



Solihull Community Housing Limited

Company Limited by Guarantee

FINANCIAL STATEMENTS

For the year ended

31 March 2018

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Officers and Professional Advisers

Directors ("the Board")	D S Bell (appointed 30.10.17) B Burton J M Fletcher J Hulland Dr A G C Lane A M Mackiewicz B Maynard N T Page J Potts (resigned 03.10.17) F Shanahan P L Smith L Tubbs C Williams
Chief Officers	F Hughes – Chief Executive (from 03.04.17) S C Gilbert CPFA – Chief Financial Officer P Stoate – Chief of Assets and Business Development
Secretary	M E E Moroney-Barnett
Registered office	Endeavour House Meriden Drive Solihull B37 6BX
Registered number	04462630
Auditors	RSM UK Audit LLP Chartered Accountants St Philips Point Temple Row Birmingham B2 5AF
Bankers	Barclays Bank plc Corporate Business Centre PO Box 333 15 Colmore Row Birmingham B3 2WN

Chairman's Statement

31 March 2018

Welcome to the Solihull Community Housing (SCH) Accounting Statement. I hope you find this document of interest.

SCH is now in its 14th year of operating and has seen significant changes over this time, particularly in the last three years. SCH has a signed rolling Management Agreement with Solihull Council introduced in 2014/15. Following the appointment of the current Chief Executive last year, 2018 has been one of consolidation and change. We have agreed a revised Executive Management structure to help SCH look to the future and maintain a solid focus on service delivery. This revised structure has strengthened SCH through the first year of its five-year Strategic Vision to Provide Homes, Improve Wellbeing and Strengthen Communities. Our robust financial culture has continued in 2017/18 with staff working hard to deliver planned savings and formulate future savings. This helps us to ensure that all available funds are used efficiently and effectively to deliver excellent, customer-focused services.

2016/17 saw the introduction of a 1% rent reduction with a further 1% per year reduction planned for the following three years in accordance with Government requirements. To respond to this, we budgeted for and delivered £902k savings in the year and our financial strategy has realistic plans for delivering further savings in the next three years. These plans have been shared and agreed with Solihull Council and places us in a good position to ensure our future sustainability and for funds to be spent wisely.

The year also saw further unprecedented changes and events in the Social Housing sector that has impacted on all housing providers including SCH. I cannot write this statement without acknowledging the tragic fire at Grenfell Tower in June 2017 and the profound impact on its residents, their families, and friends. Following this tragedy, the reaction of our staff to provide reassurance to our tenants was exemplary. The visibility of staff around our high-rise blocks was increased with organised events and regular written updates to keep tenants informed, all of which featured in a favourable article in "Inside Housing" in July 2017.

In a time of austerity, we have continued to deliver quality services across all areas during the year to March 2018 and have delivered a pre-tax and pensions adjustment surplus of £1.382m 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 has taken place during 2017/18 and will continue.

In addition, we are very pleased with our performance last year that saw continuing improvements in void turnaround times, meaning homes are re-let sooner. We have supported 638 customers to achieve additional benefit of £1.668m this year helping their household family income.

Capital work undertaken this year includes the fifth year of our 10 year "Great Places" programme that aims to give all the stock a real facelift – concentrating on the communal areas as well as the surroundings of the Council's stock. We have continued to make real progress in the delivery of this project during 2017/18 with a further 51 communal areas in the Council's low-rise blocks having received a complete makeover, a total to date of 214. Customer satisfaction for these works continues to be very high.

Work continued this year on replacing 214 inefficient heating systems and a new External Wall Installation (programme of works to increase the thermal comfort for our residents who live in low rise properties. The programme included low rise blocks and houses / bungalows classed as hard to treat. These effective insulation solutions attract Carbon Savings Community Obligation / Energy Companies Obligation funding of £392k and during 2017/18 work was completed on 326 properties. The programme concluded in July 2017 and we will continue to consider EWI in line with the priorities highlighted as part of the introduction of the new Asset Management Strategy.

Our flat and pitched roofing programmes have progressed well during 2017/18, with a further 129 houses / bungalows receiving new pitched roofing and, where relevant, rainwater goods. We also replaced roofing at four high-rise and six low-rise blocks.

Following our work with the Chartered Institute of Housing to develop an improved Asset Management Strategy we are pleased to confirm that this has been approved by both the Board and the Council. This will inform investment decisions and plans in both existing stock and new developments.

Chairman's Statement

31 March 2018

(continued)

2017/18 also saw a further reduction in the number of under-occupiers from 556 in 2016/17 to 478 and was helped in part due to changes made to the Choice Based lettings scheme where 44 tenants had either downsized or were registered to move at year end. 183 of the 478 under-occupiers were in arrears at the end of March (38%) which is an increase from last year (29%).

The level of Right to Buy sales continues to be a challenge and reflects the attractive discounts available to long-term tenants since the scheme was re-launched in 2012. This year saw a decrease in numbers sold of 63 Right to Buy sales compared to 77 last year. However, house sales continue to outnumber new stock added resulting in fewer homes available to let.

Work has progressed well in 2017/18 on the Extra Care scheme at Saxon Court. This is a 51 unit development, previously referred to as Coleshill Heath, that we are developing alongside the Council's Adult Care and Support Directorate and is due to be completed in November 2018. The additional small development planned at Greenhill Way started on 26 March 2018 and Cambridge Drive on 30 April 2018. During this financial year we also purchased three properties in the north of the borough as part of the ongoing property acquisitions programme, on behalf of the Council.

The Homelessness Strategy aims to prevent homelessness in Solihull by providing a quality response to those affected by homelessness and to meet the statutory responsibilities for people at threat of homelessness. In April 2018 a significant change came into force through the Homelessness Reduction Act. This legislation places additional duties on local authorities to take reasonable steps to try to prevent and relieve homelessness within 56 days. SCH have implemented new software to support this significant change. We continue to review our provision of temporary accommodation to ensure we can meet the Council's statutory duty to those that are homeless enabling us to avoid the use of budget hotel accommodation for families. We now only use budget hotels for emergency situations including the activation of the Severe Weather Emergency Protocol with this type of facility primarily arranged to accommodate rough sleepers in need of assistance. The Solihull Youth Hub also continues to provide specific housing support to younger people.

Applicants for housing are required to have a 'close association' with Solihull and to have a recognised housing need, as defined in the Housing Allocations Scheme, in order to be considered for an offer of accommodation. The number of households registered for housing reduced from 7,353 last year to 7,017 in 2017/18. During 2017/18, we saw a slight increase in the applications we manage from 1,602 applications in 2016/17 to 1,671 in 2017/18.

During 2015/16, we established our first commercial venture, SCH Better Places, an environmental cleansing service incorporating anti-graffiti, fly poster removal services, damp and mould treatment and pest control. We also broadened the contract to include servicing SCH, private residents and other businesses. It is pleasing that the business continues to positively progress returning a contribution to overheads of £91k during this financial year.

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 great work, positive engagement and strong commitment over the past 12 months. We look forward to building on our vision to deliver a high level of performance over the coming year as SCH continues to improve our customer standards against the backdrop of reduced funding, whilst being innovative and creative at generating income that can contribute to lowering costs.

Finally, this is my last Chairman's statement on behalf of SCH as, after joining the board on 25 January 2006 and becoming Chairman on 21 January 2010, my time on SCH Board ends at the AGM on 18 June 2018. My twelve and a half years with SCH has seen significant changes and challenges within the world of social housing and I am proud to have worked with SCH throughout this time. I wish SCH continued success in the future and I am sure SCH will continue to thrive and progress for years to come.



