Solihull
community housing

Solihull Community Housing Limited

Company Limited by Guarantee

FINANCIAL STATEMENTS

For the year ended

31 March 2017

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Officers and Professional Advisers

Directors ("the Board")	W A M Blackburn (resigned 08.12.16) B Burton D H J Dixon (resigned 05.09.16) P E Field (resigned 08.12.16) J M Fletcher (appointed 05.09.16) C J Horrocks (resigned 08.12.16) J Hulland (appointed 13.06.16) Dr A G C Lane A M Mackiewicz B Maynard N T Page (appointed 06.03.17) J Potts M J Robinson (resigned 17.05.16) F Shanahan (appointed 05.09.16) P L Smith L Tubbs (appointed 05.09.16) C Williams
Chief Officers	S Boyd – Chief Executive (to 11.07.16) S C Gilbert CPFA – Chief Financial Officer F Hughes – Chief of Operations, Chief Executive (from 03.04.17) P Stoate – Chief of Commercial Activity
Secretary	M E E Moroney-Barnett
Registered office	Endeavour House Meriden Drive Solihull B37 6BX
Registered number	04462630
Auditors	RSM UK Audit LLP Chartered Accountants St Philips Point Temple Row Birmingham B2 5AF
Bankers	Barclays Bank plc Corporate Business Centre PO Box 333 15 Colmore Row Birmingham B3 2WN

Chairman's Statement

31 March 2017

SCH has now been operating for 12 years and has seen significant changes in the last two years. Having signed a rolling Management Agreement with Solihull Council in 2014/15, this year has seen us prepare work on a new organisational vision and recently appoint a new Chief Executive. The strength of our financial culture has continued in 2016/17 with staff working hard to deliver planned savings and plan for future savings. This helps us to ensure that all available funds are used efficiently and effectively to deliver excellent, customer-focused services.

2016/17 saw the introduction of a 1% rent reduction with a further 1% per year reduction planned for the next three years as per central government rules. To respond to this, we budgeted for and delivered £5.418m savings in the year and our financial strategy has realistic plans for delivering savings in the next three years. These plans have been shared and agreed with Solihull Council and places us in a good position to ensure our sustainable operation and that funds are spent wisely.

The year also saw further unprecedented changes in the Social Housing sector that has impacted on all housing providers including Solihull Community Housing (SCH). In a time of austerity, we have continued to deliver quality services across all areas during the year to March 2017 and have delivered a pre-tax, pre-revaluation and pensions adjustment surplus of £3.431m this year (as set out in the Strategic Report). This surplus forms part of our financial strategy to provide support to delivering future savings through both a programme of staff restructures, that will take place over 2017/18 and onwards, and establishing a Budget Strategy Reserve.

In addition, we are very pleased with our performance last year that saw significant improvements in void turnaround times, meaning homes are re-let sooner. We have supported 705 Council tenants to achieve additional benefit of £1.440m this year that will help their household family income. We have also launched our Youth Hub providing specific housing support to younger people.

Capital work undertaken this year includes the fourth year of our 10 year "Great Places" programme that aims to give all our stock a real facelift – concentrating on the communal areas as well as the surroundings of our stock. We have continued to make real progress in the delivery of this project during 2016/17 with a further 42 communal areas in the Council's low-rise blocks having received a complete makeover, giving a total of 163. Customer satisfaction for these works continues to be very high throughout.

Work continued this year on replacing 214 inefficient heating systems and a new External Wall Installation programme of works to increase the thermal comfort for our Council customers who live in low rise properties. The programme included low rise blocks and houses/bungalows classed as hard to treat. These effective insulation solutions attract Carbon Savings Community Obligation (CSCO) / Energy Companies Obligation (ECO) funding of £0.353m and during 2016/17 work was completed on 186 Council properties. The current programme is expected to conclude in July 2017 and we have identified a further 1,500 properties that we will be undertaking further assessments on in 2017/18.

Our flat and pitched roofing programmes have progressed well during 2016/17, with a further 81 Council houses/bungalows receiving new pitched roofing and, where relevant, rainwater goods. We also replaced roofing at six high-rise blocks.

Alongside the capital work, we have worked closely with the Chartered Institute of Housing (CIH) to develop an improved Asset Management Strategy for next year. This will inform investment decisions and plans in both existing stock and new developments.

The revised Housing Allocations Scheme was introduced by Solihull Council in September 2014 and implemented by SCH. This has seen the number of households registered for housing reduce from 8,279 last year to 7,353 in 2016/17. These scheme changes require applicants to have a 'close association' to Solihull, to have a recognised housing need as determined within the policy and for applicants to have lived in the borough of Solihull for a minimum of 2 years prior to the offer of social housing. During 2016/17, we saw a significant increase in the applications we manage from 917 applications in 2015/16 to 1,602 (1,409 excluding transfers) into fresh lettings.

2016/17 also saw a further reduction in the amount of Under-occupiers from 605 in 2015/16 to 556 and was helped in part due to changes made to the Choice Based lettings scheme where 49 tenants had either downsized or were registered to move at year end. 161 of the 556 Under-occupiers were in arrears at the end of March (29%) which compares favourably to last year (33%).

Chairman's Statement

31 March 2017

(continued)

The level of Right to Buy sales continue to be a challenge and reflects the attractive discounts available to long-term tenants since the scheme was re-launched in 2012. This year saw a slight decrease in numbers sold of 77 Right to Buy sales compared to 83 last year. However, house sales continue to outnumber new stock added resulting in fewer homes that are available to let.

Stock growth has stalled during 2016/17 partly because of Government's intention to widen Right to Buy to Housing Associations (HAs) where compensatory payments to HAs would be provided from a new requirement for Council's to sell High Value homes within their housing stock. Details of this scheme are currently being piloted and final details are yet to be finalised through Parliament but the potential impact could affect plans for future new developments.

Work has progressed well in 2016/17 with a new 18 home shared-ownership scheme in Richmond Road, Olton which was build complete and all sold by 30th April 2017. In addition, 7 units were built in Oakthorpe Drive and one flat was acquired in a High-Rise block. There are further small developments planned at Greenhill Way and Cambridge Drive as well as an Extra Care development in Coleshill Heath and further temporary accommodation at Ipswich Walk, North Solihull.

The Homelessness Strategy aims to prevent homelessness in Solihull, provide a quality response to those that are affected by homelessness and meet the statutory responsibilities for people at threat of homelessness. We continue to review our provision of temporary accommodation (TA) during the financial year and have increased the number of Housing Revenue Account (HRA) properties used for TA purposes from 63 to 71 whilst slightly reducing our number of Private Sector Leasing (PSL) properties from 25 to 22 plus a small increase to our shared facility units from 20 to 21. These improvements to the TA offering enabled us to cease the use of budget hotel accommodation with effect from 31 March 2016, this has been maintained during 2016/17.

During 2015/16, we established our first commercial venture, **SCH Better Places**, an environmental cleansing service incorporating anti-graffiti, fly poster removal services, damp and mould treatment and pest control. We also broadened the contract to include servicing SCH, private residents and other businesses. The overall position for 2016/17 saw the services deliver a profit.

In 2016/17, we consolidated several services that facilitate independent living resulting in their launch as the **SCH Wellbeing Service.** The Service enables customers to access a 'suite' of preventative and early help services through a single referral pathway. The services offered include Solihull Independent Living (providing Home Adaptions & Handyperson service), Safe and Sound (providing support for individuals in their home) and Assisted Technology Telecare. These services are now based at the Council's Better Living Centre in Elmdon Business Park alongside other Council provided services to SCH tenants, private paying customers and Local Authority referrals.

Finally, on behalf of the full SCH board I would like to again take this opportunity to express our thanks to all SCH staff and suppliers for their work and commitment over the past 12 months. We look forward to building on our new vision to deliver a high level of performance over the coming year as SCH continues to improve our customer standards against the backdrop of reduced funding, whilst being innovative and creative at generating income that can contribute to lowering costs.

A.C.C. Lane

Dr AGC Lane
Chairman
17 July

Strategic Report

31 March 2017

The Company sets out below its strategic report which aims to provide the reader of the accounts with a range of information that includes:-

- *Context for related financial statements*
- *Insight into entity's business model, main objectives and strategy*
- *Descriptions of the principal risks the entity faces and how they affect future prospects*
- *Analysis of past performance*
- *Signposting to complementary information*

Background

The social housing sector in Solihull continues to exhibit high levels of demand with a shortage of affordable homes to rent and to buy. Making best use of existing housing, developing new homes and providing advice and assistance are all important elements in tackling this. SCH works to address the needs of the whole community and, of particular importance, is meeting the housing needs of the most vulnerable, with provision for the number and variety of homes needed to meet the increasing demand from older people and those with disabilities of particular importance.

The 2016/17 financial year began the implementation of a 1% rent reduction per year for a four-year period as laid out by the Government in their 2015 Summer Budget. This was a significant deviation in financing policy where previously in 2012 the roll-out of self-financing within the Housing Revenue Account ("HRA") had been based on a 30-year funding plan which allowed for inflationary rent increases and provided a balanced budget over the total period.

Now, the prospect of repaying debt within 30-years is unlikely not only because of reduced rental income but also the result of further legislation impacting on Local Authority owned housing. This includes an improved Right to Buy discount introduced in 2012 which has increased the number of properties sold at a lower value, and the Welfare Reform initiatives that will impact on tenants' ability to pay rent. More recently, in 2015 a pilot project was introduced to test the concept of selling Council-owned Higher Valued Properties to finance replacement homes in Housing Associations that introduce Right to Buy. The implication of rolling out the scheme on a national scale is yet to be determined for Councils.

The result of all this financial change impacts on SCH as the Management Fee and HRA Capital Programme is funded by the Council from a reduced HRA. SCH have responded by setting plans within the context of budgets that were acceptable to our parent, Solihull Metropolitan Borough Council as both organisations look to manage their financial positions in the world of austerity.

