	(1,775)	1,231	1,437	(1,645)	(208)
	31,473	**(20,198)**	**11,275**	**29,729**	**(22,368)**	**7,361**

The difference to the Group statement is an adjustment in turnover and operating expenses of c.£60k relating to intra-trading with WCHT Devco Limited

3b. Particulars of Income and Expenditure from Social Housing Lettings

	General needs housing £'000	Supported housing and housing for older people £'000	Shared ownership £'000	2017 Total £'000	2016 Total £'000
Income					
Rent Receivable net of identifiable service charges	24,313	2,117	141	**26,571**	**26,572**
Service income	439	599	42	**1,080**	**1,002**
Amortisation of SHG	39	0	0	**39**	**27**
Other Revenue Grants	67	0	0	**67**	**26**
Turnover from social housing lettings	**24,857**	**2,716**	**183**	**27,757**	**27,626**
Expenditure					
Management costs	(7,460)	(670)	(119)	**(8,249)**	**(8,859)**
Service charge costs	(416)	(470)	(38)	**(924)**	**(1,263)**
Routine maintenance	(2,865)	(253)	0	**(3,118)**	**(3,104)**
Planned maintenance	(415)	(37)	0	**(451)**	**(390)**
Major repairs expenditure	(333)	(29)	0	**(362)**	**(1,906)**
Bad debts	(95)	(0)	0	**(95)**	**(70)**
Depreciation of housing properties	(3,887)	(177)	(170)	**(4,234)**	**(3,925)**
Operating costs on social housing lettings	**(15,471)**	**(1,637)**	**(328)**	**(17,433)**	**(19,517)**
Operating surplus/(deficit) on social housing lettings	**9,386**	**1,079**	**(145)**	**10,324**	**8,109**
Void losses	**560**	**96**	**0**	**656**	**493**

Notes

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

	2017 £'000	2016 £'000
Right to Buy & shared ownership staircasing		
Disposal Proceeds	5,352	5,046
Less: Share of proceeds due to Watford Borough Council	(4,211)	(3,567)
Less: Carrying value of fixed assets	(1,203)	(1,612)
(Deficit)/Surplus on disposal	**(63)**	**(133)**
Other disposals		
Proceeds	22	0
Less: Carrying value of fixed assets	(729)	0
(Deficit)/Surplus on disposal	(707)	0
Total (Deficit)/Surplus on disposal	**(770)**	**(133)**

5. Interest and Finance costs – Trust

	2017 £'000	2016 £'000
Bank loan and overdraft	3,819	3,803
Finance lease charges	11	6
Loan fee costs	48	48
Capitalised Interest	(322)	(221)
	3,556	**3,636**

Borrowing costs have been capitalised based on a capitalisation rate of 3.78% per cent (2016: 3.88%) which is the weighted average of rates applicable to the Trust's general borrowings outstanding during the year.

6. Interest receivable and other income – Trust

	2017 £'000	2016 £'000
Interest receivable and similar income	**197**	**17**

7. Surplus on ordinary activities before taxation

Surplus on ordinary activities before taxation is stated after charging/(crediting):

	2017 £'000	2016 £'000
Depreciation of housing properties	4,234	3,925
Depreciation of other property, plant & equipment	582	655
Government grant amortisation	(39)	(72)
Amortisation of goodwill	(417)	(416)
Operating lease rental	76	(138)
(Gain)/Loss on disposal of fixed assets	770	133
External auditors remuneration:		
- Statutory audit	34	20
- Tax advisory/compliance services	52	1

8. Staff costs

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

	2017 No.	2016 No.
Administration	48	43
Asset Management and Development	12	15
Housing, Support and Care	57	48
In-House Repairs team	44	36
	161	**142**

Employee costs:

	2017 £'000	2016 £'000
Wages and Salaries	4,769	4,644
Social Security Costs	514	459
Other Pension Costs	425	395
	5,708	**5,498**

Notes

8. Staff costs – (Continued)

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

Salary Band

	2017 No.	2016 No.
£60,000 to £69,999	0	2
£70,000 to £79,999	0	1
£80,000 to £89,999	2	0
£90,000 to £99,999	0	0
£100,000 to £109,999	0	0
£110,000 to £119,999	0	2
£120,000 to £129,999	1	0
£130,000 to £139,999	0	0
£140,000 to £149,999	1	1

9. Board members and executive directors

	Basic Salary £'000	Performance Related Pay £'000	Pension Contributions £'000	Ex Gratia Payment £'000	2017 Total £'000	2016 Total £'000
Chief Executive						
Tina Barnard	124.3	5.2	18.8	0.0	**148.1**	**146.4**
Director of Partnerships						
Gareth Lewis	104.3	4.3	10.9	5.0	**124.5**	**115.3**
Director of Resources						
Julie Robinson (resigned May 2016)	25.2	3.3	1.0	0.0	**29.5**	**111.2**
Assistant Director of Customer Services						
Tony Lewis (resigned July 2016)	28.8	2.3	2.7	10.0	**43.8**	**51.4**
Director of Finance						
Paul Richmond (appointed September 2016)	50.9	0.0	4.5	0.0	**55.4**	**0.0**
Director of Operations						
Ben Johnson (appointed May 2017)	77.0	3.2	7.7	0.0	**87.9**	**74.8**
Total	**410.5**	**18.3**	**45.6**	**15.0**	**489.2**	**499.1**

The Membership agreed to remunerate all Board Members following the AGM in September 2016. Remuneration paid to Chair of the Board was £8.2k (2016: £6.1k). Remuneration paid to other Board members in the year was £19k (2016: £Nil). Board members received: J Kape (£3k), J Lavers (£3k), N Benjamin (£3k), B Laventure (£2.3k), M Thompson, R Kumar, R Hussain and P Jeffree (all £1.5k). Committee members received, C Pagdin (£0.75k), A Lynch (£0.6k) and L Riley (£0.25k). Board members' expenses were £9.3k (2016: £12.1k).

The emoluments of the highest paid director, the Chief Executive, including Performance Related Pay but excluding pension contributions, were £129.5k (2016: £128.1k).

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.

10. Taxation – Group and Trust

There is no tax charge for the year. The Trust has charitable status with HMRC and consequently the surpluses derived from primary activities are exempt from taxation. The subsidiary entities either have losses for the year or gift aid profits to the Trust.

