Solihull Community Housing Limited

Company Limited by Guarantee

FINANCIAL STATEMENTS

For the year ended

31 March 2012

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Officers and Professional Advisers

Directors	W A M Blackburn
	P A Brandum (resigned 5 September 2012)
	M Corser (appointed 22 May 2012)
	G Craig (resigned 24 May 2011)
	D H J Dixon
	J Evans (resigned 18 January 2012)
	N A Grace (resigned 15 October 2012)
	S Gomm
	J Hamilton (resigned 24 May 2011)
	H R Hendry (resigned 22 May 2012)
	M Hewings (appointed 22 May 2012)
	C J Horrocks
	C Iddles
	Dr A G C Lane
	A M Mackiewicz (appointed 24 May 2011)
	B Maynard (appointed 18 January 2012)
	S B Partridge
	J Potts
	S Rose (appointed 24 May 2011, resigned 22 May 2012)
	P L Smith
Executive Management Team	S Boyd – Chief Executive C Hodson – Director of Customer Services J D King – Director of Housing K A Preece – Director of Finance & Investment
Secretary	K A Preece
Registered office	Endeavour House Meriden Drive Solihull B37 6BX
Registered number	04462630
Auditors	Baker Tilly 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

Report of the Directors

31 March 2012

The directors present their report and the audited financial statements for the year ended 31 March 2012.

Principal Activities

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

Business review and future developments

We had thought that 2010/11 was a year of real change in the social housing sector – but there was more to come in 2011/12. Having seen the regulation regime completely turned on its head during last year, we have seen the financial foundations of the way we have operated completely re-written and a new type of social renting piloted. So life has not been dull as we have worked with the Council and other partners to ensure that we are ready for the future.

After many years in the making, the proposal to replace the Housing Finance Subsidy regime with locally managed and financed local authority housing services ("self-financing") finally received Royal Assent as part of the Localism Act and 2011/12 saw us working through the various stages of implementation. A great deal of work has been done locally to ensure that the proposed settlement that would see Solihull taking on an additional £69m of housing debt would provide Solihull with a viable financial future. Our work followed two clear strands that are inextricably interlinked; the development of a 30-year financial Business Plan and the development of a fully costed 30-year stock investment plan supported by a clear Asset Management strategy. We completed this work in the last quarter of the year – the Asset Management strategy and the Business Plan were approved by the Board in January and March 2012 respectively and formally endorsed by the Council in April 2012. On 28 March 2012, SMBC took out additional HRA ("Housing Revenue Account") borrowing of £69m and we finally said goodbye to the Housing Subsidy system and hello to local control and longer term certainty.

The solid work that we carried out with the Council during 2010/11 to secure a new 10-year Management Agreement finally paid off, when the new contract was finally signed in May 2011. We continue to work closely with the Council across all areas. We have always been keen advocates of the benefits that all of the residents of Solihull (not just the tenants that we serve) gain from an effective collaborative approach, but in a world where many local authorities are winding up their ALMOs at the end of Decent Homes, we also believe that our longevity depends on the strength of our relationship with our parent.

As with all new contracts, there are some new expectations on SCH that are enshrined in the agreement; they reflect the two key themes of efficiency and financial savings and streamlining customer contact across council services. We were not surprised at the drive to demonstrate efficiencies given the pressures on local government to make substantial financial savings – there is an expectation that, as one of their closest partners, SCH will share their pain. The Solihull Housing Revenue Account has never been rich and since inception, SCH has been required to make budget savings every year through more efficient working and better procurement of services. The strong financial control environment that we have developed sees every budget holder and member of staff fully engaged in this drive to deliver financial savings and value for money whilst improving the quality of the services that we offer. Setting the 2012/13 budget was no different, but it was actually helped by the detailed financial modelling to develop the self-financing business plan and we were pleased to be able to deliver a further 8% in efficiency savings in the budget for 2012/13 – which is a really good start to the new management agreement.

Report of the Directors

31 March 2012
(continued)

The other key change in the sector has really impacted on our plans to develop new homes – we began the year with a vision to "…provide 2,000 new homes for people in housing need by 2020". The Homes & Communities Agency ("HCA") budgets that fund grants for new developments were reduced by more than 50% and a new product called Affordable Rent was introduced to stretch the available funds further. Affordable rent is a new form of tenure where rents are set locally based on market rents. Rather than the social rent that is set using a national formula, new properties developed using HCA grant will be let at a higher rent (up to 80% of the local market rent for the property). Together with the Spectrum Development Partnership, we were successful in winning grant of £300k under the new regime, which will enable us to build 10 new affordable rent units in conjunction with the Council before 2015.

The self-financing settlement has placed a cap on the level of HRA borrowing that a local authority can have – for Solihull this cap is £180m. For Solihull, this only leaves headroom of around £5m that can be borrowed and used to fund new development until we are able to repay some of the existing debt. This limitation coupled with the general lack of availability of grant funding means that we recognised that we would not be able to deliver our ambitious vision to build 2000 new homes.

We therefore turned our attention to reflecting this changing environment in our vision. Over the year we worked with staff and our partners to reflect on what were our key drivers and in October 2011, we launched our new vision "Put our customers first, be forward thinking and pursue opportunities for growth" at our staff conference. We believe that this new vision really reflects the way in which SCH has always worked – we have not lost the drive that we showed in the old vision, rather it has been tempered to reflect the environment that we find ourselves operating in.

Life is becoming increasingly difficult for our existing tenants and leaseholders as the basic cost of living continues to rise. Our Money advice team has seen a 20% increase in the number of cases seeking their help to make ends meet and we have not yet seen the impact of the changes to benefit entitlement as a result of welfare reform. Although our arrears performance remains strong – the year end arrears position of £1,006k was £23k higher than at March 2011, which reflects the increasing pressures on our tenants – rising fuel bills for example continue to absorb an increasing proportion of income for all families, although we continue to promote EBICo, which is an ethical fuel provider that has no standing charges.

The demands on our services from those looking for a home continue to increase as a result of the difficult economic climate - the number of households on our waiting list at the end of the year remains at just under 16,000 despite an exercise during the year to cleanse it of those no longer looking. We are not seeing any levelling off in the number of homeless applicants – this has remained steady at around 1,650 and we are accepting a statutory duty to house on around 20% of applicants. Having fought against the use of bed & breakfast to house urgent or difficult homeless cases in the past, it has now become just another tool in our response to the problem. We are now seeing an average of around 30 families in this type of accommodation every night. Although the funding for our enhanced homelessness service ceased at the end of March 2011, we continue to work to prevent homelessness – we were able to prevent 414 cases from becoming homeless during the year. We continue to work with private sector landlords to identify possible homes for applicants – it is increasingly important that we do this as the number of new lettings from our own stock has reached an all time low at 7.5% (down again from 9%). Because stock is so much in demand, we continue to challenge our void re-let service to work faster and smarter – as a result we have managed to further reduce our void re-let times from 22 days to 19 days. The direct and positive impact on rental income is an added bonus for us.

