



**Solihull Community Housing Limited**

**Company Limited by Guarantee**

**FINANCIAL STATEMENTS**

**For the year ended**

**31 March 2016**



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## Officers and Professional Advisers

Directors ("the Board")	W A M Blackburn B Burton (appointed 07.03.16) D H J Dixon P E Field (appointed 07.03.16) C J Horrocks Dr A G C Lane A M Mackiewicz B Maynard S B Partridge (resigned 05.06.15) J Potts M J Robinson (appointed 08.06.15) P L Smith C Williams
Chief Officers	S Boyd – Chief Executive S C Gilbert CIPFA – Assistant Director-Finance & Property Services (SMBC) F Hughes – Chief of Operations P Stoate – Chief of Commercial Activity
Secretary	M E E Moroney-Barnett
Registered office	Endeavour House Meriden Drive Solihull B37 6BX
Registered number	04462630
Auditors	RSM UK Audit LLP (formerly 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

## Chairman's Statement

31 March 2016

SCH has now been operating for 11 years and continues to hold our vision as to 'put our customers first, to be forward thinking and pursue opportunities for growth'. Having signed a new Management Agreement with Solihull Council last year, this year has been a year of unprecedented changes in the Social Housing sector and has impacted on all housing providers including Solihull Community Housing (SCH). In a time of austerity we have continued to deliver quality services across all areas during the year to March 2016 and have delivered a pre-tax and pensions adjustment surplus of £2.238m this year (as set out in the Strategic Report). This surplus forms part of our financial strategy to provide support to delivering future savings through a programme of staff restructures that will take place over 2016/17 and onwards.

This year has been the first year of required budget reductions due to national constraints on rent setting and all planned savings were achieved with no impact to frontline services. These challenges will continue and in the summer of 2015, the government announced their Budget Statement that introduced a number of significant changes to Social Housing including future rent reductions of 1% per year for the next four years, starting from 2016/17. This reduction impacts on the funding available to spend on housing services. You will be pleased to know work has taken place since July to identify a plan to meet these future savings which has been shared and agreed with Solihull Council and places us in a good position to ensure our funds are spent wisely.

Capital work undertaken this year includes the third year of our 10 year "Great Places" programme that aims to give all of the Council's stock a real facelift – concentrating on the communal areas as well as the surroundings of the stock. We have continued to make real progress in the delivery of this project during 2015/16 with a further 36 communal areas in low-rise blocks having received a complete makeover giving a total of 121. Customer satisfaction for these works continues to be very high throughout.

The skyline of Solihull has been transforming over the last two years with the final 5 out of 37 high-rise blocks being modernised. Unexpected essential structural works to the roof areas of these five blocks of flats in Kingshurst has been required in order to complete window replacement and balcony enclosures resulting in the project being finished in early 2016/17.

Work started on a new External Wall Installation programme of works to increase the thermal comfort for customers who live in low rise properties over the next four years. The programme will include low rise blocks and houses/bungalows classed as hard to treat. These effective insulation solutions attract Carbon Savings Community Obligation (CSCO)/ Energy Companies Obligation (ECO) funding of £0.138m and during 2015/16 we completed work on 223 properties.

The flat and pitched roofing programmes have progressed well, during 2015/16 with 50 houses/bungalows receiving new pitched roofing and where relevant rainwater goods. We also replaced roofing at four low-rise blocks and four high-rise blocks.

The social housing sector in Solihull continues to exhibit high levels of demand with a shortage of suitable accommodation. The Council's Policies and Plans identify the following key areas in Solihull:-

- Make provision for the adequate amount and variety of homes to meet the increasing demand from older people and those with disabilities;
- Help address need on the housing waiting list and through homelessness;
- Support development to help meet housing needs in the borough whilst ensuring high quality places across the borough; and
- Continuing to improve the quality of the environment in North Solihull.

## Chairman's Statement

31 March 2016

(continued)

The Homelessness Strategy aims to prevent homelessness in Solihull, to provide a quality response to those that are affected by homelessness and meet the statutory responsibilities for people at threat of homelessness. Whilst Solihull continues to see high levels of homelessness within the borough demand has reduced during 2015/16 with a decrease of 30% in homelessness acceptances from 151 in 2014/15 to 106 in 2015/16. As a result we have reviewed our provision of Temporary Accommodation (TA) during the financial year, reduced the number of Housing Revenue Account (HRA) properties used for TA purposes from 79 to 63 and increased our number of Private Sector Leasing (PSL) properties from 12 to 25 as well as increasing our shared facility units from 10 to 20. These improvements to the TA offer have enabled us to cease the use of budget hotel accommodation with effect from 31 March 2016.

SCH implemented on behalf of Solihull Council revisions to their Housing Allocations Scheme late September 2014 which has seen the household numbers registered for housing stabilise at 8,279. This change now requires applicants to have a 'close association' to Solihull, to have a recognised housing need as determined within the policy and for applicants to have lived in the borough of Solihull for a minimum of 2 years prior to the offer of social housing. During 2015/16, we managed 917 applications (691 excluding transfers) into fresh lettings.

An additional challenge is that Right to Buy sales have increased again this year from 54 to 83 reflecting the increased discounts available since the scheme was re-launched. Unfortunately this means fewer homes are available to let.

Changes introduced during the government's summer Budget Statement also impacted on our plans for stock growth. The statement gave early indications of the government's intent to widen Right to Buy to Housing Associations (HAs) and compensatory payments to HAs would be provided from a new requirement for Council's to sell High Value homes within their housing stock. Details of this scheme are still yet to be finalised through Parliament but the potential impact could affect plans for the Council's future new developments.

Whilst there have been no new developments completed in 2015/16, 3 properties have been acquired and work is continuing on two new sites at Greenhill Way and Cambridge Drive in readiness for planning submission and approval during 2016/17. In addition, Oakthorpe Drive is expected to complete on site in 2016/17 providing an additional 7 units.

2015/16 saw a further reduction in the amount of Under-occupiers which reduced from 619 to 605 and was helped in part due to changes made to the Choice Based lettings scheme and evidenced by the fact that 140 tenants had either downsized or were registered to move at year end. 198 of the 605 Under-occupiers were in arrears at the end of March (33%) which compares favourably across the Midlands and is testimony to the help and support that has been given over the course of the year.

Our vision to 'put our customers first' is demonstrated in various other ways too. The terms of our new Management Agreement with the Council allows us to look to widen the range of services that we offer and those that we can offer them to. Most particularly, the new deal will allow us to operate outside of Solihull. We believe that these enhanced provisions will allow us to expand SCH and generate new income streams that we can then invest back into serving the people of Solihull. This signifies a new strategic course for SCH of becoming a more commercial organisation whilst continuing to provide excellent housing management services for Solihull.

In April 2015 the first commercial venture, **SCH Better Places**, was launched. This is an environmental cleansing service incorporating the anti-graffiti and fly poster removal services and broadening the contract to include servicing SCH, private residents and other businesses. In January 2016 we agreed to widen the service further to incorporate the integration of SMBC's Pest Control service into the business model with effect from 1 April 2016 as well as transferring the mould and damp treatment contract to SCH Better Places. This secures the continuation of a pest control service to Solihull residents and by diversifying we can offer a holistic environmental cleansing service to customers and clients.

