watford community housing

Report and Financial Statements

For the year ended 31 March 2024

Registered Society No: 30183R
Registered by the Regulator of Social Housing No: L4495

Contents

The Group Board, Executive Management Team, Committees and Professional Advisers

Group Board
Chris Cheshire – Chair

Senior Independent Director
Dale Butcher

Other Members
Simon David
Raz Hussain – resigned August 2023
Michael Lavers – resigned September 2023
Jennifer Pattinson – appointed May 2023
Jamie Ratcliff
Kennedy Rodrigues – resigned May 2023
Mike Suarez
Tim Willcocks
Rich Hanrahan - appointed September 2023
Clare Norton – appointed July 2023

Executive Management Team
Tina Barnard – Chief Executive
Paul Richmond – Deputy Chief Executive
Helen Town – Group Director of Partnerships & Property
Peter Cogan – Group Director of Operations

Company secretary
Amy Fox – appointed October 2023
Paul Richmond – September – October 2023
Bernice Ackah – resigned September 2023

Committees
Audit and Risk Committee
Mike Suarez – Chair

Investment Committee
Tim Willcocks – Chair

Remuneration and Appraisal Committee
Dale Butcher – Chair

Customer Experience Committee
Clare Norton – from July 2023 – Chair
Raz Hussain – resigned July 2023

Customer group
Gateway Membership Team

Registered office
Gateway House
59 Clarendon Road
Watford
Hertfordshire WD17 1LA

Registered number
Registered No: 30183R
Registered by the Regulator of Social Housing No: L4495

Auditor
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London EC3N 1LS

Solicitors
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Salisbury House
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London EC2M 5QY

Perrin Myddelton
10 Waterside
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Harpenden AL5 4US

Bankers
Barclays Bank Plc
1 Churchill Place
London E14 5HP

Funders
Affordable Housing Finance plc
3rd Floor, 17 St Swithin's Lane
London EC4N 8AL

Aviva Life & Pensions UK Limited
c/o Aviva Investors Global Services Limited
9th Floor St Helens
1 Undershaft
London EC3P 3DQ

Santander UK plc
2 Triton Square
Regent's Place
London NW1 3AN

Barclays Bank Plc, and Barclays Bank UK plc
1 Churchill Place
London E14 5HP

Saltaire Finance plc
c/o BNY Mellon Corporate Trustee Services Limited
One Canada Square
London E14 5AL

The Prudential Assurance Company Limited
c/o M&G Investments Ltd
10 Fenchurch Avenue
London EC3M 5AG

Group strategic report

Watford Community Housing ("the Group") is a Registered Provider regulated by the Regulator of Social Housing (RSH) and as such is required to comply with the RSH's regulatory framework. The Group was created in September 2007 as a Large-Scale Voluntary Transfer (LSVT) and owns and manages a total of 7,144 properties and associated assets in South-West Hertfordshire and North-West London.

Organisational structure and governance

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

The Group is governed by a Group Board consisting of up to 12 non-executive members. All Group Board and Committee members are remunerated, with the exception of our Local Authority nominee.

The Group 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 the Deputy Chief Executive, the Group Director of Property and Partnerships and the Group Director of Operations. The Group Board delegates some of its responsibilities to committees composed of Group Board members and independent committee members. The structure consists of an Audit and Risk Committee, an Investment Committee, a Customer Experience Committee and a Remuneration and Appraisal Committee. There is also a Treasury Working Group to support on specific Treasury matters.

As we are a Community Gateway housing association, our customers play a significant role in how the Group operates and have the opportunity to become members of the organisation. The Gateway Membership Team, representing our customers, engages regularly with the Group Board and scrutinises our services and how they are delivered. Residents also have the opportunity to shape decision-making through a range of different channels including planned engagement events, consultations, online discussion forums and feedback via social media, with engagement opportunities being promoted through a comprehensive 'Involvement Menu'.

Watford Community Housing operates with a Group structure and has two fully owned subsidiaries:

- Clarendon Living Limited – this is used to deliver and promote the Group's commercial development activity and associated Joint Ventures. Clarendon Living has its own Board, which is chaired by Jamie Ratcliff. This Board includes at least two non-executive members and two executive members.
- WCHT Devco Limited (Devco) – this is used to provide design and build services to the Group. The Devco Board is chaired by Paul Richmond and consists of three executive members and the company secretary.

Joint ventures

The Group has an investment via Clarendon Living Limited in a joint venture with Watford Borough Council (WBC) – named Hart Homes. Hart Homes consists of an asset-holding entity (Hart Homes (Watford) Limited) and a development, design and build entity (Hart Homes (Watford) Development LLP). The ownership of both entities is split on a 50/50 basis with WBC and both are managed by Boards with representatives from both Clarendon Living Limited and WBC/ Watford Commercial Services Limited.

The Group has an investment via Clarendon Living Limited in a joint venture with Three Rivers District Council (TRDC) – named Three Rivers Homes. Three Rivers Homes consists of an asset-holding entity (Three Rivers Homes Limited) and a development, design and build entity which is currently inactive (Three Rivers Housing Developments LLP). The ownership of both entities is split on a 50/50 basis with TRDC and both are managed by Boards with representatives from both Clarendon Living and TRDC/ Three Rivers Commercial Services Limited.

The Group has an investment via Clarendon Living Limited in a joint venture with Hertsmere Borough Council (HBC) – named Hertsmere Living Limited. Hertsmere Living Limited was incorporated in 2022/23 and became fully operational in 2023/24. Hertsmere Living Limited is an asset-holding entity. The ownership of the entity is split on a 50/50 basis with HBC and is managed by a Board with representatives from both Clarendon Living Limited and HBC.

Nature of business

The Group operates six key business streams:

i. Housing for rent, primarily for families who are unable to rent or buy at open market rates.

ii. Housing for older people who need additional support or care.

iii. Shared ownership properties (i.e. residents purchase a share in the equity of their homes and pay rent to the Group on the remainder).

iv. Joint venture participation with local authority partners via Clarendon Living Limited.

v. Selective market sales schemes both directly through Clarendon Living Limited and through its joint ventures with local authorities.

vi. Market rent schemes.

The number of homes and associated assets owned and managed by the Group (as per note 26 of the financial statements) is::

Stock Profile

Type of Units	2024 No.	2023 No.
Owned by the Group:		
General needs	4,075	4,020
Affordable rents	542	457
Housing for older people	469	469
Shared ownership	291	220
Leaseholds	379	391
Open Market Sales Stock	0	0
Commercial and market rents	24	24
Commercial shops	20	22
Garages	990	990
Temporary accommodation	54	51
	6,844	6,644
Managed for others	297	193
Managed by others	3	3
Total	**7,144**	**6,840**

During the year the Group's owned and managed stock numbers increased by 304. This movement includes growth of 101 social and affordable dwellings, 74 shared ownership dwellings and 104 new homes being managed for others. This also included the successful transfer of engagements of West Herts Homes Limited into the Group, which was a further 42 social and affordable dwellings. This movement was partially offset by 5 Right to Buy purchases and 3 shared ownership staircasings during the year, and the remaining reduction in other tenures including commercial / leasehold dwellings. The property 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.

Objectives & Strategy

These Financial Statements correspond to the fourth year of the Group's 2020-2025 Business Plan, which has three interlinking priorities that will enable us to work in partnership to transform our communities and deliver on our promises:

- **Our Customer Promise** – created in consultation with residents, this sets out our five key service priorities.
- **Innovative Development & Dynamic Partnerships** – we are committed to delivering much-needed new homes and services in South-West Hertfordshire and North-West London, working closely with key partners.
- **The Right Resources** – our resource planning will enable us to deliver on our promises and make us the partner of choice for our customers, staff and stakeholders.

Our Customer Promise

First-class repairs service

We will deliver a first-class repairs service that is effortless and convenient for you.

We will carry out property checks to spot repairs issues and fix them before they become urgent. When a repair is needed, we will give you a great experience.

This means:

- booking a repair will be easy and can be done at any time
- you will have a choice of appointment times that suit you
- we'll arrive on time and fix the problem on our first visit (on at least nine out of ten occasions)

Safe communities

We know that safety matters to you, so it matters to us too.

We will work closely with partners to ensure that you can feel safe in and around your home, including dealing with anti-social behaviour.

Our focus will be on working with partners in your neighbourhood to address incidents quickly and effectively, and to develop preventative measures.

Community development

We know that the community you live in can help to make a house feel like a home, so we will invest £1 million into projects that enhance the lives of our residents and help build strong communities.

To help deliver the biggest positive impact, we will work in partnership with other organisations in the community.

Flexible housing options

You should have a home that suits you and your lifestyle. We know how important it is to offer flexible housing options that meet people's diverse needs throughout their lives, so we will provide more suitable and attractive choices.

If you are moving to a smaller home, we will help you to understand your options and find a new home that is right for you – and we will support you throughout the process.

100 new homes for social rent

Providing people with genuinely affordable homes by building housing for social rent is a key goal of ours – and it will remain so.

To deliver more social housing in the places that need it most, we will:

- work with partners
- obtain grant funding
- invest money from Right to Buy sales

The plan is underpinned by our vision and values, which remain central to our work.

Our vision and values

Our vision is to deliver **"Better homes, friendlier communities – together"**.

Our values are integral to how we work:

- **Professional:** We are honest, open and respectful. People trust us to keep our promises.
- **Forward-thinking:** We have a can-do attitude and embrace opportunities to improve and innovate.
- **Collaborative:** We work together as one team and build lasting partnerships to get results.

Key Performance Indicators

In July 2024, WCH received the outcomes of its Regulatory Inspection covering all three standards; Viability, Governance and Consumer. The outcome achieved was V1, G1 and C1, which represent the highest possible gradings for all three Regulatory Standards.

The following table summarises Group performance against this year's targets and last year's performance across the Key Performance Indicators drawn from our 2020-2025 Business Plan objectives.

These indicators form the basis of a Corporate Balanced Scorecard which is reviewed quarterly by our Executive Management Team, Customer Experience Committee, Investment Committee, Gateway Membership Team and Group Board. The selected indicators enable our Group Board to monitor performance in the areas key to us as a community-focused housing provider with an ambitious development programme. The indicators have been aligned with the VFM technical metrics regulatory standard. See the later section on Value for Money (VFM) for more information about how we are meeting this standard.

2023/24 continued to bring significant challenges and disruption to us and our customers due to economic volatility and uncertainty. However, despite this, 73% of our customers rated the repairs service positively, with repairs taking 16.7 working days on average to complete; exceeding the target of 20 days. First Time Fix rates improved significantly during the year, improving by more than 16% pts to 84% and exceeding the target of 80%.

Overall satisfaction continued to improve on prior year, with a 5% pts increase to 73%, which whilst still below target represents a solid upward trajectory in sentiment. Arrears reduced to 3.9% of income, whilst still over target this represents a significant step forward from the prior year position of 4.4%. £764k in additional income was realised by Financial Inclusion Officers for customers in 2023/24, and Watford Community Housing contributed £389k for community projects in line with our 2020-2025 Customer Promise.

201 new completions in Watford Community Housing represents a record high and places Watford Community Housing as one of the top 10 developers by size in England. This included 16 social rent homes, a further scheme delivering 33 social rent dwellings was rephased into early 2024/2025. EPC / SAP score continued to improve in 2023/24 reflecting the increasing investment in the decarbonisation agenda. The new homes which came from West Herts Homes, were on average a lower energy rating than our existing stock, but we remain on track to have all properties at EPC C or higher by 2025.

Staff satisfaction and retention continued to improve in 2023/24 with both metrics better than prior year and corporate target. This reflects our ongoing investment in our people, reward and engagement.

