

Solihull Community Housing Limited

(a company limited by guarantee)

Annual Report

Year ended 31 March 2010

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31 March 2010

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Company Information

31 March 2010

Directors	W A M Blackburn P A Brandum G Craig (appointed 25 May 2010) D H J Dixon J Evans D Evans (resigned 3 June 2009) N A Grace S Gomm J Hamilton S Hawthorne-Slater H R Hendry C J Horrocks C Iddles (appointed 21 January 2010) Dr A G C Lane A M Mackiewicz (resigned 25 May 2010) S B Partridge J Potts (appointed 3 June 2009) P L Smith (resigned 21 January 2010)
Secretary	K A Preece
Registered office	Endeavour House Meriden Drive Solihull B37 6BX
Registered number	04462630
Auditors	Baker Tilly UK Audit LLP Chartered Accountants St Philips Point Temple Row Birmingham B2 5AF
Bankers	Barclays Bank plc Corporate Business Centre PO Box 333 15 Colmore Row Birmingham B3 2WN

Report of the Directors

31 March 2010

The directors present their report and the audited financial statements for the year ended 31 March 2010.

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

Achieving three stars in inspection during 2008-09 encouraged us to start looking to the future – our current management agreement expires in March 2012 and we intend that it is renewed and extended during 2010-11. As a first step, we have worked with our Board, our staff and our customers to refresh our vision and values. Our new vision - “Strive to be an excellent organisation at the leading edge and provide 2,000 new homes for people in housing need by 2020” - articulates our constant drive to deliver an excellent service without standing still and certainly reflects one of the most significant long and short term problems that we face, being a shortage of homes to meet our ever increasing waiting list.

Alongside this, we have worked with staff in particular to ensure that we are clear about the values that underpin everything that we do as an organisation. We believe that our staff reflect these three key values already – “Go the extra mile, find solutions to problems and work as one team for the community” - but we will always strive to do better than yesterday.

During the year, we successfully retained the Government’s Customer Services Excellence award as well as maintaining our accreditation with the Customer Contact Association despite the bar being raised again. These successes are a key part of our wider customer access approach, which seeks to place customers at the heart of everything that we do. This guiding principle complements the mission of the new Tenant Services Authority, which took over regulation of local authority housing on 1 April 2010.

In the current economic climate, our commitment to strong financial management and value for money is even more important. Once again, we have delivered and exceeded our expected performance whilst at the same time generating a financial surplus that can be recycled back into meeting future needs. The strength of our financial culture based on zero-based budget setting has now been identified by our parent as an approach that they will need to adopt in order to deliver the level of savings that they now need to identify. The strong relationship between budget holders and finance staff continues to ensure that all available funds are used efficiently and effectively to deliver excellent, customer-focused services. Although the need to deliver efficiency savings of around 5% every year to balance the books is still a struggle, the actual process is less and less confrontational as managers better understand corporate expectations and their role in generating sufficient savings to fund new activities elsewhere in the organisation. The success of our efforts is reflected in reported efficiency savings of £1.9m in 2009-10 in addition to sustaining the £1.2m of cashable savings delivered in 2008-09 – all of these have been ploughed back into service delivery.

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

Report of the Directors

31 March 2010

(continued)

The income available to the Company therefore remains constrained by the funds that are available to Solihull MBC to provide housing services within Solihull, although we continue to develop new initiatives that will bring in new sources of funding. For example, we have again obtained grant income from the Carbon Trust and British Gas and interest-free loan finance (from a government backed organisation, Salix) for solar energy and energy saving initiatives within the capital programme.

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

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

	2009-10 actual	2009-10 budget	2008-09 actual
	£'000	£'000	£'000
Revenue			
Income	20,429	19,369	19,480
Expenditure	(20,005)	(19,359)	(19,400)
Surplus	424	10	80
Capital			
Income	17,016	17,222	21,276
Expenditure	(17,016)	(17,222)	(21,276)
Surplus	-	-	-
Combined			
Income	37,445	36,591	40,756
Expenditure	(37,021)	(36,581)	(40,676)
Operating Surplus	424	10	80
Contribution to Capital from Reserves	(100)	-	-
Supplemental Management Fee	660	-	-
FRS17 Adjustments	(476)	-	(578)
Surplus/(Deficit) per Profit & Loss Account	508	10	(498)

Although SCH has continued to generate operating surpluses, the balance sheet shows negative net assets of £8,348,000 increasing from £2,448,000 in 2009 as a result of the adjustments in respect of the FRS17 Pension Liability. The Directors consider that SCH will continue to generate sufficient cash surpluses to meet future pension contributions as required by the scheme and therefore present these accounts on a going concern basis.

