

Company No: 04462630

Solihull Community Housing Limited

(a company limited by guarantee)

Annual Report

Year ended 31 March 2008



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Company Information

31 March 2008

Directors	W A M Blackburn P A Brandum D H J Dixon D Evans (appointed 25 June 2008) N A Grace S Gomm J Hamilton (appointed 25 June 2008) H R Hendry O M Hogg (resigned 15 May 2007) C J Horrocks Dr A G C Lane A M Mackiewicz A W Martin (resigned 25 June 2008) R A P Morris (resigned 8 October 2007) M O' Gorman (resigned 7 August 2008) S B Partridge I I Shaw (appointed 28 November 2007) S C Slater (appointed 15 May 2007, resigned 25 June 2008) P L Smith
Secretary	K A Preece
Registered office	Endeavour House Meriden Drive Solihull B37 6BX
Registered number	04462630
Auditors	Grant Thornton UK LLP Chartered Accountants Registered Auditors Enterprise House 115 Edmund Street Birmingham B3 2HJ
Bankers	Barclays Bank plc Corporate Business Centre PO Box 333 15 Colmore Row Birmingham B3 2WN

Report of the Directors

31 March 2008

The directors present their report and the audited financial statements for the year ended 31 March 2008.

Principal activities

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

Business review and future developments

The year under review has been exceptionally busy as every member of staff strove to deliver another challenging service improvement plan. These efforts did not go un-rewarded at our inspection by the Audit Commission in January 2008. The service that we provide to our tenants, leaseholders and the wider community was assessed as 3 stars (excellent) with excellent prospects for improvement – rating us among the top 10% of ALMOs in England and the first to achieve this accolade in the West Midlands.

Excellent services can be expensive to provide without strong financial management and a constant drive to ensure that value for money is achieved. Work to develop a strong financial culture has continued, based on a zero-based approach to budget setting to ensure that available funds are used efficiently and effectively to deliver excellent, customer-focused services. Managers with budget responsibility now work closely with designated finance team contacts not only to manage their budgets, but also to enable them to deliver new activities using budget savings. Instead of protecting their own budget savings, managers now take a more corporate approach and offer up their own savings to fund initiatives by others. The drive to embed the concepts of value for money throughout the organisation as well as with our customers has also continued. The agreement of a new corporate Value for Money ("VfM") strategy with targets in July 2007 was followed up with a series of team brief items and a leaflet setting out our VfM objectives and the role that staff and partners can play was published. The success of this approach was reflected in a best practice commendation for our approach to VfM from the Audit Commission at the inspection.

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

The income available to the Company therefore remains constrained by the funds that are available to Solihull MBC to provide housing services within Solihull, although we continue to develop new initiatives that will bring in new sources of funding. During 2007/08, this has included selling the services of our new CCTV monitoring centre to the Council in order to police a local shopping centre and a successful application for grants from the Carbon Trust for a solar energy project.

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

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

Report of the Directors

31 March 2008

(continued)

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

	2007/08 actual	2007/08 budget	2006/07 actual
	£'000	£'000	£'000
Revenue			
Income	20,141	19,831	19,635
Expenditure	(19,661)	(19,671)	(19,610)
Surplus	480	160	25
Capital			
Income	20,567	20,819	26,764
Expenditure	(20,567)	(20,819)	(26,764)
Surplus	-	-	-
Combined			
Income	40,708	40,650	46,399
Expenditure	(40,228)	(40,490)	(46,374)
Surplus	480	160	25

49% of the capital programme that the Company is carrying out on behalf of the Council continues to be spent in delivering the Decent Homes programme, which is still scheduled to complete works to all properties by the end of 2011/12. Our new menu approach to the scheduling of works within each property is enabling tenants wider choice, whilst ensuring that we meet the Decent Homes Standard. This less regimented approach has also allowed us to achieve better value for money from the programme, reducing our unit costs by around 35%.

During the current year, 1,391 properties were brought up to the required standard compared with a target of 1,350. This leaves a further 2,313 properties that have already been identified as not meeting the standard and, in addition, the programme plans to deal with approximately 1,800 properties which will fail to meet the standard between now and the end of the programme. As well as Decent Homes work, we also completed our window replacement programme in January 2008, while generating savings against budget of around £800,000.

