

# Solihull Community Housing Limited

(a company limited by guarantee)

Annual Report

*Year ended 31 March 2009*

# Contents of the Annual Report

**31 March 2009**

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## Company Information

**31 March 2009**

Directors	W A M Blackburn P A Brandum D H J Dixon D Evans (appointed 25 June 2008, resigned 3 June 2009) J Evans (appointed 21 January 2009) N A Grace S Gomm J Hamilton (appointed 25 June 2008) S Hawthorne-Slater (appointed 21 January 2009) H R Hendry C J Horrocks Dr A G C Lane A M Mackiewicz M O’Gorman (deceased 7 August 2008) S B Partridge J Potts (appointed 3 June 2009) I I Shaw (resigned 21 January 2009) P L Smith
Secretary	K A Preece
Registered office	Endeavour House Meriden Drive Solihull B37 6BX
Registered number	04462630
Auditors	Grant Thornton UK LLP Chartered Accountants Registered Auditors Enterprise House 115 Edmund Street Birmingham B3 2HJ
Bankers	Barclays Bank plc Corporate Business Centre PO Box 333 15 Colmore Row Birmingham B3 2WN

# Report of the Directors

**31 March 2009**

The directors present their report and the audited financial statements for the year ended 31 March 2009.

## **Principal activities**

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

## **Business review and future developments**

After the challenges of the Audit Commission inspection in January 2008, SCH has continued to work hard to maintain and improve on the excellent level of service that was recognised and to live up to the “excellent prospects for improvement” that were recognised then. We are no longer the only 3 star ALMO in the West Midlands and we continue to look for ways to differentiate ourselves from our peers, although we did win a Government Business Award in the social housing category as a result of it.

In March 2009, this meant that we exposed our customer service teams to external assessment and became one of the first organisations to comply with all elements of the Government’s new Customer Services Excellence award. We also led on a joint bid that resulted in our parent, Solihull MBC winning recognition as a Beacon Council for Digital Inclusion. Our own project to provide broadband access in some of our high-rise blocks and help to break down barriers to the digital world for our more disadvantaged residents won us the National Federation of ALMOs annual award for most innovative project.

External recognition for the quality of our services does not in itself generate new sources of income and our commitment to strong financial management and the drive to ensure that value for money is achieved goes on. Our success in developing a strong financial culture based on a zero-based approach to budget setting is now starting to be clearly reflected in the financial outturns that we report both within these accounts and in the Housing Revenue Account (“HRA”) performance reported by our parent, SMBC. The relationship between budget holders and finance staff continues to strengthen as all staff continue to strive to ensure that all available funds are used efficiently and effectively to deliver excellent, customer-focused services. Although the need to achieve efficiency savings of around 5% every year to balance the books still remains, the actual process of setting a budget is less difficult as managers better understand corporate expectations and work in tandem with their designated finance team contacts to enable us to deliver new activities across the organisation using their budget savings. We continue to keep the concepts of value for money at the forefront of the organisation through briefings for staff as well as customers. This has been particularly focused on the efficiency savings that we have delivered and what we have delivered by way of service improvements or new services as a result – in 2008/09, SCH again delivered £1.2m of cashable savings over the year to be ploughed back into service delivery.

Statutory legislation covering the provision of housing services by local authorities ensures that income from housing activities such as rents paid by tenants cannot be used for purposes that are defined as non-housing activities. The formal Management Agreement and related Service Level Agreements that govern the Company’s relationship with its parent, Solihull MBC (“the Council”) ensure that all available funds for housing are made available to the Company in order for it to carry out its activities.

# Report of the Directors

**31 March 2009**

(continued)

The income available to the Company therefore remains constrained by the funds that are available to Solihull MBC to provide housing services within Solihull, although we continue to develop new initiatives that will bring in new sources of funding. During 2008/09, this has included holding 2 successful "Best Practice" conferences showcasing SCH to other housing organisations and further grant income from the Carbon Trust and British Gas for solar energy and energy saving initiatives within the capital programme. Successful bids will see us providing contact centre services to a small local housing association in 2009/10 and Trailblazer funding from the Department for Communities & Local Government will see us delivering a wide programme focussed on combating financial and employment exclusion across the borough using our Money Advice and Pathways teams.

Our core Management Fee funding from Solihull MBC covers two distinct activity streams; these are Revenue (encompassing day to day service provision ranging from central administration, through estate management, day to day repairs and the allocation of properties to the prevention of anti-social behaviour and homelessness) and Capital (encompassing works to properties of a long term nature ranging from meeting the requirements of Health & Safety legislation, adapting properties for sick and disabled tenants through to delivery of the Decent Homes programme).

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

	2008/09 actual	2008/09 budget	2007/08 actual
	£'000	£'000	£'000
<b>Revenue</b>			
Income	19,480	19,285	20,141
Expenditure	(19,400)	(19,285)	(19,680)
Surplus	80	-	461
<b>Capital</b>			
Income	21,276	21,378	20,567
Expenditure	(21,276)	(21,378)	(20,567)
Surplus	-	-	-
<b>Combined</b>			
Income	40,756	40,663	40,708
Expenditure	(40,676)	(40,663)	(40,247)
Surplus	80	-	461

50% of the capital programme that the Company is carrying out on behalf of the Council continues to be spent in delivering the Decent Homes programme, which is still scheduled to complete by the end of 2011/12. The menu approach to the scheduling of works within each property continues to give tenants wider choice, whilst ensuring that we meet the Decent Homes Standard and hold down our average unit cost at around £7,700.