## Chairman's Statement

31 March 2016

(continued)

Work has also been taking place during the year to consolidate a number of services to provide assistance for independent living that will come together as the **SCH Wellbeing Service** in 2016/17. The Wellbeing Service will enable customers to access a 'suite' of preventative and early help services through a single referral pathway. The services offered include Solihull Independent Living (providing Home Adaptions & Handyperson service), Safe and Sound (providing support for individuals in their home) and Assisted Technology Telecare. These services will be based at the Better Living Centre in Elmdon Business Park alongside Council provided services to SCH tenants, private paying customers and Local Authority referrals.

Finally on behalf of the full SCH board I would like to take this opportunity to express our thanks to all SCH staff and suppliers for their work and commitment over the past 12 months. We look forward to continuing this high level of performance over the coming year as SCH moves towards maintaining our customer standards against the backdrop of reduced funding available and being innovative and creative at generating income that can contribute to lowering costs.

Dr AGC Lane  
Chairman  
18 July 2016



## Strategic Report

31 March 2016

The Company sets out below its strategic report which aims to provide the reader of the accounts with a range of information about the operation of the business during the financial year as well as the environment in which it has been operating.

2015/16 began steadily with very positive prospects for a strong performance in all areas.

The roll-out of self-financing within the Housing Revenue Account ("HRA") had previously resulted in a much greater level of funding for the Council's capital programme than before and we continue to utilise this funding to improve the Council's existing stock and create more of it to meet the high levels of demand. We have also continued with our plans to ensure that the impact of welfare reform is managed with limited risk to both the SCH and HRA positions. We have set these plans within the context of budgets that were acceptable to our parent, Solihull Metropolitan Borough Council as both organisations look to manage their financial positions in the world of austerity. In this context, our vision to "Put our customers first, be forward thinking and pursue opportunities for growth" remains a challenge, but one that we strive to achieve.

The economic position is still fragile for those in receipt of benefits or low paid jobs and whilst regionally employment is improving, it is not being felt across all parts of the Borough with many in work receiving the minimum wage. The rent collected for 2015/16 is consistent with last year at 97.8% and regionally this is in tune with our partners who we benchmark with. The Council's Rent Arrears increased from £1.130m to £1.162m, an increase of £32,000 but again comparable to many Organisations across the Midlands. Within the arrears figures 33% of under-occupiers were behind with their rent at year-end although we helped 164 tenants with £67,400 of Discretionary Housing Payment Awards helping them retain their properties. This compares with 177 tenants receiving £99,400 of Discretionary Housing Payment Awards in 2014/15.

We launched Introductory and Fixed Term tenancies in 2014 and this year there was an increase in tenants who successfully went through the introductory process from 542 in 2014/15 to 627. We also check whether these arrangements are successful by monitoring the loss of tenancies. This year 39 tenancies were lost for various reasons compared to 1 in 2014/15.

The number of applicants registered for housing has increased slightly during the year from 8,268 as at 31 March 2015 to 8,279 at 31 March 2016. This is a 0.1% increase in applicants registered for housing with a housing need. However single people registered for housing remains high with 5,330 applicants who require one bedroom properties of the 8,279 applicants registered overall at 31 March 2016. This is a 1.5% decrease from last year when there was 5,411 single person applicants. What remains a real challenge is that we are only able to meet that demand from a limited number of void properties and any stock growth that we are able to deliver and in 2015/16, there were 859 council empty properties and 415 external housing association properties advertised through our Housing Options service. Demand for housing in Solihull continues to be significant and well beyond the supply available annually.

The re-launched Right to Buy scheme has seen a further increase in the numbers of Council properties sold to 83 (54 in 2014/15). The level of discount is continuing to depress the average sales value (marginally increased from £53,000 last year to £53,500 this year) particularly as 60 of the sales are family houses. The number of applications has increased again from 147 last year to 159 this year reflecting a continuing wish to "own your own home" amongst tenants and an increase in the number able to find funding to actually do this. Although the scheme is undoubtedly a real opportunity for those tenants that are able to take advantage of the improved offer, this does mean a further loss of valuable stock to meet wider demand. During the year the Council was successful in acquiring a further 3 properties, resulting in an overall reduction in stock of 80 properties.

The number of homeless applicants increased during the year with this rising from 1,122 in 2014/15 to 2,368 homelessness investigations and decisions completed at 31 March 2015. From this homelessness acceptances have decreased during the year and in order to manage caseloads better, we restructured the Home Options service to provide a single point of contact for all applicants whether they approach us through the waiting list or as homeless. We accepted a duty to house 418 cases this year, which is a 30% decrease from 599 the year previous. The Housing Options service during 2014/15 started the national accreditation known as the 'Gold Challenge' in the delivery of high quality homelessness service provision. The service achieved an excellent Peer Assessment outcome through this accreditation process and will move to achieve the 10 Gold Challenges during 2016/17.



## Strategic Report

31 March 2016

(continued)

In order to meet this rising need, we have been using a range of accommodation to provide Temporary Accommodation (TA) for homeless applicants. The Housing Options service has successfully introduced a number of self-contained units for the use of TA and increased the number of private landlords willing to work with Solihull through a private sector leasing arrangement. Improvements in the provision of TA management during the year included significantly reducing placing families in Budget Hotels out of the borough for no longer than 6 weeks with a view to stop using them altogether from 1 April 2016. In addition the service stopped using budget hotels located on the Hagley Road in Birmingham unless required due to the Severe Weather Emergency Protocol. Longer term into 2016, SCH is working with SMBC to develop a purpose built centre at Ipswich Walk Chelmsley Wood for single people who are homeless. The centre will accommodate 15 - 25 people with management and support for residents delivered on site. The centre will provide communal space to make provision for personal development relating to employment support, health and lifestyle.

This high level of demand does mean that there is increasing pressure on our voids team to turn properties around quickly. Due to the high number of days last year, work was undertaken during the year to understand the contributory factors. We have worked on 1,234 void units over the year, compared to 1,019 in 2014/15 and we failed to meet our stretch target of 17 calendar days. Last year's average number of days was 28 and this has now risen to 41 days cumulative for 2015/16. On monitoring the process, we found that we took an average of 23 days to complete the repairs and 18 days to let properties once the repairs were completed. We also discovered that of all void units completed, 254 (20.6%) were for Temporary Accommodation (TA) purposes and this is probably reflected on the average cost of a void repair which has reduced from £2,496 in 2014/15 to £2,186 this year.

Many of the pressures around general demand for housing and homelessness demand in particular do not have a direct impact on SCH income streams, although they do create pressures on staffing levels in managing these areas. SCH's funding is provided via a Management Fee charged to the Council's HRA and so some of the key risks that face the housing service are as a consequence of HRA funding changes. Risks around welfare reform impact ultimately on the collection of rent, which is the source of the majority of the funding for the HRA. If SCH fails to manage either welfare reform or collect rent effectively in the medium to long term, there will be less funding available to deliver housing management service and capital and improvement works. So far, funding has been set aside by the Council from SCH surplus to make provision for bad debts arising from shortfall in income, but a key priority going forward is providing timely and effective support to tenants where their financial circumstances change.