Dr AGC Lane
Chairman
18 June 2018

Strategic Report

31 March 2018

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

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

Background

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

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

Now, the prospect of repaying debt within 30-years is unlikely not only because of reduced rental income but also the result of further legislation impacting on Local Authority owned housing. This includes an improved Right to Buy (RTB) discount introduced in 2012 which has increased the number of properties sold at a lower value, and the Welfare Reform initiatives that will impact on tenants' ability to pay rent. In October 2015, the then Prime Minister announced that agreement had been reached on the National Housing Federation's (NHF) proposal to extend the RTB to housing association tenants on a voluntary basis. A fundamental principle of the voluntary agreement is that the Government compensates housing associations for 100% of the value of the discount on homes sold. The Housing and Planning Act 2016 contains provisions that will require local authorities in England to make an annual payment to Government in respect of the expected sales of "higher value" vacant stock over the year. It is expected that these payments will be used to fund the compensation paid to housing associations. However, these provisions have not been implemented as regulations setting out the definition of higher value properties and any exclusions that might apply are still awaited. At the end of December 2017 the Secretary of State confirmed that no payments would be called for in respect of 2017/18 and 2018/19. The Autumn Budget 2017 confirmed that a regional pilot of the extended RTB, funded by the Government, will go ahead in the Midlands in 2018 and will operate for one year.

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

Annual Performance

At the start of 2017/18, the new SCH Strategic Vision to "Provide Homes, Improve Wellbeing and Strengthen Communities" was in place and a delivery plan supported the actions we planned to take in order to meet this challenge.

Financial preparation at SCH had begun early to plan for a balanced four-year budget in the summer of 2015, with detailed savings plans for 2015/16 through to 2018/19. During 2017/18 this was extended to have a balanced budget up to 2020/21. In 2017/18 SCH delivered £902k planned savings from Revenue (£772k), Development (£70k) and additional income (£60k). These savings were achieved with minimal impact to tenants by reshaping the structure of services delivered and increasing income from chargeable services.

Strategic Report

31 March 2018

(continued)

The Management Fee, excluding Safe and Sound income, paid by the Council decreased from £19.914m in 2016/17 to £18.370m in 2017/18, as well as a capital programme of £14.433m (2016/17: £15.790m). In addition to the planned savings, the year-end has seen further savings made in Revenue of £1.382m and in Capital of £2.938m. The Revenue savings were the result of staff vacancies and reduced repairs costs. These savings are to be set aside and transferred into working balances. The future use of these balances will be subject to Board approval. Capital continues to be utilised primarily to increase and improve the existing housing stock and the Capital savings resulted from minor slippage of delivering the programme of works that will be carried forward into 2018/19.

The economic position is still fragile for those in receipt of benefits or low paid jobs and whilst regionally employment is improving, it is not being felt across all parts of the Borough with many in work receiving the minimum wage. To support households with financial worries, SCH have a Money Advice Team who provided advice to 638 customers this year compared to 705 in 2016/17 and helped these claimants to achieve £1.668m in benefits compared to £1.440m the year before. The team also helped tenants reduce rent arrears by £240k this year, which is less than last year's £321k. The reduction is a consequence of the lower number of tenants supported by the team, the complexity of a lot of cases and a number of customers who have seen delays of more than the reported six weeks for their payments of Universal Credit.

The rent for Council properties collected for 2017/18 has reduced from last year's 97.9% to 97.2% which is below the target of 97.9% and in monetary terms £326k below target. Rent Arrears increased from £1.217m to £1.744m, an increase of £527k. Given SCH is so far advanced with Universal Credit "Full Service" it is difficult to compare our figures with our usual list of comparators within the Midlands, as many of them are still in the "Live Service". 30.33% of Council under-occupiers were behind with their rent at year-end although we managed to spend the full Discretionary Housing Payment allocation of £378k which the Council received to assist customers affected by welfare reform in 2017/18 (an increase on the £111k spent in 2016/17). This funding is used to help tenants who are new to Universal Credit for the first five weeks of their claim.

During 2017/18 478 Introductory Tenancies were granted compared to 628 in 2016/17. The lower number in 2017/18 is reflective of a lower overall number of properties becoming void during the year. We monitor the sustainment of such new tenancies; 49 tenancies ended during the introductory period granted over two years from April 2016 to March 2018, demonstrating a 95.6% tenancy sustainment figure with tenancies moving to fixed term or secure tenancies.

The number of applicants registered for housing decreased during the year from 7,353 at March 2017 to 7,017 at March 2018, a 4.6% decrease. Single people registered for housing remains high with 4,519 (64.4%) of the 7,017 applicants requiring one bedroom properties, although this represents a 3.5% decrease from last year, where 4,676 single person applicants were registered.

The Council's Homelessness Strategy aims to prevent homelessness in Solihull, to provide a quality response to those that are affected by homelessness and meet the statutory responsibilities for people at threat of homelessness. Decisions were made on 647 Homelessness applications, which is less than the 789 applications received in 2016/17. A duty to house was accepted in 404 cases this year compared to 418 last year. Work for the team continues towards meeting the national accreditation known as the 'Gold Standard' in the delivery of high quality homelessness service provision, with the team achieving Silver status in 2017/18.

SCH uses a range of accommodation to provide Temporary Accommodation (TA) for homeless applicants. The number of Housing Revenue Account (HRA) properties used for TA purposes increased to 92 made up of 71 self contained flats and the new 21 unit purpose built supported facility at Ipswich Walk, which was completed in May 2017, providing shared accommodation for homeless single people or childless couples with management and support delivered on site. The number of self contained Private Sector Leasing (PSL) properties reduced by 1 from 25 to 24 and we operate 20 units at two sites (Warwick Place and Warwick House) most of which have shared facilities.

The Housing Options service continues to expand the number and range of self-contained units for the use of TA through Private Sector Leasing (PSL) and HRA stock. SCH has a dedicated resource to work with the private rented sector and, in addition to using PSL properties for temporary accommodation, work is undertaken to prevent or relieve homelessness by enabling homeless households to be rehoused more permanently in privately rented homes. This area of activity is expected to gain momentum and grow over the coming year.

Strategic Report

31 March 2018

(continued)

SCH has prepared during the year for the significant changes that came into force through the Homelessness Reduction Act on 3rd April 2018. This new legislation alters the relationship with those presenting themselves as being at threat of homelessness and will impact on the delivery of the homeless services. For 2018/19 the legislation places a duty on local authorities to take reasonable steps to prevent and relieve homelessness for anyone who is eligible and homeless, or threatened with homelessness within 56 days (was 28 days). As prevention work must begin earlier, and the other criteria of priority need, intentionality and local connection to Solihull do not apply at this stage, we expect that there will be an increase in the number of households we assist via prevention work. Local connection to Solihull can be considered at the relief stage but the other criteria cannot. When either the prevention or relief duty is owed we are obligated to carry out a full assessment with a household of their circumstances, and their housing and support needs. This informs a 'Personalised Housing Plan' which must be regularly updated. The prevention duty lasts for 56 days, unless homelessness is prevented or occurs. If homelessness occurs the relief duty, to take reasonable steps to help the applicant to secure accommodation, is triggered; this duty also lasts for 56 days. If homelessness cannot be relieved within that time period the authority must make a decision as to whether a 'main' homelessness duty is owed to the household. In order to prepare for the new requirements the Housing Options Team has in place a new ICT software package to support their work and has been involved in key training this year.

Challenges meeting need continues with a limited number of void properties and stock growth. In 2017/18, SCH allocated 856 properties; 681 council properties and 175 housing association, compared with 809 council empty properties and 282 housing association properties in 2016/17. Demand for housing in Solihull continues to be significant and well beyond the supply available annually. The high level of demand continues to place pressure on the need to turn void properties around quickly. Re-let times have improved significantly over recent years, the void target for 2017/18 was set at a challenging 20 days and was achieved. The average cost of a void repair has reduced from £2,126 in 2016/17 to £2,075.

The Council's Right to Buy sales reduced with 63 properties sold in 2017/18 of which 36 were houses, compared to 77 in 2016/17 where 49 were houses. The buyers of any flats sold become leaseholders and SCH continue to manage these properties. The maximum level of discount is increasing each year, from £77,900 in 2016/17 to, £78,600 in 2017/18. This will increase to £80,900 in 2018/19. The level of discount continues to depress the average sales value despite the rising housing market. This year's average discounted sale price of £55,970 is higher than last year's £49,065 mainly due to the fact that last year saw only six properties sold for values of over £100k, with the maximum being £136k compared to nine properties sold for values over £100k in 2017/18 with the maximum being £202k. The number of applications processed has remained static, 148 in 2016/17 and 144 in 2017/18. The scheme is undoubtedly a real opportunity for those tenants that are able to take advantage of the improved offer but this does mean a further loss of valuable stock to meet wider demand.

