

Company No: 04462630

Solihull Community Housing Limited

(a company limited by guarantee)

Annual Report

Year ended 31 March 2007



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31 March 2007

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Company Information

31 March 2007

Directors	W A M Blackburn P A Brandum D H J Dixon (appointed 17 January 2007) N A Grace S Gomm H R Hendry O M Hogg (resigned 15 May 2007) C J Horrocks L W P Kyles (appointed 5 December 2006, deceased 23 January 2007) Dr A G C Lane A M Mackiewicz A W Martin (appointed 28 February 2007) R A P Morris M O' Gorman S B Partridge P W Sanders (resigned 17 January 2007) S C Slater (appointed 15 May 2007) P L Smith T D Tedd (resigned 21 November 2006)
Secretary	K A Preece
Registered office	Endeavour House Meriden Drive Solihull B37 6BX
Registered number	04462630
Auditors	Grant Thornton UK LLP Chartered Accountants Centre City Tower 7 Hill Street Birmingham B5 4UU
Bankers	Barclays Bank plc Corporate Business Centre PO Box 333 15 Colmore Row Birmingham B3 2WN

Report of the Directors

31 March 2007

The directors present their report and the audited financial statements for the year ended 31 March 2007.

Principal activities

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

Business review and future developments

The year under review has seen the Company enter a new phase of service development and change as it moves towards its next Audit Commission inspection in January 2008.

The income available to the Company is constrained by the funds that are available to Solihull MBC ("the Council") to provide housing services within Solihull. Statutory legislation covering the provision of housing services by local authorities ensures that income from housing activities such as rents paid by tenants cannot be used for purposes that are defined as non-housing activities. The formal Management Agreement and related Service Level Agreements that govern the Company's relationship with its parent, Solihull MBC ensure that all available funds for housing are made available to the Company in order for it to carry out its activities. The Company seeks to maximise the level of service that it can provide within the funds available and seeks to obtain value for money in all areas.

The calculation of available funds is different for the two activity streams of the company:

- Revenue - encompassing day to day service provision ranging from central administration, through estate management, day to day repairs and the allocation of properties to the prevention of anti- social behaviour and homelessness.
- Capital – encompassing works to properties of a long term nature ranging from meeting the requirements of Health & Safety legislation, adapting properties for sick and disabled tenants through to delivery of the Decent Homes programme.

Financial performance (excluding the impact of FRS17 and before taxation) during the financial year against budget and the previous year can be summarised as follows:

	2006/07 actual	2006/7 budget	2005/06 actual
	£'000	£'000	£'000
Revenue			
Income	19,635	19,552	18,473
Expenditure	(19,610)	(19,336)	(18,287)
Surplus	<u>25</u>	<u>216</u>	<u>186</u>
Capital			
Income	26,764	26,721	28,737
Expenditure	(26,764)	(26,721)	(28,737)
Surplus	<u>-</u>	<u>-</u>	<u>-</u>
Combined			
Income	46,399	46,273	47,210
Expenditure	(46,374)	(46,057)	(47,024)
Surplus	<u>25</u>	<u>216</u>	<u>186</u>

Report of the Directors

31 March 2007

(continued)

A significant proportion of the capital programme that the Company is carrying out on behalf of the Council continues to be spent in delivering the Decent Homes programme. During the year, the Company reviewed its plans to achieve the Decent Homes standard in all of its properties and has taken advantage of the extension of the Government's target for completion to 2012. This extension means that the Company can maximise the funds available to deliver the programme and make the greatest impact on the lives and living conditions of its tenants.

During the current year, 1,660 properties were brought up to the required standard compared with a target of 1,700. This leaves a further 2,582 properties that have already been identified as not meeting the standard and, in addition, the programme plans to deal with approximately 2,500 properties which will fail to meet the standard between now and the end of the programme. The work on these properties will continue between now and the end of the programme in 2012. We have accelerated the completion of our window replacement programme and this will now complete by March 2008 instead of 2009/10.

Alongside this work, we have been developing a programme to repair roofs and replace rainwater goods on the exterior of most of our properties with a maintenance-free solution as well as installing secure doors to all properties. This work will commence in 2007/08 and finish within 24 months, using borrowing through the Council to enable us to address long standing external maintenance problems sooner.