Strategic Report

Key performance indicators

	2024 Target	2024	2023	Flag
1. Existing Customers				
% of customers satisfied with repairs and maintenance	80%	73.1%	74.0%	Steady
Average repair time (working days)	20	16.7	15.6	Positive performance
% of repairs fixed on first visit	80%	83.7%	66.8%	Positive performance
% Overall Satisfaction with WCH services	80%	73.2%	67.9%	Steady
Welfare Fund Deployed	£260,000	£388,933	£382,347	Positive performance
(Cumulative) Homes successfully 'right-sized'	45	38	25	Steady
Occupancy	99.25%	99.0%	98.6%	Steady
(12 Month Rolling) Arrears as a % of income	3.25%	3.9%	4.4%	Steady
(12 Month Rolling) Additional income realised for customers by Tenancy Support Officers	£755,000	£764,269	£838,182	Positive performance
% of tenants registered on Digital Tenancy Services	50%	40.5%	42.7%	Steady
2. New Customers				
New Social Rented homes delivered	55	16	23	In need of attention
(Cumulative) Total Number of WCH dwellings completed	300	201	67	Steady
3. Sustainability				
Average SAP Score	77	75.5	74.6	Steady
4. Internal Customers				
Net Staff Satisfaction	75%	88%	69%	Positive performance
12 month rolling voluntary staff turnover	20%	13.8%	28.4%	Positive performance

Flag key: Positive performance Steady In need of attention

Tenant Satisfaction Measures (TSMs)

In 2023/24, the sector started collecting and reporting on a suite of Tenant Satisfaction Measures in line with the requirements of the Transparency, Influence and Accountability Regulatory Standard. TSMs are a core set of performance measures which support effective scrutiny by tenants of a landlord's performance.

In total there are 22 TSMs, which are split between 12 Tenant Perception measures which are collected through surveys and 10 Management Information measures which are provided through management reporting systems. The 12 perception measures are captured below showing both 2023/24 actual performance and comparison to 2022/23.

In total, we conducted 1,180 surveys during 2023/24 and we used an independent organisation (Pexel) to ensure feedback is collected fairly and impartially. Eight out of the 12 Customer Perception TSMs improved in 2023/24 with overall satisfaction improving by 3.2% pts.

Given this is the first full year of TSM collection, wider sector benchmarking is not yet available, but this will be included in future years' reporting.

TSMs – Customer Perception Survey	2024	2023
TP01 – Overall satisfaction	71.20%	68.00%
TP02 – Satisfaction with repairs service	71.60%	65.00%
TP03 – Satisfaction with time taken to complete most recent repair	65.00%	64.00%
TP04 – Satisfaction that your home is well maintained	71.00%	66.30%
TP05 – Satisfaction that your home is safe	75.50%	79.10%
TP06 – Satisfaction that we listen to your views and act upon them	61.50%	56.60%
TP07 – Satisfaction that we keep you informed about the things that matter to you	74.10%	74.70%
TP08 – Agreement that we treat you fairly and with respect	73.50%	75.30%
TP09 – Satisfaction with our approach to handling complaints	35.70%	28.70%
TP10 – Satisfaction that we keep communal areas clean and well maintained	72.60%	67.60%
TP11 – Satisfaction that we make a positive contribution to neighbourhoods	66.30%	70.30%
TP12 – Satisfaction with our approach to handling anti-social behaviour	63.20%	58.40%

The 10 Management Performance Measures captured below show 2023/24 actual performance in the year. As with the Customer Perception Measures, full sector benchmarking will be available next year. Our performance demonstrates full compliance on all Building Safety Measures (BS01 – BS05) and with the Housing Ombudsman's Complaint Handling Code (CH02 – 1 and CH02 -2).

TSMs – Management Performance Measures	2024
CH01 (1) – Number of stage one complaints received per 1,000 homes	25.9
CH01 (2) – Number of stage two complaints received per 1,000 homes	4.9
CH02 (1) – Proportion of stage one complaints responded to within the Housing Ombudsman's Complaint Handling Code timescales	100%
CH02 (2) – Proportion of stage two complaints responded to within the Housing Ombudsman's Complaint Handling Code timescales	100%
NM01 (1) – Number of anti-social behaviour cases opened per 1,000 homes	20.6
NM01 (2) – Number of anti-social behaviour cases that involve hate incidents opened per 1,000 homes	0.7
RP01 – Proportion of homes that do not meet the Decent Home Standard	0%
RP02 (1) – Proportion of non-emergency responsive repairs completed within landlord's target timescale	66.8%
RP02 (2) – Proportion of emergency responsive repairs completed within landlord's target timescale	98.9%
BS01 – Proportion of homes for which all required gas safety checks have been carried out	100%
BS02 – Proportion of homes for which all required fire risk assessments have been carried out	100%
BS03 – Proportion of homes for which all asbestos management surveys or re-inspections have been carried out	100%
BS04 – Proportion of homes for which all legionella risk assessments have been carried out	100%
BS05 – Proportion of homes for which all required communal passenger lift safety checks have been carried out	100%

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 2023/24 with its operating surplus being £13.9m. The financial highlights over the past five years are set out below.

Group highlights, summary (5 year summary)

For year ended 31 March	2024 £'000	2023 £'000	2022 £'000	2021 £'000	2020 £'000
Summary Statement of Comprehensive Income					
Total turnover	44,533	41,013	38,550	42,445	34,190
Income from Social Housing Lettings (note 3a)	38,501	34,701	32,071	31,152	28,816
Operating surplus: continuing activities	13,869	13,054	10,835	9,845	11,201
Surplus for the year transferred to reserves	12,877	6,159	4,122	3,516	5,323
Group Balance Sheet					
Intangible assets (note 11)	(26,651)	(27,069)	(27,485)	(27,901)	(28,317)
Investments in Joint Ventures	6,647	3,287	2,730	2,827	2,973
Housing Properties (note 12)	445,230	381,362	364,875	333,240	306,933
Investment Properties (note 14)	4,625	3,900	4,300	4,635	4,040
Other Property, Plant and Equipment (note 13)	14,719	14,599	13,712	12,244	12,906
Fixed assets	**444,569**	**376,080**	**358,133**	**325,045**	**298,535**
Net current assets	14,277	26,343	1,805	14,919	30,332
Total assets less current liabilities	**458,846**	**402,423**	**359,937**	**339,964**	**328,867**
Funded by:					
Loans (due over one year) (note 18)	238,921	203,918	179,232	167,560	167,636
Pension liability (note 23)	-	-	-	-	-
Provision for liabilities	4,807	4,559	4,499	4,413	1,342
Other long term liabilities (note 18)	46,701	40,205	40,684	45,661	47,841
Reserves:					
Revenue inc. pension	78,514	65,679	60,838	55,814	52,599
Property Revaluation	96,076	96,076	96,081	96,085	96,089
Cashflow hedge reserve	(6,173)	(8,014)	(21,398)	(29,570)	(36,640)
Consolidated funds	**458,846**	**402,423**	**359,937**	**339,964**	**328,867**

The Financial Plan is reviewed annually by the Group Board. 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 and will continue to monitor performance and delivery in conjunction with the review of its Corporate Risk Register.

The Group continues to work on maintaining good services to its customers whilst seeking to achieve VFM in its activities. It has achieved its financial target for efficiencies in 2023/24 and is now seeking to increase its surplus in future years to release more money for services and building homes.

The Group's subsidiary development company 'WCHT Devco Limited' (Devco) was used to facilitate major development schemes and provided a VAT zero-rated design and build service to the Group.

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 Corporate 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 table below sets out what the Group Board considers to be the key risks to the Group, together with mitigating actions being taken. The risks are considered at a Group level to reflect the increasing complexity of the Group and assessed regularly to monitor whether the appropriate risks have been captured and also to monitor the assurance provided by the Executive Management Team. Subsidiary and Joint Venture Boards also monitor their key risks throughout the year and report any material changes in risk to Group Board.

Key risk	Mitigating actions being taken
Robust Financial Performance risk: as a result of changes to government legislation, exposure to fraud, increased funding costs, availability of funding, economic conditions and market risks	• £33m of finance secured in 2023/24 through ARA Venn funding – which was fully securitised and available to support development capacity • A further £45m Barclays facility was renewed during 2023/24 • Ongoing monitoring of impact of welfare reform on areas such as bad debt, Universal Credit performance and income arrears • Fraud policy regularly reviewed and fraud incidences reported quarterly to Audit and Risk Committee • Financial Plan annually subjected to multi-variate stress testing to identify variety of economic assumptions and their impact on the Group's plan – a Regulatory judgement of V1 was awarded in July 2024 by the Regulator of Social Housing • Regular monitoring of Golden Rules both at Management and Group Board level to support ongoing viability • VFM activity maintains focus on efficiency gains and productivity to mitigate any exposure of inflation/market risk
Strong Governance and Putting People First risk: arising from poor Board oversight, lack of succession planning, corporate structure not being fit for purpose, lack of development for leaders	• Watford Community Housing governance rated as G1, in Regulatory judgement in July 2024 • Secured 5-Star Health and Safety (H&S) rating from the British Safety Council in May 2023 • Subsidiary boards report up to the Group Board on regular basis including updates on joint venture activities • Terms of Reference and Group Financial Regulations provide assurance on decision-making clarity within the Group - both are reviewed on an annual basis • Ongoing skills development sessions provided to Group Board and Committee members to support informed understanding and scrutiny of the Group; including sessions on Treasury / Stress Testing, Diversity and Inclusion, Customer Insights and Health and Safety
Customer Promise risk: due to lack of Brand clarity, lack of service standards with customers, impact of welfare reform on customers, ineffective community engagement or safeguardingg	• A Consumer Rating Regulatory judgement of C1 was awarded by the Regulator in July 2024 • Service Standards give clear standards/expectations of service from the Group with performance monitored regularly through Group Board and Customer Experience Committee • Active Community Budget invested in a number of activities, including community programmes / Hub activity and customer scrutiny • Increased joint-working between Group Board and Gateway Management Team (GMT) • Ongoing monitoring of customer arrears / impact of universal credit and Tenancy Sustainment team in place to provide support to customers • Focus on "Digital First" strategy to provide modern and seamless digital service on areas such as; rent management, self-appointed repairs and real-time feedback
Fit for the Future – Asset Management risk: Corporate health & safety failures, lack of robust appraisal techniques for existing stock, poor decision making on asset investments, lack of investment in ICT estate	• Active Asset Management underway, using Asset Investment Model to ensure the Group is making appropriate decisions on stock management and prioritising long-term investment decisions • Operating a 4-way partnership with two other housing associations and a local authority to form "Greener Herts" to support sustainability initiatives and our journey to Net Zero Carbon • Successfully underway on decarbonisation works to support energy efficiency works on nearly 500 homes, supported by £5m of grant funding • Core Property Compliance managed through scrutiny at both Investment Committee and Audit and Risk Committee. This is supplemented by Internal Audits on a regular cyclical basis
Innovative Developments and Dynamic Partnership Risk: Overstretching the Group's resources, delay or over-spend, issues over quality, exposure to market movements	• Monthly reporting and forecasting of development cashflows are 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 • Golden Rules have been developed and approved by Group Board and monitored on a quarterly basis, these include monitoring of development capacity and also development spend versus budget. Additional Golden Rules were agreed in 2023/24 relating to Sales income as a % of turnover to actively monitor this risk. • 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 • Regular monitoring of sales exposure and unsold dwellings conducted by management team and Group Board to provide assurance on delivery. All market exposed scheme appraisals include an exit plan to anticipate options should market conditions change. • Development Assumptions reviewed annually by the Group and out-turn reports presented for all completed schemes to ensure outcomes are reviewed following completion.

