



Solihull Community Housing Limited

Company Limited by Guarantee

Financial Statements

For the year ended 31 March 2023

Index

Officers and Professional Advisers.....	1
Chair's Introduction.....	3
Strategic Report.....	4
Statement of Directors' Responsibilities for the Financial Statements.....	20
Annual Governance Statement.....	21
Independent Auditor's Report to the Members of Solihull Community Housing Limited.....	28
Statement of Comprehensive Income.....	31
Statement of Changes in Equity.....	32
Balance Sheet.....	33
Statement of Cash Flows.....	34
Significant Accounting Policies.....	35
Areas of Judgement and Risk Management.....	40
Notes to the Financial Statements.....	42

Officers and Professional Advisers

Directors ("the Board")	D S Bell (resigned 25 July 2022) B Donnelly (appointed 25 July 2022) J M Fletcher (resigned 1 October 2022) A S Halpin P B Hardy (appointed 25 July 2022) R Hyde N Page D Pinwell G Sleigh (appointed 25 July 2022) M A Thrasher (appointed 25 July 2022) L Tubbs C Williams (resigned 25 July 2022)
Chief Officers	F Hughes – Chief Executive S C Gilbert CPFA – Chief Financial Officer M Sargeant – Executive Director of Customer Transformation and Business Support (appointed 1 February 2022) D Baggs – Executive Director of Operations (appointed 6 March 2023) S Balu – Executive Director of Housing and Communities (left SCH 31 July 2022)
Secretary	M E E Moroney-Barnett ACG (retired 30 April 2023) M Sargeant
Registered office	Endeavour House Meriden Drive Solihull B37 6BX
Registered number	04462630
Auditors	RSM UK Audit LLP Chartered Accountants 10 th Floor 103 Colmore Row Birmingham B3 3AG

Bankers

Barclays Bank plc
Corporate Business Centre
PO Box 333
15 Colmore Row
Birmingham
B3 2WN

Chair's Introduction

31 March 2023



As the Chair of Solihull Community Housing (SCH), I am pleased to introduce the company's financial accounts for 2022/23.

It is a year that has been significantly affected globally and nationally by the energy and food supply price increases resulting from the Russian invasion of Ukraine in February 2022. The consumer price inflation (CPI) reached a 40-year high of 11.1% in October 2022, falling back slightly to 10.7% in November. These factors compounded with the continued aftershocks of the Coronavirus pandemic have required the government to provide help to households providing financial support with energy bills and Council Tax. There is no doubt it has been a difficult year for many in Solihull.

The challenges have been felt in SCH and we have needed to use reserves set aside to finance the extraordinary financial pressures to ensure services to tenants and leaseholders are maintained, particularly to those more vulnerable.

Throughout this time SCH continued to maintain focus on service delivery and achieving the 2020 – 2025 Strategic Aims:

- Creating Homes
- More than Bricks and Mortar
- Strengthening Communities
- Excellent Customer Services
- Passion in People

The year has seen significant progress on the work we do regarding Building Safety. I am pleased to see our four-year programme to fit sprinklers into the High-Rise Residential Buildings has continued providing residents who live in them a greater level of safety. This programme will conclude in 2023.

This has been something of a transitional year in terms of development. Whilst we have not completed any further schemes, we have worked with the Council to successfully transfer a portfolio of 68 properties providing specialised accommodation from Bromford Housing.

We have been working hard with the Council to progress the Kingshurst Village Centre project, with planning permission secured and many complex and challenging site assembly issues resolved. Demolition work is now underway with construction of the first phase of 25 new homes due to start in August 2023.

There is also good progress with a further 6 sites currently in their early stages of development, which once completed will provide 61 affordable homes. Planning permission has been secured for two of these sites at Lakeside and Anglesey Avenue and demolition work at Lakeside will start early in the new financial year.

I remain generally pleased with progress made this year against a backdrop of escalating costs and demand pressures within the wider construction sector. Current indications are that these conditions will continue to impact on the pace with which we can bring our remaining sites forward to a start on site, certainly in the short term.

Once again, I am proud to say thank-you to our staff for their hard work and compassion throughout 2022/23 and their unwavering support for tenants, leaseholders and each other.

The following pages detail the outturn position and some of the achievements for 2022/23.

Richard Hyde

Chair

4 September 2023

Strategic Report

31 March 2023

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 the Company's business model, main objectives and strategy
- Descriptions of the principal risks faced and how they affect future prospects
- Analysis of past performance
- Signposting to complementary information

CONTEXT

As the UK (and the rest of the world) recovered from the Covid pandemic, the emerging challenge was a worldwide cost of living crisis, precipitated primarily by Russia's invasion of Ukraine, post-Covid recovery challenges and post-Brexit issues. In particular this affected energy and food prices and resulted in inflation at a level unseen in the UK in recent decades. Another important impact for the sector was rapidly rising construction/materials costs, which has affected both small and large-scale projects, in some cases challenging their economic viability.

This situation has inevitably impacted upon the housing sector, with many residents of social housing facing unaffordable rises in living costs. This has resulted in increased arrears for many tenants and an increase in failed direct debit payments, a situation that is mirrored across the rest of the country.

Alongside this, pressure on housing stock continues. Affordability issues have resulted in increasing evictions or voluntary departures from private sector rented accommodation, and consequently extra requirements for social housing. In addition to local need, the influx of refugees, in particular from Afghanistan, Syria, Hong Kong and Ukraine, has created further demand on both temporary accommodation and then the core housing supply. As Solihull is home to an international airport, it has been a particular focal point for arrivals.

2022/23 was the third year of SCH's Strategic Vision 2020-25, *Creating better homes and thriving communities*, which is underpinned by annual delivery plans. The 2022/23 Delivery Plan set out the strategic and operational priorities for the year. Improving the customer experience and embedding customer engagement remained strong areas of focus. This sat alongside building safety, both the day-to-day compliance checks on gas and electricity, but also the bigger projects to enhance high rise fire safety through installation of sprinklers and replacement of spandrel panels. A particular focus for the year was on the systems that underpin the business, with a strategic review of data management and a programme to introduce a new customer relationship management system to improve the customer experience. And work continued to grow the housing stock, improve environmental sustainability, tackle homelessness, enable independent living, provide money management advice, address domestic abuse, anti-social behaviour and safeguarding issues, and progress the Kingshurst Village Centre regeneration.

Nationally, there was a strong focus on strengthening regulation and raising standards for customers. The Housing Ombudsman issued new guidance for housing organisations, setting out clear expectations of better complaint handling. The Regulator of Social Housing set out plans for refreshed consumer standards and a probable new inspection regime, and the housing sector began to prepare for the introduction of a national set of Tenant Satisfaction Measures, which will start to be formally collected from April 2023.

The importance of building safety, particularly fire safety, continued to be highlighted as the second stage of the Grenfell enquiry drew to a close. Solihull Council and SCH have reviewed their own building safety governance structures as a consequence, introducing a new Building Safety Assurance Board and Board Building Safety Group respectively.

GOVERNANCE

Good governance is essential for SCH to achieve its objectives, drive improvement, maintain legal, regulatory and ethical standards, and provide assurance to Solihull Council as owner of the housing stock. As regulatory standards are strengthened, this will only become more important. SCH is governed by a Board of directors, with three sub-committees – Audit and Risk, Housing Operations, and Human Resources, Equalities and Remuneration. In addition, the Board has instituted a new Building Safety Group, as outlined above.

Strategic Report

31 March 2023
(continued)

Following the agreement of the Council, remuneration for Board members was introduced from April 2022, in order to recognise the commitment involved and the skills or experience required, bringing SCH into line with common sector practice. During the course of 2022, the Board recruited two new independent members, both with extensive housing sector experience, to chair the Audit and Risk, and Housing Operations sub-committees. Recruitment commenced for a third tenant Board member, following completion of a second term for an outgoing director. The Board also appointed new champions for building safety and customer experience.

The Board has adopted the National Housing Federation's Code of Governance and, during the year, undertook a self-assessment, identifying areas of non-compliance. On the basis of the assessment, the Board agreed a small number of improvement actions.

ANNUAL PERFORMANCE

SCH sets out its priorities for the year in its annual Delivery Plan. For 2022/23, these priorities are organised as strategic objectives aligned to the strategic aims set out in the SCH Strategic Vision. Each strategic objective has linked work packages and individual delivery milestones. A set of key performance indicators (KPIs) is included in the Delivery Plan.

Strategic Aims	Strategic Objectives
<p>Creating Homes</p>	<ul style="list-style-type: none"> Managing the stock portfolio in a proactive, green and holistic way Ensuring our homes and customers are safe Excellent delivery of core services Build new environmentally sustainable homes
<p>More than Bricks and Mortar</p>	<ul style="list-style-type: none"> Managing homes and neighbourhoods Preventing and reducing homelessness
<p>Strengthening Communities</p>	<ul style="list-style-type: none"> Services for vulnerable and older people
<p>Excellent Customer Service</p>	<ul style="list-style-type: none"> Improve data and systems Deliver an improved customer experience
<p>Passion in People</p>	<ul style="list-style-type: none"> Develop the SCH people offer

Strategic Report

31 March 2023

(continued)

Service performance and delivery is scrutinised rigorously, both through SCH's own structures, as well as the Council's monitoring. The SCH Board receives a quarterly update on performance exceptions and the Housing Operations Committee undertakes a full quarterly review of all key performance indicators. The Council oversees SCH performance through a Quarterly Monitoring Board, chaired by the Deputy Leader, and is represented at Board meetings by the Director of Economy and Infrastructure.

Performance outcomes against Delivery Plan priorities and KPIs are set out below for each service area.

ASSET MANAGEMENT AND DEVELOPMENT

Strategic aim: creating homes

Strategic objective 1: managing the stock portfolio in a proactive, green and holistic way

A programme of stock condition surveys is being carried out, which includes the completion of the Housing Health and Safety Rating System (HHSRS) and an Energy Performance Certificate. Option appraisals have been completed on two poor performing complexes (Greenhill Way and Longview, Castle View). Following strategic discussions, a medium-term decision has been taken to provide these properties as refugee accommodation. In the long term, it is planned to redevelop the Greenhill Way site for new two and three bedroom homes. It is likely that a change of use will be applied to Longview, Castle View.

A successful grant application Social Housing Decarb Fund (SHDF) – Wave 1 secured £575,000, to which the SCH capital programme will contribute a further £850,000. External wall insulation works have commenced and are scheduled for completion June 2023. A further grant application (for SHDF Wave 2) has also been submitted to the value of £1.2million. Future work programmes have been identified in anticipation of further grant funding opportunities.