11. Intangible non-current assets: negative goodwill

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 £417k.

	£ '000
Cost	
At 1 April 2016 and 31 March 2017	33,326
Amortisation	
At 1 April 2016	(3,341)
Charge for the year	(417)
At 31 March 2017	(3,758)
Net book value	
At 31 March 2017	**29,568**
As at 31 March 2016	29,985

12. Property, plant and equipment - housing properties - Trust

	Social housing properties held for letting £'000	Social housing properties under construction £'000	Completed shared ownership housing properties £'000	2017 Total £'000
Cost				
At 1 April 2016	211,584	13,270	2,372	227,226
Additions	0	18,540	0	18,540
Reclassification	0	0	0	0
Completed properties	14,488	(13,313)	(1,175)	0
Works on existing properties	4,663	0	0	4,663
Disposals	(2,097)	0	(102)	(2,199)
At 31 March 2017	228,638	18,426	1,095	248,321
Depreciation and impairment				
At 1 April 2016	7,515	0	77	7,592
Charge for the year	4,185	0	59	4,244
Released on disposal	(167)	0	(0)	(167)
At 31 March 2017	11,534	0	136	11,669
NET BOOK VALUE				
At 31 March 2017	**217,105**	**18,426**	**959**	**236,561**
At 31 March 2016	204,069	13,270	2,295	219,634

Additions to housing under construction include capitalised interest of £0.3m (2016 £0.2m). Interest is capitalised at the weighted average interest cost for the Group at 3.88%

During the year the Group disposed of 20 properties (2016: 22 properties) to tenants under RTB entitlements. These properties were valued at £6.4m during the year (2016: £5.0m).

The Group Net Book Value at 31 March 2017 is £241.7m, which is £5.2m higher than the Trust position. This is a combination of investments in Clarendon Living Limited, £5.8m, partially offset by intra-group transactions (£0.6m), which are eliminated on consolidation.

Notes

13. Property, plant and equipment - other - Trust

	Freehold properties £'000	Office Computers £'000	Furniture and fittings £'000	Office equipment and vehicles £'000	2017 Total £'000
Cost					
At 1 April 2016	14,187	1,365	184	846	**16,582**
Additions	0	119	0	19	**139**
Disposals	(2)	0	(10)	0	**(12)**
At 31 March 2017	14,185	1,484	174	865	**16,708**
Depreciation and impairment					
At 1 April 2016	1,453	1,169	85	438	**3,145**
Charge for the year	285	106	13	192	**596**
Released on disposal	(0)	0	(7)	0	**(7)**
At 31 March 2017	1,738	1,275	91	618	**3,734**
NET BOOK VALUE					
At 31 March 2017	**12,447**	**210**	**83**	**248**	**12,974**
At 31 March 2016	12,734	196	99	408	**13,437**

Notes

14. Investment properties - Trust

	2017 Properties held for market rent £'000	2016 Properties held for market rent £'000
Valuation as at 1 April	3,555	2,290
Additions	0	0
Disposals	0	0
Gain from adjustment to fair value	360	1,265
At 31 March	**3,915**	**3,555**

15. Group Subsidiaries

Clarendon Living Limited (formerly Gateway Enterprises (Watford) Limited, a non-regulated subsidiary of Watford Community Housing Trust, recommenced trading in 2016/17. The investment in the subsidiary is £1 share capital

WCHT Devco Limited, a non-regulated subsidiary and wholly owned by Watford Community Housing Trust, traded throughout 2016/17. The investment in the subsidiary is £1 share capital

16. Stock and work in progress

	2017 £'000	2016 £'000
GROUP		
Work in Progress	0	2,996
TRUST		
Work in progress	0	1,135

Notes

17. Debtors - Group

	2017 £'000	2016 £'000
Due within one year		
Rent and service charges arrears	821	799
Less: Provision for bad and doubtful debts	(480)	(480)
	341	319
Service charges sinking fund account	204	177
Escrow account - Rembrandt House development programme	100	1,447
Other debtors	4,829	646
Refurbishment works deferred	0	3,827
AHF Bond	35,083	0
Prepayments and accrued income	3,685	740
Debtors due within one year	**44,242**	**7,156**
Due after more than one year		
Refurbishment works deferred	0	21,740
Due after more than one year	**0**	**21,740**
Total Debtors	**44,242**	**28,896**

Debtors - Trust

	2017 £'000	2016 £'000
Due within one year		
Rent and service charges arrears	821	799
Less: Provision for bad and doubtful debts	(480)	(480)
	341	319
Service charges sinking fund account	204	177
Escrow account - Rembrandt House development programme	100	1,447
Other debtors	7,305	646
Refurbishment works deferred	0	3,827
Loans to subsidiaries	2,650	0
AHF Bond	35,083	0
Prepayments and accrued income	1,562	740
Intercompany balances	0	1,861
Debtors due within one year	**47,244**	**9,017**
Due after more than one year		
Loans to subsidiaries	5,763	0
Refurbishment works deferred	0	21,740
Due after more than one year	**5,763**	**21,740**
Total Debtors	**53,007**	**30,757**

18. Creditors: amounts falling due within one year - Group

	2017 £'000	2016 £'000
Refurbishment work obligation	0	3,827
Trade creditors	7,952	319
Rent and service charges received in advance	987	1,046
Government grants (note 19)	55	27
Other taxation and social security	135	137
Pension Contributions	48	44
Other creditors	3,025	1,513
Finance lease liability	5	0
Accruals and deferred income	3,037	4,277
	15,244	**11,190**

18. Creditors: amounts falling due after one year - Group

	2017 £ '000	2016 £ '000
Bank loans	132,158	85,027
Government grants (note 19)	4,197	2,651
Derivative financial instruments	29,883	27,883
Refurbishment works obligation	0	21,740
Finance lease obligation	94	158
	166,332	**137,459**

18. Creditors: amounts falling due within one year - Trust

	2017 £'000	2016 £'000
Refurbishment work obligation	0	3,827
Trade creditors	7,952	319
Rent and service charges received in advance	987	1,046
Government grants	55	27
Other taxation and social security	135	137
Pension Contributions	48	44
Other creditors	18	1,513
Finance lease liability	5	0
Accruals and deferred income	6,248	4,277
	15,448	**11,190**

18. Creditors: amounts falling due after one year - Trust

	2017 £ '000	2016 £ '000
Bank loans	132,158	85,027
Government grants	4,197	2,651
Derivative financial instruments	29,883	27,883
Refurbishment works obligation	0	21,740
Finance lease obligation	94	158
	166,332	**137,459**

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 £98.3m, 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 2017 was 3.56% (2016: 3.88%). The Trust has hedged £57m (58%) into fixed rate through the use of interest rate swaps.