Our service delivery is monitored rigorously across all parts of the organisation. Targets are set following a consultation process that includes tenants as well as staff, board members and our parent the Council. The Board receives quarterly reports of key performance indicators against targets and performance in previous years as well as comparisons with national and regional benchmarking statistics. An agreed suite of indicators is also discussed at the monthly monitoring meetings that take place with the Council. More detailed performance statistics are also monitored at directorate and team level to ensure that problem areas are identified and remedial action taken at the earliest possible opportunity. Performance is also monitored on a regular basis by the Solihull forum, which is a representative group of our customers.

One of the Company's objectives is to achieve recognition as an organisation that delivers a 3* excellent service by 2007 and our next Audit Commission inspection is scheduled for January 2008. During the year, the Company has continued to implement a detailed service improvement plan, which covers all aspects of the services that the Company provides to tenants and residents of Solihull. As part of the Company's drive towards excellence, an independent company carried out a "mock" inspection in January 2007. This exercise reviewed our progress to date, probed areas of weakness and made recommendations to enable us to further sharpen our improvement plans for the rest of 2007.

Work has continued to improve the way in which we deliver our services. This ranges from the start of a major project to implement new technology to improve the effectiveness of our reactive repair activities to the development of a fairer and more transparent way to allocate properties to tenants on the waiting list. The current "points" system will be replaced with a choice-based letting scheme ("Solihull Home Options") towards the end of 2007. We have continued to review the way in which we deliver estate and environmental management services and completed the installation of CCTV and access control and monitoring services in all of our high-rise tower blocks. The use of CCTV and the links that have been established with the local police and community groups have helped us to develop a more robust anti-social behaviour service. This is reflected in a number of high-profile court cases during the year, which have resulted in the award of ASBOs and other sanctions against a number of tenants of all ages.

Report of the Directors

31 March 2007

(continued)

We have reviewed the way in which we interact with our customers to make sure that we meet their needs and wishes. Our demand has helped shape the new extended opening hours for face to face and telephone contact and the new, modern area office in the heart of the north of the borough reflects customer suggestions for improved facilities. We commenced a programme of customer profiling surveys to help us to better focus our services on the needs of our customers. For example, this has focused on identifying disabled tenants who need additional support to remain in their homes as well as ensuring that we are meeting the needs of ethnic minorities within our customer base.

The importance of strong financial management has continued to develop within the Company during the year and, in particular, a zero-based budget approach is now being used throughout the organisation in order to ensure that available funds are used efficiently and effectively to deliver excellent, customer-focused services. Managers with budget responsibility have continued to develop their skills using more detailed and regular financial and performance information backed up by increased support from the finance team and the performance and

During the year staff across the organisation have become more aware of the wider drive to demonstrate efficiency and value for money, through briefings and an increasing emphasis on the evaluation of services and new propositions. We have developed an initial Value for Money Strategy, which brings together much of the work that is already in progress to improve service delivery and the way that we manage and develop budgets. For the second year, we have again exceeded our annual efficiency saving target, delivering a total of £1.7m of savings. Through refocusing the way that we deliver many of our services, we have been able to maintain and improve our service within the constraints of our available funding.

Excellent service delivery requires a well-trained and highly motivated workforce. During the year, the Company has continued to roll out its management programme to develop our future leaders. The key element of the work with our wider senior management team has focussed on developing the way that they work with and lead their teams to maximise performance. Annual appraisals have continued to be used to develop individual personal development plans for staff at all levels as well as a stronger cross-organisation training programme for all staff. This aims to build on existing skills and competencies to meet knowledge and skill gaps and ensure that our team is as skilled as possible to deliver excellent services to our tenants and other residents.

Directors

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

Those directors serving at the end of the year had no interests in the share capital of the company at 31 March. The directors had no other disclosable interests under the Companies Act 1985 in the shares of the Company or of any other group company.

Report of the Directors

31 March 2007

(continued)

Statement of directors' responsibilities for the financial statements

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which 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:

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

The directors are responsible for keeping proper accounting records which 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 1985. 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.

At the date of making this report each of the Company's directors, as set out on page 1, confirm the following:

- so far as each director is aware, there is no relevant information needed by the Company's auditors in connection with preparing their report of which the Company's auditors are unaware, and
- each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

Auditors

RSM Robson Rhodes LLP ("Robson Rhodes") merged its audit practice with that of Grant Thornton UK LLP ("Grant Thornton") with effect from 1 July 2007, with the successor firm being Grant Thornton. Robson Rhodes resigned as auditors on 1 July 2007, creating a casual vacancy, which the Directors have filled by appointing Grant Thornton. A resolution to reappoint Grant Thornton as auditors of the company will be proposed at the forthcoming Annual General Meeting.

