watford community housing

# Report and Financial Statements

For the year ended 31 March 2021

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**
**John Swinney,** Chair

**Other Members**
**Richard Archer** – resigned February 2021
**Nigel Benjamin**
**Stephen Cavinder** – resigned May 2021
**Chris Cheshire**
**Michael Comras** – resigned February 2021
**Raz Hussain**
**Raj Kumar**
**John Lavers**
**Jamie Ratcliff**
**Marsha Thompson**
**Mike Suarez** – appointed May 2021
**Kennedy Rodrigues** – appointed June 2021

**Executive Management Team**
**Tina Barnard,** Chief Executive
**Paul Richmond,** Director of Finance and Resources & Deputy Chief Executive
**Gareth Lewis,** Director of Partnerships/MD of Clarendon Living Limited
**Ben Johnson** (to December 2020) Director of Operations
**Julie Wittich** (Interim) from January 2021 Director of Operations

**Company secretary**
**Mary Swaine**

**Committees**
Audit and Risk Committee
**Mike Suarez ,** Chair (May 2021 onwards), previously Richard Archer

Business Development Committee
**Jamie Ratcliff,** Chair

Remuneration and Appraisal Committee
**Nigel Benjamin,** Chair

Operations Committee
**Raj Kumar,** Chair

**Customer group**
Gateway Membership Team

**Registered office**
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Watford
Hertfordshire
WD17 1LA

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

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**Funders**
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c/o M&G Investments Ltd
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# 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 6,823 properties and associated assets in South West Hertfordshire.



## 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.

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 three Directors – the Deputy Chief Executive (previously Director of Finance and Resources), the Director of Partnerships and the 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, a Business Development Committee, an Operations Committee and a Remuneration and Appraisal Committee.

As we are a Community Gateway housing association, our customers play a significant role in how the Group operates and 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 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 also 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 (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.

## 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 and developers 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 | 2021 No. | 2020 No. |
|---|---|---|
| Owned by the Group: | | |
| General needs | 3,980 | 3,986 |
| Affordable rents | 367 | 279 |
| Housing for older people | 499 | 499 |
| Shared ownership | 204 | 168 |
| Leaseholds | 357 | 366 |
| Open Market Sales Stock | 7 | 7 |
| Commercial and market rents | 27 | 27 |
| Commercial shops | 26 | 23 |
| Garages | 1,080 | 1,246 |
| Temporary accommodation | 36 | 38 |
| | 6,583 | 6,642 |
| Managed for others | 237 | 231 |
| Managed by others | 3 | 3 |
| **Total** | **6,823** | **6,873** |

During the year the Group's owned and managed stock numbers decreased by 50. This movement includes development growth of 157 units (89 new affordable rented homes being completed, 9 general needs, 38 shared ownership, 14 Hostel and 7 market sale completions). This movement was partially offset by 11 Right to Buy purchases and shared ownership staircasings during the year, and the demolition of 20 temporary accommodation dwellings. There is a net increase in managed properties of 6 dwellings, which include 109 dwellings within the Group's Joint Venture companies, as well as the net increase of 3 commercial shop units. During the year the Group disposed of 166 garage assets from its stock. 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 first 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 Buckinghamshire, 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

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

These indicators form the basis of a Corporate Balanced Scorecard which is reviewed quarterly by our Executive Management Team, Operations 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.

2020/21 brought many challenges to us and our customers with the arrival of the Covid-19 pandemic, with our organisation facing significant disruption. The impact of lockdown on our services has contributed to negative movement in many traditionally strong performance areas. Nearly all areas of satisfaction were impacted; a trend seen across the sector.

Despite being heavily affected by lockdown and shielding, 85% of customers rated the repairs service positively for the year – with an average of 21.1 working days taken to complete repairs; 1.1 days over target.

Quarter 2 2020/21 saw the launch of Feefo as our new means of conducting surveys through email and SMS. This also introduced the new Feefo “Customer Perception Score” metric, which performed above its 2.5 target at 3.5 (out of 5); demonstrating that although customers may have dissatisfaction with specific service areas, the overall feeling about Watford Community Housing is positive.

Although arrears rose through the first half of the year as the financial effects of the pandemic were felt, arrears lowered to 3.78% of income by the end; inside target. £465k in additional income was realised by Tenancy Support Officers for customers over the year and although the launch of the £1million Community Fund was delayed, Watford Community Housing contributed £59k into community projects which was then match-funded by an additional 55.9%.

Development targets for the year were exceeded: 157 Watford Community Housing dwellings were completed, with 72.6% of them affordable or social rent. This led to WCH delivering new supply of 2.9%, which was significantly above our target of 1% during the pandemic.

The Group has also seen continued resilience in its overall financial performance (as covered elsewhere in these Statements), and strong performance on delivery of VFM savings and staff satisfaction (achieving a 1 Star Accreditation from Best Companies). Staff engagement was also supported by lower staff turnover 9.8% (versus a target of 15.1%), which was partly driven by the pandemic, but also reflects work on staff recognition, new wellbeing offers and promotion of our staff rewards offer.

## Key performance indicators

| | 2021 Target | 2021 | 2020 (if exists) | Flag |
|---|---|---|---|---|
| **1. Our Customer Promise** | | | | |
| % of customers satisfied with repairs and maintenance | 87% | 85.0% | 90.9% | Steady |
| Average repair time (working days) | 20 | 21.1 | New to 2021 | Steady |
| % of repairs fixed on first visit | 79% | 73.5% | 82.0% | In need of attention |
| (12 Month Rolling) Arrears as a % of income | 4.0% | 3.8% | 2.9% | Positive performance |
| % match-funding secured from partners | 15.0% | 55.9% | New to 2021 | Positive performance |
| (Cumulative) Homes successfully 'right-sized' | 12 | 9 | 11 | Steady |
| New Social Rented homes delivered | 12 | 0 | New to 2021 | In need of attention |
| Grants received for new Social Rented homes (£'000) | 480 | 1399 | New to 2021 | Positive performance |
| **2. Dynamic Partnerships & Innovative Developments** | | | | |
| (Cumulative) Number of engaged members | 75 | 93 | New to 2021 | Positive performance |
| (Cumulative) Total Number of WCH dwellings completed | 153 | 157 | New to 2021 | Positive performance |
| (Cumulative) % of completed dwellings as Affordable or Social Rent | 70.6% | 72.6% | New to 2021 | Positive performance |
| **3. Resource Planning** | | | | |
| (Cumulative) Operating margin (excluding shared ownership & sales) | 27% | 20.1% | 31.6% | In need of attention |
| (Cumulative) Operating margin (including shared ownership & sales) | 24% | 27.2% | 31.0% | Positive performance |
| (Cumulative) EBITDA MRI (Earning Before Interest, Tax, Depreciation and Amortisation, Major Repairs Included) | 125% | 189% | 188% | Positive performance |
| (Cumulative) Social Housing Cost Per Unit (SHCPU) | £4,200 | £4,377 | £3,680 | Steady |
| (Cumulative) Annual VFM Savings | £1.0m | £1.26m | £1.25m | Positive performance |
| % of tenants registered on Digital Tenancy Services | 29% | 27.9% | 21.3% | Steady |
| Net staff satisfaction (on Best Companies Metric) | 660 | 680 | | Positive performance |
| % of turnover invested in training and professional development | 1% | 1% | New to 2021 | Positive performance |
| (12 Month Rolling) Voluntary staff turnover | 15.1% | 9.8% | 17.1% | Positive performance |
| **4. Continuous Improvement** | | | | |
| % customer satisfaction with improvement works | 92% | 100% | 98.5% | Positive performance |
| Occupancy | 98.5% | 98.5% | 98.6% | Positive performance |
| Average SAP score | 72 | 72.2 | New to 2021 | Positive performance |
| (Cumulative) Additional income realised for customers by Tenancy Support Officers | £300,000 | £464,936 | New to 2021 | Positive performance |
| Customer Perception Score (Feefo) | 2.5 | 3.5 | New to 2021 | Positive performance |
| Net Promoter Score | 30 | 19 | 37 | In need of attention |
| % Overall Satisfaction with WCH services | 86% | 79.7% | 87.5% | In need of attention |

**Flag key:** Positive performance · Steady · In need of attention · New to 2021

# 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 2020/21 with its operating surplus being £9.8m. The financial highlights over the past five years are set out below.