Significant work has been carried out in conjunction with the council to set out a ten year asset management strategy, which will set out priorities for management of the stock over the next decade.

Strategic objective 2: ensuring our homes and customers are safe

Work continued on the installation of sprinklers in high rise buildings during the year. Taking into account the 2021 British Standard, the overall programme was revised and is due for completion during the summer of 2023. In addition to the installation of sprinklers, the main programme to install automatic fire detection in communal areas of high-rise buildings was completed at the end of June 2023.

The improvement plan created following an external review of the Asset Management Service was converted into an implementation plan and expanded to capture all requirements of the Building Safety Act 2022, associated legislative obligations as they become known, and wider audit recommendations. This will ensure that SCH remains compliant and residents are safe in their homes. The work to complete the plan will continue until early 2024-2025.

The management of damp and mould and the risk it poses to residents continues to receive increased regulatory focus on a national level. Information on how SCH manages damp and mould was submitted to the Regulator in December 2022. To ensure risks are being managed effectively, a damp and mould action plan with a dedicated working group was created, and additional resources were recruited to respond to the increase in damp and mould related inspections and repairs.

Strategic objective 3: excellent delivery of core services

The death of Awab Ishak, partially caused by prolonged exposure to damp and mould, has created fresh impetus to tackle this issue in social housing stock. All social landlords have been required by the Regulator of Social Housing to provide data on the incidence of damp and mould in their stock as well as their approach to treating and eradicating it. At SCH our approach to addressing damp and mould has focussed on encouraging maximum reporting and visibility of the problem and has included the following:

Strategic Report

31 March 2023

(continued)

- consolidating our data
- communication campaign to residents to encourage reporting
- joint work with public health to inform front line health workers (through written briefing and webinar) how to report and identify damp and mould in both social housing and other tenure types
- increased resourcing of the response team in asset management
- submission of return to the Regulator of Social Housing
- improving communication messages to residents.

Strategic objective 4: build new environmentally sustainable homes

The current phase of the new build development pipeline has commenced on the following sites:

- **Lakeside** - the development is for a new four storey replacement building containing twenty self-contained apartments with four standalone self-contained temporary accommodation apartments along with four general needs HRA houses, landscaping and associated parking provision, all constructed to meet the Low Carbon aspirations of SCH and SMBC. Demolition of the existing site has commenced.
- **Anglesey Avenue** – this is a development of five, two and three bed family houses for social rent with planning permission. The plan is to construct this scheme along with Lakeside given their relatively close proximity to each other. This will also help with economies of scale given the low number of unit yield at Anglesey Ave.
- **Daylesford Road** – two former garage sites; current designs will provide fifteen new homes across these two sites. This has been a complicated site with various constraints including the need to acquire private units and satisfy access road requirements.
- **Campden Green – former garage site** – three units, planning application currently being considered.

Strategic Report

31 March 2023

(continued)

KPI ref	KPI description	Target	Actual
AM1a	Gas safety	100%	99.94%
AM1b	Electrical safety	100%	98.64%
AM1c	Fire safety	100%	100%
AM1d	Asbestos safety	100%	100%
AM1e	Legionella safety	100%	100%
AM1f	Lift safety	100%	100%
AM4	Appointments kept – response repairs	98%	97.13%
AM7	Repairs completed right first time	95%	92.04%
AM17	Average number of repairs per property	2.5	1.46
AM20	Average time taken (days) to complete repairs	7.5	14.39
VL13	Rent loss due to voids	0.90%	1.63%
WB1	Minor adaptation works completed on time	98%	98.83%
WB2	Major adaptation works completed on time	99%	91.88%

HOUSING AND COMMUNITIES

Strategic aim: more than bricks and mortar

Strategic objective 5: managing homes and neighbourhoods

SCH manages the borough housing register (waiting list) on behalf of Solihull Council. This year has seen significant strides towards implementing a new allocations policy for spring 2024.

We have also developed two new modules for residents about to enter into their first tenancy agreement. These are aimed at helping prospective new tenants plan for their new home, covering areas such as paying their rent, budgeting, and what they might need (e.g. furniture).

A working group was established this year to explore ways in which we could speed up the process of allocating homes. This focused on a number of areas including reducing the number of refusals for new home offers made.

The Money Advice Team have been extremely busy this year, supporting SCH customers who have been affected by the cost-of-living crisis. We have seen around 100 new customers every month and have supported those customers through a variety of ways such as budget planning and accessing benefits and grants. The team has secured close to £2million in unclaimed benefits this year for customers.

Strategic Report

31 March 2023

(continued)

The cost-of-living crisis has undoubtedly been a real concern for residents across the country, and this has impacted rent collection figures this year. We have continued to encourage tenants facing financial difficulties to proactively contact us to make alternative payment plans and avoid losing their home. Our new income analytics tool helps target arrears through a prioritised caseload, and recommending tenants for contact at the right time, has been progressing well and we have just completed our first full year using this new system.

This has been a busy year for reviewing the service model for Housing and Communities, and in 2023/24, we will start to introduce some changes. We are moving to a number of specialist teams including Community Safety and will be merging our Allocations and Homelessness services.

Strategic objective 6: preventing and reducing homelessness

SCH provides a housing options and homelessness service on behalf of the Council. This year we have expanded and embedded the housing options we have available to support our customers to prevent or relieve their homelessness, resulting in a record high number of successful prevention and relief outcomes.

The Housing Options team has successfully co-located its frontline services with Solihull Council's Connect services, providing customers with an improved face-to-face service offer.

The number of customers requiring temporary accommodation has increased significantly in 2022/23, however, we have continued to work to the action plan, and have increased the number of flexible alternatives to budget hotel provision, by pursuing additional private sector leasing and nightly rate accommodation.

The Solihome team has embedded several incentives to support customers to access the private rented sector, inclusive of the DELSA (Don't Evict, Let Solihome Assist) initiative, which urges private landlords to contact SCH before they serve notice, to enable us to intervene and sustain the tenancy.

We have also embedded our domestic abuse pathway, ensuring that we maximise the use of specialist tools, including the Housing IDVA service, refuge placements and the Sanctuary Scheme.

Strategic aim: strengthening communities

Strategic objective 7: services for vulnerable and older people

Progress continues to be made on moving customers over to digital as part of the national switching initiative. This will be complete in 2024.

A full service review of the wellbeing service has been undertaken during the year, as well as an audit by Internal Audit. This has resulted in the development of a series of pilot initiatives (to run in 2023-24), designed to test ways to attract and retain new customers or add value to existing customers' packages, in order to bridge the gap between actual and budgeted income.

A review of service delivery has commenced to consider the potential for an integrated independent living service, bringing together wellbeing and aids/adaptations.

Strategic Report

31 March 2023

(continued)

KPI ref	KPI description	Target	Actual
NS21a	New tenancies sustained (year one)	90%	98.36%
NS1a	Rent collected (excluding arrears brought forward)	99%	100.76%
NS2	Leaseholder service charges collected	99%	99.62%
NS4	Rent paid by digital means (including direct debit)	82%	80.4%
WR2	Benefits awarded due to Money Advice Team	£1.5m	£2.0m
WR15	Current tenant arrears as % of rent debit	3%	3.51%
NS38	Harm reduction resulting from ASB intervention	80%	56.36%
NS9	Communal areas meeting required standard	98%	96.9%
NS10	Estate inspections completed	98%	100%
HO1	Average stay in temporary accommodation (days)	112	80
HO3	Average stay in budget hotels (days) for families	15	35
HO5	Homeless approaches where prevention or relief achieved	55%	55.26%
WB20	Customers supported with independence to remain in home	95%	89.96%

CUSTOMER SERVICES, TRANSFORMATION AND BUSINESS SUPPORT

Strategic aim: excellent customer service

Strategic objective 8: improve data and systems

Housemark undertook a data review during 2022 and identified three key actions:

- * Develop a pragmatic data strategy
- * Appoint a data governance lead
- * Establish a data governance framework

Additional resources have been allocated to support work on data and business intelligence and a new Business Intelligence Manager will act as the data governance lead and take responsibility for delivering the data strategy and governance framework.

Housemark was also commissioned to provide short-term support within SCH to review existing data collation and reporting systems, in order to ensure these are robust as the sector moves towards enhanced regulatory requirements.

Strategic objective 9: deliver an improved customer experience

We have continued to embed and develop the approach to engaging with our communities and reflecting the resident voice through service delivery and development. This has led to SCH gaining Tpas accreditation, with an overall assessment score of 89%. Tpas stated

Strategic Report

31 March 2023
(continued)

'This is an excellent achievement for the organisation. A standout, trailblazing organisation for engagement and a collaborative culture across all teams.'

During the last 12 months we have strengthened the way we involve residents in the building safety agenda, in response to the changing regulatory and legislative landscape. We have a separate Building Safety Engagement Strategy and a number of different initiatives such as Building Safety Advocates, Building Safety Agreements and enhanced building safety communications.

The SCHape Panel has continued to work in partnership with SCH to scrutinise service delivery. It has carried out four reviews across voids and allocations, cost of living, damp and mould and the engagement framework and have made over 60 recommendations that have been approved by the Housing Operations Committee.

During 2022-23 the Contact Centre has created an internal quality framework document. The framework was created to offer clarity on the approach to quality assurance checks and identify how they link to the strategic vision and values. Having the transparency offered by the framework supports striving for excellence in customer experience as advisors and managers alike are clear on the How, What and Why of quality assurance checks.

SCH has implemented regular complaints 'learning and improvement cycles' around key drivers to reduce service failures at root cause and has also developed the role of customer complaints advocates across SCH to ensure the voice of customers and communities are a central part of the complaints process.

Strategic objective 10: develop the SCH people offer

SCH has enhanced the resourcing around both organisational development and learning and development. Two new posts will work alongside the Council's teams to maximise the support available to managers and staff. This will build on the work undertaken during 2022, when completion of mandatory training requirements improved from around 30% to 90%.

During the year, SCH was accredited at the first level of 'Thrive at Work'. A workplace commitment supporting employee health and wellbeing. A management task and finish group developed various initiatives to tackle sickness absence, which has resulted in a steadily improving position.

SCH continued its commitment to offering employment opportunities to local people through a further round of apprentice recruitment.

KPI ref	KPI description	Target	Actual
CR1	Complaints resolved at stage one	97%	94%
CR34	Complaints resolved in timescale	90%	93%
CR28	Tenants using customer portal	40%	43.48%
CR5	Short term employee sickness (days per person)	4	4.57*
CR2	Overall customer satisfaction (transactional)	85%	87.96%
CR31	Overall customer satisfaction (perception)	80%	77.9%
AM19	Satisfaction with repairs	90%	92.8%
CR35	Contact centre average speed of answer (seconds)	270	195

* Due to the in-year system change to Oracle Cloud data is not yet available for KPI CR5 for the period January-March 2023. 4.57 is as at 31 December 2022.