Annual Performance

At the start of 2016/17, the SCH vision to "Put our customers first, be forward thinking and pursue opportunities for growth" was in place and a delivery plan supported the actions we planned to take in order to meet this challenge. During the year, the Board and senior officers committed to review the future vision and direction of travel over the next 5 years that will be in place for the next financial year.

In the meantime, financial preparation at SCH had begun early to plan for a balanced four-year budget in the summer of 2015, with detailed savings plans for 2015/16 through to 2018/19. In 2016/17, SCH delivered £5.418m planned savings from Revenue (£1.254m), Capital (£2.114m), Development (£2.0m) and additional income (£0.050m). These savings were achieved with minimal impact to tenants by reshaping the structure of services delivered, reducing contract prices, introducing new chargeable services and revising the funding mechanism for future developments.

The 2016/17 Management Fee paid by the Council increased from £19.733m in 2015/16 to £20.377m as well as a capital programme of £15.790m. In addition to the planned savings, the year-end has seen further savings made in Revenue of £3.431m and in Capital of £0.930m. The Revenue savings were the result of an unused staff reserve of £1.4m, various staff vacancies and contractual savings. These savings are to be set aside, subject to Board approval, and put towards funding a Budget Strategy Reserve which will be utilised to fund both staff restructures and future budget differences, enabling SCH to continue to deliver planned savings without making late changes. Capital continues to be utilised primarily to increase and improve the existing housing stock and the Capital savings resulted from minor slippage of delivering the programme of works that will be carried forward into 2017/18.

Strategic Report

31 March 2017

(continued)

The economic position is still fragile for those in receipt of benefits or low paid jobs and whilst regionally employment is improving, it is not being felt across all parts of the Borough with many in work receiving the minimum wage. To support households with financial worries, SCH have a Money Advice Team who provided advice to 705 tenants this year compared to 513 in 2015/16 and helped these claimants to achieve £1.440m in benefits compared to £0.579m the year before. The team also helped tenants reduce rent arrears by £0.321m this year, an increase from £0.261m in 2015/16.

The rent for Council properties collected for 2016/17 is slightly improved at 97.9% compared to 97.8% last year and regionally this places us in the middle with our partners who we benchmark with. Rent Arrears increased from £1.162m to £1.217m, an increase of £55k, but again comparable to many Organisations across the Midlands. Within the arrears figures, 28.96% of Council under-occupiers were behind with their rent at year-end although we helped 247 tenants with £110,873 of Discretionary Housing Payment Awards helping them retain their properties. This compares with 164 tenants receiving £67,400 of Discretionary Housing Payment Awards in 2015/16.

We launched Introductory and Fixed Term tenancies in 2014 and this year remains consistent with the year before, with 628 (627 in 2015/16) tenants who successfully went through the introductory process. We also check whether these arrangements are successful by monitoring the loss of tenancies. This year 51 tenancies were lost for various reasons compared to 1 in 2015/16.

The number of applicants registered for housing has significantly decreased during the year from 8,279 as at 31 March 2016 to 7,353 at 31 March 2017, an 11.2% decrease. This is the result of removing dormant applicants that have not engaged with SCH during the year. Single people registered for housing remains high with 4,676 applicants who require one bedroom properties of the 7,353 applicants registered overall at 31 March 2017. This is a 12.3% decrease from last year when there were 5,330 single person applicants. To address this further, we have also started to work on specific targeted areas such as launching a Youth Hub and developing a pathway for services to single 25+ applicants.

The Council's Homelessness Strategy aims to prevent homelessness in Solihull, to provide a quality response to those that are affected by homelessness and meet the statutory responsibilities for people at threat of homelessness. SCH plays a key role in the implementation of this alongside specialist agencies and the number of cases where applicants were prevented from being deemed homeless increased this year to 458 compared to 370 in 2015/16. Decisions were then made on 789 Homelessness applications (780 in 2015/16) and with caseloads now better managed through a single point of contact for all applicants, whether they approach us through the waiting list or as homeless, we accepted a duty to house 418 cases this year compared to 419 last year. Services have also developed this year specifically aimed to improve outcomes for our single applicants. Some progress has been made during the year for the Housing Options service to meet the national accreditation known as the 'Gold Challenge' in the delivery of high quality homelessness service provision, with an expectation of full compliance by 2018/19.

SCH uses a range of accommodation to provide Temporary Accommodation (TA) for homeless applicants. The Housing Options service has successfully introduced a number of self-contained units for the use of TA and increased the number of private landlords willing to work with Solihull through a private sector leasing arrangement. Improvements in the provision of TA management during the year included significantly limiting the use of Budget Hotels to exceptional cases such as Severe Weather Emergency Protocol, or fear of violence. Work with SMBC is also underway to develop a purpose built centre at Ipswich Walk Chelmsley Wood for single people who are homeless where the centre will accommodate 15 - 25 people, with management and support for residents delivered on site. The centre will provide communal space to make provision for personal development relating to employment support, health and lifestyle.

However, challenges regarding a finite stock continue, with a limited number of void properties and stock growth that we were able to deliver. In 2016/17, there were 809 council empty properties and 282 housing association properties. Demand for housing in Solihull continues to be significant and well beyond the supply available annually. This high level of demand does mean that there is increasing pressure on our voids team to turn properties around quickly. After work was undertaken in 2015/16 to understand costs and the average number of days to re-let properties, significant improvements have been made including a reduction in the number of days from 41 to 23 where a target was set of 26 days, the total number of void units reduced in 2016/17 to 752 from 1,234 in 2015/16 and the average cost of a void repair has reduced from £2,186 in 2015/16 to £1,661.

Strategic Report

31 March 2017
(continued)

The Council's Right to Buy sales continued at a stable number with 77 properties sold in 2016/17 through the Right to Buy scheme, compared to 83 in 2015/16. The level of discount is continuing to depress the average sales value (marginally decreased from £53,500 last year to £49,065 this year) particularly as 49 of the sales were family houses. The number of applications decreased slightly from 159 last year to 148 this year and although the scheme is undoubtedly a real opportunity for those tenants that are able to take advantage of the improved offer, this does mean a further loss of valuable stock to meet wider demand. During the year the Council was successful in acquiring a further 8 properties, resulting in an overall reduction in stock of 69 properties.

The 2016/17 capital programme that SCH delivered on behalf of the Council had a budget of £16.720m. Of which, £5.087m was a contribution towards stock growth and development, with the remaining capital programme set aside to deliver improvements to the housing stock.

Stock development for the Council in the year included:-

- A shared-ownership scheme at Richmond Road with 17 two and three bedroomed homes available in April 2017 has proved to have been highly desirable with all properties sold by May 2017 to local people.
- A small development of 7 two-bedroomed houses was competed in September 2016 at Oakthorpe Drive (named Babbs Mill Drive) and all properties are rented as HRA properties.
- Work that has nearly concluded at Ipswich Walk for 21 Temporary Accommodation units due to be completed in May 2017.
- Coleshill Heath Extra Care scheme, a 51 unit supported living development for the elderly that commenced in April 2017 and is due to complete in September 2018.

In addition, SCH has maintained its commitment to improving the energy performance of the Council's housing stock specifically through the delivery of capital programmes for heating replacement and external wall insulation. We also completed a 'super insulation' Passivhaus project commonly known in the industry as a 'Tea Cosy' approach to external insulation at a low rise block of flats in Chelmsley Wood. This was a Government funded collaboration with a number of partner organisations. As well as improving the general environment of their homes, residents are also expected to see considerable savings in their energy bills and the project was shortlisted for a national housing innovation award. Other improvements to housing stock included a variety of property improvements such as roof and window replacements, lift refurbishments and kitchen and bathroom replacements.

SCH has also implemented changes to improve capital programme management by providing detail relating to the key on-site activities and improving the communication processes before, during and after completion of a capital project. SCH has identified a clear timetable of consultation activities required in the period leading up to the start of works and has also increased focus on evaluating all completed projects. This will provide a more accurate timeline, better processes and ensure funds are spent wisely and timely.

Continuous service improvement still underpins everything that we do and we monitor service delivery rigorously. SCH officers, the Full Board and its Committees utilise a comprehensive Performance Management Framework. Key performance indicators (see Appendix 1) and Delivery Plan targets are reported to the Full Board on a quarterly basis. During 2016/17 we introduced staff workshops to focus on the need for savings targets that can be achieved whilst maintaining high levels of service. The workshops have also helped to shape the 2016/17 Annual Delivery Plan.

We continue to work closely with the Council across all areas. We believe that all of the residents of Solihull (not just the tenants that we serve) can gain from an effective collaborative approach that helps the Council to deliver across their wider objectives in areas that are outside the core housing management contract. Our involvement this year has continued to focus around services for the elderly and vulnerable as well as the work undertaken with the Council's Neighbourhood Services department to build stronger communities.

The redesigned SCH Wellbeing service was launched in April 2016 and the service was recognised through the Solihull Together for Better Lives Awards for a third consecutive year. The 2017 Awards presented in March saw the Wellbeing Team as Finalists in two categories for Outstanding Customer Care and Collaborative Working for their work at the Better Living Centre.

Strategic Report

31 March 2017

(continued)

The work of the Solihull Integration Project has continued during 2016/17, with the five Local Problem Solving teams meeting on a regular basis to problem solve local issues relating to Crime, Anti-Social Behaviour (ASB) and other place based issues. In addition Neighbourhood Officers from SCH are regularly working with local neighbourhood police teams, with staff using Solihull Police station as a co-located base when they are undertaking visits in the South of the Borough. Following a review of the Council's neighbourhood and regulatory services during the year, we are planning for further integration of services to take place in 2017/18.

An extract of 2016/17 end of year Key Performance Indicators used in SCH is included below.