Approval

The report of the directors was approved by the Board on 17 October 2007 and signed on its behalf by:

K A Preece
Secretary

Chairman's statement

31 March 2007

2006/07 has seen Solihull Community Housing work to move up to another level as it starts the final drive towards achieving recognition as a 3* excellent organisation, with a culture of strong service delivery backed up by continuous improvement in all areas. It has been another successful year, during which we have managed the increasing costs of both the Decent Homes programme and the costs of our responsive repair service, whilst maintaining high levels of customer satisfaction in these areas.

Work on delivery of the Decent Homes programme has continued, with another 1,660 properties brought up to the required standard compared with a target of 1,700. This has been achieved against a backdrop of increasingly tight funding for the programme. During the year, we have developed a new "Menu" approach to delivery of the programme, which aims to give customers more choice over some elements of the work to be done. This is now being reflected in significant reductions in the number of tenants who have previously refused to have work done because of the disruption to their daily lives. Work on window replacement has now been accelerated and will complete during 2007/08. Tenant satisfaction levels with work carried out have remained at the high levels achieved in 2005/06.

We continue to monitor service delivery rigorously across all our services as well as with representative tenant groups and our parent, Solihull MBC. We actively seek to compare our performance and service provision with other similar high-performing organisations across the country. As well as being members of a national benchmarking club, we appointed an independent critical friend to help and challenge current service provision and staff and Board Members visit 3* ALMOs to see at first hand how they are operating. We opened up all of our service areas to a "mock" external inspection in January 2007, to enable us to sharpen our service improvement plans. Although we have not met all of the demanding targets that we set ourselves at the beginning of the year, we continue to make progress in all areas and develop robust plans to improve performance in weak areas. As an organisation, we were again successful in renewing our "Charter Mark" accreditation during the year, which reflects our continuing commitment to customer service across all of our operations.

Significant improvements and changes to our service have been delivered through reviews in key areas particularly where they affect the way in which we connect with our customers. The results of this will be seen in the early months of 2007/08, when opening hours for our area offices and our customer contact centre will be changed to reflect customer demand and our Chelmsley Wood area office will move to new, modern premises. Our customer contact centre was successful in retaining its accreditation from the Customer Contact Association.

We have continued to work on projects in partnership with others to improve the quality of life for tenants across the borough. This includes working with local community groups to run youth and environmental projects across the borough and with the local college to deliver the "Pathways" scheme to assist people from hard to reach groups to join the employment market through the provision of tailored programmes of training and support. We have improved our links with local police teams now that we have completed our project to install CCTV monitoring facilities in all of our high-rise blocks. Alongside this, we have strengthened our team dealing with incidences of anti-social behaviour, and have already seen some improved results from their work.

The Board believes that these successes and the work going on behind them are the cornerstones to meeting our objective of achieving recognition as one of the best housing organisations in the country. They could not have been achieved without the commitment and hard work of our staff and partners and our thanks go to them once more.

P A Brandum
Chairman

Statement on Internal Control

31 March 2007

The Board acknowledges its overall responsibility for establishing and maintaining a system of internal control and for reviewing its effectiveness. The system of internal control is 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.

The process for identifying, evaluating and managing the significant risks faced by the Company is ongoing. The key elements of the control framework have continued to be developed throughout the year. The Board receives and considers reports both from management and Internal Audit on these key risk management and control arrangements at scheduled meetings throughout the financial year.

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

- Board approved terms of reference and clearly delegated authorities for the Finance & Audit, Asset Management and Human Resources sub-committees as well as the Equalities & Diversity review group.
- Formally adopted Standing Orders (incorporating Rules for Contract and Financial Regulations) setting out the arrangements for the supervision and control of the finances, assets and other resources of the Company.
- Robust strategic and business planning processes.
- Formal quarterly reviews of the Company's risk register, which sets out the identified risks and the mitigating actions in place to deal with these risks as well as clearly defined management responsibilities for their identification, evaluation and control.
- Detailed financial budgets and a five-year rolling financial forecast, supported by regular monitoring meetings with budget holders and at directorate level.
- Monthly monitoring of an agreed suite of performance indicators (both local and national) at team and corporate level.
- Established authorisation and appraisal procedures for all significant new initiatives and commitments.
- Regular reporting to senior management and the board of key business objectives, targets and outcomes.
- Continuing Board Governance and member training programme.
- Formal recruitment, retention, training and development policies.
- Board approved anti-theft and corruption policies.
- Detailed policies and procedures in each area of the Company's work.