During the current year, we met our target to bring 1,380 properties up to the required standard. This leaves a further 1,280 properties that have already been identified as not meeting the standard and, in addition, the programme plans to deal with approximately 1,500 properties which will fail to meet the standard between now and the end of the programme. Our Planned Preventative Maintenance programme to repair roofs and replace rainwater goods on the exterior of most of our properties as well as install secure doors to all properties is now just over half way through. This 24-month programme is being funded using borrowing through SMBC and has delivered outputs and costs in line with expectation and will complete in 2009/10.

# Report of the Directors

**31 March 2009**

(continued)

Delivery of our Climate Change Strategy has continued, with the second year of the grant and council funded programme to install photo-voltaic systems on all of our high-rise tower blocks to generate electricity to heat and light communal areas completing on schedule. Work will commence in 2009/10 to develop a green agenda to cover our own offices and some pilot projects (again grant funded) will explore options to use new technology to reduce utility costs for residents.

Our proposals to re-start the building of new council housing in Solihull to help to meet rising demand have started to build momentum. The current difficult economic climate is reflected in reducing levels of property turnover and the number of households on our waiting list at the end of the year is over 11,000, which is now more than the number of properties we manage. During the year, SCH was successful in obtaining pre-qualification status with the Homes & Communities Agency allowing us to bid for social housing grant ("SHG") in our own right as well as receiving accreditation so that we can manage the properties that we build with the grant. Solihull MBC has now approved an outline funding approach and legal structure for any SCH developments, which also gives SCH first refusal on surplus council land where suitable to support our development plans. Detailed development plans for 2 schemes are now well underway, with the hope that we will have some new properties available to let around the end of the 2009/10 financial year.

We continue to monitor our service delivery rigorously, with the aim of delivering improvement across all sectors of the organisation. Targets are set following a consultation process that includes tenants as well as staff, board members and our parent SMBC. The new Board sub-committee receives detailed quarterly reports of key performance indicators against targets and performance in previous years as well as comparisons with national and regional benchmarking statistics. Ongoing monitoring of detailed performance statistics continues at directorate and team level to ensure that problem areas are identified and remedial action taken at the earliest possible opportunity. An agreed suite of indicators is discussed at the monitoring meetings that take place with the Council and performance is also monitored on a regular basis by the Solihull Forum, which is a representative group of our customers. The fruits of this continuing focus can clearly be seen in our significantly improved performance in the areas of void property management (where average re-let times have reduced from 35 days to 28 days) and arrears management (where we posted our lowest ever arrears performance). These improvements have had a direct and positive impact on rental income to the council and therefore our Management Fee income.

We set another challenging service improvement plan for the year and again we delivered most of this successfully. We have implemented a cleaning service in our low-rise blocks in Chelmsley Wood, which means that for the first time all of our residents in flats now receive some form of cleaning service for the common parts of their buildings. We carried out a wide-ranging piece of work to review service standards for internal and external customers and reviewed much of the literature that we make available to residents – this included the often difficult area of information for leaseholders. We have continued our IT systems development programme – with a particular focus on repairs and maintenance systems. We are mid-way through a project (scheduled to finish in 2009/10) that will enable us to manage repairs appointments in real-time; at the same time ensuring that our operatives out on site have access to safety critical information like the location of asbestos in our properties. Internally, we have completely reviewed our procurement guidance and procedures to support our value for money agenda and we have carried out a detailed review of our back-office support staffing requirements to make us more cost-effective – this review delivered annual savings of approximately £100,000.

# Report of the Directors

**31 March 2009**

(continued)

Meeting such challenging performance and service improvement targets requires a well-trained and highly motivated workforce. During the year, our management development programme to provide the next generation of senior managers has covered second tier managers and plans are underway to extend it to all supervisors during 2009/10 and 2010/11. Annual appraisals continue to challenge individual members of staff to take responsibility for their own performance and development. Progress is monitored through formal and informal 1:1 sessions with line managers throughout the year. Cross-organisation training has been maintained at all levels to build on existing skills and competencies to ensure that our team is ready and able to meet the challenges of the future. Recognition of the progress that we have made in this area came when we were successful in achieving "One to Watch" status in the national "Best Companies" survey for 2008.

Our relationship with our parent, Solihull MBC remains strong, with SCH providing the widest range of services to their local authority parent out of all similar organisations across England. SCH will be leading on their response to the latest proposals from the Department for Communities & Local Government to replace the Housing Finance Subsidy regime with locally managed and financed local authority housing services. The culture of continuous improvement and excellence in service delivery is now firmly embedded at all levels of the organisation and staff have played a key part over the year in the work to develop the new vision and values that will take the organisation forward into this new regime.

## **Employees**

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

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

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

## **Directors**

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

# Report of the Directors

**31 March 2009**

(continued)

## **Statement of directors' responsibilities for the financial statements**

The directors are responsible for preparing 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the website and accordingly the auditors accept no responsibility for the information published.

Information published on the website is accessible in many countries and legislation in the UK concerning the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

## **Disclosure of information to auditors**

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

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

# Report of the Directors

**31 March 2009**

(continued)

## **Auditors**

Grant Thornton UK LLP have expressed willingness to continue in office. In accordance with s485(4) of the Companies Act 2006, a resolution to reappoint them as auditors will be proposed at the forthcoming annual general meeting. This is subject to the outcome of a competitive tender exercise for external audit services that will take place during October 2009.