Value for Money (VFM)

Our Strategy:

The Group is committed to delivering Value for Money through our business activities. Our Business Plan 2020-2025 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 Code of Practice;
- Ensuring staff are made aware of the expectations of delivering cashable and non-cashable gains and;
- Demonstrating to our stakeholders and customers 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 targets, monitors subsidiary performance and receives an annual Internal Statement of Control

AUDIT & RISK COMMITTEE	INVESTMENT COMMITTEE	CUSTOMER EXPERIENCE COMMITTEE	REMUNERATION & APPRAISAL COMMITTEE	GATEWAY MEMBERSHIP TEAM
Reviews and monitors corporate risks and assurance, and ensures delivery against internal and external audit recommendations	Ensures VFM is achieved through our development programmes, asset investment and regeneration schemes	Provides formal scrutiny of the Group's performance, including VFM delivery of customer services offered by the Group	Reviews the effectiveness of pay strategy	Represents the interests of our customers and ensures compliance with promised service standards

EXECUTIVE MANAGEMENT TEAM (EMT)
Delivers VFM initiatives, increases provision for added value services, delivers cashable and non-cashable gains and ensures VFM is embedded in all service areas.

We align with the Regulator's revised Value for Money standard and sector-wide technical metrics embedding VFM at the corporate and strategic level. We have strengthened and regularly review our strategies on Value for Money, Development, Procurement and Asset Management and our Group Board has a nominated VFM champion to ensure VFM remains a corporate focus throughout the financial year. The Executive Team manages VFM across the Group, focusing on three main areas:

The Executive Team manages VFM across the Group, focusing on three main areas:

- VFM through maximising the Return on Assets
- VFM through operational efficiency
- VFM through effective procurement

Value for Money (continued)

Achieving VFM by maximising the Return on our Assets:

The Group operates a large property estate and associated assets, which are estimated to have an open market value approaching £1bn. In 2023/24 we spent £7.3m on maintenance of our properties and £6.3m on programmed repairs to deliver improvements to our homes and address backlog repairs which arose from the pandemic. For 2024/25 the budgeted numbers are £6.5m and £6.9m respectively. 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.

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 our Joint Ventures (Hart Homes, Hertsmere Living Limited and Three Rivers Homes), Watford Borough Council (WBC), Hertfordshire County Council and Three Rivers District Council. Additionally, the Group is working with local charities, including St Albans and Hertsmere Women's Refuge to let accommodation.

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

Achieving VFM through efficient procurement:

To support delivery of VFM across the business the Group has a Procurement Strategy, which is managed and monitored by the Deputy Chief Executive. The strategy is aligned with the Group's 2020-2025 Business Plan and is designed to ensure that the Group:

i. Has in place an effective framework which ensures that it meets "Find a Tender" (FTS) 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, anti-slavery and health & safety.

iv. Builds strong relationships and partnerships with its suppliers.

v. Sets clear budgets for VFM through procurement and monitoring processes.

vi. Keeps accurate records of contracts and the arrangements entered into 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 an effective payment arrangement in place to manage administrative costs, whilst ensuring suppliers are paid on time.

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 customers and the business.

VFM monitoring through benchmarking:

In order to maintain compliance with the VFM standard, the Group continues to monitor the performance of the Group against appropriate benchmarks and also looks to understand and explain any variances. In February 2024, the RSH published the latest analysis of cost variations across the social housing sector to support housing associations in understanding their costs and achieving VFM in their activities. Below are comparison tables with commentary to support the Group's position on VFM delivery.

Cost per Unit (2023/24)

Due to the publication of Global Accounts for the Housing Sector and the included VFM analysis, we are able to benchmark the Group's Cost per Unit (CPU) performance against the sector. The Group has managed its CPU against the sector median. This is achieved by maximising VFM through operational efficiency, return on assets, and efficient procurement.

CPU in 2023/24 moves upwards against 2022/23 which reflects both our growth and our focused VFM efficiency savings being offset by significant inflationary cost pressures and investments in our assets. This was all achieved within a backdrop of significant cost inflation and this included spend on our planned maintenance, but also Green Strategy and associated costs. Watford Community Housing continues to monitor its cost base through benchmarking and balance cost savings/efficiencies alongside quality of service and customer outcomes.

Cost per Unit (£k)	2019/20	2020/21	2021/22	2022/23	2023/24
Watford Community Housing	3.68	4.18	4.23	4.37	5.14
Median Sector Performance	3.83	3.73	4.15	4.59	

*average Cost per Unit.

(2019-2023 figures taken from Global accounts.)

Value for Money (continued)

Year-on-Year comparison of technical metrics:

The table below shows the movement in technical metrics between 2023/24 and 2022/23 with a commentary to support key movements. The Operating Margin was a deterioration on 2022/23 which represents inflationary pressures, including Energy and Insurance, and the impact of the 4.1% rent cap applied by government for 2023/24. Earnings Before Interest Tax Depreciation & Amortisation; Major Repairs Included (EBITDA MRI) Interest Cover % refers to the level of surplus that a registered provider generates compared to interest payable. This measure is no longer a loan covenant for Watford Community Housing but remains a sector metric. This has reduced against prior year and still holds significant headroom against our loan covenants. Gearing and Return on Capital Employed remains broadly aligned to prior year performance. Reinvestment and New social housing supply continues to perform significantly better than prior year due to significantly development expenditure and completions achieved in 2023/24.

The metrics also include two advisory metrics relating to remuneration of both the highest paid director and the overall directors. These are being published in line with the Transparency, Influence and Accountability Standard.

Watford Community Housing	2023	2024	Flag
Operating Margin % (social housing lettings only)	28.9%	25.8%	Orange
Operating Margin % (overall)	28.0%	25.9%	Orange
EBITDA MRI Interest Cover %	182%	144.3%	Orange
Headline SH Cost per Unit ('000)	£4.37	£5.14	Orange
Gearing	45.3%	49.8%	Orange
Return on Capital Employed (RoCE)	3.3%	2.9%	Orange
% Reinvestment	7.3%	16.6%	Green
% New supply delivered (social housing units)	1.3%	3.7%	Green
% New supply delivered (non-social housing units)	0.0%	0.0%	Green
Remuneration paid to highest paid director relative to size of landlord		£28.65	
Remuneration paid to directors relative to size of landlord		£101.46	

Comparison of technical metrics to peer group and sector:

The table below shows the Group's performance on the technical metrics against the sector average and also a selected peer group. The peer group includes other relevant housing associations including those of a similar size and geographic location to Watford Community Housing, with a commentary to support key movements. The comparison to industry and peer median for Operating Margin is favourable on an overall basis as Watford Community Housing continues to focus on strong financial performance.

The headline social housing cost per unit is slightly higher than the peer group and industry median. The overall sector has seen cost per unit increase related to the challenging inflationary environment and further investment in decarbonisation.

EBITDA-MRI Margin, Reinvestment and Gearing all compare favourably to both the peer group and sector median due to our investment in both new stock and existing properties aligned to active treasury management strategies. Our new stock delivered percentage is significantly favourable to both comparators which reflects our highest ever completions in a single year and puts Watford Community Housing as one of the top 10 largest developers relative to size in England.

	Group 2024	Peer group median 2023	Industry median 2023	Flag v Peer Group
Operating Margin % (social housing lettings)	25.8%	19.9%	19.6%	Green
Operating Margin % (overall)	25.9%	20.0%	18.2%	Green
EBITDA MRI Interest Cover %	144.3%	129%	128%	Green
Headline SH Cost per Unit ('000)	£5.14	£4.52	£4.59	Orange
Gearing	49.8%	51.7%	45.3%	Green
RoCE	2.9%	3.2%	2.8%	Green
Reinvestment %	16.6%	6.8%	6.7%	Green
% New supply delivered (social housing units)	3.7%	1.5%	1.4%	Orange
New supply delivered (non-SH units)	0.0%	0.0%	0.0%	Green

VFM into 2024/25 and beyond:

The efforts to deliver value for money to our customers and the organisation continue into 2024/25 and will be monitored through Group Board. The VFM activities planned for 2024/25 have been reviewed and discussed with Group Board and management focus will include delivering the following VFM initiatives::

- Maximising income streams
- Optimisation of assets through void performance improvements
- Improving performance of garage stock and commercial income
- Ongoing utilisation of our Development Framework
- Several procurements exercises including Professional Advisors and External Contractors
- ICT and Telephony procurement savings
- Managed usage of training/ consultant spend

The Group Board annually reviews and confirms performance targets for the Group and this includes projections across a number of years. The following table confirms future year projections for key VFM Metrics out to 2027/28. Operating Margin both with and without Shared Ownership and Sales is projected to improve and then stabilise across the plan period, which is broadly in line with peer group analysis. It balances ongoing efficiency savings against investments identified to deliver our Customer Promise. This requires the Group to absorb inflation and achieve efficiency cost saving whilst growing the stock numbers. EBITDA targets remain at 150% which is the Group's Golden Rule, but active Treasury monitoring throughout the period to ensure coverage exists in excess of this position. Housing supply is shown to consistently deliver over the plan period to reflect our ongoing development ambitions. Performance will be carefully monitored against all of these metrics over the course of the plan period, particularly in relation to key risks including the current economic uncertainty.

KPI Targets	2024/25	2025/26	2026/27	2027/28
Operating Margin (excluding S/O & Sales)	25.8%	27.6%	27.8%	27.8%
Operating Margin (including S/O & Sales)	27.6%	25.8%	25.6%	25.6%
Social Housing Cost Per Unit (SHCPU)	£5,180	£5,000	£5,000	£5,000
EBITDA (excluding MRI from 2023/24 onwards)	150%	150%	150%	150%
New Supply Delivered (Social Housing)	3.7%	2.5%	2.5%	2.5%
New Supply Delivered (Non-Social Housing)	0.0%	0.0%	0.0%	0.0%

Financial Position

Capital structure and cashflow forecast

At the year end the Group had committed borrowing facilities from seven lenders totalling £338m in place. Total drawn-down borrowings amounted to £243m.

The Group completed a deal to secure £33m of finance with Saltaire Finance plc in November 2023 through the UK Government backed Affordable Homes Guarantee Scheme which offered covenant light, finely priced, long-term debt. These funds were immediately securitised and used in November 2023 for the repayment of £25m of RCF borrowings.

A £45m RCF was renewed in March 2024 which also saw the Group move from Debt per Unit to a Gearing covenant from 2024/25. This variable rate facility ensures we have adequate facilities in place to support future development activity.

These additional debt facilities and improved covenant package support the Group in its Business Plan aspirations and a more appropriate, flexible funding structure with several lenders who are all committed to the social housing sector. Work continues to monitor this structure and liquidity requirements in light of the current economic climate.

The Group annually approves 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, 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 existing Aviva/M&G Private Placement, the AHF Bond, and the new Saltaire Finance facilities this means all of the drawn £243m is at a (varying levels of) fixed rate.

The maturity of the Group's borrowing was as follows on 31 March 2024:

Maturity Profile	2024 £'m	2023 £'m
Within 1 year	-	-
Between 1 and 5 years	50.0	45.0
After 5 years	288.1	257.0
	338.1	**302.0**

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 respective Existing Use Value-Social Housing (EUV-SH) and Market Value-Subject to Tenancy (MV-ST) methodologies and currently the charged properties are valued for discounted security purposes at £504m. The security is allocated to provide collateral for the loans plus a 100bp exposure to the mark to market position arising on the five interest swaps in place via the bank. At year end there was circa £110m of available security on a discounted valuation basis which gives comfort there is sufficient asset cover for raising additional finance.

During the year £18.5m (2023: £16.2m) of cash was generated from operating activities and cash balances reduced by £12.2m. Total interest of £7.9m (2023: £7.4m) 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 2024/25 the Group will continue to explore its overall funding structure and working with advisers to ensure that the appropriate funding is in place to support the Group's aspirations.

The Group's Treasury Working Group, comprising of two Board/Committee members, the Deputy Chief Executive and the Assistant Director of Treasury & Financial Planning, continues 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 Group to make tangible savings through reclaimed VAT costs. The Group (via its Clarendon Living subsidiary) has also entered into joint ventures with Watford Borough Council, Three Rivers District Council and Hertsmere Borough Council to develop homes in South-West Hertfordshire..