## Group highlights, summary (5 year summary)

| For year ended 31 March | 2021 £'000 | 2020 £'000 | 2019 £'000 | 2018 £'000 | 2017 £'000 |
|---|---|---|---|---|---|
| **Summary Statement of Comprehensive Income** | | | | | |
| Total turnover | 42,445 | 34,190 | 34,928 | 31,735 | 31,410 |
| Income from Social Housing Lettings (note 3a) | 31,152 | 28,816 | 28,568 | 28,272 | 27,757 |
| Operating surplus: continuing activities | 9,845 | 11,201 | 11,586 | 10,984 | 11,275 |
| Surplus for the year transferred to reserves | 3,516 | 5,323 | 5,905 | 6,708 | 7,321 |
| | | | | | |
| **Group Balance Sheet** | | | | | |
| Intangible assets (note 11) | (27,901) | (28,317) | (28,734) | (29,151) | (29,568) |
| Investments in Joint Ventures | 2,827 | 2,973 | 2,869 | 2,861 | 2,393 |
| Housing Properties (note 12) | 333,240 | 306,933 | 286,933 | 267,473 | 241,743 |
| Investment Properties (note 14) | 4,635 | 4,040 | 4,095 | 4,095 | 3,915 |
| Other Property, Plant and Equipment (note 13) | 12,244 | 12,906 | 13,049 | 13,211 | 12,974 |
| **Fixed assets** | **325,045** | **298,535** | **278,212** | **258,488** | **231,457** |
| | | | | | |
| Net current assets | 14,919 | 30,332 | 29,931 | 41,368 | 35,006 |
| **Total assets less current liabilities** | **339,964** | **328,867** | **308,143** | **299,854** | **266,463** |
| | | | | | |
| **Funded by:** | | | | | |
| Loans (due over one year) (note 18) | 167,560 | 167,636 | 155,061 | 155,129 | 132,158 |
| Pension liability (note 23) | - | - | 478 | 138 | 463 |
| Provision for liabilities | 4,413 | 1,342 | 1,898 | 1,021 | - |
| Other long term liabilities (note 18) | 45,661 | 47,841 | 38,149 | 35,489 | 34,174 |
| **Reserves:** | | | | | |
| Revenue inc. pension | 55,814 | 52,599 | 46,035 | 40,456 | 33,398 |
| Property Revaluation | 96,085 | 96,089 | 96,141 | 96,145 | 96,150 |
| Cashflow hedge reserve | (29,570) | (36,640) | (29,619) | (28,524) | (29,881) |
| **Consolidated funds** | **339,964** | **328,867** | **308,143** | **299,855** | **266,463** |

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 2020/21 and is now seeking to increase its operating 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 a number of major development schemes and provided a zero-rated design and build service to the Group. Additionally the Group's commercial subsidiary Clarendon Living Limited completed all the sales of its open market sales development scheme in 2020/21.

# 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 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 | • Additional £25m of finance secured in 2020/21 creating Group debt capacity of £245m.<br>• Ongoing monitoring and reporting of impact of welfare reform on areas such as bad debt, universal credit performance and income arrears<br>• Fraud policy regularly reviewed and fraud incidences reported quarterly to Audit and Risk Committee<br>• Financial Plan annually subjected to multi-variate stress testing to identify variety of economic assumptions and their impact on the Group's plan – with May 2020 IDA outcome of V1 and strapline judgement of V1 in January 2021 by Regulator of Social Housing<br>• Regular monitoring of Golden Rules both at Management and Group Board level to support ongoing viability<br>• 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 and growth for leaders | • May 2020 IDA outcome reassessed Watford Community Housing governance rating as "G1", subsequently confirmed in strapline judgement in January 2021<br>• Secured 1 Star Accreditation from Best Companies survey in May 2021, becoming a Top 25 Housing Association to work for in the UK<br>• Executive Management Team has been structured to reflect appropriate skillset within the Group's leadership team<br>• Subsidiary boards report up to the Group Board on regular basis including updates on joint venture activities<br>• Terms of Reference and Group Financial Regulations provide assurance on decision-making clarity within the Group. Both are reviewed on an annual basis<br>• Ongoing skills development sessions provided to Group Board and Committee members to support informed understanding and scrutiny of the Group; including sessions on Risk, Treasury / Stress Testing, Data protection and the Green Agenda,<br>• Work underway to establish new ways of working for organisation as a response to Covid pandemic |
| **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 safeguarding | • Service Standards give clear standards/expectations of service from the Group<br>• Active Community Budget invested in a number of activities, including community programmes / Hub activity and supporting customer scrutiny<br>• New Membership and Involvement Framework to be launched to customers in September 2021 to define forms of engagement with WCH and promote involvement<br>• Increased joint-working between Group Board and Gateway Management Team (GMT)<br>• Ongoing monitoring of customer arrears / impact of universal credit and Tenancy Sustainment team in place to provide support to customers<br>• 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 | • Health and Safety compliance monitored at Group Board level and external assurance from British Safety Council (BSC) gave 4-star assurance rating to the Group<br>• 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<br>• Green Strategy Group established to define a way forward for WCH on the Green Agenda,<br>• Core Property Compliance managed through scrutiny at both Operations Committee and GMT. 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<br>• 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<br>• The Development Team has been strengthened further in 2020/21 to increase capability and capacity for larger programmes<br>• 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<br>• 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.<br>• 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**
Reviews and monitors corporate risks and assurance, and ensures delivery against internal and external audit recommendations

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

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

**REMUNERATION & APPRAISAL COMMITTEE**
Reviews the effectiveness of pay strategy

**GATEWAY MEMBERSHIP TEAM**
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 & 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:

- 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 2020/21 we spent £4.5m on maintenance of our properties and £2.7m on programmed repairs. For 2021/22 the budgeted numbers are £5.7m and £3.7m 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 and Three Rivers Homes), Hertfordshire County Council, Three Rivers District Council and Watford Borough 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 Operational Efficiency:

As part of our continuous evaluation of operational costs, the Group Board agreed an efficiency target of £1.25m for the 2020/21 financial year. At the end of 2020/21, we were pleased to report VFM savings of £1.26m, meaning we have met our target. We have continued to work hard to ensure we deliver further gains. Tabulated below is the register of our efficiency gains over the last three years, with an achievement of £0.2m greater than original projection. All gains identified contribute to the surpluses realised in the financial year, which are used to further our social objectives through investment in services and new homes.

### Efficiency Gains over three years

| Efficiency Gains over 3 years | 2018-19 Target £'000 | 2018-19 achieved £'000 | 2019-20 Target £'000 | 2019-20 achieved £'000 | 2020-21 Target £'000 | 2020-21 achieved £'000 | Total Target £'000 | Total achieved £'000 | Variance £'000 |
|---|---|---|---|---|---|---|---|---|---|
| Procurement, Contract Savings & use of consultants | 600 | 814 | 525 | 512 | 412 | 292 | 1,537 | 1,618 | 81 |
| Energy Innovation | 0 | 0 | 50 | 0 | 0 | 0 | 50 | 0 | (50) |
| IT Infrastructural Cost, System Upgrades / Other | 210 | 210 | 155 | 152 | 32 | 111 | 397 | 473 | 76 |
| Lean business processes | 41 | 47 | 465 | 475 | 506 | 555 | 1,012 | 1,077 | 65 |
| Income Generation | 349 | 357 | 55 | 115 | 300 | 300 | 704 | 772 | 68 |
| | **1,200** | **1,428** | **1,250** | **1,254** | **1,250** | **1,258** | **3,700** | **3,940** | **240** |

## 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 May 2021, 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 (2020/21)

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 increased in 2020/21 as a result of challenging operating conditions due to Brexit and the pandemic, additional investment in our Green Strategy and associated costs following our data incident in March 2020. The latter included costs for items such as cyber security for our customers and investigatory / remedial work regarding the incident. We continue to monitor our cost base through benchmarking and balance cost savings/efficiencies alongside quality of service and customer outcomes.

| Cost per Unit (£k) | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
|---|---|---|---|---|---|
| Watford Community Housing | 3.93 | 3.78 | 3.86 | 3.68 | 4.38 |
| Median Sector Performance | 3.30 | 3.40 | 3.69 | 3.83 | |

*average Cost per Unit.