The 2017/18 capital programme that SCH delivered on behalf of the Council had a budget of £18.620m. Of which, £5.483m was a contribution towards stock growth and development, with the remaining capital programme set aside to deliver improvements to the housing stock.

Stock development for the Council in the year included:-

- Saxon Court; formerly known as Coleshill Heath Extra Care scheme, a 51 unit supported living development for the elderly commenced in April 2017 and is due to complete in November 2018.
- A 5 unit scheme in Greenhill Way, Shirley, commenced in March 2017 and is forecast to be complete in January 2019
- A 9 unit scheme in Cambridge Drive of 5 houses and 4 flats commenced in April 2018 with a forecast completion of March 2019
- Work at Ipswich Walk's 21 unit Temporary Accommodation development completed in May 2017.

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31 March 2018

(continued)

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

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

SCH has adopted a new Asset Management Strategy following approval by the Board in December 2017. Unlike previous strategies this document is one of a whole organisation approach underpinned by an Asset Performance tool that considers both financial and non-financial drivers. The information provides accurate Net present values (NPVs) for all managed stock broken down into ten locality areas, each with their own overall performance scores. Whilst this document is just the start of our move towards intelligent Asset Management, having this level of detail to inform the capital programme will go some way to ensuring that money is spent where it is most needed.

The impact of the Grenfell Tower Fire on 14 June 2017 had a devastating effect for tenants living in high rise property and SCH manage 37 high-rise blocks. SCH reacted immediately to the aftermath of the tragedy by ensuring that staff were visible across all high-rise accommodation sites reassure the residents and answer questions. In subsequent weeks other activities were introduced with sponsorship from the Executive Management Team continuing as the safety of all of our customers remains a priority for SCH. Activities included:

- hand delivering weekly written updates to all high-rise tenants
- holding on-site drop in question and answer sessions for residents
- engaging with West Midlands Fire Service, both strategically and by completing joint on-site fire inspections
- forming a fire safety group to ensure that oversight of current operations is maintained and any future regulation change / best practice advice is adhered.

Continuous service improvement still underpins everything SCH do and service delivery is monitored rigorously. SCH officers, the Full Board and its Committees utilise a comprehensive Performance Management Framework. Key performance indicators (see below) and Delivery Plan targets are reported to the Full Board on a quarterly basis. During 2017/18 staff workshops were held to focus on the need for savings targets that can be achieved whilst maintaining high levels of service. The workshops have also helped to shape the 2017/18 Annual Delivery Plan.

SCH continue to work closely with the Council across all areas as this benefits all of the residents of Solihull. This effective collaborative approach helps the Council to deliver across their wider objectives in areas that are outside the core housing management contract. SCH involvement this year has continued to focus around safeguarding and the provision of services for the elderly and vulnerable as well as the work undertaken with the Council's Neighbourhood Services department to build stronger communities.

The Wellbeing service was consolidated two years ago and brought together a number of services for older people and vulnerable customers. Funding for these services comes from a combination of contributions from the Council and direct payments from service users. In July 2017 the Council confirmed that they were dissolving their Supporting People Programme impacting on the Safe and Sound service being delivered by the Wellbeing team. The result would see funding for new customers end on 1 April 2018 and funding for the current 1,100 customers reduce over a five-year period.

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(continued)

In response to the funding change a comprehensive service review was undertaken during 2017/18 resulting in the launch of the new Wellbeing Service Model. A key objective of the new model is to develop an integrated plan for development of the service, attracting new self-paying customers whilst still retaining existing customers through the delivery of high-quality services. SCH aim to be a local market leader in the delivery of Safe and Sound services as well as a trusted partner to the Council.

SCH is now the provider of telecare services for the Council, having been awarded a three-year contract in the form a Service Level Agreement with a potential extension for a further two years. The growth of the Wellbeing Service is key to its future success and SCH are confident of securing new business.

During 2017/18 SCH has worked closely with the Council and partners across the Borough on the development of a collaborative locality based approach to service delivery with both Place and People in mind. A considerable amount of strategic work has been carried out with partners and the work is now moving into a more operational delivery phase. SCH is developing a locality based approach within the Neighbourhood Services Team and this activity will gather momentum during 2018/19. The work of the Solihull Integration Project has continued during 2017/18; with the five Local Problem Solving teams meeting on a regular basis to problem solve local issues relating to Crime, Anti-Social Behaviour (ASB) and other place based issues. In addition Neighbourhood Officers from SCH are regularly working with local neighbourhood police teams, with staff using Solihull Police station as a co-located base when they are undertaking visits in the South of the Borough. Following a review of the Council's neighbourhood and regulatory services during the year, SCH are planning for further collaboration of services to take place in 2018/19 which will form part of the locality based approach being established.

An extract of 2017/18 end of year Key Performance Indicators used in SCH is included below.

KPI Ref.	KPI Description	Target	Actual
HO1	Average stay in temporary accommodation (all) – days	100	91
HO2	Average stay in temporary accommodation (HRA) – days	120	88
HO3	Average stay in temporary accommodation (Budget hotels) - days	42	3
HO4	Homeless cases determined within timescale	80.00%	71.63%
WR1	Number new Money Advice cases	650	639
WR2	Benefits awarded due to Money Advice Team intervention	£650,000	£1,668,331
WR3	Reduction in arrears due to Money Advice Team intervention	£220,000	£240,786
AM1	Percentage of properties with valid gas certificate	100.00%	99.92%
AM2	Percentage of repair jobs completed in timescale - All repairs	97.50%	98.33%
AM3	Percentage of appointments made - Response repairs	95.00%	97.82%
AM4	Percentage of appointments kept - Response repairs	96.00%	95.44%
AM7	Percentage of repairs completed right first time	90.00%	90.80%
AM17	Average number of response repairs per property	3.05	3.31
WB1	Percentage of Minor adaptation works completed on time	97.50%	100.00%
WB2	Percentage of Major adaptation works completed on time	95.00%	96.05%
VL1	Average re-let time of voids – days	21	20
VL2	Average void repair time – days	10	11
VL3	Average time from repair complete to relet – days	11	8
NS1	Percentage of rent collected of rent due	97.90%	97.20%
NS2	Percentage of leaseholder service charges collected	98.50%	98.23%
NS3	Percentage of former tenancy arrears collected	15.00%	16.64%
NS4	Percentage of rent paid by digital means including Direct Debit	38.00%	46.79%

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(continued)

NS6	ASB cases completed to satisfaction of customer (private / public)	80.00%	84.34%
NS7	Percentage of high rise blocks passing inspection (cleaning)	96.00%	98.37%
NS8	Percentage of low rise blocks passing inspection (cleaning)	96.00%	93.19%
CR1	Percentage of complaints resolved at stage 1	95.00%	96.94%
CR2	Overall satisfaction with SCH - share your views	85.00%	74.24%
CR3	Percentage of calls abandoned (Contact Centre)*	5.00%	7.14%
CR4	Percentage of calls answered in 30 seconds (Contact Centre)	70.00%	59.72%
CR5	Short term staff sickness days	4.00	3.74
CR11	Enquiries resolved at first point of contact (Contact Centre)	80.00%	84.40%

Customer Engagement

In July 2017 SCH commissioned a Survey of Tenants satisfaction which saw a greater response rate to the previous survey undertaken in 2015 (increased from 5% to 13%). The new survey was compiled from online and telephone responses and provided greater depth in issues requiring further improvement for the future.

In addition there is a Tenant Scrutiny Committee comprised of 9 members (7 tenants and 2 leaseholders) and meets on a quarterly basis to review key performance indicators and data on customer feedback from compliments and complaints. The work plan is based on analysis of the key performance indicators, trend from customer complaints as well as work suggested to link with business improvement or matters arising from their own experiences as customers. Members of the Scrutiny Committee do not raise personal issues and the focus is on service improvements that can benefit tenants and leaseholders generally.

During the last year the focus has been on:

- A review of communal cleaning in high and low rise flats – the Scrutiny Committee recommend developing an 'app' for tenants and leaseholders to report issues regarding cleaning
- Tenant Void Inspectors – following a review of void management the Committee set up a trial of tenants checking voids immediately prior to letting thereby giving a customer view on the lettable standard. This will now to be rolled out to other tenants
- A review of fly-tipping across the Borough which included work with the Council and resulted in a recommendation for joint working
- A review of the revised Customer Feedback Policy incorporating Compliments and Complaints
- Initiating work on effective communications with customers in relation to the repairs service
- Commenting on the tenant's Annual report.