During the year, we started our Planned Preventative Maintenance programme to address long standing external maintenance problems sooner than would have been possible using our normal funding streams. This is being funded using borrowing through SMBC and will continue through into 2009/10. This 24-month programme aims to repair roofs and replace rainwater goods on the exterior of most of our properties with a maintenance-free solution as well as to install secure doors to all properties.

During the year, work has also begun on 2 key longer term projects; the development of an approach to climate change and plans to deliver new social housing to meet rising demand. Our first Climate Change Strategy was agreed in the autumn of 2007 and work is now in progress to develop a detailed implementation plan. Rising energy costs are a real area of concern for SCH as well as our tenants and energy efficiency projects will be the focus for the first phase. We have entered into partnership with an ethical "not-for-profit" energy provider - as well as providing a cheaper source of energy for tenants, this aims to address some of the inequalities within the energy market that are faced by those on low incomes. A pilot project, part funded by Carbon Trust grants has installed photo-voltaic systems on 7 high-rise tower blocks to generate electricity to heat and light communal areas. The success of this project has enabled us to successfully bid for further grants as well as funds from Solihull MBC to complete installation in all of our high-rise tower blocks over the next 2 years.

Report of the Directors

31 March 2008

(continued)

No new council housing has been built in Solihull since the mid 1990s, but demand for the properties that we manage has continued to rise. The current difficult economic climate is reflected in reduced levels of property turnover and our waiting list at the end of the year had doubled to around 7,000 (compared with our stock of 10,500) and is still continuing to rise. During the year, proposals to start development on a small scale in the south of the borough have started to take shape and we are working with the Housing Corporation to develop funding schemes that will enable us to start construction of new homes by 2010.

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

Our challenging service improvement plan developed during 2006/07 was substantially delivered by the time of our Audit Commission inspection in January 2008. In October 2007, we implemented our choice-based letting scheme ("Solihull Home Options") in partnership with local housing associations, which is a more transparent way to allocate properties to tenants on the waiting list. Following our review last year of the way in which we interact with our customers, we implemented changes to the opening hours for our area offices and telephone contact centre and opened a new, flagship front-line office in the heart of the north of the borough in August 2007. Our programme of gathering customer information intensified during the year. This continues to help us to better focus our services on the diverse needs of our customers, whether they are disabled and need additional support to remain in their homes or whether they need help to access our services because English is not their first language. Our major project to implement new technology aims to improve the effectiveness of our reactive repair service as well as to improve value for money from one of our major budget areas. We have developed a Financial Inclusion Strategy, which aims to challenge the blight of financial inequality facing the community that we serve. We can now offer access to basic bank accounts, savings and loan opportunities through the local credit union and access to "pay-as-you-go" energy without standing charges; all supported by our growing Money Advice service.

Having demonstrated the high level of service that we are providing at the inspection, plans are being developed to ensure that we maintain this level of excellence. The culture of continuous improvement is firmly embedded at all levels of the organisation and consultation with staff and stakeholders has already started to develop our next big goal.

Excellent service delivery requires a well-trained and highly motivated workforce. During the year, plans to cascade our management development programme have been progressed in order to provide a strong succession of future leaders. Annual appraisals continue to be used to develop individual personal development plans for all staff and a strong cross-organisation training programme has been maintained at all levels. Building on existing skills and competencies to meet knowledge and skill gaps, we aim to ensure that our team is as skilled as possible to continue to deliver excellent services to our tenants and other residents.

Our success in delivering our goals so far has also been recognised by our parent, Solihull MBC. They have commissioned the Company to provide their Anti-Social Behaviour service to non-tenants as well as a CCTV monitoring service on some shopping parades and have extended the role of our Anti-Graffiti team across the borough. In January 2008, they formally agreed an extension of our current Management Agreement to March 2012, without the need for an extensive evaluation exercise.

Report of the Directors

31 March 2008

(continued)

Directors

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

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

Statement of directors' responsibilities for the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

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

Disclosure of information to auditors

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

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

Auditors

The auditors are willing to continue in office, and a resolution to reappoint them will be proposed at the forthcoming annual general meeting.

Report of the Directors

31 March 2008

(continued)

Approval

The report of the directors was approved by the Board on 29 October 2008 and signed on its behalf by:

K A Preece
Secretary

Chairman's statement

31 March 2008

2007/08 has been our most successful year yet – culminating in the ultimate accolade from the Audit Commission at our inspection in January - recognition as a 3* organisation with excellent prospects for improvement. Our focus on delivering services that meet the needs and expectations of our customers, with a culture of strong, continuously improving service delivery within a strong financial and value for money framework was clearly recognised in our inspection report.