Our 2015/16 Management Fee paid by the Council was £19.733m, which increased from £19.296m in 2014/15. Additional funding continued for cost of voids (£0.494m), costs for welfare reform preparation (£0.139m) and fire protection work to properties (£0.408m) which were included in both 2014/15 and 2015/16. Contracted costs were increased by £0.633m requiring savings of £0.196m to balance the total budget within the Management Fee available. We actually planned and delivered £0.784m of savings to enable us to reinvest in services that needed additional funding or initiatives that will provide future income.

We have also continued to fund an ambitious stock improvement and growth programme through the overall capital programme that we deliver on behalf of the Council with a budget of £18.0m in 2015/16 compared with £17.9m last year. This programme excludes funding for new build and conversion as the schemes planned will be completed during 2016/17, although we did complete the purchase of 3 acquisitions for the Council and work at Oakthorpe Drive commenced in October this year.

## Strategic Report

31 March 2016

(continued)

For 2016/17 SCH obtained planning permission for 7 x 1 bedroom affordable homes at Oakthorpe Drive and received planning permission for 17 affordable houses at Richmond Road. These are planned to be shared-ownership properties which we are applying for a grant allocation from the Housing and Communities Agency (HCA) programme. We also have planning permission for a 20 bed space Temporary Accommodation centre at Ipswich Walk and are preparing to submit planning applications for 5 units at Greenhill Way and 8 units at Cambridge Drive. We are also in the early stages of preparing a proposal for a 55 unit elderly care scheme on the site of Coleshill Heath School.

We have been making real progress in delivering our envelope programme with a further 36 communal areas in low-rise blocks completed during 2015/16 giving a total of 121 over the first three years of the project. Customer satisfaction for these works has been very high throughout and you can start to see the wider impact on neighbourhoods when you take a walk around some areas.

We have completed an intensive programme of renovation to all of the high-rise flats. Last year we concluded a 2 year programme funded by British Gas using their ECO ("Energy Company Obligation") funding stream to ensure that 32 of the high-rise blocks were over-clad with External Wall Insulation. This year the remaining five blocks that were unsuitable for over-cladding have had necessary structural works to the roof areas undertaken before starting complete window replacement and balcony enclosures. This work is due to be finished in early 2016/17 and all 37 blocks have had work on signage, fencing, entrance lobbies, entrance doors (with new entry systems) and bin-store doors replaced to add to the transformation.

We have continued with our programme to replace old and inefficient heating systems that were not replaced during Decent Homes with another 456 new heating systems fitted this year and because we are still concerned about the rising cost of heating for the tenants, we continue to promote energy switching to all as well as EBICo, which is an ethical fuel provider that has no standing charges.

We are in year three of a 5-year programme of electrical testing in all of the properties and although there is no statutory duty to do so, we believe this complements our annual gas servicing programme with a further 2,109 properties checked totalling 6,150 properties to date.

Continuous service improvement still underpins everything that we do and we monitor service delivery rigorously. During 2015/16 we developed a new Performance Framework which is aligned to our Annual Delivery Plan objectives. We continue to engage tenants through the Scrutiny Committee as well as staff at all levels in the development of our Service Development Plan. Over the last year we held a series of staff workshops to engage staff at all levels in designing how our services should look going forward, particularly within a new financial environment.

As the Scrutiny Committee has grown in confidence over the last year the members have reviewed the way they were working and made some changes. Previously the Scrutiny Committee identified service areas which they felt needed analysis or scrutiny and commissioned the Customer Engagement Team to investigate and report back to the Scrutiny Committee. This has now changed and the Scrutiny Committee appoints two or three of their members to oversee each scrutiny exercise. These representatives meet with staff who are working in the specific service area and ask questions about how the service works. The information gained from spending time with officers together with performance and satisfaction data helps the Scrutiny Committee to make recommendations for improving services.

In addition to monitoring performance trends and having an overview of complaints and compliments the Scrutiny Committee was involved in agreeing the content and design of the Annual Report to tenants which was published in the autumn. This year the Committee has looked at voids performance, repairs completed right first time, the Contact Centre and the Customer Engagement Strategy. Their formal reports are presented to the Board and have now become a standard part of the overall governance arrangements for SCH. Their contribution is valued by the Board Members as their "eyes and ears" to what is happening on the ground and we continue to work to improve our complaints handling in terms of the speed of our response and most importantly the quality of our responses.

## Strategic Report

31 March 2016

(continued)

We have carried out a wide range of consultation during the last year including helping tenants and leaseholders to access cheaper energy bills and reviewing how we engage with our customers. In order to help improve our performance in relation to voids we have recruited a number of Tenant Inspectors and invited one of the tenants to join a staff workshop to look at ways to reduce the overall void period. We have also continued to hold "Hot Topic" sessions that any tenant or leaseholder can attend. Topics are selected from a range of sources including complaint trends and the work of the Tenant Scrutiny Committee in monitoring performance. These are advertised in advance through our newsletters and social media and have generally seen a positive and enthusiastic turnout leading to a good level of discussion and debate. So far this approach is proving successful and the outcomes have been very useful in shaping the way in which we communicate with tenants. Topics reviewed this year have included repairs right first time, Universal Credit, the Contact Centre and the recruitment of tenant board members.

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

The SCH Wellbeing service is being redesigned to deliver services to residents from a more holistic base and in April 2016 the service received a 'Solihull Together for Better Lives Award' for a second consecutive year. Becky McGann received the 'Beyond the Call of Duty' award for her decisive action that almost certainly helped save a man's life. The team were also shortlisted in the 'Collaborative Working' category.

During 2015/16 we engaged in pilot work with Solihull Council and Solihull Police based in Hob's Moat police station. The pilot saw employees from the three partners meeting on a daily basis in Local Problem Solving briefings to tackle key community concerns. As a result they understood the area better and were able to deal with local issues far more quickly and effectively. The pilot has been so successful it is now being rolled out across the borough and the Solihull Integration project has five new teams, each focussing on different areas of the borough. This involves officers from the police, the Council and ourselves having regular joint Local Problem Solving briefings to focus on the issues in their patch. Over time all the teams will work from shared offices. Alongside this area focused work there is increased borough-wide joint working between the Council's Regulatory services (licensing, trading standards, etc) and neighbourhood teams and the Solihull Police.

The strength of our financial culture has continued in 2015/16 with staff working hard to deliver planned savings and plan for future savings. This helps us to ensure that all available funds are used efficiently and effectively to deliver excellent, customer-focused services.

## Strategic Report

31 March 2016

(continued)

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

	2015/16 Actual £'000	2015/16 Budget £'000	2014/15 Actual £'000
<b>Revenue</b>			
Income	22,920	21,414	21,648
Expenditure	(20,682)	(21,414)	(21,288)
<b>Surplus</b>	<b>2,238</b>	<b>0</b>	<b>360</b>
<b>Capital</b>			
Income	14,249	15,829	16,848
Expenditure	(14,249)	(15,829)	(16,848)
<b>Surplus</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Combined</b>			
Income	37,169	37,243	38,496
Expenditure	(34,931)	(37,243)	(38,136)
<b>Operating surplus</b>	<b>2,238</b>	<b>0</b>	<b>360</b>
Corporation tax	(25)	0	(20)
IAS19 Prior Year Adjustment	-	-	0
IAS19 Pension Adjustments	(1,067)	0	(683)
<b>Surplus/(Deficit) per Income Statement</b>	<b>1,146</b>	<b>0</b>	<b>(343)</b>

The split in the table above refers to the Housing Revenue Account split of services between capital and revenue. Therefore any company specific capital items show above as revenue.