Report of the Directors

31 March 2010

(continued)

46% 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 now scheduled to complete by the end of 2011. This will also include works to an additional 160 properties that are no longer scheduled for demolition as part of the North Solihull regeneration scheme. The menu approach to the scheduling of works within each property continues to give tenants wider choice, whilst ensuring that we meet the Decent Homes Standard and hold down our average unit cost to around £6,400. During the current year, we exceeded our target and were able to bring 1,251 properties up to the required standard. This leaves a further 700 properties that have already been identified as not meeting the standard and, in addition, the programme plans to deal with approximately 1,100 properties which will fail to meet the standard between now and the end of the programme.

Our Planned Preventative Maintenance programme to repair roofs and replace rainwater goods on the exterior of most of our properties as well as install secure doors to all properties was successfully completed during the year on target and with costs in line with our original forecasts. This programme has also covered the 1,100 leasehold properties that we also manage on behalf of the Council.

Delivery of our Climate Change Strategy has continued. We sourced an interest-free loan to pay for the installation of low energy lighting in our high-rise blocks – this will further reduce the costs of communal lighting, with repayments being made out of cost savings achieved in the next four years. This work complements the programme to install photo-voltaic systems on the same blocks to generate electricity to heat and light communal areas that was completed last year. Our office “Green Team” has been instrumental in developing initiatives around energy saving and recycling in all of our offices and we have started some pilot projects (again grant funded) that are exploring options to use new technology to reduce utility costs for residents.

The difficult economic climate is continuing to see falling levels of property turnover and the number of households on our waiting list at the end of the year is now over 15,000. We are also seeing unprecedented levels of demand for our enhanced homelessness service, which provides a sign-posting service to the private rented sector as well as temporary accommodation when necessary. Trailblazer funding from the Department for Communities & Local Government is supporting a wider programme focussed on combating financial and employment exclusion across the borough using our Money Advice and Pathways teams to complement the work of the homelessness team.

Work to deliver our target of 2,000 new homes by 2020 has now started and the need to do so has never been greater. We have agreed a deal to purchase 27 completed properties from a local developer - construction started on these at the start of 2010. We have started work to convert a former homeless hostel that was not fit for the needs of our customers into 4 family-sized apartments. We have also successfully obtained planning permission for our first development, and we expect to see work start on the ground in late summer 2010. All of this means that, for the first time in 20 years, Solihull will have some new properties available to let during 2010-11.

We continue to monitor our service delivery rigorously, with the aim of delivering improvement across all sectors of the organisation. Targets are set following a consultation process that includes tenants as well as staff, board members and our parent SMBC. The advent of the new Tenants Services Authority has given a new impetus to the way that we share the process of performance monitoring and target setting with our tenants, which will continue during 2010-11. Monitoring of performance continues at all levels – from the Board downwards as well as with the Council and our tenants – this ensures that problem areas are identified and remedial action taken at the earliest possible opportunity. This year we have celebrated the achievement of two real milestones when we delivered current tenant rent arrears below £1m and 100% of our properties with a current gas servicing certificate for the first time ever. Never resting on our laurels, we are currently rolling out the findings from a LEAN review of our void process to further reduce our re-let times. All of these improvements have had a direct and positive impact on rental income to the Council and therefore our Management Fee income.

Report of the Directors

31 March 2010

(continued)

As always, we set another challenging service improvement plan and we delivered most of this successfully. We have continued our IT systems development with the focus remaining on repairs and maintenance systems. We have completed the roll-out of the project to manage repairs appointments in real-time and improved the quality of our live links with our key gas and electrical contractors; at the same time we have been developing our own in-house asbestos monitoring and removal team, which went live in early 2010. Our major service improvement however has been the agreement to integrate the existing service that provides disabled adaptations in our homes with the Council service that delivers the same service for private residents of the borough. The new home improvement agency, branded as "Solihull Independent Living", went live in early 2010 and brings together the resources of the Council, the Care Trust and SCH to deliver a joined up service to support the more vulnerable sections of the community. This already includes the provision of "handyman" and gardening services to vulnerable and elderly people and will, we hope, in time encompass our existing "Safe & Sound" monitoring service.