Cash Flows

The Group 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 was £18.5m (2023: £16.2m). Working capital moved as a result of the net cash flow from operating activities. A net interest payment of £7.9m was made during the year and approximately £67.1m was expended on developing new homes and improving existing properties.

Pension Costs

The Group participates in two pension schemes, a corporate Stakeholder Pension Plan through Standard Life for all employees who have joined the Group since 10 September 2007 and the Hertfordshire Local Government Pension Scheme (LGPS) for all participating employees who transferred to the Group on 10 September 2007 from Watford Borough Council and which is closed to new entrants. The assets and liabilities of the LGPS were moved to Watford Borough Council under a subsumption agreement during 2019/20, which did not affect the financial treatment of the fund. The Stakeholder Pension Plan is a defined contribution scheme and the LGPS is a final salary scheme. Both schemes offer good benefits to staff. The last formal valuation of the LGPS Fund was carried out as at 31 March 2022. Note 23 of the financial statements details the financial performance of this scheme.

Compliance with Governance and Financial Viability

The Group Board confirms that the Group has met the Regulator for Social Housing'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 2020 – Excellence in Governance – Code for members).

In July 2024, the Regulator of Social Housing awarded Regulatory judgement on Watford Community Housing and the ratings of G1 and V1 were maintained, reflecting the highest regulatory ratings for both Governance and Viability. WCH was also awarded a Consumer Standards rating, achieving a C1, which is the highest rating possible.

Statement of Compliance

The Group Board confirm that this Strategic Report Review has been prepared in accordance with the principles set out in the 2018 SORP for registered housing providers.

Chris Cheshire
Group's Board Chair

Group Board report

The Group Board of Watford Community Housing is pleased to present its report together with the audited financial statements of the Group for the year ended 31 March 2024.

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 Group Board and executive directors

The Group Board and executive directors who have served during the year are set out on page 2. The Group Board members were 9 in number as at 31 March 2024 and also stand at 9 as at July 2024. They are drawn from a wide background bringing together professional, commercial and local experience.

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

The Group has in place insurance which indemnifies the Group 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 also having a six-month notice period. Other staff are employed on contracts with notice periods that range between one and three months.

Pensions

The executive directors are all members of the Group's stakeholder pension scheme. With the exception of the Chief Executive, to whom special terms apply, namely a 15% employer's contribution, 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 customers, 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 2020-2025. This is reinforced by an 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.

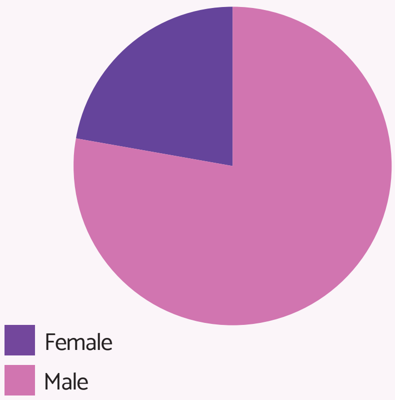
The Group is firmly committed to equality of opportunity and has in place modern employment policies to ensure that we are an attractive and engaging employer to individuals, regardless of their gender, age, religion, ethnicity, sexual orientation, family circumstances, gender reassignment or disability 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 our employees is of prime importance. The Group has in place robust health and safety policies and practices, and provides staff training and education on health and safety matters, as well as more general wellbeing issues. The Group has been assessed by the British Safety Council on Health and Safety and secured a 5-star rating (out of five) in this area in May 2023.

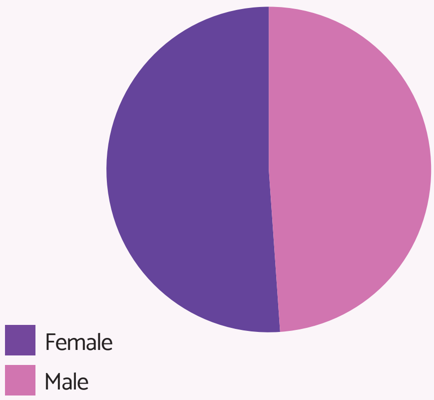
Diversity

The Group Board of Watford Community Housing is proactively working to ensure that it remains a diverse and well represented Board, reflective of its local community. As part of this commitment, and in line with the NHF Code of Governance 2020, the table below outlines the diversity characteristics of our Group Board members and benchmarks this against the demographic information for our region. Diversity, along with skills, is monitored annually and the Group Board champion for Equality, Diversity and Inclusion (Senior Independent Director) will work on initiatives to support and sustain diversity and representation at Board level, particularly in future recruitment activity. and representation at Board level.

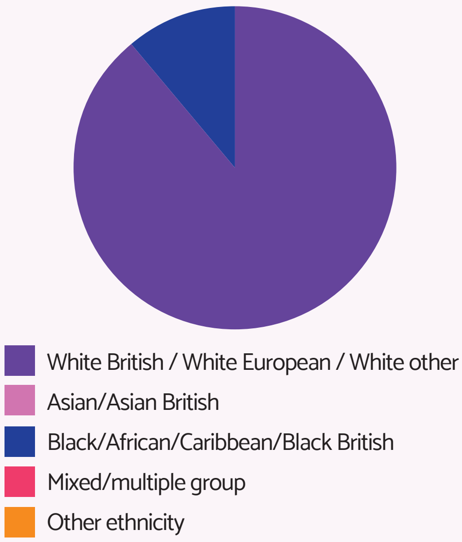
Group Board Membership



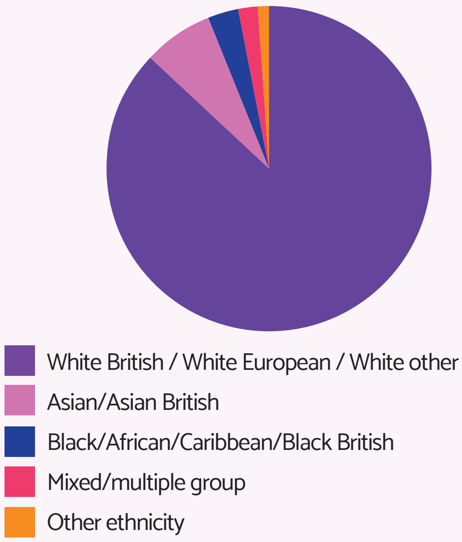
East of England Population (NHF)



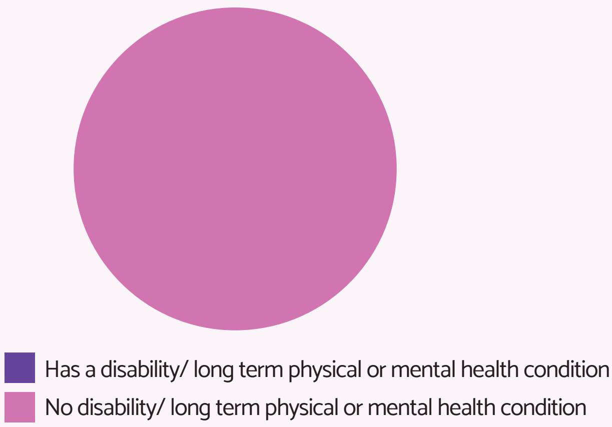
Group Board Membership



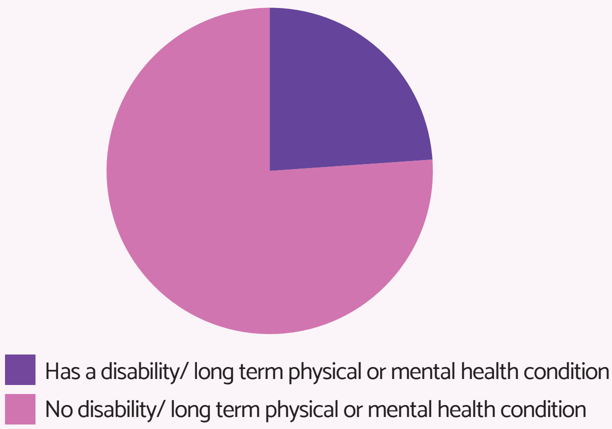
East of England Population (NHF)



Group Board Membership



East of England Population (NHF)



Donations

The Group made donations totalling £1,378 during the year (2022/23: £1,100).

Financial risk management objectives and policies

The Group's operations are financed primarily by a mixture of long-term fixed rate bonds, medium-term bank debt 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, covenant 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. At year end, drawn debt was 100% fixed, due to the long-term fixed rate bonds, and having SWAPs in place to fully hedge £57m of floating rate debt.

Covenant risk

Debt covenants are based on interest cover, asset cover and gearing. The Group regularly monitors its performance on both the present and 12-month forward looking basis, and builds in a headroom ("Golden Rules") for monitoring and reporting purposes.

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. This is achieved by having liquidity requirements in place, including a minimum cash requirement of sufficient cash to meet 3 months' cashflow requirement, and sufficient cash and committed facilities to meet both 12 months' cashflow requirement and 18 months' development spend. The impact of the Group's changing cash requirements on these tests is also monitored on a regular basis.

At year end, in addition to available cash, the Group had £95 million of undrawn, committed, available facilities, and £17m in cash.

Credit risk

The Group has proved resilient to welfare reforms during the financial year with arrears and bad debts continuing to track in line with expectations. However, increases in the cost of living and the current economic climate poses 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 issue continues to be impacted by the current economic climate and cost of living crisis. 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 and stress tested to ensure resilience regarding these risks.

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 £95 million of undrawn facilities at 31 March 2024), 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. This Business Plan is stress-tested by our Treasury advisors to provide assurance that the plan has adequate capacity to absorb a range of multi-variate adverse economic stresses. In the last year the scenarios have included specific focus on adverse movements inflation, interest rates and sales assumptions to test and provide assurance on the Group's viability.

On this basis, the Group 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 12 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.

The current economic crisis has led to a number of risk and financial considerations for Watford Community Housing Group in terms of preparing these statements. In order to consider the impact on the Group, work has been undertaken to stress the Business Plan in line with the current economic adverse conditions with our Treasury advisors on appropriate liquidity and cash holdings during this period. The Group Board has taken assurance that the liquidity and cash-holdings are strong for the Group, even when facing uncertainty in terms of rental income and capital income from property sales.

The Group has also noted that no impairment is required at this stage based on the prudence and margins built into our schemes which have a level of sales risk. The impact continues to be reviewed regularly by the Group Board, looking at key financial risk indicators and assessing these against our Golden Rules. The Group remains confident that it has a robust plan to manage the current economic climate but ongoing monitoring through cashflow forecasts, stress-testing and mitigation planning throughout will continue to provide assurance to the Group Board.

Internal controls assurance

The Group 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 ongoing and has been in place throughout the period commencing 1 April 2023 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 Group 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 whistleblowing, anti-money laundering and fraud policies covering prevention, detection and reporting of issues
- Regular monitoring of loan covenants and requirements for new loan facilities

A fraud, anti-money laundering and whistle-blowing register is maintained and reviewed by the Audit and Risk Committee on a quarterly basis. The Audit and Risk Committee also reviews quarterly a Register of Personal Data Breaches and Near Misses to support Group GDPR compliance.

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 Group Board.

Value for Money standard

The Group Board sets annual VFM targets for the management team which are monitored on a quarterly basis by the Group Board. The Group is committed to delivering a demonstrable value-for-money service for customers to ensure we demonstrate appropriate levels of performance to our stakeholders and also demonstrate compliance with the VFM Regulatory Standard..

National Housing Federation (NHF) 2020 Code of Governance

We are pleased to report that the Group continues to comply with the principal recommendations of the NHF 2020 Code of Governance. The Group observes best practice with regard to corporate governance and complies with all the recommendations in the Code..

GDPR

The Audit and Risk Committee acts as the Group's Board-level data protection champion with delegated responsibility for monitoring GDPR compliance and approving key policies in this area. All Board and Committee members are regularly briefed on awareness and understanding of the impact of the Regulations.