"Put our customers first…" encapsulates our commitment to working with our customers to ensure that we deliver the service that they expect and deserve. We successfully retained the Government's Customer Services Excellence award as well as accreditation with the Customer Contact Association and delivered against our "local offers". In 2011/12, these focussed on our elderly and more vulnerable tenants and included the installation of "sure stops" that enable people to turn off their water from a switch above their kitchen worktop. In October we published our second performance report against the new Tenant Services Authority standards in conjunction with our Tenants' Forum.

Report of the Directors

31 March 2012
(continued)

Although the challenge of inspection is no longer with us, continuous service improvement remains at the heart of what we do and we still monitor service delivery rigorously. Targets were again set through a consultative process that included tenants as well as staff, board members and our parent SMBC. Over the year, the new tenant scrutiny panel has really started to take shape – in future tenants will put themselves forward for "election" to serve on the panel, which will operate independently of the Tenants Forum and of staff and the Board. As well as scrutinising performance, the panel will monitor progress against the service improvement plan and will get involved with our programme of service reviews. They will also commission their own "journey mapping" (or mystery shopping as we used to call it). They will have a direct reporting line into the SCH Board in the same way as our existing Board Sub-Committees do, which we believe will increase the customer profile in decision-making still more. The strength of our performance monitoring at all levels and the challenge that comes from scrutiny by the Board, the Council and our tenants continues to ensure that problem areas are identified and remedial action taken at the earliest possible opportunity. We have worked hard on our complaints handling over the year following the introduction of the new system – we have seen a marked improvement in the way that we respond when our tenants believe that our service has not been as good as it should have been.

Our challenging service improvement plan aimed to focus on improved outcomes for tenants from a number of different angles. After experiencing the worst winter for many years, we took action in those properties where their heating had frozen to prevent it happening again and we developed an extensive fire safety policy so that tenants particularly those in high-rise blocks can be really confident that we have done all that we can for their safety in case of fire. We helped ourselves in this task, by piloting a bulky waste collection service for tenants in high-rise blocks. We have also made a number of changes within our repairs service – from the customer perspective this means better appointment scheduling and the use of text message reminders that we are coming.

In autumn 2011, we brought together the teams delivering adaptations with the team delivering alarm monitoring services for the elderly and vulnerable as we could see that they were both serving a similar customer group. Both services have changed a great deal over the year and we believe that we are now providing a much more responsive service than we were before the teams were merged under single management. We know that there is still more that we can do – waiting times for adaptations are still longer than we would like and we are still working with the Council to provide a more flexible alarm monitoring service rather than the current one-size fits all approach.

Having said that the pressure to make savings is still strong, we have once again delivered a financial surplus (that can be recycled into meeting future needs) as a result of our commitment to strong financial management and value for money. Financial performance during the financial year against budget and the previous year can be summarised as follows:

Report of the Directors

31 March 2012
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	2011/12 Actual £'000	2011/12 Budget £'000	2010/11 Actual £'000
Revenue			
Income	20,742	20,645	23,028
Expenditure	(19,556)	(20,435)	(22,503)
Surplus	1,186	210	525
Capital			
Income	9,690	10,853	12,841
Expenditure	(9,690)	(10,853)	(12,841)
Surplus	-	-	-
Combined			
Income	30,432	31,498	35,869
Expenditure	(29,246)	(31,288)	(35,344)
Operating surplus	**1,186**	**210**	**525**
Corporation tax	(82)	(59)	-
Homelessness Reward Income	-	-	217
Contribution to capital from reserves	(461)	-	(163)
Pension Adjustments	(301)	-	1,632
Surplus per Income Statement	**342**	**151**	**2,211**

The strength of our financial culture - zero-based budget setting and a really strong relationship between budget holders and finance staff helps us to ensure that all available funds are used efficiently and effectively to deliver excellent, customer-focused services. We still aim to identify efficiency savings every year – as well as ensuring that we balance the books financially, it enables us to fund new activities and initiatives across the organisation every year. This year we have reported efficiency savings of £1.1m as well as sustaining the £4.2m of cashable savings delivered over the previous 3 years – our savings continue to be generated in two principal areas – streamlining of the staffing structure and by more effective procurement and supply chain management. The increasing strength of our procurement team is reflected in £1.9m savings on the £24m of new contracts let during the year. In addition, we are seeing improved contract management from staff managing long-term contracts – this means that we are getting better value or increased service from our suppliers without an increase in prices.

Statutory legislation covering the provision of housing services by local authorities ensures that income from housing activities such as rents paid by tenants cannot be used for purposes that are defined as non-housing activities. The new self-financing regime has not changed this; in fact it makes the link between rents paid and services received more transparent than it ever was under the subsidy system. Our Management Agreement ensures that all available funds for housing are made available to the Company in order for it to carry out its activities whether they are revenue of capital in nature. We continue to seek new sources of income to maximise the projects that we can carry out. This year we have received income from the Carbon Trust and British Gas to support energy saving initiatives within the capital programme. We were disappointed when the government announced late changes to the renewable heat initiative scheme as it meant that a number of planned schemes to reduce residents (and our own) heating bills were no longer viable.

For the first time in many years, our capital programme was not all about delivering the Decent Homes programme – only 31% of our spend was enough to see us complete what has been a massive undertaking. We kept tight control on average costs right to the end and delivered works at around £8,700 per property. Overall, with a refusal rate of 9% and customer satisfaction with the works of 90%, we performed above the national average in making 8,933 properties decent. We still have a programme running, delivered by our in-house maintenance team that will pick up those properties where the tenants refused the work.

Report of the Directors

31 March 2012
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Alongside the completion of this big project we have replaced lifts in 2 high-rise blocks, completed our planned preventative maintenance programme and continued to replace boilers when they are no longer viable to repair. We used some of our recycled surpluses to fund an extension to our headquarters building so that we could bring more of our staff into the building – our tenants should benefit from this as more teams get to work closer together.