Strategic Report

31 March 2023

(continued)

FINANCIAL PERFORMANCE

The Revenue Management Fee, paid by the Council reduced from £19.771m in 2021/22, to £19.732m in 2022/23, as well as a capital programme of £21.787m (2021/22: £21.568m).

The financial performance (separating out the impacts of IAS19 – Pensions and taxation) against budget and the previous year can be summarised as follows:

	2022/23 Actual £'000	2022/23 Budget £'000	2021/22 Actual £'000
Revenue			
Income	25,511	23,885	24,404
Expenditure	(27,121)	(23,885)	(25,320)
Deficit	(1,610)	0	(916)
Capital			
Income	23,244	25,985	22,837
Expenditure	(23,244)	(25,985)	(22,837)
Surplus/ (Deficit)	0	0	0
Combined			
Income	48,755	49,870	47,241
Expenditure	(50,365)	(49,870)	(48,157)
Deficit before tax and pension adjustments	(1,610)	0	(916)
Corporation tax	(12)	0	(1)
IAS19 Pension adjustments	(2,950)	0	(3,254)
Loss per Income Statement	(4,572)	0	(4,171)

FUTURE CONSIDERATIONS

The Delivery Plan for 2023/24 has been framed around five themes, reflecting the priorities of SCH and those set out in the Council's own plan. These continue and develop much of what was highlighted in previous Delivery Plans, particularly around building safety, safeguarding and sustainability, but also building in new areas of focus, such as combatting damp and mould and addressing cost of living issues.

The five themes are underpinned by three enablers, which focus on how SCH works as an organisation.

Strategic Report

31 March 2023
(continued)

Delivery Plan Themes 2023-24

Providing accessible, affordable housing solutions for those in need

Investing in existing and new homes: providing quality homes by developing and acquiring new properties, and improving existing stock

Keeping customers safe in their homes: improving building safety and undertaking regular compliance checks

Supporting those in need: a holistic partnership-based approach to wellbeing, combatting financial, mental health and employment challenges

Improving neighbourhoods: investing in our communities, enhancing places where people live, and tackling anti-social behaviour, domestic and other forms of abuse

Green homes and sustainability: reducing the environmental impact of housing stock and SCH's operations, and reducing energy costs for residents

Engagement: listening to the diverse voice of our customers, so they can shape and improve services

How we work: delivering sustainable, value-for-money services, proactively adopting digital technology to enhance how customers interact with SCH, whilst using robust data to drive evidence-led service improvement

Who we are: cultivating a great place to work, where a collaborative team feels supported, valued, empowered and motivated, equipped with the tools to deliver excellent services

E
N
A
B
L
E
R
S

E
N
A
B
L
E
R
S

Strategic Report

31 March 2023

(continued)

Specific priorities within each theme/enabler are:

Themes:

<p>Investing in new and existing properties:</p> <ul style="list-style-type: none"> • Meet the Decent Homes standards set by the government • Combat damp and mould • Complete structural surveys of high-rise blocks as a basis for investment planning • Increase stock acquisition to meet housing need and provide community benefits • Implement new aids and adaptations policy to help residents live independently • Maximise building of new homes through the Council's property assets 	<p>Green homes and sustainability:</p> <ul style="list-style-type: none"> • Prepare future programmes of work to deliver environmental initiatives in readiness for future grant funding sources • Secure grant funding from the government to carry out energy efficiency improvements to residents' properties • Complete external insulation works to properties so they are more energy-efficient • Reduce the amount of carbon SCH emits in delivering its services 	<p>Keeping customers safe in their homes:</p> <ul style="list-style-type: none"> • Replacing the spandrel panels to improve fire safety across 16 high-rise blocks • Completing the installation of sprinklers across Solihull's 37 high-rise blocks • Engage customers to help develop building safety initiatives • Establish a building safety committee to provide assurance to the Board • Develop a building safety management strategy • Ensure regulatory compliance checks are in place for gas, electricity, water, asbestos, lifts and fire risk for every property
<p>Improving neighbourhoods:</p> <ul style="list-style-type: none"> • Lead the redevelopment of Kingshurst, including new community facilities • Enhance amenity spaces and tackle neighbourhood challenges to encourage thriving communities • Ensuring effective safeguarding through monitoring, audits and reporting by the internal assurance group • Ensure the SCH workforce is equipped to deal with safeguarding, domestic abuse and exploitation • Work towards achievement of Domestic Abuse Housing Alliance accreditation by 2024 • Strengthen the tackling of person and place-based anti-social behaviour 	<p>Supporting those in need:</p> <ul style="list-style-type: none"> • Work collaboratively to strengthen the employment and skills offer for residents • Develop tenancy sustainment initiatives to minimise tenancy breakdowns • Enhance options for independent living through technology, property adaptation and service development • Strengthen money advice support, particularly focusing on those affected by fuel poverty and homelessness • Launch a revised allocations policy to reflect current needs and priorities • Target vulnerable customers for support during the winter months • Work with stakeholders to deliver a package of cost of living support measures 	

Strategic Report

31 March 2023

(continued)

Enablers

Customer engagement:	How we work:	Who we are:
<ul style="list-style-type: none"> • Embed the new customer engagement framework in service delivery and policy development, reflecting new regulatory requirements • Support the SCHape Panel to review new customers' experiences and other improvement areas • Strengthen complaint handling and improve the application of learning feedback • Develop a holistic customer experience strategy 	<ul style="list-style-type: none"> • Improve data security • Review and strengthen the policy framework • Implement digital telephony enhancements to improve customer experience • Identify and address causes of repeat customer contact • Use management information to drive evidence-led service improvement • Identify and embed digital opportunities to improve customer service and streamline procedures • Develop a data strategy to ensure a robust and consistent approach to management and use of data 	<ul style="list-style-type: none"> • Develop digital skills framework • Review internal communications to improve effectiveness of messaging • Embed two directorate model of working • Develop success plan for key roles affected by demographic challenges • Refresh the SCH culture to better align with business priorities • Develop more apprenticeship opportunities for local people

RISK MANAGEMENT

The Executive Leadership Team (ELT) undertook a full review of the main corporate risks facing SCH at the beginning of 2022. This is kept under regular review and, during the year, a new cyber security risk was added to reflect the growing threat in this area.

The other nine corporate risks are:

- Failure to meet regulatory obligations (excluding building safety/health and safety)
- Failure to ensure building safety
- Failure to ensure health and safety of customers, employees and contractors
- Failure to have robust systems and processes for data management
- Insufficient capital investment leads to failure to meet national standards
- Failure to manage contracts effectively
- Failure to have robust governance arrangements in place
- Insufficient or inappropriate use of resources to deliver SCH Delivery Plan commitments
- Failure to deliver outcomes defined in the People Strategy

ELT undertakes quarterly reviews of the risk register, with a particular service focus each time. The Board's Audit and Risk Committee also reviews risks on a regular basis and receives a report each quarter from the Council's Health, Safety and Risk Manager.

The Board's Statement on Section 172 of the Companies Act 2006

Under s172 of the Companies Act 2006, Solihull Community Housing (SCH) has a duty to promote the success of the company for the benefit of its members as a whole, having regard to the stakeholders and matters set out in S172(1)(a-f) of the Act:

- (a) Maintaining a high standard of business conduct.
- (b) Acting fairly between the members of the business.

Strategic Report

31 March 2023

(continued)

- (c) The interests of employees.
- (d) Fostering business relationships with suppliers, customers, and others.
- (e) The impact of operations on the community and the environment.
- (f) The likely consequence of any decision in the long term.

The Board considers the key stakeholders to be:

- Its customers – tenants, leaseholders, other landlords and the public.
- Solihull Metropolitan Borough Council – Both as the sole shareholder and as a partner in providing aligned services for Solihull.
- Its employees – who are integral to the successful delivery of services.

The Board also needs to address the following:

- The issues, factors, and stakeholders the directors consider relevant in complying with the above and how we have formed that opinion.
- The methods the directors have used to engage with stakeholders and understand the issues to which they must have regard.
- The effect of that regard on the company's decisions and strategies during the year.

The SCH Strategic Aims and Objectives are set out at pages 5-11 as are the year-end KPI performance results and form part of an Annual Delivery plan agreed with the Council. The achievements are monitored regularly by managers who provide quarterly reports to the SCH Board and the Council. The Council has a rolling 30-year HRA plan updated annually and the SCH Management Fee and HRA capital programme are included. We agree an annual budget in the context of a balanced 3-year period. Recently we have undertaken detailed stock condition surveys to help improve the investment decisions into the housing stock.

The SCH Board hold 4 meetings a year supported by 3 sub-Committees in place as referred to at page 4. All reports include a requirement to consider:

- Financial Implications
- Equality and Diversity Implications
- Risk Management Implications
- Value for Money and Efficiency Considerations/Implications
- Tenant Involvement/Consultation
- Consistent with Business Plan

These considerations ensure decisions are made within the context of the wider implications that affect the community and tenants.

The relationship with our Shareholder is strong and there are a variety of meetings for SCH to interact with the Council. At an executive level, the Chief Executive meets regularly with the Council's Senior Leadership Team and the Director of Economy and Infrastructure, and the Executive Directors attend both the Council's Assistant Directors meeting on a periodic basis and the Economy and Infrastructure leadership team regularly. The Performance and Partnerships Group is a collaborative monthly meeting to look at performance and particular operational issues (e.g. homelessness, green homes, customer engagement, etc.). In terms of oversight, SCH reports to the Quarterly Monitoring Board, chaired by the portfolio holder, and attends the Council's Strategic Housing Board. Both the Scrutiny Board and the Cabinet member review and approve the Delivery Plan, which sets out SCH's priorities for the year ahead. Support services are provided through the Council giving access to various professional services such as finance, procurement, legal and HR services to enable well informed decision making and accurate reporting.

SCH have a strong, well embedded assurance framework demonstrated through the Annual Governance Statement. These assurances are strengthened by the support given by the Council's Internal Audit and Health

and Safety teams. An example being the collaborative work undertaken to retrofit sprinklers in the 37 High Rise Residential Buildings owned by the Council.

As a wholly owned subsidiary company of Solihull Metropolitan Borough Council, our primary objective is to deliver our core services – managing, maintaining, and delivering additional affordable rented homes. Working on behalf of the Council, SCH deliver landlord functions to tenants and leaseholders, statutory homeless duties and provide a range of wellbeing services to vulnerable adults. Examples of achievements are included within the Strategic Report.