As well as recognition from the Audit Commission, our customer contact centre retained its accreditation from the Customer Contact Association and we received a number of other awards recognising our work with communities and in dealing with Anti-Social behaviour, including a "Partner of the Year" Award from our local college.

We have managed to do all of this within a tightening funding regime. Our income to deliver day to day services continues to fall at a faster rate than the reduction in our stock numbers at the same time as we are being expected to deliver a widening range of services beyond the traditional housing management and maintenance. Outside of the Decent Homes programme, funds to improve our homes have remained static whilst the work to simply meet basic legislative health & safety requirements grows. The need for a strong culture of financial rigour and value for money has never been more important and we were delighted that our achievements in this area were recognised as a beacon of best practice by the Audit Commission. Most importantly for our tenants, we have been able to maintain high levels of customer satisfaction even in those areas where funds are most stretched including the Decent Homes programme and our responsive repair service. We also managed to meet the first wave of challenges arising from the current spiral of increasing energy prices.

With another year of the Decent Homes programme completed, a further 1,391 properties have been brought up to the required standard exceeding the target for the year of 1,350. The new "Menu" system has succeeded in giving customers more choice over the work to be done in their homes as well as demonstrating greater sensitivity to the needs of tenants who have previously refused to have work done because of the disruption to their daily lives. Our window replacement programme was successfully completed during the year and delivered substantial budget savings. Tenant satisfaction levels with work carried out have remained consistently high. We have also just started our major planned preventative maintenance project, which aims to deliver a similar "make-over" to the exterior of all of our non high-rise properties over a two-year period.

We met most of the demanding targets that we set ourselves at the beginning of the year by the time of the inspection. This included the introduction of Solihull Home Options; our new choice based allocations system and the first phase of a project to maximise the use of new technology within our repairs service to improve operational efficiency. In the summer of 2007, our tenants welcomed our new, modern Chelmsley Wood area office – they played a major role in developing the design and facilities for the new premises. This office and our Contact Centre now offer longer access hours, we have started doing some repairs outside of the normal working day and we have further developed our website to increase online access (including bidding for a new home through Solihull Home Options).

Rigorous monitoring of service delivery across all our services both internally, with representative tenant groups and our parent, Solihull MBC and through national benchmarking clubs is, and will remain, key to the delivery of excellent services. Strong, challenging service improvement plans remain a focus for us as an organisation and by the end of the year, we had already developed our 2008/09 service improvement plan. In January, Solihull MBC formally extended our Management Agreement to March 2012 enabling us to start to shape our goals for the next phase of our life.

Chairman's statement

31 March 2008

(continued)

We continue to see working in partnership with others as a key way to make the most of our funds and make an impact on the wider community. We have continued to work with local community groups to run youth and environmental projects across the borough, sometimes with unpaid assistance from our own staff and those of local businesses. The strength of our links with local police teams and the effectiveness of our CCTV monitoring facilities has had a clearly demonstrable impact on levels of anti-social behaviour including a reduction in incidences of graffiti and vandalism. Our partnership with the local college to deliver the "Pathways" scheme, which assists people from hard to reach groups into the employment market through training and support programmes, continues to show results. A new pilot project has just begun in high-rise blocks to provide cheap Internet access (and free computers) to families with children or unemployed members of the household. The project aims to improve educational opportunities where attainment is low as well as resources to improve access to the jobs market for the unemployed – refurbished equipment and computer training for this project is being provided by another local community group.

The Board believes that the successes of the past year and the recognition of our capacity to deliver even more reflect the enormous commitment and enthusiasm of its staff and partners. They are a team to be proud of and we would like to formally thank them once more for all that they have done.

P A Brandum
Chairman

Statement on Internal Control

31 March 2008

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

The process for identifying, evaluating and managing the significant risks faced by the company is ongoing. The year ended 31 March 2008 has seen continuing development of the internal control framework including the implementation of changes to remedy weaknesses that were identified at the end of 2006/07.