SCH needs a well-trained and highly motivated workforce to meet challenging performance and service improvement targets. During the year, the first group of supervisors were introduced to our management development programme, with the second group completing their programme in 2010-11. Annual appraisals continue to challenge individual members of staff to take responsibility for their own performance and development – line managers monitor progress formally and informally throughout the year. Cross-organisation training has been maintained at all levels to build on existing skills and competencies to ensure that our team is ready to meet the challenges of the future. This staff development has meant that we are now able to fill some of our vacancies through internal promotion. Recognition of the progress that we have made in developing our managers is reflected in our improved scores in the "my manager" category when we successfully retained our "One to Watch" status in the national "Best Companies" survey for 2009. At the end of the year, we launched the first SCH Academy – at the first stage, we held "Dragon's Den" style interviews in which we selected a group of 13 staff from across all levels of the organisation for an intensive development programme in 2010/11 that will include formal professional training, personal skills development, secondment opportunities and group project working.

Our relationship with our parent, Solihull MBC remains strong - SCH still provides one of the widest ranges of services to its local authority parent compared with similar organisations. We led on the joint response from the Council and SCH to the proposals from the Department for Communities & Local Government to replace the Housing Finance Subsidy regime with locally managed and financed local authority housing services. The culture of service excellence and innovation that is embedded at all levels of the organisation means that we will be ready for the new challenges that local control will bring in 2010-11 and 2011-12.

Employees

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

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

Report of the Directors

31 March 2010

(continued)

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

Directors

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

Statement of directors' responsibilities for the financial statements

The directors are responsible for preparing the directors report and 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;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

Report of the Directors

31 March 2010

(continued)

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

Baker Tilly UK Audit LLP were appointed as auditors to the Company following a competitive tender exercise during October 2009. They have expressed their willingness to continue in office. In accordance with s.485(4) of the Companies Act 2006, a resolution to reappoint them as auditors will be proposed at the forthcoming annual general meeting.

Approval

The report of the directors was approved by the Board on 20 October 2010 and signed on its behalf by:

KA Preece
Secretary
20 October 2010

Chairman's statement

31 March 2010

2009-10 has seen us start to look to the future again. Our current management agreement is set to expire in March 2012 and we are working to convince Solihull MBC (as our ultimate masters) that our vision of the future matches theirs, especially as the world becomes a much more difficult place for social housing and its tenants. Our new vision – “strive to be an excellent organisation at the leading edge, and provide 2,000 new homes for people in housing need by 2020” reflects our heritage as well as the future challenges presented by the current economic climate.

Local decision making about priorities has long been our vision and, in conjunction with the Council, we have supported the proposals from the Department for Communities & Local Government to reform the Housing Finance Subsidy regime and replace it with local self-financing arrangements. We hope that this will be implemented as we start a new, longer management agreement in April 2011.

The credit crunch has resulted in increasing local unemployment and financial distress. Our joined-up offerings of proactive housing advice (often utilising arrangements with private landlords), the services of our Money Advice team and a new government-funded Trailblazer team have been very well used during the year. As a Board, we see our work in this area as key to developing strong sustainable communities in Solihull as well as tackling the priority areas of worklessness and financial exclusion alongside the provision of housing. For 2009-10 and 2010-11, we have found a successor to our “Pathways” scheme in Future Jobs Fund, with the same broad objectives. During the year, over 100 local long-term unemployed people have worked on our blocks of flats to deliver the communal decorations programme under the guidance of our own maintenance teams. Whilst not offering permanent jobs, they will all emerge from the programme with renewed confidence, experience and formal qualifications to enable their job search to be easier in the future.

Despite tight budgets, we have improved on last year's “best ever financial performance” and have actually increased the Council's overall housing reserves. Our managers' commitment to delivering value for money and getting more out of their budget allocations is clearly visible – whilst still delivering improvements in customer satisfaction in many areas. Our improvements in void turnaround have had a beneficial impact on rental incomes and better management of the housing waiting list. We have reduced current rent arrears below £1m for the first time since SCH was launched, balancing a strong and supportive approach to tenancy sustainability with positive enforcement against those who will not pay.