## **Approval**

The report of the directors was approved by the Board on 11 November 2009 and signed on its behalf by:

K A Preece  
Secretary

# Chairman's statement

**31 March 2009**

The hardest challenge for SCH in 2008/09 was how to cap our most successful year ever in 2007/08. However, once set a challenge, our well embedded culture for strong, continuously improving service delivery within a strong financial and value for money framework was able to rise to meet it.

We have continued to gain external recognition for the quality and breadth of our services over the year - from our peers within the National Federation of ALMOs, from Government via the Customer Services Excellence award and with our local authority through recognition of Solihull MBC as a Beacon Council for Digital Inclusion. In addition to these awards, our staff won us recognition as "One to Watch" in the national "Best Companies" survey for 2008.

We have continued to deliver our wide ranging services within a continually tightening funding regime and in fact have delivered our best ever financial performance this year. Having agreed a very tight budget with managers at the start of the year, they then proceeded to better it, generating an overall surplus whilst delivering a few extra initiatives along the way. Our best ever performance in void property and arrears management may not be reflected in these results, but they will ensure that SCH receives a substantially increased Management Fee in 2009/10 as result. Outside of the Decent Homes programme, funds to improve our homes remain limited and our staff have done well to draw in additional grant and other funding to make the capital programme more than the programme of "Decent Homes plus basic legislative health & safety requirements" that it could have been. Our financial and value for money culture continued to strengthen and develop as we took another step with the introduction of new procurement procedures and guidance. As a Board, we are especially pleased that we have maintained and improved on our customer satisfaction ratings in all areas despite these funding pressures.

With another year of the Decent Homes programme completed, we can see the finishing line with only another 2,780 properties to go. The "Menu" system introduced continues to give customers more choice over the work to be done in their homes, whilst allowing us to maintain tight control over our costs through close collaborative working with our partners. Our planned preventative maintenance project, which aims to deliver a similar "make-over" to the exterior of all of our non high-rise properties is now over 50% complete and resident satisfaction levels with work carried out have remained consistently high.

The demanding service improvement targets that we set ourselves at the beginning of the year have covered a wide range of initiatives. A focus on service standards has ensured that we keep customer needs at the forefront of all that we do – this included a focus on the work of back office teams to ensure that they were delivering to internal customer expectations as cost-effectively as possible.

Extensive changes to our repairs and maintenance IT systems that will be completed in 2009/10 are expected to deliver even more improvements in the responsiveness and effectiveness of our repairs service. Meanwhile, for the first time, the level of cleaning to communal areas is now the same across the whole of our stock.

Our regime of service delivery reviews and performance monitoring is the key to maintaining standards and improving services and we continue to measure ourselves against our peers by taking part in national benchmarking programmes. The Board has taken a greater role this year, by establishing a dedicated Performance & Service Improvement sub-committee that complements the scrutiny already provided internally and by representative tenant groups and by our parent, Solihull MBC.

Board Members and staff have spent some of this year starting to develop a new vision, values and goals that will prepare us for the future. The announcement of the consultation by the Department for Communities & Local Government that seeks to dismantle the Housing Finance Subsidy regime and replace it with local self-financing arrangements is welcomed by SCH. 2009/10 will see us playing our part in making this happen in advance of the formal discussions about our future that will take place with Solihull MBC before the end of our Management Agreement in March 2012.

## Chairman's statement

**31 March 2009**

(continued)

Strong partnership working is one of the keys to making the most of our funds and enabling us to maximise our impact on the wider community. Our staff (often unpaid and assisted by local businesses) have again delivered a number of environmental projects across the borough – creating play areas and gardens that residents can enjoy in the future and take pride in.

Our work to engage young people in the community took another step forward when we joined Facebook and asked two local students to manage it for us. One of our Area Caretakers has been using his rapping skills to take the message about preventing anti-social behaviour into schools – he narrowly missed out on a national award for this, which was his own idea. The Broadband in High-Rise project to provide cheap Internet access (and free computers) to families with children or unemployed people was recognised by a national award for innovation.

A key priority for us over the last year has been to do more for our residents facing financial hardship as a result of the credit crunch and resultant rising local unemployment. Our Money Advice team was busier than ever and we introduced a Starter Homes initiative for young people coming out of care and a Mortgage Rescue scheme to sit alongside our existing homelessness prevention work.

Our partnership with the local college to deliver the “Pathways” scheme, which assists people from hard to reach groups into the employment market through training and support programmes, will be coming to an end during 2009/10. However, our success in winning new Government Trailblazer funding means that we will be able to continue to tackle worklessness, expand our work to tackle financial exclusion and provide a wider range of housing solutions to those on our waiting list, which is the longest it has ever been.

In common with many other organisations, we are also taking steps to manage the impact of our activities on our environment through our Climate Change Delivery Plan – we carried out a green fleet review and tested electric vans to be used by our repairs team and have completed the next stage of our programme to install photo-voltaic panels in all of our high-rise blocks.

Once again, the Board believes that the achievements of the past year are a result of the enormous commitment and enthusiasm of its staff and partners to do the best that they can with the resources that are available. As a team, they are certainly “One to Watch” and should be as proud of their achievements as we are of them.