The year ended 31 March 2007 has seen ongoing development of the internal control framework including the implementation of changes to remedy weaknesses that were identified at the end of 2005/06. The Company has delivered a governance improvement programme (including skills development training) during the year and has undertaken a whole board appraisal as well as a review of their performance against the new Standard for Good Governance in the Public sector. A further governance improvement programme has been developed for 2007/08, which will include a review of the Code of Conduct as well as recruitment and membership processes and guidelines. The Management Development Programme has agreed manager competencies and managers have set personal targets against these competencies as part of their appraisals for the first time. The year has seen a continuing drive to embed performance management at all levels of the organisation through the recognition of individual responsibility within personal targets and team responsibility through wider discussion of performance, whether good or poor, within team meetings. This work is ongoing and will be supplemented by a corporate "TeamSCH" initiative over the coming year to ensure that all staff are striving for the same goals.

Statement on Internal Control

31 March 2007

(continued)

The processes in place and information provided for financial and performance monitoring have again continued to develop. Individual finance representatives have been designated for each directorate, who work more closely with budget holders throughout the year to gain a better understanding of what is likely to happen as well as what has happened. This is not fully embedded in all areas and work will continue over the forthcoming year to strengthen this process, both through additional targeted training and even closer working and support. Manager involvement in the budget and performance target setting process has further strengthened, helped by the increased understanding of and involvement in the monitoring of financial and operating performance throughout the organisation. Medium-term financial planning has in particular seen key strides in the forecasting and management of the stock improvement programme managed on behalf of the Council. In addition, for the first time medium-term forecasts were used as part of the development of the broad budget strategy rather than being considered in isolation.

The Board cannot delegate ultimate responsibility for the system of internal control, but it can, and has, delegated authority to the Finance & Audit sub-committee to regularly review the effectiveness of many of the key elements of the control framework. The Board receives five reports a year from the committee together with the minutes of their meetings. The Board has reserved the review of the remaining key elements to itself and receives reports on a quarterly basis. In particular, this includes reviews of the full risk register for the Company.

The Finance & Audit sub-committee and full Board reviews the effectiveness of the system of internal control through the consideration of the results from regular reviews of the Company risk register, internal audit reports, management assurances, the external audit management letter and specialist reviews on areas such as health and safety, efficiency and operating structures. The Finance & Audit sub-committee has received the formal assurances of the Senior Management Team with regard to the system of internal control operating within the Company together with the annual report of the internal auditor, and has reported its findings to the Board. The Board has considered all of this information in assessing the effectiveness of the system of internal control being operated by the Company.

Chairman

Chief Executive

Independent Auditors' Report to the Shareholders of Solihull Community Housing Limited

We have audited the financial statements on pages 10 to 27. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. The other information comprises only the Report of the Directors, the Chairman's Statement and the Statement on Internal Control. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company as at 31 March 2007 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors, the Chairman's Statement and the Statement on Internal Control, is consistent with the financial statements.

Grant Thornton UK LLP
Chartered Accountants and Registered Auditors
Birmingham, England
18 October 2007

Profit and Loss Account

for the year ended 31 March 2007

	Note	2007 £'000	2006 £'000
Turnover	2	45,838	46,772
Change in stock		(15)	4
Other operating income		561	438
Staff costs	6	(9,183)	(7,796)
Other operating charges	3	(37,762)	(39,144)
		<hr/>	<hr/>
Operating (loss)/profit		(561)	274
Interest receivable	4	1	120
Other finance income	5	227	125
		<hr/>	<hr/>
(Loss)/profit on ordinary activities before taxation		(333)	519
Tax on (loss)/profit on ordinary activities	8	(1)	(18)
		<hr/>	<hr/>
Retained (loss)/profit for the year	13	(334)	501
		<hr/> <hr/>	<hr/> <hr/>

No operations were discontinued during the year and all operations are continuing beyond 31 March 2007.