Three years ago we launched a 5-year Business Plan that flows from our vision "Put our customers first, be forward thinking and pursue opportunities for growth". The plan has a number of key aims; facing up to welfare reform, growing the Council's stock, expanding our offer to the elderly and vulnerable members of the community and improving access to jobs and training for tenants. In all of these areas we are looking to grow SCH as a business as well as supporting the Council wherever we can. The annual service development plan reflected these strands and showed a range of new initiatives that we believe will contribute over time to the achievement of the objectives set out in the Business Plan and our vision – initiatives such as the Better Places and Wellbeing Service are just two examples of these new strands of work.

### Approval

The report of the Directors was approved by the Board on 18 July 2016 and signed on its behalf by:



Dr AGC Lane  
Chairman  
18 July 2016

## Report of the Directors

31 March 2016

The Directors present their report and the audited financial statements for the year ended 31 March 2016.

### Principal Activities

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

### Directors and Chief Officers

The Directors and Chief Officers of the company during the year and subsequently are set out on page 1. SCH also has the following committees who have responsibility for specific areas:

Audit Committee until 31<sup>st</sup> January 2016

Commercial Committee effective from 1<sup>st</sup> February with the first meeting held on 9<sup>th</sup> February 2016

Finance and Asset Management Committee until 31<sup>st</sup> January 2016

Finance and Audit Committee effective from 1<sup>st</sup> February 2016 with the first meeting held on 29<sup>th</sup> February 2016

Human Resources and Remuneration Committee until 31<sup>st</sup> January 2016

Human Resources and Equalities Committee effective from 1<sup>st</sup> February 2016 with first meeting held on 23<sup>rd</sup> May 2016

Housing Operations Committee effective from and held its first meeting on 1<sup>st</sup> February 2016

Remuneration Committee meets annually effective from 1<sup>st</sup> February 2016 and will hold its first meeting on 7<sup>th</sup> November 2016

### Employees

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

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

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

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

## Report of the Directors

31 March 2016

(continued)

### Disclosure of information to auditors

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

### Strategic Report

Information as required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 has been included in the Strategic Report.

### Auditors

A resolution to reappoint RSM UK Audit LLP, Chartered Accountants (formerly known as Baker Tilly UK Audit LLP) as auditor was agreed by the Board at the 2015 Annual General Meeting.

### Approval

The report of the Directors was approved by the Board on 18 July 2016 and signed on its behalf by:

**Dr AGC Lane**  
**Chairman**  
**18 July 2016**



## Statement of Directors Responsibilities for the Financial Statements

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

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

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

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

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

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

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

## Statement on Internal Control

31 March 2016

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, we have continued to refine (as well as monitor) the processes for identifying, evaluating and managing the significant risks faced by the company. The year ended 31 March 2016 has seen further development of the internal control framework including the implementation of changes to remedy weaknesses that were identified at the end of 2014/15.

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

- Board approved terms of reference and clearly delegated authorities for the Board Committees (that include responsibility for both Financial and Audit matters) as well as the independent Tenant Scrutiny Committee that considers performance and service improvement.
- During the course of the year the Board reviewed the Committee structure to provide a more comprehensive and effective support mechanism for the business and introduced a new Housing Operations Committee to cover all landlord functions. The previous Commercial Working Party was also changed to a formal Committee to oversee all aspects of commercial activity.
- Board members all went through individual appraisals with an external facilitator and a training plan was developed as a result with quarterly Board Away days being used to facilitate training sessions.
- Membership of Board Committees was reconsidered with membership being chosen based on the skills and experience of members which were appropriate to the remit of the Committee.
- Formally adopted Standing Orders (incorporating Rules for Contract and Financial Regulations) that set out the arrangements for the supervision and control of the finances, assets and other resources of the company. Detailed guidance notes are available on the Company's Intranet site, 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.
- Detailed financial annual budgets, a 5-year medium term financial plan and a 30-year financial Business Plan, supported by regular monitoring meetings with individual budget holders and at directorate level, as well as formal, scheduled reporting to the Senior Management team and the relevant Board committees.
- New arrangements were introduced during 2015/16 to monthly financial monitoring involving each Head of Service, the Chief of Operations, the Assistant Director of Finance & Property Services and the SCH Finance Manager. A savings tracker utilising a traffic light indicator – red, amber, green (RAG) rating has been introduced to flag up any areas of concern where the planned level of savings may not be achieved so that alternative strategies can be put in place.
- Robust strategic and business planning processes which have involved staff at all levels contributing.
- Formal reviews of the company's Corporate Risk Register (and supporting service Risk Registers), which sets out the identified risks and the mitigating actions in place to deal with these risks as well as clearly defined management responsibilities for their identification, evaluation and control.
- In December 2015 the Board had a training session on their responsibilities in terms of managing risk and key officers have received training in risk management.



## Statement on Internal Control

31 March 2016  
(continued)

- A formal programme of internal audit work, carried out by officers independent of the executive. Reports and recommendations are agreed by senior management as well as being considered in detail by the Audit Committee.
- Formal and independent annual external audit of reported financial performance and the processes that underpin it.
- During the last year we have introduced a new comprehensive Performance Management Framework which will provide managers with better information to inform business planning.
- Quarterly monitoring of an agreed suite of performance indicators (both local and national) at team and corporate level and by the independent Tenant Scrutiny Committee, who then report directly to the Board.
- 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.
- Formal recruitment, retention, training and development policies for staff that incorporate annual appraisals of performance against targets that are consistent with the Business Plan and corporate objectives.
- During Quarter 4 of the financial year we started to look at the process for significant staff restructures as part of the drive to deliver financial savings but also to ensure we are operating as efficiently and effectively as possible and these restructures will be on-going over the next year. The initial stage of the restructure was achieved with no additional cost, due to the vacancies held on the establishment at that time. Any costs associated with the next stages of the restructure will be incurred during 2016/17.
- Board has 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.

The Board met for 4 mandatory "Away Days" during the year, with a wide agenda to discuss the key issues facing the company in more detail. Following the Board member appraisals a decision was taken to extend the Away Days which had previously been half day sessions to a full day. The morning was devoted to training, and the afternoon to issues of national and local policy or where a broader discussion is beneficial to move the business forward. The topics covered in the last year included Equalities and Diversity, the responsibility of the Board as an employer and as a landlord, governance, customer satisfaction, governing finance, risk management and business planning.

The Board has recently reviewed our governance arrangements based upon best practice guidance from the National Housing Federation and as a result has set a maximum time limit on length of service on the Board of nine consecutive years and agreed that by the Annual General Meeting in 2018 no member will be on the Board who has served longer than this period. The Board also recommended appointing tenant Board members via a selection route rather than election in order to ensure that members are recruited with the appropriate mix of skills and experience. Both these changes in governance arrangements required amendments to our Articles of Association and the amendments were approved by the Shareholder at the Annual General Meeting held on 18 April 2016. The amended Articles have been filed with Companies House.