The end of the Decent Homes programme is now in sight, and will conclude in 2011. We completed 169 more homes than originally planned during the year. We also successfully completed the planned preventative maintenance programme. As a result our residents have seen a major investment in their homes over the past 6 years. Outside of the Decent Homes programme, our capital works programme is constrained by limited funds. However we have been able to deliver some new initiatives aligned to our Climate Change strategy. We have been able to attract new funding sources – the latest of these, interest-free loans - has enabled us to start a short programme to install low-energy lighting in high rise blocks. This initiative will be carried out with the expectation that our lighting expenditure in these areas will reduce in future

Last year, we experienced our longest waiting list. However it has continued to rise in 2009-10 alongside increased demands on our homelessness team. We have had to use every possible option at our disposal to meet needs – even using bed & breakfast on a couple of occasions at the end of the year. Against this backdrop of ever rising demand, our early new-build developments are welcome to boost housing stock.

Chairman's statement

31 March 2010

(continued)

As well as our vision, we have reflected on our values. Our staff remains our greatest asset. Their work to meet the expectations of our tenants and leaseholders is critical to our success. We believe they already live the new values of: "Go the extra mile, find solutions to problems and work as one team for the community" but we strive to exceed these levels. We continue to provide personal development opportunities for all our staff and we hope that our new SCH Academy launched in early 2010 will build on our management development programmes and deliver some of our future leaders. The Board was particularly pleased that as well as retaining our "One to Watch" rating in the national "Best Companies" survey for 2009, our development programmes have resulted in improved ratings for our managers.

Although the new Tenants Service Authority ("TSA") did not begin to regulate local authority housing until 1 April 2010, we have already started the consultation process with our tenants to develop the "local offer" in support of the national standards. The TSA expectation to "put tenants at the heart of everything that you do" is well-reflected in our own values, and we believe the consultation and engagement mechanisms we already have in place support this. We are seeking to further develop tenant scrutiny of our performance next year. Our Facebook presence, developed by two local students, has been very successful in engaging young people, especially in preventing anti-social behaviour. We were disappointed when one of the students narrowly missed out on a national award for his work.

We have retained our accreditation with the Customer Contact Association and the national Customer Services Excellence award. These reflect the excellent work of all our staff – our reputation won us the contract to supply contact centre services to a small local housing association during the year. We have continued to measure ourselves against our peers through benchmarking and other best practice groups. Shortly after year end, we voluntarily exposed four of our key service areas to the new Short Notice Inspection regime. We will be acting on the recommendations from this exercise during 2010-11.

Strong partnership working is still essential and not just because it makes the pounds stretch further. The Board are especially proud of the new "Solihull Independent Living" brand launched in January 2010. This brings together the existing team who deliver adaptations to our tenants, the council team who support private residents in the borough and a dedicated team of occupational therapists from Solihull Care Trust. By providing a one-stop shop, we aim to help all vulnerable residents of the borough to remain in their own homes – maintaining their independence and self-esteem for as long as possible. Part of this project has included training by Care Trust staff of some of our staff who can now assess and install a range of simple aids and adaptations within very short timescales. This has reduced the lengthy waiting times experienced previously. Since year end, this project won the most innovative project award from the National Federation of ALMOS for the second year running.

On 21 January 2010, I took up the role of Chairman of SCH. I succeeded Phil Brandum who chaired the Board from 2004 when SCH was first launched as a free-standing organisation. I would like to take this opportunity to express the Board's thanks to him for his wise counsel during this formative period. In addition, at the 2010 AGM, the previous vice-chair, Patricia Smith, stood down from the Board after the annual tenant elections, having served the Board since its inception. I would like to publicly thank her for her personal contribution to board affairs, and her enthusiasm for a successful SCH. During the year progressively more affairs were handled by Board sub-committees. This successful transition will be encouraged in 2010-11. It provides the opportunity for better governance, and a more inclusive style for all aspects of Board representation. The Board now look forward to strategically steering SCH as it takes the next exciting steps on its journey in being the local housing provider for the community of Solihull.

Chairman's statement

31 March 2010

(continued)

The SCH Board believes that without the enormous commitment and enthusiasm of our staff, tenants, leaseholders and partners, SCH could not have achieved all it has in the past year. We are as proud of their achievements as we hope they are – and we would like to thank them once again for their commitment to our shared aims.