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

- Board approved terms of reference and clearly delegated authorities for the Finance & Audit, Asset Management and Human Resources sub-committees as well as the Board Governance and Equalities & Diversity review groups.
- Formally adopted Standing Orders (incorporating Rules for Contract and Financial Regulations) setting out the arrangements for the supervision and control of the finances, assets and other resources of the company.
- Robust strategic and business planning processes.
- Formal quarterly reviews of the company's risk register, which sets out the identified risks and the mitigating actions in place to deal with these risks as well as clearly defined management responsibilities for their identification, evaluation and control.
- Detailed financial budgets and a five-year rolling financial forecast, supported by regular monitoring meetings with individual budget holders and at directorate level, as well as formal, scheduled reporting to the Senior Management team and the Finance & Audit sub-committee.
- A formal programme of internal audit work, carried out by officers independent of the executive. Reports and recommendations are agreed at directorate level as well as being considered in detail by the Finance & Audit sub-committee.
- Formal and independent annual external audit of reported financial performance and the processes that underpin it.
- Monthly monitoring of an agreed suite of performance indicators (both local and national) at team and corporate level as well as to the Board.
- Established authorisation and appraisal procedures for all significant new initiatives and commitments.
- Regular reporting to senior management and the board of key business objectives, targets and outcomes.
- Continuing Board Governance and member training programme.
- Formal recruitment, retention, training and development policies for staff and Board members.
- Board approved anti-theft and corruption policies and clearly documented procedures for reporting conflicts of interest and the receipt of gifts and hospitality.
- Detailed policies and procedures in each area of the company's work.

The company has delivered a governance improvement programme (including skills development training) during the year and has undertaken a formal review of the performance of board members individually. The improvement programme, led by a small group of Board members has included a review of the Code of Conduct, the development of a formal Board Member Induction programme and the drafting of a formal Board Composition, Recruitment and Retention Policy.

Standing Orders (incorporating Rules for Contracts) have been extensively reviewed in light of best practice to ensure that they continue to reflect SCH's circumstances and revisions have been made to delegated authority levels across SCH as a result. The procedures for reporting conflicts of interest and gifts and hospitality received by both staff and Board members were also reviewed during the year. For the first time, every member of staff (as well as board members) was required to make a formal annual declaration of interests as at 31 March 2008.

Statement on Internal Control

31 March 2008

(continued)

The Wider Senior Management Team Development Programme has continued throughout the year to embed the manager competencies agreed in 2006/07. In addition, there have been a number of corporate training initiatives during the year, focusing broadly on customer service and equality and diversity. The drive to embed performance management at all levels of the organisation has continued in many different ways; through personal targets and improved team responsibility through wider discussion of performance, whether good or poor, within team meetings. The corporate "TeamSCH" initiative over the year was key to ensuring that all staff continue to strive for the same goals.

Work to maintain a high level of compliance and awareness of health & safety has continued, with every team being subject to a formal audit of its arrangements and procedures for the second year. All teams have achieved at least a satisfactory rating, with many showing continuing improvement. Training in this area is ongoing and work has begun to ensure that the documented procedures in place within SCH are sufficiently robust to ensure that risks under the new Corporate Manslaughter legislation are minimised.

The processes in place and information provided for financial and performance monitoring have again continued to develop. Individual designated finance representatives for each directorate have continued to work closely with budget holders throughout the year to gain a better understanding of what is likely to happen as well as what has happened. The success of this work is reflected in improvements in the accuracy of financial forecasting during the year. Manager involvement in the budget and performance target setting process has continued to increase as personal and team ownership of targets and budgets becomes even more ingrained in the day to day operations across SCH. Medium-term financial planning has continued to become more robust both in the forecasting and management of the stock improvement programme managed on behalf of SMBC as well as forming a basis for the development of the broad budget strategy, which is agreed at all levels before detailed budgets are set.

The drive to demonstrate efficiency and value for money has become an increasingly critical issue for SCH as the level of available funding to maintain and improve services becomes ever more constrained. Our Value for Money and Efficiency Strategy was reviewed in July 2007 to make it more challenging. This included the setting of clear targets and objectives up to 2010. Staff have again received briefings to support initiatives in this area as well as information leaflets reminding them of their role in achieving value for money. The SCH Procurement Strategy has also been reviewed during the year. Procurement has been recognised as a key risk area for SCH and a number of initiatives have begun to increase the level of procurement knowledge and expertise across SCH and the effectiveness of tools available to staff to ensure compliance with the revised standing orders.