KPI Ref.	KPI Description	Target	Actual
HO2	Average stay in temporary accommodation (HRA) – days	120	103
HO4	Homeless cases determined within timescale	80.00%	80.72%
HO5	Number new Money Advice cases	600	705
HO6	Benefits awarded due to Money Advice Team intervention (£'s)	£650,000	£1,440,456
HO7	Reduction in arrears due to Money Advice Team intervention (£'s)	£220,000	£321,196
AM1	% properties with valid gas certificate	100%	100%
AM2	% jobs completed in timescale – All repairs	98.00%	98.19%
AM3	% appointments made – Response repairs	66.00%	96.21%
AM4	% appointments kept – Response repairs	96.00%	96.00%
AM5	% minor adaptation works completed on time	98.00%	100%
AM6	% major adaptation works completed on time	95.00%	96.04%
VL1	Average re-let time of voids – days	26	23
VL2	Average void repair time – days	14	11
VL13	% rent loss due to voids	1.20%	1.04%
VL16	Number of voids	100	58
NS1	% rent collected of rent due	97.90%	97.90%
NS3	% former tenancy arrears collected	15.00%	15.99%
NS4	% rent paid by Direct Debit	35.57%	33.88%
NS6	ASB cases completed to satisfaction of customer (private/public)	80.00%	85.06%
NS7	% high rise blocks passing inspection (cleaning)	96.00%	94.48%
NS8	% low rise blocks passing inspection (cleaning)	96.00%	95.24%
CR1	% complaints resolved at Stage 1	90.00%	93.30%
CR3	% calls abandoned (Contact Centre)	5.00%	4.06%
CR5	Staff sickness days	7.5	14.73
CR11	Enquiries resolved at first point of contact (Contact Centre)	80.00%	88.19%
CM1a	Number of HRA new homes delivered – units	7	7
CM3	Surplus on income from commercial activity – Better Places (£'s)	£0	£61,743
CM5	Income from commercial activity – Well Being (£'s) – self funding Well being Service	£50,000	£178,591

Strategic Report

31 March 2017

(continued)

Customer Engagement

The Tenant Scrutiny Committee comprises 11 members who regularly review performance, with the chair of the Committee attending SCH Board meetings on a quarterly basis to give the customer perspective on how well SCH are delivering services. Their work plan is based on planned service reviews, issues from Performance Reports or trends from complaint monitoring. Having identified the area, the Scrutiny Committee appoint two of their members to oversee each review and report back to the Committee.

The representatives from the Scrutiny Committee normally meet with officers, carry out site visits and ask for customer satisfaction data in order to obtain a better understanding of how services actually operate in practise for customers. In the last year the Scrutiny Committee looked at the following areas:

- Digital Inclusion - including the introduction of a Tenants' Portal icon on the website and a Rate and Review System to gauge customer satisfaction across the whole business.
- The Communal Cleaning contract - resulting in improvements to the service and a greater understanding of the expected standards from our customers.
- The Contact Centre - where the review resulted in reduced opening hours of the Contact Centre reflecting demand and to encourage channel shift to online.
- Void Relet times - improved the turnaround times by recognising some repairs could be completed after properties are let and introduced Tenant Void Inspectors.

In addition to our Scrutiny Committee, we have carried out a wide range of consultation during the last year including feedback for policy development on Housing Allocations and focus on site specific issues in Aylesbury Close to improve parking, and Ipswich Walk to make environmental improvements to enhance the development and surrounding areas.

We have also continued to hold "Hot Topic" sessions that any tenant or leaseholder can attend. Topics are selected from a range of sources including complaint trends and the work of the Tenant Scrutiny Committee in monitoring performance. These are advertised in advance through our newsletters and social media and have generally seen a positive and enthusiastic turnout leading to a good level of discussion and debate. So far this approach is proving successful and the outcomes have been very useful in shaping the way in which we communicate with tenants. Topics reviewed this year have included Repairs Priorities, Communal Cleaning, Voids, Rate & Review and Fly Tipping.

Future Considerations

The financial risks facing SCH will continue into 2017/18 partially due to the ongoing implementation of welfare reforms and the impact it will have once it is fully in place. However there is greater uncertainty resulting from the Housing and Planning Act 2016 provisions affecting social housing and the Homelessness Reduction Bill. There are further details yet to arise from the new Housing White Paper and whilst it sets out the Government's strategy for tackling the nation's 'broken housing market', the full impact on social housing is less clear. Add to this more uncertainty around Brexit, a new Government that will look to reshape Housing Policy and a new West Midlands Combined Authority Mayor, planning for the future has never been so important.

In response, SCH has developed a new Future Strategic Vision (2017 – 2022) to refocus our resources in a way that makes us better able to respond to the challenges we face and to support the Council to achieve its priorities. The new five-year Strategic Vision aims to:- Provide Homes, Improve Wellbeing and Strengthen Communities. The 2017/18 Delivery Plan makes an important contribution to helping deliver the Council's wider Vision, Purpose and Priorities set out in the new Council Plan 2014-2020. The priorities set out in the SCH Delivery Plan reflect our continuing focus on improving the housing management service and developing our commercial activity in ways that add value by, for example, supporting vulnerable people in the community.

Strategic Report

31 March 2017

(continued)

As well as preparation for a 3-year financial budget, SCH has been working closely with the Chartered Institute of Housing (CIH) to review and update the HRA asset management strategy. A key development in 2017/18 will be the introduction of a new asset performance toolkit. This will allow SCH to assess details of the HRA stock across a whole range of financial and non-financial factors and provide information at an individual property level. The toolkit will help shape future investment and potentially disinvestment decisions. It is also being reviewed as to its suitability to support the work that SMBC needs to do to implement component accounting.

Taking all of these changes, pressures and developments into account, we are pleased with the overall outturn for the year. Our financial performance (separating out the impacts of IAS19 – Pensions, revaluation gains/ losses and taxation) against budget and the previous year can be summarised as follows:

	2016/17 Actual	**2016/17 Budget**	**2015/16 Actual**
	£'000	**£'000**	**£'000**
Revenue			
Income	22,865	23,567	22,320
Expenditure	(19,434)	(23,567)	(20,263)
Surplus	3,431	0	2,057
Capital			
Income	17,362	18,265	14,249
Expenditure	(17,362)	(18,265)	(14,249)
Surplus	0	0	0
Combined			
Income	40,227	41,832	36,569
Expenditure	(36,796)	(41,832)	(34,512)
Operating surplus	**3,431**	**0**	**2,057**
Corporation tax	(16)	-	(25)
Revaluation gain/ (loss)	312	-	(600)
Release of deferred grant	-	-	781
IAS19 Pension adjustments	(950)	-	(1,067)
Surplus per Income Statement	**2,777**	**0**	**1,146**

Last year was the final year of working to our 2013/14 Business Plan that flows from our vision "Put our customers first, be forward thinking and pursue opportunities for growth". The plan has a number of key aims; facing up to welfare reform, growing our stock, expanding our offer to the elderly and vulnerable members of the community and improving access to jobs and training for our tenants. In all of these areas we are looking to grow SCH as a business as well as supporting the Council wherever we can. The annual service development plan reflected these strands and showed a range of new initiatives that we believe will contribute over time to the achievement of the objectives set out in the Business Plan and our vision – initiatives such as the Better Places and Wellbeing Service are just two examples of these new strands of work.

Approval

The report of the Directors was approved by the Board on 17 July 2017 and signed on its behalf by:

Dr AGC Lane
Chairman

Report of the Directors

31 March 2017

The Directors present their report and the audited financial statements for the year ended 31 March 2017.

Principal Activities

The principal activity of the Company is the management and maintenance of Council social housing stock and other related activities.

Directors and Chief Officers

The Directors and Chief Officers of the company during the year and subsequently are set out on page 1.

SCH also has the following committees who have responsibility for specific areas:

Commercial Committee

Finance and Audit Committee

Human Resources and Remuneration Committee

Housing Operations Committee

Tenant Scrutiny Committee

Employees

We remain committed to ensuring that our employees are fully engaged with the work that we do and the future plans for the business. We have a clear programme of communication and engagement with all staff including regular face to face team briefs, an extensive intranet site and staff newsletters as well as team meetings and briefings. We have clear lines of communication and reporting and well documented procedures for staff to raise concerns and issues. We welcome and respond to feedback from staff at all levels of the business and we have an innovative staff suggestion scheme that sees positive engagement from a wide range of staff at all levels.

We recognise that without a well-trained and highly motivated workforce, we will not be able to continue to meet the challenging performance and service improvement targets that we set ourselves. We continue to support many staff members through professional training in their chosen area or in more basic skills training that helps them to do their job better. Every individual member of staff is challenged to take responsibility for their own performance and development – they achieve this through a combination of the formal and the informal - annual appraisal and progress monitoring with line managers throughout the year.

Our staff support package includes access to occupational health, counselling and financial and other support services where these are necessary. In addition, we have a positive relationship with our recognised trade unions (UNITE and UNISON), meeting regularly with them to discuss changes and new policies that affect staff.

Our employment policies (including recruitment) clearly commit us to ensuring that every stage of employment starting with the application stage is transparent and fair. Assessment is based on the skills and aptitudes necessary to carry out a role regardless of any disability or personal attributes (including age, race, nationality, religion, gender and sexual orientation). When an employee becomes disabled during their employment, we work with them to make arrangements that will enable them to continue their employment with us as far as is practicable, through changes in working arrangements, or training for a change of role. The training and development programmes previously outlined are open to all staff and are tailored to take into account the personal needs of each member of staff as an individual as well as meeting the expectations of SCH as a business.

Disclosure of information to auditors

The Directors and Chief Officers who were in office on the date of approval of these statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the Directors and Chief Officers have confirmed that they have taken all the steps that they ought to have taken as Directors or Chief Officers in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors.

Report of the Directors

31 March 2017
(continued)

Auditors

A resolution to reappoint RSM UK Audit LLP as auditor was agreed by the Board at the 2017 Annual General Meeting.

Strategic Report

The Company has chosen in accordance with S414C(ii) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 to set out in the Company's Strategic Report information required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 within the Directors' Report.

Approval

The report of the Directors was approved by the Board on 17 July 2017 and signed on its behalf by:

Dr AGC Lane
Chairman
17 July 2017

Statement of Directors' Responsibilities for the Financial Statements

The Directors are responsible for preparing the Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing those financial statements, the Directors are required to:

a) select suitable accounting policies and then apply them consistently;
b) make judgements and accounting estimates that are reasonable and prudent;
c) state whether applicable International Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Statement on Internal Control

31 March 2017

The Board acknowledges its overall responsibility for establishing and maintaining a system of governance, risk management and internal control which protects and makes the best use of public funds and for reviewing its effectiveness. These systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable, and not absolute, assurance against material misstatement or loss.