P A Brandum

# Statement on Internal Control

## 31 March 2009

The board acknowledges its overall responsibility for establishing and maintaining a system of governance and internal control and for reviewing its effectiveness. Any system of governance and internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable, and not absolute, assurance against material misstatement or loss.

The process for identifying, evaluating and managing the significant risks faced by the company is ongoing. The year ended 31 March 2009 has seen continuing development of the internal control framework including the implementation of changes to remedy weaknesses that were identified at the end of 2007/08.

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

- Board approved terms of reference and clearly delegated authorities for the Finance & Audit, Asset Management, Performance & Service Improvement and Human Resources, Equalities & Diversity sub-committees.
- Formally adopted Standing Orders (incorporating Rules for Contract and Financial Regulations) setting out the arrangements for the supervision and control of the finances, assets and other resources of the company.
- Formal processes and guidance based on Standing Orders to delegate financial authority limits from the Board down to relevant budget holders.
- Robust strategic and business planning processes
- Formal quarterly reviews of the company's Corporate Risk Register (and supporting Directorate Risk Registers), which sets out the identified risks and the mitigating actions in place to deal with these risks as well as clearly defined management responsibilities for their identification, evaluation and control
- Detailed financial budgets and a five-year rolling financial forecast, supported by regular monitoring meetings with individual budget holders and at directorate level, as well as formal, scheduled reporting to the Senior Management team and the Finance & Audit sub-committee
- A formal programme of internal audit work, carried out by officers independent of the executive. Reports and recommendations are agreed at directorate level as well as being considered in detail by the Finance & Audit sub-committee
- Formal and independent annual external audit of reported financial performance and the processes that underpin it
- Monthly monitoring of an agreed suite of performance indicators (both local and national) at team and corporate level and by the Performance & Service Improvement sub-Committee, who then report to the Board.
- Established authorisation and appraisal procedures for all significant new initiatives and commitments
- Regular reporting to senior management and the board of key business objectives, targets and outcomes
- Continuing Board appraisal and member training programme supported by a formal Board Composition, Recruitment and Retention policy
- Formal recruitment, retention, training and development policies for staff that incorporate annual appraisals of performance against targets that are consistent with the Business Plan and corporate objectives
- Board approved anti-fraud and corruption policies and clearly documented guidance and procedures for reporting conflicts of interest and the receipt of gifts and hospitality, including a mandatory annual declaration of interests by all staff and Board Members
- Detailed policies and procedures in each area of the company's work

# Statement on Internal Control

**31 March 2009**

(continued)

The company has completed the 2008 governance improvement plan during the year and has begun a formal review of the performance of board members as a leadership group. A short mandatory Board Members training programme was delivered from January to July 2009 – this has covered areas including consideration of the impacts of the new Companies Act on their role and refresher training on Health & Safety, Equalities, Fraud awareness and SCH's financial management arrangements.

Standing Orders (incorporating Rules for Contracts) have again been reviewed in light of best practice to ensure that they continue to reflect SCH's circumstances. For the first time, the delegation of authority levels across SCH has been formally documented and evidenced by the signatures of both those delegating and receiving authority. Every member of staff (as well as board members) was again required to make a formal annual declaration of interests as at 31 March 2009.

The Wider Senior Management Team has continued to meet throughout the year and the agreed manager competencies have now become embedded in the appraisal arrangements for these staff. A new Operational Management Team Development programme has been rolled out during the year, which has extended the Wider Senior Management Team leadership and competency programme to these staff. The drive to embed performance management at all levels of the organisation has continued in many different ways; through personal and team targets and through regular discussion at individual and team meetings. The corporate "TeamSCH" initiative has continued, through initiatives such as the annual staff conference and regular staff newsletters (which have been rebranded during the year).

Work to maintain a high level of compliance and awareness of health & safety has continued, with every team again being subject to a formal audit of its arrangements and procedures. All teams have again achieved at least a satisfactory rating, with many showing continuing improvement.

The processes in place and information provided for financial and performance monitoring continue to develop. Designated finance representatives for each directorate have continued to work closely with budget holders throughout the year looking forwards as well as backwards. The continuing improvement in the accuracy of financial forecasting during the year reflects this close working relationship. Manager involvement in the budget and performance target setting process is now ingrained in the day to day operations across SCH and reflects real personal and team ownership of targets and budgets. The medium-term financial planning process has continued to develop and become more robust as a basis for the development of the annual budget strategy, which is agreed at all levels before detailed budgets are set. Improvements also continue to be made in the forecasting and management of the stock improvement programme managed on behalf of SMBC – for the first time the mid-year progress review considered the period to the end of the Decent Homes programme as well as the current year.

As in previous years, SCH set itself a robust Service Improvement Plan to continue to improve services and the majority of the scheduled improvements were successfully delivered.

The drive to demonstrate efficiency and value for money remains an essential management tool for SCH as available funding to maintain and improve services becomes ever more constrained. Procurement procedures and documentation have been the key focus of improvement over the year. A "toolkit" of procedures and documentation has been developed during the year and issued as SCH's first Procurement Manual, which aims to provide staff with the tools to ensure compliance with standing orders. A targeted training programme to roll out the new processes and procedures has been developed and delivered to all staff with the aim of increasing the level of procurement knowledge and expertise across SCH.