Group Board report (continued)

Statement of the responsibilities of the Group Board for the Report and Financial Statements

The Group 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 Group Board to prepare financial statements for each financial year. Under that Act the Group Board has 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 Group 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 association for that period. In preparing these financial statements, Group 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 2018, 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 Group will continue in business

The Group 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 Group Board is responsible for the maintenance and integrity of the corporate and financial information included on the Group'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 Group Board is aware:

- There is no relevant audit information of which the Group's auditor is not aware of, and
- The members of the Group 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 16 September 2024.

External auditor

A resolution to reappoint Beever and Struthers as external auditor will be proposed at the forthcoming annual general meeting.

The report of the Group Board was approved by the Group Board on 22 July 2024 and signed on its behalf by:

Chris Cheshire
Group 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 (the Association) and its subsidiaries (the Group) for the year ended 31 March 2024 which comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Statement of Financial Position, Group Cash Flow Statement and the notes to the financial statements, including a summary of significant accounting policies in note 1.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2024 and of the Group's income and expenditure and the Association's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been 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 2022.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion..

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Association's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Board with respect to going concern are described in the relevant sections of this report.

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Co-operative and Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 requires us to report to you if, in our opinion::

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

Responsibilities of the Board

As explained more fully in the Statement of Board's Responsibilities set out on page 24, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

In identifying and addressing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following

- We obtained an understanding of laws and regulations that affect the Group and Association, focusing on those that had a direct effect on the financial statements or that had a fundamental effect on its operations. Key laws and regulations that we identified included the Co-operative and Community Benefit Societies Act, the Statement of Recommended Practice for registered housing providers: Housing SORP 2018, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2023, tax legislation, health and safety legislation, and employment legislation.
- We enquired of the Board and reviewed correspondence and Board meeting minutes for evidence of non-compliance with relevant laws and regulations. We also reviewed controls the Board have in place, where necessary, to ensure compliance.
- We gained an understanding of the controls that the Board have in place to prevent and detect fraud. We enquired of the Board about any incidences of fraud that had taken place during the accounting period.
- The risk of fraud and non-compliance with laws and regulations and fraud was discussed within the audit team and tests were planned and performed to address these risks. We identified the potential for fraud in the following areas: laws related to the construction and provision of social housing recognising the nature of the Group's activities and the regulated nature of the Group's activities.
- We reviewed financial statements disclosures and tested to supporting documentation to assess compliance with relevant laws and regulations discussed above.
- We enquired of the Board about actual and potential litigation and claims.
- We performed analytical procedures to identify any unusual or unexpected relationships that might indicate risks of material misstatement due to fraud.
- In addressing the risk of fraud due to management override of internal controls we tested the appropriateness of journal entries and assessed whether the judgements made in making accounting estimates were indicative of a potential bias.

Due to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing fraud or non-compliance with laws and regulations and cannot be expected to detect all fraud and non-compliance with laws and regulations.

Use of the audit report

This report is made solely to the Association's members as a body, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and Section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members for our audit work, for this report, or for the opinions we have formed.

Beever and Struthers

Beever and Struthers
Chartered Accountants and
Statutory Auditor
150 Minories
London
EC3N 1LSL

Date **16 August 2024**

Consolidated Statement of Comprehensive Income

For the Year Ended 31 March 2024

	Note	2024 £'000	2023 £'000
Turnover		44,533	41,013
Operating costs		(32,989)	(29,492)
Share of joint venture profit/(loss) after tax	28	786	557
Surplus on disposal of property, plant and equipment	4	814	1,376
Deficit on revaluation of investment properties	14	725	(400)
Operating surplus		13,869	13,054
Profit from joint venture		79	-
Gain on Business combination	30	6,214	-
Finance Income	6	581	450
Interest and financing costs	5	(7,866)	(7,345)
Change in fair value of financial instruments		-	-
Surplus before tax		12,877	6,159
Taxation	10	-	-
Surplus for the financial year		**12,877**	**6,159**
Actuarial (loss)/gain in respect of pension schemes	23	(109)	(1,317)
Change in fair value of hedged financial instruments		1,840	13,384
Total comprehensive income for the year		**14,608**	**18,226**

These financial statements on pages 27 to 68 were approved and authorised for issue by the Board on 22 July 2024 and signed on its behalf by:

Chris Cheshire
Chair

Michael Suarez
Chair of Audit & Risk Committee

Amy Fox
Company Secretary

The Consolidated and Association's results relate wholly to continuing activities and the notes on pages 35 – 68 form an integral part of these financial statements

Consolidated Statement of Financial Position

As at 31 March 2024

	Note	2024 £'000	2023 £'000
Fixed Assets			
Intangible assets	11	(26,651)	(27,068)
Investments in joint ventures	28	6,647	3,287
Housing properties	12	445,230	381,362
Investment properties	14	4,625	3,900
Other property, plant and equipment	13	14,718	14,599
Total fixed assets		**444,569**	**376,080**
Current assets			
Stock - Work in progress		6,087	4,525
Debtors	17	5,773	11,366
Defined benefit pension	23	-	-
Debtors due after one year			
Cash and cash equivalents		17,354	29,547
Total current assets		**29,214**	**45,438**
Creditors: Amounts falling due within one year	18	(14,937)	(19,095)
Net current assets		**14,277**	**26,343**
Total assets less current liabilities		**458,846**	**402,423**
Creditors: Amounts falling due after more than one year	18	(285,622)	(244,123)
Defined benefit pension liability	23	-	-
Provision for liabilities	29	(4,807)	(4,559)
Net assets		**168,417**	**153,741**
Capital and reserves			
Share capital			
Revenue reserve		78,514	65,679
Property revaluation reserve		96,076	96,076
Cashflow hedge reserve		(6,173)	(8,014)
Total reserves		**168,417**	**153,741**

These financial statements on pages 27 to 68 were approved and authorised for issue by the Board on 22 July 2024 and signed on its behalf by:

Chris Cheshire
Chair

Michael Suarez
Chair of Audit & Risk Committee

Amy Fox
Company Secretary

Statement of Comprehensive Income

For the year ended 31 March 2024

	Note	2024 £ '000	2023 £ '000
Turnover	3a	**44,785**	**41,313**
Operating expenditure	3a	(31,306)	(26,883)
Cost of sales	3a	(1,935)	(2,909)
Impairment of housing properties	2	-	-
Surplus on disposal of property, plant and equipment	4	814	1,376
Deficit on revaluation of investment properties	14	725	(400)
Operating surplus	**3a**	**13,083**	**12,497**
Gain on Business		6,214	-
Finance Income	6	581	450
Interest and financing costs	5	(7,865)	(7,344)
Gift aid received		400	480
Surplus before tax		**12,414**	**6,083**
Taxation	10	-	-
Surplus for the financial year		**12,414**	**6,083**
Actuarial (loss)/gain in respect of pension schemes	23	(109)	(1,317)
Change in fair value of hedged financial instruments	20	1,840	13,384
Total comprehensive income for the year		**14,145**	**18,150**

The Consolidated and Association's results relate wholly to continuing activities and the notes on pages 35 – 68 form an integral part of these financial statements.

Statement of Financial Position

As at 31 March 2024

	Note	2024 £ '000	2023 £ '000
Fixed Assets			
Intangible assets	11	(26,651)	(27,068)
Housing properties	12	449,023	385,007
Investment properties	14	4,625	3,900
Other property, plant and equipment	13	14,718	14,599
Total fixed assets		**441,715**	**376,438**
Current assets			
Stock - Work in progress	16	6,087	4,525
Debtors	17	11,784	13,572
Defined benefit pension	23	-	-
Investment		-	-
Debtors due after one year		-	-
Cash and cash equivalents		16,538	29,236
Total current assets		**34,409**	**47,333**
Creditors: Amounts falling due within one year	18	(14,907)	(18,446)
Net current assets		**19,502**	**28,887**
Total assets less current liabilities		**461,217**	**405,325**
Creditors: Amounts falling due after more than one year	18	(285,622)	(244,123)
Defined benefit pension liability	23	-	-
Provision for liabilities	29	(4,807)	(4,559)
Net assets		**170,788**	**156,643**
Capital and reserves			
Revenue reserve		80,886	68,581
Property revaluation reserve		96,076	96,076
Cashflow hedge reserve		(6,174)	(8,014)
Total reserves		**170,788**	**156,643**

Chris Cheshire
Chair

Michael Suarez
Chair of Audit & Risk Committee

Amy Fox
Company Secretary

Consolidated Statement of Changes in Reserves

For the year ended 31 March 2024

	Revaluation Reserve £ '000	Cash Flow Hedge Reserve £ '000	Revenue Reserve £ '000	2024 Total £ '000
At 1 April 2023	**96,085**	**(8,013)**	**65,669**	**153,741**
Surplus for the year	-	-	12,945	12,945
Actuarial gain in respect to pension scheme	-	-	(109)	(109)
Transfer from Revaluation Reserve to Revenue Reserve	(9)	-	9	-
Changes in fair value movement of derivatives	-	1,840	-	1,840
At 31 March 2024	**96,076**	**(6,173)**	**78,514**	**168,417**

For the year ended 31 March 2023

	Revaluation Reserve £ '000	Cash Flow Hedge Reserve £ '000	Revenue Reserve £ '000	2023 Total £ '000
At 1 April 2022	**96,085**	**(21,397)**	**60,834**	**135,522**
Surplus for the year	-	-	6,159	6,159
Actuarial loss in respect to pension scheme	-	-	(1,324)	(1,324)
Transfer from Revaluation Reserve to Revenue Reserve	-	-	-	-
Changes in fair value movement of derivatives	-	13,384	-	13,384
At 31 March 2023	**96,085**	**(8,013)**	**65,669**	**153,741**

Watford Community Housing Statement of Changes in Reserves

For the year ended 31 March 2024

	Revaluation Reserve £ '000	Cash Flow Hedge Reserve £ '000	Revenue Reserve £ '000	2024 Total £ '000
At 1 April 2023	**96,076**	**(8,014)**	**68,581**	**156,643**
Surplus for the year	-	-	12,414	12,414
Actuarial gain in respect to pension scheme	-	-	(109)	(109)
Transfer from Revaluation Reserve to Revenue Reserve	-	-	-	-
Changes in fair value movement of derivatives	-	1,840	-	1,840
At 31 March 2024	**96,076**	**(6,174)**	**80,886**	**170,788**

For the year ended 31 March 2023

	Revaluation Reserve £ '000	Cash Flow Hedge Reserve £ '000	Revenue Reserve £ '000	2023 Total £ '000
At 1 April 2022	**96,076**	**(21,398)**	**63,815**	**138,493**
Surplus for the year	-	-	6,083	6,083
Actuarial loss in respect to pension scheme	-	-	(1,317)	(1,317)
Transfer from Revaluation Reserve to Revenue Reserve	-	-	-	-
Loss on disposal of assets	-	-	-	-
Changes in fair value movement of derivatives	-	13,384	-	13,384
At 31 March 2023	**96,076**	**(8,014)**	**68,581**	**156,643**

Consolidated Statement of Cash Flows

For the year ended 31 March 2024

	2024 £ '000	2023 £ '000
Net cash inflow from operating activities	18,463	16,203
Cash flows from investing activities		
Purchase of property, plant and equipment	(67,113)	(29,362)
Investment in Joint Venture	(2,574)	-
Proceeds from sale of property, plant and equipment	2,391	5,918
Grants received	8,959	13,304
Interest received	581	450
Net cash flows from investing activities	**(39,294)**	**6,513**
Cash flows from financing activities		
Interest paid	(7,865)	(7,380)
New secured loans	35,003	24,685
Loan repayments	-	-
Capital element of finance lease payments	(37)	(123)
Net cash flows from financing activities	**27,101**	**17,182**
Net increase in cash and cash equivalents	**(12,192)**	**23,695**
Cash and cash equivalents at beginning of year	29,547	5,852
Cash and cash equivalents at end of year	17,354	29,547

Consolidated Statement of Cash Flows

For the year ended 31 March 2024

	2024 £ '000	2023 £ '000
Cash flow from operating activities		
Surplus for the year	6,663	6,159
Adjustment for non-cash items:		
Depreciation of property, plant and equipment	7,929	7,446
Amortisation of intangible assets	(416)	(417)
(Increase) / Decrease in inventories	(1,561)	(2,249)
Decrease / (increase) in debtors	5,593	(1,167)
Increase / (decrease) in creditors	(4,105)	1,350
Share of profit of joint ventures	(1,113)	(557)
Pension costs less contributions payable	(570)	4
Carrying amount of property, plant & equipment disposals	1,576	4,542
(Increase)/decrease in fair value of investment property and reserves	(35)	392
Adjustments for investing or financing activities		
Proceeds from the sale of property, plant and equipment	(2,391)	(5,918)
Movement in fair value of financial instrument	-	-
Government grants utilised in the year	(390)	(277)
Interest received	(581)	(450)
Interest payable	7,865	7,345
Cash generated by operations	**18,463**	**16,203**

Notes to the Financial Statements

For the year ended 31 March 2024

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 2018 (SORP), the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. 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 several joint ventures via CLL, namely Hart Homes (Watford) Limited, Hart Homes Watford Development LLP, Hertsmere Living Limited, Three Rivers Homes Limited and Three Rivers Housing Developments LLP.