Statement of Total Recognised Gains and Losses

for the year ended 31 March 2007

	Not e	2007 £'000	2006 £'000
(Loss)/profit for the financial year		(334)	501
Actuarial gain/(loss) relating to the pension scheme	19	2,098	(382)
		<hr/>	<hr/>
Total recognised gains relating to the year		1,764	119
Prior year adjustment		-	(2,120)
		<hr/>	<hr/>
Total recognised gains and losses since the last report		1,764	(2,001)
		<hr/> <hr/>	<hr/> <hr/>

Reconciliation of movement in funds

for the year ended 31 March 2007

	Note	2007 £'000	2006 £'000
Opening total funds as previously stated		(2,001)	-
Prior year adjustment		-	(2,120)
		<hr/>	<hr/>
Opening total funds as restated		(2,001)	(2,120)
Total recognised gains and losses relating to the year		1,764	119
		<hr/>	<hr/>
Closing total deficit of funds		(237)	(2,001)
		<hr/> <hr/>	<hr/> <hr/>

Balance Sheet

at 31 March 2007

	Note	2007 £'000	2006 £'000
Current assets			
Stocks	9	69	84
Debtors	10	2,067	542
Cash at bank and in hand		5,146	3,547
		<hr/>	<hr/>
Creditors: Amounts falling due within one year	11	7,282 (6,840)	4,173 (3,755)
		<hr/>	<hr/>
Net current assets		442	418
		<hr/>	<hr/>
Total assets less current liabilities		442	418
Creditors: Amounts falling due after more than one year	12	(250)	(250)
		<hr/>	<hr/>
Net assets excluding pension liability		192	168
		<hr/> <hr/>	<hr/> <hr/>
Pension liability	19	429	2,169
		<hr/>	<hr/>
Capital and reserves			
Profit and loss account	13	(237)	(2,001)
		<hr/>	<hr/>
Deficit of shareholders' funds		(237)	(2,001)
		<hr/>	<hr/>
		192	168
		<hr/> <hr/>	<hr/> <hr/>

The financial statements were approved by the Board on 17 October 2007 and signed on its behalf by:

P A Brandum
Chairman

Cash Flow Statement

for the year ended 31 March 2007

	Note	2007 £'000	2006 £'000
Net cash inflow from operating activities	16	1,614	2,678
Returns on investment and servicing of finance			
Interest received		1	120
Taxation		(16)	(3)
Cash flow before financing		1,599	2,795
Increase in cash	17	1,599	2,795

Notes to the Financial Statements

31 March 2007

1. ACCOUNTING POLICIES

The accounts have been prepared in accordance with applicable accounting standards in the United Kingdom. Financial Reporting Standard (FRS) 17 was adopted from 1 April 2005 and prior year results were restated accordingly in the accounts for the year ended 31 March 2006.

Basis of accounting

The financial statements are prepared under the historical cost convention.

Turnover

Turnover consists of the invoiced value (excluding VAT) for goods and services supplied.

Leased assets

Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the terms of the leases.

Government grants

Grants in respect of revenue activities are credited to the profit and loss account in the same period as the expenditure to which they contribute.

Stocks

Stocks are valued at the lower of cost and estimated value in use. Cost is determined based on the last purchase price by item coupled with a strict stock rotation policy and regular write-offs.

Taxation

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

Deferred taxation

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

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

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

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

Pensions

All permanent employees of the Company contribute to a "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 10.2 % (2006: 10.2%) into the fund in addition to meeting all pension payments relating to added years benefits awarded during the year, together with any related increases.

Notes to the Financial Statements

31 March 2007

1. ACCOUNTING POLICIES

Pensions (continued)

In accordance with FRS 17 "Retirements benefits", the service cost of the pension provision relating to the period, together with the cost of any benefits relating to past service, is charged to the profit and loss account. A charge equal to the increase in the present value of the scheme liabilities (because the benefits are closer to settlement) and a credit equivalent to the Company's long-term expected return on assets (based on the market value of the scheme assets at the start of the period), are included in the profit and loss account under "other finance income".

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 total recognised gains and losses along with differences arising from experience or assumption changes.

Further information on pension arrangements is set out in note 19 to the accounts.

2. TURNOVER

Turnover is wholly attributable to the principal activities of the Company and all arises within the United Kingdom.