# Statement on Internal Control

**31 March 2009**

(continued)

The board cannot delegate ultimate responsibility for the system of internal control, but it can, and has, delegated authority to the Finance & Audit sub-committee to regularly review the effectiveness of many of the key elements of the control framework. The board receives five reports a year from the committee together with the minutes of their meetings. The board has reserved the review of the remaining key elements (in particular risk and Health & Safety) to itself and receives reports on a regular basis.

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

**P A Brandum**

**Chairman**

**M Cooney**

**Chief Executive**

# Report of the Independent Auditor to the Members of Solihull Community Housing Limited

We have audited the financial statements of Solihull Community Housing Limited for the year ended 31 March 2009 which comprise the principal accounting policies, the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the reconciliation of movements in funds, cash flow statement and notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Directors' Report and financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors and Chairman's statement are consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Report of the Directors and Chairman's statement and consider the implications for our report if we become aware of any apparent misstatements within it.

## **Basis of audit opinion**

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

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

# Report of the Independent Auditor to the Members of Solihull Community Housing Limited

(continued)

## **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2009 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors and Chairman's statement are consistent with the financial statements.

**GRANT THORNTON UK LLP**  
REGISTERED AUDITOR  
CHARTERED ACCOUNTANTS  
Birmingham

## Profit and Loss Account

for the year ended 31 March 2009

	Note	2009 £'000	2008 £'000
<b>Turnover</b>	2	40,082	40,068
Change in stock		20	-
Other operating income		674	640
Staff costs	6	(10,061)	(9,830)
Other operating charges	3	(31,194)	(31,302)
		<hr/>	<hr/>
<b>Operating loss</b>		(479)	(424)
Interest receivable	4	1	1
Other finance (charges)/income	5	(20)	372
		<hr/>	<hr/>
<b>Loss on ordinary activities before taxation</b>		(498)	(51)
Tax on loss on ordinary activities	8	-	19
		<hr/>	<hr/>
<b>Retained loss for the year</b>	13	(498)	(32)
		<hr/> <hr/>	<hr/> <hr/>

No operations were discontinued during the year and all operations are continuing beyond 31 March 2009.

## Statement of Total Recognised Gains and Losses

for the year ended 31 March 2009

	<b>2009</b> <b>£'000</b>	<b>2008</b> <b>£'000</b>
Loss for the financial year	(498)	(32)
Actuarial gain/(loss) relating to the pension scheme	916	(2,597)
	<hr/>	<hr/>
Total recognised gains and losses relating to the year	418	(2,629)
	<hr/> <hr/>	<hr/> <hr/>

## Reconciliation of movement in funds

for the year ended 31 March 2009

	<b>2009</b> <b>£'000</b>	<b>2008</b> <b>£'000</b>
Opening total funds	(2,866)	(237)
Total recognised gains and losses relating to the year	418	(2,629)
	<hr/>	<hr/>
Closing total deficit of funds	(2,448)	(2,866)
	<hr/> <hr/>	<hr/> <hr/>

# Balance Sheet

at 31 March 2009

	Note	2009 £'000	2008 £'000
<b>Current assets</b>			
Stocks	9	89	69
Debtors	10	2,451	2,548
Cash at bank and in hand		3,465	3,565
		<hr/>	<hr/>
<b>Creditors:</b> Amounts falling due within one year	11	6,005 (5,003)	6,182 (5,260)
		<hr/>	<hr/>
<b>Net current assets</b>		1,002	922
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		1,002	922
<b>Creditors:</b> Amounts falling due after more than one year	12	(250)	(250)
		<hr/>	<hr/>
<b>Net assets excluding pension liability</b>		752	672
		<hr/> <hr/>	<hr/> <hr/>
<b>Pension liability</b>	19	3,200	3,538
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Profit and loss account	13	(2,448)	(2,866)
		<hr/>	<hr/>
<b>Deficit of shareholders' funds</b>		(2,448)	(2,866)
		<hr/>	<hr/>
		752	672
		<hr/> <hr/>	<hr/> <hr/>

The financial statements were approved by the Board on 11 November 2009 and signed on its behalf by:

P A Brandum  
Chairman

# Cash Flow Statement

for the year ended 31 March 2009

	Note	2009 £'000	2008 £'000
<b>Net cash outflow from operating activities</b>	16	(101)	(1,601)
<b>Returns on investment and servicing of finance</b>		—	—
Interest received		1	1
		—	—
<b>Taxation</b>		-	19
		—	—
<b>Cash flow before financing</b>		(100)	(1,581)
		—	—
<b>Decrease in cash</b>	17	(100)	(1,581)
		=====	=====

# Notes to the Financial Statements

31 March 2009

## 1. ACCOUNTING POLICIES

The accounts have been prepared in accordance with applicable accounting standards in the United Kingdom.

### **Basis of accounting**

The financial statements are prepared under the historical cost convention.

### **Turnover**

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

### **Leased assets**

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

### **Government grants**

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

### **Stocks**

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

### **Taxation**

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

### **Deferred taxation**

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

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

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

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

### **Pensions**

All permanent employees of the company contribute to a "defined benefit" pension scheme, the West Midlands Metropolitan Authorities Pension Fund, which is administered by Wolverhampton City Council and provides members with defined benefits related to pay and service. During the year, the company paid an employer's contribution rate of 10.5% (2008: 10.2%) into the fund in addition to meeting all pension payments relating to added years benefits awarded during the year, together with any related increases.