Tenant satisfaction is important. In line with the new consumer regulation requirements, SCH is gathering data on the 22 Tenant Satisfaction Measures, which will be reported nationally. As part of the sprinkler programme, we integrated tenant engagement providing us with an opportunity to understand each and every tenant better and gather important data whilst ensuring tenants are fully informed of the programme and fire safety.

There is a SCHape panel in place comprising tenants who review the services SCH provide with a view to work with us to make improvements. Recent examples include damp and mould, void properties, and cost of living.

Company risks are recorded using the Council's risk register methodology and result in developing mitigating strategies. An example of this is the replacement spandrel programme which started as a potential risk that was escalated when senior officers sought further mitigation and recommended to the Board to undertake further work. This led to a recommendation to the Council to invest in replacement spandrel panels through a new capital programme project and SCH have recently concluded the procurement of a suitable contractor. Work has commenced and will continue into 2023/24 and 2024/25.

We consider the interests of our employees who benefit from stable employment prospects and a defined benefit pension scheme which allows employees to plan for their future. The Delivery Plan sets out the Passion in People programme, setting out SCH's organisational development priorities. For 2023/24 this includes supporting management and leadership development, introducing coaching, initiating an employee equality and diversity network, improving recruitment and retention, and recognising excellent employee performance. We have a variety of forums to engage with staff such as a regular newsletter sharing information about the Board. We formally recognise two Trade Unions and meet regularly with them.

The Council has allocated grant and core funding to SCH, and we work with community partners in the voluntary and public sectors to deliver additional services to reduce rough sleeping. This reflects our approach to working collaboratively with the community to deliver services for the benefit of those that need our help. We also work with the Council and in our own right to influence the direction of local and national housing policies that impact on tenants (for example, we join with others to attempt to influence government policy through the National Federation of ALMOs (NFA) and other bodies).

The cost-of-living crisis disproportionately affects the tenants we serve as over 72% are in receipt of either housing benefit or universal credit. We are contributing to the Council's "Here to Help" programme supporting vulnerable residents and we also have a Money Advice Team in place to support our tenants experiencing financial difficulties. The Council has provided further funding to the Money Advice Team enabling the recruitment of additional resources.

For further information regarding SCH please refer to our website.

Richard Hyde

Chair

4 September 2023

Report of the Directors

31 March 2023

The Directors present their report and the audited financial statements for the year ended 31 March 2023.

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:

- Audit and Risk Committee
- Human Resources & Remuneration Committee
- Housing Operations Committee

EMPLOYEES

SCH recognises the importance of its dedicated employees and has continued with its blended approach to working which was introduced during the Covid pandemic. This has enabled a clear programme of communication and engagement with all staff including the cascade of Core Brief, regular face to face and virtual team briefs, an extensive intranet site as well as team meetings and briefings to continue. There are also clear lines of communication and reporting. Procedures are well documented for staff to raise any concerns and issues. Positive relationships with recognised trade unions (UNITE and UNISON) are in place with regular meetings to discuss changes and new policies that affect staff.

SCH is an equal opportunities employer and values equality, diversity and inclusion (EDI). We believe in fair treatment and prohibit discrimination or harassment of any kind and commit to promoting EDI in our employment practices. It is the purpose of SCH's Equality, Diversity and Inclusion Policy and the Recruitment and Selection Policy to ensure that SCH selects the most suitable person for the job based on merit, regardless of sex, gender, ethnicity, sexual orientation, disability, age, religious belief or any protected characteristics covered under the Equality Act 2010. During any recruitment selection process, reasonable adjustments are made for people with disabilities and any applicants with a disability who meet the essential criteria for a post will be offered an interview in line with the Department for Works and Pensions (DWP) Disability Confident Scheme.

SCH's commitment extends to people having equal access to development, as set out in its Learning and Development Policy. This includes ensuring staff working part time or particular shift patterns are also able to receive development that accommodates/considers their needs wherever possible. We ensure that staff who do not have day to day access to computers are not disadvantaged. Staff are given notice of the learning and development available and allocated dedicated work time to carry out any necessary training. The take up of learning and development opportunities is monitored to ensure there are no hidden gender, race or disability barriers to access.

A new staff appraisal system introduced in 2019 is now well embedded and SCH has invested in a staff development programme known as Passion in People for all staff to extend their skills and behaviours to better serve our customers. Progress has managed to continue throughout the year with the use of virtual tools such as video conferencing, on-line information and learning.

Our staff recognised the Covid pandemic has had an impact on the lives of our customers and this was a significant priority to us. We have worked hard to protect our most vulnerable customers and our staff have acted above and beyond in trying to tackle the increased challenges our customers face such as homelessness, domestic violence and protecting those that are clinically extremely vulnerable.

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 2023

(continued)

AUDITORS

Following an external tender process RSM UK Audit LLP have been confirmed as auditor for the Company for an initial period of 3 years (up until 31 December 2022) which, following Board approval, has been extended to 31 December 2023.

STRATEGIC REPORT

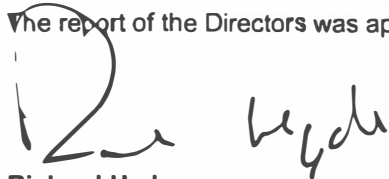
The Company has chosen in accordance with S414C(ii) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 to set out in the Company's Strategic Report information required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 within the Directors' Report. The Strategic Report is contained within pages 4 to 17.

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

The Company has made qualifying third party indemnity provisions for the benefit of its directors during the year, these provisions remain in force at the reporting date.

APPROVAL

The report of the Directors was approved by the Board on the 4 September 2023 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Richard Hyde', is written over a large, faint circular stamp or watermark.

Richard Hyde
Chair

4 September 2023

Statement of Directors' Responsibilities for the Financial Statements

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

Company law requires the directors to prepare financial statements for each financial year. The directors have elected under company law to prepare the financial statements in accordance with UK-adopted International Accounting Standards.

The financial statements are required by law and UK-adopted International Accounting Standards to present fairly the financial position and performance of the company. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 the financial statements, the directors are required to:

- a) select suitable accounting policies and then apply them consistently;
- b) make judgements and accounting estimates that are reasonable and prudent;
- c) state whether they have been prepared in accordance with UK-adopted International Accounting Standards;
- d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the requirements of 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.

Annual Governance Statement

31 March 2023

INTRODUCTION

The SCH Board acknowledges its overall responsibility for establishing and maintaining a system of governance, risk management and internal control to review the company's effectiveness and protect and make the best use of public funds.

The Board consists of ten members and three committees, namely the Audit and Risk, Housing Operations and Human Resources, Equalities and Remuneration committees, which are responsible for the strategic governance of the company. To provide additional assurance around resident and building safety there is a building and resident safety task and finish group that reports directly to the board.

This Annual Governance Statement covers SCH's significant corporate systems, processes, and controls, including in particular those designed to ensure that:

- Laws and regulations are complied with;
- Policies are implemented in practice and required processes are adhered to;
- High quality services are delivered efficiently and effectively;
- The company's values and ethical standards are met;
- Performance and financial statements and other published information are reliable;
- Human, financial, and other resources are managed efficiently and effectively.

The Annual Governance Statement is reviewed by the Audit and Risk Committee prior to its approval by the Board. Once approved, it is signed by the Chair and the Chief Executive before being published on SCH's website.

THE GOVERNANCE FRAMEWORK

The SCH governance framework comprises the policies, systems, and processes that SCH is directed and controlled by. The SCH values of **Honesty**, **Excellence**, **Achieving together**, **Respect** and **Transparency** underpin the framework and all the activities undertaken by the organisation. The framework also ensures that there are proactive processes for identifying, evaluating, and managing significant risks faced by the company. 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.

In addition to having a robust governance framework in place, SCH seeks to continuously refine and monitor the effectiveness of its governance arrangements and assurance. To further this approach, the SCH Board has adopted the National Housing Federation Code of Governance and annually reviews compliance with the code and action planning, with the last review being November 2022. The National Housing Federation is the trade body for Registered Social Landlords rather than ALMOs (trade body National Federation of ALMOs) and therefore some of the requirements of the Code do not apply to SCH.

As a wholly owned subsidiary of Solihull Metropolitan Borough Council, SCH is guided by the governance principles set out in the CIPFA/SOLACE Framework for Delivering Good Governance in Local Government (2016). Given below are some key highlights of how SCH delivers its governance commitments in line with the principles of the Framework:

Annual Governance Statement

31 March 2023

(continued)

Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

- Regulatory compliance to the Financial Conduct Authority regulations.
- Regulatory compliance with the requirements of Companies House.
- Compliance with the gas certification authority, Gas Safe.
- Compliance with the Housing Ombudsman Code of Guidance.
- Processes are in place to ensure we comply with the Right to Repair legislation and that adequate reporting and records are maintained in line with the Habitable Homes Legislation.
- Anti-fraud and corruption policies provide clear 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 SCH Board Members. At the start of every SCH Board and Committee meeting members are asked to declare any interests arising from items on the agenda.
- A code of conduct for employees, including a disciplinary policy to enable individual cases to be resolved fairly, consistently and in a timely manner.
- A code of conduct for contractors to protect the interests of SCH tenants and leaseholders for whom SCH provides services, and protect contractors who deliver those services on behalf of SCH. The code includes guidance on not only conduct, safeguarding and confidentiality, but also provides clear direction on diversity and inclusion.
- Standing Orders incorporating Rules for Contract and Financial Regulations reviewed annually and made available for all staff on the intranet.
- Letter from regulator in November 2022 responded to within timescales.
- New code of guidance from the housing ombudsman implemented and the SCH complaints policy updated to achieve compliance.

Ensuring openness and comprehensive stakeholder engagement

Engagement with SCH customers and staff:

- A third of the places on the SCH board are reserved for tenants/ leaseholders.
- Multiple channels of communication have been developed, including regular business bulletins sent out via email with key updates and information.
- The customer engagement framework includes a wide range of mechanisms and activities to engage residents in the work of SCH including the Virtual Improvement Panel, SCHape panel and building safety advocates. The outcomes of this engagement shape the Delivery Plan.
- Tenant conference held in October 2022 to consult on the delivery plan, participants discussed any additional support which SCH could provide on the issues they were facing.
- Quarterly keep on track meetings between all senior management teams and line managers.
- The Executive Leadership Team has oversight of significant contracts, performance, and contractor satisfaction.
- Staff Engagement Group (SEG) drive a number of initiatives such as 'SEG on the road'.
- HR, Equalities and Remuneration committee receives reports at each meeting on staff wellbeing and absence trends.
- Additional damp and mould guidance on the SCH website and new leaflets developed with resident engagement to provide advice to tenants.
- A Board member customer complaints champion in place from September 2022.
- Transactional and STAR quarterly tracker surveys were carried out on a quarterly basis covering 13 areas. The area covered and scores are: response repairs (93%), new tenants (85%), ASB case handling (71%), contact centre call handling (80%), housing options (66%), capital works (89%), safer homes (95%), aids& adaptations (95%), compliant handling (45%), money advice (89%), sprinkler installation (93%), well-being (98%) and estate services (84%). Twelve surveys are undertaken monthly with estate services being conducted on a quarterly basis. In addition to running the thirteen surveys we report overall satisfaction (transactional) based on an aggregated score of the individual service area results. During 2022 the TSM measures were collected and reported in preparation for the new regulatory requirements.