(2016-2020 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 2021 and 2020 with a commentary to support key movements. The Operating Margin was lower than 2020 and this position was partly impacted at year-end through additional investment in our green strategy, costs and provisions relating to arrears risk and data provision costs which explains the reduction to 2020 performance. 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 has reduced slightly in the last year, but this in line with expectations due to increased financing costs and still holds significant headroom against our loan covenants. Return on Capital Employed (RoCE) and New supply delivered (non-social) are both broadly aligned to prior year performance. New social housing supply has improved versus the previous year as we continue to see progress in our development programme and, as noted above, we continue to build a strong pipeline of committed schemes.

| Watford Community Housing | 2020 | 2021 | Flag |
|---|---|---|---|
| Operating Margin % (social housing lettings only) | 31.9% | 20.1% | |
| Operating Margin % (overall) | 31.2% | 27.2% | |
| EBITDA MRI Interest Cover % | 188.0% | 189% | |
| Headline SH Cost per Unit ('000) | £3.68 | £4.38 | |
| Gearing | 46.6% | 47.3% | |
| Return on Capital Employed (RoCE) | 3.4% | 3.4% | |
| % Reinvestment | 10.4% | 11.6% | |
| % New supply delivered (social housing units) | 2.5% | 2.9% | |
| % New supply delivered (non-social housing units) | 0.2% | 0.1% | |

## 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 Community Gateway housing associations and those of a similar size and geographic location to Watford Community Housing, with a commentary to support key movements. The comparison to peer group and industry 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 broadly aligned to the peer group but slightly higher than the industry median, reflecting the broader correlation between the London region having a regionally higher CPU than the national average. Reinvestment and New Supply Delivered has exceeded both the peer group and sector median due to our investment in both new stock and existing properties. Our EBITDA and Gearing metrics are broadly aligned and in some cases slightly adverse to both comparators which reflects growth in our debt book to support our development performance, which is above both peer group and industry median.

| | Group 2021 | Peer group median 2020 | Industry median 2020 | Flag v Peer Group |
|---|---|---|---|---|
| Operating Margin % (social housing lettings) | 20.1% | 31.9% | 25.7% | |
| Operating Margin % (overall) | 27.2% | 30.2% | 23.1% | |
| EBITDA MRI Interest Cover % | 189% | 187.7% | 170% | |
| Headline SH Cost per Unit ('000) | £4.38 | £436 | £3.83 | |
| Gearing | 47.3% | 43.9% | 44.0% | |
| RoCE | 3.4% | 3.9% | 3.4% | |
| Reinvestment % | 11.6% | 8.5% | 7.2% | |
| % New supply delivered (social housing units) | 2.9% | 1.5% | 1.5% | |
| New supply delivered (non-SH units) | 0.1% | 0% | 0% | |

## VFM into 2021/22 and beyond:

The efforts to deliver value for money to our customers and the organisation continue into 2021/22 and will be monitored through Group Board. The VFM activities planned for 2021/22 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
- Embedding efficiencies in newly procured contracts including Materials Spend contract
- 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. Below is a table confirming future year projections for key VFM Metrics out to 2024/25. Operating Margin both with and without Shared Ownership and Sales is projected to remain stable across the plan period, which is broadly in line with peer group analysis. It balances ongoing efficiency savings (as demonstrated by the VFM savings targets below) against investments identified to deliver our Customer Promise. Social Housing Cost per unit is targeted to reduce in line with the performance achieved 2016-20. This requires the Group to absorb inflation and achieve efficiency cost saving whilst growing the stock numbers. EBITDA targets remain at 1.25% 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 grow 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 Brexit and the Covid-19 pandemic.

| KPI | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|---|---|---|---|
| Operating Margin (including S/O & Sales) | 25% | 27.5% | 27.5% | 27.5% |
| Operating Margin (excluding S/O & Sales) | 28% | 30% | 30% | 30% |
| Social Housing Cost Per Unit (SHCPU) | £3,950 | £3,900 | £3,850 | £3,800 |
| Annual VFM Savings | £1.35m | £1.4m | £1.45m | £1.5m |
| EBITDA | 125% | 125% | 125% | 125% |
| New Supply Delivered (Social Housing) | 2.125% | 2.25% | 2.375% | 2.5% |
| New Supply Delivered (Non-Social Housing) | 0.15% | 0.2% | 0.25% | 0.3% |

# Financial Position



## Capital Structure and Cashflow Forecast

At the year end the Group had long-term borrowing facilities from three lenders totalling £245m in place. Total drawn-down borrowings amounted to £170m.

The Group completed the final steps in refinancing its security arrangements in March 2021, which resulted in facilities increasing from £220m to £245m. The increase of debt facilities offers additional capacity to 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 recent pandemic event.

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.

There were no drawings from the committed, available facilities through the year. The Group actively manages its interest costs and has five interest rate swaps totalling £57m. Together with the M&G Private Placement and the AHF Bond, this means there is £157m of fixed rate debt and 92% of total drawn debt is therefore fixed. The maturity of the Group's borrowing was as follows on 31 March 2021:

| Maturity Profile | 2021 £'m | 2020 £'m |
|---|---|---|
| Within 1 year | - | - |
| Between 1 and 5 years | 70.0 | 45.0 |
| After 5 years | 175.0 | 175.0 |
| | **245.0** | **220.0** |

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-STT) methodologies and currently the charged properties are valued for discounted security purposes at £310m. 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 £105m of available security on a discounted valuation basis which gives comfort there is sufficient asset cover for raising additional finance.

During the year £21.5m (2020: £10.3m) of cash was generated from operating activities and £15m from available cash reserves were used, to maintain sufficient levels of cash liquidity during the ongoing pandemic. Total interest of £6.4m (2020: £6.2m) 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 2021/22 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 Head 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 and Three Rivers District Council to develop and provide homes in Watford, Three Rivers and the surrounding area.

## 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 increased to £21.5m (2020: £10.3m). Working capital moved as a result of the net cash flow from operating activities. A net interest payment of £6.3m was made during the year and approximately £39.1m 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. As reported in our 2019/20 Financial Statements 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 Group has made contributions to both schemes of between 6% and 18.2%. The last formal valuation of the LGPS Fund was carried out as at 31 March 2020. 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 – Excellence in Governance – Code for members). In May 2020, the Regulator of Social Housing completed an In Depth Assessment (IDA) on Watford Community Housing and the ratings of G1 V1 were maintained, reflecting the highest regulatory ratings for both Governance and Viability. This rating was reaffirmed by the Regulator of Social Housing in a strapline judgement in January 2021.

## 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.

**John Swinney**
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 2021.



## 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 and stand at 10 as at June 2021. 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 having a three-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 and the Director of Partnerships, to whom special terms apply, namely 15% and 10% employer's contribution respectively, all other executive directors participate in the scheme on the same terms as other eligible staff.

## Other Benefits

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

## Employees

We recognise that the success of our business, and our ability to meet our objectives and commitments to 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. We continually monitor employee engagement and secured a 1 Star rating from Best Companies in May 2021, which made WCH one of the Top 25 Housing Associations to work for in the UK.

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 4-star rating (out of five) in this area.

## Donations

The Group made donations totalling £553 during the year (2019/20: £369).

## 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.

## Brexit

Following our exit from the European Union (Brexit) we continue to monitor uncertainty in financial, labour and construction markets resulting in increased cost or disruption to operational delivery. The Group has considered the potential short-term and long-term impacts along with any contingencies that should be made. As at the balance sheet date, management consider that the preparations put in place will safeguard any risks.

## 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 92% 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 £75 million of undrawn, committed, available facilities.

## 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, the changes as a result of the introduction of Universal Credit 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 is likely to be further exacerbated by the Covid-19 pandemic. 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 £75 million of undrawn facilities at 31 March 2021), 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 pandemic and Brexit scenarios 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 Covid-19 pandemic, which led to a lockdown in the UK in March 2020 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 conditions created by Covid-19 and consultation has taken place 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 pandemic 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 2020 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.

# Group Board report (continued)



## 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) 2015 Code of Governance

We are pleased to report that the Group continues to comply with the principal recommendations of the NHF 2015 Code of Governance. The Group observes best practice with regard to corporate governance and complies with all the recommendations in the Code. The Group Board adopted the new 2020 NHF Code of Governance from March 2021 for assessment over 2021/22.

## 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. Following the Data Incident impacting some of our customers in March 2020, a number of measures were provided to all affected customers and the appropriate regulators were notified promptly regarding the incident. This included providing cyber security cover for impacted customers and regular updates through a dedicated FAQs page on our website. Following engagement with the ICO, an improvement plan was developed within WCH to continue to strengthen controls, systems and training in this area. During 2020/21 we were also informed that the Information Commissioner's Office (ICO) had carried out a review of the incident and did not consider that any regulatory action should be taken at this stage.

## 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 13 September 2021.

## External auditor

A resolution to reappoint Mazars LLP 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 19 July 2021 and signed on its behalf by:

**John Swinney**
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 'parent association') and its subsidiaries (the 'group') for the year ended 31 March 2021 which comprise the Group and parent association Statements of Comprehensive Income, the Group and parent association Statements of Financial Position, the Group and parent association Statements of Changes in Reserves, the consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, 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 parent association's affairs as at 31 March 2021 and of the group's and of the parent association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for private registered providers of social housing 2019.