The interest rate profile at 31 March 2017 is as follows:

Floating rate:	£41.3m
Hedged rate liabilities:	£57.0m

At 31 March 2017 the Trust has undrawn committed loan facilities of £46.7m (2016: £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.

19. Deferred income - Government grants - Group and Trust

	2017 £'000	2016 £'000
At 1 April	2,678	1,204
Grants receivable	1,612	1,447
Total Grant Received	4,290	2,651
Amortisation to Statement of Comprehensive Income	39	27
At 31 March	4,251	2,678
Due within one year	55	27
Due after one year	4,197	2,651

20. Financial instruments - Group and Trust

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

	2017 £'000	2016 £'000
Financial assets		
Measured at undiscounted amount receivable		
Rent arrears and other debtors (see note 17)	341	965
	341	**965**
Financial liabilities		
Measured at fair value and designated in an effective hedging relationship		
Derivative financial liabilities (see note 18)	29,883	27,883
Measured at amortised cost		
Loans payable (see note 18)	132,158	85,027
Measured at undiscounted amount payable		
Trade creditors and others (see note 18)	15,448	7,363
	177,490	**120,273**

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

	2017 £'000	2016 £'000
Fair value gains and losses		
On financial assets (including listed investments) measured at fair value through Statement of Comprehensive Income	(2)	111

	2017 £'000	2016 £'000
Obligation under finance leases		
In one year or more but less than two years	5	116
In two years or more but less than five years	94	42
In five years or more	-	-
	99	158

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	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Outstanding receive floating pay fixed contracts				
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

	2017	2017	2016	2016
	No.	£	No.	£
Shares of 10p each issued and fully paid				
At 1 April	2,616	261	2,724	272
Shares issued during the year	65	7	284	28
Shares surrendered during the year	(131)	(13)	(392)	(39)
At 31 March	**2,550**	**255**	**2,616**	**261**

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

23. Hertfordshire County Council Pension Fund (HCCPF) - Trust

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 2017 by a qualified actuary.

The employers' contributions to the HCCPF by the Trust for the year ended 31 March 2017 were £27k (2016: £37k) at a contribution rate of 20.9% of pensionable salaries, set until the next funding valuation at 31 March 2020.

	2017 % pa.	2016 % pa.
Financial Assumptions		
Discount rate	2.6%	3.5%
Future salary increases	2.5%	3.7%
Future pension increases	2.4%	2.2%

Mortality Assumptions

The post-retirement mortality assumptions used to value the benefit obligation at March 2017 are based on the Fund's Vita Curves with improvements in line with the CMI 2013 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	Females
Current Pensioners	22.5 years	24.9 years
Future Pensioners	24.1 years	26.7 years

	2017 £'000	2016 £'000
Analysis of the amount charged to the Statement of Comprehensive Income		
Current service cost	38	58
Interest income on plan assets	(345)	(317)
Interest on pension scheme liabilities	364	368
Losses/(Gains) on Curtailments and Settlements	0	0
Total operating (credit) / charge	**57**	**109**

	2017 £'000	2016 £'000
Amount Recognised in Statement of Comprehensive Income		
Actuarial gains/(losses) recognised	124	1,084

	2017 £'000	2016 £'000
Amounts recognised in the Statement of Financial Position		
Present value of funded obligations	(11,615)	(10,502)
Fair value of plan assets	11,152	9,945
Present value of unfunded obligations	(463)	(557)
Net pension liability	**(463)**	**(557)**

Notes

	2017 £'000	2016 £'000
Changes in present value of plan assets		
Opening fair value for employer assets	9,945	10,027
Return on Assets	1,036	(167)
Contributions by members	9	12
Contributions by the employer	27	37
Actuarial (Gains)/Losses	345	317
Benefits paid	(210)	(281)
Closing Fair value of Employer Assets	**11,152**	**9,945**

	2017 £'000	2016 £'000
Changes in present value of defined benefit obligation		
Opening defined benefit obligation	10,502	11,596
Service cost	38	58
Interest cost	364	368
Actuarial Losses/(Gains)	912	(1,251)
Losses/(Gains) on Curtailments	0	0
Contributions by members	9	12
Estimated Benefits paid	(210)	(281)
Closing defined benefit obligation	**11,615**	**10,502**

	2017	2016
Major categories of plan assets as percentage of total plan assets		
Equities	65%	63%
Bonds	25%	26%
Property	7%	8%
Cash	3%	3%

	2018 £'000	2018 % of pay
Analysis of Projected Amounts to be charged to operating surplus for the year to 31 March 2018		
Projected Current Service Cost	(54)	(41.4%)
Interest on obligation	(299)	(228.2%)
Expected Return on Plan Assets	287	219%
Total	**(66)**	**(50.5%)**

Employer's contributions for the year 31 March 2018 are estimated to be £42k.

24. Capital commitments – Group and Trust

	2017 £'000	2016 £'000
Capital Expenditure		
Expenditure contracted for but not provided in the accounts	37,363	11,914
Expenditure authorised by the board, but not contracted for	46,691	13,070
Total	**84,054**	**24,984**

The above capital commitments will be financed primarily through borrowing of £51.7m, which is available for drawdown under existing loan agreements (£16.7m) and recently agreed funding with AHF (£35m) with the balance of £32.3m being funded via Social Housing Grant (£3.3m), property sales (£3.9m), repayment of loan made to subsidiary (£9.5m) and operating surpluses/reserves (£15.6m).

25. Operating Leases

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

	2017 £'000	2016 £'000
Office equipment and computers payments in the following periods		
Within one year	58	52
Two to five years	9	81
	67	**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 prevailing market rate.