The Tenant Scrutiny Committee organised and chaired two Hot Topic focus groups during the year to obtain views from a wider range of customers on the Repairs Service (June 2017) and new complaints policy (July 2017).

In addition to Tenant Scrutiny Committee, SCH have carried out a wide range of consultation during the last year including:

- feedback for laundry service
- cleaning service
- site specific issues in St Johns Close; and
- support to customers affected by the changes to Severn Trent Water Authority collection.

Strategic Report

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(continued)

SCH 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 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 SCH communicate with tenants. Topics reviewed this year have included Out of Hours Repairs service, Complaints and Repairs communications.

Future Considerations

The financial risks facing SCH will continue into 2018/19 partially due to the ongoing implementation of welfare reform and the impact it will have once it is fully in place. However there is greater uncertainty resulting from the Housing and Planning Act 2016 provisions affecting social housing and the Homelessness Reduction Act. There are further details yet to arise from the new Housing White Paper and whilst it sets out the Government's strategy for tackling the nation's 'broken housing market', the full impact on social housing is less clear. Add to this more uncertainty around Brexit, a Government that continues to look at reshaping Housing Policy, the Grenfell Tower tragedy and the developing West Midlands Combined Authority, planning for the future has never been so important.

SCH's Future Strategic Vision (2017 – 2022) aims to refocus resources in a way that is better able to respond to the challenges and to support the Council to achieve its priorities. The five-year Strategic Vision aims to: - "Provide Homes, Improve Wellbeing and Strengthen Communities". The 2018/19 Delivery Plan demonstrates the important contribution to helping deliver the Council's wider Vision, Purpose and Priorities set out in the Council Plan 2018-2020. The priorities set out in the SCH Delivery Plan reflect continuing focus on improving the housing management service and developing commercial activity in ways that add value by, for example, supporting vulnerable people in the community.

Taking all of these changes, pressures and developments into account, the overall outturn for the year is pleasing. The financial performance (separating out the impacts of IAS19 – Pensions, revaluation gains and taxation) against budget and the previous year can be summarised as follows:

	2017/18 Actual	2017/18 Budget	2016/17 Actual
	£'000	£'000	£'000
Revenue			
Income	21,228	21,114	22,865
Expenditure	(19,846)	(21,114)	(19,434)
Surplus	1,382	0	3,431
Capital			
Income	15,682	18,620	17,362
Expenditure	(15,682)	(18,620)	(17,362)
Surplus	0	0	0
Combined			
Income	36,910	39,764	40,227
Expenditure	(35,528)	(39,764)	(36,796)
Surplus before tax and pension adjustments	1,382	0	3,431
Corporation tax	(14)	0	(16)
Revaluation gain	0	0	312
IAS19 Pension adjustments	(1,589)	0	(950)
Surplus per Income Statement	(221)	0	2,777

Strategic Report

31 March 2018

(continued)

The new five-year strategic vision to *Provide Homes, Improve Wellbeing and Strengthen Communities* is underpinned by four "Delivery Themes", details of which are given in the table below. The annual delivery plan will support the achievement of this strategic vision with 2018/19 identified to continue with the establishment of a framework of strategies designed to advance the delivery of the vision. The first year of this five-year strategy (2017/18) saw the development of the Commercial and Asset Management Strategies.

SCH Objectives	Delivery Theme	Outcomes
Provide warm, healthy homes and safe places to live	Team 2022	<ul style="list-style-type: none"> SCH is equipped to deliver the Future Strategic Vision Governance is robust and the leadership style motivates and nurtures Shared organisational culture and set of acceptable behaviours Focus on operational and cost performance reduces the cost to serve
Add social value through productive partnerships	Service 2022	<ul style="list-style-type: none"> Clear service offer and delivery specifications Managed customer expectations and negative behaviours addressed Accelerated channel shifting promoting digital inclusion Savings and efficiency targets realised to sustain core services
Make best use of assets and resources	Value 2022	<ul style="list-style-type: none"> Fulfil a distinct social mission and set of social value services Operate fully productive partnerships with SMBC and other agencies Contribute to the delivery of the Solihull Council Plan and realisation of its outcomes Make a difference to Solihull residents and communities
Grow and diversify	Growth 2022	<ul style="list-style-type: none"> Grow income from a range of diversified activities Build and acquire additional social rent and affordable homes Offer innovative housing products in response to local needs Ready to develop a range of affordable tenures
Innovate, evolve and learn		
Continual Improvement		

Approval

The Strategic Report was approved by the Board on 18 June 2018 and signed on its behalf by:



Dr AGC Lane
Chairman
18 June 2018

Report of the Directors

31 March 2018

The Directors present their report and the audited financial statements for the year ended 31 March 2018.

Principal Activities

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

Directors and Chief Officers

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

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

Development and Commercial Committee

Audit Committee (formerly Finance and Audit Committee)

Remuneration Committee

Housing Operations Committee

Tenant Scrutiny Committee

Employees

SCH remain committed to ensuring that employees are fully engaged with the work that SCH do and the future plans for the business. There is 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. There are clear lines of communication and reporting and well documented procedures for staff to raise concerns and issues. Feedback from staff at all levels of the business is welcomed and there is an innovative staff suggestion scheme that sees positive engagement from a wide range of staff at all levels.

SCH recognise that without a well-trained and highly motivated workforce, the company would not be able to continue to meet the challenging performance and service improvement targets set. Staff members are supported 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 as well as meet with their line managers throughout the year to discuss progress and receive an annual appraisal.

The SCH staff support package includes access to occupational health, counselling and financial and other support services. There is a positive relationship with recognised trade unions (UNITE and UNISON) and meetings are held regularly with them to discuss changes and new policies that affect staff.

SCH employment policies (including recruitment) clearly commit 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, SCH work with them to make arrangements that will enable them to continue their employment as far as is practicable, through changes in working arrangements, or training for a change of role. The training and development programmes previously outlined are open to all staff and are tailored to take into account the personal needs of each member of staff as an individual as well as meeting the expectations of SCH as a business.

Disclosure of information to auditors

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

Report of the Directors

31 March 2018

(continued)

Auditors

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

Strategic Report

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

Approval

The report of the Directors was approved by the Board on 18 June 2018 and signed on its behalf by:



Dr AGC Lane
Chairman
18 June 2018

Statement of Directors' Responsibilities for the Financial Statements

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

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

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

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

- a) select suitable accounting policies and then apply them consistently;
- b) make judgements and accounting estimates that are reasonable and prudent;
- c) 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 2018

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

Although there is already a strong framework in place, we have continued to refine (as well as monitor) the processes for identifying, evaluating and managing the significant risks faced by the company. The year ended 31 March 2018 has seen further development of the internal control framework including the implementation of changes to remedy weaknesses that were identified at the end of 2016/17.

As part of the process of preparing the Statement of Internal Control all teams are being reminded of key messages around safeguarding the company's assets, finances and reputation including robust risk management, highlighting any concerns relating to potential fraud and making the Insurance Team aware at the earliest possible opportunity of any potential claims against the company.