## 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 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 Group's and parent 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 the information included in the Report and Financial Statements, other than the financial statements and our auditor's report thereon. The Board are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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 course of 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 Cooperative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

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

## Responsibilities of the Board

As explained more fully in the Statement of the Board's responsibilities set out on page 21, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Group's and parent association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the Group or parent 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 the financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Group and parent association, and its sector, we identified that the principal risks of non-compliance with laws and regulations related to employment and health and safety regulations, Regulator of Social Housing requirements and implementation of government support schemes relating to COVID-19, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as 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 2019.

We evaluated the Board's and management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to impairment and provisions, and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- Discussing with the Board and management their policies and procedures regarding compliance with laws and regulations;
- Communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the Group and parent association which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the Board and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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.

## Use of the audit report

This report is made solely to the Association's members as a body in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014 and Chapter 4 of Part 2 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body for our audit work, for this report, or for the opinions we have formed.

Mazars LLP

**Mazars LLP**
Chartered Accountants and Statutory Auditor
The Pinnacle
160 Midsummer Boulevard
Milton Keynes
MK9 1FF

Date: **26 July 2021**

# Consolidated Statement of Comprehensive Income

## For the Year Ended 31 March 2021

| | Note | 2021 £'000 | 2020 £'000 |
|---|---|---|---|
| **Turnover** | | 42,445 | 34,190 |
| Operating costs | | (34,161) | (23,585) |
| Share of joint venture profit after tax | 28 | (146) | 104 |
| Surplus on disposal of property, plant and equipment | 4 | 1,111 | 547 |
| (Deficit) on revaluation of investment properties | 14 | 595 | (55) |
| **Operating surplus** | | 9,845 | 11,201 |
| Finance Income | 6 | 67 | 286 |
| Interest and financing costs | 5 | (6396) | (6,170) |
| Change in fair value of financial instruments | | - | - |
| **Surplus before tax** | | 3,516 | 5,317 |
| Taxation | 10 | - | 6 |
| **Surplus for the financial year** | | **3,516** | **5,323** |
| Actuarial gain/(loss) in respect of pension schemes | 23 | (306) | 1,237 |
| Change in fair value of hedged financial instruments | | 7,071 | (7,022) |
| **Total comprehensive income for the year** | | **10,281** | **(462)** |

These financial statements on pages 23 to 61 were approved and authorised for issue by the Board on 19 July 2021 signed on its behalf by:

**John Swinney**
Chair

**Michael Suarez**
Chair of Audit & Risk Committee

**Mary Swaine**
Company Secretary

# Consolidated Statement of Financial Position

As at 31 March 2021

| | Note | 2021 £'000 | 2020 £'000 |
|---|---|---|---|
| **Fixed Assets** | | | |
| Intangible assets | 11 | (27,901) | (28,317) |
| Investments in joint ventures | 28 | 2,827 | 2,973 |
| Housing properties | 12 | 333,240 | 306,933 |
| Investment properties | 14 | 4,635 | 4,040 |
| Other property, plant and equipment | 13 | 12,244 | 12,906 |
| **Total fixed assets** | | **325,045** | **298,535** |
| **Current assets** | | | |
| Stock - Work in progress | | 5,119 | 11,767 |
| Debtors | 17 | 5,543 | 3,220 |
| Defined benefit pension | 23 | 435 | 737 |
| Cash and cash equivalents | | 9,958 | 24,954 |
| **Total current assets** | | **21,055** | **40,678** |
| **Creditors: Amounts falling due within one year** | 18 | (6,136) | (10,346) |
| **Net current assets** | | **14,919** | **30,332** |
| **Total assets less current liabilities** | | **339,964** | **328,867** |
| Creditors: Amounts falling due after more than one year | 18 | (213,221) | (215,477) |
| Defined benefit pension liability | 23 | - | - |
| Provision for liabilities | 29 | (4,413) | (1,342) |
| **Net assets** | | **122,330** | **112,048** |
| **Capital and reserves** | | | |
| Revenue reserve | | 55,814 | 52,599 |
| Property revaluation reserve | | 96,085 | 96,089 |
| Cashflow hedge reserve | | (29,570) | (36,640) |
| **Total reserves** | | **122,330** | **112,048** |

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Chair

**Michael Suarez**
Chair of Audit & Risk Committee

**Mary Swaine**
Company Secretary

# Statement of Comprehensive Income

For the year ended 31 March 2021



| | Note | 2021 £ '000 | 2020 £ '000 |
|---|---|---|---|
| **Turnover** | 3a | **39,638** | **33,297** |
| Operating expenditure | 3a | (26,465) | (21,357) |
| Cost of sales | 3a | (5,077) | (1,568) |
| Impairment of housing properties | 2 | - | - |
| Surplus on disposal of property, plant and equipment | 4 | 1,111 | 547 |
| (Deficit) on revaluation of investment properties | 14 | 595 | (55) |
| **Operating surplus** | **3a** | **9,802** | **10,866** |
| Finance Income | 6 | 142 | 286 |
| Interest and financing costs | 5 | (6,352) | (6,099) |
| Gift aid received | | 540 | 423 |
| Change in fair value of financial instruments | | - | - |
| **Surplus before tax** | | 4,131 | 5,475 |
| Taxation | 10 | - | - |
| **Surplus for the financial year** | | **4,131** | **5,475** |
| Actuarial gain/(loss) in respect of pension schemes | 23 | (306) | 1,237 |
| Change in fair value of hedged financial instruments | 20 | 7,071 | (7,022) |
| **Total comprehensive income for the year** | | **10,896** | **(310)** |

# Statement of Financial Position

As at 31 March 2021



| | Note | 2021<br>£ '000 | 2020<br>£ '000 |
|---|---|---|---|
| **Fixed Assets** | | | |
| Intangible assets | 11 | (27,901) | (28,317) |
| Housing properties | 12 | 336,166 | 309,516 |
| Investment properties | 14 | 4,635 | 4,040 |
| Other property, plant and equipment | 13 | 12,244 | 12,906 |
| **Total fixed assets** | | **325,144** | **298,145** |
| **Current assets** | | | |
| Stock - Work in progress | 16 | 5,049 | 8,803 |
| Debtors | 17 | 9,981 | 7,938 |
| Defined benefit pension | 23 | 435 | 737 |
| Cash and cash equivalents | | 9,594 | 23,969 |
| **Total current assets** | | **25,058** | **41,490** |
| **Creditors:** Amounts falling due within one year | 18 | (7,921) | (9,013) |
| **Net current assets** | | **17,137** | **32,477** |
| **Total assets less current liabilities** | | **342,281** | **330,622** |
| **Creditors:** Amounts falling due after more than one year | 18 | (213,221) | (215,477) |
| Provision for liabilities | 29 | (4,198) | (1,179) |
| **Net assets** | | **124,862** | **113,966** |
| **Capital and reserves** | | | |
| Revenue reserve | | 58,347 | 54,517 |
| Property revaluation reserve | | 96,085 | 96,089 |
| Cashflow hedge reserve | | (29,571) | (36,640) |
| **Total reserves** | | **124,862** | **113,966** |

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**John Swinney**
Chair

**Michael Suarez**
Chair of Audit & Risk Committee

**Mary Swaine**
Company Secretary

# Consolidated Statement of Changes in Reserves

For the year ended 31 March 2021



| | Revaluation Reserve £ '000 | Cash Flow Hedge Reserve £ '000 | Revenue Reserve £ '000 | 2021 Total £ '000 |
|---|---|---|---|---|
| **At 1 April 2020** | **96,089** | **(36,640)** | **52,599** | **112,048** |
| Surplus for the year | - | - | 3,517 | 3,517 |
| Actuarial gain/(loss) in respect to pension scheme | - | - | (306) | (306) |
| Transfer from Revaluation Reserve to Revenue Reserve | (4) | - | 4 | - |
| Changes in fair value movement of derivatives | - | 7,071 | - | 7,071 |
| **At 31 March 2021** | **96,085** | **(29,569)** | **55,814** | **122,330** |

| | Revaluation Reserve £ '000 | Cash Flow Hedge Reserve £ '000 | Revenue Reserve £ '000 | 2020 Total £ '000 |
|---|---|---|---|---|
| **At 1 April 2019** | **96,141** | **(29,619)** | **46,035** | **112,557** |
| Surplus for the year | - | - | 5,378 | 5,378 |
| Actuarial gain in respect to pension scheme | - | - | 1,237 | 1,237 |
| Transfer from Revaluation Reserve to Revenue Reserve | (52) | - | 52 | - |
| Loss on disposal of assets | - | - | (103) | (103) |
| Changes in fair value movement of derivatives | - | (7,021) | - | (7,021) |
| **At 31 March 2020** | **96,089** | **(36,640)** | **52,599** | **112,048** |