26. Stock Profile

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

	2017 No.	2016 No.
Social housing		
General housing	4,121	4,126
Supported housing and housing for older people	552	517
Shared ownership	95	87
Total social housing owned	**4,768**	**4,730**
Accommodation managed for others	136	105
Total social housing managed	**4,904**	**4,835**
Leasehold	348	347
Total housing owned and managed	**5,252**	**5,182**
Non-Social Housing		
Commercial Shops	22	21
Commercial and Market Rented Properties	32	36
Garages	1,270	1,280
	1,324	**1,337**
Total owned and managed	**6,576**	**6,519**

The Trust manages accommodation for Watford Borough Council & Hertfordshire County Council, Network Homes and Three Rivers District Council.

27. Related Parties - Trust

	Services Received 2017 £'000	Services Provided 2017 £'000	Debtor/ (Creditor) balances as at 31 March 2017 £'000
Regulated			
Watford Community Housing Trust	648	63	11,018
Non-Regulated			
WCHT Devco Limited	63	648	(2,605)
Clarendon Living Limited	0	0	(8,413)

Watford Community Housing Trust has made loan facilities available to Clarendon Living Limited of £8.4m

WCHT Devco Ltd provides design and build services to Watford Community Housing Trust, at a charge of 5% of applicable scheme costs. Watford Community Housing Trust makes sales of professional services to WCHT Devco Ltd.

28. Joint Ventures

Clarendon Living Limited has a 50% interest in two joint ventures. These are Hart Homes (Watford) Limited and Hart Homes (Watford) Development LLP

Details on the investments are below:

	2017 £'000	2016 £'000
Office equipment and computers payments in the following periods		
Cost of investment	2,400	0
Share of loss of joint ventures	(7)	0
	2,393	**0**

Watford Community Housing
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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Value for Money Self-Assessment

2016-2017

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1. About us

Watford Community Housing 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. We were created in September 2007 as a Large Scale Voluntary Transfer (LSVT) and own 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.

1.1 Organisational Structure and Governance

Watford Community Housing is charitable, having the status of a Registered Society under the Cooperative and Community Benefit Societies Act 2014. We are governed by a Board of management consisting of eleven non-executive members. Other than the co-optees and local authority nominee (who became a Councillor in May 2017), all Board members are remunerated. Watford Community Housing is managed by an Executive Management Team which reports to the Group Board and is headed by a Chief Executive. The Chief Executive is supported by three Directors – the Director of Finance & Resources, the Director of Partnerships and the Director of Operations. The Group Board delegates some of its responsibilities to committees composed of Board members and independent committee members. The structure consists of an Audit and Risk Committee, a Business Development Committee, an Operations Committee and a Remuneration and Appraisal Committee.

Our tenants' group (Gateway Management Team) reports regularly to the Group Board and monitors service deliveries and scrutinises our services. Residents also have the opportunity to shape decision making through a range of different channels including consultations, online discussion forums and feedback via social media.

Watford Community Housing now operates as a Group structure ("the Group") and has two fully owned subsidiaries:

- Clarendon Living Limited – formerly Gateway Enterprises (Watford) Ltd. This is used to deliver and promote the Group's commercial development activity. Clarendon Living has its own Board, which is chaired by an independent Board member, Chris Cheshire. This Board includes three non-executive members and two executive members.

- WCHT Devco Limited (Devco) – established in 2015 to provide design and build services to the Group. It has a first accounting period ending 31 March 2017. The Devco Board is chaired by John Lavers and the Board consists of two non-executive members and two executive members.

The Group is now an active participant of a Joint Venture with Watford Borough Council (WBC); Hart Homes. Hart Homes consists of an asset holding entity (Hart Homes (Watford) Limited) and a Development, Design and Build company (Hart Homes (Watford) Development LLP). Both entities are split on a 50/50 basis with WBC and are managed by Boards with representatives from both Clarendon Living and WBC. The first scheme began in February 2017 and will deliver a combination of 40 temporary accommodation units and 36 affordable homes to the Watford area.

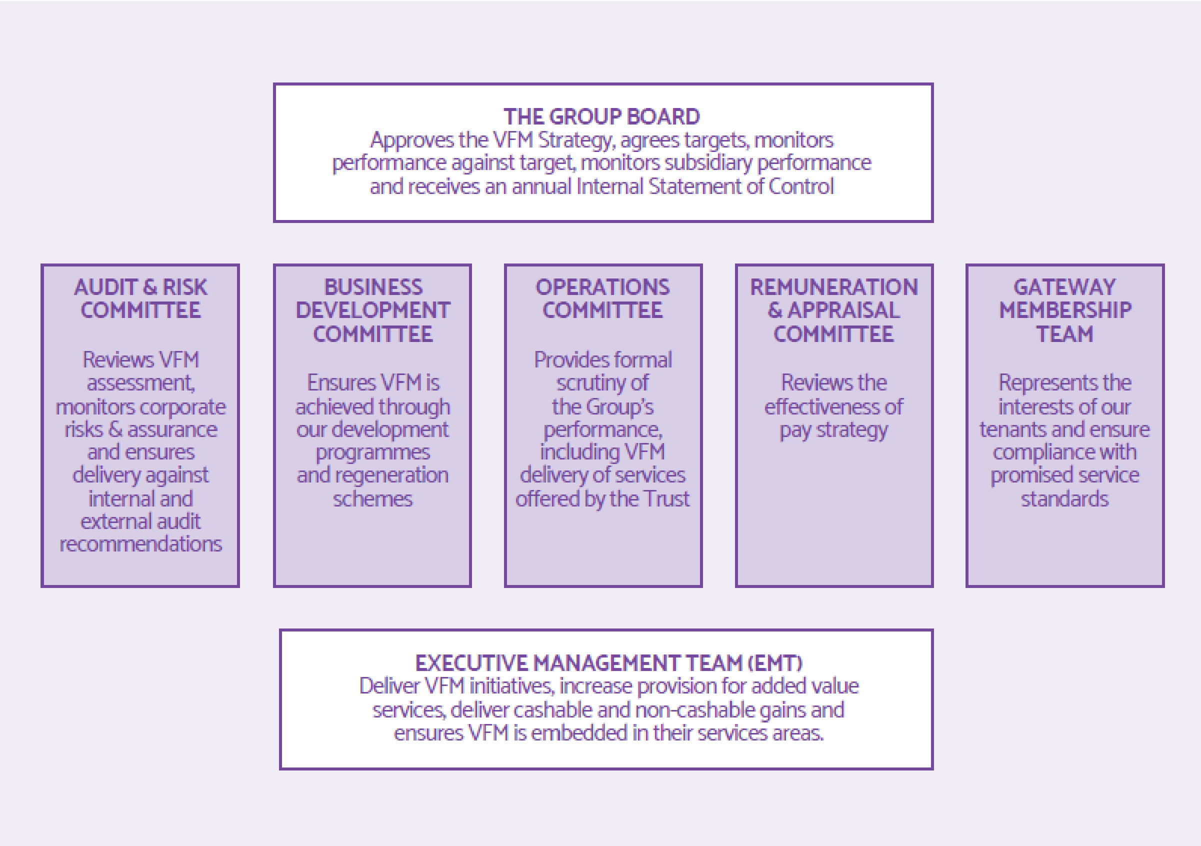
The Group is also actively engaged in a joint venture with Three Rivers District Council which will commence development activity in 2017/18. The venture comprises Three Rivers Homes Limited which is asset holding and Three Rivers Housing Development LLP a Development, Design and Build company.