	2007 £'000	2006 £'000
Fees paid by Solihull Metropolitan Borough Council in respect of:		
Management and maintenance of properties	45,129	46,069
Other related services	709	703
	<hr/>	<hr/>
	45,838	46,772
	<hr/> <hr/>	<hr/> <hr/>

3. OPERATING (LOSS)/PROFIT

Operating (loss)/profit is arrived at after charging:

	2007 £'000	2006 £'000
Operating lease rentals		
- plant and machinery	192	244
- land and buildings	149	128
Auditors' remuneration	19	19
	<hr/>	<hr/>
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements

31 March 2007

3. OPERATING (LOSS)/PROFIT (continued)

Analysis of other operating charges

	2007 £'000	2006 £'000
Property works	32,291	33,691
Housing management and maintenance	3,258	3,197
Finance	543	575
Corporate services	1,670	1,681
	<hr/>	<hr/>
	37,762	39,144
	<hr/> <hr/>	<hr/> <hr/>

4. INTEREST RECEIVABLE

	2007 £'000	2006 £'000
Bank interest	-	119
Other interest	1	1
	<hr/>	<hr/>
	1	120
	<hr/> <hr/>	<hr/> <hr/>

5. OTHER FINANCE INCOME

	2007 £'000	2006 £'000
Expected return on pension scheme assets	1,503	1,223
Interest on pension scheme liabilities	(1,276)	(1,098)
	<hr/>	<hr/>
	227	125
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements

31 March 2007

6. EMPLOYEES

Average monthly number of employees, including executive officers:

	2007	2006
	No	No
Executive management team	5	5
Housing management and maintenance	206	213
Finance	23	19
Corporate services	57	63
	<hr/>	<hr/>
	291	300
	<hr/> <hr/>	<hr/> <hr/>

Staff costs, including directors:

	2007	2006
	£'000	£'000
Wages and salaries	7,402	6,865
Social security costs	552	522
Pension costs	1,229	409
	<hr/>	<hr/>
	9,183	7,796
	<hr/> <hr/>	<hr/> <hr/>

7. DIRECTORS' REMUNERATION

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

31 March 2007

8. TAXATION

(a) Analysis of charge in period

	2007 £'000	2006 £'000
Current tax:		
UK corporation tax on profits of the period	-	15
Adjustments in respect of prior period	1	3
	<hr/>	<hr/>
Total current tax	1	18
	<hr/> <hr/>	<hr/> <hr/>

The activities of the Company can all be classified as arising from its non-trading relationship with its parent undertaking.

(b) Current tax reconciliation:

	2007 £'000	2006 £'000
(Loss)/profit on ordinary activities before taxation	(333)	519
FRS17 adjustments:		
- Other finance income	(227)	(125)
- Pension service costs	1,325	393
- Contributions to pension scheme	(740)	(601)
	<hr/>	<hr/>
	25	186
	<hr/> <hr/>	<hr/> <hr/>
	2007 £'000	2006 £'000
Theoretical tax at UK corporation tax rate 19%	5	35
Effects of:		
- Surplus from non-trading activities	(5)	(20)
- Adjustment in respect of prior period	1	3
	<hr/>	<hr/>
Current tax charge for the period	1	18
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements

31 March 2007

9. STOCKS

	2007 £'000	2006 £'000
Raw materials and consumables	69	84

The replacement cost of the above stocks would not be significantly different from the values stated.

10. DEBTORS

	2007 £'000	2006 £'000
Trade debtors	228	11
Amounts owed by parent undertakings	1,710	451
Other debtors	129	80
	<u>2,067</u>	<u>542</u>

All debtors fall due within less than one year.

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 £'000	2006 £'000
Trade creditors	697	852
Amounts owed to parent undertaking	798	745
Other creditors	400	725
Other taxation and social security	486	238
Corporation tax	-	15
Accruals and other deferred income	4,459	1,180
	<u>6,840</u>	<u>3,755</u>

Notes to the Financial Statements

31 March 2007

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2007 £'000	2006 £'000
Loans repayable in 1 to 2 years:		
- Loan repayable to parent undertaking	250	250
	<u>250</u>	<u>250</u>

The loan is an interest free loan made by the parent undertaking at the commencement of trading on 1 April 2004 as set out in the Management Agreement. The Loan is repayable on the termination of the Management Agreement or 31 March 2009, whichever is the earlier.