Financial Statements

# Watford Community Housing Statement of Changes in Reserves

For the year ended 31 March 2021

| | Revaluation Reserve £ '000 | Cash Flow Hedge Reserve £ '000 | Revenue Reserve £ '000 | 2021 Total £ '000 |
|---|---|---|---|---|
| **At 1 April 2020** | **96,089** | **(36,640)** | **54,517** | **113,966** |
| Surplus for the year | - | - | 4,132 | 4,132 |
| Actuarial gain in respect to pension scheme | - | - | (306) | (306) |
| Transfer from Revaluation Reserve to Revenue Reserve | (4) | - | 4 | - |
| Changes in fair value movement of derivatives | - | 7,071 | - | 7,071 |
| **At 31 March 2021** | **96,085** | **(29,569)** | **58,346** | **124,862** |

| | Revaluation Reserve £ '000 | Cash Flow Hedge Reserve £ '000 | Revenue Reserve £ '000 | 2020 Total £ '000 |
|---|---|---|---|---|
| **At 1 April 2019** | **96,141** | **(29,619)** | **47,802** | **114,324** |
| Surplus for the year | - | - | 5,530 | 5,530 |
| Actuarial gain in respect to pension scheme | - | - | 1,237 | 1,237 |
| Transfer from Revaluation Reserve to Revenue Reserve | (52) | - | 52 | - |
| Loss on disposal of assets | - | - | (103) | (103) |
| Changes in fair value movement of derivatives | - | (7,021) | - | (7,021) |
| **At 31 March 2020** | **96,089** | **(36,640)** | **54,517** | **113,966** |

# Consolidated Statement of Cash Flows

For the year ended 31 March 2021



| | 2021 £ '000 | 2020 £ '000 |
|---|---|---|
| **Net cash inflow from operating activities** | 21,553 | 10,260 |
| **Cash flows from investing activities** | | |
| Purchase of property, plant and equipment | (39,065) | (26,176) |
| Investment in Joint Venture | - | 0 |
| Proceeds from sale of property, plant and equipment | 8,286 | 1,092 |
| Grants received | 5,261 | 2,777 |
| Interest received | 67 | 286 |
| **Net cash flows from investing activities** | **(3,897)** | **(11,761)** |
| | | |
| **Cash flows from financing activities** | | |
| Interest paid | (6,413) | (6,158) |
| New secured loans | - | 12,575 |
| Loan repayments | (76) | - |
| Capital element of finance lease payments | (149) | 102 |
| **Net cash flows from financing activities** | **(6,638)** | **6,519** |
| | | |
| **Net increase in cash and cash equivalents** | **(10,535)** | **(5,242)** |
| Cash and cash equivalents at beginning of year | 24,954 | 30,482 |
| Cash and cash equivalents at end of year | 9,958 | 24,954 |

| | 2021 £ '000 | 2020 £ '000 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Surplus for the year | 3,516 | 5,317 |
| Adjustment for non-cash items: | | |
| Depreciation of property, plant and equipment | 6,390 | 5,672 |
| Amortisation of intangible assets | (417) | (417) |
| (Increase) / Decrease in inventories | 6,648 | (8,531) |
| Decrease / (increase) in debtors | (2,323) | 2,252 |
| Increase / (decrease) in creditors | 2,521 | 442 |
| Share of profit of joint ventures | 146 | (104) |
| Pension costs less contributions payable | 13 | 10 |
| Carrying amount of property, plant & equipment disposals | 7,175 | 545 |
| (Increase)/decrease in fair value of investment property | (4) | 112 |
| Adjustments for investing or financing activities: | | |
| Proceeds from the sale of property, plant and equipment | (8,286) | (1,092) |
| Movement in fair value of financial instrument | 0 | 0 |
| Government grants utilised in the year | (155) | (116) |
| Interest received | (67) | 0 |
| Interest payable | 6,396 | 6,170 |
| **Cash generated by operations** | **21,553** | **10,260** |

# Notes to the Financial Statements

For the year ended 31 March 2021



## 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 four joint ventures via CLL, namely Hart Homes (Watford) Limited, Hart Homes Watford Development LLP, Three Rivers Homes Limited and Three Rivers Housing Developments LLP.

Watford Community Housing is a public benefit entity, as defined in FRS102 and has applied the relevant paragraphs prefixed “PBE” in FRS102.

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 2021. 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.

## 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 Golden Rules. The Group remains confident that it has a robust plan to manage the current pandemic but ongoing 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.

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 £75 million of undrawn facilities at 31 March 2021), 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 Covid-19 pandemic, which led to a lockdown in the UK in March 2020 had 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 conditions created by Covid-19 and work has been undertaken 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 2021 to determine whether any assets required impairment. Two development schemes were identified as requiring in-depth assessments.
- 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 these assessments, 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, insurance claims and data incident costs. 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.

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

| | 2021 Turnover £'000 | 2021 Operating costs £'000 | 2021 Operating surplus £'000 | 2020 Turnover £'000 | 2020 Operating costs £'000 | 2020 Operating surplus £'000 |
|---|---|---|---|---|---|---|
| **Social housing lettings (see note 3b)** | **31,152** | **(24,883)** | **6,269** | **28,816** | **(19,614)** | **9,202** |
| **Other social housing activities** | | | | | | |
| Supporting people contract income | 28 | (28) | - | 28 | (28) | - |
| Shared ownership equity & sales income | 6,475 | (5,077) | 1,398 | | | |
| Management services | 384 | (318) | 66 | 487 | (346) | 141 |
| Other | 211 | (920) | (709) | 315 | (894) | (578) |
| | **7,098** | **(6,344)** | **755** | **830** | **(1,267)** | **(436)** |
| **Non-social housing activities** | | | | | | |
| Lettings | 1,278 | (942) | 336 | 1,217 | (832) | 385 |
| Other | 110 | 211 | 321 | 56 | (60) | (4) |
| Amortisation of Goodwill | - | 416 | 416 | - | 417 | 417 |
| Surplus on disposal of property, plant & equipment | - | 1,111 | 1,111 | - | 547 | 547 |
| Surplus/(Deficit) on revaluation of Investment Properties | - | 595 | 595 | - | (55) | (55) |
| | **1,388** | **1,391** | **2,780** | **3,651** | **(1,550)** | **2,100** |
| | **39,638** | **(29,836)** | **9,802** | **33,297** | **(22,432)** | **10,866** |

The Group statement recognises additional turnover of £2,807k related to property sales within the Clarendon Living Limited subsidiary, and additional costs of £2,764k related to cost of sales also within Clarendon Living Limited. The net increase in surplus is £43k.

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 | 2021 Total £'000 | 2020 Total £'000 |
|---|---|---|---|---|---|
| **Income** | | | | | |
| Rent Receivable net of identifiable service charges | 26,714 | 2,159 | 651 | 29,524 | 27,258 |
| Service income | 687 | 684 | 77 | 1,448 | 1,388 |
| Amortisation of SHG | 156 | - | - | 156 | 116 |
| Other Revenue Grants | 24 | - | - | 24 | 54 |
| **Turnover from social housing lettings** | **27,581** | **2,843** | **728** | **31,152** | **28,816** |
| **Expenditure** | | | | | |
| Management costs | (11,087) | (1,365) | (520) | (12,972) | (8,819) |
| Service charge costs | (641) | (545) | (58) | (1,244) | (1,288) |
| Routine maintenance | (2,887) | (339) | - | (3,227) | (3,239) |
| Planned maintenance | (460) | (54) | - | (514) | (532) |
| Major repairs expenditure | (720) | (85) | - | (804) | (280) |
| Bad debts | (478) | (8) | (1) | (487) | (392) |
| Depreciation of housing properties | (5,093) | (335) | (207) | (5,636) | (5,063) |
| Operating costs on social housing lettings | (21,366) | (2,731) | (787) | (24,883) | (19,614) |
| Operating surplus on social housing lettings | 6,215 | 112 | (58) | 6,269 | 9,202 |
| **Void losses** | **657** | **112** | **-** | **769** | **846** |
| Number of units | 4,347 | 535 | 204 | 5,086 | 4,973 |