The new 30-year Asset Management strategy looks at all elements of work to our stock as well as how to grow it. There are three key themes in the strategy; “Decent Homes for the outside”, grow our stock through acquisition or development and making sure that all of our properties are places that people really want to live in and which they would be happy to call home. “Decent Homes for the outside” is encapsulated in our “Envelope scheme” – over the next 10-15 years (starting 2012/13) we will visit every block and street and make sure that the properties look good, have effective security measures in place and have been finished in low-maintenance materials. At each stage we aim to work with tenants in the block or street to make sure that we are doing what they want

We believe that a well-trained and highly motivated workforce is essential to continue to meet challenging performance and service improvement targets. 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 though a combination of the formal and the informal - annual appraisal and progress monitoring with line managers throughout the year.

There are always challenges around the corner and we continue to try and identify them at an early stage. We have begun work to assess the impact of welfare reform benefit changes on individual tenants as well as on the organisation. We know that the changes will place our residents (and therefore us) under even more financial pressure than they are now. We have started to provide tenants with information about the changes even though we are still not sure when some of them will actually come into play in Solihull. But we believe that the culture of service excellence, innovation and strong financial management that we have embedded across SCH means that we are as best placed as we can be to do the right thing for our tenants and our stock.

Directors

The directors of the company during the year and subsequently are set out on page 1.

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 and welcome and respond to feedback from staff at all levels of the business.

Our staff support package includes access to occupational health, counselling and financial and other support services where these are necessary and we have an active social club that is run by and for staff and supported by senior management. 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.

Report of the Directors

31 March 2012
(continued)

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 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 have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors.

Auditors

A resolution to reappoint Baker Tilly UK Audit LLP, Chartered Accountants as auditor will be put to the Board at the Annual General Meeting.

Approval

The report of the directors was approved by the Board on 17 October 2012 and signed on its behalf by:

K A Preece
Company Secretary
17 October 2012

Statement of Directors' Responsibilities for the Financial Statements

The directors are responsible for preparing the Directors' 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).
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 of Directors 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.

Chairman's Statement

31 March 2012

The past 12 months has seen a great deal of change for the housing sector driven by Coalition Government initiatives. This has provided SCH with both opportunities and challenges for the future. At long last the HRA self financing settlement plans were finalised which has enabled us to start implementing our long term financial plans. This will enable much greater flexibility over our plans and finances in the future. As part of this revised view of the future we developed a new vision for SCH more appropriate to the new financial environment. This seeks to 'put our customers first, be forward thinking and pursue opportunities for growth'.

During the year 2011/12 two significant milestones were achieved. Firstly our Decent Homes programme was completed, and secondly the new 10 year management agreement with Solihull Council was signed. This has energised us to move to a new phase in our asset management strategy. We are now focusing on a long term plan to improve the lives of tenants and leaseholders. It covers three areas – making the place and presentation of our properties more attractive, improving the energy efficiency of our homes and finally seeking ways to increase the number of homes we have in response to demand throughout the Borough of Solihull.

Improvement of the external façade and areas around our homes will become 'Decent Homes 2'. This aims to provide attractive places to live, and to improve energy efficiency, not only in response to climate change but also to cut tenants' energy bills. To start this project off we have an innovative heating and insulation project on two high rise buildings in North Solihull. This will see a major collaboration with British Gas to deliver this scheme by Christmas 2012 providing both a significant improvement to the area and a reduction in fuel bills for residents involved. This is a beacon scheme which we hope to roll out over the coming years across the rest of our housing stock.

The demand for social and affordable housing continues to grow as does demand for the services provided by SCH. In order to fund our services SCH has maintained a high level of rent collection, keeping arrears at low levels without seeing problems of non-payment rising. The results of our money advice team, as well as partner organisations such as Citizens Advice bureaux, have played a key part. In parallel SCH continues to achieve a rapid turnaround of void properties. This maximises the number of properties available to new applicants and keeps the numbers of empty homes to a handful.

The need for homes from SCH is highlighted not only in the large housing waiting list in Solihull but also the continuing demand for the services of the SCH homelessness team. Through the skilled efforts of this team, applicants are generally housed; although in the last year SCH has increasingly had to use local budget hotels as a stop gap whilst suitable homes are sought. Although the Government trailblazer funding has finished, in the past 12 months SCH has worked with Solihull Council to identify funding to enable us to continue much of the proactive advice preventing homelessness over the next 3 years.

Due to Government austerity measures, affordable housing grant has been significantly reduced. This has had a commensurate effect on SCH development plans. However during the year SCH finished its second housing development in Olton which has received much praise. We are now developing a pipeline of schemes to follow this throughout Solihull. However these future sites are somewhat smaller than we had hoped due to reduction in finances and the challenge of securing suitable land and planning approvals. To complement housing development SCH has also developed a strategy to buy back suitable properties which are on the open market. A small fund has been set up with the help of Solihull Council. This initiative will provide additional new homes for social renting across north and south Solihull.

The new vision for SCH focuses on 'putting our customers first'. In the past year this has been demonstrated by various service improvements for tenants. A good example is the 'sure stop' devices we have fitted in homes. Should a problem occur, at the flick of a switch the water supply to a home can be disconnected to prevent leakage problems. This has been particularly helpful to older and more vulnerable tenants. Learning the lessons of heating problems from the hard winter of 2011/2011 adaptations have been made to the central heating systems to prevent breakdown in severe weather when heating is most needed.

Working collaboratively with Solihull Council and West Midlands Police, we have launched an ASB hotline. This provides all Solihull residents, including private householders, with a single place to log ASB complaints which SCH takes the lead in resolving. The support service for older and more vulnerable tenants has been reorganised under the banner of "Safe and Sound". In addition to integrating the service more closely with the SCH team who provide adaptations, the service has been tailored to provide more individual responses.

Chairman's Statement

31 March 2012
(continued)

In this time of austerity where money has to be used wisely, SCH have operated efficiently and produced a small surplus from the original budget targets. Even with demanding cost targets it is pleasing to report that SCH staff remain committed to meeting and beating the needs of SCH tenants, leaseholders and other local stakeholders.

A very significant change has taken shape during the past year which illustrates the commitment of SCH to put its customers first. The Tenant Performance Scrutiny panel is being developed with the objective of taking over monitoring of SCH operational performance from a board committee. In the coming year this group will take over all duties in this area. They will report their findings to the main SCH board to ensure full supervision and appropriate corrective action when necessary.

Finally on behalf of the full SCH board I would like to take this opportunity to express our thanks to all SCH staff for their work and commitment over the past 12 months. We look forward to continuing this high level of performance over the coming year to make Solihull an even better place to live.