SCH as part of its ongoing engagement with SMBC maintains accountability in the following ways:

- Quarterly ALMO monitoring meetings with SMBC and SCH to monitor performance, delivery plan and risk management.

- Annual delivery plan agreed with the Council goes through SMBC scrutiny process and then SMBC cabinet decision-making.
- Rolling 5-year management agreement agreed by the Council.
- Participation in the Strategic Housing board, building safety task and finish group comprising of board members and Building safety officer group with SMBC colleagues.
- A 10-year joint Asset Management Strategy (AMS) between SCH and SMBC.

Defining outcomes in terms of sustainable economic, social, and environmental benefits

- Housing Operations committee reviews services and has oversight of the energy sustainability and environmental strategies, and receives an annual forestry report on the maintenance of trees on land managed by SCH.
- The SCH delivery plan has been developed against a backdrop of capturing the context of the changing housing sector, current economic pressures, and the voice of the customer.
- SCH has a strategy in place to deliver net zero emissions, to adopt:
 - an interim target to get all homes to EPC Band C by 2030;
 - a fabric-first approaches combined with renewable technologies;
 - super-insulated build systems with better energy performance and air tightness.
- SCH has developed a Business Sustainability Plan to achieve the 2030 target by -
 - quantifying our existing carbon emissions for business operations;
 - measuring the impact on carbon emissions through new blended ways of working;
 - agreeing a short-term strategy with the Council for electric vehicles, focusing on expanding charging infrastructure as a priority;
 - working to support the Council in the delivery of its Natural Capital strategy.
- Better social housing review published in December 2022 has recommendations for social landlords to make social housing fit for the future. The recommendations will be reviewed by the board and incorporated in the delivery plan as required.

Determining the interventions necessary to optimise the achievement of the intended outcomes

Interventions aimed at better customer experience and outcomes:

- Residents workshop to inform customers how to access the aids and adaptation service.
- Communication campaign to residents to encourage reporting of damp and mould.
- Joint work with public health to inform front line health workers how to report and identify damp and mould in both social housing and other tenure types..
- Social media trends are used to inform customer experience and interaction, for example using customer registration at SCH portal to access self-help and usage to determine further action to improve customer experience.
- Complaint handling training including compliance with new Housing Ombudsman Code of Guidance delivered to all teams.
- Use of Inclusive Services Register (ISR) to ensure that the services we provide are tailored to the needs of the resident, rather than making assumptions based on a resident's particular circumstances, leading to more fair and equitable access for all residents.
- Actions being undertaken to improve quality of the data and interrogation of systems to provide assurance based on Third-party review of data integrity.

Interventions aimed at improving staff and stakeholder outcomes:

- A framework of management meetings including Executive Leadership Team and Senior Leadership Teams that take account of improving staff and customer outcomes.
- Frontline managers group is a cross-functional group to improve communication and consistent messaging.
- Staff engagement group focusses on staff wellbeing, with a wellbeing calendar with a series of events to help staff.
- Promoting FIKA, a series of online exercises which can be used by individuals and teams to improve wellbeing.

Developing the entity's capacity, including the capability of its leadership and the individuals within it

- Service restructure to allow greater collaboration across operational areas of business and improved customer outcomes and increasing resilience and range in the Executive Team to enable better organisational decision making.
- Formal recruitment, retention, training, and development policies for staff that incorporate annual appraisals of performance against targets that are consistent with the Delivery Plan and corporate objectives.
- SCH has a training plan covering both mandatory and optional training for all staff, which includes regular refresher training on key areas such as Protecting Information, Data Protection, Equalities and Inclusion and Safeguarding.
- Regular PDR reviews for managers to support better performance management.
- Access to webinars on various subjects to support learning.
- Promoting Apprenticeship schemes across business areas to develop talent internally.
- The Board has oversight of the skills mix of its membership and reviews this regularly, tailoring recruitment accordingly. The Board members go through annual appraisals of their own contribution and bi-annual 360-degree feedback is provided to enable a high-performing board.

Implementing good practices in transparency, reporting, and audit to deliver effective accountability

- Board reports are available for the public to view on the SCH website.
- Statutory accounts are published on the website.
- Finance publishes expenditure over £250.
- Public sector equality duty statement published on the website.
- Publish the gender pay gap report annually.
- Compliance with the Freedom of Information framework.
- Performance information including average wait times for different types of accommodation published on the website.
- Compliance with the Housing Ombudsman Code of Guidance published on the website.
- Information presented in accessible formats.

Managing risks and performance through robust internal control and strong public financial management

- As a part of SCH's risk management approach the Audit and Risk Committee monitors the effective development and operation of risk management and considers compliance with the Risk Management Policy and Procedure. Annual report is presented to full Board on risk management in June each year.
- A formal programme of internal audit work, carried out by officers independent of the Executive Leadership Team reports review processes and internal control; the recommendations are agreed by the Executive Leadership Team and are considered in detail by the Audit & Risk Committee.
- Financial monitoring goes to the SCH Board on a quarterly basis so that all members take responsibility for financial oversight.
- Quarterly financial monitoring reports to the Board to highlight any anticipated unplanned significant expenditure.

REVIEW OF EFFECTIVENESS

SCH undertakes an annual review of the effectiveness of its governance framework, including the system of internal control. The outcomes of the review are considered by the Chief Executive with support from the relevant officers, as well as the Audit and Risk Committee and the Chair. Once approved, the Annual Governance Statement is published alongside the Statement of Accounts.

ASSURANCE FROM MANAGEMENT

All Executive Directors have provided assurance that they are satisfied that staff within their sphere of control are compliant with the governance framework including Standing Orders, Rules for Contract, Financial Regulations, Health and Safety and Risk Management.

Each senior manager has also completed an individual self-assessment of their own area of control, highlighting any areas of concern or requiring further action to strengthen the control measures to safeguard company assets. Following this process, a detailed action plan has been developed, to further strengthen areas where Executive Directors highlighted any gaps in the control measures.

Annual Governance Statement

31 March 2023

(continued)

OTHER INTERNAL ASSURANCE

Audit Services

Internal Audit reviews were carried out remotely throughout the year in accordance with the annual internal audit plan, and recommendations for improvement were made and shared with ELT and the Audit and Risk Committee. Implementation of audit recommendations was tracked using an online recommendation tracking system and delays in implementation were escalated to senior management and reported to the Audit and Risk Committee.

There were no serious concerns identified during the audit reviews.

Risk Management

Responsibility for the strategic oversight of risk lies with the Audit & Risk Committee, with the Chair of the Committee taking responsibility for reporting any issues of concern to the SCH Board. Responsibility for operational risk management is owned by the Executive Leadership Team. The corporate and operational risk registers are monitored by both the Executive Leadership Team and the Audit & Risk Committee on a quarterly basis. The registers detail the identified risks and the mitigating actions in place to deal with them, as well as clearly defined management responsibilities for their identification, evaluation, and control.

In addition, there are defined mechanisms for shareholder (SMBC) oversight of key risks through the governance framework including the quarterly monitoring board and the strategic housing framework.

Performance Management

There are robust strategic and business planning processes which have included contributions from staff at all levels. An agreed suite of performance indicators (both local and national) is in place at team and corporate level, and these are monitored through regular reporting to management and the SCH Board, as well as by the council on a quarterly basis. Further reporting also takes place against the delivery plan, in respect of objectives, targets and outcomes. The Business Intelligence function has been strengthened as part of the restructure.

Data integrity has been identified as a key corporate focus area and detailed interventions and actions plans have been put in place to improve the quality of data captured as well as linking multiple data systems to enable easy integration of data to inform better decision-making.

Information Governance

SCH's approach to information governance is underpinned by policy, guidance, and training. This includes a full suite of policies based upon the information security standard BS ISO/IEC 27002:2013 and mandatory GDPR and Protecting Information training courses which all employees must complete (refresher every 2 years). There are clear management and accountability structures in place, which are outlined in the Information Governance Framework.

The SCH Governance Team works closely with the SMBC Information Governance Team to ensure full compliance with Freedom of Information and data protection requirements. Oversight of the internal governance arrangements is provided by both the Executive Leadership Team and Board, any failure to comply with statutory compliance with Companies House or Financial Conduct Authority would result in notifications from the relevant authorities. All data breaches were reported, investigated, and signed off by the relevant Executive Director. Learning points were identified from breaches, including staff being reminded of the need to be vigilant to avoid data breaches caused due to human error.

Annual Governance Statement

31 March 2023

(continued)

Financial Management

SCH's Standing Orders, Rules for Contracts and Financial Regulations are agreed annually by the Board (last updated on 25 July 2022). This document incorporates legal requirements and reflects CIPFA guidance. SCH continues to report its budget and savings proposals via SMBC's Budget Strategy Group to ensure Council oversight and challenge of potential changes.

There is a robust financial monitoring process to identify non-compliance. Where this occurs, such as a forecast overspend, there are clear rules for escalation in place. Any forecast overspend is reported to the SCH Board through a quarterly financial monitoring report and where possible a solution is recommended and agreed.

There was a forecast year-end overspend identified in the first quarter of 2022/23 mainly as a result of inflation factors relating to utility costs, pay and contract costs which are outside of SCH's control. This has been reported to the Board as part of the quarterly finance reports and will be funded from SCH's reserves. The budget for 2023/24 has been rebased to include provision for these unexpected 2022/23 inflation increases.

Procurement

Procurement services are provided to SCH by the Council. Systems are in place for compliance with the SCH Standing Orders, Rules for Contract and Financial Regulations.

Spend monitoring outcomes are reported on an on-going basis to senior management and the Audit and Risk Committee, to ensure appropriate levels of challenge within the monitoring process. ELT now reviews all procurement approval documents to maintain tighter financial controls. Key risks have been recorded in the Procurement risk registers and are managed according to the risk profile.