Dr A G C Lane
20 October 2010

Statement on Internal Control

31 March 2010

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 2010 has seen continuing development of the internal control framework including the implementation of changes to remedy weaknesses that were identified at the end of 2008/09.

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

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

Statement on Internal Control

31 March 2010

(continued)

The Board completed its 2009 mandatory Board Members training programme in July 2009. Since then, the Board has discussed its future training needs and decided to hold a series of quarterly “away days” that will enable them to spend time discussing the key issues facing the company in more detail. The first of these sessions has considered the likely impact of the Tenant Services Authority (“TSA”) and its new requirement for local service standards, the proposals in respect of self-financing as an alternative to the Housing Subsidy regime and our asset management strategy to understand the future maintenance and renewal needs of the stock (and how they will be funded). In addition, new members of the Board have all followed a personalised induction programme designed to ensure that their understanding of the business is sufficient to enable them to play an active part in decision-making.

Update briefings on the requirements of Standing Orders (incorporating Rules for Contracts) have been delivered to all staff as part of the roll-out of the newly developed procurement procedures and processes that support Rules for Contracts. The delegation of authority levels across SCH has been formally reviewed and updated to reflect changes in staffing and structure and every member of staff (as well as board members) was again required to make a formal annual declaration of interests as at 31 March 2010.

A new structure has been introduced to increase collaborative working throughout the organisation. Key service heads now meet with the Senior Management Team on a monthly basis to monitor service delivery performance and discuss key areas of development to supplement the regular meetings of the Wider Senior Management Team. Following completion of the Operational Management Team Development programme, we have begun to deliver a Line Management Development programme, which aims to embed our established leadership and competencies right down to supervisory level staff. We have worked to co-ordinate the training programme across the whole organisation more effectively during the year, with a greater focus on training needs identified as part of annual appraisals. Our new training and development brochure was launched using a film that was made by some of the staff that have benefitted from the various opportunities that SCH provides. At the end of the year, we launched the SCH Academy to work closely with some of our ambitious staff to really make a difference to their personal development. We interviewed and offered places to 12 members of staff from a wide range of teams and experience and they will begin a structured programme of mentoring and training in the next year as well as accessing post entry training opportunities.

The drive to embed performance management at all levels of the organisation is still continuing in many different ways; through personal and team targets and through regular discussion at individual and team meetings. The extended collaborative working structure has also helped to increase cross-team challenge when performance is not as good as we would like – during the year, we have carried out Lean reviews for our voids and adaptations service lines, which have drawn in a wide range of staff from across the organisation. The corporate “Team SCH” initiative continues through Chief Executive and team briefings and regular staff newsletters.

Work to maintain a high level of compliance and awareness of health & safety has continued, with every team again being subject to a formal audit of its arrangements and procedures. All teams have again achieved at least a satisfactory rating, with most showing continuing improvement. We have increased the level of support for the training programme in this area – resulting in improved attendance levels throughout SCH in this important area.

Statement on Internal Control

31 March 2010

(continued)

Our processes to improve financial and performance monitoring continue to develop. Designated finance representatives for each directorate have continued to work closely with budget holders throughout the year to understand what has happened and what is going to happen in the year – this provides us with increased flexibility to re-align activities when a probable underspend or overspend is identified. Effective manager involvement in the budget and performance target setting process is now ingrained in day to day operations and personal and team ownership of targets and budgets is simply a fact of life. The process of setting a balanced 2010-11 budget was once again difficult, but the level of understanding exhibited by managers about corporate drivers as well as their team needs made the process of prioritising more collaborative than in the past. Our robust medium-term financial planning process has continued to be refined to improve our annual budget strategy and our short-term forecasts. We have taken further steps in developing our asset management strategy and it is now more closely aligned with our short term capital programme planning. Meeting our long-term asset management need is one of the most significant areas of expenditure for the future and the strategy has been integrated with our medium-term forecasting to develop the Solihull response to the self-financing proposals that are being developed as a replacement for the housing subsidy system.

As in previous years, SCH set itself a robust Corporate Service Improvement Plan (and a suite of team improvement plans) that aim to help us meet our objective of delivering excellent services and the majority of the scheduled improvements were successfully delivered.

