

Report and Financial Statements

For the year ended 31 March 2022



watford
community
housing

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

Group Board

John Swinney – resigned September 2021
Chris Cheshire – appointed Chair September 2021

Other Members

Nigel Benjamin
Stephen Cavinder – resigned May 2021
Tracey Connage – appointed May 2022
 (Senior Independent Director)
Raz Hussain
Raj Kumar – resigned September 2021
Michael Lavers
Jamie Ratcliff
Marsha Thompson
Mike Suarez – appointed May 2021
Kennedy Rodrigues – appointed June 2021
Tim Willcocks – appointed December 2021

Executive Management Team

Tina Barnard, Chief Executive
Paul Richmond, Deputy Chief Executive
Gareth Lewis (to December 2021)
Helen Town (from January 2022)
 Director of Partnerships & Property/
 MD of Clarendon Living Limited
Julie Wittich (Interim) to December 2021
 Director of Operations

Company secretary

Mary Swaine (to October 2021)
Paul Richmond (November 2021 to March 2022)
Bernice Ackah (from April 2022)

Committees

Audit and Risk Committee
Mike Suarez, Chair

Investment Committee
Tim Willcocks (from December 2021),
 previously **Jamie Ratcliff**, Chair

Remuneration and Appraisal Committee
Nigel Benjamin, Chair

Customer Experience Committee
Raz Hussain (from September 2021), previously
Raj Kumar, Chair

Customer group

Gateway Membership Team

Registered office

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 59 Clarendon Road
 Watford
 Hertfordshire
 WD17 1LA

Registered number

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

Auditor

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 Milton Keynes MK9 1FF

Solicitors

Devonshires
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 London Wall
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Anthony Collins Solicitors
 134 Edmund Street
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 B3 2ES

Perrin Myddelton
 10 Waterside
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 Harpenden
 AL5 4US

Bankers

Barclays Bank Plc
 1 Churchill Place
 London
 E14 5HP

Funders

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

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

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

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

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

Group strategic report

Watford Community Housing (“the Group”) is a Registered Provider regulated by the Regulator of Social Housing (RSH) and as such is required to comply with the RSH’s regulatory framework. The Group was created in September 2007 as a Large-Scale Voluntary Transfer (LSVT) and owns and manages a total of 6,757 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 (interim during 2021/22). The Group Board delegates some of its responsibilities to committees composed of Group Board members and independent committee members. The structure consists of an Audit and Risk Committee, an Investment Committee, a Customer Experience Committee and a Remuneration and Appraisal Committee.

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:

- Housing for rent, primarily for families who are unable to rent or buy at open market rates.
- Housing for older people who need additional support or care.
- Shared ownership properties (i.e. residents purchase a share in the equity of their homes and pay rent to the Group on the remainder).
- Joint venture participation with local authority partners and developers via Clarendon Living Limited.
- Selective market sales schemes both directly through Clarendon Living Limited and through its joint ventures with local authorities.
- Market rent schemes.

Objectives & Strategy

These Financial Statements correspond to the second 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.

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

Stock Profile	2022 No.	2021 No.
Type of Units		
Owned by the Group:		
General needs	4,004	3,980
Affordable rents	439	367
Housing for older people	469	499
Shared ownership	206	204
Leaseholds	388	357
Open Market Sales Stock	3	7
Commercial and market rents	27	27
Commercial shops	22	26
Garages	990	1,080
Temporary accommodation	43	36
	6,591	6,583
Managed for others	163	237
Managed by others	3	3
Total	6,757	6,823

During the year the Group’s owned and managed stock numbers decreased by 66. This movement includes development growth of 137 units (72 new affordable rented homes being completed, 53 general needs, 9 shared ownership and commercial units 3). This movement was partially offset by 16 Right to Buy purchases and shared ownership staircasings during the year, 4 open market sales, and the demolition of 40 dwellings. During the year the Group disposed / demolished 90 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.

Our Customer Promise

First-class repairs service	<p>We will deliver a first-class repairs service that is effortless and convenient for you.</p> <p>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.</p> <p>This means:</p> <ul style="list-style-type: none"> • 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	<p>We know that safety matters to you, so it matters to us too.</p> <p>We will work closely with partners to ensure that you can feel safe in and around your home, including dealing with anti-social behaviour.</p> <p>Our focus will be on working with partners in your neighbourhood to address incidents quickly and effectively, and to develop preventative measures.</p>
Community development	<p>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.</p> <p>To help deliver the biggest positive impact, we will work in partnership with other organisations in the community.</p>
Flexible housing options	<p>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.</p> <p>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.</p>
100 new homes for social rent	<p>Providing people with genuinely affordable homes by building housing for social rent is a key goal of ours – and it will remain so.</p> <p>To deliver more social housing in the places that need it most, we will:</p> <ul style="list-style-type: none"> • 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.

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, Customer Experience 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.

2021/22 continued to bring significant challenges and disruption to us and our customers from the Covid-19 pandemic. Periods of lockdown or restricted measures impacted our services and contributed negatively to many traditionally strong performance areas. The sector as a whole has seen similar impact across all areas of satisfaction. However, despite this, 78.6% of our customers rated the repairs service positively, with a repairs taking 18.3 working days on average to complete; exceeding the target of 20.

Arrears rose to 4.6% of income (1.6% over target) as the financial effects of the pandemic and the housing team reorganisation were felt throughout the year. £466k in additional income was realised by Financial Inclusion Officers for customers in 2021/22, and Watford Community Housing contributed £187k for community projects, which was then match-funded by an additional 155%.

137 Watford Community Housing dwellings were completed, with 93.4% of them affordable or social rent. This led to WCH delivering new supply growth of 2.7%, which demonstrates the strength on of our active development programme.

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 customer digital engagement.

Key performance indicators

	2022 Target	2022	2021	Flag
1. Existing Customers				
% of customers satisfied with repairs and maintenance	90%	78.6%	85.0%	●
Average repair time (working days)	20	18.3	21.1	●
% of repairs fixed on first visit	79%	65.9%	73.5%	●
Net Promoter Score	20	21	19	●
% Overall Satisfaction with WCH services	86%	76.5%	79.7%	●
% match-funding secured from partners	30%	155.0%	55.9%	●
(Cumulative) Homes successfully 'right-sized'	30	31	9	●
Occupancy	99%	98.5%	98.5%	●
(12 Month Rolling) Arrears as a % of income	3.0%	4.6%	3.8%	●
(12 Month Rolling) Additional income realised for customers by Tenancy Support Officers	£300,000	£465,696	£464,936	●
2. New Customers				
New Social Rented homes delivered	59	38	0	●
Grants received for new Social Rented homes (£'000)	1,289	1,648	1,399	●
(Cumulative) Total Number of WCH dwellings completed	191	137	157	●
(Cumulative) % of completed dwellings as Affordable or Social Rent	72%	93.4%	72.6%	●
3. Sustainability				
Average SAP Score	72.5	74.7	72.2	●
4. Internal Customers				
(Cumulative) Operating margin (excluding shared ownership & sales)	28%	28.4%	21.6%	●
(Cumulative) Operating margin (including shared ownership & sales)	25%	26.8%	19.5%	●
(Cumulative) EBITDA (Earnings Before Interest Tax and Amortisation Major Repairs Included) and Amortisation Major Repairs Included)	125%	168%	174%	●
% of tenants registered on Digital Tenancy Services	40%	36.1%	27.9%	●

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 2021/22 with its operating surplus being £10.8m. The financial highlights over the past five years are set out below.

Group highlights, summary (5 year summary)

For year ended 31 March	2022	2021	2020	2019	2018
	£'000	£'000	£'000	£'000	£'000
Summary Statement of Comprehensive Income					
Total turnover	38,550	42,445	34,190	34,928	31,735
Income from Social Housing Lettings (note 3a)	32,071	31,152	28,816	28,568	28,272
Operating surplus: continuing activities	10,835	9,845	11,201	11,586	10,984
Surplus for the year transferred to reserves	4,122	3,516	5,323	5,905	6,708
Group Balance Sheet					
Intangible assets (note 11)	(27,485)	(27,901)	(28,317)	(28,734)	(29,151)
Investments in Joint Ventures	2,730	2,827	2,973	2,869	2,861
Housing Properties (note 12)	364,875	333,240	306,933	286,933	267,473
Investment Properties (note 14)	4,300	4,635	4,040	4,095	4,095
Other Property, Plant and Equipment (note 13)	13,712	12,244	12,906	13,049	13,210
Fixed assets	358,133	325,045	298,535	278,212	258,488
Net current assets	1,805	14,919	30,332	29,931	41,368
Total assets less current liabilities	359,937	339,964	328,867	308,143	299,855
Funded by:					
Loans (due over one year) (note 18)	179,232	167,560	167,636	155,061	155,129
Pension liability (note 23)	-	-	-	478	138
Provision for liabilities	4,499	4,413	1,342	1,898	1,021
Other long term liabilities (note 18)	40,684	45,661	47,841	38,149	35,489
Reserves:					
Revenue inc. pension	60,838	55,814	52,599	46,035	40,456
Property Revaluation	96,081	96,085	96,089	96,141	96,145
Cashflow hedge reserve	(21,398)	(29,570)	(36,640)	(29,619)	(28,524)
Consolidated funds	359,937	339,964	328,867	308,143	299,855

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 2021/22 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.