Equalities Framework

Equality, Diversity, and Inclusion (EDI) are central to SCH's core values of Honesty, Excellence, Achieving together, Respect and Transparency (HEART). A key commitment that underpins everything we do is to 'Be Inclusive.' This means working in ways that ensure that everyone is valued, that their contributions matter and that people are able to realise their full potential regardless of their background, identity, or circumstances.

SCH meets its moral and legal responsibility to ensure that our business continues to meet the requirements of the Equality Act 2010. The delivery of our EDI strategy and action plan is fully supported by the Board and the Executive Team who regularly review progress and provide constructive challenge. Decision-making reflects EDI issues including completion of formal Fair Treatment Assessments for significant changes in policy and processes. Our employment policies and practices reflect well-recognised best practice where appropriate. Public accountability for achievements is demonstrated through the publication of Gender Pay Gap statistics and the Public Sector Equality Duty annual report that focusses on our role as a social landlord.

SCH has had no prosecutions or enforcement notices issues against it for breach of the Equality Act 2010 nor has the organisation been the subject of any external investigations relating to equality issues. There have been no adverse findings around equality issues by the Housing Ombudsman.

Health and Safety

Health and safety performance reports are presented on a regular basis to the Executive Leadership Team and the SCH Full Board. The reports provide an overview of key performance, including the number of reported accidents/incidents, commentary on key aspects of health and safety including legislative updates. As such, the reports confirmed that:

- health and safety arrangements are in place within SCH, but with some areas of improvement required;
- there have been no regulatory interventions or enforcement action taken against the SCH in the last year.

Services and teams have access to SCH health and safety policies and guidance which have been produced to assist managers and employees to comply with health and safety legislation and statutory requirements. A programme of audits and inspections was in place in 2022/23. To provide assurance on building safety, the Board has formed a task and finish group that receives regularly detailed reports. This feeds into a new Building Safety Assurance Board, formed by the Council and chaired by the Director of Economy and Infrastructure, as the Accountable Person.

Annual Governance Statement

31 March 2023
(continued)

Over the last year, SCH has strengthened its health and safety governance arrangements. A new Safety Leadership Group, chaired by the Chief Executive, meets quarterly and receives reports from the Building and Resident Safety Group and the Occupational Health and Safety Group, each chaired by an Executive Director.

Assurance from Customers (Complaints and compliments) and Ombudsman Complaints

The Housing Ombudsman Code of Guidance for complaint handling was updated in April 2022 and a self-assessment against the revised guidance was completed and submitted to Housing Operations Committee for approval in September 2022. The complaints policy and processes were updated to achieve compliance with the revised guidance.

Systems are in place for monthly monitoring of complaint handling compliance and follow up and the Executive Directors have monthly reports on complaints within their service areas.

All complaints are monitored by the Governance Team and any issues escalated to the relevant Executive Director and Executive Leadership Team.

Complaints and compliments:

SCH received 355 formal complaints and 281 compliments during 2022-23.

The majority of complaints were resolved at stage 1 of the complaints process with 5 percent progressing to stage 2.

ASSURANCE FROM EXTERNAL INSPECTIONS

External Audit

The last "Audit Findings" report issued by RSM UK Audit LLP was presented to Audit and Risk Committee on 27 June 2022. The report was positive, did not identify any control weaknesses and made no recommendations for management to consider.

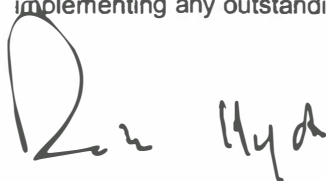
RSM confirmed that in their opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2022 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.

CONCLUSION AND EVALUATION

As Chair and Chief Executive, we have been advised on the results of the review of the effectiveness of SCH's governance framework. Our overall assessment is that this Annual Governance Statement is a balanced reflection of the governance environment, and the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

We are also satisfied that over the coming year, SCH will have recruited successfully to the two vacant independent board member posts to further strengthen our strategic leadership. We also commit to implementing any outstanding actions identified as part of this annual review of governance.



Richard Hyde
Chair



F. Hughes
Chief Executive

4 September 2023

Independent Auditor's Report to the Members 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 2023 which comprise the Statement of Comprehensive Income, Statement of Changes in Equity, Balance Sheet, Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted International Accounting Standards.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with UK-adopted International Accounting Standards;
- 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Independent Auditor's Report to the Members of Solihull Community Housing Limited (cont'd)

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 have been prepared in accordance with applicable legal requirements.

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 or 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 20, 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

Independent Auditor's Report to the Members of Solihull Community Housing Limited (cont'd)

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are IFRS/UK-adopted IAS, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to building maintenance and safety legislation. We performed audit procedures to inquire of management and those charged with governance whether the company is in compliance with these law and regulations.

The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business and challenging judgments and estimates.

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.

Anna Spencer-Gray

Anna Spencer-Gray (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants

10th Floor

103 Colmore Row

Birmingham

B3 3AG

United Kingdom

Date: 12 September 2023

Statement of Comprehensive Income

for the year ended 31 March 2023

	Note	2023 £'000	2022 £'000
REVENUE	1	48,755	47,241
Operating expenses	3	(52,875)	(50,912)
LOSS FROM OPERATIONS		(4,120)	(3,671)
Finance costs	4/16	(440)	(499)
LOSS BEFORE TAXATION		(4,560)	(4,170)
Income Tax expense	6	(12)	(1)
LOSS FOR THE YEAR	14	(4,572)	(4,171)
OTHER COMPREHENSIVE INCOME, NET OF TAX			
Actuarial gain/ (loss) on defined benefit obligations	17	29,944	11,051
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		25,372	6,880

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

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

Statement of Changes in Equity

for the year ended 31 March 2023

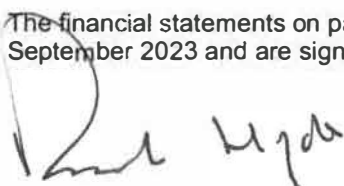
	Note	Total Equity & Reserves £'000
BALANCE AT 1 April 2021		(11,588)
Loss for the financial year to 31 March 2022		(4,171)
Actuarial gain relating to the pension scheme	17	11,051
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		6,880
BALANCE AT 31 March 2022		(4,708)
Loss for the financial year to 31 March 2023		(4,572)
Actuarial gain relating to the pension scheme	17	29,944
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		25,372
BALANCE AT 31 March 2023		20,664

Balance Sheet

at 31 March 2023

	Note	2023 £'000	2022 £'000
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	8	2,223	2,274
Right of use assets	16	449	782
Retirement benefit net asset	17	12,907	0
CURRENT ASSETS			
Inventories	9	102	104
Trade and other receivables	10	5,034	3,530
Cash and cash equivalents	15	10,008	11,479
TOTAL ASSETS		30,723	18,169
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	11	(9,179)	(7,550)
Current tax liabilities	6	(12)	(1)
Lease liabilities	16	(342)	(345)
Borrowings	7/12	(39)	(37)
		(9,572)	(7,933)
NON CURRENT LIABILITIES			
Borrowings	7/12	(372)	(411)
Lease liabilities	16	(115)	(446)
Retirement benefit net obligations	17	0	(14,087)
TOTAL LIABILITIES		(10,059)	(14,944)
NET ASSETS/ (LIABILITIES)		20,664	(4,708)
EQUITY – Attributable to parent			
Retained earnings	14	20,664	(4,708)
TOTAL EQUITY – ATTRIBUTABLE TO MEMBER		20,664	(4,708)

The financial statements on pages 31 to 56 were approved by the Board and authorised for issue on 4 September 2023 and are signed on their behalf by:



Mr Richard Hyde
Chair



Mr Mark Thrasher
Chair of Audit and Risk Committee

Statement of Cash Flows

for the year ended 31 March 2023

	Note	2023 £'000	2022 £'000
OPERATING ACTIVITIES			
Cash (outflow)/ inflow from operations	15	(1,062)	1,087
Interest paid	4	(27)	(33)
Corporation tax paid		(1)	(10)
NET CASH (USED)/ GENERATED IN OPERATING ACTIVITIES		(1,090)	1,044
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	8	0	(81)
NET CASH USED IN INVESTING ACTIVITIES		0	(81)
FINANCING ACTIVITIES			
Repayments of borrowings	12	(37)	(35)
Repayment of lease liabilities	16	(344)	(386)
NET CASH USED IN FINANCING ACTIVITIES		(381)	(421)
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		(1,471)	542
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		11,479	10,937
CASH AND CASH EQUIVALENTS AT END OF YEAR		10,008	11,479

Significant Accounting Policies

31 March 2022

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 International Financial Reporting Interpretations Committee (IFRIC) interpretations as endorsed by the European Union ("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 details of the delivery plan and the five-year Strategic Vision which is 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. The Council, at the Full Cabinet meeting on 9 February 2023, approved the roll-over of this agreement for the period 2023/24 to 2027/28. The Company also has sufficient cash reserves available should it be required to draw upon them.

The Council has provided the Company with a letter of support that confirms the Council has no plans to request repayment of the outstanding creditor balance in the period to the end of September 2024. This added to the ongoing unaffected level of revenue management fee for 2023/24 reinforces the accounts being prepared on a going concern basis.

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 by an independent valuer who is a member of the Royal Institution of Chartered Surveyors - 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 Ministry for Housing, 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.

Significant Accounting Policies

31 March 2023

(continued)

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.

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.

SHARED OWNERSHIP PROPERTIES

Properties acquired or constructed for re-sale are recorded as a current asset (within Inventories) at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

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) until it is sold, the balance is held as a non-current asset within Housing Properties and depreciated accordingly. The non-current asset element is revalued in line with the accounting policy (for Property) set out above. Revenue from the initial first "tranche" sales of shared ownership properties is recognised as revenue. Sales of subsequent tranches are recognised as the disposal of a non-current asset, with the profit or loss on disposal being credited to the Statement of Comprehensive Income.

Significant Accounting Policies

31 March 2023

(continued)

GOVERNMENT 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 relate, once reasonable assurance has been gained that the Company will comply with the conditions attaching to them and that the funds will be received.

The Company adopts the revaluation model for its housing properties and any related income from government grants is, therefore recognised by crediting the grant to revenue under the performance model.

Government grants released on sale of a property may be repayable but are normally available to be recycled are credited to a Recycled Capital Grant Fund and included in the Balance Sheet as a liability, where applicable.

OTHER GRANTS

Grants received from non-government sources are recognised using the performance model. A grant which does not impose specified future performance conditions is recognised as revenue when the grant proceeds are received or receivable. A grant that imposes specified future performance-related conditions on the Company is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised as deferred income and included as a liability in the Balance Sheet.