1.2 Nature of Business

The Group operates five 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 Group on the remainder).
4. Market Rent schemes.
5. Selective market sale schemes and joint venture participation via Clarendon Living Limited.

1.3 Governance



Supporting the Group Board there are four main committees, all chaired by Group Board members, plus a Gateway Management Team Committee. These meet regularly during the year to provide scrutiny and assurance to the Group Board & Tenants.

The table above outlines the key responsibilities for each Committee.

1.4 Approach to Value for Money (VFM)

The Group is committed to delivering Value for Money through our 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. The Group Strategic Report, signed by our Group's Board Chair, John Swinney, can be found in our Financial Statements 2016/17 to provide further detail on this.

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

2. Objectives and Strategy

2016/17 was the first full year of the Group's 2016-20 Business Plan. Five priority areas have been agreed and are 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 plan is underpinned by our Vision and Values.	

2.1 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 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.

2.2 Key Achievements in 2016/17

Super Brand

The Improvement Programme delivered in the main via a contract with Keepmoat, was fully mobilised in June 2016. The contract is generally performing well with high levels of satisfaction.

Repairs satisfaction has been above 90% for the last six months and we are starting to see the results of the efforts that have been put into improving this service from all parts of the business. This has also correlated in a general decrease in complaints and an increase in compliments for the repairs service.

One area which has improved in the recent STAR survey is tenants having a clear understanding of responsibilities for their home; with 72.4% saying they do have a clear understanding in Q4 2016/17 (Q3 was 69.6%). This improvement was expected with the work on reviewing our Policies, Procedures and our Service Standards to ensure staff understand our offering and effectively communicate this to each other and more importantly to our tenants. These initiatives along with the continued excellences in repairs satisfaction will continue to support excellent satisfaction figures going forward.

Strong Financial Position

Operating margin – has outperformed its target all year with a year-end position of 35.8%. The main reasons for out-performing our financial targets include better than Budgeted performance on areas including Bad Debts, expense management and VFM efficiency savings delivered during the year. The latest regulatory judgement for the association was published on 29th June 2016 and updated on 16th November 2016 which assessed Watford Community Housing as G1 and V1, which are the highest ratings possible.

Partnership Working

Staff satisfaction has improved again and has exceeded its target for the year and has also exceeded the Benchmark figure of +45%. This reflects well on the impact of the Naked Leader management programme which is starting to show its value through this indicator. Also this indicates a well-managed restructure and it has not had a negative impact on this KPI. The year was also a success for building strong commercial ties with local authorities with the Hart Homes joint venture successfully launched during 2016/17.

Active developer

In the year we committed to construction on 240 homes over 8 sites - the largest being the Meriden, 133 homes, through to the acquisition of two flats for immediate occupation, part-funded by commuted sums funding from Watford Borough Council. In addition, we acquired our first site in Dacorum Borough Council for 11 homes on which to further expand our regional presence.