13. PROFIT AND LOSS RESERVE

	2007 £'000	2006 £'000
At 1 April	(2,001)	(2,120)
(Loss)/profit for the year	(334)	501
Actuarial gain relating to pension scheme	228	2,281
Gain/(loss) relating to changes to assumptions in pension scheme	1,870	(2,663)
	<u>1,764</u>	<u>(2,001)</u>
At 31 March	<u>(237)</u>	<u>(2,001)</u>

Notes to the Financial Statements

31 March 2007

14. RELATED PARTY TRANSACTIONS

Solihull Community Housing Limited is a local authority controlled company of Solihull Metropolitan Borough Council, established with no share capital and limited by guarantee. The Council has delegated responsibility for the management and maintenance of its residential stock to Solihull Community Housing in accordance with a 5-year Management Agreement effective from 1 April 2004. As part of the agreement, the Company is also responsible for meeting all costs in respect of works carried out to properties either by the Company's own staff or external contractors. The Council pays the Company a monthly management fee to meet all of these costs in accordance with the management agreement and any variations subsequently agreed. In 2006-07, the management fee amounted to £45,129,000 (2005-06: £46,069,000).

Solihull Community Housing also provides a number of services to the Council that are covered by Service Level Agreements rather than the main Management Agreement. These include the provision of a Homelessness service and the administration of the Right to Buy Scheme on behalf of the Council. In 2006-07, the income in respect of these services amounted to £709,000 (2005-06: £686,000).

Solihull Community Housing utilised Solihull MBC's payroll system for all staff during the period under a Service Level Agreement. The net payment of salaries to staff together with the payment of deductions (PAYE, NI and pension) are deducted from the Company's own bank account.

Solihull MBC charged Solihull Community Housing £2,123,000 in 2006-07 (2005-06: £2,752,000) for the provision of support services and the Company's share of the costs of shared services.

The balance owing to Solihull MBC at 31 March 2007 included £93,000 (2006: £140,000) in respect of expenses met by the Council that are to be reimbursed by the Company.

Notes to the Financial Statements

31 March 2007

15. FINANCIAL COMMITMENTS

Capital commitments

Capital expenditure commitments were as follows:

	2007 £'000	2006 £'000
Contracted for, but not provided in the accounts	-	-

Operating lease commitments

The payments that the Company is committed to make in the next year under operating leases are as follows:

	2007 £'000	2006 £'000
(i) Land and buildings, leases expiring beyond five years	60	128
(ii) Plant and machinery, leases expiring within one year	10	7
one to five years	132	147
	142	154

16. RECONCILIATION OF OPERATING (LOSS)/PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2007 £'000	2006 £'000
Operating (loss)/profit	(561)	274
Current and past service pension costs	1,325	393
Contributions to pension scheme	(740)	(601)
	24	66
Decrease/(Increase) in stocks	15	(4)
(Increase)/Decrease in debtors	(1,525)	1,639
Increase in creditors	3,100	977
Net cash inflow from operating activities	1,614	2,678

Notes to the Financial Statements

31 March 2007

17. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2007 £'000	2006 £'000
Increase in cash in year	1,599	2,795
	<hr/>	<hr/>
Increase in net cash	1,599	2,795
Net cash at 1 April 2006	3,297	502
	<hr/>	<hr/>
Net cash at 31 March 2007	4,896	3,297
	<hr/> <hr/>	<hr/> <hr/>

18. ANALYSIS OF NET CASH

	1 April 2006 £'000	Cash flow £'000	31 March 2007 £'000
Cash at bank and in hand	3,547	1,599	5,146
	<hr/>	<hr/>	<hr/>
Net cash	3,547	1,599	5,146
	<hr/>	<hr/>	<hr/>
Loans	(250)	-	(250)
	<hr/>	<hr/>	<hr/>
Borrowings	(250)	-	(250)
	<hr/>	<hr/>	<hr/>
Net cash	3,297	1,599	4,896
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements

31 March 2007

19. PENSIONS

The West Midlands Metropolitan Authorities Pension Fund (WMMAPF) is a multi-employer scheme with more than one participating employer, which is administered by Wolverhampton City Council under the regulations governing the Local Government Pension Scheme (LGPS), a defined benefit scheme. Triennial actuarial valuations of the pension scheme are performed by an independent, professionally qualified actuary using the projected unit method. The most recent formal actuarial valuation was completed as at 31 March 2004.

The employers' contributions to the WMMAPF by the Company for the year ended 31 March 2007 were £644,000 and the employers' contribution rate was revised following the formal actuarial valuation as at 31 March 2004, from 13.1% to 10.2% of pensionable salaries from 1 April 2005.