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	<ul style="list-style-type: none"> £50m of finance secured in 2021/22 through ARA Venn funding. Ongoing monitoring and reporting of impact of welfare reform on areas such as bad debt, universal credit performance and income arrears Fraud policy regularly reviewed and fraud incidences reported quarterly to Audit and Risk Committee Financial Plan annually subjected to multi-variate stress testing to identify variety of economic assumptions and their impact on the Group's plan – strapline judgement of V1 in December 2021 by Regulator of Social Housing Regular monitoring of Golden Rules both at Management and Group Board level to support ongoing viability VFM activity maintains focus on efficiency gains and productivity to mitigate any exposure of inflation / market risk
Strong Governance and Putting People First risk: arising from poor Board oversight, lack of succession planning, corporate structure not being fit for purpose, lack of development and growth for leaders	<ul style="list-style-type: none"> Watford Community Housing governance rating as "G1", in strapline judgement in December 2021 Secured 1 Star Accreditation from Best Companies survey in May 2021, becoming a Top 25 Housing Association to work for in the UK Update to Committee structure during 2021/22 to ensure appropriate decision making and scrutiny Subsidiary boards report up to the Group Board on regular basis including updates on joint venture activities Terms of Reference and Group Financial Regulations provide assurance on decision-making clarity within the Group. Both are reviewed on an annual basis Ongoing skills development sessions provided to Group Board and Committee members to support informed understanding and scrutiny of the Group; including sessions on Treasury / Stress Testing, Diversity and Inclusion, Data protection and the Green Agenda Work undertaken 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	<ul style="list-style-type: none"> Service Standards give clear standards/expectations of service from the Group with performance monitored regularly through Group Board and Customer Experience Committee Active Community Budget invested in a number of activities, including community programmes / Hub activity and customer scrutiny New Membership and Involvement Framework launched to customers in 2021 to define forms of engagement with WCH and promote involvement Increased joint-working between Group Board and Gateway Management Team (GMT) Ongoing monitoring of customer arrears / impact of universal credit and Tenancy Sustainment team in place to provide support to customers Focus on "Digital First" strategy to provide modern and seamless digital service on areas such as; rent management, self-appointed repairs and real-time feedback
Fit for the Future – Asset Management risk: Corporate health & safety failures, lack of robust appraisal techniques for existing stock, poor decision making on asset investments, lack of investment in ICT estate	<ul style="list-style-type: none"> 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 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 Formed a 3 way partnership with two other housing associations to form "Greener Herts" to support Sustainability initiatives and our journey to Net Carbon Zero Core Property Compliance managed through scrutiny at both Investment 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	<ul style="list-style-type: none"> Monthly reporting and forecasting of development cashflows are in place to monitor spend and over-run risk. Any material movements in scheme costs are reported to appropriate Board and Committee for oversight and review Golden Rules have been developed and approved by Group Board and monitored on a quarterly basis, these include monitoring of development capacity and also development spend versus budget Terms of Reference and Financial Regulations are in place for managing joint ventures. A 12-month timetable of activity reviewed monthly by Executive Management Team to monitor risk and define priorities Regular monitoring of sales exposure and unsold dwellings conducted by management team and Group Board to provide assurance on delivery. All market exposed scheme appraisals include an exit plan to anticipate options should market conditions change. Development Assumptions reviewed annually by the Group and out-turn reports presented for all completed schemes to ensure outcomes are reviewed following completion.

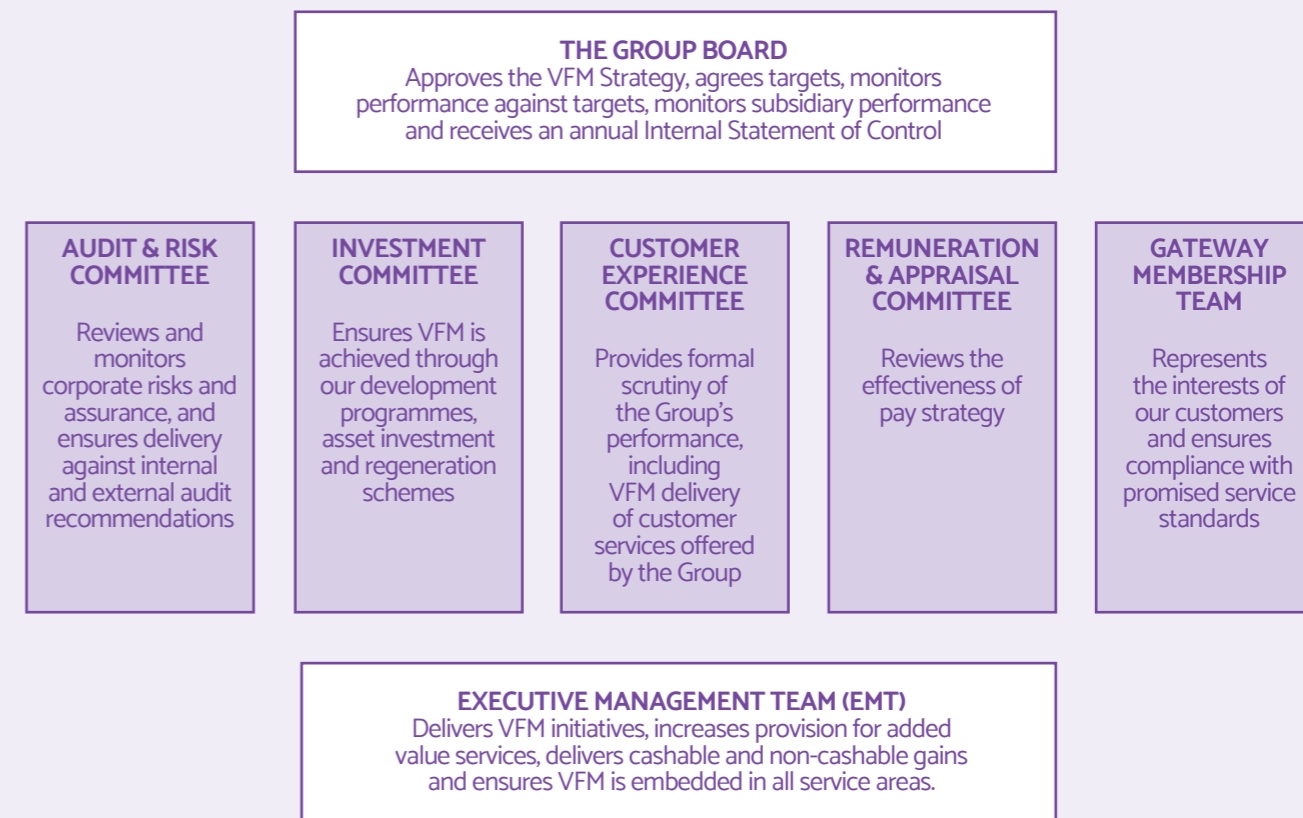
Value for Money (VFM)

Our Strategy:

The Group is committed to delivering Value for Money through our business activities. Our Business Plan 2020-2025 sets clear objectives and key priority areas to ensure we deliver improvements to the quality of services, maintain a strong financial position and gain competitive advantage through partnership working. This plan is supported by our VFM strategy. Our strategy for delivery of VFM is reinforced by:

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

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



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 2021/22 we spent £5.8m on maintenance of our properties and £4.8m on programmed repairs. For 2022/23 the budgeted numbers are £4.9m and £4.7m 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), Watford Borough Council (WBC), Hertfordshire County Council and Three Rivers District Council. Additionally, the Group is working with local charities, including St Albans and Hertsmere Women's Refuge to let accommodation.