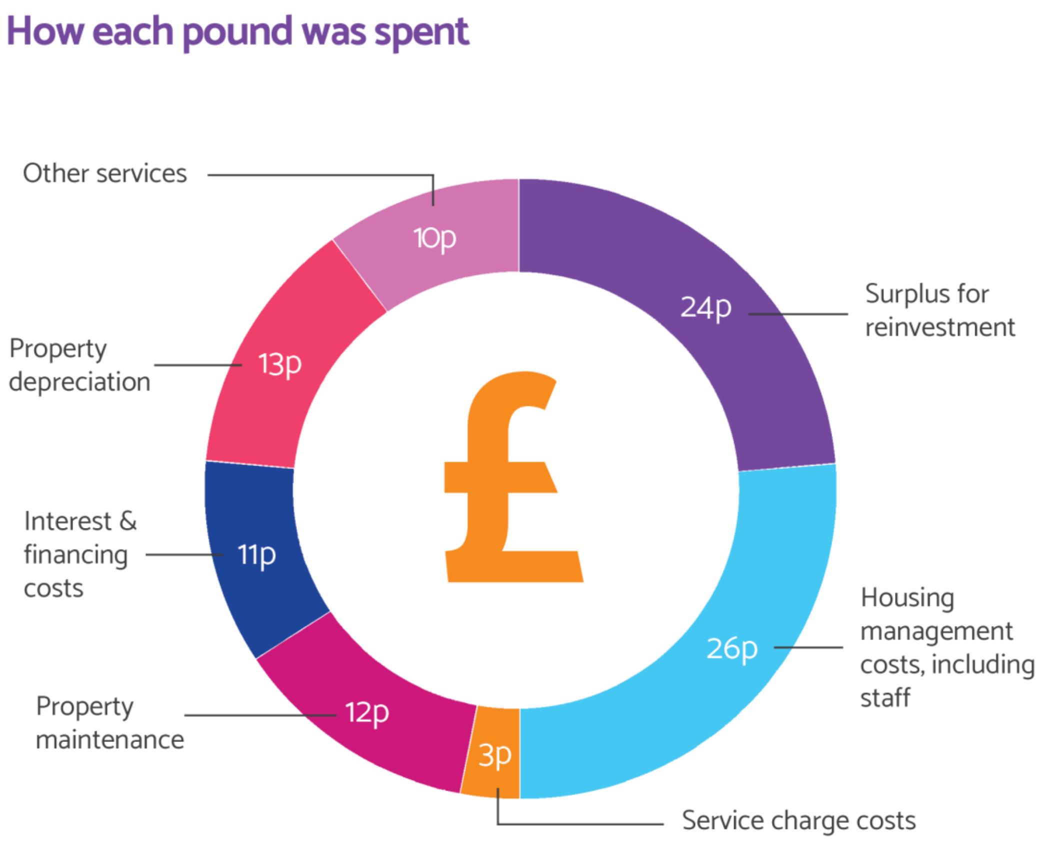
Building Community Capacity

Our Community Hubs continue to perform well with compliments received highlighting excellent staff attitude and great service received by those using them. The budgeted income for the hire of the hubs has exceeded its targets all year.

3. How we generate and spent our money in 2016/2017

Over the year we generated a surplus of £7.3 million (compared to £5.0 million in 2015/16), 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 South West Hertfordshire.

For every pound we received in the year, 91p was received from rents. We got 1p from providing property management services, 5p from shared ownership property sales (which was a new activity in the year) and 3p from other income. The total income generated was £31.4m of which £20.1m was spent on operating costs.



In terms of how every pound was spent, it can be split into the following elements:

- **Surplus for reinvestment: We will be reinvesting 24p in each pound in maintaining and improving our existing homes, providing better services, developing our communities and building new homes.**

- **Housing management cost including staff: We spent 26p in each pound to provide services to our tenants and to pay for staffing costs and overheads.**

- **Service cost: We spent 3p 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.**

- **Interest and financing costs: This amount of 11p in each pound includes interest and other financial accounting adjustments.**

- **Property depreciation: 13p in each pound accounts for the wear and tear of our assets including the homes we own.**

- **Cost of delivering other services: This amount of 10p in each pound includes managed services and lettings and cost of sales for our shared ownership developments.**

4. Asset Management

The Group operates a large property estate comprising a total over 5,000 homes which are estimated to have an open market value approaching £1bn. In 2017/18 we have budgeted to spend a total of £4.9m on maintenance and cyclical repairs of the properties plus a further £3.6m spent on programmed repairs.

The Group 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. Following the adoption of a new Asset Management Strategy in March 2016 the achievements in 2016/17 are as follows:

- 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;
- Mobilisation of new gas service in house which was delivered in August 2016;
- Procured and rationalised our materials providers; and
- Fully embedded new asset management and repairs software.

The Group is continuing to explore additional income channels including expanding its managed services and maximising the use of void properties. We manage homes for Watford Borough Council (WBC), Hertfordshire County Council and Three Rivers District Council. We have also converted some of our void properties to temporary accommodation to mitigate shortage in temporary accommodation being faced by WBC and TRDC as well as to generate additional income for the Group.

4.1 Stock Profile and Movement

Type of Units	2017 No.	2016 No.
Owned by the Group:		
General needs	3,988	4,055
Affordable rents	133	71
Housing for older people	510	514
Shared ownership	95	87
Leaseholds	348	347
Commercial and market rents	32	36
Commercial shops	22	21
Garages	1,270	1,280
Temporary	42	3
	6,440	6,414
Managed for others	136	105
Total	6,576	6,519

During the year the Group's stock numbers increased by 57 homes. This movement includes 93 completed new homes, a net increase in managed properties of 31 units, 23 homes sold through right to buy, right to acquire, and shared ownership stair-casing, a disposal of 32 housing properties and 10 garages. The stock is in good condition and the Group 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.

To support delivery of VFM across the business the Group has put in place a new Procurement Strategy. The Group also recruited a new Finance and Risk Manager to support delivery of this strategy. The strategy is aligned with the Business Plan 2016-2020 and is designed to ensure the Group:

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 payment arrangements in place to manage administrative costs, whilst ensuring supplies are paid on time; and**

ix. **Procures 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.**

4.2 Efficiency Gains in 2016/17

Efficiency Gains over 3 years

Efficiency Gains over 3 years	2014-15 Target £'000	2014-15 achieved £'000	2015-16 target £'000	2015-16 achieved £'000	2016-17 target £'000	2016-17 achieved £'000	Total savings £'000	Target £'000	Variance £'000
Procurement and contract savings	70	206	70	111	525	645	962	665	297
Self servicing	50	10	50	16	-	-	26	100	-74
Energy innovation	130	146	130	-	103	9	155	363	-208
Streamlined customer engagement	20	21	20	141	364	364	526	404	122
IT infrastructural cost	65	11	65	9	-	-	20	130	-110
Implementation of system upgrades	27	16	27	-	4	4	20	58	38
Review use of consultants	25	112	25	-	30	30	142	80	62
Review of responsive repairs cost	150	38	150	349	400	439	826	700	126
Lean business processes	113	176	387	360	193	236	772	693	79
Other	50	-	50	11	9	9	20	109	-89
Income Generation	-	-	-	33	156	165	198	156	42
Total	**700**	**736**	**974**	**1,030**	**1,784**	**1,901**	**3,667**	**3,458**	**209**

In February 2017 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 Group 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. For 2016/17 the Group Board set a target of £1.7m of cashable efficiency gains to be achieved over the years. At the end of 2016/17, we were pleased to report a total cashable gain of £1.9m meaning we have slightly exceeded our target. We have continued to work hard this year to ensure we deliver more gains. 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.