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

- A new Chief Executive was appointed in the first week of April 2017 and following this appointment there was a review of the senior management structure resulting in changes to the remit of the former Chief of Commercial Activity who is now the Chief of Assets and Business Development, working alongside the Chief of Housing Operations, Head of Asset Management and Development and two new Heads of Service (Head of Housing and Communities and Head of Customer Experience and Business Support). This strengthens the leadership of the organisation and gives a platform to deliver the Strategic Vision which was agreed at the end of 2016.
- Board commissioned an external facilitator to carry out a Governance Review including individual appraisals and develop a training and development programme for the Board as a collective which continues into 2018/19. Part of the remit of the Governance Review included a review of the scope and remit of all the Board Committee structure including the Tenant Scrutiny Committee and an audit and review of all governance documentation. The outcome of this review including proposals to change the remit of some Board Committees and a review of Standing Orders will be presented to the Board for approval in June 2018.
- Board members had a programme of quarterly Board Away Days which included training sessions and strategic discussions. Topics covered during the year included financial planning, strategic risk management, Asset Management Strategy and Equalities and Diversity Strategy.
- Membership of Board Committees was reconsidered with membership being chosen based on the skills and experience of members which were appropriate to the remit of the Committee. The Board have moved away from having equal constituency representation on Committees and focus on having the appropriate mix of skills and experience.
- In March 2017 reviewed and updated 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, these are subject to annual review. For procurement detailed guidance notes are available on the Company's intranet site, including standard monitoring and approval documentation and for high value contracts an independent challenge Board (Project Review Board) to assess progress in tendering and then managing each contract.
- Health and safety is given a high priority across the organisation with performance reports quarterly to the full board. A full health and safety audit is undertaken every three years.
- SCH have an annual review of our health & safety policy which is approved by full board and signed by both the chair of the board and the Chief Executive. The policy was reviewed in July 2017.

Statement on Internal Control

31 March 2018

(continued)

- During 2017/18 there has been a considerable amount of work undertaken to ensure compliance with the new General Data Protection Regulations (GDPR) which came into force in May 2018 which has included developing Privacy Notices for all teams, identifying all agencies and organisations with whom personal data is shared and embedding a process of Privacy Impact assessments for all new projects, contracts or systems of work using personal data.
- All staff were required to complete mandatory training in GDPR prior to the end of May 2018 and in addition all teams are also received a briefing as well as regular communications via the Business Bulletin which goes out to all staff on a monthly basis.
- SCH have a comprehensive Performance Management Framework which was developed in 2016/17 and includes a section on compliance indicators to improve monitoring of health and safety and the full details are reported to and discussed by the Housing Operations Committee. This strengthens the health & safety monitoring that is carried out by full board.
- Following the tragic events at Grenfell Tower in June 2017 extensive work was carried out by SCH and a Fire Safety action Tracker was introduced which is monitored by the Board on a quarterly basis. A special Board meeting was called for July 2017 to deal specifically with the issue of fire safety in high rise buildings and this meeting was attended by senior Council Members and Fire Service Officers to give additional assurance that all reasonable steps are being taken to ensure the safety of tenants and leaseholders. SCH have now established a fire safety management group.
- Robust strategic and business planning processes which have involved staff at all levels contributing.
- A revised Risk Management Policy was approved by the Board in October 2017 and the Corporate and Team Risk Registers are monitored by the Executive Management Team and Operational Management Teams quarterly and by the Board on a six monthly basis.
- Formal reviews of the company's Corporate Risk Register (and supporting service Risk Registers), which sets out the identified risks and the mitigating actions in place to deal with these risks as well as clearly defined management responsibilities for their identification, evaluation and control.
- In the final quarter of 2016/17 there was an internal audit of SCH risk management processes which identified a number of improvements in our formal systems all of which have been addressed with the last recommendation being the review of the formal policy.
- SCH have revised the financial trading statement reports to the Development and Commercial Committee (formerly Commercial Committee) to cover Better Places and Wellbeing Services only which are the commercial services. All other financial reporting now goes to full board for discussion and approval. This ensures that the Development and Commercial Committee focus on financial issues within its remit.
- During 2017/18 responsibility for financial monitoring transferred from the Finance and Audit Committee to the full board so that all members take responsibility for financial oversight.
- In June 2017 the Board used an Away Day to have a detailed strategic discussion around the 10 year Financial Plan including reviewing costs, inflation assumptions, savings, income generation and financial dashboard. This discussion helped inform the budget planning process and refresh.
- 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 department level, as well as formal, scheduled reporting to the Senior Management team and the relevant Board committees.
- A formal programme of internal audit work, carried out by officers independent of the executive. Reports and recommendations are agreed by senior management as well as being considered in detail by the Audit Committee.

Statement on Internal Control

31 March 2018

(continued)

- Formal and independent annual external audit of statutory financial statements and consideration of audit findings.
- Quarterly monitoring of an agreed suite of performance indicators (both local and national) at team and corporate level and by the independent Tenant Scrutiny Committee, who then report directly to the Board.
- Regular reporting to senior management and the Board of key business objectives, targets and outcomes.
- Formal recruitment, retention, training and development policies for staff that incorporate annual appraisals of performance against targets that are consistent with the Business Plan and corporate objectives. During 2016/17 a training plan was developed covering both mandatory and optional training for all staff, which is monitored by the Operational Management Team.
- During the year a staffing restructure of the Neighbourhood Services Team (estate management, tenancy management and anti-social behaviour) took place and made significant progress with staffing restructures in Asset Management as well as starting the restructure of the Home Options Team (allocations and homelessness).
- Board have approved anti-fraud and corruption policies and clearly documented guidance and procedures for reporting conflicts of interest and the receipt of gifts and hospitality, including a mandatory annual declaration of interests by all staff and Board Members.
- During the year the majority of staff from all levels in the organisation received training on anti-fraud and whistleblowing which was delivered by the Investigation Team at Solihull MBC.
- Detailed policies and procedures in each area of the company's work.

During 2017/18 there has been a continued focus on strengthening governance arrangements including externally facilitated appraisals and following this SCH developed a Board training and development plan which started to be implemented in June 2017 and the programme will continue into 2018/19.

The Governance Review has highlighted the need for succession planning for Board members, particularly as the current chair, who has held the position since January 2010, is retiring from the Board at the Annual General Meeting in June 2018. The Articles of Association previously allowed for the Board to elect a chair from amongst the membership at the first meeting following the Annual General Meeting. As part of the Governance Review the Articles have now been amended and the parent Council will appoint the chair, who must be an independent member.

An external consultant has been appointed to recruit a new independent chair and in the interim, the Board have appointed one of the independent members to take over as Interim Chair after the Annual General Meeting in June 2018 until the new appointment is made. This will ensure continuity and smooth transition in Board leadership.

The Board met for four mandatory "Away Days" during the year, with a wide agenda to discuss the key issues facing the company in more detail. The topics covered in the last year included developing the Asset Management Strategy, the Equality and Diversity Strategy, 10 year Financial Plan, Risk Management and Governance.

All staff and Board members have completed the Annual Declaration of Interests and where members of staff have made a declaration line managers have put in place agreed working practices to avoid any actual or perceived conflicts. Both the line manager and the staff member sign the agreed protocol. Agency or temporary members of staff are also required to complete the declaration of Interests on joining the company and similar measures are put in place to avoid conflicts. At the start of every Board and Committee meeting members are asked to declare any interests arising from items on the agenda.

The formal officer meeting structure includes a weekly meeting of the Executive Management Team which is chaired by the Chief Executive and includes the Chief of Housing Operations, Chief of Assets and Business Development, Head of Asset Management and Development, Head of Customer Experience and Business Support and Head of Housing and Communities. On a fortnightly basis this also includes the Chief Financial Officer.

Statement on Internal Control

31 March 2018
(continued)

The Heads of Service and other senior managers attend a fortnightly Operational Management Team Meeting which is chaired by the Chief Executive 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.

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

The SCH Health and Safety support is provided by the Council's Health and Safety Team. This has provided the Company with a more effective supporting arrangement. There was one reportable incident to the HSE during the last year, which concerned exposure to asbestos. The possible impacts would not be known for 30 – 40 years so it is impossible to determine whether any harm has been caused by this incident. However, to date the HSE has not requested any further information. SCH 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 and Development. The Corporate Health & Safety Group is supported by local site Health & Safety Groups at the Asset Management Hub and Endeavour House.

Following the announcement in the 2015 Government Budget that social housing rents would need to reduce by 1% per annum for four years a clear financial plan was put in place to deliver the required level of savings whilst maintaining, as far as possible, the high levels of service expected by our customers. All Heads of Service have worked with the Council's Finance team to develop budget plans for the next three years and these were monitored during 2017/18 at monthly Finance Monitoring Meetings held with the SCH Finance Manager, Senior Accountant and Heads of Service. A 'traffic light' rating system, whereby areas are rated as red, amber or green, known as a RAG rating has continued to be used to flag up any areas of concern where the planned level of savings may not be achieved so that alternative strategies can be put in place. These monitoring meetings are scheduled to continue during 2018/19. At the end of 2017 /18 the required level of savings had been achieved in the year.