The constraints that we face in setting budgets have not abated and our drive to demonstrate efficiency and value for money remains an essential management tool for SCH. The roll-out of our “toolkit” of procurement procedures and documentation has increased awareness at all levels and has ensured that compliance with standing orders is made easy for staff whatever their level of procurement knowledge. Our targeted work to develop an organisation wide contract register has increased the level of monitoring that is taking place with our contractors and suppliers to ensure that they really deliver and we can see some clear improvement in performance as a result.

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. The Board has reserved the review of the remaining key elements (in particular risk and Health & Safety) to itself and receives reports on a regular basis.

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

Dr AGC Lane
Chairman
20 October 2020

Karen A Preece
Director of Finance

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

We have audited the financial statements on pages 15 to 32. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's member, 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 member 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 member as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As more fully explained in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

GARY MORETON (Senior Statutory Auditor)

For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor

Chartered Accountants

St Philips Point

Temple Row

Birmingham B2 5AF

2010

Profit and Loss Account

for the year ended 31 March 2010

	Note	2010 £'000	2009 £'000
Turnover	2	36,486	40,219
Change in stock		6	20
Other operating income		959	537
Staff costs	6	(10,261)	(10,061)
Other operating charges		(26,317)	(31,194)
		<hr/>	<hr/>
Operating profit/(loss)	3	873	(479)
Interest receivable	4	1	1
Other finance charges	5	(366)	(20)
		<hr/>	<hr/>
Profit/(loss) on ordinary activities before taxation		508	(498)
Tax on ordinary activities	8	-	-
		<hr/>	<hr/>
Profit/(loss) for the financial year	14	508	(498)
		<hr/> <hr/>	<hr/> <hr/>

No operations were discontinued during the year and all operations are continuing beyond 31 March 2010.

Statement of Total Recognised Gains and Losses

for the year ended 31 March 2010

		2010 £'000	2009 £'000
Profit/(loss) for the financial year		508	(498)
Actuarial (loss)/ gain relating to the pension scheme	20	(6,408)	916
		<hr/>	<hr/>
Total recognised gains and losses relating to the year		(5,900)	418
		<hr/> <hr/>	<hr/> <hr/>

Reconciliation of movement in member's funds

for the year ended 31 March 2010

		2010 £'000	2009 £'000
Opening total funds		(2,448)	(2,866)
Total recognised gains and losses relating to the year		(5,900)	418
		<hr/>	<hr/>
Closing total deficit of funds		(8,348)	(2,448)
		<hr/> <hr/>	<hr/> <hr/>

Balance Sheet

at 31 March 2010

	Note	2010 £'000	2009 £'000
Fixed assets			
Tangible assets	9	75	-
Current assets			
Stocks	10	95	89
Debtors	11	1,054	2,451
Cash at bank and in hand		6,246	3,465
		<hr/>	<hr/>
		7,395	6,005
Creditors: Amounts falling due within one year	12	(5,286)	(5,003)
		<hr/>	<hr/>
Net current assets		2,109	1,002
		<hr/>	<hr/>
Total assets less current liabilities		2,184	1,002
Creditors: Amounts falling due after more than one year	13	(448)	(250)
		<hr/>	<hr/>
Net assets excluding pension liability		1,736	752
		<hr/> <hr/>	<hr/> <hr/>
Pension liability	20	10,084	3,200
		<hr/>	<hr/>
Capital and reserves			
Profit and loss account	14	(8,348)	(2,448)
		<hr/>	<hr/>
Deficit of member's funds		(8,348)	(2,448)
		<hr/>	<hr/>
		1,736	752
		<hr/> <hr/>	<hr/> <hr/>

The financial statements were approved by the Board and authorised for issue on 20 October 2010 and signed on its behalf by:

Dr AGC Lane
Chairman
20 October 2010

Cash Flow Statement

for the year ended 31 March 2010

	Note	2010 £'000	2009 £'000
Net cash inflow/(outflow) from operating activities	17	2,603	(101)
Returns on investment and servicing of finance		-----	-----
Interest received		1	1
		-----	-----
Taxation		-	-
		-----	-----
Capital expenditure & financial investment	9	(75)	-
		-----	-----
Cash flow before financing		2,529	(100)
		-----	-----
Financing			
Loan received		252	-
		-----	-----
Increase/(decrease) in cash	18	2,781	(100)
		=====	=====

Notes to the Financial Statements

31 March 2010

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom and under the historical cost convention.