4.3. Value for money gains to be made

The VFM remains embedded in our culture and the target for 2017/18 is a further £1.2m. Activities planned for 2017/18 include the following:

- **Continuation of the Improvement Programme contract with Keepmoat delivering year-on-year incremental savings;**
- **Full year annualised benefit of in-house gas servicing;**
- **Procurement savings from tendering process for materials contract;**
- **Procurement of a framework for contractors/consultants with regard to development;**
- **Optimising current stock tenure to deliver improved occupancy levels and most effective yield;**
- **Budget efficiency savings with procurement saving focus on utilities, ICT and professional fees;**
- **Review of garage utilisation and deliver initiatives to increase awareness and take-up rates; and**
- **Procurement of improved rates on domestic boiler replacement programme.**

5. Performance and Benchmarking

The following table shows a year on year comparison of the Group's Key Performance Indicators set against its Business Plan objectives. These form the basis of a Corporate Balanced Scorecard that is reviewed by our Executive Management Team, Gateway Membership Team and the Group's Board on a quarterly basis.

When viewing the Group's performance as a year on year comparison (as below) it has performed well and exceed last year's performance in nine key indicators, had steady performance in two and only one indicator is underperforming.

Our customer satisfaction with the repairs service has shown steady improvement throughout the year and has shown a significant improvement on last year's satisfaction figure. There has been a major push to improve this service as it is at the core of what our customers care about most. Overall satisfaction with our services has remained steady, and is still in excess of 80% for 2016/17. Despite our repairs satisfaction being positive, this shows that further work in other areas is needed to support the customer experience.

There has been a marked improvement in our complaints to compliments ratio from this time last year. The Group's service centre figures have improved and also should continue into the following year with an upgrade completed to the phone operating system. The planned decrease in phone and email transactions and increase in digital transaction has not seen as much improvement as planned due to delays in deployment. However, work will continue in 2017/18 to deliver an improved self-service offer for our customers.

The Group has also seen significant improvement in its financial performance and in staff satisfaction figures. Staff satisfaction has shown a positive trend following recent restructures and embedding a cultural change programme. After setting an ambitious aspiration for building new homes, we are seeing positive signs in the number of homes being committed. We continue to also focus on building community capacity and the indicators for the increasing use of our Community Hubs are also showing a strong return. In 2017/18 we will also include a KPI for the number of users at our Community Hubs as well as monitoring the income figures.

In 2017/18, the Group will be participating in a sector wide balanced scorecard pilot consisting of 15 KPIs. The aim is to provide a simple benchmarking tool for the sector. After consultation with our Executive Management Team and Group Board, next year's Corporate Scorecard will increase from 12 to 19 KPIs, 6 of which are incorporated from the sector scorecard. We expect that this will align us well to any updated industry metrics as defined by the HCA. We will continue to monitor performance proactively against identified KPIs to ensure the required level of performance is being achieved. These performance indicators will continue to be reviewed regularly by the Executive Management Team and formally reported to the Group Board, the Operations Committee and the Gateway Management Team to support review and scrutiny of performance.

5.1 Key performance indicators

Key performance indicators	2017	2016	Flag
1. Super Brand			
% of tenants satisfied with overall service the Trust provides	80.2%	83.5%	
% of tenants satisfied with responsive repairs	88.3%	84.7%	
First call resolution	83.3%	78.0%	
Increased uptake of digital services	-10.9%	-13.7%	
Decrease in phone and email transactions	-38.8%	-13.9%	
% Ratio of complaints to compliments	42:58	60:40	
2. Strong Financial Position			
Operating Margin	36.0%	27.0%	
3. Partnership Working			
Net staff satisfaction (Q4 Outcome)	+78	+63	
4. Active Developer			
Number of homes committed for building	240	97	
Number of shared ownership homes committed	44	12	
5. Building Community Capacity			
Maximised Hubs income	£130,935	£80,888	
External finance obtained	£24,324	£37,000	

Flag key:

Positive improvement Steady In need of attention

5.2 Sector Benchmarking

Performance indicator	Group 2016/17 result	Group 2016/17 target	Sector Benchmark (HM median 2015/16 where available)	Group 2015/16 result
Repairs satisfaction	88.3%	85%	83%	85%
Re-let times	31 days	19 days	23 days	27 days
Current rent arrears	2.34%	2.3%	2.87%	2.07%
Occupancy	99.07%	98.0%	99.19%	98.22%
Homes meeting the Decent Homes standard	97.5%	98.0%	99.74%	99.73%
Satisfaction with overall services	80.2%	82.5%	88%	80.6%
VFM savings	£1.9m	£1.7m	N/A	£1.77m
Operating margin	35.8%	30%	30.5%	24.4%

The Group regularly considers external benchmarking and uses the annual Placeshapers / Housemark benchmarking report to analyse performance against relevant peers. During 2016/17 a number of factors have exceeded the benchmark upper-quartile, including; Repairs Satisfaction, Rent Arrears and Operating Margin.

Re-let times remain above the benchmark and internal target, but work is underway across the Operations department to improve both the void repairs and lettings process. We expect this indicator to reflect this improvement in 2017/18. The Decent Homes Standard performance reflects the position at the end of March 2017, but work continues to ensure target performance is achieved during 2017/18 through the delivery of our Improvement Programme.