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

Achieving VFM through Operational Efficiency:

As part of our continuous evaluation of operational costs, the Group Board agreed an efficiency target of £1.25m for the 2021/22 financial year. At the end of 2021/22, we were pleased to report VFM savings in line with the target. We have continued to work hard to ensure we deliver further gains. All VFM 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.

Achieving VFM through efficient procurement:

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

- i. Has in place an effective framework which ensures that it meets "Find a Tender" (FTS) and other legal requirements.
- ii. Shows clarity in the procurement process for both staff and suppliers.
- iii. Carries out effective due diligence on suppliers to ensure they meet its criteria in areas including financial viability, insurance cover, anti-slavery and health & safety.
- iv. Builds strong relationships and partnerships with its suppliers.
- v. Sets clear budgets for VFM through procurement and monitoring processes.
- vi. Keeps accurate records of contracts and the arrangements entered into which are reviewed regularly to ensure the expected benefits are achieved.

- vii. Seeks to acquire added value from its supplier base in the way they support the business.
- viii. Has an effective payment arrangement in place to manage administrative costs, whilst ensuring suppliers are paid on time.
- ix. Procures responsibly with attention to the impact on the environment of purchasing decisions and looking to work with responsible suppliers. We will look to achieve added value through training opportunities such as apprenticeships and other areas of support to customers and the business.

VFM monitoring through benchmarking:

In order to maintain compliance with the VFM standard, the Group continues to monitor the performance of the Group against appropriate benchmarks and also looks to understand and explain any variances. In February 2022, 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 (2021/22)

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

CPU in 2021/22 remains in line with 2020/21. Whilst operating costs significantly reduced and operating margin improved, this was offset by an increase in capitalised repairs expenditure which returned to pre-pandemic levels. This included spend on our planned maintenance, but also Green Strategy and associated costs. Watford Community Housing continues to monitor its cost base through benchmarking and balance cost savings/efficiencies alongside quality of service and customer outcomes.

Cost per Unit (£k)	2017/18	2018/19	2019/20	2020/21	2021/22
Watford Community Housing	3.78	3.86	3.68	4.18	4.19
Median Sector Performance	3.40	3.69	3.83	3.73	

*average Cost per Unit.

(2017-2021 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 2021/22 and 2020/21 with a commentary to support key movements. The Operating Margin was an improvement on 2020/21 and due to an ongoing focus on improving operational performance and the impact of data provision costs on prior year. 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 remains broadly in line with the prior year and still holds significant headroom against our loan covenants. Gearing remains broadly aligned to prior year performance. Return on Capital Employed and Reinvestment continues to perform strongly and shows improvement against prior year. New social housing supply continues to perform well, but not as high as prior year. However, we continue to build a strong pipeline of committed schemes.

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 industry median for Operating Margin is favourable on an overall basis as Watford Community Housing continues to focus on strong financial performance but our performance is lower than the peer group median.

The headline social housing cost per unit is aligned to the peer group but slightly higher than the industry median. This reflects a 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 Gearing metric is broadly aligned to both sector and peer group but our EBITDA is slightly adverse to both comparators which reflects growth in our debt book to support our development performance, both of which are performing above peer group and industry median.

Watford Community Housing	2021	2022	Flag
Operating Margin % (social housing lettings only)	21.6%	28.4%	●
Operating Margin % (overall)	19.5%	26.8%	●
EBITDA MRI Interest Cover %	174%	168%	●
Headline SH Cost per Unit ('000)	£4.18	£4.19	●
Gearing	47.3%	47.5%	●
Return on Capital Employed (RoCE)	2.7%	3.5%	●
% Reinvestment	11.7%	13.0%	●
% New supply delivered (social housing units)	3.3%	2.7%	●
% New supply delivered (non-social housing units)	0.1%	0.1%	●

	Group 2022	Peer group median 2021	Industry median 2021	Flag v Peer Group
Operating Margin % (social housing lettings)	28.4%	31.4%	26.3%	●
Operating Margin % (overall)	26.8%	28.8%	23.9%	●
EBITDA MRI Interest Cover %	168%	214%	183%	●
Headline SH Cost per Unit ('000)	£4.19	£4.19	£3.73	●
Gearing	47.5%	46.9%	43.9%	●
RoCE	3.5%	3.6%	3.3%	●
Reinvestment %	13.0%	7.1%	5.8%	●
% New supply delivered (social housing units)	2.7%	1.6%	1.3%	●
New supply delivered (non-SH units)	0.1%	0%	0%	●

VFM into 2022/23 and beyond:

The efforts to deliver value for money to our customers and the organisation continue into 2022/23 and will be monitored through Group Board. The VFM activities planned for 2022/23 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. The following table confirms 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 125% 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 the current economic uncertainty.

KPI	2021/22 Actual	2022/23	2023/24	2024/25
Operating Margin (including S/O & Sales)	26.8%	27.5%	27.5%	27.5%
Operating Margin (excluding S/O & Sales)	28.4%	30%	30%	30%
Social Housing Cost Per Unit (SHCPU)	£4,190	£3,900	£3,850	£3,800
Annual VFM Savings	£125m	£14m	£145m	£15m
EBITDA	168%	125%	125%	125%
New Supply Delivered (Social Housing)	2.7%	2.25%	2.375%	2.5%
New Supply Delivered (Non-Social Housing)	0.1%	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 five lenders totalling £295m in place. Total drawn-down borrowings amounted to £232m.

The Group completed a deal to secure £50m of finance with Saltaire Finance plc in November 2021 through the UK Government backed Affordable Homes Guarantee Scheme which offered covenant light, finely priced, long term debt. The additional debt facilities offer 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 current economic climate.

The Group invited tenders for a new £50m RCF in the year which was heavily oversubscribed. This additional facility would restructure some existing debt by uplifting restrictive lending covenants and was completed in Q1 2022/23.

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

The Group drew £12m from existing committed, available facilities through the year. The Group actively manages its interest costs and has five interest rate swaps totalling £57m. Together with the existing M&G Private Placement, the AHF Bond, and the new Saltaire Finance facilities this means there is £207m of fixed rate debt and 89% of total drawn debt is therefore fixed. The maturity of the Group's borrowing was as follows on 31 March 2022:

Maturity Profile	2022 £'m	2021 £'m
Within 1 year	-	-
Between 1 and 5 years	70.0	70.0
After 5 years	225.0	175.0
	295.0	245.0

As part of arranging its loan facilities, the Group is required to provide security by charging properties it owns. The properties are valued using the respective Existing Use Value-Social Housing (EUV-SH) and Market Value-Subject to Tenancy (MV-ST) methodologies and currently the charged properties are valued for discounted security purposes at £285m. 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 £129m of available security on a discounted valuation basis which gives comfort there is sufficient asset cover for raising additional finance.

During the year £26.5m (2021: £17.1m) of cash was generated from operating activities and £4.1m from available cash reserves were used, to maintain sufficient levels of cash liquidity during the ongoing pandemic. Total interest of £6.8m (2021: £6.4m) was paid in cash terms during the year.

The Group continues to monitor its loan arrangements to ensure they remain appropriate to its needs in meeting its Business Plan objectives whilst maintaining long-term financial viability. In 2022/23 the Group will continue to explore its overall funding structure and working with advisers to ensure that the appropriate funding is in place to support the Group's aspirations.

The Group's Treasury Working Group, comprising of two Board/Committee members, the Deputy Chief Executive and the Assistant Director of Treasury & Financial Planning, continues to provide initial guidance and review of Treasury policies and funding options, and to make recommendations to the Group Board.

Development

The Group remains committed to the principle of providing urgently needed homes at a rate which can be accommodated within its long-term Business Plan. The Devco subsidiary is fully operational and enables the Group to make tangible savings through reclaimed VAT costs. The Group (via its Clarendon Living subsidiary) has also entered into joint ventures with Watford Borough Council 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 £26.5m (2021: £17.1m). Working capital moved as a result of the net cash flow from operating activities. A net interest payment of £6.7m was made during the year and approximately £50.5m was expended on developing new homes and improving existing properties.

Pension Costs

The Group participates in two pension schemes, a corporate Stakeholder Pension Plan through Standard Life for all employees who have joined the Group since 10 September 2007 and the Hertfordshire Local Government Pension Scheme (LGPS) for all participating employees who transferred to the Group on 10 September 2007 from Watford Borough Council and which is closed to new entrants. The assets and liabilities of the LGPS were moved to Watford Borough Council under a subsumption agreement during 2019/20, which did not affect the financial treatment of the fund. The Stakeholder Pension Plan is a defined contribution scheme and the LGPS is a final salary scheme. Both schemes offer good benefits to staff. The 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 2020 - Excellence in Governance - Code for members). In December 2021, the Regulator of Social Housing reaffirmed a strapline judgement on Watford Community Housing and the ratings of G1 V1 were maintained, reflecting the highest regulatory ratings for both Governance and Viability.