# 4. Surplus on disposal of property, plant and equipment - Group and Watford Community Housing

| | 2021<br>£'000 | 2020<br>£'000 |
|---|---|---|
| **Right to Buy & shared ownership staircasing** | | |
| Disposal Proceeds | 2,778 | 1,862 |
| Less: Share of proceeds due to Watford Borough Council | - | (220) |
| Less: carrying value of fixed assets | (772) | (510) |
| **Surplus on disposal** | **2,006** | **1,132** |
| **Other disposals** | | |
| Proceeds | 14 | - |
| Less: carrying value of fixed assets | (908) | (585) |
| Deficit on disposal | (895) | (585) |
| **Total surplus on disposal** | **1,111** | **547** |

# 5. Interest and finance costs - Group

| | 2021<br>£'000 | 2020<br>£'000 |
|---|---|---|
| Bank loan and overdraft | 6,666 | 6,662 |
| Finance lease charges | 12 | 11 |
| Loan fee costs | 163 | 119 |
| Capitalised Interest | (445) | (622) |
| | **6,396** | **6,170** |
| **Interest and finance costs - Watford Community Housing** | | |
| Bank loan and overdraft | 6,622 | 6,591 |
| Finance lease charges | 12 | 11 |
| Loan fee costs | 163 | 119 |
| Capitalised Interest | (445) | (622) |
| | **6,352** | **6,099** |

Borrowing costs have been capitalised based on a capitalisation rate of 3.95% (2020: 3.94%) 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 - Group and Watford Community Housing

| | Group | | WCH | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | £'000 | £'000 | £'000 | £'000 |
| **Interest receivable and similar income** | **67** | **286** | **142** | **286** |

# 7. Surplus on ordinary activities before taxation

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

| | 2021 | 2020 |
|---|---|---|
| | £'000 | £'000 |
| Depreciation of housing properties | 5,636 | 4,939 |
| Depreciation of other property, plant & equipment | 754 | 733 |
| Government grant amortisation | (156) | (116) |
| Amortisation of goodwill | (417) | (417) |
| Operating lease rental | 94 | 73 |
| (Gain) on disposal of fixed assets | (1,111) | (547) |
| External auditors remuneration: | | |
| - Statutory audit | 28 | 30 |
| - Tax advisory/compliance services | 10 | 7 |

Notes

# 8. Staff costs

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

| | 2021 No. | 2020 No. |
|---|---|---|
| Administration | 100 | 97 |
| Asset Management and Development | 22 | 14 |
| Housing, Support and Care | 26 | 25 |
| In-House Repairs team | 46 | 45 |
| | **194** | **181** |

Employee costs:

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Wages and Salaries | 6,117 | 5,650 |
| Social Security Costs | 693 | 602 |
| Other Pension Costs | 605 | 568 |
| | **7,415** | **6,820** |

There was one redundancy and severance payment in the period of £8.5k (2020: £0)

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

**Salary Band**

| | 2021 No. | 2020 No. |
|---|---|---|
| £60,000 to £69,999 | 4 | 5 |
| £70,000 to £79,999 | 2 | 1 |
| £80,000 to £89,999 | 1 | 1 |
| £90,000 to £99,999 | 2 | 1 |
| £100,000 to £109,999 | - | - |
| £110,000 to £119,999 | - | 1 |
| £120,000 to £129,999 | 2 | 2 |
| £130,000 to £139,999 | - | - |
| £140,000 to £149,999 | - | - |
| £150,000 to £159,999 | - | - |
| £160,000 to £169,999 | - | - |
| £170,000 to £179,999 | 1 | 1 |

# 9. Board members and executive directors

| Executive Directors | Basic Salary £'000 | Performance Related Pay £'000 | Pension Contributions £'000 | Ex Gratia Payment £'000 | 2021 Total £'000 | 2020 Total £'000 |
|---|---|---|---|---|---|---|
| **Chief Executive** | | | | | | |
| Tina Barnard | 149.3 | 4.4 | 22.4 | - | **176.1** | **170.9** |
| **Director of Partnerships** | | | | | | |
| Gareth Lewis | 117.9 | 2.9 | 11.8 | - | **132.5** | **129.7** |
| **Director of Finance** | | | | | | |
| Paul Richmond | 121.3 | 2.9 | 13.3 | - | **137.5** | **129.3** |
| **Director of Operations** | | | | | | |
| Ben Johnson to Dec-2020 | 87.5 | 2.1 | 8.9 | - | **98.5** | **119.4** |
| **Director of Operations** | | | | | | |
| Julie Wittich from Jan-2021 | 27.1 | - | 1.9 | - | **29.0** | **-** |
| **Total** | **503.1** | **12.2** | **58.3** | **-** | **573.6** | **549.3** |

| Board Members | Basic Salary £'000 | Performance Related Pay £'000 | Pension Contributions £'000 | Ex Gratia Payment £'000 | 2021 Total £'000 | 2020 Total £'000 |
|---|---|---|---|---|---|---|
| **Chair of the Board** | | | | | | |
| John Swinney | 11.0 | - | - | - | **11.0** | **11.0** |
| **Other Board and Committee Members** | | | | | | |
| Richard Barwick | 2.0 | - | - | - | **2.0** | **2.0** |
| Nigel Benjamin | 7.0 | - | - | - | **7.0** | **7.0** |
| Janice Blake | 2.0 | - | - | - | **2.0** | **2.0** |
| Razvana Hussain | 4.5 | - | - | - | **4.5** | **4.5** |
| Raj Kumar | 7.0 | - | - | - | **7.0** | **7.0** |
| John Lavers | 7.0 | - | - | - | **7.0** | **7.0** |
| Andy Lynch | 4.5 | - | - | - | **4.5** | **4.5** |
| Serah Mahugu | 2.0 | - | - | - | **2.0** | **2.0** |
| Christopher Pagdin | 1.5 | - | - | - | **1.5** | **2.0** |
| Jamie Ratcliff | 7.0 | - | - | - | **7.0** | **6.4** |
| Lynn Riley | 2.0 | - | - | - | **2.0** | **2.0** |
| Marsha Thompson | 4.5 | - | - | - | **4.5** | **4.5** |
| Stephen Cavinder | 4.5 | - | - | - | **4.5** | **4.3** |
| Michael Comras (Resigned 15/02/2021) | 4.1 | - | - | - | **4.1** | **2.6** |
| Chris Cheshire | 7.0 | - | - | - | **7.0** | **2.9** |
| Richard Archer (Resigned 22/2/2021) | 6.3 | - | - | - | **6.3** | **4.1** |
| Bernadette Laventure (Resigned 31/08/19) | - | - | - | - | **-** | **2.9** |
| **Total** | **83.9** | **0.0** | **0.0** | **0.0** | **83.9** | **78.7** |

Remuneration paid to Chair of the Board was £11k (2020: £11.0k). Remuneration paid to other Board members in the year was £72.9k (2020: £67.8k). Board and committee members expenses were £0.7k (2020: £18.8k). The restatement of 2020 figures includes the removal of £0.3k of costs classified as salary in error.

The emoluments of the highest paid director, the Chief Executive, including Performance Related Pay but excluding pension contributions, were £153.7k (2020: £149k).

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 2020/21, 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 in accordance with the SORP 2014. All assets and liabilities were stated at their fair value on acquisition.