Dr AGC Lane
Chairman
17 October 2012

Statement on Internal Control

31 March 2012

The board acknowledges its overall responsibility for establishing and maintaining a system of governance, risk management and internal control 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, the process for identifying, evaluating and managing the significant risks faced by the company continue to be reviewed and strengthened. The year ended 31 March 2012 has seen continuing development of the internal control framework including the implementation of changes to remedy weaknesses that were identified at the end of 2010/11 and some extensive work in the area of health & safety.

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

- Board approved terms of reference and clearly delegated authorities for the Finance & Audit, Asset Management, Performance & Service Improvement and Human Resources, Equalities & Diversity sub-committees.
- Formally adopted Standing Orders (incorporating Rules for Contract and Financial Regulations) setting out the arrangements for the supervision and control of the finances, assets and other resources of the company. This includes detailed guidance notes, standard monitoring and approval documentation and for high value contracts an independent challenge 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.
- Robust strategic and business planning processes.
- Formal quarterly reviews of the company's Corporate Risk Register (and supporting Directorate 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.
- Detailed financial budgets and 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 Finance & Audit sub-committee.
- A formal programme of internal audit work, carried out by officers independent of the executive. Reports and recommendations are agreed at directorate level as well as being considered in detail by the Finance & Audit sub-committee.
- Formal and independent annual external audit of reported financial performance and the processes that underpin it.
- Monthly monitoring of an agreed suite of performance indicators (both local and national) at team and corporate level and by the Performance & Service Improvement sub-Committee, who then report to the Board. In addition, performance against an agreed suite of indicators and progress in delivering the service improvement plan is monitored on a quarterly basis by an independent Tenant Scrutiny Panel that will start to report direct to the Board during the forthcoming year.
- Established authorisation and appraisal procedures for all significant new initiatives and commitments.
- Regular reporting to senior management and the board of key business objectives, targets and outcomes.
- Continuing Board appraisal and member training programme supported by a formal Board Composition, Recruitment and Retention policy.
- 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.
- Board 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.
- Detailed policies and procedures in each area of the company's work.

Statement on Internal Control

31 March 2012
(continued)

The Board met for four mandatory "away days" during the year, with a wide agenda that enabled them to spend time discussing the key issues facing the company in more detail. These sessions included training and updates on key areas of change both within the sector and more widely – this particularly included the proposals set out in the Welfare Reform and Localism bills as well as the new Affordable rent regime. Although the responsibilities of the TSA have now been passed to the Homes & Communities Agency ("HCA"), SCH is continuing to progress the work that the TSA began to engage tenants more widely in the development and quality monitoring of service standards. The Board has supported the establishment of a new independent Tenants Scrutiny Panel, which will start to take over responsibility for performance monitoring from the Board during 2012/13. This new panel will have a direct reporting line into the Board. The impact and implementation of the self-financing proposals continued to be a key area of debate for members throughout the year. SCH has developed a new Asset Management strategy and 30-year self-financing Business Plan, which was formally adopted by the Council before self-financing was implemented on 1 April 2012.

During 2011/12, Board Members have been working through a "whole Board" governance improvement programme, which has asked them to look at how they perform against the various recommended governance codes. This has also asked them to consider the effectiveness of their engagement with stakeholders. Areas for improvement are now being collated and some "Away days" in 2012/13 will seek to work on these areas. All new members the Board have followed an updated and revised 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 approved its annual update to Standing Orders (incorporating Rules for Contracts). The key changes this year reflected the outcomes from a detailed review of our procurement processes to ensure that they remain compliant with ever-changing legislation particularly with regard to EU procurement. Underpinning this work has been a detailed review of documents, forms and guidance notes as well as our intranet and website presence. Briefings on these changes have been delivered to all staff alongside further training on the all-important area of contract management. The delegation of authority levels across SCH has again been formally reviewed and updated to reflect changes in staffing and structure 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 2012.

We have a flexible structure of meetings across the various tiers of management that focus on collaborative working throughout the organisation. These work alongside more traditional team meetings that focus on service delivery. We have continued to facilitate a wide range of personal training for all staff across the organisation during the year – anything from improving spreadsheet skills to meeting the ongoing demands of continuing professional education. We have a number of staff that are being supported to achieve professional qualifications – in housing, procurement, accounting and law.

Our new vision aims to set the customer at the heart of everything that we do – strong performance management underpins this. Our approach continues to seek to embed performance management at all levels of the organisation so that good customer service is a given in all areas of our business. We look to achieve this in many different ways; through personal and team targets and through regular discussion at individual and team meetings. Collaborative working remains an effective way to challenge complacency - during the year, we have implemented changes to our repairs service following the 2010/11 Lean review and carried out a Lean review of our income collection service in preparation for the significant changes to come through welfare reform in the next few years. We have continued to focus on the corporate "TeamSCH" with more traditional briefings and staff newsletters, but the high point of the year was the Staff Conference in October 2011. This event saw staff launch the new SCH vision as well as learn more about tackling anti-social behaviour and the major changes to come as a result of welfare reform.

Statement on Internal Control

31 March 2012
(continued)

Work to maintain a high level of compliance and awareness of health & safety has continued, with every team again being subject to a formal audit of its arrangements and procedures. This year, all teams have again achieved at least a good rating – overall teams have improved, reflecting the success of our embedded approach to compliance in this area. 2011/12 has seen further developments in asbestos management – this has included further training in the latest regulations for our in-house team that deals with low-level, low-risk cases and our tenants can now find out what asbestos is in their home through our on-line database. For the first time, we have pulled together our approach to fire risk into a comprehensive fire safety policy. In rolling this out, we have trained a group of staff as fire-risk assessors. They have started an extensive programme to assess the communal areas in all of our high and low-rise blocks and maintain a regime of regular fire integrity checks.

We have continued to work to embed our approach to risk – both in identifying risks and in monitoring and managing them. Directorates now manage their own risk registers and monitor them on a regular basis – during the year they have been supported through some facilitated sessions that are part training and part challenge. The Corporate Leadership team has continued to monitor high level risks during the year and report the most critical risks to the Board in line with the risk management strategy.