Statement of Compliance

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



Chris Cheshire
Group's Board Chair

Group Board report

The Group Board of Watford Community Housing is pleased to present its report together with the audited financial statements of the Group for the year ended 31 March 2022.

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 2022 and stand at 10 as at June 2022. 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, to whom special terms apply, namely a 15% employer's contribution, all other executive directors participate in the scheme on the same terms as other eligible staff.

Other benefits

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

Employees

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

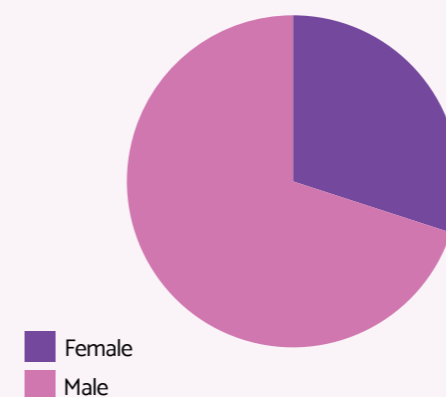
The Group is firmly committed to equality of opportunity and has in place modern employment policies to ensure that we are an attractive and engaging employer to individuals, regardless of their gender, age, religion, ethnicity, sexual orientation, family circumstances, gender reassignment or disability 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.

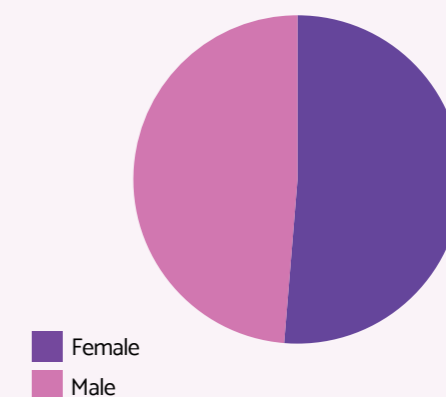
Diversity

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

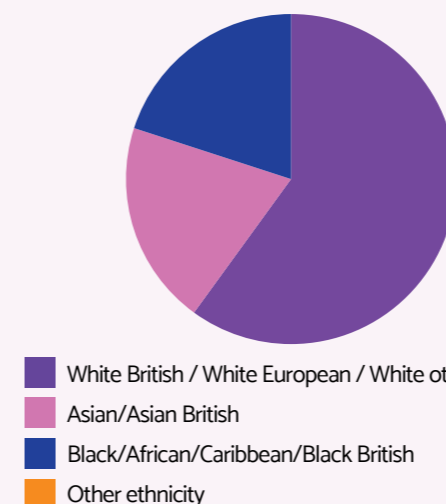
WCH Board Membership



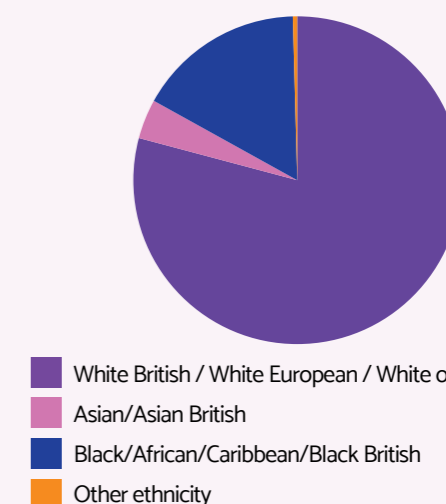
East of England Population (NHF)



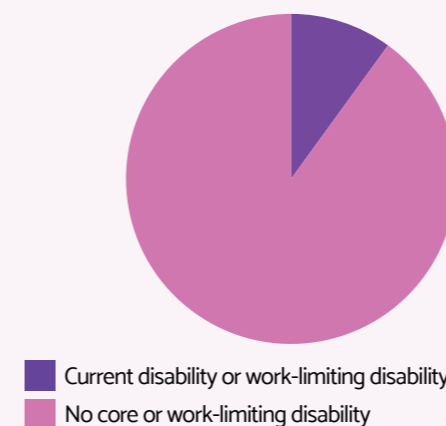
WCH Board Membership



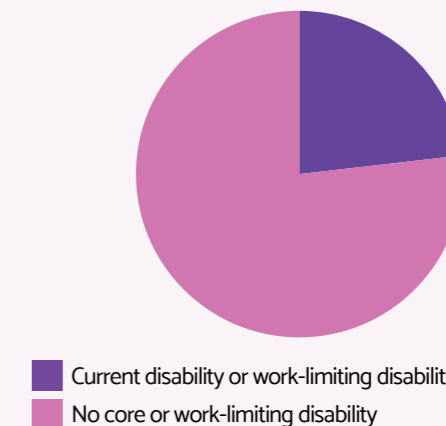
East of England Population (NHF)



WCH Board Membership



East of England Population (NHF)



Donations

The Group made donations totalling £100 during the year (2020/21: £553).

Financial risk management objectives and policies

The Group's operations are financed primarily by a mixture of long-term fixed rate bonds, medium-term bank debt and by the reinvestment of surpluses. The Group also benefits from government grant, cash balances and trade creditors which arise directly from its operations. The main financial risks which arise in respect of its financing are considered by the Group Board to be interest rate risk, covenant risk, liquidity risk and credit risk. The Group Board reviews and agrees policies for managing each of these risks, which are summarised below.

Interest rate risk

The Group's exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and variable rate facilities, including interest rate swap instruments. At year end, drawn debt was 89% 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 £63 million of undrawn, committed, available facilities, and £50m of undrawn, committed, unavailable debt pending the securitisation of the AHGS Bond (subsequently completed in May 2022).

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 continues to be impacted by the current economic climate and cost of living crisis. This could undermine cash flow and potentially diminish operating margins. To mitigate this risk, the Group's long-term financial plan is being revised accordingly and stress tested to ensure resilience regarding these risks.

Going concern

The Group's business activities, its current financial position and factors likely to affect its future development are set out within the Strategic Report. The Group has in place long-term debt facilities (including £63 million of undrawn facilities at 31 March 2022), 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 current economic crisis has led to a number of risk and financial considerations for Watford Community Housing Group in terms of preparing these statements. In order to consider the impact on the Group, work has been undertaken to stress the Business Plan in line with the current economic adverse conditions with our Treasury advisors on appropriate liquidity and cash holdings during this period. The Group Board has taken assurance that the liquidity and cash-holdings are strong for the Group, even when facing uncertainty in terms of rental income and capital income from property sales.

The Group has also noted that no impairment is required at this stage based on the prudence and margins built into our schemes which have a level of sales risk. The impact continues to be reviewed regularly by the Group Board, looking at key financial risk indicators and assessing these against our Golden Rules. The Group remains confident that it has a robust plan to manage the current 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 2021 up to the date of approval of the report and financial statements. These internal controls act to identify key risks and to provide reasonable assurance that planned business objectives are achieved. They also exist to give reasonable assurance that the financial and management performance information is reliable and that the Group's assets are safeguarded. However, the Group Board recognises that no system of internal control can provide absolute assurance against material misstatement or loss.

Key elements of the systems of the control framework include:

- Group Board approved terms of reference and delegated authorities for committees and subsidiaries
- Annually reviewed financial regulations and standing orders to inform authority levels for decision making and appropriate procurement activity
- Clearly defined management responsibilities for the identification, evaluation and control of significant risks
- Robust strategic and business planning processes, with detailed financial budgets and forecasts
- Formal recruitment, retention, training and development policies for all staff
- Established authorisation and appraisal procedures for significant new initiatives and commitments
- A robust approach to treasury management which is reviewed externally each year

- Regular reporting to the appropriate Board/Committee on key business objectives, targets and outcomes
- Group Board approved whistleblowing, anti-money laundering and fraud policies covering prevention, detection and reporting of issues
- Regular monitoring of loan covenants and requirements for new loan facilities

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

The Group Board has delegated authority to the Audit and Risk Committee to regularly review the effectiveness of the system of internal control. The Group Board receives Audit and Risk Committee quarterly reports and minutes. The Committee has received the Chief Executive's annual review of the effectiveness of the system of internal control for the Group, and the annual report of the internal auditor, and has reported its findings to the Group Board.