As the fair value on acquisition was greater than the acquisition cost, a negative goodwill of £33.3m arose. This is being amortised over the useful economic life of the assets, which is 80 years. The annual amortisation charge is £417k.

| | £ '000 |
|---|---|
| **Cost** | |
| At 1st April 2020 and 31st March 2021 | 33,326 |
| **Amortisation** | |
| At 1st April 2020 | (5,009) |
| Charge for the year | (416) |
| At 31st March 2021 | (5,425) |
| **Net book value** | |
| **At 31st March 2021** | **27,901** |
| At 31st March 2020 | 28,317 |

# 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 | 2021 Total £'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 April 2020 | 272,057 | 46,651 | 17,518 | 336,226 |
| Additions | - | 36,228 | - | 36,228 |
| Completed properties | 21,340 | (32,113) | 10,773 | - |
| Works on existing properties | 2,701 | - | - | 2,701 |
| Disposals | (1,647) | - | (5,565) | (7,212) |
| **At 31 March 2021** | **294,451** | **50,766** | **22,726** | **367,943** |
| **Depreciation and impairment** | | | | |
| At 1 April 2020 | 28,849 | - | 444 | 29,293 |
| Charge for the year | 5,365 | - | 271 | 5,636 |
| Released on disposal | (152) | - | (74) | (226) |
| **At 31 March 2021** | **34,062** | **-** | **641** | **34,703** |
| **NET BOOK VALUE** | | | | |
| **At 31 March 2021** | **260,389** | **50,766** | **22,085** | **333,240** |
| At 31 March 2020 | 243,208 | 46,651 | 17,074 | 306,933 |

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 | 2021 Total £'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 April 2020 | 272,057 | 49,234 | 17,518 | 338,809 |
| Additions | - | 36,083 | - | 36,083 |
| Completed properties | 21,340 | (32,113) | 10,773 | - |
| Works on existing properties | 2,701 | - | - | 2,701 |
| Disposals | (1,647) | - | (5,077) | (6,724) |
| **At 31 March 2021** | **294,451** | **53,204** | **23,214** | **370,869** |
| **Depreciation and impairment** | | | | |
| At 1 April 2020 | 28,849 | - | 444 | 29,293 |
| Charge for the year | 5,365 | - | 271 | 5,636 |
| Released on disposal | (152) | - | (74) | (226) |
| **At 31 March 2021** | **34,062** | **-** | **641** | **34,703** |
| **NET BOOK VALUE** | | | | |
| **At 31 March 2021** | **260,389** | **53,204** | **22,573** | **336,166** |
| At 31 March 2020 | 243,208 | 49,234 | 17,074 | 309,516 |

# 13. Property, plant and equipment - Other - Group & Watford Community Housing

| | Freehold properties £'000 | Office Computers £'000 | Furniture and fittings £'000 | Office equipment and vehicles £'000 | 2021 Total £'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 April 2020 | 14,388 | 2,343 | 539 | 926 | **18,196** |
| Additions | 98 | 184 | - | - | **282** |
| Disposals | (295) | - | - | - | **(295)** |
| **At 31 March 2021** | 14,191 | 2,527 | 539 | 926 | **18,183** |
| **Depreciation and impairment** | | | | | |
| At 1 April 2020 | 2,710 | 1,765 | 134 | 681 | **5,290** |
| Charge for the year | 314 | 254 | 10 | 177 | **755** |
| Released on disposal | (106) | - | - | - | **(106)** |
| At 31 March 2021 | 2,918 | 2,019 | 144 | 858 | **5,939** |
| **NET BOOK VALUE** | | | | | |
| **At 31 March 2021** | **11,273** | **508** | **395** | **68** | **12,244** |
| At 31 March 2020 | 11,678 | 578 | 405 | 245 | **12,906** |

# 14. Investment properties - Group & Watford Community Housing

| | 2021 Properties held for market rent £'000 | 2020 Properties held for market rent £'000 |
|---|---|---|
| Valuation as at 1 April | 4,040 | 4,095 |
| Gainsfrom adjustment to fair value | 595 | (55) |
| **At 31 March** | **4,635** | **4,040** |

# 15. Group Subsidiaries

Clarendon Living Limited, a non-regulated subsidiary and wholly owned by Watford Community Housing, traded throughout 2020/21. 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 2020/21. The investment in the subsidiary is £2 share capital.

# 16. Stock - Group

| | Completed SO 1st Tranche £'000 | Completed Outright Sales £'000 | Work in Progress - SO 1st Tranche £'000 | Work in Progress - Completed Outright Sale £'000 | Total £'000 |
|---|---|---|---|---|---|
| **COST:** | | | | | |
| At 1 April 2020 | 284 | - | 4,896 | 3,623 | 8,803 |
| Additions | 1,467 | - | 280 | - | 1,747 |
| Transferred to completed | - | 2,830 | - | (2,830) | - |
| Sold | - | - | (4,708) | (793) | (5,501) |
| **At 31 March 2021** | **1,751** | **2,830** | **468** | **-** | **5,049** |

# 17. Debtors - Group

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| **Due within one year** | | |
| Rent and service charges arrears | 1,442 | 1,035 |
| Less: Provision for bad and doubtful debts | (1,318) | (878) |
| | 124 | 157 |
| | | |
| Service charges sinking fund account | 321 | 309 |
| Sundry debtors | 340 | 258 |
| Other debtors | 1,658 | 1,964 |
| Prepayments and accrued income | 3,100 | 532 |
| **Debtors due within one year** | **5,543** | **3,220** |
| **Due after more than one year** | **-** | **-** |
| **Total Debtors** | **5,543** | **3,220** |

# 17. Debtors - Watford Community Housing

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| **Due within one year** | | |
| Rent and service charges arrears | 1,442 | 1,035 |
| Less: Provision for bad and doubtful debts | (1,318) | (878) |
| | 124 | 157 |
| | | |
| Service charges sinking fund account | 321 | 309 |
| Sundry debtors | 340 | 258 |
| Other debtors | 1,724 | 1,687 |
| Intercompany debtors | 181 | - |
| Loans to subsidiaries | 331 | 2,085 |
| Prepayments and accrued income | 3,100 | 532 |
| **Debtors due within one year** | **6,121** | **5,028** |
| **Due after more than one year** | | |
| Loans to subsidiaries | **3,860** | **2,910** |
| **Due after more than one year** | **3,860** | **2,910** |
| **Total Debtors** | **9,981** | **7,938** |

Notes

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

| | 2021<br>£'000 | 2020<br>£'000 |
|---|---|---|
| Trade creditors | 825 | 394 |
| Rent and service charges received in advance | 1,021 | 1,314 |
| Government grants | 209 | 144 |
| Other taxation and social security | 190 | 173 |
| Pension Contributions | 69 | 63 |
| Other creditors | 249 | 3,765 |
| Finance lease liability | 144 | 145 |
| Accruals and deferred income | 3,429 | 4,349 |
| | **6,136** | **10,346** |

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

| | 2021<br>£ '000 | 2020<br>£ '000 |
|---|---|---|
| Bank loans | 167,560 | 167,636 |
| Government grants | 16,004 | 10,965 |
| Derivative financial instruments | 29,573 | 36,644 |
| Finance lease liability | 84 | 232 |
| | **213,221** | **215,477** |

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

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Trade creditors | 685 | 686 |
| Rent and service charges received in advance | 1,021 | 1,314 |
| Government grants | 209 | 144 |
| Other taxation and social security | 190 | 173 |
| Pension Contributions | 69 | 63 |
| Other creditors | 931 | 803 |
| Intercompany creditors | 249 | - |
| Finance lease liability | 144 | 145 |
| Accruals and deferred income | 4,422 | 5,685 |
| | **7,921** | **9,013** |

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

| | 2021 £ '000 | 2020 £ '000 |
|---|---|---|
| Bank loans | 167,560 | 167,636 |
| Government grants | 16,004 | 10,966 |
| Derivative financial instruments | 29,573 | 36,644 |
| Finance lease liability | 84 | 232 |
| | **213,221** | **215,478** |

# 19. Deferred income - Government grants

| | 2021<br>£'000 | 2020<br>£'000 |
|---|---|---|
| At 1 April | 11,110 | 8,448 |
| Grants receivable | 5,258 | 2,778 |
| **Total Grant Received** | **16,368** | **11,226** |
| Amortisation to Statement of Comprehensive Income | (155) | (116) |
| At 31 March | 16,214 | 11,110 |
| Due within one year | 209 | 144 |
| Due after one year | 16,004 | 10,966 |

# 20. Financial instruments - Group and Watford Community Housing

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

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| **Financial assets** | | |
| Measured at undiscounted amount receivable | | |
| Rent arrears and other debtors (see note 17) | 124 | 157 |
| | **124** | **157** |
| **Financial liabilities** | | |
| Measured at fair value and designated in an effective hedging relationship | | |
| Derivative financial liabilities (see note 18) | 29,573 | 36,644 |
| Measured at amortised cost | | |
| Loans payable (see note 18) | 167,560 | 167,636 |
| Measured at undiscounted amount payable | | |
| Trade and other creditors (see note 18) | 7,921 | 9,013 |
| | **205,054** | **213,293** |

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

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| **Fair value gains and losses** | | |
| On financial assets (including listed investments) measured at fair value through Statement of Comprehensive Income | - | - |

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| **Obligation under finance leases** | | |
| In one year or more but less than two years | 144 | 145 |
| In two years or more but less than five years | 84 | 232 |
| In five years or more | - | - |
| | 228 | 377 |

# 21. Derivative financial instruments

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

| | 2021<br>£'000 | 2020<br>£'000 |
|---|---|---|
| **Interest rate swaps creditors** | **29,573** | **36,644** |

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 interest rate risk of recognised financial liabilities.

| | Notional principal value | | Fair value | |
|---|---|---|---|---|
| | 2021<br>£'000 | 2020<br>£'000 | 2021<br>£'000 | 2020<br>£'000 |
| **Outstanding receive floating pay fixed contracts** | | | | |
| 5 years + | 57,000 | 57,000 | 29,573 | 36,644 |

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

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

## 22. Non-equity share capital - Watford Community Housing

| | 2021 No. | 2021 £ | 2020 No. | 2020 £ |
|---|---|---|---|---|
| **Shares of 10p each issued and fully paid** | | | | |
| At 1 April | 2,508 | 251 | 2,522 | 252 |
| Shares issued during the year | 4 | - | 40 | 4 |
| Shares surrendered during the year | (50) | (5) | (54) | (5) |
| At 31 March | **2,462** | **246** | **2,508** | **251** |

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) - Watford Community Housing

The HCCPF is a multi-employer scheme, administered by Hertfordshire County Council under the regulations governing the Local Government Pension Scheme, a defined benefit scheme. The most recent formal triennial actuarial valuation was completed as at 31 March 2020 by a qualified actuary.