Watford Community Housing is a public benefit entity, as defined in FRS 102 and has applied the relevant paragraphs prefixed "PBE" in FRS 102.

The parent entity 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 parent and its subsidiary undertakings drawn up to 31 March 2024. 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

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

Depreciation is charged so as to write down the net book value of housing properties to their estimated residual value, on a straight-line basis, over their useful economic lives. Freehold land is not depreciated. The Group'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 partner 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 company 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 Group 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.

Notes

Non-housing property, plant and equipment

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

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

Investment properties

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

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

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

Intangible assets

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

Impairment of social housing properties

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

The Group has also noted that no impairment is required at this stage based on the prudence and margins build into our schemes which have a level of sales risk. The impact continues to be reviewed regularly by the Group Board looking at key financial risk indicators and assessing these against our financial plan and development assumptions. The Group remains confident that it has a robust plan to manage the current economic challenges but monitoring through cashflow forecasts, stress-testing and mitigation planning throughout will continue to provide assurance to the Group Board.

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 Homes England in respect of capital costs of housing properties, including the land cost, and 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 Group 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 Group'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 Group 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 Group, 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.

Where the scheme is estimated to be in a surplus position, under the reporting provisions of FRS 102, the Association is only able to recognise the surplus as to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan. As the Association does not anticipate being able to recover the surplus in the aforementioned manner, the surplus is not recognised on the Statement of Financial Position balance (SOFP), and a corresponding adjustment is made within our recognised gains and losses on the Statement of Comprehensive Income (SOCI) as an actuarial loss to bring the net LGPS position to £nil on the SOFP.

The Group 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 Group. 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 Regulator of Social Housing 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)

Each entity within the Group is VAT registered. Watford Community Housing 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 parent 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.

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 Group 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.

Shared ownership property sales

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

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

Financial instruments

Financial assets and financial liabilities are recognised when the Group 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.

Public benefit entity concessionary loans

Where loans are made or received between a public benefit entity within the Group or an entity within the public benefit entity group and other party at below the prevailing market rate of interest that are not repayable on demand and are for the purposes to further the objectives of the public benefit entity or public benefit entity parent, these loans are treated as concessionary loans and are recognised in the Statement of Financial Position at the amount paid or received and the carrying amount adjusted to reflect any accrued interest payable or receivable.

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.

Gift aid payments

Gift aid payments are credited to income when received.

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 £95 million of undrawn facilities at 31 March 2024), 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 Group 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.

The current economic crisis has led to a number of risk and financial considerations for Watford Community Housing Group in terms of preparing these statements. In order to consider the impact on the Group, work has been undertaken to stress the business plan in line with the adverse economic conditions with our Treasury advisors on appropriate liquidity and cash holdings during this period. The Group Board has taken assurance that the liquidity and cash-holdings are strong for the Group even when facing uncertainty in terms rental income and capital income from property sales.

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 Group that have the most significant effect on the amounts recognised in the financial statements:

- **Impairment of social housing properties:** The Group identifies factors which are considered to be an indicator of impairment. For those schemes so identified the Group compares the carrying amount of the assets to the recoverable amount to determine if an impairment loss has occurred. Based on this assessment, the Group calculates the Depreciated Replacement Cost (DRC) of each social housing property scheme, using appropriate construction costs and land prices. Comparing this to the carrying amount of each scheme shows whether there is any impairment of social housing properties. Where DRC is not relevant, the value in use is calculated as the present value of the future cash flows expected to be derived from the asset.
- A review has been carried out at 31 March 2024 to determine whether any assets required impairment. Several development schemes were identified as requiring an in-depth assessment.
- To determine the impairment charge, the impairment assessment performed a value in use net present value calculation for the cash generating units, using an appropriate discount rate to reflect its ability to secure finance over the development term. For the assets which were identified as non-cash generating social assets, these were assessed on a value in use depreciated replacement cost basis.
- Following this assessment, no impairment loss has been recognised at the reporting date.
- **Contingent Liabilities:** The Group has identified possible further liabilities where it is not considered 'probable' that there will be an outflow of economic benefits. The Group believes there could be approximately £3m of contingent liabilities relating to a number of areas, including employment matters, development scheme risks and insurance claims. This will be continually monitored throughout the upcoming financial year and the financial position of the Group will be appropriately amended as these areas develop further clarity.
- **Capitalisation of works to existing properties:** Amounts capitalised within works to existing properties include the cost of replacing components of housing properties. This involves judgement and estimation around areas such as which costs to include in the amount capitalised, how much cost to de-recognise as a replacement, the number of different components and their assigned useful economic lives.

Estimation uncertainty

The Group 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:** The Group carries its investment properties at fair value and engages independent valuers to determine fair value using a valuation technique based on a discounted cash flow model. The calculated fair value of the investment property therefore uses assumptions, of which the most sensitive relate to the estimated yield and the long-term vacancy rate.
- **Derivative financial instruments:** These comprise standalone interest rate swaps and are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. This requires assumptions underlying the estimation of the fair values.
- **Components of housing properties and useful lives:** Major components of housing properties have significantly different patterns of consumption of economic benefits and estimates are made to allocate the initial cost of the property to its major components and to depreciate each component separately over its useful economic life. The Group considers whether there are any indications that the useful lives require revision at each reporting date to ensure that they remain appropriate.
- **Negative goodwill:** To ensure that the value of negative goodwill in the financial statements is fairly stated, the balance is written off (amortised) over the remaining economic lives of the underlying housing assets and this is a key assumption by management underpinning the carrying value.
- **Defined benefit pension scheme:** Watford Community Housing 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, operating costs and operating surplus - Group

	2024 Turnover £'000	2024 Operating costs £'000	2024 Operating surplus £'000	2023 Turnover £'000	2023 Operating costs £'000	2023 Operating surplus £'000
Social housing lettings (see note 3b)	**38,501**	**(28,563)**	**9,938**	**34,701**	**(24,656)**	**10,045**
Other social housing activities						
Supporting people contract income	47	(47)	-	26	(26)	-
Shared ownership equity & sales income	2,444	(1,935)	510	3,119	(1,880)	1,239
Management services	906	(419)	487	620	(370)	250
Other	1,242	(1,089)	153	1,328	(1,945)	(617)
Consolidation adjustment	(252)	-	(252)	-	-	-
	4,387	**(3,489)**	**898**	**5,094**	**(4,221)**	**872**
Non-social housing activities						
Lettings	1,541	(871)	671	1,505	(906)	599
Other	104	(482)	(378)	12	(456)	(444)
Amortisation of Goodwill	-	416	416	-	416	416
Surplus on disposal of property, plant & equipment	-	814	814	-	1,376	1,376
Surplus/(Deficit) on revaluation of Investment Properties	-	725	725	-	(400)	(400)
Share of Joint Venture	-	865	865	-	-	-
	1,645	**1,468**	**3,113**	**1,517**	**30**	**1,547**
	44,533	**(30,584)**	**13,949**	**41,312**	**(28,847)**	**12,464**

Notes

3a. Particulars of turnover, cost of sales, operating costs and operating surplus - Watford Community Housing

	2024 Turnover £'000	2024 Operating costs £'000	2024 Operating surplus £'000	2023 Turnover £'000	2023 Operating costs £'000	2023 Operating surplus £'000
Social housing lettings (see note 3b)	**38,501**	**(28,815)**	**9,686**	**34,701**	**(24,656)**	**10,045**
Other social housing activities						
Supporting people contract income	47	(47)	-	26	(26)	-
Shared ownership equity & sales income	2,444	(1,935)	510	3,119	(1,880)	1,239
Management services	906	(419)	487	620	(370)	250
Other	1,242	(1,089)	153	1,328	(1,945)	(617)
	4,639	**(3,489)**	**1,150**	**5,094**	**(4,221)**	**872**
Non-social housing activities						
Lettings	1,541	(871)	671	1,505	(906)	599
Other	104	(482)	(378)	12	(456)	(444)
Amortisation of Goodwill	-	416	416	-	416	416
Surplus on disposal of property, plant & equipment	-	814	814	-	1,376	1,376
Surplus/(Deficit) on revaluation of Investment Properties	-	725	725	-	(400)	(400)
	1,645	**603**	**2,248**	**1,517**	**30**	**1,547**
	44,785	**(31,701)**	**13,084**	**41,312**	**(28,847)**	**12,464**

Notes

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

	General needs housing £'000	Supported housing and housing for older people £'000	Shared ownership £'000	2024 Total £'000	2023 Total £'000
Income					
Rent Receivable net of identifiable service charges	32,565	2,427	1,246	36,239	32,840
Service income	964	652	240	1,856	1,547
Amortisation of SHG	390	-	-	390	276
Other Revenue Grants	16	-	-	16	38
Turnover from social housing lettings	**33,935**	**3,079**	**1,486**	**38,501**	**34,701**
Expenditure					
Management costs	(11,595)	(1,165)	(723)	(13,482)	(10,879)
Service charge costs	(683)	(579)	(151)	(1,414)	(1,267)
Routine maintenance	(4,629)	(438)	-	(5,067)	(4,690)
Planned maintenance	(648)	(61)	-	(709)	(600)
Major repairs expenditure	(371)	(35)	-	(406)	(144)
Bad debts	(302)	(3)	-	(305)	(346)
Depreciation of housing properties	(6,473)	(414)	(293)	(7,180)	(6,729)
Operating costs on social housing lettings	(24,701)	(2,695)	(1,167)	(28,563)	(24,656)
Operating surplus on social housing lettings	9,234	384	319	9,938	10,045
Void losses	**395**	**78**	**-**	**473**	**688**

Notes

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

	General needs housing £'000	Supported housing and housing for older people £'000	Shared ownership £'000	2024 Total £'000	2023 Total £'000
Income					
Rent Receivable net of identifiable service charges	32,565	2,427	1,246	36,239	32,840
Service income	964	652	240	1,856	1,547
Amortisation of SHG	390	-	-	390	276
Other Revenue Grants	16	-	-	16	38
Turnover from social housing lettings	**33,935**	**3,079**	**1,486**	**38,501**	**34,701**
Expenditure					
Management costs	(11,811)	(1,187)	(736)	(13,734)	(10,879)
Service charge costs	(683)	(579)	(151)	(1,414)	(1,267)
Routine maintenance	(4,629)	(438)	-	(5,067)	(4,690)
Planned maintenance	(648)	(61)	-	(709)	(600)
Major repairs expenditure	(371)	(35)	-	(406)	(144)
Bad debts	(302)	(3)	-	(305)	(346)
Depreciation of housing properties	(6,473)	(414)	(293)	(7,180)	(6,729)
Operating costs on social housing lettings	(24,918)	(2,717)	(1,181)	(28,815)	(24,656)
Operating surplus on social housing lettings	9,017	363	305	9,686	10,045
Void losses	**395**	**78**	**-**	**473**	**688**

4. Surplus on disposal of property, plant and equipment - Group and Association

	2024 £'000	2023 £'000
Right to Buy & shared ownership staircasing		
Disposal Proceeds	1,738	2,474
Less: carrying value of fixed assets	(735)	(844)
Surplus on disposal	**1,003**	**1,630**
Other disposals		
Proceeds	5	74
Less: carrying value of fixed assets	(194)	(328)
(Deficit) on disposal	(189)	(254)
Total surplus on disposal	**814**	**1,376**

5. Interest and finance costs - Watford Community Housing

	2024 £'000	2023 £'000
Bank loan and overdraft	8,956	7,639
Finance lease charges	-	7
Loan fee costs	253	243
Capitalised Interest	(1,344)	(544)
	7,865	**7,345**

Borrowing costs have been capitalised based on a capitalisation rate of 4.02% (2023: 3.47%) which is the weighted average of rates applicable to Watford Community Housing's general borrowings outstanding during the year.