Although there is already a strong framework in place, we have continued to refine (as well as monitor) the processes for identifying, evaluating and managing the significant risks faced by the company. The year ended 31 March 2017 has seen further development of the internal control framework including the implementation of changes to remedy weaknesses that were identified at the end of 2015/16.

The key elements of the control framework in place during the year include:

- The Board commissioned a review of SCH's Future Strategic Vision which included consultation with the Council, SCH board members and strategic partners. Work has already started on delivering the key recommendations from the review and further work is ongoing in 2017 /18 including work on the culture of the organisation and developing our offer to the Council in terms of providing support services for older and vulnerable residents and supporting the objectives of the Council Plan.
- Recruitment of a new Chief Executive commenced during 2016/17 with the new appointment being made in the first week of April 2017. This strengthens the leadership of the organisation and gives a platform to restructure the senior team to deliver the new Strategic Vision.
- Board approved terms of reference and clearly delegated authorities for the Board Committees (that include responsibility for both Financial and Audit matters) as well as the independent Tenant Scrutiny Committee that considers performance and service improvement.
- Board members had a programme of quarterly Board Away Days which included training sessions and strategic discussions. Topics covered during the year included fraud awareness and financial planning, developing the strategic vision and considering the strengths, weaknesses, opportunities and threats to the business, fraud awareness, commercial operating model and the 10 year financial plan.
- Membership of Board Committees was reconsidered with membership being chosen based on the skills and experience of members which were appropriate to the remit of the Committee. The Board have moved away from having equal constituency representation on committees and focus on having the appropriate mix of skills and experience.
- Formally adopted Standing Orders (incorporating Rules for Contract and Financial Regulations) that set out the arrangements for the supervision and control of the finances, assets and other resources of the company. For procurement detailed guidance notes are available on the Company's intranet site, including standard monitoring and approval documentation and for high value contracts an independent challenge Board (Project Review Board) to assess progress in tendering and then managing each contract.
- Formal processes and guidance based on Standing Orders to delegate financial authority limits from the Board down to relevant budget holders. The post of Chief Executive was vacant for the majority of the financial year and interim arrangements for delegation of responsibilities in relation to rules for contracts were put in place.
- Health and safety is given a high priority across the organisation with performance reports quarterly to the full board, an annual audit across all areas of the business, local and corporate health and safety groups.
- We have an annual review of our health & safety policy which is approved by full board and signed by both the chair of the board and the Chief Executive. The policy was reviewed in July 2016.
- The new Performance Management Framework which was developed in 2016/17 now includes a section on compliance indicators to improve monitoring of health and safety and the full details are reported to and discussed by the Housing Operations Committee. This strengthens the health & safety monitoring that is carried out by full board.
- Robust strategic and business planning processes which have involved staff at all levels contributing.

Statement on Internal Control

31 March 2017

(continued)

- In late 2016 we appointed an Interim Chief of Commercial Activity to provide cover for the absence of one of the Chief Officers and to commence the process of developing a Financial Model for Commercial Activity which could be used across the business to better understand cost drivers and scope for income generation /maximising use of resources.
- We have introduced a revised format for financial trading statements for Board members to give greater clarity over costs and income across the business.
- There is a member of the Finance Team (SMBC) assigned to each area of the business in order to provide support and guidance to budget holders. Management Accounts are distributed to budget holders on a monthly basis and Finance Officers work with budget holders to ensure that forecasts of spending are as accurate as possible and to flag up potential underspends and overspends as soon as possible.
- In October 2016 a new software system for monitoring and reporting on risk management was introduced and all staff with responsibility for managing risks and updating the registers received training on the new system. The new system allows for improved monitoring of risks and has more information relating to the causes and impacts of risk.
- Formal reviews of the company's Corporate Risk Register (and supporting service Risk Registers), which sets out the identified risks and the mitigating actions in place to deal with these risks as well as clearly defined management responsibilities for their identification, evaluation and control.
- In the final quarter of the year there was an internal audit of our risk management processes which identified a number of improvements in our formal systems which have already been addressed and the final recommendation which was a review of the formal policy will be implemented by the end of quarter 2 2017/18. Although our working practices had been updated, the formal policy was not changed to reflect the revised arrangements but this will be included in the new policy.
- Detailed financial annual budgets, a 5-year medium term financial plan and a 30-year financial Business Plan, supported by regular monitoring meetings with individual budget holders and at directorate level, as well as formal, scheduled reporting to the Senior Management team and the relevant Board committees.
- A formal programme of internal audit work, carried out by officers independent of the executive. Reports and recommendations are agreed by senior management as well as being considered in detail by the Audit Committee.
- Formal and independent annual external audit of reported financial performance and the processes that underpin it.
- During the last year we have introduced a new comprehensive Performance Management framework which provided managers with better information to inform business planning.
- Quarterly monitoring of an agreed suite of performance indicators (both local and national) at team and corporate level and by the independent Tenant Scrutiny Committee, who then report directly to the Board.
- Regular reporting to senior management and the Board of key business objectives, targets and outcomes.
- Formal recruitment, retention, training and development policies for staff that incorporate annual appraisals of performance against targets that are consistent with the Business Plan and corporate objectives. During 2016/17 we developed a training plan covering both mandatory and optional training for all staff, which is monitored by the Operational Management Team.
- During the year we completed a staffing restructure of the Neighbourhood Services Team (estate management, tenancy management and anti-social behaviour) and made significant progress with staffing restructures in Asset Management as well as starting the restructure of the Home Options Team (allocations and homelessness).

Statement on Internal Control

31 March 2017

(continued)

- Board have approved anti-fraud and corruption policies and clearly documented guidance and procedures for reporting conflicts of interest and the receipt of gifts and hospitality, including a mandatory annual declaration of interests by all staff and Board Members.
- During the year the majority of staff from all levels in the organisation received training on anti-fraud and whistleblowing which was delivered by the Investigation Team at SMBC. The same training was also delivered to Board members in December 2016.
- Detailed policies and procedures in each area of the company's work.

The Board met for 4 mandatory "away days" during the year, with a wide agenda to discuss the key issues facing the company in more detail. Following the Board member appraisals, a decision was taken to extend the Away Days, which had previously been half day sessions, to a full day with the morning being devoted to training and the afternoon to issues of national and local policy or where a broader discussion is beneficial to move the business forward. The topics covered in the last year included developing the strategic vision and considering the strengths, weaknesses, opportunities and threats to the business, fraud awareness, commercial operating model and the 10 year financial plan.

In the early part of 2016 the Board reviewed our governance arrangements based upon best practice guidance from the National Housing Federation and as a result set a maximum time limit on length of service on the Board of nine consecutive years. The Board also recommended appointing tenant Board members via a selection route rather than election in order to ensure that members are recruited with the appropriate mix of skills and experience. Both these changes in governance arrangements required amendments to our Articles of Association and the amendments were approved by the member at the Annual General Meeting held on 18 April 2016. The amended Articles have been filed with Companies House.

During the last financial year we have had five new Board members who have followed a personal induction programme designed to ensure that their understanding of the business is sufficient to enable them to play an active part in decision-making.

During the year, the Board once again reviewed Standing Orders (incorporating Rules for Contracts). There were no significant changes this year as there had been in the previous year due to the changes in senior management structure. The delegation of authority levels across SCH has also been formally reviewed and updated and every member of staff (as well as Board members) was again required to make a formal annual declaration of interests as at 31 March 2017.

We have reviewed the formal meeting structures across the organisation which has resulted in streamlining the meetings. The effectiveness of the meeting structure is regularly monitored.

The new structure includes a weekly meeting of the Executive Management Team which over the last year included the Chief of Operations, Head of Neighbourhood Services and Head of Asset Management and on a monthly basis this also includes the Chief Financial Officer. The Heads of Service and other senior managers attend a fortnightly Operational Management Team Meeting which is chaired by the Chief of Operations and on a bi-monthly basis a wider group of managers and team leaders join the Operational Management Team for a Wider Operational Team Meeting. This allows staff across the organisation to have an opportunity to come together and learn about the key business priorities. These higher level formal meetings work alongside more traditional team meetings that focus on service delivery and team plans.

Our vision to set the customer at the heart of everything that we do continues to underpin all of our activities and we therefore have a clear focus on strong embedded performance management. We look to achieve high levels of customer service in all areas of our business – whether the customer is an external or internal one. The achievement of this aim is delivered in many different ways; through personal and team targets and through regular discussion at individual and team meetings.

Statement on Internal Control

31 March 2017

(continued)

Our Health and Safety support is provided by the Council's Health and Safety Team. This has provided the Company with a more effective supporting arrangement and a full audit was carried out during the year which found that the commitment to health and safety throughout SCH was very strong. There were two reportable incidents to the HSE during the last year, both of which were in October 2016 and related to the potential exposure of staff to asbestos. The possible impacts would not be known for 30 – 40 years so it is impossible to determine whether any harm has been caused by these incidents. However, to date the HSE has not requested any further information. We have continued to hold a Corporate Health and Safety cross-team working group who ensured that the relevant work plans have been introduced and completed within the agreed time scales. The Corporate Health and Safety Group is chaired by the Head of Asset Management. The Corporate Health & Safety Group is supported by local site Health & Safety Groups at the Asset Management Hub and Endeavour House.

Following the announcement in the 2015 budget that social housing rents would need to reduce by 1% per annum for four years a clear financial plan was put in place to deliver the required level of savings whilst maintaining, as far as possible, the high levels of service expected by our customers. All Heads of Service have worked with the Council's Finance team to develop budget plans for the next three years and these were monitored during 2016/17 at monthly Finance Monitoring Meetings held with the Chief of Operations, Chief Financial Officer, the SCH Finance Manager and Heads of Service. A 'traffic light' rating system, whereby areas are rated as red, amber or green, known as a RAG rating has been introduced to flag up any areas of concern where the planned level of savings may not be achieved so that alternative strategies can be put in place. These monitoring meetings are scheduled to continue during 2017/18. At the end of 2016 /17 the required level of savings had been achieved in the year. The medium term capital programme has also been reviewed in the context of the savings plan.