# Notes to the Financial Statements

31 March 2009

## 1. ACCOUNTING POLICIES

### Pensions (continued)

The company has applied the Amendment to FRS 17 Retirement Benefits which is effective for accounting periods commencing on or after 6 April 2007. The amendment to FRS 17 primarily affects disclosures in relation to defined benefit pension schemes. However for quoted securities the fair value is now taken to be the current bid price rather than the mid-market value.

Scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit, adjusted for deferred tax, is presented separately from other net assets on the balance sheet. A net surplus is recognised only to the extent that it is recoverable by the company.

The current service cost and costs from settlements and curtailments are charged against operating profit. Past service costs are spread over the period until the benefit increases vest. Interest on the scheme liabilities and the expected return on scheme assets are included net in other finance costs/income. Actuarial gains and losses are reported in the statement of total recognised gains and losses.

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

## 2. TURNOVER

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

	2009 £'000	2008 £'000
<b>Fees paid by Solihull Metropolitan Borough Council in respect of:</b>		
Management and maintenance of properties	39,239	39,217
Other related services	843	851
	<hr/>	<hr/>
	40,082	40,068
	<hr/> <hr/>	<hr/> <hr/>

## 3. OPERATING LOSS

Operating loss is arrived at after charging:

	2009 £'000	2008 £'000
Operating lease rentals		
- plant and machinery	191	157
- land and buildings	60	80
Auditors' remuneration	21	20
	<hr/> <hr/>	<hr/> <hr/>

# Notes to the Financial Statements

31 March 2009

## 3. OPERATING LOSS (continued)

### Analysis of other operating charges

	<b>2009</b> <b>£'000</b>	<b>2008</b> <b>£'000</b>
Property works	25,942	25,533
Housing Management and Maintenance	3,496	3,451
Finance	455	465
Corporate Services	1,301	1,853
	<hr/>	<hr/>
	31,194	31,302
	<hr/> <hr/>	<hr/> <hr/>

## 4. INTEREST RECEIVABLE

	<b>2009</b> <b>£'000</b>	<b>2008</b> <b>£'000</b>
Other interest	1	1
	<hr/> <hr/>	<hr/> <hr/>

## 5. OTHER FINANCE (CHARGES)/INCOME

	<b>2009</b> <b>£'000</b>	<b>2008</b> <b>£'000</b>
Expected return on pension scheme assets	1,899	1,834
Interest on pension scheme liabilities	(1,919)	(1,462)
	<hr/>	<hr/>
	(20)	372
	<hr/> <hr/>	<hr/> <hr/>

# Notes to the Financial Statements

31 March 2009

## 6. EMPLOYEES

Average monthly number of employees, including executive officers:

	<b>2009</b>	<b>2008</b>
	<b>No</b>	<b>No</b>
Executive Management Team	5	5
Housing Management and Maintenance	218	207
Finance	24	23
Corporate Services	61	60
	<hr/>	<hr/>
	308	295
	<hr/> <hr/>	<hr/> <hr/>

Staff costs, including directors:

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	8,156	7,687
Social security costs	605	584
Pension costs	1,300	1,559
	<hr/>	<hr/>
	10,061	9,830
	<hr/> <hr/>	<hr/> <hr/>

## 7. DIRECTORS' REMUNERATION

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

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

# Notes to the Financial Statements

31 March 2009

## 8. TAXATION

### (a) Analysis of income in period

	<b>2009</b> <b>£'000</b>	<b>2008</b> <b>£'000</b>
<b>Current tax:</b>		
UK corporation tax on profits of the period	-	-
Adjustments in respect of prior period	-	(19)
	<hr/>	<hr/>
Total current tax	-	(19)
	<hr/> <hr/>	<hr/> <hr/>

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

### (b) Current tax reconciliation:

	<b>2009</b> <b>£'000</b>	<b>2008</b> <b>£'000</b>
Loss on ordinary activities before taxation	(498)	(51)
FRS17 adjustments:		
- Other finance income	20	(372)
- Pension service costs	1,330	1,582
- Contributions to pension scheme	(772)	(698)
	<hr/>	<hr/>
	80	461
	<hr/> <hr/>	<hr/> <hr/>
	<b>2009</b> <b>£'000</b>	<b>2008</b> <b>£'000</b>
Theoretical tax at UK corporation tax rate 21% (2008: 19%)	17	88
Effects of:		
- Surplus from non-trading activities	(17)	(88)
- Adjustment in respect of prior period	-	(19)
	<hr/>	<hr/>
Current tax charge/(credit) for the period	-	(19)
	<hr/> <hr/>	<hr/> <hr/>

# Notes to the Financial Statements

31 March 2009

## 9. STOCKS

	<b>2009</b> <b>£'000</b>	<b>2008</b> <b>£'000</b>
Raw materials and consumables	89	69
	<u>          </u>	<u>          </u>

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

## 10. DEBTORS

	<b>2009</b> <b>£'000</b>	<b>2008</b> <b>£'000</b>
Trade debtors	115	108
Amounts owed by parent undertakings	2,226	2,255
Other debtors	55	12
Other taxation debtors	-	137
Prepayments and accrued income	55	36
	<u>          </u>	<u>          </u>
	2,451	2,548
	<u>          </u>	<u>          </u>

All debtors fall due within less than one year.