As in previous years, SCH set itself a robust Service Improvement Plan to continue to improve services. The successful delivery of the majority of the scheduled improvements was reflected in the outcome from the Audit Commission Inspection in January 2008.

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

Statement on Internal Control

31 March 2008

(continued)

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

P A Brandum
Chairman

M Cooney
Chief Executive

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

We have audited the financial statements of Solihull Community Housing Limited for the year ended 31 March 2008 which comprise the principal accounting policies, the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the reconciliation of movements in funds, cash flow statement and notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Directors' Report and financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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

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

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

Basis of audit opinion

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

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

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

(continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
Birmingham, England
October 2008

Profit and Loss Account

for the year ended 31 March 2008

	Note	2008 £'000	2007 £'000
Turnover	2	40,068	45,838
Change in stock		-	(15)
Other operating income		640	561
Staff costs	6	(9,830)	(9,183)
Other operating charges	3	(31,302)	(37,762)
		<hr/>	<hr/>
Operating loss		(424)	(561)
Interest receivable	4	1	1
Other finance income	5	372	227
		<hr/>	<hr/>
Loss on ordinary activities before taxation		(51)	(333)
Tax on loss on ordinary activities	8	19	(1)
		<hr/>	<hr/>
Retained loss for the year	13	(32)	(334)
		<hr/> <hr/>	<hr/> <hr/>

No operations were discontinued during the year and all operations are continuing beyond 31 March 2008.

Statement of Total Recognised Gains and Losses

for the year ended 31 March 2008

	2008 £'000	2007 £'000
Loss for the financial year	(32)	(334)
Actuarial (loss)/gain relating to the pension scheme	(2,597)	2,098
	<hr/>	<hr/>
Total recognised gains and losses relating to the year	(2,629)	1,764
	<hr/> <hr/>	<hr/> <hr/>

Reconciliation of movement in funds

for the year ended 31 March 2008

	2008 £'000	2007 £'000
Opening total funds	(237)	(2,001)
Total recognised gains and losses relating to the year	(2,629)	1,764
	<hr/>	<hr/>
Closing total deficit of funds	(2,866)	(237)
	<hr/> <hr/>	<hr/> <hr/>

Balance Sheet

at 31 March 2008

	Note	2008 £'000	2007 £'000
Current assets			
Stocks	9	69	69
Debtors	10	2,548	2,067
Cash at bank and in hand		3,565	5,146
		<hr/>	<hr/>
Creditors: Amounts falling due within one year	11	6,182 (5,260)	7,282 (6,840)
		<hr/>	<hr/>
Net current assets		922	442
		<hr/>	<hr/>
Total assets less current liabilities		922	442
Creditors: Amounts falling due after more than one year	12	(250)	(250)
		<hr/>	<hr/>
Net assets excluding pension liability		672	192
		<hr/> <hr/>	<hr/> <hr/>
Pension liability	19	3,538	429
		<hr/>	<hr/>
Capital and reserves			
Profit and loss account	13	(2,866)	(237)
		<hr/>	<hr/>
Deficit of shareholders' funds		(2,866)	(237)
		<hr/>	<hr/>
		672	192
		<hr/> <hr/>	<hr/> <hr/>

The financial statements were approved by the Board on 29 October 2008 and signed on its behalf by:

P A Brandum
Chairman

Cash Flow Statement

for the year ended 31 March 2008

	Note	2008 £'000	2007 £'000
Net cash (outflow)/inflow from operating activities	16	(1,601)	1,614
Returns on investment and servicing of finance			
Interest received		1	1
Taxation		19	(16)
Cash flow before financing		(1,581)	1,599
(Decrease)/increase in cash	17	(1,581)	1,599

Notes to the Financial Statements

31 March 2008

1. ACCOUNTING POLICIES

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

Basis of accounting

The financial statements are prepared under the historical cost convention.

Turnover

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

Leased assets

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

Government grants

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

Stocks

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

Taxation

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

Deferred taxation

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

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

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

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

Pensions

All permanent employees of the company contribute to a "defined benefit" pension scheme, the West Midlands Metropolitan Authorities Pension Fund, which is administered by Wolverhampton City Council and provides members with defined benefits related to pay and service. During the year, the company paid an employer's contribution rate of 10.2% (2007: 10.2%) into the fund in addition to meeting all pension payments relating to added years benefits awarded during the year, together with any related increases.