During 2018/19 the budget savings plans will be revised to ensure delivery of the required level of savings.


Budget setting will remain challenging in the context of both the savings required to deliver rent reductions and also due to the uncertainty over the impact of the implementation of Welfare Reforms. Close financial monitoring will ensure the delivery of the efficiencies required is still on track.

The annual delivery plan sets out key organisational milestones which are monitored through the performance framework and associated quarterly performance dashboard.

The Board cannot delegate ultimate responsibility for the system of internal control, but it can, and has, delegated authority to the 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 Audit Committee covering external and internal audit. The Board has reserved the review of the remaining key elements (in particular Financial Monitoring, Risk and Health & Safety) to itself and receives reports on a regular basis.



Dr AGC Lane
Chairman
18 June 2018



F. Hughes
Chief Executive

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

Opinion

We have audited the financial statements of Solihull Community Housing Limited (the 'company') for the year ended 31 March 2018 which comprise Statement of Comprehensive Income, Statement of Changes in Equity, Balance Sheet, Statement of Cash Flows, Areas of Judgement & Risk Management and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report has been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 14, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our Report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

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

Date: 26th June 2018

Statement of Comprehensive Income

for the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
REVENUE	1	36,910	40,227
Operating expenses	3	(36,707)	(36,991)
PROFIT FROM OPERATIONS		203	3,236
Finance costs	4	(410)	(443)
(LOSS)/PROFIT BEFORE TAXATION		(207)	2,793
Income Tax expense	6	(14)	(16)
(LOSS)/PROFIT FOR THE YEAR	14	(221)	2,777
OTHER COMPREHENSIVE EXPENDITURE, NET OF TAX			
Actuarial gains/(losses) on defined benefit obligations	17	1,976	(2,133)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,755	644

The profit from operations for the year arises from the Company's continuing operations (note 3).

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

Statement of Changes in Equity

for the year ended 31 March 2018

	Note	Total Equity & Reserves £'000
BALANCE AT 31 March 2016		(6,810)
Profit for the financial year to 31 March 2017		2,777
Actuarial loss relating to the pension scheme	17	(2,133)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		644
BALANCE AT 31 March 2017		(6,166)
Loss for the financial year to 31 March 2018		(221)
Actuarial gain relating to the pension scheme	17	1,976
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,755
BALANCE AT 31 March 2018		(4,411)

Balance Sheet

at 31 March 2018

	Note	2018 £'000	2017 £'000
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	8	1,992	2,025
CURRENT ASSETS			
Inventories	9	80	107
Trade and other receivables	7/10	829	1,682
Cash and cash equivalents	7/15	12,577	11,154
TOTAL ASSETS		15,478	14,968
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	7/11	(4,848)	(5,677)
Current tax liabilities		(14)	(21)
Borrowings	7/12	(31)	(30)
		(4,893)	(5,728)
NON CURRENT LIABILITIES			
Borrowings	7/12	(550)	(582)
Retirement benefit net obligations	17	(14,405)	(14,792)
Other non current financial liabilities	7/11	(41)	(32)
TOTAL LIABILITIES		(19,889)	(21,134)
NET LIABILITIES		(4,411)	(6,166)
EQUITY – Attributable to parent			
Retained earnings	14	(4,411)	(6,166)
TOTAL EQUITY – ATTRIBUTABLE TO MEMBER		(4,411)	(6,166)

The financial statements on pages 21 to 45 were approved by the Board and authorised for issue on 2018 and are signed on their behalf by:



Dr AGC Lane
Chairman



Mrs PL Smith
Chair of Audit Committee

Statement of Cash Flows

for the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
OPERATING ACTIVITIES			
Cash generated from operations	15	1,500	2,500
Interest paid	4	(26)	(27)
Corporation tax paid		(21)	(20)
NET CASH GENERATED FROM OPERATING ACTIVITIES		1,453	2,453
FINANCING ACTIVITIES			
Repayments of borrowings		(30)	(28)
NET CASH USED IN FINANCING ACTIVITIES		(30)	(28)
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,423	2,425
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		11,154	8,729
CASH AND CASH EQUIVALENTS AT END OF YEAR	15	12,577	11,154

Significant Accounting Policies

31 March 2018

BASIS OF ACCOUNTING

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

GOING CONCERN

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

REVENUE

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

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

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

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

PROPERTY

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

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

The change in the EUV-SH percentage itself is assumed not to materially change the underlying value of the property.

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

DEPRECIATION

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

Significant Accounting Policies

31 March 2018

(continued)

DEPRECIATION (continued)

Freehold Land and Assets in the Course of Construction are not depreciated.

In accordance with International Accounting Standard 16 (IAS16), SCH's housing properties are split into their underlying components as defined by the BCIS "Component Life Survey" and each component is depreciated separately. SCH uses the following components with useful lives as shown:

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

Housing Properties

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

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

IMPAIRMENT OF PROPERTY

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

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

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

INVESTMENT AND SHARED OWNERSHIP PROPERTIES

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

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

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

Significant Accounting Policies

31 March 2018

(continued)

GRANTS

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

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

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

INVENTORIES (excluding Investment and Shared ownership properties)

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

LEASES

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

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

FINANCIAL INSTRUMENTS

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

Financial assets

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

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

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

Bank overdrafts are presented within current liabilities.

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

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

Significant Accounting Policies

31 March 2018

(continued)

FINANCIAL INSTRUMENTS (continued)

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

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

TAXATION

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

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

DEFERRED TAXATION

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

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

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

PENSIONS

All permanent employees of the Company are entitled to join the "defined benefit" pension scheme, the West Midlands Metropolitan Authorities Pension Fund, which is administered by Wolverhampton City Council and provides members with defined benefits related to pay and service. During the year, the Company paid an employer's contribution rate of 19.9% (2017: 13.8%) into the fund in addition to meeting all pension payments relating to added years benefits awarded during the year, together with any related increases.

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

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

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

STANDARDS ADOPTED EARLY BY THE COMPANY

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

Significant Accounting Policies

31 March 2018

(continued)

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

IFRS 9 – Financial Instruments - Effective 2019

IFRS 15 – Revenue from Contracts with Customers – effective 2019

IFRS 16 – Leases – effective 2020

IAS 19 – Plan amendment, curtailment or settlement – effective 2020

None of these standards are expected to have a material impact on the Company's financial statements.

Areas of Judgement and Risk Management

31 March 2018

CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

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

The Strategic Report set out on pages 4 to 11 of these accounts sets out a commentary on the current and future trading activities of the Company as well as the key risks underlying its operations. The evidence gathered in this exercise forms a key element of the Directors assessment of whether SCH continues to be a going concern.

The estimates (and related assumptions) that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are in relation to the pension scheme and the property revaluations. The detailed assumptions in relation to the pension scheme are set out in Note 17 to the accounts. Solihull Community Housing's ("SCH") parent, Solihull MBC confirms on an annual basis that they expect SCH to make best endeavours to maintain a fully funded scheme by complying with any guidance issued by the actuary with regard to contribution levels. In line with the company's accounting policies its property portfolio is revalued every five years. The first such revaluation took place on 31 March 2016 and has been updated by a desktop review at 31 March 2018. Details are set out in Note 8 to the accounts.

In considering whether the Company will be able to meet these future pension contributions, the Strategic Review set out on pages 4 to 11 of these accounts demonstrates the reasons why SCH expects to continue to make sufficient cash surpluses to do so.

FINANCIAL RISK MANAGEMENT

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

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

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

Monitoring exposure to financial risks forms a key part of SCH's overall risk management processes. The Statement on Internal Control set out on pages 15 to 18 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 99% (2017: 98%) of SCH's income and are receivable monthly in advance. SCH is dependent on Management Fee income in order to maintain the necessary cash flow to operate effectively.

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

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

Areas of Judgement and Risk Management

31 March 2018
(continued)

Liquidity Risk and Credit Risk (continued)

Credit risk predominantly arises from trade receivables- of the Company's total 2017 financial assets, £590,000 (2017: £1,499,000) 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 2018 and 2017 Financial Assets are non-interest bearing.