During 2017/18 we will be revising the budget savings plans to ensure that we can continue to deliver the required level of savings and this will include identifying savings to replace forecast income generation from Commercial activities in the event that the income cannot be realised.

Budget setting will remain challenging in the context of both the savings required to deliver rent reductions but also due to the uncertainty over the impact of the implementation of Welfare Reforms but we will continue to operate the close financial monitoring to ensure we stay on track to deliver the efficiencies required.

We set an annual Delivery Plan, supported by detailed service plans, that aimed to maintain and improve on our services and we broadly delivered as planned. Many of these improvements are focussed on streamlining services and particularly customer contact in some of our most stretched areas including homelessness, allocations and neighbourhood services. Work has continued on the 2 year implementation programme approved last year to migrate systems for Rent Control, Leaseholders, Arrears Collection, Asset Management and Neighbourhood Services to the Open Housing software.

The Board cannot delegate ultimate responsibility for the system of internal control, but it can, and has, delegated authority to the Finance and Audit Committee to regularly review the effectiveness of many of the key elements of the control framework. The Board has received reports this year from the Finance and Audit Committee covering financial management and external and internal audit. The Board has reserved the review of the remaining key elements (in particular Risk and Health & Safety) to itself and receives reports on a regular basis.

Dr AGC Lane	F. Hughes
Chairman	Chief Executive
17 July 2017	

Independent Auditor's Report to the Member of Solihull Community Housing Limited

Opinion on financial statements

We have audited the financial statements on pages 18 to 42. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the provisions of the Companies Act 2006.

Scope of the audit of the financial statements

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and, based on the work undertaken in the course of our audit, the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company'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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

STEPHANIE WARBOYS (Senior Statutory Auditor)
For and on behalf of RSM UK AUDIT LLP, Statutory Auditor
Chartered Accountants
St Philips Point
Temple Row
Birmingham
B2 5AF
Date: 20th July 2017

Statement of Comprehensive Income

for the year ended 31 March 2017

	Note	2017	2016
		£'000	£'000
REVENUE	1	40,227	37,169
Operating expenses	3	(36,991)	(35,573)
PROFIT FROM OPERATIONS		3,236	1,596
Finance costs	4	(443)	(425)
PROFIT BEFORE TAXATION		2,793	1,171
Income Tax expense	6	(16)	(25)
PROFIT FOR THE YEAR	14	2,777	1,146
OTHER COMPREHENSIVE INCOME/ (EXPENDITURE), NET OF TAX			
Actuarial (losses)/ gains on defined benefit obligations	17	(2,133)	1,875
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		644	3,021

The profit from operations for the year arises from the Company's continuing operations.

The profit for the year is entirely attributable to its sole member (note 13).

Statement of Changes in Equity
for the year ended 31 March 2017

	Note	Total Equity & Reserves £'000
BALANCE AT 31 March 2015		(9,831)
Profit for the financial year to 31 March 2016		1,146
Actuarial gain relating to the pension scheme	17	1,875
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		3,021
BALANCE AT 31 March 2016		(6,810)
Profit for the financial year to 31 March 2017		2,777
Actuarial loss relating to the pension scheme	17	(2,133)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		644
BALANCE AT 31 MARCH 2017		(6,166)

The Statement of Accounts for 2015/16 included a Revaluation Reserve of £181,000. Following a review of the treatment of SCH's fixed assets, and with agreement of our external auditor, this reserve is no longer included in the accounts. The balance is included within Total Equity & Reserves above and there is no overall change to the total value of reserves reported as a result of the change.

In line with our accounting policy regarding property, a revaluation reserve will only be created in the future if the asset value exceeds the historical cost.

Balance Sheet

at 31 March 2017

	Note	2017 £'000	2016 £'000
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	8	2,025	1,763
CURRENT ASSETS			
Inventories	9	107	114
Trade and other receivables	7/10	1,682	1,098
Cash and cash equivalents	7/15	11,154	8,729
TOTAL ASSETS		14,968	11,704
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	7/11	(5,677)	(6,140)
Current tax liabilities		(21)	(25)
Borrowings	7/12	(30)	(28)
		(5,728)	(6,193)
NON CURRENT LIABILITIES			
Borrowings	7/12	(582)	(612)
Retirement benefit net obligations	17	(14,792)	(11,709)
Other non current financial liabilities	7/11	(32)	-
TOTAL LIABILITIES		(21,134)	(18,514)
NET LIABILITIES		(6,166)	(6,810)
EQUITY – Attributable to parent			
Retained earnings	14	(6,166)	(6,810)
TOTAL EQUITY – ATTRIBUTABLE TO MEMBER		(6,166)	(6,810)

The financial statements on pages 18 to 42 were approved by the Board and authorised for issue on 2017 and are signed on their behalf by:

Mrs P L Smith

Chair of Finance & Audit Committee

Statement of Cash Flows
for the year ended 31 March 2017

	Note	2017 £'000	2016 £'000
OPERATING ACTIVITIES			
Cash generated from operations	15	2,500	3,251
Interest paid	4	(27)	(28)
Corporation Tax paid		(20)	(20)
NET CASH GENERATED FROM OPERATING ACTIVITIES		2,453	3,203
INVESTING ACTIVITIES			
Proceeds from disposal of non-current assets		-	32
NET CASH GENERATED FROM INVESTING ACTIVITIES		-	32
FINANCING ACTIVITIES			
Repayments of borrowings		(28)	(28)
NET CASH USED IN FINANCING ACTIVITIES		(28)	(28)
NET INCREASE IN CASH AND CASH EQUIVALENTS		2,425	3,207
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		8,729	5,522
CASH AND CASH EQUIVALENTS AT END OF YEAR	15	11,154	8,729

Significant Accounting Policies

31 March 2017

BASIS OF ACCOUNTING

The financial statements have been prepared on the historical cost basis other than the revaluation of freehold properties. The principal accounting policies are set out below. The financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations as endorsed by the EU ("IFRS") and the requirements of the Companies Act 2006 applicable to companies reporting under IFRS.

GOING CONCERN

The accounts have been prepared on a going concern basis. The Strategic Report sets out the basis on which the directors have been able to make this assumption. This includes consideration of the trading activities of the company along with the five-year rolling Management Agreement signed on 24 April 2015 with an initial end date of 31 March 2020.

REVENUE

Revenue consists of the invoiced value (excluding VAT) for goods and services supplied. The revenue taken to the Income Statement reflects the company's right to consideration in exchange for performance.

Revenue is recognised when revenue and associated costs can be measured reliably and future economic benefits are probable. Revenue is measured at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Revenue from services is recognised on a time-apportioned basis by reference to the provision of services set out in the Management Agreement, applicable Service Level Agreement or contract for services.

Sales of goods or property are recognised when goods are delivered and title has passed. Delivery occurs when the risks and rewards of ownership have been transferred to the customer.

Following the revaluation of the Company's housing portfolio £781,000 of grants that were originally held as deferred grants were recognised within revenue in 2015/16.

PROPERTY

Housing properties were initially recorded at cost less any identified impairment loss until the date of the first revaluation which took place on 31 March 2016. All Housing properties are now included within the accounts at Existing Use Value (Social Housing).

Completed properties are then subject to a full re-valuation every 5 years - the market values for the properties being then adjusted to Existing Use Value - Social Housing (EUV-SH). This method applies a reduction to the market value of the property in order to reflect the service potential of the asset in its delivery of social housing objectives. The percentage reduction applicable to the assets is that defined by the Department for Communities and Local Government. Where a change in the percentage applied to arrive at the EUV-SH value is considered to result in a material change in the value of the company's assets, this change will be applied immediately as a desktop exercise, even where a full revaluation is not yet due.
The change in the EUV-SH percentage itself is assumed not to materially change the underlying value of the property.

Any amounts arising as a result of revaluation, exceeding the historical cost, are credited to the revaluation reserve.

DEPRECIATION

Depreciation is calculated so as to write off the cost or revalued amount of an asset, less its estimated residual value, over the useful economic life of that asset. Depreciation is calculated using the straight line method at rates set out below. A full year's depreciation is charged in the year of acquisition and no depreciation in the year of disposal.

Significant Accounting Policies

31 March 2017
(continued)

DEPRECIATION (continued)
Freehold Land and Assets in the Course of Construction are not depreciated.
In accordance with International Accounting Standard 16 (IAS16), SCH's housing properties are split into their underlying components as defined by the BCIS "Component Life Survey" and each component is depreciated separately. SCH uses the following components with useful lives as shown:

- Substructure (over 50 years)
- Superstructure (over 50 years)
- Internal Finishes (over 40 years)
- Fittings (over 15 years)
- Services (over 25 years)
- External works (over 35 years)

Housing Properties
Depreciation is calculated on each component of the asset so as to write off the cost, less its estimated residual value, over the lower of 50 years or the useful economic life of each component. The useful economic life is determined separately for each development.

Revaluation gains and losses are applied across land and structure as appropriate.

IMPAIRMENT OF PROPERTY
At each reporting date, the Company reviews the carrying amounts of its property assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried above historical cost, in which case the reversal of the impairment loss is treated as a revaluation increase.

INVESTMENT AND SHARED OWNERSHIP PROPERTIES
Properties acquired or constructed for re-sale are recorded as a current asset (within Inventories) at the lower of cost or net realisable value, net of any applicable capital grant. Net realisable value represents the estimated selling price less all estimated costs to completion and selling costs.

Where a property is acquired for re-sale on shared ownership terms, the proportion of the asset related to the first "tranche" for sale is recorded as a current asset (as set out above). The balance is held as a non current asset within Housing Properties and depreciated accordingly.