The employers' contributions to the HCCPF by the Trust for the year ended 31 March 2021 were £26k (2019: £26k) at a contribution rate of 18.2% of pensionable salaries, set until the next funding valuation at 31 March 2023.

| | 31-Mar 2021 % pa. | 31-Mar 2020 % pa. |
|---|---|---|
| **Financial Assumptions** | | |
| Discount rate | 2.00% | 2.3% |
| Future salary increases | 3.25% | 2.3% |
| Future pension increases | 2.85% | 1.9% |

### Mortality Assumptions

The post mortality assumptions used to value the benefit obligation at March 2021 are based on the Fund's Vita Curves with improvements in line with the CMI 2020 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 | 22.1 | 24.5 |
| Future Pensioners | 23.2 | 26.2 |

## Sensitivity Analysis

The sensitivities 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 2021** | | |
| 0.5% decrease in Real Discount Rate | 9% | 1,144 |
| 0.5% increase in the Salary Increase Rate | 0% | 4 |
| 0.5% increase in the Pension Increase Rate (CPI) | 9% | 1,123 |

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| **Analysis of the amount charged to the Statement of Comprehensive Income** | | |
| Current service cost | 28 | 36 |
| Interest Income on plan assets | (259) | (283) |
| Interest on pension scheme liabilities | 242 | 295 |
| Losses/(Gains) on Curtailments and Settlements | - | - |
| Total operating charge | **11** | **48** |

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| **Amounts Recognised in Statement of Comprehensive Income** | | |
| Actuarial gains/(losses) recognised | (306) | 1,237 |

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| **Amounts recognised in the Statement of Financial Position** | | |
| Present value of funded obligations | (13,083) | (10,661) |
| Fair value of plan assets | 13,518 | 11,398 |
| Present value of unfunded obligations | 435 | 737 |
| **Net asset / (liability)** | **435** | **737** |

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| **Changes in present value of plan assets** | | |
| Opening fair value for employer assets | 11,398 | 11,911 |
| Return on Assets | 2,116 | (542) |
| Contributions by members | 5 | 5 |
| Contributions by Employer | 15 | 26 |
| Interest Income on plan assets | 259 | 283 |
| Benefits paid | (275) | (285) |
| **Closing defined benefit obligation** | **13,518** | **11,398** |

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| **Changes in present value of defined benefit obligation** | | |
| Opening defined benefit obligation | 10,661 | 12,389 |
| Service cost | 28 | 36 |
| Interest cost | 242 | 295 |
| Actuarial losses (gains) | 2,422 | (1,779) |
| Contributions by members | 5 | 5 |
| Estimated benefits paid | (275) | (285) |
| **Closing defined benefit obligation** | **13,083** | **10,661** |

| | 2021 | 2020 |
|---|---|---|
| **Major categories of plan assets as percentage of total plan assets** | | |
| Equities | 59% | 48% |
| Bonds | 26% | 38% |
| Property | 11% | 10% |
| Cash | 4% | 4% |

| | 2021 £'000 | 2021 % of pay |
|---|---|---|
| **Analysis of projected amounts to be charged to operating surplus for the year to 31 March 2022** | | |
| Projected Current Service Cost | (36) | -44.5% |
| Expected Return on Plan Assets | 268 | 330.9% |
| Interest on Obligation | (259) | -319.8% |
| **Total** | **(27)** | **-33.4%** |

Employers contributions for the year 31 March 2022 estimated to be £14.7K

## 24. Capital commitments – Group and Watford Community Housing

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| **Capital Expenditure** | | |
| Expenditure contracted for but not provided in the accounts | 46,837 | 53,641 |
| Expenditure authorised by the board, but not contracted for | 70,153 | 34,072 |
| **Total** | **116,990** | **87,713** |

## 25. Operating Leases

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

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| **Office equipment and computers payments in the following periods** | | |
| Within one year | 44 | 66 |
| Two to five years | 50 | 7 |
| | **94** | **73** |

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:

| | 2021 No. | Restated 2020 No. |
|---|---|---|
| **Social housing** | | |
| General housing | 4,347 | 4,265 |
| Supported housing and housing for older people | 535 | 537 |
| Shared ownership | 204 | 168 |
| Total social housing owned | **5,086** | **4,970** |
| Accommodation managed for others | 237 | 231 |
| Accommodation managed by others | 3 | 3 |
| **Total social housing managed** | **5,326** | **5,204** |
| Leasehold | 357 | 366 |
| **Total housing owned and managed** | **5,683** | **5,570** |
| **Non-Social Housing** | | |
| Commercial Shops | 26 | 23 |
| Commercial and Market Rented Properties | 27 | 27 |
| Garages | 1,080 | 1,246 |
| Open Market Sale | 7 | - |
| | 1,140 | 1,296 |
| **Total owned and managed** | **6,823** | **6,866** |

Watford Community Housing manages accommodation for Watford Borough Council, Hertfordshire County Council, Three Rivers District Council, David Salter Almshouses Trust, Hart Homes Watford Limited and Three Rivers Homes Limited. The company also owns three properties that are managed on its behalf by St Albans Womens Refuge. The restated 2020 stock numbers are to reflect these three properties.

# 27. Related Parties - Watford Community Housing

| | Services Received 2021 £'000 | Services Provided 2021 £'000 | Debtor/ (Creditor) balances as at 31 March 2021 £'000 |
|---|---|---|---|
| **Regulated** | | | |
| Watford Community Housing | 917 | 937 | 4,966 |
| **Non-Regulated** | | | |
| WCHT Devco Limited | 568 | 917 | (568) |
| Clarendon Living Limited | 153 | - | (4,301) |
| Hart Homes (Watford) Limited | 197 | - | (91) |
| Hart Homes Housing Developments LLP | - | - | - |
| Three Rivers Homes Limited | 19 | - | (5) |
| Three Rivers Housing Developments LLP | - | - | - |

# 28. Joint Ventures

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

Details on the investments are below:

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| **Investment in Joint Ventures** | | |
| Brought forward at 1 April | 2,973 | 2,869 |
| Share of profit of joint ventures | (146) | 104 |
| Carried forward at 31 March | 2,827 | 2,973 |

# 29. Provision for liabilities - Group

| | £'000 |
|---|---|
| At 1 April 2020 | 1,342 |
| Charged to income and expense | 3,800 |
| Released | (729) |
| At 31 March 2021 | 4,413 |
| At 1 April 2019 | 1,897 |
| Additions | 852 |
| Reclassification | (522) |
| Released | (885) |
| At 31 March 2020 | 1,342 |

# 29. Provision for liabilities - Watford Community Housing

| | £'000 |
|---|---|
| At 1 April 2020 | 1,179 |
| Charged to income and expense | 3,748 |
| Released | (729) |
| At 31 March 2021 | 4,198 |
| At 1 April 2019 | 1,897 |
| Additions | 689 |
| Reclassification | (522) |
| Released | (885) |
| At 31 March 2020 | 1,179 |

Provisions consist of items recognised at year end which are of uncertain timing and value. Provisions made during the year relating to a number of known liabilities and include costs associated with the data breach incident in March 2020. The incident in March 2020 was when an email was sent out which contained personal information about some customers as a result of human error. The costs related to this incident include cyber security cover being provided to all impacted customers, investigatory / remedial costs and other associated regulatory and legal costs following the incident.

Provisions within the Group also include costs associated with remedial works necessary at the Stratford Road development, which was managed by the Group subsidiary Clarendon Living Limited.

watford community housing

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