We continue to seek to improve our financial and performance monitoring. Designated finance representatives for each directorate work closely with budget holders throughout the year – this continues to show excellent results in terms of budget management and in forecasting what is going to happen later in the year. Budget holders now really understand that knowing what expenditure is coming later in the year gives them increased flexibility to re-align activities around available budgets. Effective manager involvement in the budget and performance target setting process is now ingrained in day to day operations and personal and team ownership of targets and budgets is simply a fact of life. The new self-financing regime enables us to look ahead at our resources with some certainty and the discipline of developing the 30-year Business Plan has enabled us to really clarify our overall objectives as well as our 30-year stock investment programme. Austerity in the public sector, and more importantly, in local government means that we are still challenged to make a high-level of efficiency savings and we continue to set savings targets as part of the annual budget setting round. And more importantly, we continue to deliver to expectations because of managers' clear understanding of corporate drivers as well as the needs of their own teams.

As in previous years, SCH set itself a robust Corporate Service Improvement Plan (and a suite of team improvement plans) to support our drive to deliver excellent services and the majority of the scheduled improvements were successfully delivered. This has included some extensive back office work to support the implementation of paperless direct debits and more on-line options for tenants to communicate with us. Closer to home for tenants, the winter management strategy saw us make changes to some boilers that froze in the very hard winter of 2010/11 so that the problem will not re-occur.

Although the new self-financing regime gives us more certainty in terms of resources, SCH still prides itself on it robust approach to efficiency and value for money – making the most of our resources means doing the best for our tenants. This is reflected in our strong financial management as well as effective procurement and contract management. By working with them, we are now seeing our contractors deliver real continuous improvement and value for money savings throughout the life of contracts.

The Board cannot delegate ultimate responsibility for the system of internal control, but it can, and has, delegated authority to the Finance & Audit sub-committee to regularly review the effectiveness of many of the key elements of the control framework. The Board receives five reports a year from the committee. 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.

Statement on Internal Control

31 March 2012
(continued)

The Finance & Audit sub-committee and full Board reviews the effectiveness of the system of internal control through consideration of the results from regular reviews of the Corporate Risk Register, internal audit reports, management assurances, the external audit management letter and annual health and safety audits. The Finance & Audit sub-committee has received the formal assurances of the Senior Management Team with regard to the system of internal control operating within the company together with the annual reports of the internal auditor and the external auditor, and has reported its findings to the Board. The Board has considered all of this information in arriving at its assessment that the system of internal control being operated by the company is effective and appropriate for the organisation.

Dr AGC Lane	**S Boyd**
Chairman	**Chief Executive**

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

We have audited the financial statements on pages 16 to 40. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS's) as adopted by the European Union.

This report is made solely to the company's member, 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 member 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 member as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As more fully explained in the Directors' Responsibilities Statement set out on page 8, 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.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on the financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of it's result for the year then ended;
- have been properly prepared in accordance with IFRS's as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
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.

GARY MORETON (Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
St Philips Point
Temple Row
Birmingham B2 5AF

October 2012

Statement of Comprehensive Income

for the year ended 31 March 2012

	Note	2012 £'000	2011 £'000
REVENUE	1	30,432	35,869
Operating expenses	3	(30,137)	(33,400)
PROFIT FROM OPERATIONS		295	2,469
Finance income/(costs)	4	129	(258)
PROFIT BEFORE TAXATION		424	2,211
Income Tax expense	6	(82)	-
PROFIT FOR THE YEAR	14	342	2,211
OTHER COMPREHENSIVE (EXPENDITURE)/INCOME, NET OF TAX			
Actuarial gains and losses on defined benefit obligations	17	(3,392)	3,574
TOTAL COMPREHENSIVE (EXPENDITURE)/INCOME FOR THE YEAR		(3,050)	5,785

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 2012

	Note	Retained Earnings £'000
BALANCE AT 1 APRIL 2010		(8,535)
Profit for the financial year to 31 March 2011		2,211
Actuarial gain relating to the pension scheme	17	3,574
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		5,785
BALANCE AT 31 March 2011		(2,750)
Profit for the financial year to 31 March 2012		342
Actuarial loss relating to the pension scheme	17	(3,392)
TOTAL COMPREHENSIVE EXPENDITURE FOR THE YEAR		(3,050)
BALANCE AT 31 MARCH 2012		**(5,800)**

Balance Sheet

at 31 March 2012

	Note	2012 £'000	2011 £'000
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	8	1,741	1,860
Other non current financial assets	7	171	286
CURRENT ASSETS			
Inventories	9	99	263
Trade and other receivables	7/10	1,091	1,791
Cash and cash equivalents	7/15	4,210	5,134
Other current financial assets	7	114	114
TOTAL ASSETS		7,426	9,448
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	7/11	(3,544)	(5,658)
Current tax liabilities	6	(82)	-
Borrowings	7/12	(135)	(621)
		(3,761)	(6,279)
NON CURRENT LIABILITIES			
Borrowings	7/12	(894)	(1,029)
Retirement benefit net obligations	17	(8,571)	(4,878)
Other non current financial liabilities	7/11	-	(12)
TOTAL LIABILITIES		(13,226)	(12,198)
NET ASSETS		(5,800)	(2,750)
EQUITY			
Retained earnings	14	(5,800)	(2,750)
TOTAL EQUITY		(5,800)	(2,750)

The financial statements on pages 16 to 40 were approved by the Board and authorised for issue on 17 October 2012 and are signed on their behalf by:

Dr AGC Lane

Chairman

SB Partridge

Chair of Finance & Audit Sub-Committee

Statement of Cash Flows

for the year ended 31 March 2012

	Note	2012 £'000	2011 £'000
OPERATING ACTIVITIES			
Cash used by operations	15	(476)	(284)
Interest paid	4	(32)	(14)
NET CASH USED IN OPERATING ACTIVITIES		(508)	(298)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	8	(211)	(2,296)
Loans issued	7	-	(205)
Loans repaid	7	115	57
Interest received	4	1	1
NET CASH USED IN INVESTING ACTIVITIES		(95)	(2,443)
FINANCING ACTIVITIES			
Proceeds of new borrowings	12	-	1,497
Repayments of borrowings	12	(621)	(349)
Grant income received	8	300	481
NET CASH FROM FINANCING ACTIVITIES		(321)	1,629
NET DECREASE IN CASH AND CASH EQUIVALENTS		(924)	(1,112)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		5,134	6,246
CASH AND CASH EQUIVALENTS AT END OF YEAR	15	4,210	5,134

Significant Accounting Policies

31 March 2012

Basis of Accounting

The financial statements have been prepared on the historical cost basis. 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.

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.

PROPERTY, PLANT AND EQUIPMENT

All non-current assets are recorded at cost less accumulated depreciation.

Housing properties are initially recorded at cost less any identified impairment loss until the first revaluation.

Completed properties are re-valued every 5 years at Existing Use Value (Social Housing). All amounts exceeding the previous value are credited to the revaluation reserve. Depreciation of these assets commences when the assets are ready for their intended use.