Notes to the Financial Statements

31 March 2008

1. ACCOUNTING POLICIES

Pensions (continued)

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

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

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

2. TURNOVER

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

	2008 £'000	2007 £'000
Fees paid by Solihull Metropolitan Borough Council in respect of:		
Management and maintenance of properties	39,217	45,129
Other related services	851	709
	<hr/>	<hr/>
	40,068	45,838
	<hr/> <hr/>	<hr/> <hr/>

3. OPERATING LOSS

Operating loss is arrived at after charging:

	2008 £'000	2007 £'000
Operating lease rentals		
- plant and machinery	157	192
- land and buildings	80	149
Auditors' remuneration	20	19
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements

31 March 2008

3. OPERATING LOSS (continued)

Analysis of other operating charges

	2008 £'000	2007 £'000
Property works	25,533	32,291
Housing Management and Maintenance	3,451	3,258
Finance	465	543
Corporate Services	1,853	1,670
	<hr/>	<hr/>
	31,302	37,762
	<hr/> <hr/>	<hr/> <hr/>

4. INTEREST RECEIVABLE

	2008 £'000	2007 £'000
Other interest	1	1
	<hr/>	<hr/>
	<hr/> <hr/>	<hr/> <hr/>

5. OTHER FINANCE INCOME

	2008 £'000	2007 £'000
Expected return on pension scheme assets	1,834	1,503
Interest on pension scheme liabilities	(1,462)	(1,276)
	<hr/>	<hr/>
	372	227
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements

31 March 2008

6. EMPLOYEES

Average monthly number of employees, including executive officers:

	2008	2007
	No	No
Executive Management Team	5	5
Housing Management and Maintenance	207	206
Finance	23	23
Corporate Services	60	57
	<hr/>	<hr/>
	295	291
	<hr/> <hr/>	<hr/> <hr/>

Staff costs, including directors:

	2008	2007
	£'000	£'000
Wages and salaries	7,687	7,402
Social security costs	584	552
Pension costs	1,559	1,229
	<hr/>	<hr/>
	9,830	9,183
	<hr/> <hr/>	<hr/> <hr/>

7. DIRECTORS' REMUNERATION

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

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

Notes to the Financial Statements

31 March 2008

8. TAXATION

(a) Analysis of income in period

	2008 £'000	2007 £'000
Current tax:		
UK corporation tax on profits of the period	-	-
Adjustments in respect of prior period	(19)	1
	<hr/>	<hr/>
Total current tax	(19)	1
	<hr/> <hr/>	<hr/> <hr/>

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

(b) Current tax reconciliation:

	2008 £'000	2007 £'000
Loss on ordinary activities before taxation	(51)	(333)
FRS17 adjustments:		
- Other finance income	(372)	(227)
- Pension service costs	1,582	1,325
- Contributions to pension scheme	(698)	(740)
	<hr/>	<hr/>
	461	25
	<hr/> <hr/>	<hr/> <hr/>
	2008 £'000	2007 £'000
Theoretical tax at UK corporation tax rate 19% (2007: 19%)	88	5
Effects of:		
- Surplus from non-trading activities	(88)	(5)
- Adjustment in respect of prior period	(19)	1
	<hr/>	<hr/>
Current tax (credit)/charge for the period	(19)	1
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements

31 March 2008

9. STOCKS

	2008 £'000	2007 £'000
Raw materials and consumables	69	69
	<u>69</u>	<u>69</u>

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

10. DEBTORS

	2008 £'000	2007 £'000
Trade debtors	108	228
Amounts owed by parent undertakings	2,255	1,710
Other debtors	12	56
Other taxation debtors	137	-
Prepayments and accrued income	36	73
	<u>2,548</u>	<u>2,067</u>
	<u>2,548</u>	<u>2,067</u>

All debtors fall due within less than one year.