Revenue from the initial "tranche" sales of Shared Ownership properties is recognised as sales income. Sales of subsequent tranches are recognised as the disposal of a non-current asset, with the profit or loss on disposal being charged or credited to the Statement of Comprehensive Income.

Significant Accounting Policies

31 March 2017
(continued)

GRANTS
Grants in respect of revenue activities are credited to the Statement of Comprehensive Income in the same period as the expenditure to which they contribute.

Grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received. Capital grants relating to property, plant were previously deducted from the cost of the relevant non-current asset, however, due to the revaluation occurring in the year, these have now been credited to revenue under the performance model.

Grants related to mixed tenure developments are apportioned across the relevant current and non-current assets. The proportion relating to non-current assets is deducted from the cost of the relevant asset.

INVENTORIES (excluding Investment and Shared ownership properties)
Inventories are stated at the lower of cost and estimated value in use. Cost comprises direct material costs and (where applicable), direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the First in First Out (FIFO) method.

LEASES
Leases in which a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged against profit or loss on a straight line basis over the period of the lease.

Where SCH has substantially all the risks and rewards of ownership, these are classed as finance leases. Finance leases are capitalised at the commencement of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The corresponding rental obligations, net of finance charges, are shown in other payables. The property acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

FINANCIAL INSTRUMENTS
Financial assets and financial liabilities are recognised when the Company has become a party to the contractual provisions of the instrument.

Financial assets
Trade receivables: Trade receivables are classified as loans and receivables and are initially recognised at fair value. They are subsequently measured at their amortised cost using the effective interest method less any provision for impairment.

A provision for impairment is made where, in the opinion of the Directors, there is a reasonable likelihood that amounts will not be recovered in accordance with the original terms of the agreement. The level of the provision depends on the nature of the debt and the customer's payment history. The carrying value of the receivable is reduced through the use of an allowance account and any impairment loss is recognised in the Income Statement.

Cash and cash equivalents/liquid resources: Cash and cash equivalents comprise cash at bank and in hand and other short-term deposits held by the Company with maturities of less than three months.

Bank overdrafts are presented within current liabilities.

Investments: Short-term investments, comprising short term deposits with maturities of three months or more, are stated at cost and classified as current assets.

Financial liabilities: Financial liabilities are classified according to the substance of the contractual arrangements entered into.

Significant Accounting Policies

31 March 2017
(continued)

FINANCIAL INSTRUMENTS (continued)

Borrowings: Interest-bearing bank loans and overdrafts are recorded initially at their fair value, net of direct transaction costs. Such instruments are subsequently carried at their amortised cost and finance charges, including premiums payable on settlement or redemption, are recognised in the Income Statement over the term of the instrument using an effective rate of interest.

Trade payables: Trade payables are initially recognised at fair value and subsequently at amortised cost using the effective interest method.

TAXATION

The relationship between the Company and its parent undertaking has been recognised as non-trading in nature. Consequently, any activities that the Company carries on with its parent under its Management Agreement are not liable to corporation tax.

Where the Company has trading income from outside its parent company, this may be liable to Corporation Tax. The tax payable is based on taxable profit for the year. Taxable profit differs from accounting profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is measured using tax rates that have been enacted or substantively enacted by the reporting date. The tax expense represents the sum of the current tax expense and deferred tax expense.

DEFERRED TAXATION

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

Where law or accounting standards require gains and losses to be recognised in the Statement of Changes in Equity, the related taxation is also taken directly to the Statement of Changes in Equity in due course.

PENSIONS

All permanent employees of the Company are entitled to join the "defined benefit" pension scheme, the West Midlands Metropolitan Authorities Pension Fund, which is administered by Wolverhampton City Council and provides members with defined benefits related to pay and service. During the year, the Company paid an employer's contribution rate of 13.8% (2016: 13.8%) into the fund in addition to meeting all pension payments relating to added years benefits awarded during the year, together with any related increases.

In accordance with IAS 19 "Employee benefits" revised, the service cost of the pension provision relating to the period, together with the cost of any benefits relating to past service, and the administration cost is charged to the Income Statement. A net interest charge on the defined benefit liability based on the discount rate at the start of the year is included in the Income Statement under "Finance costs".

The difference between the market value of the assets of the scheme and the present value of the accrued pension liabilities is shown as an asset or liability on the balance sheet net of deferred tax. Any difference between the expected return on assets and that actually achieved is recognised in the Statement of Comprehensive Income along with differences arising from experience or assumption (financial and demographic) changes.

Further information on pension arrangements is set out in note 17 to the accounts.

STANDARDS ADOPTED EARLY BY THE COMPANY

The Company has not adopted any standards or interpretations early in either the current or the preceding financial year.

Significant Accounting Policies
31 March 2017
(continued)

At the date of authorisation of these financial statements the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IAS 16 and IAS 388 – Clarification of acceptable Methods of Depreciation and Amortisation – effective 2017

IAS 1 – Disclosure Initiative – effective 2017

Annual Improvements to IFRSs 2012-2014 Cycle – effective 2017

IAS 12 – Recognition of Deferred Tax – Amendment – effective 2018

IAS 7 Disclosure Initiative – Effective 2018

IFRS 9 – Financial Instruments - Effective 2019

IFRS 15 – Revenue from Contracts with Customers – effective 2019

IFRS 16 – Leases – effective 2020

Areas of Judgement and Risk Management

31 March 2017

CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

The Company makes estimates and assumptions concerning the future that are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results.

The Strategic report set out on pages 4 to 9 of these accounts sets out a commentary on the current and future trading activities of the Company as well as the key risks underlying its operations. The evidence gathered in this exercise forms a key element of the Directors assessment of whether SCH continues to be a going concern.

The estimates (and related assumptions) that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are in relation to the pension scheme and the property revaluations. The detailed assumptions in relation to the pension scheme are set out in Note 17 to the accounts. Solihull Community Housing's ("SCH") parent, Solihull MBC confirms on an annual basis that they expect SCH to make best endeavours to maintain a fully funded scheme by complying with any guidance issued by the actuary with regard to contribution levels. In line with the company's accounting policies its property portfolio is revalued every five years. The first such revaluation took place on 31 March 2016 and has been updated by a desktop review at 31 March 2017. Details are set out in Note 8 to the accounts.

In considering whether the Company will be able to meet these future pension contributions, the Strategic Review set out on pages 4 to 9 of these accounts demonstrates the reasons why SCH expects to continue to make sufficient cash surpluses to do so.

FINANCIAL RISK MANAGEMENT

The Board of SCH is responsible for identifying, evaluating and managing the significant risks faced by the company. The Chair of the Audit Committee jointly champions risk management (including the management of financial risks) throughout SCH on an ongoing basis together with the Chief Financial Officer.

The Chief Executive and SCH's Executive Management Team (EMT) are collectively responsible for managing strategic risks as well as being responsible for managing operational risks in their individual areas of responsibility.

SCH maintains a Corporate Risk register and each Head of Service maintains a supporting Service Risk Register. These registers set out the identified risks and the mitigating actions in place to deal with these risks, as well as clearly defined management responsibilities for their identification, evaluation and control. The Executive Management Team (EMT) carry out formal reviews of the registers and report the strategic risks to the Board twice a year.

Monitoring exposure to financial risks forms a key part of SCH's overall risk management processes. The Statement on Internal Control set out on pages 13 to 16 of these accounts sets out a more detailed explanation of SCH's approach to the management of both financial and operational risk.

Liquidity Risk and Credit Risk

SCH's objective is to meet its liabilities as they fall due whilst maintaining sufficient funds to enable the Company to react to unexpected changes in market conditions.

The Company is largely dependent on its largest customer, Solihull MBC. The Capital and Revenue Management Fees and income from Service Level Agreements from SMBC represent 98% (2016: 96%) of SCH's income and are receivable monthly in advance. SCH is dependent on Management Fee income in order to maintain the necessary cash flow to operate effectively.

Solihull Community Housing is exposed to liquidity risk principally in the event that the Council were to experience cash flow difficulties in paying the management fee monthly. It is considered by the Board that the likelihood of this risk arising is remote.

The Company's maximum exposure to credit risk, gross of any collateral held, relating to its financial assets is equivalent to their carrying value. All financial assets have a fair value which is equal to their carrying value.

Areas of Judgement and Risk Management

31 March 2017
(continued)

Liquidity Risk and Credit Risk (continued)
Credit risk predominantly arises from trade receivables- of the Company's total 2017 financial assets, £1,499,000 (2016: £846,000) is owed to the Company by Solihull MBC and the Board therefore also consider that the likelihood of this risk arising is remote. The remainder are cash/cash equivalents and amounts due from third parties. Other trade receivables are limited in value.

SCH has joint banking arrangements with Solihull MBC but the Company's arrangements reflect its independence (e.g. a separate bank account, bank mandate and signatories).

SMBC carries out Treasury Management on behalf of SCH under a Service Level Agreement (SLA). Surplus funds for both SMBC and SCH are pooled and deposited overnight and on longer arrangements, under a formal agreement between the two parties. The resulting interest is credited to the Council's Housing Revenue Account (HRA), and thus supplements the Management Fee payable to SCH.

Interest rate risk

SCH's interest rate risk is limited to the following areas:

- The rate that the Housing Revenue Account (HRA) earns on its balances -which directly affects the management fee payable to SCH (see above).
- Solihull MBC's Consolidated Rate of Interest (CRI) on the loan to finance SCH's developments and Planned Preventative Maintenance programme

All the Company's 2017 and 2016 Financial Assets are non-interest bearing.

All the Company's 2017 and 2016 Trade and Other Payables are non-interest bearing. The interest rates applicable to the Company's 2017 and 2016 Borrowings are set out in Note 12 to these accounts, where these amounts are analysed by interest type.

Capital Management

The Company's main objective when managing capital is to ensure that it maintains sufficient capital to ensure that the Council's tenants continue to receive an excellent housing management service from the Company. The level of management fee agreed with the Council annually in respect of the Management Agreement and the Company's level of operating efficiency are the principal determinants of the level of equity that the Company is able to retain. As a company limited by guarantee, the only equity capital of the Company is represented by its retained earnings reserves.