DEPRECIATION

Depreciation is calculated so as to write off the cost 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.

Housing Properties

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:

- Substructure
- Superstructure
- Internal Finishes
- Fittings
- Services
- External works

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 components as appropriate.

Significant Accounting Policies

31 March 2012
(continued)

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 at a re-valued amount, 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 Income Statement.

GRANTS

Grants in respect of revenue activities are credited to the Income Statement 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 and equipment are deducted from the cost of the relevant non-current asset.

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 weighted average method.

Significant Accounting Policies

31 March 2012
(continued)

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.

Bank 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.

Significant Accounting Policies

31 March 2012
(continued)

Deferred taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax is provided, except as noted below, on timing differences that have arisen but not reversed by the balance sheet date, where the timing differences result in an obligation to pay more tax, or a right to pay less tax, in the future. Timing differences arise because of differences between the treatment of certain items for accounting and taxation purposes.

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 12.0% (2011: 11.1%) 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”, the service cost of the pension provision relating to the period, together with the cost of any benefits relating to past service, is charged to the Income Statement. A charge equal to the increase in the present value of the scheme liabilities (because the benefits are closer to settlement) and a credit equivalent to the Company’s long-term expected return on assets (based on the market value of the scheme assets at the start of the period), are 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 Changes in Equity along with differences arising from experience or assumption changes.

Government changes to retirement benefits arising from the replacement of RPI by CPI during the previous year were treated as a change in scheme rules and hence credited to the Income Statement. Because of the one-off nature of this change, it was treated as an Exceptional Item within the accounts for the previous year.

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 2012
(continued)

Standards issued as at 31 March 2012 but not yet Effective

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:

IFRS 9 Financial Instruments
IFRS 13 Fair Value Measurement
IAS 1 Presentation of financial statements – Amendments; Presentation of Items of Other Comprehensive Income
IAS 19 Employee Benefits - Amendments
IAS 32 Financial Instruments – Presentation – Amendment; Offsetting Financial Assets and Financial Liabilities

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Company when the relevant standards and interpretations come into effect.

Areas of Judgement and Risk Management

31 March 2012

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 business review set out on pages 2 to 7 of the Report of the Directors' sets out a commentary on the current and future trading activities of the Company. The evidence gathered in this exercise forms a key element of the Directors' assessment of whether SCH continues to be a going concern. The other key factor is the agreement of a ten year extension to the Management Agreement with SCH's parent which was formally signed in May 2011.

The only estimate (and related assumptions) that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities is considered to relate to the pension scheme. The detailed assumptions in this regard 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 the Company 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 considering whether the Company will be able to meet these future pension contributions, the business review set out on pages 2 to 7 of the Director's report confirms that SCH expects to continue to make sufficient cash surpluses to do so.

FINANCIAL RISK MANAGEMENT

The Board of Solihull Community Housing is responsible for identifying, evaluating and managing the significant risks faced by the company. The Chair of the Finance & Audit Sub-Committee jointly champions risk management (including the management of financial risks) throughout SCH on an ongoing basis together with the Director of Finance & Investment.

The Chief Executive and SCH's Senior Management Team (SMT) 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 Directorate maintains a supporting Directorate 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. SMT and Directorate Management Teams carry out formal quarterly 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 risk overall management processes. The Statement on Internal Control set out on pages 11 to 14 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 96% (2011: 97%) 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.

Areas of Judgement and Risk Management

31 March 2012
(continued)

Liquidity Risk and Credit Risk (continued)

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.

Credit risk predominantly arises from trade receivables – of the Company's total 2012 financial assets, £1,063,000 (2011: £1,805,000) is owed to the Company by Solihull MBC and the Board therefore also consider that the likelihood of this risk arising is remote. 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 affect 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 2012 and 2011 Financial Assets are non-interest bearing.

All the Company's 2012 and 2011 Trade and Other Payables are non-interest bearing. The interest rates applicable to the Company's 2012 and 2011 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 £3,181,000 at 31 March 2012 (2011: £3,484,000).

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

Credit risk

The Company's maximum exposure to credit risk, gross of any collateral held, relating to its financial assets is equivalent to their carrying value as disclosed above. All financial assets have a fair value which is equal to their carrying value.
Of the Company's total 2012 financial assets, £1,063,000 (2011: £1,805,000) is owed to the Company by Solihull MBC. The remainder are cash/cash equivalents and amounts due from third parties.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

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.

2. SEGMENT INFORMATION

IFRS 8 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. PROFIT FROM OPERATIONS

Profit from operations is stated after charging/(crediting):	2012 £'000	2011 £'000
Inventories		
- cost of inventory recognised as an expense	932	646
- amounts written off	5	1
Depreciation of owned property, plant and equipment	30	30
Auditor's fees:		
- On audit services	21	24
- On taxation	6	3
- For other services	-	3
Rentals under operating leases	409	438

The following table analyses the nature of expenses:		2012 £'000	2011 £'000
Staff costs	5	11,725	11,361
Exceptional item: Pension credit due to change from RPI to CPI	17	-	(2,481)
Depreciation, amortisation and impairments	8	30	30
Property works		13,193	19,304
Housing Management and Maintenance		3,167	3,171
Finance		484	515
Corporate Services		1,538	1,500
Total expenditure		30,137	33,400

4. FINANCE INCOME AND COSTS

		2012 £'000	2011 £'000
Expected return on Pension assets	17	2,395	2,122
Interest costs of Pension liabilities	17	(2,235)	(2,367)
Prudential borrowing interest		(32)	(14)
Other interest receivable		1	1
		129	(258)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

(continued)

5. STAFF COSTS

The average monthly number of persons employed by the Company during the period was:	2012	2011
Executive Management Team	4	5
Housing Management and Maintenance	226	233
Finance	25	25
Corporate Services	80	84
	335	347

Staff costs, including directors:		2012	2011
		£'000	£'000
Wages and salaries		9,374	9,181
Social security costs		679	680
Other pension costs		1,341	1,441
Exceptional item: Pension credit due to change from RPI to CPI	17	-	(2,481)
Modernisation and redundancy costs		331	59
		11,725	8,880

Remuneration of key management personnel

The remuneration of the Executive Management Team of the Company in aggregate is as follows:	2012	2011
	£'000	£'000
Short term employee benefits	453	425
Post employment benefits	65	67
	518	492

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 2012
(continued)