6. Interest receivable and other income - Watford Community Housing

	Group		WCH	
	2024	2023	2024	2023
	£'000	£'000	£'000	£'000
Interest receivable and similar income	**581**	**450**	**581**	**450**

7. Surplus on ordinary activities before taxation

Surplus on ordinary activities before taxation is stated after charging/(crediting):	2024 £'000	2023 £'000
Depreciation of housing properties	7,180	6,729
Depreciation of other property, plant & equipment	749	717
Government grant amortisation	(390)	(276)
Amortisation of goodwill	(416)	(416)
Operating lease rental	-	78
(Gain) on disposal of fixed assets	(814)	(1,376)
External auditors remuneration:		
- Statutory audit	50	51
- Tax advisory/compliance services	2	9

8. Staff costs

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

	2024 No.	2023 No.
Administration	99	95
Asset Management and Development	38	34
Housing, Support and Care	28	28
In-House Repairs team	43	45
	208	**202**

Employee costs:

	2024 £'000	2023 £'000
Wages and Salaries	7,874	6,661
Social Security Costs	832	751
Other Pension Costs	636	585
	9,342	**7,997**

There were 2 redundancy and severance payments in the period totalling £36.4k (2023: £0)

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

Salary Band

	2024 No.	2023 No.
£60,000 to £69,999	6	4
£70,000 to £79,999	3	2
£80,000 to £89,999	1	3
£90,000 to £99,999	6	1
£100,000 to £109,999	-	1
£140,000 to £149,999	1	-
£150,000 to £159,999	1	1
£160,000 to £169,999	-	1
£170,000 to £179,999	1	-
£180,000 to £189,999	-	-
£190,000 to £199,000	1	1
	20	**14**

Notes

9. Board members and executive directors

Executive Directors	Basic Salary £'000	Pension Contribu- tions £'000	Car Allowance £'000	2024 Total £'000	2023 Total £'000
Chief Executive					
Tina Barnard	161.8	24.3	8.0	**194.1**	**190.2**
Deputy Chief Executive					
Paul Richmond	149.1	16.4	8.0	**173.5**	**141.0**
Director of of Operations					
Peter Cogan	126.9	10.2	8.0	**145.1**	**42.9**
Director of Partnerships & Property					
Helen Town	135.3	15.0	8.0	**158.3**	**141.0**
Total	**573.1**	**65.9**	**32.0**	**671.0**	**515.1**

Board Members	Basic Salary £'000	Pension Contributions £'000	2024 Total £'000	2023 Total £'000
Chair of the Board				
C Cheshire	11.0	-	11.0	**11.0**
Other Board and Committee Members				
A Lynch	4.5		4.5	**4.5**
A Meghani	2.3	-	2.3	**1.2**
D Butcher	7.0	-	7.0	**-**
F Nathwani	2.0	-	2.0	**2.0**
J Blake	-	-	-	**1.5**
J Hopkins	2.0	-	2.0	**0.5**
J Ratcliff	7.0	-	7.0	**7.0**
K Rodrigues	-	-	-	**0.5**
L Riley	-	-	-	**0.5**
M Lavers	3.4	-	3.4	**7.0**
M Suarez	7.0	-	7.0	**7.0**
M Thompson	-	-	-	**1.9**
N Benjamin	-	-	-	**2.9**
N Patel	0.8	-	0.8	**2.0**
R Barwick	3.8	-	3.8	**2.0**
R Hussain	2.9	-	2.9	**7.0**
S David	4.5	-	4.5	**3.2**
S Mahugu	0.8	-	0.8	**2.0**
T Connage	-	-	-	**4.7**
T Willcocks	7.0	-	7.0	**7.0**
R Hanrahan	2.3	-	2.3	**-**
R McFarlane	1.2	-	1.2	**-**
C Norton	4.1	-	4.1	**-**
	73.6	**0.00**	**73.6**	**75.4**

Remuneration paid to Chair of the Board was £11k (2023: £11k). Remuneration paid to other Board members in the year was £62.5k (2023: £59.3k). Board and committee members expenses were £0.5k (2023: £14.9k). The emoluments of the highest paid director, the Chief Executive, including Performance Related Pay but excluding pension contributions, were £169.8k (2023: £167k).

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 Group does not make any further contributions to an individual pension arrangement for the Chief Executive.

10. Taxation - Group and Watford Community Housing

There is no tax charge recognised in 2023/24, as the primary activities of the Group are exempt from taxation.

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. 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. The annual amortisation charge is £417k.

	£ '000
Cost	
At 1st April 2023 and 31st March 2024	33,326
Amortisation	
At 1st April 2023	(6,257)
Charge for the year	(418)
At 31st March 2024	(6,675)
Net book value	
At 31st March 2024	**26,651**
At 31st March 2023	27,069

Notes

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

	Social housing properties held for letting £'000	Social housing and shared ownership properties under construction £'000	Completed shared ownership housing properties £'000	2024 Total £'000
Cost				
At 1 April 2023 restated	370,725	28,449	28,868	428,042
Additions	6,522	66,082	-	72,604
Completed properties	44,943	(61,066)	16,123	-
Transfer to Current Assets	(6,359)	-	-	(6,359)
Works on existing properties	6,316	-	62	6,379
Disposals	(585)	-	(1,213)	(1,799)
At 31 March 2024	**421,562**	**33,465**	**43,840**	**498,867**
Depreciation and impairment				
At 1 April 2023 restated	45,501	-	1,179	46,680
Charge for the year	6,858	-	322	7,180
Released on disposal	(193)	-	(30)	(223)
At 31 March 2024	**52,166**	**-**	**1,471**	**53,637**
NET BOOK VALUE				
At 31 March 2024	**369,396**	**33,465**	**42,369**	**445,230**
At 31 March 2023	325,224	28,449	27,689	381,362

Notes

12. Property, plant and equipment - housing properties - Watford Community Housing

	Social housing properties held for letting £'000	Social housing and shared ownership properties under construction £'000	Completed shared ownership housing properties £'000	2024 Total £'000
Cost				
At 1 April 2023 restated	369,194	33,137	29,356	431,687
Additions	6,522	66,230	-	72,752
Completed properties	44,943	(61,066)	16,123	-
Transfer to Current Assets	(6,359)	-	-	(6,359)
Works on existing properties	6,316	-	62	6,379
Disposals	(585)	-	(1,213)	(1,799)
At 31 March 2024	**420,031**	**38,300**	**44,328**	**502,660**
Depreciation and impairment				
At 1 April 2023 restated	45,501	-	1,179	46,680
Charge for the year	6,858	-	322	7,180
Released on disposal	(193)	-	(30)	(223)
At 31 March 2024	**52,166**	**-**	**1,471**	**53,637**
NET BOOK VALUE				
At 31 March 2024	**367,864**	**38,300**	**42,858**	**449,023**
At 31 March 2023	323,693	33,137	28,177	385,007

The April 2023 position for cost of housing properties has been restated to reflect the correct balance between completed properties and housing under construction at the start of the financial year. The March 2024 total remains unchanged and the restatement is a redistribution of costs.

The April 2023 position for depreciation has been restated to reflect the correct balance between completed properties held for lettings and completed properties held for sale at the start of the financial year. The restatement is a redistribution while the total values remain the same.

Notes

13. Property, plant and equipment - other - Watford Community Housing and Group

	Freehold properties £'000	Office Computers £'000	Furniture and fittings £'000	Office equipment and vehicles £'000	2024 Total £'000
Cost					
At 1 April 2023	17,082	3,213	590	452	**21,337**
Additions	380	433	-	56	**869**
Disposals	-	(215)	(15)	(23)	**(253)**
At 31 March 2024	17,462	3,431	575	485	21,953
Depreciation and impairment					
At 1 April 2023	3,559	2,556	166	457	**6,738**
Charge for the year	377	320	10	43	**750**
Released on disposal	-	(215)	(15)	(23)	**(253)**
At 31 March 2024	**3,936**	**2,661**	**161**	**477**	7,235
NET BOOK VALUE					
At 31 March 2024	**13,526**	**770**	**414**	**8**	**14,718**
At 31 March 2023	13,523	657	424	(5)	**14,599**

14. Investment properties - Group & Watford Community Housing

	2024 Properties held for market rent £'000	2023 Properties held for market rent £'000
Valuation as at 1 April 2023	3,900	4,300
Additions	-	-
Gain/(Loss) from adjustment to fair value	725	(400)
At 31 March 2024	**4,625**	**3,900**

15. Group Subsidiaries

Clarendon Living Limited, a non-regulated subsidiary of Watford Community Housing, traded throughout 2023/24. The investment in the subsidiary is £1 share capital.

WCHT Devco Limited, a non-regulated subsidiary and wholly owned by Watford Community Housing, traded throughout 2023/24. The investment in the subsidiary is £2 share capital.

16. Stock - Watford Community Housing

	2024 £'000	2023 £'000
Completed SO 1st Tranche	4,367	542
Completed Outright Sales	419	-
Work in Progress - SO 1st Tranche	1,301	3,711
Work in Progress - Outright Sales/ First Homes	-	272
	6,087	**4,525**

17. Debtors - Group

	2024 £'000	2023 £'000
Due within one year		
Rent and service charges arrears	2,056	1,775
Less: Provision for bad and doubtful debts	(1,958)	(1,715)
	98	60
Service charges sinking fund account	455	398
Sundry debtors	21	9
Other debtors	3,374	5,010
Prepayments and accrued income	1,825	5,889
Debtors due within one year	**5,773**	**11,366**
Due after more than one year	**-**	**-**
Total Debtors	**5,773**	**11,366**

17. Debtors - Watford Community Housing

	2024 £'000	2023 £'000
Due within one year		
Rent and service charges arrears	2,056	1,775
Less: Provision for bad and doubtful debts	(1,958)	(1,715)
	98	60
Service charges sinking fund account	455	397
Sundry debtors	21	9
Other debtors	3,277	2,288
Intercompany debtors	(29)	76
Loans to subsidiaries	-	-
Prepayments and accrued income	1,825	5,889
Debtors due within one year	**5,647**	**8,719**
Due after more than one year		
Loans to subsidiaries	6,137	4,853
Due after more than one year	**6,137**	**4,853**
Total Debtors	**11,784**	**13,572**

Notes

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

Classification	2024 £'000	2023 £'000
Trade creditors	4,692	10,182
Rent and service charges received in advance	1,490	1,461
Government grants	538	316
Other taxation and social security	432	265
Pension Contributions	94	80
Other creditors	3,047	2,836
Finance lease liability	8	34
Accruals and deferred income	4,636	3,921
	14,937	**19,095**