The Company's level of debt is not significant. "Net debt" is defined as including short and long-term borrowings (including overdrafts and lease obligations) net of cash and cash equivalents and represents net positive funds of £10,542,000 at 31 March 2016 (2016: £8,089,000).

The Company does not have any externally imposed capital requirements and has not made any changes to its capital management during the year.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

1. REVENUE

Sales were made wholly in the United Kingdom and derived from the Company's principal activity of housing management, including rental of properties.

In 2015/16 Other income of £781,000 was recognised following the release of previously deferred grant.

2. SEGMENT INFORMATION

IFRS8 requires the provision of segmental information for the Company on the basis of information reported internally to the chief operating decision-maker for decision-making purposes. The Company considers that the role of chief operating decision-maker is performed by the Company's Board of Directors and all results are reported as a single segment.

3. LOSS FROM OPERATIONS

Profit from operations is stated after charging:	2017	2016
	£'000	£'000
Inventories		
- cost of inventory recognised as an expense	833	1,242
- amounts written off	6	3
Depreciation of owned property, plant and equipment	50	41
Auditor's fees:		
- On audit services	20	17
- On taxation	2	1
- For other services	-	5
Rentals under operating leases	351	338

The following table analyses the nature of expenses:		2017	2016
		£'000	£'000
Staff costs	5	10,587	11,031
Depreciation	8	50	41
Revaluation (gain)/ loss		(312)	600
Property works		21,394	18,455
Housing Management and Maintenance		2,783	3,293
Finance		949	556
Corporate Services		1,540	1,597
Total expenditure		36,991	35,573

4. FINANCE COSTS

		2017	2016
		£'000	£'000
Interest on net pension liability	17	(416)	(397)
Prudential borrowing interest		(27)	(28)
		(443)	(425)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017

(continued)

5. STAFF COSTS

The average monthly number of persons employed by the Company during the year was:	**2017 No**	**2016 No**
Executive Management Team	3	3
Housing Management and Maintenance	221	237
Finance	16	17
Corporate Services	38	43
Commercial Activity	6	3
	284	303

Staff costs, including directors:	**2017**	**2016**
	£'000	**£'000**
Wages and salaries	7,453	7,740
Agency costs	628	1,031
Social security costs	686	567
Other pension costs	1,523	1,693
Modernisation and redundancy costs	297	-
	10,587	11,031

Remuneration of key management personnel:

The remuneration of the Executive Management Team of the Company in aggregate is as follows:	**2017**	**2016**
	£'000	**£'000**
Short term employee benefits	265	334
Post employment benefits	28	64
	293	398

The directors are defined as being the members of the Main Board of Solihull Community Housing.

None of the directors received any emoluments but were entitled to reimbursement of incidental expenses incurred when attending Board meetings and other formal events in their capacity as Board members.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017
(continued)

6. INCOME TAX EXPENSE

ANALYSIS OF CHARGE IN YEAR	**2017 £'000**	**2016 £'000**
Current Tax:		
UK – Current tax	16	25
	16	25

Current tax reconciliation:	**2017 £'000**	**2016 £'000**
Profit/(Loss) before tax	2,793	1,171
Depreciation	50	41
IAS19 adjustments:		
- Other finance income	416	397
- Past and present service costs	1,484	1,649
	4,743	3,258
Tax at the standard rate of corporation tax 20% (2016: 20%)	949	652
Effect of non-trading activities with member not subject to corporation tax	(933)	(627)
	16	25

Where the Company has income related to trading outside of the council, this is taxable. During the reporting year income from the ownership and management of the company's own developments and from the company's 'Better Places' service were subject to Corporation Tax. A taxable profit of £75,000 arose in the year and is reflected in these statements (2016: £126,000 - included a chargeable gain following sale of a shared ownership dwelling).

On the basis that we are not expecting to sell the housing properties owned by the company no allowance has been made within these financial statements for deferred taxation as a result of the revaluation of housing properties undertaken as at 31 March 2017. Any such sales would only be taxable if sold to a party other than the Council.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017
(continued)

7. FINANCIAL INSTRUMENTS

		2017	2016
Assets at fair value:		**£'000**	**£'000**
Current financial assets			
Trade and other receivables	10	1,642	1,058
Cash and cash equivalents	15	11,154	8,729
Total loans and receivables		12,796	9,787

		2017	2016
Liabilities at fair value:		**£'000**	**£'000**
Current financial liabilities			
Trade and other payables	11	5,677	6,140
Borrowings	12	30	28
		5,707	6,168
Non-current financial liabilities			
Borrowings	12	582	612
Retentions on construction projects	11	32	-
Total other financial liabilities		6,321	6,780

MATURITY ANALYSIS

Financial Assets

The table below analyses the Company's financial assets which are considered to be readily saleable or are expected to generate cash inflows to meet cash outflows on financial liabilities.

		2017	2016
		£'000	**£'000**
Within 6 Months			
Trade and other receivables	10	1,642	1,058
Cash and cash equivalents	15	11,154	8,729
Total		12,796	9,787

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017

(continued)

7. FINANCIAL INSTRUMENTS (continued)

Financial Liabilities

The table below analyses the Company's financial liabilities on a contractual gross undiscounted cash flow basis into maturity groupings based on amounts outstanding at 31 March 2017 up to the contractual maturity date:

		2017	2016
		£'000	£'000
Within 6 Months			
Trade and other payables	11	5,677	6,140
6 Months to 1 Year			
Borrowings	12	30	28
1 to 5 Years			
Payables due >1 year: retentions on construction projects	11	32	-
Borrowings	12	582	612
Total		6,321	6,780

The Company would normally expect that sufficient cash is generated in the operating cycle to meet the contractual cash flows as disclosed above through effective cash management.

8. PROPERTY

	Freehold Land	Completed Properties available for letting		**Total**
		Rented	Shared Ownership	
	£'000	**£'000**	**£'000**	**£'000**
Cost or valuation:				
At 1 April 2015	631	1,807	177	2,615
Reclassifications	207	(207)	-	-
Loss on revaluation	(232)	(368)	-	(600)
Disposals	(19)	-	(13)	(32)
At 31 March 2016	587	1,232	164	1,983
Gain on revaluation	104	184	24	312
At 31 March 2017	691	1,416	188	2,295

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017
(continued)

8. PROPERTY (continued)

	Freehold Land	Completed Properties available for letting		Total
		Rented	Shared Ownership	
	£'000	**£'000**	**£'000**	**£'000**
Capital Grants				
At 1 April 2015	-	(742)	(39)	(781)
Previously Deferred Capital Grants Released to Revenue	-	742	39	781
At 31 March 2016	-	-	-	-
At 31 March 2017	-	-	-	-
Accumulated depreciation and any recognised impairment losses:				
At 1 April 2015	-	(155)	(24)	(179)
Charged in the year	-	(37)	(4)	(41)
At 31 March 2016	-	(192)	(28)	(220)
Charged in the year	-	(45)	(5)	(50)
At 31 March 2017	-	(237)	(33)	(270)
Net book value:				
At 31 March 2017	691	1,179	155	2,025
At 31 March 2016	587	1,040	136	1,763
At 31 March 2015	631	910	114	1,655

The depreciation expense of £50,000 (2016: £41,000) has been charged to operating expenses within the Income Statement.

During 2016/17, the Department for Communities and Local Government increased the percentage applied to market values in order to arrive at Existing Use Value - Social Housing (EUV-SH) in the West Midlands from 34% to 40%. In line with our accounting policy, all properties owned by Solihull Community Housing have been revalued by management in a desktop exercise in order to reflect this change, this has resulted in a revaluation gain in the year of £312,000.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017
(continued)

9. INVENTORIES

	2017	2016
	£'000	£'000
Raw materials and consumables	107	114
	107	114

Raw materials and consumables set out above are carried at the lower of cost and net realisable value. The replacement cost of the above stocks would not be significantly different from the values stated.

10. TRADE AND OTHER RECEIVABLES

	2017	2016
	£'000	£'000
Trade receivables	1,514	861
Other receivables	168	96
Other tax and social security	-	141
	1,682	1,098

The average credit period taken on provision of services is 14 days (2016: 19 days).

An allowance has been made for estimated irrecoverables of £59,000 (2016: £64,000). This allowance has been based on the knowledge of the financial circumstances of individual customers at year-end.

The following table provides an analysis of trade and other receivables that were past due at 31 March but not impaired. The Company believes that these balances are ultimately recoverable based on a review of past payment history and the current financial status of the customers.

	2017	2016
	£'000	£'000
Up to 3 months	233	217
Up to 6 months	3	56
Greater than 6 months	26	82
	262	355

	2017	2016
The movement in the allowance account was as follows:	£'000	£'000
Opening balance as at 1 April	64	32
Provision for receivables impairment	17	36
Receivables written off during the year	(16)	-
Unused amounts reversed	(6)	(4)
Closing balance as at 31 March	59	64

At the year end all trade and other receivables were denominated in sterling.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017
(continued)

11. TRADE AND OTHER PAYABLES

	2017	2016
	£'000	£'000
Amounts payable relating to invoiced amounts	946	4,098
Accruals and deferred income	2,522	1,337
Other tax and social security	1,671	156
Other creditors	538	549
Current trade and other payables	5,677	6,140
Non-current other creditors: retentions on construction projects	32	-
Total trade and other payables	5,709	6,140

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 12 days (2016: 13 days).

The Directors consider that the carrying amount of trade payables approximates to their fair value.

At the year end all trade and other payables were denominated in sterling.

12. BORROWINGS

	2017	2016
	£'000	£'000
Less than 1 year		
Prudential borrowing from SMBC	30	28
	30	28
Greater than 1 year		
Prudential borrowing from SMBC	582	612
	582	612

Interest Rate Summary	2017	2016
	£'000	£'000
Floating rate	612	640
	612	640

A floating rate loan from Solihull MBC to finance SCH's development of properties for rent and shared ownership - £612,000 (2016: £640,000). This is a floating rate loan repayable over 22 years from 2010/11 to 2031/32. Interest is charged at the Council's Consolidated rate of Interest (CRI). The loan is secured on the developed properties.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2016
(continued)

13. COMPANY LIMITED BY GUARANTEE

The Company is limited by guarantee, incorporated in the United Kingdom, and is governed by its Memorandum and Articles of Association. The guarantor is its sole member, Solihull Metropolitan Borough Council, (see note 18) as listed in the Company's Register of Members. The liabilities in respect of the guarantee are set out in the Memorandum of Association and are limited to £1 per member of the Company.