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008 £'000	2007 £'000
Trade creditors	671	697
Amounts owed to parent undertaking	602	798
Other creditors	347	400
Other taxation and social security	201	486
Accruals and other deferred income	3,439	4,459
	<u>5,260</u>	<u>6,840</u>
	<u>5,260</u>	<u>6,840</u>

Notes to the Financial Statements

31 March 2008

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

	2008 £'000	2007 £'000
Loan repayable to parent undertaking		
- Loan repayable in 2 to 5 years	250	250
	<u>250</u>	<u>250</u>

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

13. PROFIT AND LOSS RESERVE

	2008 £'000	2007 £'000
At 1 April 2007	(237)	(2,001)
Loss for the year	(32)	(334)
Actuarial (loss)/gain relating to pension scheme	(1,798)	228
(Loss)/gain relating to changes to assumptions in pension scheme	(799)	1,870
	<u>(2,866)</u>	<u>(237)</u>
At 31 March 2008	<u>(2,866)</u>	<u>(237)</u>

Notes to the Financial Statements

31 March 2008

14. RELATED PARTY TRANSACTIONS

Solihull Community Housing Limited is a local authority controlled company of Solihull Metropolitan Borough Council, established with no share capital and limited by guarantee. The Council has delegated responsibility for the management and maintenance of its residential stock to Solihull Community Housing in accordance with a 5-year Management Agreement effective from 1 April 2004. As part of the agreement, the Company is also responsible for meeting all costs in respect of works carried out to properties either by the Company's own staff or external contractors. The Council pays the Company a monthly management fee to meet all of these costs in accordance with the management agreement and any variations subsequently agreed. In 2007-08, the management fee amounted to £39,216,000 (2006-07: £45,129,000).

Solihull Community Housing also provides a number of services to the Council that are covered by Service Level Agreements rather than the main Management Agreement. These include the provision of a Homelessness service and the administration of the Right to Buy Scheme on behalf of the Council. In 2007-08, the income in respect of these services amounted to £851,000 (2006-07: £709,000).

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

Solihull MBC charged Solihull Community Housing £2,473,000 in 2007-08 (2006-07: £2,123,000) for the provision of support services and the Company's share of the costs of shared services.

The balance owing to Solihull MBC at 31 March 2008 included £459,000 (2007: £218,000) in respect of expenses met by the Council that are to be reimbursed by the Company.

Notes to the Financial Statements

31 March 2008

15. FINANCIAL COMMITMENTS

Capital commitments

Capital expenditure commitments were as follows:

	2008 £'000	2007 £'000
Contracted for, but not provided in the accounts	-	-

Operating lease commitments

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

	2008 £'000	2007 £'000
(i) Land and buildings, leases expiring		
One to five years	60	60
Beyond five years	20	-
	<u>80</u>	<u>60</u>
(ii) Plant and machinery, leases expiring		
Within one year	113	10
One to five years	46	132
Beyond five years	1	-
	<u>160</u>	<u>142</u>

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

	2008 £'000	2007 £'000
Operating loss	(424)	(561)
Current and past service pension costs	1,582	1,325
Contributions to pension scheme	(698)	(740)
	<u>460</u>	<u>24</u>
Decrease in stocks	-	15
(Increase) in debtors	(481)	(1,525)
(Decrease)/increase in creditors	(1,580)	3,100
Net cash (outflow)/inflow from operating activities	<u><u>(1,601)</u></u>	<u><u>1,614</u></u>

Notes to the Financial Statements

31 March 2008

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

	2008 £'000	2007 £'000
(Decrease)/increase in cash in year	(1,581)	1,599
	-	-
	<hr/>	<hr/>
(Decrease)/increase in net cash	(1,581)	1,599
Net cash at 1 April 2007	4,896	3,297
	<hr/>	<hr/>
Net cash at 31 March 2008	3,315	4,896
	<hr/> <hr/>	<hr/> <hr/>

18. ANALYSIS OF NET CASH

	1 April 2007 £'000	Cash flow £'000	31 March 2008 £'000
Cash at bank and in hand	5,146	(1,581)	3,565
	<hr/>	<hr/>	<hr/>
Net cash	5,146	(1,581)	3,565
	<hr/>	<hr/>	<hr/>
Loans	(250)	-	(250)
	<hr/>	<hr/>	<hr/>
Borrowings	(250)	-	(250)
	<hr/>	<hr/>	<hr/>
Net cash	4,896	(1,581)	3,315
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements

31 March 2008

19. PENSIONS

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

The employers' contributions to the WMMAPF by the company for the year ended 31 March 2008 were £675,000 (2007: £644,000) based on an employers' contribution rate of 10.2% of pensionable salaries. The actuarial valuation as at 31 March 2007 has indicated that contribution rates be increased to 10.5% for the year to 31 March 2009.