INVENTORIES (excluding 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

IFRS 16 is the Lease Accounting Standard that came into effect from April 2019. The adoption of this new Standard resulted in SCH recognising a right-of-use asset and related lease liability in connection with all former operating leases, with the exception of:

- leases with a remaining lease term of less than 12 months from the date of initial application, or
- leases with a right of use asset opening net present value of less than £5,000

The standard has been applied using the cumulative catch-up approach with the right-of-use asset under leases being measured at an amount equal to the lease liability.

Depreciation has been applied to right-of-use assets on a straight-line basis from date of transition for existing leases or lease commencement date for leases entered into within the current financial year.

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

Receivables: Trade and other 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.

Significant Accounting Policies

31 March 2023

(continued)

FINANCIAL INSTRUMENTS (continued)

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.

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

Payables: Trade and other 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.

At 31 March 2022, the Company had a potential deferred tax asset in respect of the pensions deficit of £14,087,000. In the current year, the company has a deferred tax liability in respect of the pension asset. See note 6 for further detail.

Significant Accounting Policies

31 March 2023

(continued)

PENSIONS

All permanent employees of the Company are entitled to join the local government "defined benefit" pension scheme, the West Midlands 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 16.0% (2022: 16.0%) 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 fair 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 any 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.

Through its defined benefit pension scheme the company is exposed to a number of risks, the most notable being:

- Investment risk. The Fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can require additional funding to be required if a deficit emerges;
- Interest rate risk. The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount future liability cashflows. As the Fund holds assets such as equities the value of the assets and liabilities may not fluctuate in the same way;
- Inflation risk. All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation; and
- Longevity risk. In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

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.

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:

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current – effective 2023

Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors – effective 2023

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 2023

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 17 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 Council 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 with the most recent full revaluation taking place on 31 March 2021. Details are set out in Note 8 to the accounts.

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 and Risk 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 Executive Director maintains a supporting Service Risk Register. A series of workshops have been held this year to rebuild these risk registers from the ground up. 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 Leadership Team (ELT) carry out quarterly 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 Annual Governance Statement set out on pages 21 to 27 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 Council. The Capital and Revenue Management Fees and income from Service Level Agreements from Solihull Council represent 95% (2022: 94%) 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. Despite the recent Coronavirus pandemic and the impact this has had to the Council's revenue finances, it is still 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 2023

(continued)

Liquidity Risk and Credit Risk (continued)

Credit risk predominantly arises from trade receivables of the Company's total 2023 financial assets, £2,750,557 (2022: £2,743,655) is owed to the Company by Solihull Council and the SCH 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 Council but the Company's arrangements reflect its independence (e.g. a separate bank account, bank mandate and signatories).

Solihull Council carries out Treasury Management on behalf of SCH under a Service Level Agreement (SLA). Surplus funds for both Solihull Council 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 Council's Consolidated Rate of Interest (CRI) on the loan to finance SCH's developments and Planned Preventative Maintenance programme

All the Company's 2023 and 2022 Financial Assets are non-interest bearing.

All the Company's 2023 and 2022 Trade and Other Payables are non-interest bearing. The interest rates applicable to the Company's 2023 and 2022 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 £9,140,000 at 31 March 2023 (2022: £10,240,000).

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 2023

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

Loss/ profit from operations is stated after charging:	2023	2022
	£'000	£'000
Inventories		
- cost of inventory recognised as an expense	1,011	865
Depreciation of owned property, plant and equipment	51	52
Depreciation of leased assets	341	389
Auditor's fees:		
- audit services	34	28
- taxation	2	2
Rentals under operating leases	15	2

The following table analyses the nature of expenses:	2023	2022
	£'000	£'000
Staff costs	5	14,612
Asset management		29,180
Housing management		4,911
Corporate services		3,687
Total expenditure		<u>52,875</u>
		<u>50,912</u>

4. FINANCE COSTS

	2023	2022
	£'000	£'000
Interest on net pension liability	17	(414)
Prudential borrowing interest		(18)
Interest on lease liabilities	16	(8)
		<u>(440)</u>
		<u>(499)</u>

Notes to the Financial Statements

for the year ended 31 March 2023

(continued)

5. STAFF COSTS	2023 No	2022 No
The average monthly number of persons employed by the Company during the year was:		
Non-executive Directors	9	9
Executive Management Team	3	4
Housing and Communities	134	124
Assets and Development	104	123
Procurement	0	2
Customer Service Transformation and Business Support	51	61
	<u>301</u>	<u>323</u>

Staff costs, including directors:	2023 £'000	2022 £'000
Wages and salaries	8,796	8,753
Social security costs	898	836
Other pension costs	3,911	4,078
Modernisation and redundancy costs	135	66
Sub-total employed staff costs	<u>13,740</u>	<u>13,733</u>
Agency costs	1,358	879
Total staff costs	<u>15,098</u>	<u>14,612</u>

Remuneration of key management personnel:

The remuneration of the non-Executive directors and the Executive Management Team of the Company in aggregate is as follows:

	2023 £'000	2023 Average per full time equivalent	2022 £'000	2022 Average per full time equivalent
Short term employee benefits (Pay & Employers NI)	457	152	545	136
Post employment benefits (Employers Pension)	61	20	63	16
	<u>518</u>	<u>172</u>	<u>608</u>	<u>152</u>

The role of the Chief Financial Officer in SCH is undertaken by the Council's Assistant Director of Finance and Property Services and spends approximately 50% of her time on SCH business. This 50% costs the Council £65,280 (2022: £62,361). This is not included within the staffing details above as the role forms part of an overall Service Level Agreement (SLA) paid by SCH to the Council at a total cost of £1,245,280 (2022: £1,238,670). The SLA provides the company with support services for Finance, Human Resources, Information Technology, Health and Safety and Equalities.

Notes to the Financial Statements

for the year ended 31 March 2023

(continued)

5. STAFF COSTS (continued)

The remuneration of the Main Board of the Company in aggregate is as follows:

	2023 £'000	2022 £'000
Chair	9	8
Committee Chairs	7	-
Other Board Members	27	-
	<u>43</u>	<u>8</u>

In addition to above, in total Board Members incurred and were reimbursed £1,000 for incidental expenses associated with attending Board meetings and formal events in their capacity as Board members (2022: £1,000).

6. INCOME TAX EXPENSE

ANALYSIS OF CHARGE IN YEAR

	2023 £'000	2022 £'000
Current Tax:		
UK – Current year	12	1
	<u>12</u>	<u>1</u>

Current tax reconciliation:

	2023 £'000	2022 £'000
Loss before tax	(4,560)	(4,170)
Depreciation	392	441
IAS19 adjustments:		
- Other finance income	414	466
- Past and present service costs	3,834	4,034
	<u>80</u>	<u>771</u>

	2023 £'000	2022 £'000
Tax at the standard rate of corporation tax 19% (2022: 19%)	15	146
Effect of non-trading activities with member not subject to corporation tax	(3)	(145)
	<u>12</u>	<u>1</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 £61,000 arose in the year and is reflected in these statements (2022: £5,000).

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 2021). Any such sales would only be taxable if sold to a party other than the Council.

Notes to the Financial Statements

for the year ended 31 March 2023

(continued)

7. FINANCIAL INSTRUMENTS

		2023	2022
		£'000	£'000
Assets at amortised cost:			
Current financial assets			
Trade and other receivables	10	3,119	3,147
Liabilities at amortised cost:			
Current financial liabilities			
Trade and other payables	11	9,394	7,202
Borrowings	12	39	37
		9,433	7,239
Non-current financial liabilities			
Borrowings	12	372	411
Total other financial liabilities		9,805	7,650

Notes to the Financial Statements

for the year ended 31 March 2023

(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.

		2023	2022
		£'000	£'000
Within 6 Months			
Trade and other receivables	10	3,119	3,147

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 2023 up to the contractual maturity date:

		2023	2022
		£'000	£'000
Within 6 Months			
Trade and other payables	11	9,394	7,142
Borrowings	12	39	37
6 Months to 1 Year			
Payables due 6 months to 1 year: retentions on construction projects		-	60
1 to 5 Years			
Borrowings	12	372	411
Total		9,805	7,650

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 2023

(continued)

8. PROPERTY

	Freehold Land	Completed Properties available for letting		Total
	£'000	Rented £'000	Shared Ownership £'000	£'000
Valuation:				
At 1 April 2021	770	1,729	238	2,737
Additions	-	-	81	81
Loss on revaluation	-	-	(67)	(67)
At 31 March 2022	770	1,729	252	2,751
Additions	-	-	-	-
Loss on revaluation	-	-	-	-
At 31 March 2023	770	1,729	252	2,751
Accumulated depreciation and any recognised impairment losses:				
At 1 April 2021	-	(371)	(54)	(425)
Charged in the year	-	(45)	(7)	(52)
At 31 March 2022	-	(416)	(61)	(477)
Charged in the year	-	(44)	(7)	(51)
At 31 March 2023	-	(460)	(68)	(528)
Net book value:				
At 31 March 2023	770	1,269	184	2,223
At 31 March 2022	770	1,313	191	2,274
At 31 March 2021	770	1,358	184	2312

The depreciation expense of £51,000 (2022: £52,000) and the revaluation loss of £nil (2022: £67,000) have been charged to operating expenses within the Income Statement.

In line with our accounting policy, all properties owned by Solihull Community Housing were subject to a full revaluation at 31 March 2021 which resulted in a revaluation gain of £442,000. As the value of these assets does not exceed historical cost the revaluation gain has been recognised in the Statement of Comprehensive Income.

The next full revaluation of these properties is due in 2025/26, 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 2023

(continued)

8. PROPERTY (continued)

Had the Company adopted the Cost Model the carrying value of the assets would be as follows:

	Freehold Land	Completed Properties available for letting		Total
		Rented	Shared Ownership	
	£'000	£'000	£'000	£'000
Historic Cost	613	1,806	163	2,582
Accumulated Depreciation at 31 March 2023	-	(632)	(60)	(692)
Net Book Value Cost Model at 31 March 2023	613	1,174	103	1,890

9. INVENTORIES

	2023	2022
	£'000	£'000
Raw materials and consumables	102	104
	<u>102</u>	<u>104</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

	2023	2022
	£'000	£'000
Trade receivables	2,778	2,740
Other receivables including rent	557	790
Other tax and social security	1,699	-
	<u>5,034</u>	<u>3,530</u>

The average credit period taken on provision of services is 14 days (2022: 11 days).

An allowance has been made for estimated irrecoverable debtors of £118,000 (2022: £174,000). 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.