Turnover

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

Fixed assets

Fixed Assets are held at cost less accumulated depreciation.

Housing properties are recorded at cost while they are under construction. Completed properties are held at Existing Use (Social Housing) value and re-valued in full every 5 years. This valuation is updated annually. All amounts exceeding the previous value are credited to the revaluation reserve.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset. Depreciation is calculated using the straight line method. 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.

Housing properties are written off over the lower of 50 years or the useful life determined by the valuation.

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.

Comparative Figures

Certain comparative figures have been reclassified in order to present them consistently with the current year analysis.

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.

Notes to the Financial Statements

31 March 2010

1. ACCOUNTING POLICIES (continued)

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 are entitled to join the "defined benefit" pension scheme, the West Midlands Metropolitan Authorities Pension Fund, which is administered by Wolverhampton City Council and provides members with defined benefits related to pay and service. During the year, the company paid an employer's contribution rate of 10.8% (2009: 10.5%) 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 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 20 to the accounts.

Notes to the Financial Statements

31 March 2010

2. TURNOVER

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

Fees paid by Solihull Metropolitan Borough Council in respect of:	2010 £'000	2009 £'000
Management and maintenance of properties	35,489	39,239
Other related services	997	980
	36,486	40,219
	36,486	40,219

3. OPERATING PROFIT

Operating profit is arrived at after charging	2010 £'000	2009 £'000
Operating lease rentals		
- plant and machinery	219	191
- land and buildings	90	60
Auditors' remuneration- audit services	19	21
	308	272
	308	272

Analysis of operating charges by directorate	2010 £'000	2009 £'000
Property works	21,072	25,942
Housing Management and Maintenance	3,595	3,496
Finance	453	455
Corporate Services	1,197	1,301
	26,317	31,194
	26,317	31,194

4. INTEREST RECEIVABLE

	2010 £'000	2009 £'000
Other interest	1	1
	1	1
	1	1

Notes to the Financial Statements

31 March 2010

5. OTHER FINANCE CHARGES

	2010 £'000	2009 £'000
Expected return on pension scheme assets	1,499	1,899
Interest on pension scheme liabilities	(1,865)	(1,919)
	<u>(366)</u>	<u>(20)</u>
	<u><u>(366)</u></u>	<u><u>(20)</u></u>

6. EMPLOYEES

Average monthly number of employees, including executive officers:

	2010 No	2009 No
Executive Management Team	5	5
Housing Management and Maintenance	219	218
Finance	25	24
Corporate Services	78	61
	<u>327</u>	<u>308</u>
	<u><u>327</u></u>	<u><u>308</u></u>

Staff costs, including directors:

	2010 £'000	2009 £'000
Wages and salaries	8,697	8,156
Social security costs	648	605
Pension costs	916	1,300
	<u>10,261</u>	<u>10,061</u>
	<u><u>10,261</u></u>	<u><u>10,061</u></u>

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 2010

8. TAXATION

(a) Analysis of income in period

	2010 £'000	2009 £'000
Current tax:		
UK corporation tax on profits of the period	-	-
Adjustments in respect of prior period	-	-
	<hr/>	<hr/>
Total current tax	-	-
	<hr/> <hr/>	<hr/> <hr/>

The company is a wholly owned subsidiary of Solihull Metropolitan Borough Council and all income is derived from services provided to the council. HM Revenue and Customs have confirmed that transactions between ALMOs and their councils do not amount to trading and, accordingly, any surplus or deficit arising thereon is outside the scope of corporation tax. Accordingly no tax charge/credit has been recognised in the accounts except on trading outside of this arrangement, if such activities give rise to a taxable profit.

(b) Current tax reconciliation:	2010 £'000	2009 £'000
Profit / (loss) on ordinary activities before taxation	508	(498)
FRS17 adjustments:		
- Other finance income	366	20
- Pension service costs	901	1,330
- Contributions to pension scheme	(791)	(772)
	<hr/>	<hr/>
	984	80
	<hr/> <hr/>	<hr/> <hr/>

	2010 £'000	2009 £'000
Theoretical tax at UK corporation tax rate 21% (2009: 21%)	207	17
Effects of:		
- Surplus from non-trading activities with member not subject to Corporation Tax	(207)	(17)
	<hr/>	<hr/>
	-	-
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements

31 March 2010

9. FIXED ASSETS

	Assets in Course of Construction – Social Housing	
	2010 £'000	2009 £'000
<u>Cost</u>		
As at 1 April 2009	-	-
Additions for year	75	-
As at 31 March 2010	<u>75</u>	<u>-</u>

Depreciation is not charged on Assets in the Course of Construction until the assets are brought into use.