## 11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<b>2009</b> <b>£'000</b>	<b>2008</b> <b>£'000</b>
Trade creditors	631	647
Amounts owed to parent undertaking	1,226	602
Other creditors	246	283
Other taxation and social security	289	201
Accruals and other deferred income	2,611	3,527
	<u>          </u>	<u>          </u>
	5,003	5,260
	<u>          </u>	<u>          </u>

# Notes to the Financial Statements

31 March 2009

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

	<b>2009</b> <b>£'000</b>	<b>2008</b> <b>£'000</b>
Loan repayable to parent undertaking		
- Loan repayable in 2 to 5 years	250	250
	<u>250</u>	<u>250</u>

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

## 13. PROFIT AND LOSS RESERVE

	<b>2009</b> <b>£'000</b>	<b>2008</b> <b>£'000</b>
At 1 April 2008	(2,866)	(237)
Loss for the year	(498)	(32)
Actuarial gain/(loss) relating to pension scheme	916	(1,798)
Gain/(loss) relating to changes to assumptions in pension scheme	-	(799)
	<u>(2,448)</u>	<u>(2,866)</u>
At 31 March 2009	<u>(2,448)</u>	<u>(2,866)</u>

# Notes to the Financial Statements

31 March 2009

## 14. RELATED PARTY TRANSACTIONS

Solihull Community Housing Limited is a local authority controlled company of Solihull Metropolitan Borough Council, established with no share capital and limited by guarantee. The Council has delegated responsibility for the management and maintenance of its residential stock to Solihull Community Housing in accordance with a 5-year Management Agreement effective from 1 April 2004, but now extended to 31 March 2012. As part of the agreement, the Company is also responsible for meeting all costs in respect of works carried out to properties either by the Company's own staff or external contractors. The Council pays the Company a management fee to meet all of these costs in accordance with the management agreement and any variations subsequently agreed. In 2008-09, the management fee amounted to £39,239,000 (2007-08: £39,217,000).

Solihull Community Housing also provides a number of services to the Council that are covered by Service Level Agreements rather than the main Management Agreement. These include the provision of a Homelessness service and the administration of the Right to Buy Scheme on behalf of the Council. In 2008-09, the income in respect of these services amounted to £843,000 (2007-08: £851,000).

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

Solihull MBC charged Solihull Community Housing £2,584,000 in 2008-09 (2007-08: £2,473,000) for the provision of support services and the Company's share of the costs of shared services.

The balance owing to Solihull MBC at 31 March 2009 included £751,000 (2008: £459,000) in respect of expenses met by the Council that are to be reimbursed by the Company.

# Notes to the Financial Statements

31 March 2009

## 15. FINANCIAL COMMITMENTS

### Capital commitments

Capital expenditure commitments were as follows:

	<b>2009</b> <b>£'000</b>	<b>2008</b> <b>£'000</b>
Contracted for, but not provided in the accounts	-	-
	<u>          </u>	<u>          </u>

### Operating lease commitments

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

	<b>2009</b> <b>£'000</b>	<b>2008</b> <b>£'000</b>
(i) Land and buildings, leases expiring		
One to five years	65	60
Beyond five years	40	20
	<u>          </u>	<u>          </u>
	105	80
	<u>          </u>	<u>          </u>
(ii) Plant and machinery, leases expiring		
Within one year	40	113
One to five years	42	46
Beyond five years	-	1
	<u>          </u>	<u>          </u>
	82	160
	<u>          </u>	<u>          </u>

## 16. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	<b>2009</b> <b>£'000</b>	<b>2008</b> <b>£'000</b>
Operating loss	(479)	(424)
Current and past service pension costs	1,330	1,582
Contributions to pension scheme	(772)	(698)
	<u>          </u>	<u>          </u>
	79	460
(Increase) in stocks	(20)	-
Decrease/(Increase) in debtors	97	(481)
(Decrease) in creditors	(257)	(1,580)
	<u>          </u>	<u>          </u>
<b>Net cash outflow from operating activities</b>	<b>(101)</b>	<b>(1,601)</b>
	<u>          </u>	<u>          </u>

# Notes to the Financial Statements

31 March 2009

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

	2009 £'000	2008 £'000
(Decrease) in cash in year	(100)	(1,581)
(Decrease) in net cash	(100)	(1,581)
Net cash at 1 April 2008	3,315	4,896
Net cash at 31 March 2009	3,215	3,315

## 18. ANALYSIS OF NET CASH

	1 April 2008 £'000	Cash flow £'000	31 March 2009 £'000
Cash at bank and in hand	3,565	(100)	3,465
<b>Net cash</b>	3,565	(100)	3,465
Loans	(250)	-	(250)
<b>Borrowings</b>	(250)	-	(250)
<b>Net cash</b>	3,315	(100)	3,215

# Notes to the Financial Statements

31 March 2009

## 19. PENSIONS

The West Midlands Metropolitan Authorities Pension Fund (WMMAPF) is a multi-employer scheme with more than one participating employer, which is administered by Wolverhampton City Council under the regulations governing the Local Government Pension Scheme (LGPS), a defined benefit scheme. Triennial actuarial valuations of the pension scheme are performed by an independent, professionally qualified actuary using the projected unit method. The most recent formal actuarial valuation was completed as at 31 March 2007.