## Statement on Internal Control

**31 March 2016**  
**(continued)**

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

During the year, the Board once again reviewed Standing Orders (incorporating Rules for Contracts). There were no significant changes this year as there had been in the previous year due to the changes in senior management structure. The delegation of authority levels across SCH has also been formally reviewed and updated and every member of staff (as well as Board Members) was again required to make a formal annual declaration of interests as at 31 March 2016.

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

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

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

Our Health & Safety support is provided by the Council's Health and Safety Team. This has provided the Company with a more effective supporting arrangement and a full audit was carried out in June 2016. The last audit of our health and safety arrangements (2015) identified that the commitment to health and safety throughout SCH was very strong. There were no Reportable Incidents (to the HSE) during the last year. We have continued to hold a Corporate Health and Safety cross-team working group who ensured that the relevant work plans have been introduced and completed within the agreed time scales. The Corporate Health and Safety Group is chaired by the Head of Asset Management.

There is always a case for continual improvement and for 2016/17 the Health and Safety support team will assist us to achieve this, primarily this will be to make the risk assessment and safe systems of work less onerous and provide more bespoke health and safety training. Full details are included in the SCH 2015/16 Annual Health and Safety Report.

Following the announcement in the 2015 budget that social housing rents would need to reduce by 1% per annum for the next four years a clear financial plan has been put in place to deliver the required level of savings whilst maintaining, as far as possible, the high levels of service expected by our customers. All Heads of Service have worked with the Council's Finance team to develop budget plans for the next four years and these are monitored at monthly Finance Monitoring Meetings as described previously. The medium term capital programme has also been reviewed in the context of the savings plan where SCH uses revenue funding towards the total cost of the capital programme.

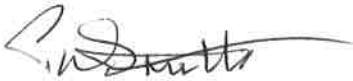
Budget setting will remain challenging in the context of both the savings required to deliver rent reductions but also due to the uncertainty over the impact of the implementation of Welfare Reforms but we will continue to operate the close financial monitoring to ensure we stay on track to deliver the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

## Statement on Internal Control

31 March 2016  
(continued)

We set an annual Delivery Plan, supported by detailed service plans that are aimed to maintain and improve on our services and we broadly delivered as planned. Many of these improvements are focussed on streamlining services and particularly customer contact in some of our most stretched areas including homelessness, allocations and neighbourhood services. During 2015/16, we implemented a new Performance Management Framework and new system for monitoring and managing caseloads for Anti-Social Behaviour. Work has continued on the 2 year implementation programme approved last year to migrate systems for Rent Control, Leaseholders, Arrears Collection, Asset Management and Neighbourhood Services to the Open Housing software.

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



**Mrs P L Smith**

**Chair of Finance & Audit Committee**

**18 July 2016**



**Mrs M E E Moroney**

**Head of Governance & Company Secretary**

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

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

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 members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditor

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

### Scope of the audit of the financial statements

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

### Opinion on 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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the provisions of the Companies Act 2006.

### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and 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.

*RSM UK Audit LLP*

STEPHANIE WARBOYS (Senior Statutory Auditor)

For and on behalf of RSM UK AUDIT LLP (formerly Baker Tilly UK Audit LLP), Statutory Auditor

Chartered Accountants

St Philips Point

Temple Row

Birmingham

B2 5AF

Date *15th August 2016*

## Statement of Comprehensive Income

for the year ended 31 March 2016

	Note	2016 £'000	2015 £'000
<b>REVENUE</b>	1	37,169	38,496
Operating expenses	3	(35,573)	(38,493)
<b>PROFIT FROM OPERATIONS</b>		1,596	3
Finance costs	4	(425)	(326)
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		1,171	(323)
Income Tax expense	6	(25)	(20)
<b>PROFIT/(LOSS) FOR THE YEAR</b>	14	1,146	(343)
<b>OTHER COMPREHENSIVE INCOME/(EXPENDITURE), NET OF TAX</b>			
Actuarial gains and losses on defined benefit obligations	17	1,875	(4,720)
<b>TOTAL COMPREHENSIVE INCOME/(EXPENDITURE) FOR THE YEAR</b>		3,021	(5,063)

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

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

## Statement of Changes in Equity

for the year ended 31 March 2016

	Note	Retained Earnings £'000	Revaluation Reserve £'000	Total Equity & Reserves £'000
BALANCE AT 1 April 2014		(4,768)	0	(4,768)
Loss for the financial year to 31 March 2015		(343)	0	(343)
Actuarial loss relating to the pension scheme	17	(4,720)	0	(4,720)
<b>TOTAL COMPREHENSIVE EXPENDITURE FOR THE YEAR</b>		(5,063)	0	(5,063)
BALANCE AT 31 March 2015		(9,831)	0	(9,831)
Profit for the financial year to 31 March 2016		1,146	0	1,146
Transfer surplus on revaluation to Revaluation Reserve		(181)	181	0
Actuarial gain relating to the pension scheme	17	1,875	0	1,875
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		2,840	181	3,021
BALANCE AT 31 March 2016		(6,991)	181	(6,810)

**BALANCE SHEET**  
As at 31 March 2016

	Note	2016 £'000	2015 £'000
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	8	1,763	1,655
<b>CURRENT ASSETS</b>			
Inventories	9	114	139
Trade and other receivables	7/10	1,098	1,157
Cash and cash equivalents	7/15	8,729	5,522
<b>TOTAL ASSETS</b>		<b>11,704</b>	<b>8,473</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	7/11	(6,140)	(5,099)
Current tax liabilities	6	(25)	(20)
Borrowings	7/12	(28)	(28)
		(6,193)	(5,147)
<b>NON CURRENT LIABILITIES</b>			
Borrowings	7/12	(612)	(640)
Retirement benefit net obligations	17	(11,709)	(12,517)
<b>TOTAL LIABILITIES</b>		<b>(18,514)</b>	<b>(18,304)</b>
<b>NET LIABILITIES</b>		<b>(6,810)</b>	<b>(9,831)</b>
<b>EQUITY – Attributable to owners of parent</b>			
Retained earnings	14	(6,991)	(9,831)
Revaluation reserve	14	181	0
<b>TOTAL EQUITY – ATTRIBUTABLE TO MEMBER</b>		<b>(6,810)</b>	<b>(9,831)</b>

The financial statements on pages 18 to 42 were approved by the Board and authorised for issue on 18 July 2016 and are signed on their behalf by:-



**Mrs P L Smith**  
Chair of Finance & Audit Committee

**STATEMENT OF CASH FLOWS**  
**For the year ended 31 March 2016**

	Note	2016 £'000	2015 £'000
<b>OPERATING ACTIVITIES</b>			
Cash generated from operations	15	3,251	1,611
Interest paid	4	(28)	(30)
Corporation Tax paid		(20)	(20)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>		<b>3,203</b>	<b>1,561</b>
<b>INVESTING ACTIVITIES</b>			
Proceeds from disposal of non-current assets	8	32	0
Loans repaid	7	0	57
<b>NET CASH GENERATED FROM INVESTING ACTIVITIES</b>		<b>32</b>	<b>57</b>
<b>FINANCING ACTIVITIES</b>			
Repayments of borrowings	12	(28)	(83)
<b>NET CASH FROM FINANCIAL ACTIVITIES</b>		<b>(28)</b>	<b>(83)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>3,207</b>	<b>1,535</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>5,522</b>	<b>3,987</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>15</b>	<b>8,729</b>	<b>5,522</b>

## Significant Accounting Policies

31 March 2016

### BASIS OF ACCOUNTING

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

### GOING CONCERN

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

### REVENUE

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

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

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

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

Following the revaluation of the Company's housing portfolio £781,000 of grants that were previously held as deferred grants have now been recognised within revenue.