All the Company's 2018 and 2017 Trade and Other Payables are non-interest bearing. The interest rates applicable to the Company's 2018 and 2017 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 £11,996,000 at 31 March 2018 (2017: £10,542,000).

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 2018****1. REVENUE**

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

2. SEGMENT INFORMATION

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:

	2018	2017
	£'000	£'000
Inventories		
- cost of inventory recognised as an expense	812	833
- amounts written off	-	6
Depreciation of owned property, plant and equipment	33	50
Auditor's fees:		
- audit services	18	20
- taxation	3	2
- For other services	-	-
Rentals under operating leases	367	351

The following table analyses the nature of expenses:

		2018	2017
		£'000	£'000
Staff costs	5	11,305	10,587
Revaluation gain	8	-	(312)
Asset management		19,984	21,394
Housing management		2,788	2,535
Corporate services		2,630	2,787
Total expenditure		<u>36,707</u>	<u>36,991</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

(continued)

3. PROFIT FROM OPERATIONS (continued)

Following a restructure of the organisation during 2017/18 this analysis of expenses has been revised in order to more closely reflect the management structures now in place. The following table shows how the operating expenses would have been presented had these changes not been implemented:

	2018	2017
	£'000	£'000
Staff costs	11,283	10,587
Depreciation	33	50
Revaluation gain	-	(312)
Property works	19,981	21,394
Housing Management and Maintenance	2,880	2,783
Finance	909	949
Corporate Services	1,621	1,540
Total expenditure	36,707	36,991

4. FINANCE COSTS

		2018	2017
		£'000	£'000
Interest on net pension liability	17	(384)	(416)
Prudential borrowing interest		(26)	(27)
		<u>(410)</u>	<u>(443)</u>

5. STAFF COSTS

	2018	2017
	No	No
The average monthly number of persons employed by the Company during the year was:		
Executive Management Team	3	3
Housing Management	100	106
Asset Management	106	109
Corporate Services	70	66
	<u>279</u>	<u>284</u>

In order to be consistent with the changes to the analysis of expenditure outlined in note 3, the average number of employees has also been recategorised into the same service headings. If these changes had not been implemented, the Housing Management & Asset Management categories would have been combined (206), and the Corporate Services category would have been split into Corporate (30), Finance (16) and Commercial (24).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

(continued)

5. STAFF COSTS (continued)**Staff costs, including directors:**

	2018	2017
	£'000	£'000
Wages and salaries	7,356	7,453
Agency costs	666	628
Social security costs	677	686
Other pension costs	2,441	1,523
Modernisation and redundancy costs	165	297
	<u>11,305</u>	<u>10,587</u>

Remuneration of key management personnel:

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

	2018	2017
	£'000	£'000
Short term employee benefits	256	265
Post employment benefits	43	28
	<u>299</u>	<u>293</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.

6. INCOME TAX EXPENSE**ANALYSIS OF CHARGE IN YEAR**

	2018	2017
	£'000	£'000
Current Tax:		
UK – Current tax	14	16
	<u>14</u>	<u>16</u>

Current tax reconciliation:

	2018	2017
	£'000	£'000
(Loss)/profit before tax	(207)	2,793
Depreciation	33	50
IAS19 adjustments:		
- Other finance income	384	416
- Past and present service costs	2,460	1,484
	<u>2,670</u>	<u>4,743</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

(continued)

6. INCOME TAX EXPENSE (continued)	2018	2017
	£'000	£'000
Tax at the standard rate of corporation tax 19% (2017: 20%)	534	949
Effect of non-trading activities with member not subject to corporation tax	(520)	(933)
	<u>14</u>	<u>16</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 and from the company's 'Better Places' service were subject to Corporation Tax. A taxable profit of £74,000 arose in the year and is reflected in these statements (2017: £78,000).

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 revaluations of housing properties undertaken (last revaluation: 31 March 2017). Any such sales would only be taxable if sold to a party other than the Council.

7. FINANCIAL INSTRUMENTS

Assets at fair value:		2018	2017
		£'000	£'000
Current financial assets			
Trade and other receivables	10	761	1,642
Cash and cash equivalents	15	12,577	11,154
Total loans and receivables		<u>13,338</u>	<u>12,796</u>

Liabilities at fair value:		2018	2017
		£'000	£'000
Current financial liabilities			
Trade and other payables	11	4,848	5,677
Borrowings	12	31	30
		<u>4,879</u>	<u>5,707</u>

Non-current financial liabilities			
Borrowings	12	550	582
Retentions on construction projects	11	41	32
Total other financial liabilities		<u>5,470</u>	<u>6,321</u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2018
(continued)

7. FINANCIAL INSTRUMENTS (continued)

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.

		2018	2017
		£'000	£'000
Within 6 Months			
Trade and other receivables	10	761	1,642
Cash and cash equivalents	15	12,577	11,154
Total		<u>13,338</u>	<u>12,796</u>

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 2018 up to the contractual maturity date:

		2018	2017
		£'000	£'000
Within 6 Months			
Trade and other payables	11	4,807	5,677
6 Months to 1 Year			
Trade and other payables		41	-
Borrowings	12	31	30
1 to 5 Years			
Payables due >1 year: retentions on construction projects	11	41	32
Borrowings	12	550	582
Total		<u>5,470</u>	<u>6,321</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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

(continued)

8. PROPERTY

	Freehold Land	Completed Properties available for letting		Total
	£'000	Rented £'000	Shared Ownership £'000	£'000
Valuation:				
At 1 April 2016	587	1,232	164	1,983
Gain on revaluation	104	184	24	312
At 31 March 2017	691	1,416	188	2,295
Additions				
At 31 March 2018	691	1,416	188	2,295
Accumulated depreciation and any recognised impairment losses:				
At 1 April 2016	-	(192)	(28)	(220)
Charged in the year	-	(45)	(5)	(50)
At 31 March 2017	-	(237)	(33)	(270)
Charged in the year				
At 31 March 2018	-	(266)	(37)	(303)
Net book value:				
At 31 March 2018	691	1,150	151	1,992
At 31 March 2017	691	1,179	155	2,025
At 31 March 2016	587	1,040	136	1,763

The depreciation expense of £33,000 (2017: £50,000) has been charged to operating expenses within the Income Statement.

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

The next full revaluation of these properties is due in 2020/21, in line with the current accounting policy.

SCH received a total of £781,000 of Social Housing Grant towards the development of these properties, this sum was recognised as income in 2015/16 in line with the first full revaluation.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2018
(continued)

9. INVENTORIES	2018	2017
	£'000	£'000
Raw materials and consumables	80	107
	<u>80</u>	<u>107</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.

10. TRADE AND OTHER RECEIVABLES	2018	2017
	£'000	£'000
Trade receivables	615	1,514
Other receivables	214	168
	<u>829</u>	<u>1,682</u>

The average credit period taken on provision of services is 8 days (2017: 14 days).

An allowance has been made for estimated irrecoverables of £44,000 (2017: £59,000). 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.

	2018	2017
	£'000	£'000
Up to 3 months	101	233
Up to 6 months	-	3
Greater than 6 months	4	26
	<u>105</u>	<u>262</u>

The movement in the allowance account was as follows:	2018	2017
	£'000	£'000
Opening balance as at 1 April	59	64
Provision for receivables impairment	10	17
Receivables written off during the year	(6)	(16)
Unused amounts reversed	(19)	(6)
Closing balance as at 31 March	<u>44</u>	<u>59</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 2018
(continued)

11. TRADE AND OTHER PAYABLES

	2018	2017
	£'000	£'000
Amounts payable relating to invoiced amounts	1,542	946
Accruals and deferred income	2,302	2,522
Other tax and social security	433	1,671
Other creditors	571	538
Current trade and other payables	<u>4,848</u>	<u>5,677</u>
Non-current other creditors: retentions on construction projects	<u>41</u>	<u>32</u>
Total trade and other payables	<u><u>4,889</u></u>	<u><u>5,709</u></u>

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 9 days (2017: 12 days).