In order to assess the actuarial valuation of the WMMAPF's liabilities at 31 March 2007, the actuaries have rolled forward the actuarial value of the liabilities reported in the triennial valuation as at 31 March 2004, allowing for changes in financial assumptions as prescribed under FRS 17.

Assumptions

The major assumptions used by the actuary in assessing scheme liabilities on an FRS 17 basis were:

	31 March 2007	31 March 2006	31 March 2005
	% per annum	% per annum	% per annum
Rate of increase in salaries	4.9	4.7	4.4
Rate of increase in pensions in payment	3.1	2.9	2.9
Discount rate	5.4	4.9	5.4
Inflation assumption	3.1	2.9	2.9

Notes to the Financial Statements

31 March 2007

19. PENSIONS (continued)

Fair value and expected return on assets

The fair value of assets in the WMMAPF related to the Company and the expected rates of return were:

	Expected return 31 March 2007 %	Fair value 31 March 2007 £000	Expected return 31 March 2006 %	Fair value 31 March 2006 £000	Expected return 31 March 2005 %	Fair value 31 March 2005 £000
Equities	7.5	18,585	7.0	17,683	7.5	13,042
Government Bonds	4.7	2,183	4.3	1,837	4.7	1,723
Other Bonds	5.4	1,014	4.9	1,148	5.4	738
Property	6.5	1,976	6.0	1,607	6.5	1,266
Cash	5.3	286	4.5	689	4.0	809
Other	7.5	1,950	-	-	-	-
		<hr/>		<hr/>		<hr/>
	7.0	25,994	6.5	22,964	6.9	17,578
		<hr/> <hr/>		<hr/> <hr/>		<hr/> <hr/>
Value placed on liabilities		(26,423)		(25,133)		(19,698)
		<hr/>		<hr/>		<hr/>
Net pension liability		(429)		(2,169)		(2,120)
		<hr/> <hr/>		<hr/> <hr/>		<hr/> <hr/>

Reserves

	2007 £'000	2006 £'000
Profit and loss reserve excluding pension liability	192	168
Pension reserve	(429)	(2,169)
	<hr/>	<hr/>
Profit and loss reserve	(237)	(2,001)
	<hr/> <hr/>	<hr/> <hr/>

Analysis of the amount charged to operating surplus

	2007 £'000	2006 £'000
Current service cost	(1,268)	(1,037)
Past service (cost)/gain	(57)	644
	<hr/>	<hr/>
Total operating charge	(1,325)	(393)
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements

31 March 2007

19. PENSIONS (continued)

Analysis of the amount charged to other finance costs

	2007 £'000	2006 £'000
Expected return on pension scheme assets	1,503	1,223
Interest on pension scheme liabilities	(1,276)	(1,098)
	<hr/>	<hr/>
Net return	227	125
	<hr/> <hr/>	<hr/> <hr/>

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)

	2007 £'000	2006 £'000
Actual return less expected return on pension scheme assets	228	3,344
Experience gains and losses arising on scheme liabilities	-	(1,063)
Changes in assumptions underlying the present value of scheme liabilities	1,870	(2,663)
	<hr/>	<hr/>
Actuarial gain/(loss) recognised in STRGL	2,098	(382)
	<hr/> <hr/>	<hr/> <hr/>

Movement in deficit during the year

	2007 £'000	2006 £'000
Deficit in scheme at beginning of year	(2,169)	(2,120)
Movement in year:		
Current service cost	(1,268)	(1,037)
Contributions	740	601
Past service (costs)/gains	(57)	644
Other finance costs	227	125
Actuarial gain/(loss)	2,098	(382)
	<hr/>	<hr/>
Deficit in scheme at end of year	(429)	(2,169)
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements

31 March 2007

19. PENSIONS (continued)

History of experience gains and losses

	2007	2006	2005
Difference between expected and actual return on share of scheme assets:			
Amount (£'000)	228	3,344	688
Percentage of share of scheme assets	0.9%	14.6%	3.9%
Experience gains and losses on share of scheme liabilities:			
Amount (£'000)	-	(1,063)	-
Percentage of present value of share of scheme liabilities	-	4.2%	-
Total amount recognised in statement of total recognised surpluses and deficits:			
Amount (£'000)	1,870	(2,663)	(901)
Percentage of the present value of share of scheme liabilities	7.1%	10.6%	4.6%