The employers' contributions to the WMMAPF by the company for the year ended 31 March 2009 were £772,000 (2008: £675,000) based on an employers' contribution rate of 10.5% of pensionable salaries. The actuarial valuation as at 31 March 2007 has indicated that contribution rates be increased to 10.8% for the year to 31 March 2010.

In order to assess the actuarial valuation of the WMMAPF's liabilities at 31 March 2009, the actuaries have rolled forward the actuarial value of the liabilities reported in the triennial valuation as at 31 March 2007, allowing for changes in financial assumptions as prescribed under FRS 17.

### Assumptions

The principal actuarial assumptions used by the actuaries were as follows:

	<b>2009</b>	<b>2008</b>
	%	%
Discount rate at 31 March	7.1	6.1
Future salary increases	5.1	5.4
Future pension increases	3.3	3.6
Inflation assumption	3.3	3.6

The post-retirement mortality assumptions used to value the benefit obligation at 31 March 2008 and 31 March 2009 are based on the PA92mc YOB table with a current year of use. In relation to life expectancy it is assumed that life expectancy for a man who has reached pensionable age that life expectancy is age 87 and for females, age 90. Rates are adjusted for scheme members who have not reached pensionable age to reflect changes in mortality rates that are expected to arise over the period before they reach pensionable age.

The expected return on scheme assets is based on market expectations, at the beginning of the period, and for investment returns over the entire life of the related obligation. The assumption used is the average of the assumptions appropriate to individual asset classes weighted by the proportion of the assets in the particular class.

# Notes to the Financial Statements

31 March 2009

**19. PENSIONS (continued)**

The investment return used in calculating the year end pension scheme assets is a negative 19.94%. Consistent with the prior year, this has been calculated from the actual investment return for the nine months to 31 December 2008, multiplied by the market index returns for the three months to 31 March 2009, less an allowance for expenses. The actual investment return for the year has subsequently been confirmed as a negative 18.51% which the actuary considers to be an immaterial understatement in reported scheme assets at 31 March 2009 of between 1% and 1.5%

The amounts charged or (credited) in profit or loss are as follows:

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
<u>Included in Staff costs</u>		
Current service cost	1,302	1,142
Employer Contributions	(772)	(698)
Past service cost	-	397
Losses on curtailments and settlements	28	43
<u>Included in Other Finance income</u>		
Interest on obligation	1,919	1,462
Expected return on scheme assets	(1,899)	(1,834)
Total	<u>578</u>	<u>512</u>

The amounts recognised in the balance sheet are as follows:

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Fair value of scheme assets	(22,463)	(27,306)
Present value of defined benefit obligations	25,663	30,844
Net pension liability	<u>3,200</u>	<u>3,538</u>

# Notes to the Financial Statements

31 March 2009

## 19. PENSIONS (continued)

The major categories of scheme asset, and the expected rates of return, were:

	<b>Scheme Asset 2009 £'000</b>	<b>Expected Return 2009 %</b>	<b>Scheme Asset 2008 £'000</b>	<b>Expected Return 2008 %</b>
Equities	12,512	7.5	17,831	7.5
Government Bonds	2,785	4.0	2,567	4.6
Other Bonds	921	6.0	1,010	6.1
Property	1,640	6.5	1,911	6.5
Cash	899	0.5	1,120	5.3
Other	3,706	7.5	2,867	7.5
	<u>22,463</u>		<u>27,306</u>	

The actual return on scheme assets was as follows:

	<b>2009 £'000</b>	<b>2008 £'000</b>
Actual return on scheme assets	(5,509)	(959)
	<u>(5,509)</u>	<u>(959)</u>

Changes in the present value of the defined benefit obligation (or liabilities of the scheme) are as follows:

	<b>2009 £'000</b>	<b>2008 £'000</b>
Opening defined benefit obligation at 1 April	30,844	26,423
Current service cost	1,302	1,142
Past service cost	-	397
Interest cost	1,919	1,462
Actuarial gains	(8,351)	1,205
Losses on curtailments	28	43
Contributions by plan participants	454	379
Benefits paid	(533)	(207)
Closing defined benefit obligation at 31 March	<u>25,663</u>	<u>30,844</u>

# Notes to the Financial Statements

31 March 2009

## 19. PENSIONS (continued)

The cumulative actuarial gains and losses recognised in the statement of total recognised gains and losses at 31 March 2009 was a loss of £178,000 (2008: loss £1,094,000).

Included in actuarial gains is an adjustment of £27,000 relating to the change in the valuation of assets from mid-market value to current bid price as required by the Amendment to FRS 17 Retirement Benefits. This adjustment has not been made as a prior period adjustment, although representing a change in accounting policy, as it is not considered material to the accounts.

Amounts for the current and previous four periods are as follows:

	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fair value of scheme assets at 31 March	22,463	27,306	25,994	22,964	17,578
Present value of defined benefit obligation at 31 March	(25,663)	(30,844)	(26,423)	(25,133)	(19,698)
Deficit in the scheme	<u>(3,200)</u>	<u>(3,538)</u>	<u>(429)</u>	<u>(2,169)</u>	<u>(2,120)</u>
Experience adjustments arising on scheme assets	(7,408)	(1,391)	-	-	-
Experience adjustments arising on scheme liabilities	-	(407)	-	-	-

Disclosure of information regarding experience adjustments was not a requirement of FRS17 before this year and so figures are not available for years 2005-2007.