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

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

12. BORROWINGS

	2018	2017
	£'000	£'000
<u>Less than 1 year</u>		
Prudential borrowing from SMBC	31	30
<u>Greater than 1 year</u>		
Prudential borrowing from SMBC	550	582
	<u>581</u>	<u>612</u>

Interest Rate Summary

	2018	2017
	£'000	£'000
Floating rate	581	612
	<u>581</u>	<u>612</u>

A floating rate loan from Solihull MBC to finance SCH's development of properties for rent and shared ownership - £581,000 (2017: £612,000). This is a floating rate loan repayable over 22 years from 2010/11 to 2031/32. Interest is charged at the Council's Consolidated rate of Interest (CRI). The loan is secured on the developed properties.

NOTES TO THE FINANCIAL STATEMENTS**for the year ended 31 March 2018****(continued)****13. COMPANY LIMITED BY GUARANTEE**

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

14. RESERVES

	2018	2017
	£'000	£'000
Retained Earnings		
At 1 April	(6,166)	(6,810)
Retained (loss)/profit for the year	(221)	2,777
Actuarial gain/(loss)	1,976	(2,133)
Total Equity and Reserves	(4,411)	(6,166)

15. CASHFLOWS

	2018	2017
	£'000	£'000
Reconciliation of profit from operations to net cash inflow from operating activities:		
Profit from operations before tax	203	3,236
Depreciation and amortisation	33	50
Gain on revaluation of fixed assets	-	(312)
Pension contributions paid in period	(1,283)	(976)
Pension contributions charges in the period	2,488	1,510
Decrease in inventories	27	7
Decrease / (increase) in debtors	853	(584)
Decrease in creditors	(821)	(431)
Net cash inflow from operating activities	1,500	2,500

CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent:

	2018	2017
	£'000	£'000
Cash at bank and in hand	12,577	11,154
	12,577	11,154

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

(continued)

16. COMMITMENTS UNDER OPERATING LEASES

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

	Land and buildings	Land and buildings	Plant and machinery	Plant and machinery
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Total value of lease commitments				
Expiry of lease:				
Within 1 year	40	40	311	304
Between 2-5 years	130	160	264	464
After 5 years	-	10	-	-
	170	210	575	768

Operating lease payments represent rentals payable by the Company for office premises and equipment. £130,000 (2017: £170,000) of the leases for land and buildings relates to a lease expiring after 1 year. Rentals on both leases are fixed throughout the term of the lease. Rentals for plant and equipment are fixed for an average of 2 years.

17. RETIREMENT BENEFIT OBLIGATIONS

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out as at 31 March 2018 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.

	2018	2017
Key assumptions used:	%	%
Discount rate	2.6	2.7
Future salary increases	3.8	4.2
Future pension increases	2.3	2.7
CPI increases	2.3	2.7

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:	2018	2017
Male	87	87
Female	89	89

The average life expectancy for a pensioner retiring at 65, aged 45 at the reporting date:	2018	2017
Male	89	89
Female	92	92

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

(continued)

17. RETIREMENT BENEFIT OBLIGATIONS (continued)

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

	Change in Assumption	Overall Impact on Liability
Discount rate	Increase by 0.1 %	Decrease (£1,442,000)
Short term salary increase	Increase by 0.1%	Increase £145,000
Pension growth rate	Increase by 0.1 %	Increase £1,328,000
Rate of mortality	Increase by 1 year	Increased £2,810,000

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

	2018 £'000	2017 £'000
Current service cost	2,460	1,484
Net interest on liability	28	416
Administration cost	384	26
Total operating charge	<u>2,872</u>	<u>1,926</u>

Of the charge for the year: £2,488,000 has been charged to operating costs (2017: £1,510,000)
£384,000 has been charged to finance costs (2017: £416,000)

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

Gain recognised £1,976,000 (2017: loss of £2,133,000)

Cumulative expense is £9,082,000 (2017: £11,058,000)

The actual return on scheme assets was a gain of £42,000 (2017: gain of £12,277,000)

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

	2018 £'000	2017 £'000
Fair value of scheme assets	63,219	63,179
Present value of defined benefit contributions	(77,624)	(77,971)
Liability recognised in the Balance Sheet	<u>(14,405)</u>	<u>(14,792)</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

(continued)

17. RETIREMENT BENEFIT OBLIGATIONS (continued)

Movements in the liability recognised in the Balance Sheet in the current period:

	2018	2017
	£'000	£'000
At 1 April	(14,792)	(11,709)
Current service cost including curtailments	(2,351)	(1,484)
Past service cost	(109)	-
Interest cost	(2,090)	(2,301)
Remeasurement arising from changes in financial assumptions	3,640	(12,525)
Expected return on scheme assets	1,706	1,885
Actuarial gains/ (losses)	(1,664)	10,392
Administration expenses	(28)	(26)
Employer contributions	1,283	976
At 31 March	<u>(14,405)</u>	<u>(14,792)</u>

Movement in the present value of defined benefit obligations in the current period:

	2018	2017
	£'000	£'000
At 1 April	77,971	62,689
Current service cost including curtailments	2,351	1,484
Past service cost	109	-
Interest cost	2,090	2,301
Remeasurement arising from changes in financial assumptions	(3,640)	12,525
Contributions by plan participants	411	416
Benefits paid	(1,668)	(1,444)
At 31 March	<u>77,624</u>	<u>77,971</u>

Movement in the fair value of scheme assets in the current period:

	2018	2017
	£'000	£'000
At 1 April	63,179	50,980
Expected return on scheme assets	1,706	1,885
Actuarial gains/ (losses)	(1,664)	10,392
Administration expenses	(28)	(26)
Employer contributions	1,283	976
Employee contributions	411	416
Benefits paid	(1,668)	(1,444)
At 31 March	<u>63,219</u>	<u>63,179</u>

NOTES TO THE FINANCIAL STATEMENTS**for the year ended 31 March 2018****(continued)****17. RETIREMENT BENEFIT OBLIGATIONS (continued)**

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

	Expected return		Fair value of assets	
	%	%	£'000	£'000
	2018	2017	2018	2017
Equity instruments	2.6	2.7	40,405	40,694
Debt instruments	2.6	2.7	7,038	7,746
Property	2.6	2.7	4,868	4,867
Alternatives	2.6	2.7	9,352	8,069
Cash	2.6	2.7	1,556	1,803
	2.6	2.7	63,219	63,179

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

The five year history of experience adjustments are as follows:

	2018	2017	2016	2015	2014
	£'000	£'000	£'000	£'000	£'000
Fair value of plan assets at 31 March	63,219	63,179	50,980	50,772	43,821
Present value of defined obligation at 31 March	(77,624)	(77,971)	(62,689)	(63,289)	(50,935)
Deficit in the plan	(14,405)	(14,792)	(11,709)	(12,517)	(7,114)
Re-measurement on Assets	(1,664)	10,392	(1,849)	4,743	(839)
Experience adjustments arising on plan liabilities	-	-	-	-	(3,505)
(Gain)/Loss on financial assumptions	(3,640)	12,525	(3,724)	9,463	(5,687)
Loss on demographic assumptions	-	-	-	-	378

The estimated amounts of contributions expected to be paid to the scheme during the financial year ending 31 March 2019 is £1,568,000.

NOTES TO THE FINANCIAL STATEMENTS**for the year ended 31 March 2018****(continued)****18. RELATED PARTY TRANSACTIONS**

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

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

	2018	2017
	£'000	£'000
During the year the Company:		
- supplied goods and services to SMBC	36,692	39,318
- purchased goods and services from SMBC	3,762	3,228
At 31 March		
- included in year-end Debtors owed by SMBC	590	1,499
- included in year-end Creditors owing to SMBC	(753)	(841)
- included in year-end Borrowings owing to SMBC	(581)	(612)
- Net balance due to / (from) SMBC	<u>(744)</u>	<u>46</u>

Included in the above figures is a loan from SMBC to fund SCH's own development of properties for rent and shared ownership. Further details are set out in note 12. The loan is secured against the assets that it was used to develop. As at 31 March 2018 the balance outstanding was £581,000 (2017: £612,000).

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

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

19. CAPITAL COMMITMENTS

At 31 March 2018 the Company had no capital expenditure commitments (2017: £nil)

20. CONTINGENT LIABILITY

Until 31 March 2018, the company acted as an agent for Severn Trent Water collecting water charges due from tenants and receives a commission payment for doing so - this contract has now ended. 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.