### PROPERTY

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

Completed properties are re-valued every 5 years at Existing Use Value (Social Housing). All amounts exceeding the previous value are credited to the revaluation reserve, unless they reverse a previously recognised drop in value. All amounts under the previous value are debited to Retained Earnings. 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 or revalued amount of an asset, less its estimated residual value, over the useful economic life of that asset. Depreciation is calculated using the straight line method at rates set out below. A full year's depreciation is charged in the year of acquisition and no depreciation in the year of disposal.



## Significant Accounting Policies

31 March 2016

(continued)

### 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 with useful lives as shown:

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

### Housing Properties

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

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

### IMPAIRMENT OF PROPERTY

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried 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 Statement of Comprehensive Income.

## Significant Accounting Policies

31 March 2016  
(continued)

### GRANTS

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

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

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

### INVENTORIES (excluding Investment and Shared ownership properties)

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

### LEASES

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

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

### FINANCIAL INSTRUMENTS

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

#### Financial assets

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

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

**Cash and cash equivalents/liquid resources:** Cash and cash equivalents comprise cash at bank and in hand and other short-term deposits held by the Company with maturities of less than three months. Bank overdrafts are presented within current liabilities.

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

## Significant Accounting Policies

31 March 2016

(continued)

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

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

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

### TAXATION

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

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

### DEFERRED TAXATION

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

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

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

### PENSIONS

All permanent employees of the Company are entitled to join the "defined benefit" pension scheme, the West Midlands Metropolitan Authorities Pension Fund, which is administered by Wolverhampton City Council and provides members with defined benefits related to pay and service. During the year, the Company paid an employer's contribution rate of 13.8% (2015: 13.8%) into the fund in addition to meeting all pension payments relating to added years benefits awarded during the year, together with any related increases.

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

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

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

## **Significant Accounting Policies**

**31 March 2016**

**(continued)**

### **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.

### **STANDARDS ISSUED AS AT 31 MARCH 2016 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 (issued on 24 July 2014)

The Directors anticipate that the adoption of this Standard 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 2016

### CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

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

The Strategic report set out on pages 5 to 9 of these accounts sets out a commentary on the current and future trading activities of the Company as well as the key risks underlying its operations. The evidence gathered in this exercise forms a key element of the Directors assessment of whether SCH continues to be a going concern.

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

In considering whether the Company will be able to meet these future pension contributions, the Strategic Review set out on pages 5 to 9 of these accounts demonstrates the reasons why SCH expects to continue to make sufficient cash surpluses to do so.

### FINANCIAL RISK MANAGEMENT

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

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

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

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

#### Liquidity Risk and Credit Risk

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

The Company is largely dependent on its largest customer, Solihull MBC. The Capital and Revenue Management Fees and income from Service Level Agreements from SMBC represent 96% (2015: 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.

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.

## Areas of Judgement and Risk Management

31 March 2016

(continued)

### Liquidity Risk and Credit Risk (continued)

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 2016 financial assets, £846,000 (2015: £806,000) is owed to the Company by Solihull MBC and the Board therefore also consider that the likelihood of this risk arising is remote. The remainder are cash/cash equivalents and amounts due from third parties. Other trade receivables are limited in value.

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

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

### Interest rate risk

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

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

All the Company's 2016 and 2015 Financial Assets are non-interest bearing.

All the Company's 2016 and 2015 Trade and Other Payables are non-interest bearing. The interest rates applicable to the Company's 2016 and 2015 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 £8,089,000 at 31 March 2016 (2015: £4,854,000).

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

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 March 2015

**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. Following the initial revaluation of properties owned by the company, detailed in note 8 below, the previously deferred grant of £781,000 has been released to revenue.

**2. SEGMENT INFORMATION**

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

**3. PROFIT FROM OPERATIONS**

Profit from operations is stated after charging:

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Inventories		
- cost of inventory recognised as an expense	1,242	1,238
- amounts written off	3	1
Depreciation of owned property, plant and equipment	41	40
Auditor's fees:		
- On audit services	17	17
- On taxation	1	1
- For other services	5	0
Rentals under operating leases	338	386

The following table analyses the nature of expenses:

		<b>2016</b>	<b>2015</b>
		<b>£'000</b>	<b>£'000</b>
Staff costs	5	11,031	11,427
Depreciation and revaluation loss	8	641	40
Property works		18,455	21,330
Housing Management and Maintenance		3,293	3,664
Finance		556	551
Corporate Services		1,597	1,481
Total expenditure		<u>35,573</u>	<u>38,493</u>

**4. FINANCE COSTS**

		<b>2016</b>	<b>2015</b>
		<b>£'000</b>	<b>£'000</b>
Interest on net pension liability	17	(397)	(296)
Prudential borrowing interest		(28)	(30)
		<u>(425)</u>	<u>(326)</u>

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

**5. STAFF COSTS**

The average monthly number of persons employed by the Company during the year was:

	<b>2016</b>	<b>2015</b>
	<b>No's</b>	<b>No's</b>
Executive Management Team	3	4
Housing Management and Maintenance	226	227
Finance	15	16
Corporate Services	35	39
Commercial Activity	3	0
	<u>282</u>	<u>286</u>

**Staff costs, including directors:**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	7,740	8,257
Agency costs	1,031	853
Social security costs	567	614
Other pension costs	1,693	1,430
Modernisation and redundancy costs	0	273
	<u>11,031</u>	<u>11,427</u>

Remuneration of key management personnel

The remuneration of the Executive Management Team of the Company in aggregate is as follows:

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Short term employee benefits	334	332
Termination Benefits	0	273
Post employment benefits	64	51
	<u>398</u>	<u>656</u>

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 2016**  
**(continued)**

<b>6. INCOME TAX EXPENSE</b>	<b>2016</b>	<b>2015</b>
<b>ANALYSIS OF CHARGE IN YEAR</b>	<b>£'000</b>	<b>£'000</b>
Current Tax:		
UK – Current tax	25	20
	<u>25</u>	<u>20</u>
Current tax reconciliation:	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Profit/(Loss) before tax	1,171	(323)
Depreciation	41	40
IAS19 adjustments:		
- Other finance income	397	296
- Past and present service costs	1,649	1,409
	<u>3,258</u>	<u>1,422</u>
Tax at the standard rate of corporation tax 20% (2015: 20%)	652	284
Effect of non-trading activities with member not subject to corporation tax	(627)	(264)
	<u>25</u>	<u>20</u>

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, operation of a contact service for a Housing Association and the chargeable gain following sale of a "shared ownership" dwelling were all subject to Corporation Tax. A taxable profit of £126,000 (2015: £99,000) arose in the year and is reflected in these statements.

On the basis that we are not expecting to sell the Housing Properties owned by the company no allowance has been made within these financial statements for Deferred Taxation as a result of the revaluation of Housing Properties undertaken as at 31 March 2016. Any such sales would only be taxable if sold to a party other than the Council.