In order to assess the actuarial valuation of the WMMAPF's liabilities at 31 March 2008, the actuaries have rolled forward the actuarial value of the liabilities reported in the triennial valuation as at 31 March 2007, allowing for changes in financial assumptions as prescribed under FRS 17.

Assumptions

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

	31 March 2008	31 March 2007	31 March 2006
	% per annum	% per annum	% per annum
Rate of increase in salaries	5.4	4.9	4.7
Rate of increase in pensions in payment	3.6	3.1	2.9
Discount rate	6.1	5.4	4.9
Inflation assumption	3.6	3.1	2.9

Notes to the Financial Statements

31 March 2008

19. PENSIONS (continued)

Fair value and expected return on assets

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

	Expected return 31 March 2008 %	Fair value 31 March 2008 £000	Expected return 31 March 2007 %	Fair value 31 March 2007 £000	Expected return 31 March 2006 %	Fair value 31 March 2006 £000
Equities	7.5	17,831	7.5	18,585	7.0	17,683
Government Bonds	4.6	2,567	4.7	2,183	4.3	1,837
Other Bonds	6.1	1,010	5.4	1,014	4.9	1,148
Property	6.5	1,911	6.5	1,976	6.0	1,607
Cash	5.3	1,120	5.3	286	4.5	689
Other	7.5	2,867	7.5	1,950	-	-
		<hr/>		<hr/>		<hr/>
	7.0	27,306	7.0	25,994	6.5	22,964
		<hr/> <hr/>		<hr/> <hr/>		<hr/> <hr/>
Value placed on liabilities		(30,844)		(26,423)		(25,133)
		<hr/>		<hr/>		<hr/>
Net pension liability		(3,538)		(429)		(2,169)
		<hr/> <hr/>		<hr/> <hr/>		<hr/> <hr/>

Reserves

	2008 £'000	2007 £'000
Profit and loss reserve excluding pension liability	672	192
Pension reserve	(3,538)	(429)
	<hr/>	<hr/>
Profit and loss reserve	(2,866)	(237)
	<hr/> <hr/>	<hr/> <hr/>

Analysis of the amount charged to operating surplus

	2008 £'000	2007 £'000
Current service cost	(1,142)	(1,268)
Past service cost	(397)	(57)
Curtailment loss	(43)	-
	<hr/>	<hr/>
Total operating charge	(1,582)	(1,325)
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Notes to the Financial Statements

31 March 2008

19. PENSIONS (continued)

Analysis of the amount charged to other finance costs

	2008 £'000	2007 £'000
Expected return on pension scheme assets	1,834	1,503
Interest on pension scheme liabilities	(1,462)	(1,276)
	<hr/>	<hr/>
Net return	372	227
	<hr/> <hr/>	<hr/> <hr/>

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

	2008 £'000	2007 £'000
Actual return less expected return on pension scheme assets	(2,792)	228
Experience gains and losses arising on scheme liabilities	994	-
Changes in assumptions underlying the present value of scheme liabilities	(799)	1,870
	<hr/>	<hr/>
Actuarial loss recognised in STRGL	(2,597)	2,098
	<hr/> <hr/>	<hr/> <hr/>

Movement in deficit during the year

	2008 £'000	2007 £'000
Deficit in scheme at beginning of year	(429)	(2,169)
Movement in year:		
Current service cost	(1,142)	(1,268)
Contributions	698	740
Past service costs	(440)	(57)
Other finance costs	372	227
Actuarial (loss)/gain	(2,597)	2,098
	<hr/>	<hr/>
Deficit in scheme at end of year	(3,538)	(429)
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements

31 March 2008

19. PENSIONS (continued)

History of experience gains and losses

	2008	2007	2006
Difference between expected and actual return on share of scheme assets:			
Amount (£'000)	(2,792)	228	3,344
Percentage of share of scheme assets	(10.2%)	0.9%	14.6%
Experience gains and losses on share of scheme liabilities:			
Amount (£'000)	994	-	(1,063)
Percentage of present value of share of scheme liabilities	3.2%	-	4.2%
Total amount recognised in statement of total recognised surpluses and deficits:			
Amount (£'000)	(799)	1,870	(2,663)
Percentage of the present value of share of scheme liabilities	(2.6%)	7.1%	10.6%