6. INCOME TAX EXPENSE	**2012**	**2011**
ANALYSIS OF CHARGE IN YEAR	**£'000**	**£'000**
Current tax:		
UK - Current year	82	-
	82	-

Current tax reconciliation:	**2012**	**2011**
	£'000	**£'000**
Profit before tax	342	2,211
Depreciation	30	30
FRS17 adjustments:		
- Other finance income / (costs)	(160)	245
- Past and present service costs	461	604
- Exceptional item: Pension credit due to change from RPI to CPI	-	(2,481)
	673	609
Tax at the standard rate of corporation tax 26% (2011: 21%)	175	128
Marginal relief	(17)	-
Effect of non-trading activities with member not subject to corporation tax	(76)	(128)
	82	-

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 was subject to Corporation Tax. A taxable profit of £380,000 (2011: £nil) arose in the year and is reflected in these statements.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2012
(continued)

7. FINANCIAL INSTRUMENTS

Assets at fair value:		**2012 £'000**	**2011 £'000**
Non-current financial assets			
Loan to SMBC (low-energy lighting)		171	286
Current financial assets			
Loan to SMBC (low-energy lighting)		114	114
Trade and other receivables	10	1,091	1,791
Cash and cash equivalents	15	4,210	5,134
Total loans and receivables		5,586	7,325

Liabilities at fair value:		**2012 £'000**	**2011 £'000**
Current financial liabilities			
Trade and other payables	11	3,544	5,658
Borrowings	12	135	621
		3,679	6,279
Non-current financial liabilities			
Borrowings	12	894	1,029
Retentions on construction projects	11	-	12
Total other financial liabilities		4,573	7,320

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.

		2012 £'000	**2011 £'000**
Within 6 Months			
Loan to SMBC (low-energy lighting)		57	57
Trade and other receivables	10	1,091	1,791
Cash and cash equivalents	15	4,210	5,134
6 Months to 1 Year			
Loan to SMBC (low-energy lighting)		57	57
1 to 5 Years			
Loan to SMBC (low-energy lighting)		171	286
Total		5,586	7,325

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

(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 2012 up to the contractual maturity date:

		2012	2011
		£'000	£'000
Within 6 Months			
Trade and other payables	11	3,544	5,658
Borrowings	12	57	57
6 Months to 1 Year			
Borrowings	12	78	564
1 to 5 Years			
Borrowings	12	894	1,029
Trade and other payables	11	-	12
Total		4,573	7,320

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, PLANT AND EQUIPMENT

	Freehold Land	Assets in course of construction	Completed Properties available for letting		**Total**
			Rented	Shared Ownership	
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Cost:					
At 1 April 2010	-	75	-	-	75
Additions	233	2,063	-	-	2,296
Schemes completed	-	(1,179)	921	258	-
At 31 March 2011	233	959	921	258	2,371
Additions	-	158	-	-	158
Transfers from stock	398	-	(271)	(74)	53
Schemes completed	-	(1,117)	1,117	-	-
At 31 March 2012	631	-	1,767	184	2,582

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2012
(continued)

8. PROPERTY, PLANT AND EQUIPMENT (continued)

Capital Grants

At 1 April 2010	-	-	-	-	-
Schemes completed	-	181	(142)	(39)	-
Received during year	-	(481)	-	-	(481)
At 31 March 2011	-	(300)	(142)	(39)	(481)
Received during year	-	(300)	-	-	(300)
Schemes completed	-	600	(600)	-	-
At 31 March 2012	-	-	(742)	(39)	(781)

Accumulated depreciation and any recognised impairment losses:

At 1 April 2010	-	-	-	-	-
Charged in the year	-	-	(23)	(7)	(30)
At 31 March 2011	-	-	(23)	(7)	(30)
Charged in the year	-	-	(28)	(2)	(30)
At 31 March 2012	-	-	(51)	(9)	(60)

Net book value:

At 31 March 2012	631	-	974	136	1,741
At 31 March 2011	233	659	756	212	1,860
At 31 March 2010	-	75	-	-	75

The depreciation expense of £30,000 (2011: £30,000) has been charged to operating expenses within the Income Statement.

9. INVENTORIES

	2012	2011
	£'000	£'000
Raw materials and consumables	99	101
Properties held for sale - shared ownership	-	162
	99	263

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.

The properties for resale in 2011 were the proportion of development properties to be sold on shared ownership terms. All these units were sold by 26 May 2011.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2012
(continued)

10. TRADE AND OTHER RECEIVABLES

	2012	2011
	£'000	£'000
Trade receivables	803	1,506
Other receivables	270	285
Other tax and social security	18	-
	1,091	1,791

The average credit period taken on provision of services is 14 days (2011: 19 days).

An allowance has been made for estimated irrecoverables of £52,000 (2011: £230,000). 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.

	2012	2011
	£'000	£'000
Up to 3 months	30	23
Up to 6 months	10	7
Greater than 6 months	1	17
	41	47

	2012	2011
The movement in the allowance account was as follows:	£'000	£'000
Opening balance as at 1 April	230	226
Provision for receivables impairment	28	32
Receivables written off during the year	(192)	-
Unused amounts reversed	(14)	(28)
Closing balance as at 31 March	52	230

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

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2012
(continued)

11. TRADE AND OTHER PAYABLES

Trade and other payables are as follows:	2012 £'000	2011 £'000
Amounts payable relating to invoiced amounts	1,291	970
Accruals and deferred income	1,945	3,711
Other tax and social security	13	599
Other creditors	295	378
Current trade and other payables	3,544	5,658
Non-current other creditors: retentions on construction projects	-	12
Total trade and other payables	3,544	5,670

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 17 days (2011: 20 days)

The Directors consider that 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

	Notes	2012 £'000	2011 £'000
Less than 1 year			
Interest free loan from Salix	a	114	114
Prudential borrowing from SMBC	b	21	507
		135	621
Greater than 1 year			
Interest free loan from Salix	a	172	286
Prudential borrowing from SMBC	b	722	743
		894	1,029
		1,029	1,650

Interest Rate Summary	2012 £'000	2011 £'000
Non-interest bearing	286	400
Floating rate	743	1,250
	1,029	1,650

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

(continued)

12. BORROWINGS (continued)

Loan details are as follows:

a) Interest-free loan from Salix Finance Ltd under the Energy Efficiency Loan Scheme - £286,000 (2011: £400,000). This is repayable by equal instalments, with the last instalment falling due in 2014.

b) Loan from Solihull MBC to finance SCH's development of properties for rent and shared ownership - £743,000 (2011: £1,250,000). This is a floating rate loan repayable over 22 years. Interest is charged at the Council's Consolidated rate of Interest (CRI). The loan is secured on the developed properties.