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

**7. FINANCIAL INSTRUMENTS**

		<b>2016</b>	<b>2015</b>
		<b>£'000</b>	<b>£'000</b>
<b>Assets at fair value:</b>			
<b>Current financial assets</b>			
Trade and other receivables	10	1,058	1,078
Cash and cash equivalents	15	8,729	5,522
<b>Total loans and receivables</b>		<b>9,787</b>	<b>6,600</b>
<b>Liabilities at fair value:</b>			
<b>Current financial liabilities</b>			
Trade and other payables	11	6,140	5,099
Borrowings	12	28	28
		<b>6,168</b>	<b>5,127</b>
<b>Non-current financial liabilities</b>			
Borrowings	12	612	640
<b>Total other financial liabilities</b>		<b>6,780</b>	<b>5,767</b>

**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.

		<b>2016</b>	<b>2015</b>
		<b>£'000</b>	<b>£'000</b>
<b>Within 6 Months</b>			
Trade and other receivables	10	1,058	1,078
Cash and cash equivalents	15	8,729	5,522
<b>Total</b>		<b>9,787</b>	<b>6,600</b>

**NOTES TO THE FINANCIAL STATEMENTS****for the year ended 31 March 2016****(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 2016 up to the contractual maturity date:

		<b>2016</b>	<b>2015</b>
		<b>£'000</b>	<b>£'000</b>
<b>Within 6 Months</b>			
Trade and other payables	11	6,140	5,099
<b>6 Months to 1 Year</b>			
Borrowings	12	28	28
<b>1 to 5 Years</b>			
Borrowings	12	612	640
Total		<u>6,780</u>	<u>5,767</u>

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

**8. PROPERTY**

	Freehold Land	Completed Properties available for letting		<b>Total</b>
		Rented	Shared Ownership	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or valuation:</b>				
At 1 April 2014	631	1,807	177	2,615
At 31 March 2015	631	1,807	177	2,615
Reclassifications	207	(207)	0	0
Loss on revaluation	(232)	(368)	0	(600)
Disposals	(19)	0	(13)	(32)
At 31 March 2016	587	1,232	164	1,983

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 March 2016

(continued)

**8. PROPERTY (continued)**

	Freehold Land	Completed Properties available for letting		Total
	£'000	Rented £'000	Shared Ownership £'000	£'000
<b>Capital Grants</b>				
At 1 April 2014	0	(742)	(39)	(781)
At 31 March 2015	0	(742)	(39)	(781)
Previously Deferred Capital Grants Released to Revenue		742	39	781
At 31 March 2016	0	0	0	0
<b>Accumulated depreciation and any recognised impairment losses:</b>				
At 1 April 2014	0	(120)	(19)	(139)
Charged in the year	0	(35)	(5)	(40)
At 31 March 2015	0	(155)	(24)	(179)
Charged in the year	0	(37)	(4)	(41)
At 31 March 2016	0	(192)	(28)	(220)
<b>Net book value:</b>				
At 31 March 2016	587	1,040	136	1,763
At 31 March 2015	631	910	114	1,655
At 31 March 2014	631	945	119	1,695

The depreciation expense of £41,000 (2015: £40,000) has been charged to operating expenses within the Income Statement.

In line with our accounting policies, as 31 March 2016, all properties owned by the Company were revalued by Solihull Metropolitan Borough Council's valuation team. The officer who undertook this valuation exercise holds the Royal Institute of Chartered Surveyors (RICS) qualification. All properties have been valued on the Existing Use Value-Social Housing (EUV-SH) basis, where EUV-SH is calculated using the Department of Communities and Local Government's (DCLG) stipulated 34% of market value for properties within the West Midlands. This has resulted in a loss on revaluation of £600,000 which has been disclosed as part of Depreciation and revaluation loss within Note 3 above. If this revaluation had not been undertaken the Net Book Value (NBV) for each class of asset, based on depreciated cost, would have been:

	Freehold Land	Completed Properties available for letting		Total
	£'000	Rented £'000	Shared Ownership £'000	£'000
At 31 March 2016 based on Depreciated Cost	613	1,611	139	2,363

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

<b>9. INVENTORIES</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Raw materials and consumables	114	139
	<u>114</u>	<u>139</u>

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.

<b>10. TRADE AND OTHER RECEIVABLES</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Trade receivables	861	832
Other receivables	96	166
Other tax and social security	141	159
	<u>1,098</u>	<u>1,157</u>

The average credit period taken on provision of services is 19 days (2015: 16 days).

An allowance has been made for estimated irrecoverables of £ 64,000 (2015: £32,000). 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.

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Up to 3 months	217	71
Up to 6 months	56	5
Greater than 6 months	82	0
	<u>355</u>	<u>76</u>

The movement in the allowance account was as follows:	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Opening balance as at 1 April	32	27
Provision for receivables impairment	36	7
Unused amounts reversed	(4)	(2)
Closing balance as at 31 March	<u>64</u>	<u>32</u>

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

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

**11. TRADE AND OTHER PAYABLES**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Amounts payable relating to invoiced amounts	4,098	1,936
Accruals and deferred income	1,337	2,492
Other tax and social security	156	179
Other creditors	549	492
Current trade and other payables	<u>6,140</u>	<u>5,099</u>

All trade and other payables fall due within less than 12 months.

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 13 days (2015: 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	<b>2016</b>	<b>2015</b>
		<b>£'000</b>	<b>£'000</b>
<u>Less than 1 year</u>			
Prudential borrowing from SMBC	b	<u>28</u>	<u>28</u>
		28	28
<u>Greater than 1 year</u>			
Prudential borrowing from SMBC	b	<u>612</u>	<u>640</u>
		<u>640</u>	<u>668</u>
<b>Interest Rate Summary</b>			
		<b>2016</b>	<b>2015</b>
		<b>£'000</b>	<b>£'000</b>
Floating rate		<u>640</u>	<u>668</u>
		<u>640</u>	<u>668</u>

A floating rate loan from Solihull MBC to finance SCH's development of properties for rent and shared ownership - £640,000 (2015: £688,000). 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.

**NOTES TO THE FINANCIAL STATEMENTS****for the year ended 31 March 2016****(continued)****13. COMPANY LIMITED BY GUARANTEE**

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

<b>14. RESERVES</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Retained Earnings		
At 1 April	(9,831)	(4,768)
Retained profit/(loss) for the year	1,146	(343)
Transfer surplus on revaluation to Revaluation Reserve	(181)	0
Actuarial gains/(losses)	1,875	(4,720)
<b>Retained Earnings at 31 March</b>	<b>(6,991)</b>	<b>(9,831)</b>
Revaluation Reserve		
At 1 April	0	0
Transfer surplus on revaluation from Retained Earnings	181	0
<b>Revaluation Reserve at 31 March</b>	<b>181</b>	<b>0</b>
<b>Total Equity and Reserves</b>	<b>(6,810)</b>	<b>(9,831)</b>

As at 31 March 2016 the Company revalued its property holdings detailed in Note 8 above, this resulted in a loss on revaluation of £600,000. At the same time, in accordance with accounting standards, £781,000 of grant that were previously held as deferred grants were also released into the profit and loss account. The net of these entries (£181,000) has been transferred into a revaluation reserve as shown above.