Value for Money standard

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

National Housing Federation (NHF) 2020 Code of Governance

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

GDPR

The Audit and Risk Committee acts as the Group's Board-level data protection champion with delegated responsibility for monitoring GDPR compliance and approving key policies in this area. All Board and Committee members are regularly briefed on awareness and understanding of the impact of the Regulations. 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. Following engagement with the ICO, an improvement plan has been delivered within WCH to strengthen controls, systems and training in this area.

Group Board report (continued)

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

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

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards and the Statement of Recommended Practice (SORP) Accounting by Registered Social Housing Providers Update 2018, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Group Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014. It is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

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

Annual General Meeting

The annual general meeting will be held on 12 September 2022.

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 18 July 2022 and signed on its behalf by:



Chris Cheshire
Group Board Chair

Independent auditor's report to the members of Watford Community Housing Trust

We have audited the financial statements of Watford Community Housing Trust (the 'parent association') and its subsidiaries (the 'group') for the year ended 31 March 2022 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Association's Statement of Comprehensive Income, the Association's Statement of Financial Position, the Consolidated Statement of Changes in Reserves, the Association's Statement 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, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent association's affairs as at 31 March 2022 and of the group's and 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 group and the parent association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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 the 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 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.

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 this gives rise to a material misstatement in the financial statements themselves. 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

In light of the knowledge and understanding of the group and the parent association and their environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Group Board Report.

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

- adequate accounting records have not been kept by the parent association, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent association financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; 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 Responsibilities of the Group Board for the Report and Financial Statements set out on page 22, the Board are 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 determine 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 are responsible for assessing the group's and the 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 intend to liquidate the group or the 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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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 the parent association and their industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation, health and safety regulation and anti-money laundering regulation.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the group and the parent association is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and

- Considering the risk of acts by the group and the parent association which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, pension legislation, the Co-operative and Community Benefit Societies Act 2014, the Co-operative Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

In addition, we evaluated the Board's and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, revenue recognition (which we pinpointed to the cut-off), and significant one-off or unusual transactions.

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.



Vincent Marke (Senior Statutory Auditor) for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor The Pinnacle
160 Midsummer Boulevard
Milton Keynes
MK9 1FF

Date: 29 July 2022

Consolidated Statement of Comprehensive Income

For the Year Ended 31 March 2022

	Note	2022 £'000	2021 £'000
Turnover		38,550	42,445
Operating costs		(28,229)	(34,161)
Share of joint venture profit after tax	28	(97)	(146)
Surplus on disposal of property, plant and equipment	4	1,075	1,111
(Deficit) on revaluation of investment properties	14	(463)	595
Operating surplus		10,835	9,845
Finance Income	6	50	67
Interest and financing costs	5	(6,763)	(6,396)
Change in fair value of financial instruments		-	-
Surplus before tax		4,122	3,516
Taxation	10	-	0
Surplus for the financial year		4,122	3,516
Actuarial gain/(loss) in respect of pension schemes	23	898	(306)
Change in fair value of hedged financial instruments		8,173	7,071
Total comprehensive income for the year		13,193	10,281

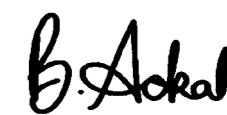
These financial statements on pages 25 to 63 were approved and authorised for issue by the Board on 18 July 2022 signed on its behalf by:



Chris Cheshire
Chair



Michael Suarez
Chair of Audit & Risk Committee



Bernice Ackah
Company Secretary

Consolidated Statement of Financial Position

As at 31 March 2022

	Note	2022 £'000	2021 £'000
Fixed Assets			
Intangible assets	11	(27,485)	(27,901)
Investments in joint ventures	28	2,730	2,827
Housing properties	12	364,875	333,240
Investment properties	14	4,300	4,635
Other property, plant and equipment	13	13,712	12,244
Total fixed assets		358,133	325,045
Current assets			
Stock - Work in progress		2,276	5,119
Debtors	17	10,198	5,543
Defined benefit pension	23	1,286	435
Cash and cash equivalents		5,852	9,958
Total current assets		19,613	21,055
Creditors: Amounts falling due within one year	18	(17,808)	(6,136)
Net current assets		1,805	14,919
Total assets less current liabilities		359,937	339,964
Creditors: Amounts falling due after more than one year			
Creditors: Amounts falling due after more than one year	18	(219,916)	(213,221)
Defined benefit pension liability	23	-	-
Provision for liabilities	29	(4,499)	(4,413)
Net assets		135,522	122,330
Capital and reserves			
Revenue reserve		60,838	55,814
Property revaluation reserve		96,081	96,085
Cashflow hedge reserve		(21,397)	(29,570)
Total reserves		135,522	122,330


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Chris Cheshire
Chair



Michael Suarez
Chair of Audit & Risk Committee



Bernice Ackah
Company Secretary

Statement of Comprehensive Income

For the year ended 31 March 2022

	Note	2022 £'000	2021 £'000
Turnover	3a	38,940	39,638
Operating expenditure	3a	(24,844)	(26,465)
Cost of sales	3a	(3,772)	(5,077)
Impairment of housing properties	2	0	-
Surplus on disposal of property, plant and equipment	4	1,075	1,111
Surplus / (Deficit) on revaluation of investment properties	14	(463)	595
Operating surplus	3a	10,937	9,802
Finance Income	6	50	142
Interest and financing costs	5	(6,763)	(6,352)
Gift aid received		344	540
Change in fair value of financial instruments		0	0
Surplus before tax		4,568	4,131
Taxation	10	-	-
Surplus for the financial year		4,568	4,131
Actuarial gain/(loss) in respect of pension schemes	23	898	(306)
Change in fair value of hedged financial instruments	20	8,173	7,071
Total comprehensive income for the year		13,639	10,896

Statement of Financial Position

As at 31 March 2022

	Note	2022 £ '000	2021 £ '000
Fixed Assets			
Intangible assets	11	(27,485)	(27,901)
Housing properties	12	368,274	336,166
Investment properties	14	4,300	4,635
Other property, plant and equipment	13	13,712	12,244
Total fixed assets		358,802	325,144
Current assets			
Stock - Work in progress	16	2,234	5,049
Debtors	17	13,465	9,981
Defined benefit pension	23	1,286	435
Cash and cash equivalents		5,543	9,594
Total current assets		22,528	25,058
Creditors: Amounts falling due within one year	18	(18,422)	(7,921)
Net current assets		4,106	17,137
Total assets less current liabilities		362,908	342,281
Creditors: Amounts falling due after more than one year	18	(219,916)	(213,221)
Provision for liabilities	29	(4,499)	(4,198)
Net assets		138,493	124,862
Capital and reserves			
Revenue reserve		63,809	58,347
Property revaluation reserve		96,081	96,085
Cashflow hedge reserve		(21,398)	(29,571)
Total reserves		138,493	124,862

These financial statements on pages 25 to 63 were approved and authorised for issue by the Board on 18 July 2022 and signed on its behalf by:



Chris Cheshire
Chair



Michael Suarez
Chair of Audit & Risk Committee



Bernice Ackah
Company Secretary

Consolidated Statement of Changes in Reserves

For the year ended 31 March 2022

	Revaluation Reserve £ '000	Cash Flow Hedge Reserve £ '000	Revenue Reserve £ '000	2022 Total £ '000
At 1 April 2021	96,085	(29,569)	55,814	122,330
Surplus for the year	-	-	4,122	4,122
Actuarial gain/(loss) in respect to pension scheme	-	-	898	898
Transfer from Revaluation Reserve to Revenue Reserve	-	-	-	-
Changes in fair value movement of derivatives	-	8,172	-	8,172
At 31 March 2022	96,085	(21,397)	60,834	135,522

	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

Watford Community Housing Statement of Changes in Reserves

For the year ended 31 March 2022

	Revaluation Reserve	Cash Flow Hedge Reserve	Revenue Reserve	2022 Total
	£ '000	£ '000	£ '000	£ '000
At 1 April 2021	96,085	(29,569)	58,346	124,862
Surplus for the year	-	-	4,568	4,568
Actuarial gain in respect to pension scheme	-	-	891	891
Transfer from Revaluation Reserve to Revenue Reserve	-	-	-	-
Changes in fair value movement of derivatives	-	8,173	-	8,173
At 31 March 2022	96,085	(21,396)	63,804	138,493