	2023	2022
	£'000	£'000
Up to 3 months	63	144
Up to 6 months	5	-
Greater than 6 months	15	4
	<u>83</u>	<u>148</u>

Notes to the Financial Statements

for the year ended 31 March 2023

(continued)

10. TRADE AND OTHER RECEIVABLES (continued)

	2023	2022
	£'000	£'000
The movement in the allowance account was as follows:		
Opening balance as at 1 April	163	82
Provision for receivables impairment	33	95
Receivables written off during the year	(66)	(10)
Unused amounts reversed	(12)	(4)
Closing balance as at 31 March	<u>118</u>	<u>163</u>

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

11. TRADE AND OTHER PAYABLES

	2023	2022
	£'000	£'000
Amounts payable relating to invoiced amounts	1,547	3,683
Accruals and deferred income	6,962	3,013
Other tax and social security	235	346
Other creditors	435	508
Current trade and other payables	<u>9,179</u>	<u>7,550</u>

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 19 days (2022: 16 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

	2023	2022
	£'000	£'000
<u>Less than 1 year</u>		
Prudential borrowing from SMBC	39	37
<u>Greater than 1 year</u>		
Prudential borrowing from SMBC	372	411
	<u>411</u>	<u>448</u>

Interest Rate Summary

	2023	2022
	£'000	£'000
Floating rate	411	448
	<u>411</u>	<u>448</u>

Notes to the Financial Statements

for the year ended 31 March 2023

(continued)

12. BORROWINGS (continued)

A floating rate loan from Solihull Council to finance SCH's development of properties for rent and shared ownership - £411,000 (2022: £448,000). 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.

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

	2023	2022
	£'000	£'000
Retained Earnings		
At 1 April	(4,708)	(11,588)
Retained loss for the year	(4,572)	(4,171)
Actuarial gain/ (loss)	29,944	11,051
Total Equity and Reserves	20,664	(4,708)

Reserves consist of a retained earning reserve which is used to recognise the cumulative profit and loss net of any distributions for future specific activities and the pension reserve which is used to record the current pension fund deficit.

15. CASHFLOWS

	2023	2022
	£'000	£'000
Reconciliation of operating loss to net cash inflow/ (outflow) from operating activities		
Operating loss before tax	(4,120)	(3,671)
Depreciation and amortisation	392	441
Loss on revaluation of fixed assets	3	67
Pension contributions paid in period	(1,339)	(1,285)
Pension contributions charged in the period	3,875	4,074
Decrease/ (Increase) in inventories	2	(10)
Increase in debtors	(1,504)	(705)
Increase in creditors	1,629	2,176
Net cash (outflow)/ inflow from operating activities	(1,062)	1,087

CASH AND CASH EQUIVALENTS

	2023	2022
	£'000	£'000
Cash and cash equivalents represent:		
Cash at bank and in hand	10,008	11,479
	10,008	11,479

Notes to the Financial Statements

for the year ended 31 March 2023

(continued)

16. COMMITMENTS UNDER LEASES

Right-of-use assets		Land and buildings	Plant and machinery	Total
		£'000	£'000	£'000
Balance at 1 April 2022		10	772	782
Depreciation charge for the year		(10)	(331)	(341)
Lease modifications recognised in year		-	(3)	(3)
Lease additions during year		-	11	11
Balance at 31 March 2023		-	449	449
		Land and buildings	Land and buildings	Plant and machinery
		2023	2022	2023
		£'000	£'000	£'000
Total value of lease commitments				
Expiry of lease:				
Within 1 year	-	10	342	345
Between 2-5 years	-	-	113	451
After 5 years	-	-	-	-
Total undiscounted lease liabilities at 31 March 2023	-	10	455	796
Lease liabilities included in the statement of financial position at 31 March 2023	-	10	457	781
Current	-	10	342	335
Non-current	-	-	115	446
Amounts recognised in statement of comprehensive income				2023
				£'000
Interest on lease liabilities				8
Expenses relating to short-term leases				15
Amounts recognised in statement of cash flows				2023
				£'000
Total cash outflow for leases				344

Notes to the Financial Statements

for the year ended 31 March 2023

(continued)

17. RETIREMENT BENEFIT OBLIGATIONS

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out as at 31 March 2022 for the purposes of the IAS 19 valuation for inclusion in these financial statements prepared by Hymans Robertson LLP, 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.

	2023	2022
Key assumptions used:	%	%
Discount rate	4.75	2.70
Future salary increases	3.95	4.20
Future pension increases	2.95	3.20
CPI increases	2.95	3.20

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:

	2023	2022
Male	86	86
Female	90	89

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

	2023	2022
Male	87	88
Female	90	90

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

	Change in Assumption	Overall Impact on Liability
Discount rate	Decrease by 0.1 %	Increase (£1,227,000)
Short term salary increase	Increase by 0.1%	Increase £124,000
Pension growth rate	Increase by 0.1 %	Increase £1,121,000
Rate of mortality	Increase by 1 year	Increase £2,811,000

Amounts recognised in profit or loss in respect of this defined benefit scheme are as follows:

	2023	2022
	£'000	£'000
Current service cost	3,834	4,034
Net interest on liability	414	466
Administration cost	41	40
Total operating charge	<u>4,289</u>	<u>4,540</u>

Of the charge for the year: £3,875,000 has been charged to operating costs (2022: £4,074,000); £414,000 has been charged to finance costs (2022: £466,000).

Notes to the Financial Statements

for the year ended 31 March 2023

(continued)

17. RETIREMENT BENEFIT OBLIGATIONS (continued)

Actuarial gains and losses are reported as other comprehensive income and expense:

Gain recognised is £29,944,000 (2022: £11,051,000);

Cumulative gain is £32,732,000 (2022 restated: £2,788,000*).

The actual return on scheme assets was a loss of £1,401,000 (2022: gain of £6,757,000).

*Prior year reported cumulative loss of £269,000 was incorrect due to errors in the brought forward figures, originating from financial years 2010/11 to 2013/14.

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

	2023	2022
	£'000	£'000
Fair value of scheme assets	83,190	84,139
Present value of defined benefit contributions	(70,283)	(98,226)
Asset/ (liability) recognised in the Balance Sheet	12,907	(14,087)

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

	2023	2022
	£'000	£'000
At 1 April	(14,087)	(21,884)
Current service cost including curtailments	(3,834)	(4,034)
Interest cost	(2,685)	(2,012)
Remeasurement arising from changes in financial assumptions	33,229	5,846
Expected return on scheme assets	2,271	1,547
Actuarial (losses)/ gains	(3,285)	5,205
Administration expenses	(41)	(40)
Employer contributions	1,339	1,285
At 31 March	12,907	(14,087)

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

	2023	2022
	£'000	£'000
At 1 April	98,226	99,312
Current service cost including curtailments	3,834	4,034
Administration expenses	41	40
Interest cost	2,685	2,012
Remeasurement arising from changes in financial assumptions	(33,229)	(5,846)
Contributions by plan participants	548	533
Benefits paid	(1,822)	(1,859)
At 31 March	70,283	98,226

Notes to the Financial Statements

for the year ended 31 March 2023

(continued)

17. RETIREMENT BENEFIT OBLIGATIONS (continued)

Movement in the fair value of scheme assets in the current period:	2023	2022
	£'000	£'000
At 1 April	84,139	77,428
Expected return on scheme assets	2,271	1,547
Actuarial (losses)/ gains	(3,285)	5,205
Employer contributions	1,339	1,285
Employee contributions	548	533
Benefits paid	(1,822)	(1,859)
At 31 March	<u>83,190</u>	<u>84,139</u>

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

	Expected return		Fair value of assets	
	%	%	£'000	£'000
	2023	2022	2023	2022
Equity instruments	4.8	2.7	45,528	45,376
Debt instruments	4.8	2.7	17,082	18,895
Property	4.8	2.7	5,838	6,035
Alternatives	4.8	2.7	12,146	10,529
Cash	4.8	2.7	2,596	3,304
	<u>4.8</u>	<u>2.7</u>	<u>83,190</u>	<u>84,139</u>

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.

Notes to the Financial Statements

for the year ended 31 March 2023

(continued)

17. RETIREMENT BENEFIT OBLIGATIONS (continued)

The five year history of experience adjustments are as follows:

At 31 March:	2023	2022	2021	2020	2019
	£'000	£'000	£'000	£'000	£'000
Fair value of plan assets	83,190	84,139	77,428	64,978	65,393
Present value of defined obligation	(70,283)	(98,226)	(99,312)	(76,964)	(80,133)
Surplus/ (deficit) in the plan	12,907	(14,087)	(21,884)	(11,986)	(14,740)
Re-measurement on Assets	(3,285)	5,205	10,995	(1,829)	731
Experience adjustments arising on plan liabilities	(3,544)	(212)	929	185	-
Gain/ (loss) on financial assumptions	36,181	5,496	(17,965)	8,017	(3,520)
Gain/(loss) on demographic assumptions	592	562	(2,104)	(2,104)	4,427
Total Actuarial gain/ (loss) for year	29,944	11,051	(8,145)	4,269	1,638

The estimated amounts of contributions expected to be paid to the scheme during the financial year ending 31 March 2024 is £1,825,000.

18. RELATED PARTY TRANSACTIONS

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

Solihull Community Housing Limited is an Arm's 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.

	2023	2022
	£'000	£'000
During the year the Company:		
- supplied goods and services to SMBC	46,313	44,569
- purchased goods and services from SMBC	7,511	3,134
At 31 March		
- included in year-end Debtors owed by SMBC	2,751	2,744
- included in year-end Creditors owing to SMBC	(2,353)	(374)
- included in year-end Borrowings owing to SMBC	(411)	(448)
- Net balance due from SMBC	(13)	1,922

Included in the above figures is a loan from Solihull Council 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 2023 the balance outstanding was £411,000 (2022: £448,000).

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.

Notes to the Financial Statements

for the year ended 31 March 2023

(continued)

18. RELATED PARTY TRANSACTIONS (continued)

During the year the company also purchased goods or services from the below companies. Fletcher Property Rentals Limited, Housemark Limited and the National Federation of ALMOs Limited have current Directors who are also serving Board members of SCH:

	2023	2022
	£'000	£'000
Fletcher Property Rentals Limited		
- purchased goods or services	54	44
Housemark Limited		
- purchased goods or services	52	101
National Federation of ALMOs Limited (from 2022/23)		
- purchased goods or services *	13	-
Savills (UK) Limited (to 2021/22)		
- purchased goods or services *	-	37
At 31 March		
- Included in year-end Debtors	21	1
- Included in year-end Creditors	(11)	(14)

19. CAPITAL COMMITMENTS

At 31 March 2023 the Company had no capital expenditure commitments (2022: £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.