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

**15. CASHFLOWS**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Reconciliation of operating profit to net cash inflow from operating activities:		
Operating profit before tax	1,596	3
Depreciation and amortisation	41	40
Loss on revaluation of fixed assets	600	0
Release of capital grant in period	(781)	0
Pension contributions paid in period	(1,001)	(1,043)
Pension contributions charged in the period	1,671	1,430
Decrease/(Increase) in inventories	25	(45)
Decrease in debtors	59	1,803
Increase/(Decrease) in creditors	1,041	(577)
<b>Net cash inflow from operating activities</b>	<b>3,251</b>	<b>1,611</b>

**CASH AND CASH EQUIVALENTS**

Cash and cash equivalents represent:

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Cash at bank and in hand	8,729	5,522
	<b>8,729</b>	<b>5,522</b>

**16. COMMITMENTS UNDER OPERATING LEASES**

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

	<b>Land and buildings</b>	<b>Land and buildings</b>	<b>Plant and machinery</b>	<b>Plant and machinery</b>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Total value of lease commitments				
Expiry of lease:				
Within 1 year	40	40	297	297
Between 2-5 years	160	-	494	774
After 5 years	50	-	-	-
	<b>250</b>	<b>40</b>	<b>791</b>	<b>1,071</b>

Operating lease payments represent rentals payable by the Company for office premises and equipment. £210,000 (2015 : £nil) of the leases for land and buildings relates to a lease expiring after 1 year, In 2015 nil related to a lease expiring after 2 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 2016****(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 2016 for the purposes of the IAS 19 valuation for inclusion in these financial statements prepared by Barnett Waddingham, a registered actuary engaged by West Midlands Pension Fund. The present values of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit method.

	<b>2016</b>	<b>2015</b>
	%	%
Key assumptions used:		
Discount rate	3.7	3.3
Future salary increases	3.9	3.8
Future pension increases	2.1	2.0
CPI increases	2.1	2.0

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:

	<b>2016</b>	<b>2015</b>
Male	88	88
Female	91	91

The average life expectancy for a pensioner retiring at 65, aged 45 at the reporting date:

	<b>2016</b>	<b>2015</b>
Male	90	90
Female	93	93

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

	Change in Assumption	Overall Impact on Liability
Discount rate	Increase by 0.1 %	Decreased £1,197,000
Short term salary increase	No change	No change
Pension growth rate	Increase by 0.1 %	Increased £1,028,000
Rate of mortality	Increase by 1 year	Increased £1,781,000

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

	<b>2016</b>	<b>2015</b>
	£'000	£'000
Current service cost	1,649	1,409
Net interest on liability	397	296
Administration cost	22	21
Total operating charge	<u>2,068</u>	<u>1,726</u>

**NOTES TO THE FINANCIAL STATEMENT**  
**For the year ended 31 March 2016**  
**(continued)**

**17. RETIREMENT BENEFIT OBLIGATIONS (continued)**

Of the charge for the year: £1,671,000 has been charged to operating costs (2015: £1,430,000)  
£397,000 has been charged to finance costs (2015: £296,000)

Actuarial gains and losses are reported in the statement of comprehensive income and expense  
Gain recognised in 2016 was £1,875,000 (2015: loss of £4,720,000)  
Cumulative expense is £8,925,000 (2015: £10,800,000)

The actual return on scheme assets was a loss of £167,000 (2015: £6,721,000)

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

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Fair value of scheme assets	50,980	50,772
Present value of defined benefit contributions	(62,689)	(63,289)
<b>Liability recognised in the Balance Sheet</b>	<b>(11,709)</b>	<b>(12,517)</b>

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Movements in the liability recognised in the Balance Sheet in the current period:		
at 1 April	(12,517)	(7,114)
Current service cost including curtailments	(1,649)	(1,409)
Interest cost	(2,079)	(2,274)
Remeasurement arising from changes in financial assumptions	3,724	(9,463)
Expected return on scheme assets	1,682	1,978
Actuarial (losses)/gains	(1,849)	4,743
Administration expenses	(22)	(21)
Employer contributions	1,001	1,043
<b>at 31 March</b>	<b>(11,709)</b>	<b>(12,517)</b>

**NOTES TO THE FINANCIAL STATEMENT**  
**For the year ended 31 March 2016**  
**(continued)**

**17. RETIREMENT BENEFIT OBLIGATIONS (continued)**

Movements in the present value of defined benefit obligations in the current period:	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
at 1 April	63,289	50,935
Current service cost including curtailments	1,649	1,409
Interest cost	2,079	2,274
Remeasurement arising from changes in financial assumptions	(3,724)	9,463
Contributions by plan participants	439	467
Benefits paid	(1,043)	(1,259)
at 31 March	<u>62,689</u>	<u>63,289</u>

Movement in the fair value of scheme assets in the current period:	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
at 1 April	50,772	43,821
Expected return on scheme assets	1,682	1,978
Actuarial (losses)/gains	(1,849)	4,743
Administration expenses	(22)	(21)
Employer contributions	1,001	1,043
Employee contributions	439	467
Benefits paid	(1,043)	(1,259)
at 31 March	<u>50,980</u>	<u>50,772</u>

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

	Expected return		Fair value of assets	
	%	%	£'000	£'000
	2016	2015	2016	2015
Equity instruments	3.7	6.5	30,854	29,992
Debt instruments	3.7	2.6	6,346	9,398
Property	3.7	5.9	4,204	4,432
Alternatives	3.7	6.5	7,247	4,874
Cash	3.7	0.5	2,329	2,076
	<u>3.7</u>	<u>5.4</u>	<u>50,980</u>	<u>50,772</u>

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

**NOTES TO THE FINANCIAL STATEMENT**  
**For the year ended 31 March 2016**  
**(continued)**

**17. RETIREMENT BENEFIT OBLIGATIONS (continued)**

The five year history of experience adjustments are as follows:

	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fair value of plan assets at 31 March	50,980	50,772	43,821	42,151	37,012
Present value of defined obligation at 31 March	(62,689)	(63,289)	(50,935)	(55,795)	(45,583)
Deficit in the plan	(11,709)	(12,517)	(7,114)	(13,644)	(8,571)
Re-measurement on Assets	(1,849)	4,743	(839)	2,779	(1,600)
Experience adjustments arising on plan liabilities	0	0	(3,505)	0	0
(Gain)/Loss on financial assumptions	(3,724)	9,463	(5,687)	6,329	0
Loss on demographic assumptions	0	0	378	603	0

The estimated amounts of contributions expected to be paid to the scheme during the financial year ending 31 March 2017 is £918,000.

**18. RELATED PARTY TRANSACTIONS**

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

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

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
During the year the company:		
- supplied goods and services to SMBC	35,557	37,788
- purchased goods and services from SMBC	2,967	3,685
At 31 March		
- included in year-end Debtors owed by SMBC	846	806
- included in year-end Creditors owing to SMBC	3,024	2,012
- Net balance due (to) SMBC	(2,178)	(1,206)

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 of this are set out in Note 12. The loan is secured against the assets that it was used to develop. At 31 March 2016 the balance outstanding was £640,000 (2015: £668,000).

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.

**NOTES TO THE FINANCIAL STATEMENTS****for the year ended 31 March 2016****(continued)****19. CAPITAL COMMITMENTS**

At 31 March 2016 the Company had no capital expenditure commitments £nil (2015: £nil)

**20. CONTINGENT LIABILITY**

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

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

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