	Revaluation Reserve	Cash Flow Hedge Reserve	Revenue Reserve	2021 Total
	£ '000	£ '000	£ '000	£ '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

Consolidated Statement of Cash Flows

For the year ended 31 March 2022

	2022 £ '000	2021 £ '000
Net cash inflow from operating activities	26,446	17,084
Cash flows from investing activities		
Purchase of property, plant and equipment	(50,469)	(39,065)
Investment in Joint Venture	-	-
Proceeds from sale of property, plant and equipment	11,529	8,286
Grants received	3,489	5,261
Interest received	50	67
Net cash flows from investing activities	(8,955)	(8,367)
Cash flows from financing activities		
Interest paid	(6,765)	(6,413)
New secured loans	11,672	-
Loan repayments	-	(76)
Capital element of finance lease payments	(58)	(149)
Net cash flows from financing activities	4,849	(6,638)
Net increase in cash and cash equivalents	(4,106)	(15,005)
Cash and cash equivalents at beginning of year	9,958	24,954
Cash and cash equivalents at end of year	5,852	9,958

Restatement - PY 2020/21 Net Cash from Operating Activities has been restated from £21,553k to £17,084k to support the net movement of £15,005k

Notes to the Financial Statements

For the year ended 31 March 2022

	2022 £ '000	2021 £ '000
Cash flow from operating activities		
Surplus for the year	4,122	3,516
Adjustment for non-cash items:		
Depreciation of property, plant and equipment	6,879	6,390
Amortisation of intangible assets	(417)	(417)
(Increase) / Decrease in inventories	2,843	6,648
Decrease / (increase) in debtors	(4,655)	(2,323)
Increase / (decrease) in creditors	11,701	(1,353)
Share of profit of joint ventures	97	146
Pension costs less contributions payable	14	13
Carrying amount of property, plant & equipment disposals	10,455	7,175
(Increase)/decrease in fair value of investment property and reserves	459	(599)
Adjustments for investing or financing activities:		
Proceeds from the sale of property, plant and equipment	(11,529)	(8,286)
Movement in fair value of financial instrument	0	0
Government grants utilised in the year	(236)	(155)
Interest received	(50)	(67)
Interest payable	6,763	6,396
Cash generated by operations	26,446	17,084

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 2022. 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 financial plan and development assumptions. 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. 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 £63 million of undrawn facilities at 31 March 2022), which provide adequate resources to finance committed reinvestment and development programmes, along with the Group's day-to-day operations. The Group has a long-term business plan that shows it is able to service the debt facilities whilst continuing to comply with lenders' covenants.

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

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

2. Significant management judgements and key sources of estimation uncertainty

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

Significant management judgements

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

- **Impairment of social housing properties:** The Group identifies factors which are considered to be an indicator of impairment. For those schemes so identified the Group compares the carrying amount of the assets to the recoverable amount to determine if an impairment loss has occurred. Based on this assessment, the Group calculates the Depreciated Replacement Cost (DRC) of each social housing property scheme, using appropriate construction costs and land prices. Comparing this to the carrying amount of each scheme shows whether there is any impairment of social housing properties. Where DRC is not relevant, the value in use is calculated as the present value of the future cash flows expected to be derived from the asset.
- A review has been carried out at 31 March 2022 to determine whether any assets required impairment. One development scheme was identified as requiring an in-depth assessment.

- To determine the impairment charge, the impairment assessment performed a value in use net present value calculation for the cash generating units, using an appropriate discount rate to reflect its ability to secure finance over the development term. For the assets which were identified as non-cash generating social assets, these were assessed on a value in use depreciated replacement cost basis.
- Following this assessment, no impairment loss has been recognised at the reporting date.
- **Contingent Liabilities:** The Group has identified possible further liabilities where it is not considered 'probable' that there will be an outflow of economic benefits. The Group believes there could be approximately £3m of contingent liabilities relating to a number of areas, including employment matters, development scheme risks and insurance claims. This will be continually monitored throughout the upcoming financial year and the financial position of the Group will be appropriately amended as these areas develop further clarity.

- **Capitalisation of works to existing properties:** Amounts capitalised within works to existing properties include the cost of replacing components of housing properties. This involves judgement and estimation around areas such as which costs to include in the amount capitalised, how much cost to de-recognise as a replacement, the number of different components and their assigned useful economic lives

Estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

- **Fair value measurement:** The Group carries its investment properties at fair value and engages independent valuers to determine fair value using a valuation technique based on a discounted cash flow model. The calculated fair value of the investment property therefore uses assumptions, of which the most sensitive relate to the estimated yield and the long-term vacancy rate.

- **Derivative financial instruments:** These comprise standalone interest rate swaps and are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. This requires assumptions underlying the estimation of the fair values.
- **Components of housing properties and useful lives:** Major components of housing properties have significantly different patterns of consumption of economic benefits and estimates are made to allocate the initial cost of the property to its major components and to depreciate each component separately over its useful economic life. The Group considers whether there are any indications that the useful lives require revision at each reporting date to ensure that they remain appropriate.
- **Negative goodwill:** To ensure that the value of negative goodwill in the financial statements is fairly stated, the balance is written off (amortised) over the remaining economic lives of the underlying housing assets and this is a key assumption by management underpinning the carrying value.
- **Defined benefit pension scheme:** Watford Community Housing has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including: life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the Statement of Financial Position. The assumptions reflect historical experience and current trends.

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

	2022	2022	2022	2021	2021	2021
	Turnover	Operating costs	Operating surplus	Turnover	Operating costs	Operating surplus
	£'000	£'000	£'000	£'000	£'000	£'000
Social housing lettings (see note 3b)	32,071	(22,973)	9,099	31,152	(24,883)	6,269
Other social housing activities						
Supporting people contract income	29	(29)	0	28	(28)	0
Shared ownership equity & sales income	2,289	(1,957)	332	6,475	(5,077)	1,398
Management services	497	(284)	214	384	(318)	66
Other	2,557	(2,711)	(153)	211	(920)	(709)
	5,372	(4,980)	393	7,098	(6,344)	755
Non-social housing activities						
Lettings	1,436	(770)	666	1,278	(942)	336
Other	61	(310)	(249)	110	211	321
Amortisation of Goodwill	0	416	416	0	416	416
Surplus on disposal of property, plant & equipment	0	1,075	1,075	0	1,111	1,111
Surplus/(Deficit) on revaluation of Investment Properties	0	(463)	(463)	0	595	595
	1,497	(51)	1,446	1,388	1,391	2,780
	38,940	(28,004)	10,937	39,638	(29,836)	9,802

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	2022 Total £'000	2021 Total £'000
Income					
Rent Receivable net of identifiable service charges	27,337	2,103	915	30,355	29,524
Service income	513	843	116	1,472	1,448
Amortisation of SHG	236	-	-	236	156
Other Revenue Grants	8	-	-	8	24
Turnover from social housing lettings	28,095	2,947	1,031	32,071	31,152
Expenditure					
Management costs	(8,518)	(982)	(395)	(9,895)	(12,972)
Service charge costs	(664)	(483)	(120)	(1,267)	(1,244)
Routine maintenance	(3,741)	(412)	-	(4,153)	(3,227)
Planned maintenance	(679)	(75)	-	(754)	(514)
Major repairs expenditure	(223)	(25)	-	(247)	(804)
Bad debts	(491)	(6)	(1)	(497)	(487)
Depreciation of housing properties	(5,728)	(209)	(223)	(6,160)	(5,636)
Operating costs on social housing lettings	(20,044)	(2,191)	(738)	(22,973)	(24,883)
Operating surplus on social housing lettings	8,051	755	293	9,099	6,268
Void losses	588	116	-	704	769
Number of units	4,443	512	206	5,161	5,086

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

	2022 £'000	2021 £'000
Right to Buy & shared ownership staircasing		
Disposal Proceeds	3,665	2,778
Less: carrying value of fixed assets	(1,021)	(772)
Surplus on disposal	2,644	2,006
Other disposals		
Proceeds	386	14
Less: carrying value of fixed assets	(1,956)	(908)
Deficit on disposal	(1,570)	(895)
Total surplus on disposal	1,074	1,111

5. Interest and finance costs - Group

	2022 £'000	2021 £'000
Bank loan and overdraft	7,038	6,666
Finance lease charges	15	12
Loan fee costs	218	163
Capitalised Interest	(508)	(445)
	6,763	6,396
Interest and finance costs - Watford Community Housing		
Bank loan and overdraft	7,038	6,622
Finance lease charges	15	12
Loan fee costs	218	163
Capitalised Interest	(508)	(445)
	6,763	6,352