14. RESERVES

	2017	**2016**
	£'000	**£'000**
Retained Earnings		
At 1 April	(6,810)	(9,831)
Retained profit for the year	2,777	1,146
Actuarial gain/(loss)	(2,133)	1,875
Total Equity and Reserves	(6,166)	(6,810)

The Statement of Reserves in 2015/16 included a revaluation sum of £181,000, this has now been consolidated into Retained Earnings – further detail can be found on page 19

15. CASHFLOWS

	2017	**2016**
	£'000	**£'000**
Reconciliation of operating profit to net cash inflow from operating activities:		
Operating profit before tax	3,236	1,596
Depreciation and amortisation	50	41
(Gain)/ loss on revaluation of fixed assets	(312)	600
Release of capital grant in period	-	(781)
Pension contributions paid in period	(976)	(1,001)
Pension contributions charges in the period	1,510	1,671
Decrease in inventories	7	25
(Increase)/ decrease in debtors	(584)	59
(Decrease)/ increase in creditors	(431)	1,041
Net cash inflow from operating activities	2,500	3,251

CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent:	**2017**	**2016**
	£'000	**£'000**
Cash at bank and in hand	11,154	8,729
	11,154	8,729

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017
(continued)

16. COMMITMENTS UNDER OPERATING LEASES

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

	Land and buildings 2017 £'000	Land and buildings 2016 £'000	Plant and machinery 2017 £'000	Plant and machinery 2016 £'000
Total value of lease commitments				
Expiry of lease:				
Within 1 year	40	40	304	297
Between 2-5 years	160	160	464	494
After 5 years	10	50	-	-
	210	250	768	791

Operating lease payments represent rentals payable by the Company for office premises and equipment. £170,000 (2016: £210,000) of the leases for land and buildings relates to a lease expiring after 1 year. Rentals on both leases are fixed throughout the term of the lease. Rentals for plant and equipment are fixed for an average of 2 years.

17. RETIREMENT BENEFIT OBLIGATIONS

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out as at 31 March 2016 for the purposes of the IAS 19 valuation for inclusion in these financial statements prepared by Barnett Waddingham, a registered actuary engaged by West Midlands Pension Fund. The present values of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit method.

	2017	2016
Key assumptions used:	%	%
Discount rate	2.7	3.7
Future salary increases	4.2	3.9
Future pension increases	2.7	2.1
CPI increases	2.7	2.1

Mortality rate assumptions are based on publicly available data in the UK.

The average life expectancy for a pensioner retiring at 65 on the reporting date is:	2017	2016
Male	87	88
Female	89	91

The average life expectancy for a pensioner retiring at 65, aged 45 at the reporting date:	2017	2016
Male	89	90
Female	92	93

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017
(continued)

17. RETIREMENT BENEFIT OBLIGATIONS (continued)

The sensitivity of the overall pension liability to changes in the weighted principal assumptions is:

	Change in Assumption	Overall Impact on Liability
Discount rate	Increase by 0.1 %	Decreased £1,446,000
Short term salary increase	No change	No change
Pension growth rate	Increase by 0.1 %	Increased £1,244,000
Rate of mortality	Increase by 1 year	Increased £2,788,000

Amounts recognised in profit or loss in respect of these defined benefit schemes are as follows:

	2017	**2016**
	£'000	**£'000**
Current service cost	1,484	1,649
Net interest on liability	416	397
Administration cost	26	22
Total operating charge	1,926	2,068

Of the charge for the year: £1,510,000 has been charged to operating costs (2016: £1,671,000)
£ 416,000 has been charged to finance costs (2016: £397,000)

Actuarial gains and losses are reported in the statement of comprehensive income and expense
Loss recognised in 2017 was £2,133,000 (2016: gain of £1,875,000)
Cumulative expense is £11,058,000 (2016: £8,925,000)
The actual return on scheme assets was a gain of £12,277,000 (2016: loss of £167,000)

The amounts included in the Balance Sheet arising from the Company's obligation in respect of defined benefit retirement schemes are:

	2017	**2016**
	£'000	**£'000**
Fair value of scheme assets	63,179	50,980
Present value of defined benefit contributions	(77,971)	(62,689)
Liability recognised in the Balance Sheet	(14,792)	(11,709)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017
(continued)

17. RETIREMENT BENEFIT OBLIGATIONS (continued)

Movements in the liability recognised in the Balance Sheet in the current period:	2017	2016
	£'000	£'000
at 1 April	(11,709)	(12,517)
Current service cost including curtailments	(1,484)	(1,649)
Interest cost	(2,301)	(2,079)
Remeasurement arising from changes in financial assumptions	(12,525)	3,724
Expected return on scheme assets	1,885	1,682
Actuarial gains/ (losses)	10,392	(1,849)
Administration expenses	(26)	(22)
Employer contributions	976	1,001
at 31 March	(14,792)	(11,709)

Movement in the present value of defined benefit obligations in the current period:	2017	2016
	£'000	£'000
at 1 April	62,689	63,289
Current service cost including curtailments	1,484	1,649
Interest cost	2,301	2,079
Remeasurement arising from changes in financial assumptions	12,525	(3,724)
Contributions by plan participants	416	439
Benefits paid	(1,444)	(1,043)
at 31 March	77,971	62,689

Movement in the fair value of scheme assets in the current period:	2017	2016
	£'000	£'000
At 1 April	50,980	50,772
Expected return on scheme assets	1,885	1,682
Actuarial gains/ (losses)	10,392	(1,849)
Administration expenses	(26)	(22)
Employer contributions	976	1,001
Employee contributions	416	439
Benefits paid	(1,444)	(1,043)
At 31 March	63,179	50,980

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017
(continued)

17. RETIREMENT BENEFIT OBLIGATIONS (continued)

Analysis of the scheme assets and the expected rate of return at the reporting date:

	Expected return		Fair value of assets	
	%	%	£'000	£'000
	2017	2016	2017	2016
Equity instruments	2.7	3.7	40,694	30,854
Debt instruments	2.7	3.7	7,746	6,346
Property	2.7	3.7	4,867	4,204
Alternatives	2.7	3.7	8,069	7,247
Cash	2.7	3.7	1,803	2,329
	2.7	3.7	63,179	50,980

Since 2016 the overall rate of return on scheme assets is calculated with reference to the overall discount rate. These were previously determined by reference to relevant indices.

The five year history of experience adjustments are as follows:

	2017	2016	2015	2014	2013
	£'000	£'000	£'000	£'000	£'000
Fair value of plan assets at 31 March	63,179	50,980	50,772	43,821	42,151
Present value of defined obligation at 31 March	(77,971)	(62,689)	(63,289)	(50,935)	(55,795)
Deficit in the plan	(14,792)	(11,709)	(12,517)	(7,114)	(13,644)
Re-measurement on Assets	10,392	(1,849)	4,743	(839)	2,779
Experience adjustments arising on plan liabilities	-	-	-	(3,505)	-
(Gain)/Loss on financial assumptions	12,525	(3,724)	9,463	(5,687)	6,329
Loss on demographic assumptions	-	-	-	378	603

The estimated amounts of contributions expected to be paid to the scheme during the financial year ending 31 March 2018 is £1,579,000.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017
(continued)

18. RELATED PARTY TRANSACTIONS

The Company's parent and ultimate parent is Solihull Metropolitan Borough Council. Their consolidated Financial Statements are available from Solihull Metropolitan Borough Council, The Council House Complex, Manor Square, Solihull, B91 3QB.

Solihull Community Housing Limited is an Arms Length Management Organisation with a contract from the ultimate parent (Solihull Metropolitan Borough Council) which passes on responsibility for the management and maintenance of the Council's homes and other related buildings.

	2017	2016
During the year the company:	£'000	£'000
- supplied goods and services to SMBC	39,318	35,557
- purchased goods and services from SMBC	3,228	2,967
At 31 March		
- included in year-end Debtors owed by SMBC	1,499	846
- included in year-end Creditors owing to SMBC	(841)	(2,384)
- included in year-end Borrowings owing to SMBC	(612)	(640)
- Net balance due to/ (from) SMBC	46	(2,178)

Included in the above figures is a loan from SMBC to fund SCH's own development of properties for rent and shared ownership. Further details are set out in note 12. The loan is secured against the assets that it was used to develop. As at 31 March 2017 the balance outstanding was £612,000 (2016: £640,000).

Apart from this loan the amounts outstanding that are recorded in the accounts are unsecured, carry or bear no interest and will be settled in cash. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

The Remuneration of key management personnel is included in note 5.

19. CAPITAL COMMITMENTS

At 31 March 2017 the Company had no capital expenditure commitments (2016: £nil)

20. CONTINGENT LIABILITY

The company currently acts as an agent for Severn Trent Water collecting water charges due from tenants and receives a commission payment for doing so. There is currently a case underway in London (Jones v London Borough of Southwark) where a judgement has been made that the Council was acting as a water reseller rather than an agent. Where an organisation is classed as a water reseller the organisation would be subject to the Water Re-Sale Order 2006, which restricts the amount a purchaser of water can charge when reselling water to the end-customer, effectively only allowing for modest administration charges to be passed on.

Any challenge would be strongly defended by the Company and the Council and as such the Company has accepted the Local Government Associations (LGAs) offer of support and advice as part of a combined approach on behalf of a number of organisations.

No allowance has been made in these financial statements for potential costs resulting from any such legal challenge as, not only does the company believe that the commission income equates to a reasonable administration charge, but the Council has also provided a letter of support confirming that any such losses, as a result of a court judgement, would be funded from the Council's Housing Revenue Account.