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

Classification	2024 £ '000	2023 £ '000
Bank loans	238,921	203,918
Government grants	40,525	32,178
Derivative financial instruments	6,176	8,016
Finance lease liability	-	11
	285,622	**244,123**

18. Creditors: amounts falling due within one year - Watford Community Housing

Classification	2024 £'000	2023 £'000
Trade creditors	4,692	8,558
Rent and service charges received in advance	1,490	1,461
Government grants	538	316
Other taxation and social security	432	265
Pension Contributions	94	80
Other creditors	3,018	3,185
Intercompany creditors	-	-
Finance lease liability	8	34
Accruals and deferred income	4,636	4,547
	14,907	**18,446**

18. Creditors: amounts falling due after one year - Watford Community Housing

Classification	2024 £ '000	2023 £ '000
Bank loans	238,921	203,918
Government grants see notes 19	40,525	32,178
Derivative financial instruments see notes 20	6,176	8,016
Finance lease liability	-	11
	285,622	**244,123**

19. Deferred income - Government grants

	2024 £'000	2023 £'000
At 1 April	32,494	19,467
Grants receivable	8,959	13,304
Total Grant Received	**41,453**	**32,771**
Amortisation to Statement of Comprehensive Income	(390)	(277)
At 31 March	41,063	32,494
Due within one year	538	316
Due after one year	40,525	32,178

20. Financial instruments - Group and Watford Community Housing

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

	2024 £'000	2023 £'000
Financial assets		
Measured at undiscounted amount receivable		
Rent arrears and other debtors (see note 17)	98	60
	98	**60**
Financial liabilities		
Measured at fair value and designated in an effective hedging relationship		
Derivative financial liabilities (see note 18)	6,176	8,016
Measured at amortised cost		
Loans payable (see note 18)	238,921	203,918
Measured at undiscounted amount payable		
Trade and other creditors (see note 18)	14,907	18,446
	260,004	**230,380**

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

	2024 £'000	2023 £'000
Fair value gains and losses		
On financial assets (including listed investments) measured at fair value through Statement of Comprehensive Income	-	-

	2024 £'000	2023 £'000
Obligation under finance leases		
In one year or more but less than two years	8	34
In two years or more but less than five years	-	11
In five years or more	-	-
	8	45

21. Derivative financial instruments

Derivatives that are designated and effective as hedging instruments carried at fair value.

	2024 £'000	2023 £'000
Interest rate swaps creditors	**6,176**	**8,016**

Interest rate swaps are valued at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Interest rate swap contracts - Group and Watford Community Housing

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 in-terest rate risk of recognised financial liabilities.

	Notional principal value		Fair value	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Outstanding receive floating pay fixed contracts				
5 years +	57,000	57,000	6,176	8,016

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is three months' SONIA. The Group will settle the dif-ference between the fixed and floating interest rate on a net basis.

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

22. Non-equity share capital - Group

	2024 No.	2024 £	2023* No.	2023* £
Shares of 10p each issued and fully paid				
At 1 April 2023	2,109	211	2,383	238
Shares issued during the year	9	1	6	1
Shares surrendered during the year	(95)	(10)	(280)	(28)
At 31 March 2024	**2,023**	**202**	**2,109**	**211**

* 2023 Closing Balance has been restated to reflect movements in 2022/23

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. Retirement benefit schemes

Hertfordshire County Council Pension Fund (HCCPF)

The HCCPF is a multi-employer scheme, administered by Hertfordshire County Council under the regu-lations governing the Local Government Pension Scheme, a defined benefit scheme. The most recent formal triennial actuarial valuation was completed as at 31 March 2022 by a qualified actuary.

The employers' contributions to the HCCPF by WCH for the year ended 31 March 2024 were £3k (2023: £4k) at a contribution rate of 19.1% of pensionable salaries, set until the next funding valuation.

	31-Mar 2024 % pa.	31-Mar 2023 % pa.
Financial Assumptions		
Discount rate	4.8%	4.8%
Future salary increases	3.3%	3.5%
Future pension increases	2.8%	3.0%

Mortality Assumptions

The post mortality assumptions used to value the benefit obligation at March 2023 are based on the Fund's Vita Curves with improvements in line with the CMI 2022 model assuming current rates of improvements have peaked and will converge to a long term rate 1.5% p.a.

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

	Males	Females
Current Pensioners	21.4 years	23.8 years
Future Pensioners	22.0 years	25.6 years

Sensitivity Analysis

The sensitivity regarding the principal assumptions used to measure the scheme liabilities are set out below:

	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount (£'000)
Change in assumptions at 31 March 2024		
0.1% decrease in Real Discount Rate	1%	137
1 year increase in member life expectancy	4%	397
0.1% increase in the Salary Increase Rate	0%	1
0.1% increase in the Pension Increase Rate (CPI)	1%	139

	2024 £'000	2023 £'000
Analysis of the amount charged to the Statement of Comprehensive Income		
Current service cost	6	7
Interest Income on plan assets	(576)	(362)
Interest on pension scheme liabilities	464	327
Losses on Curtailments and Settlements	-	-
Total operating (income)/charge	**(106)**	**(28)**

	2024 £'000	2023 £'000
Amounts recognised in Statement of Comprehensive Income		
Actuarial gains/(losses) recognised	596	1,043

	2024 £'000	2023 £'000
Amounts recognised in the Statement of Financial Position		
Present value of funded obligations	(9,927)	(10,010)
Fair value of plan assets	12,992	12,370
Present value of unfunded obligations	3,065	2,360
Adjustment recognised in actuarial losses to cap the scheme surplus	(3,065)	(2,360)
Net Asset/(liability)	-	-

	2024 £'000	2023 £'000
Changes in present value of the plan assets		
Opening fair value for employer assets	12,370	13,609
Return on Assets	533	(1,199)
Contributions by members	1	1
Contributions by Employer	3	3
Interest Income on plan assets	576	362
Benefits paid	(491)	(406)
Closing defined benefit obligation	**12,992**	**12,370**
Adjustment recognised in actuarial losses to cap the scheme surplus	**(3,065)**	**(2,360)**
Plan assets in the scheme as recognised on the balance sheet	9,927	10,010

As the LGPS surplus is irrecoverable, recognition of the surplus on the balance sheet has been restricted to £nil. The adjustment of £3,065k has been offset against the overall actuarial gain for the year.

	2024 £'000	2023 £'000
Changes in present value of defined benefit obligation		
Opening defined benefit obligation	10,010	12,323
Service cost	6	7
Past service cost (including curtailments)	-	-
Interest cost	464	327
Actuarial losses (gains)	(63)	(2,242)
Contributions by members	1	1
Estimated benefits paid	(491)	(406)
Closing defined benefit obligation	**9,927**	**10,010**

	2024	2023
Major categories of plan assets as percentage of total plan assets		
Equities	61%	52%
Bonds	21%	21%
Property	12%	14%
Cash	6%	13%

	2025 £'000	2024 % of pay
Analysis of projected amounts to be charged to operating surplus for the year to 31 March 2025		
Projected Current Service Cost	(5)	(5)
Expected Return on Plan Assets	610	577
Interest on Obligation	(463)	(465)
Total	**142**	**107**

Employers contributions for the year 31 March 2025 estimated to be £3k

Notes

24. Capital commitments – Watford Community Housing

	2024 £'000	2023 £'000
Capital Expenditure		
Expenditure contracted for but not provided in the accounts	109,411	148,131
Expenditure authorised by theBoard, but not contracted for	69,366	96,468
Total	**178,777**	**244,599**

The capital expenditure above will be financed by use of first tranche sales of shared ownership homes, social housing grant, cash in hand, revenue cash surpluses generated in the year and beyond and loan facilities. The organisation's policy is to ensure that expenditure is only committed as funding resources are available.

25. Operating Leases

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

	2024 £'000	2023 £'000
Office equipment and computers payments in the following periods		
Within one year	64	58
One to two years	-	-
Two to five years	81	11
	145	**69**

Operating lease payments represent rentals payable by the Group for certain 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 year 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:

	2024 No.	2023 No.
Social housing		
General housing	4,617	4,477
Supported housing and housing for older people	523	520
Shared ownership	291	220
Total social housing owned	**5,431**	**5,217**
Accommodation managed for others (social)	215	180
Accommodation managed by others	3	3
Total social housing managed	**5,649**	**5,400**
Accommodation managed for others (non-social)	82	13
Leasehold	379	391
Total housing owned and managed	**6,110**	**5,804**
Non-Social Housing		
Commercial Shops	20	22
Commercial and Market Rented Properties	24	24
Garages	990	990
	1,034	1,036
Total owned and managed	**7,144**	**6,840**

Watford Community Housing manages accommodation for Watford Borough Council, Hertfordshire County Council, Three Rivers District Council, David Salter Almshouses Trust, Hart Homes Watford Limited, Three Rivers Homes Limited and Hertsmere Living Limited. The company also owns three properties that are managed on its behalf by St Albans Womens Refuge.

27. Related Parties - Watford Community Housing

	Services Received 2024 £'000	Services Provided 2024 £'000	Debtor/ (Creditor) balances as at 31 March 2024 £'000	Services Received 2023 £'000	Services Provided 2023 £'000	Debtor/ (Creditor) balances as at 31 March 2023 £'000
Regulated						
Watford Community Housing	451	364	6,034	542	414	4,788
Non-Regulated						
WCHT Devco Limited	302	451	(5,946)	360	542	(4,751)
Clarendon Living Limited	-	-	-	-	-	-
Hart Homes (Watford) Limited	36	-	-	36	-	-
Hart Homes Housing Developments LLP	-	-	-	-	-	-
Three Rivers Homes Limited	18	-	(88)	18	-	-
Three Rivers Housing Developments LLP	-	-	-	-	-	(38)
Hertsmere Living Limited	8	-	-	-	-	-

28. Joint Ventures

The wholly owned subsidiary, Clarendon Living Limited has a 50% interest in five joint ventures. These are Hart Homes (Watford) Limited, Hart Homes Watford Developments LLP, Hertsmere Living Limited, Three Rivers Homes Limited and Three Rivers Housing Developments LLP.

Details on the investments are below:

	2024 £'000	2023 £'000
Investment in Joint Ventures		
Brought forward at 1 April	3,287	2,730
Investment in year	2,574	-
Share of profit of joint ventures	786	557
Carried forward at 31 March	**6,647**	**3,287**

29. Provision for liabilities - Group

	£'000
At 1 April 2023	4,559
Charged to income and expense	-
Additions	600
Utilised in year	(353)
At 31 March 2024	**4,807**
At 1 April 2022	4,499
Charged to income and expense	
Additions	366
Utilised in year	(306)
At 31 March 2023	**4,559**

29. Provision for liabilities - Watford Community Housing

	£'000
At 1 April 2023	4,559
Charged to income and expense	-
Additions	600
Utilised in year	(353)
At 31 March 2024	**4,807**
At 1 April 2022	4,499
Charged to income and expense	-
Additions	366
Utilised in year	(306)
At 31 March 2023	**4,559**

Provisions consist of items recognised at year end which are of uncertain timing and value. Provisions made during the year relating to known liabilities including costs associated with the data breach incident in March 2020.

30. Net Gains/Loss on Business Combination

On 29 February 2024 Watford Community Housing acquired by transfer of engagements the assets and liabilities of West Herts Homes Limited (Registered under the co-operative and Community Benefit Societies Act 2014 with registration number 21538R). This has been accounted for as an acquisition in the year

	Book Value £'000	Adjustments £'000	Fair Value £'000
Fixed assets			
Housing Properties	1,856	4,666	6,522
Social housing grant	(1,129)	-	(1,129)
Other fixed assets	-	-	-
Debtors	57	-	57
Cash at bank and in hand	797	-	797
Cash on short term deposit	-	-	-
Creditors: Amount falling due within one year	(33)	-	(33)
Creditors: Amount falling due after one year	-	-	-
Net assets	**1,548**	**4,666**	**6,214**

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