Borrowing costs have been capitalised based on a capitalisation rate of 3.24% (2021: 3.95%) 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	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Interest receivable and similar income	50	67	50	142

7. Surplus on ordinary activities before taxation

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

	2022 £'000	2021 £'000
Depreciation of housing properties	6,160	5,636
Depreciation of other property, plant & equipment	719	754
Government grant amortisation	(236)	(156)
Amortisation of goodwill	(416)	(417)
Operating lease rental	78	94
(Gain) on disposal of fixed assets	(1,074)	(1,111)
External auditors remuneration:		
- Statutory audit	30	28
- Tax advisory/compliance services	8	10

8. Staff costs

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

	2022 No.	2021 No.
Administration	103	100
Asset Management and Development	23	22
Housing, Support and Care	21	26
In-House Repairs team	41	46
	188	194

Employee costs:

	2022 £'000	2021 £'000
Wages and Salaries	6,173	6,117
Social Security Costs	678	693
Other Pension Costs	647	605
	7,498	7,415

There was one redundancy and severance payment in the period of £76.5k (2021: £8.5k)

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

Salary Band	2022 No.	2021 No.
£60,000 to £69,999	1	4
£70,000 to £79,999	2	2
£80,000 to £89,999	3	1
£90,000 to £99,999	4	2
£100,000 to £109,999	1	-
£110,000 to £119,999	-	-
£120,000 to £129,999	-	2
£130,000 to £139,999	-	-
£140,000 to £149,999	1	-
£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	2022 Total £'000	2021 Total £'000
Chief Executive						
Tina Barnard	149.6	0.0	22.4	-	172.1	176.1
Director of Partnerships						
Gareth Lewis to Dec 2021	88.4	0.0	8.9	-	97.3	132.5
Deputy Chief Executive						
Paul Richmond	127.0	0.0	14.0	-	141.0	137.5
Director of Operations						
Ben Johnson to Dec 2020	-	-	-	-	-	98.5
Director of Operations						
Julie Wittich to Jan 2022	94.2	0.0	6.4	-	100.6	29.0
Director of Partnerships						
Helen Town from Feb 2022	10.7	0.0	1.2	-	11.8	-
Total	470.0	0.0	52.8	0.0	522.8	573.6

Board Members	Basic Salary £'000	Performance Related Pay £'000	Pension Contributions £'000	Ex Gratia Payment £'000	2022 Total £'000	2021 Total £'000
Chair of the Board						
John Swinney (Resigned 31/08/2021)	4.7	-	-	-	4.7	11.0
Chris Cheshire (From 01/09/2021)	6.6	-	-	-	6.6	0.0
Other Board and Committee Members						
Chris Cheshire (To 31/8/2021)	2.9	-	-	-	2.9	7.0
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	6.0	-	-	-	6.0	4.5
Raj Kumar	2.9	-	-	-	2.9	7.0
Michael 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	0.0	-	-	-	0.0	1.5
Jamie Ratcliff	7.0	-	-	-	7.0	7.0
Lynn Riley	2.0	-	-	-	2.0	2.0
Marsha Thompson	4.5	-	-	-	4.5	4.5
Stephen Cavinder	0.5	-	-	-	0.5	4.5
Michael Comras (Resigned 15/02/2021)	0.0	-	-	-	0.0	4.1
Richard Archer (Resigned 22/2/2021)	0.0	-	-	-	0.0	6.3
Kennedy Rodrigues (Joined 01/06/2021)	3.8	-	-	-	3.8	0.0
Mike Suarez (Joined 04/05/2021)	6.4	-	-	-	6.4	0.0
Tim Willcocks (Joined 01/04/2021)	3.7	-	-	-	3.7	0.0
Farhan Nathwani (Joined 01/04/2021)	2.0	-	-	-	2.0	0.0
Nikhil Patel (Joined 01/04/2021)	2.0	-	-	-	2.0	0.0
Total	79.4	0.0	0.0	0.0	79.4	83.9

Remuneration paid to Chair of the Board was £11.3k (2021: £11.0k). Remuneration paid to other Board members in the year was £68.1k (2021: £72.9k). Board and committee members expenses were £0.7k (2020: £0.7k).

The emoluments of the highest paid director, the Chief Executive, including Performance Related Pay but excluding pension contributions, were £149.6k (2020: £153k).

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 2021/22, 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 2021 and 31st March 2022	33,326
Amortisation	
At 1st April 2021	(5,425)
Charge for the year	(416)
At 31st March 2022	(5,841)
Net book value	
At 31st March 2022	27,485
At 31st March 2021	27,901

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 2021	294,451	50,766	22,726	367,943
Additions	-	42,673	-	42,673
Completed properties	11,905	(15,225)	3,320	-
Works on existing properties	4,803	-	-	4,803
Disposals	(1,974)	0	(8,161)	(10,135)
At 31 March 2022	309,185	78,214	17,885	405,284
Depreciation and impairment				
At 1 April 2021	34,062	-	641	34,703
Charge for the year	5,906	0	254	6,160
Released on disposal	(388)	0	(66)	(454)
At 31 March 2022	39,580	-	829	40,409
NET BOOK VALUE				
At 31 March 2022	269,605	78,214	17,056	364,875
At 31 March 2021	260,389	50,766	22,085	333,240

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	2022 Total £'000
Cost				
At 1 April 2021	294,451	53,204	23,214	370,869
Additions	-	43,146	-	43,146
Completed properties	11,905	(15,225)	3,320	-
Works on existing properties	4,803	-	-	4,803
Disposals	(1,974)	-	(8,161)	(10,135)
At 31 March 2022	309,185	81,125	18,373	408,683
Depreciation and impairment				
At 1 April 2021	34,062	-	641	34,703
Charge for the year	5,906	-	254	6,160
Released on disposal	(388)	-	(66)	(454)
At 31 March 2022	39,580	-	829	40,409
NET BOOK VALUE				
At 31 March 2022	269,605	81,125	17,544	368,274
At 31 March 2021	260,389	53,204	22,573	336,166

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	2022 Total £'000
Cost					
At 1 April 2021	14,191	2,527	539	926	18,183
Additions	2,574	249	2	137	2,962
Disposals	(811)	0	0	(63)	(874)
At 31 March 2022	15,954	2,776	541	1,000	20,271
Depreciation and impairment					
At 1 April 2021	2,918	2,019	144	858	5,939
Charge for the year	319	262	10	128	719
Released on disposal	(39)	0	0	(61)	(100)
At 31 March 2022	3,198	2,281	154	925	6,558
NET BOOK VALUE					
At 31 March 2022	12,756	495	387	75	13,713
At 31 March 2021	11,273	508	395	68	12,244

14. Investment properties - Group & Watford Community Housing

	2022 Properties held for market rent £'000	2021 Properties held for market rent £'000
Valuation as at 1 April	4,635	4,040
Additions	128	0
(Loss) /Gains from adjustment to fair value	(463)	595
At 31 March	4,300	4,635

15. Group Subsidiaries

Clarendon Living Limited, a non-regulated subsidiary of Watford Community Housing, traded throughout 2021/22. 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 2021/22. 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 2021	1,751	2,830	468	-	5,049
Additions	635	-	371	-	1,006
Transferred to completed	468	-	(468)	-	0
Sold	(1,751)	(2,070)	-	-	(3,821)
At 31 March 2022	1,103	760	371	-	2,234

17. Debtors - Group

	2022 £'000	2021 £'000
Due within one year		
Rent and service charges arrears	1,517	1,442
Less: Provision for bad and doubtful debts	(1,616)	(1,318)
	(99)	124
Service charges sinking fund account	321	321
Sundry debtors	404	340
Other debtors	2,953	1,658
Prepayments and accrued income	6,618	3,100
Debtors due within one year	10,198	5,542
Due after more than one year	-	-
Total Debtors	10,198	5,542

17. Debtors - Watford Community Housing

	2022 £'000	2021 £'000
Due within one year		
Rent and service charges arrears	1,517	1,442
Less: Provision for bad and doubtful debts	(1,616)	(1,318)
	(99)	124
Service charges sinking fund account	321	321
Sundry debtors	404	340
Other debtors	1,908	1,724
Intercompany debtors	73	181
Loans to subsidiaries	130	331
Prepayments and accrued income	6,618	3,100
Debtors due within one year	9,355	6,121
Due after more than one year		
Loans to subsidiaries	4,110	3,860
Due after more than one year	4,110	3,860
Total Debtors	13,465	9,981