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) is 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	**2012**	**2011**
	£'000	**£'000**
Retained Earnings		
1 April	(2,750)	(8,535)
Retained profit for the year	342	2,211
Actuarial (loss)/gain	(3,392)	3,574
At 31 March	(5,800)	(2,750)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2012
(continued)

15. CASHFLOWS

	2012	2011
	£'000	£'000
Reconciliation of operating profit to net cash inflow/(outflow) from operating activities		
Profit from operations	295	2,469
Depreciation and amortisation	30	30
Pension contributions paid in period	(857)	(821)
Pension contributions (credited)/charged in the period	1,318	(1,056)
Decrease / (Increase) in inventories	164	(168)
Decrease / (Increase) in debtors	700	(989)
(Decrease) / increase in creditors	(2,126)	251
Net cash outflow from operating activities	(476)	(284)

CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent:	2012	2011
	£'000	£'000
Cash at bank and in hand	4,210	5,134
	4,210	5,134

16. COMMITMENTS UNDER OPERATING LEASES

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

	Land and buildings	Land and buildings	Plant and machinery	Plant and machinery
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Total value of lease commitments payable:				
Within 1 year	105	151	232	207
Between 1-5 years	252	420	336	335
After 5 years	-	298	4	-
	357	869	572	542

Operating lease payments represent rentals payable by the Company for office premises and equipment. £50,000 of the leases for land and buildings relates to a lease expiring after 1 year, with the remaining £307,000 relating to a lease expiring after 4 years. Rentals on both leases are fixed throughout the term of the lease. Rentals for plant and equipment are fixed for an average of 3 years

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

(continued)

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 2012 for the purposes of the IAS 19 valuation for inclusion in these financial statements prepared by a registered actuary engaged by Mercer Limited. The present values of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

	2012	**2011**
Key assumptions used:	**%**	**%**
Discount rate	4.9	5.5
Expected return on plan asset	6.0	6.9
Future salary increases	4.3	4.7
Future pension increases	2.5	2.9

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:	**2012**	**2011**
Male	87	87
Female	89	89

The average life expectancy for a pensioner retiring at 65, aged 45 at the reporting date:	**2012**	**2011**
Male	88	88
Female	91	91

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%	Decrease £903,000
Salary growth rate	Increase by 0.1%	Increase £922,000
Rate of mortality	Increase by 1 year	Increase £844,000

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

	2012	**2011**
	£'000	**£'000**
Current service cost	1,235	1,425
Past service (gain)/cost	-	(2,481)
Employers contributions paid	(857)	(821)
Expected return on scheme assets	(2,395)	(2,122)
Interest cost	2,235	2,367
Curtailments	83	-
Total operating (credit)/charge	301	(1,632)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2012
(continued)

17. RETIREMENT BENEFIT OBLIGATIONS (continued)

Of the charge for the year:

£461,000 has been charged to operating costs (2011: £1,877,000 credited)
£160,000 has been credited to finance costs (2011: £245,000 expensed)

Actuarial gains and losses are reported in the statement of recognised income and expense

Loss recognised in 2012 was £3,392,000 (2011: £3,574,000 gain)

Cumulative expense is £9,902,000 (2011: £6,510,000)

The actual return on scheme assets was £794,000 (2011: £1,999,000)

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

	2012	2011
	£'000	£'000
Fair value of scheme assets	37,012	34,927
Present value of defined benefit contributions	(45,583)	(39,805)
Liability recognised in the Balance Sheet	(8,571)	(4,878)

Analysis for reporting purposes:	2012	2011
	£'000	£'000
Non-current assets	10,622	7,894
Current assets	26,390	27,033
Current and non-current liabilities	(45,583)	(39,805)
	(8,571)	(4,878)

Movements in the present value of defined benefit obligations in the current period:	2012	2011
	£'000	£'000
at 1 April	39,805	40,794
Current service cost including curtailments	1,318	1,425
Past service cost	-	(2,481)
Interest cost	2,235	2,367
Actuarial gains and losses	1,792	(2,329)
Contributions by plan participants	473	493
Benefits paid	(40)	(464)
at 31 March	45,583	39,805

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2012
(continued)

17. RETIREMENT BENEFIT OBLIGATIONS (continued)

Movement in the fair value of scheme assets in the current period:	2012	2011
	£'000	£'000
at 1 April	34,927	30,710
Expected return on scheme assets	2,395	2,122
Actuarial gains and losses	(1,600)	1,245
Employer contributions	857	821
Employee contributions	473	493
Benefits paid	(40)	(464)
at 31 March	37,012	34,927

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

	Expected return		Fair value of assets	
	%	%	£'000	£'000
	2012	2011	2012	2011
Equity instruments	7.0	7.5	20,283	20,642
Debt instruments	3.5	4.7	6,921	4,925
Property	6.0	6.5	3,701	2,969
Other assets	6.4	6.7	6,107	6,391
	6.2	6.9	37,012	34,927

The expected rates of return on categories of plan assets are determined by reference to relevant indices. The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

The five year history of experience adjustments are as follows:

	2012	2011	2010	2009	2008
	£'000	£'000	£'000	£'000	£'000
Fair value of plan assets at 31 March	37,012	34,927	30,710	22,463	27,306
Present value of defined obligation at 31 March	(45,583)	(39,805)	(40,794)	(25,663)	(30,844)
Deficit in the plan	(8,571)	(4,878)	(10,084)	(3,200)	(3,538)
Experience adjustments arising on plan assets	(1,600)	1,245	5,623	(7,408)	(1,391)
Experience adjustments arising on plan liabilities	-	541	-	-	(407)

The estimated amounts of contributions expected to be paid to the scheme during the financial year ending 31 March 2013 is £859,000.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

(continued)

18. RELATED PARTY TRANSACTIONS

The Company's parent and ultimate parent is Solihull Metropolitan Borough Council.

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.

	2012	2011
During the year the company:	£'000	£'000
- supplied goods and services to SMBC	29,133	34,692
- purchased goods and services from SMBC	1,894	2,117
At 31 March		
- included in year-end Debtors from SMBC	1,063	1,805
- included in year-end Creditors owing to SMBC	1,868	1,740
- Net balance due to/(from) SMBC	805	(65)

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 the balance outstanding was £743,000 (2011: £1,250,000).

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 the Company had capital expenditure commitments as follows:

	2012	2011
	£'000	£'000
Contracted for, but not provided in the accounts	-	132