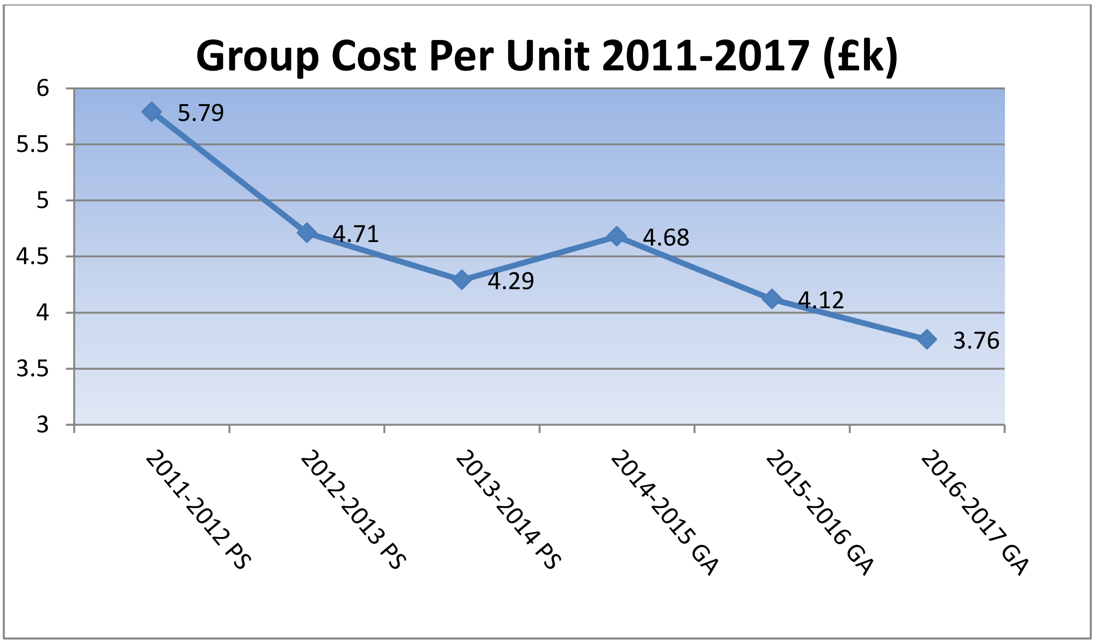
5.3 Unit Cost Analysis

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 Group 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 Group which is then further broken down into management, repairs and maintenance, capitalised repairs, service charges and other cost.

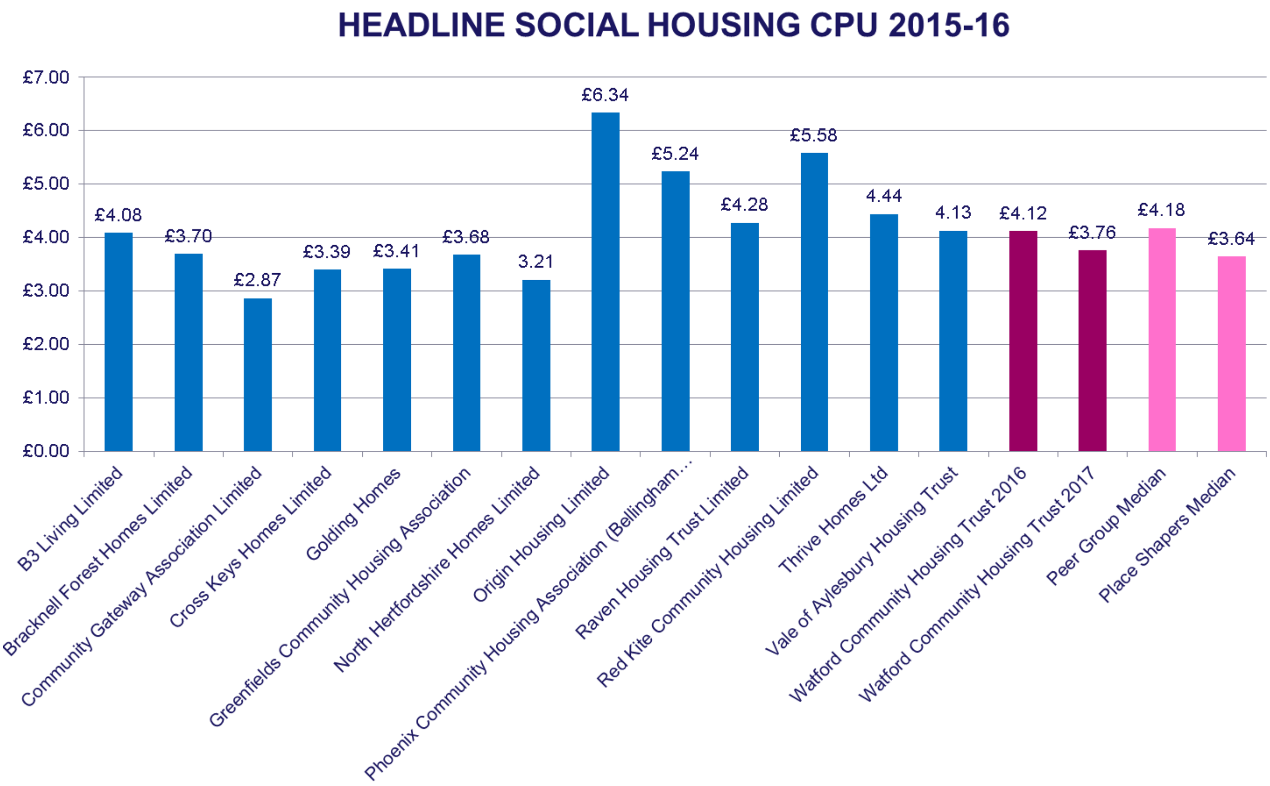
The table below indicates our current performance and trajectory over the last five years.

	2012/13	2013/14	2014/15	2015/16	2016/17
Management cost CPU (£k)	1.53	1.63	1.53	1.83	1.74
Service charge CPU	0.07	0.11	0.17	0.27	0.19
Maintenance CPU	0.98	1.01	1.05	0.74	0.76
Major Repairs CPU	1.83	1.20	1.64	1.03	0.84
Other social housing costs	0.30	0.32	0.27	0.25	0.23
Total	4.71	4.29	4.67	4.12	3.76

The current trajectory shows significant year-on-year improvement for the Group between 2014/15 and 2016/17. This can be attributed to the actions on VFM covered earlier in the report, which demonstrate an ongoing focus on cost control, procurement efficiency and VFM deliverables.



The Placeshapers analysis of Global Accounts also provides a meaningful benchmark for Cost per Unit. The comparators below have been taken from the 2015/16 Global Accounts analysis and the selected associations are considered to represent an appropriate peer Group. The performance of the Group in 2015/16 of £4.12 (k) versus a peer group average of £4.18 (k) is favourable. The 2016/17 indicator of £3.76 (k) is an improvement beyond this, but the sector data will be available later in the year to do a peer comparison for 2016/17.



6. Ensuring VFM continues to drive the Group's success

In summary, the Group was pleased to report a better than forecast VFM delivery during 2016/17. This was a combination of targeted efficiency actions supported by a wider value for money culture being cascaded throughout the Group. The success of the current strategy can be seen in the peer benchmarking of unit cost analysis over the last three years alongside a stable performance in terms of tenant satisfaction. Work continues to improve performance regarding satisfaction and this will be achieved through work in 2017/18 and beyond in service delivery, digital offer and community investment.

Further details of the Group's Value for Money Achievements are available on our website in our Financial Statements 2016/17 at www.wcht.org.uk