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

	2022	2021
	£'000	£'000
Trade creditors	984	825
Rent and service charges received in advance	1,556	1,021
Government grants	250	209
Other taxation and social security	202	190
Pension Contributions	70	69
Other creditors	1,261	249
Finance lease liability	103	144
Accruals and deferred income	13,382	3,429
	17,808	6,136

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

	2022	2021
	£ '000	£ '000
Bank loans	179,232	167,560
Government grants	19,217	16,004
Derivative financial instruments	21,400	29,573
Finance lease liability	67	84
	219,916	213,221

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

	2022	2021
	£'000	£'000
Trade creditors	7,204	685
Rent and service charges received in advance	1,556	1,021
Government grants	250	209
Other taxation and social security	202	190
Pension Contributions	70	69
Other creditors	1,261	931
Intercompany creditors	0	249
Finance lease liability	103	144
Accruals and deferred income	7,776	4,422
	18,422	7,921

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

	2022	2021
	£ '000	£ '000
Bank loans	179,232	167,560
Government grants	19,217	16,004
Derivative financial instruments	21,400	29,573
Finance lease liability	67	84
	219,916	213,221

19. Deferred income - Government grants

	2022 £'000	2021 £'000
At 1 April	16,214	11,110
Grants receivable	3,489	5,258
Total Grant Received	19,703	16,368
Amortisation to Statement of Comprehensive Income	(236)	(155)
At 31 March	19,467	16,214
Due within one year	250	209
Due after one year	19,217	16,004

20. Financial instruments - Group and Watford Community Housing

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

	2022 £'000	2021 £'000
Financial assets		
Measured at undiscounted amount receivable		
Rent arrears and other debtors (see note 17)	(99)	124
	(99)	124
Financial liabilities		
Measured at fair value and designated in an effective hedging relationship		
Derivative financial liabilities (see note 18)	21,400	29,573
Measured at amortised cost		
Loans payable (see note 18)	179,232	167,560
Measured at undiscounted amount payable		
Trade and other creditors (see note 18)	18,422	7,921
	219,054	205,054

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

	2022 £'000	2021 £'000
Fair value gains and losses		
On financial assets (including listed investments) measured at fair value through Statement of Comprehensive Income	-	-
	2022 £'000	2021 £'000
Obligation under finance leases		
In one year or more but less than two years	104	144
In two years or more but less than five years	67	84
In five years or more	-	-
	171	228

21. Derivative financial instruments

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

	2022	2021
	£'000	£'000
Interest rate swaps creditors	21,400	29,573

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	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Outstanding receive floating pay fixed contracts				
5 years +	57,000	57,000	21,400	29,573

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

	2022	2022	2021	2021
	No.	£	No.	£
Shares of 10p each issued and fully paid				
At 1 April	2,462	246	2,508	251
Shares issued during the year	1	-	4	-
Shares surrendered during the year	(80)	(8)	(50)	(5)
At 31 March	2,383	238	2,462	246

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 2022 were £10k (2021: £15k) at a contribution rate of 18.2% of pensionable salaries, set until the next funding valuation at 31 March 2023.

	31-Mar 2022	31-Mar 2021
	% pa.	% pa.
Financial Assumptions		
Discount rate	2.7%	2.0%
Future salary increases	3.6%	3.25%
Future pension increases	3.2%	2.85%

Mortality Assumptions

The post mortality assumptions used to value the benefit obligation at March 2022 are based on the Fund's Vita Curves with improvements in line with the CMI 2021 model assuming current rates of improvements have peaked and will converge to a long term rate 1.5% p.a.

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

	Males	Females
Current Pensioners	21.9 years	24.4 years
Future Pensioners	22.9 years	26.0 years

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 2022		
0.1% decrease in Real Discount Rate	2%	207
1 year increase in member life expectancy	4%	493
0.1% increase in the Salary Increase Rate	0%	1
0.1% increase in the Pension Increase Rate (CPI)	2%	205

	2022 £'000	2021 £'000
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Analysis of the amount charged to the Statement of Comprehensive Income

Current service cost	24	28
Interest Income on plan assets	(267)	(259)
Interest on pension scheme liabilities	259	242
Losses/(Gains) on Curtailments and Settlements	41	-

Total operating charge	57	11
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	2022 £'000	2021 £'000
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Amounts recognised in Statement of Comprehensive Income

Actuarial gains/(losses) recognised	898	(306)
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	2022 £'000	2021 £'000
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Amounts recognised in the Statement of Financial Position

Present value of funded obligations	(12,323)	(13,083)
Fair value of plan assets	13,609	13,518
Present value of unfunded obligations	1,286	435

Net asset / (liability)	1,286	435
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	2022 £'000	2021 £'000
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Changes in present value of plan assets

Opening fair value for employer assets	13,518	11,398
Return on Assets	103	2,116
Contributions by members	3	5
Contributions by Employer	10	15
Interest Income on plan assets	267	259
Benefits paid	(292)	(275)
Closing defined benefit obligation	13,609	13,518

	2022 £'000	2021 £'000
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Changes in present value of defined benefit obligation

Opening defined benefit obligation	13,083	10,661
Service cost	24	28
Past service cost (including curtailments)	41	-
Interest cost	259	242
Actuarial losses (gains)	(795)	2,422
Contributions by members	3	5
Estimated benefits paid	(292)	(275)
Closing defined benefit obligation	12,323	13,083

	2022	2021
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Major categories of plan assets as percentage of total plan assets

Equities	55%	59%
Bonds	25%	26%
Property	13%	11%
Cash	7%	4%

	2022 £'000	2022 % of pay
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Analysis of projected amounts to be charged to operating surplus for the year to 31 March 2023

Projected Current Service Cost	(22)	-41.3%
Expected Return on Plan Assets	364	686.8%
Interest on Obligation	(329)	-620.8%
Total	13	24.7%

Employers contributions for the year 31 March 2023 estimated to be £3K

24. Capital commitments – Group and Watford Community Housing

	2022 £'000	2021 £'000
Capital Expenditure		
Expenditure contracted for but not provided in the accounts	32,085	46,837
Expenditure authorised by the board, but not contracted for	154,957	70,153
Total	187,042	116,990

25. Operating Leases

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

	2022 £'000	2021 £'000
Office equipment and computers payments in the following periods		
Within one year	34	44
Two to five years	13	50
	47	94

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:

	2022 No.	2021 No.
Social housing		
General housing	4,443	4,347
Supported housing and housing for older people	512	535
Shared ownership	206	204
Total social housing owned	5,161	5,086
Accommodation managed for others	163	237
Accommodation managed by others	3	3
Total social housing managed	5,327	5,326
Leasehold	388	357
Total housing owned and managed	5,715	5,683
Non-Social Housing		
Commercial Shops	22	26
Commercial and Market Rented Properties	27	27
Garages	990	1,080
Open Market Sale	3	7
	1,042	1,140
Total owned and managed	6,757	6,823

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.

27. Related Parties - Watford Community Housing

	Services Received 2022 £'000	Services Provided 2022 £'000	Debtor/ (Creditor) balances as at 31 March 2022 £'000
Regulated			
Watford Community Housing	882	447	4,240
Non-Regulated			
WCHT Devco Limited	399	882	-
Clarendon Living Limited	-	-	(4,202)
Hart Homes (Watford) Limited	30	-	-
Hart Homes Housing Developments LLP	-	-	-
Three Rivers Homes Limited	18	-	-
Three Rivers Housing Developments LLP	-	-	(38)

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:

	2022 £'000	2021 £'000
Investment in Joint Ventures		
Brought forward at 1 April	2,827	2,973
Share of profit of joint ventures	(97)	(146)
Carried forward at 31 March	2,730	2,827

29. Provision for liabilities - Group

	£'000
At 1 April 2021	4,413
Charged to income and expense	2,273
Released	(2,187)
At 31 March 2022	4,499
At 1 April 2020	1,342
Charged to income and expense	3,800
Reclassification	0
Released	(729)
At 31 March 2021	4,413

29. Provision for liabilities - Watford Community Housing

	£'000
At 1 April 2021	4,198
Charged to income and expense	2,488
Released	(2,187)
At 31 March 2022	4,499
At 1 April 2020	1,179
Additions	3,748
Reclassification	0
Released	(729)
At 31 March 2021	4,198

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. Other provisions relate to ongoing legal and employment matters where costs are expected to be incurred.



watford
community
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