10. STOCKS

	2010 £'000	2009 £'000
Raw materials and consumables	95	89

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

11. DEBTORS

	2010 £'000	2009 £'000
Trade debtors	82	22
Amounts owed by parent undertaking	565	2,226
Other debtors	279	55
Prepayments and accrued income	128	148
	<u>1,054</u>	<u>2,451</u>

All debtors fall due within less than one year.

Notes to the Financial Statements

31 March 2010

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010	2009
	£'000	£'000
Trade creditors	832	898
Amounts owed to parent undertaking	674	1,226
Other creditors	618	246
Other taxation and social security	480	289
Interest-free loan (see note 13)	57	-
Accruals and other deferred income	2,625	2,344
	<u>5,286</u>	<u>5,003</u>
	<u><u>5,286</u></u>	<u><u>5,003</u></u>

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

	2010	2009
	£'000	£'000
Loan repayable to parent undertaking	250	250
Interest-free loan	195	-
Other creditors	3	-
	<u>448</u>	<u>250</u>
	<u><u>448</u></u>	<u><u>250</u></u>

The loan repayable to parent undertaking is an interest free loan made 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.

The interest-free loan was received from Salix Finance Ltd under the Energy Efficiency Loan Scheme, and is repayable by equal instalments, with the last instalment falling due in 2014.

ANALYSIS OF DEBT MATURITY

Amounts payable by instalments falling due:	2010	2009
	£'000	£'000
Within one year	57	-
In more than one but not more than two years	367	-
In more than two but not more than five years	78	250
	<u>502</u>	<u>250</u>
	<u><u>502</u></u>	<u><u>250</u></u>

Notes to the Financial Statements

31 March 2010

14. PROFIT AND LOSS RESERVE

	2010 £'000	2009 £'000
At 1 April	(2,448)	(2,866)
Profit/(loss) for the year	508	(498)
Actuarial (loss)/gain relating to pension scheme	(6,408)	916
At 31 March	<u>(8,348)</u>	<u>(2,448)</u>

15. RELATED PARTY TRANSACTIONS

Solihull Community Housing Limited (SCH or the Company) is a local authority controlled company of Solihull Metropolitan Borough Council (SMBC or the Council), established with no share capital and limited by guarantee. The Council has delegated responsibility for the management and maintenance of its residential stock to Solihull Community Housing in accordance with a 5-year Management Agreement effective from 1 April 2004, but now extended to 31 March 2012. As part of the agreement, the Company is also responsible for meeting all costs in respect of works carried out to properties either by the Company's own staff or external contractors. The Council pays the Company a management fee to meet all of these costs in accordance with the management agreement and any variations subsequently agreed. In 2009-10, the management fee amounted to £35,489,000 (2008-09: £39,239,000).

SCH also provides a number of services to the Council that are covered by Service Level Agreements in addition to 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 2009-10, the income in respect of these services amounted to £997,000 (2008-09: £980,000).

SCH utilised SMBC's payroll system 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.

SMBC charged SCH £2,399,000 in 2009-10 (2008-09: £2,584,000) for the provision of some support services and the Company's share of the costs of shared services.

The balance owing to Solihull MBC at 31 March 2010 included £286,000 (2009: £751,000) in respect of expenses met by the Council that are to be reimbursed by the Company.

As at 31 March 2010 SCH entered into an interest-free loan from SALIX of £252,000 to fund its project to install low-energy lighting in high-rise blocks. It transferred this funding to SMBC to support the Housing Capital programme. The transfer of £252,000 from SCH to SMBC is shown as an inter-company debtor in SCH's books and as a corresponding inter-company creditor in SMBC's books. These balances will be written down in both sets of books over the life of the loan reducing as repayments are made by SCH.

During 2009-10 SMBC paid SCH £593,000 (2008-09: £145,000) in order for SCH to deliver a number of schemes (some funded by central government) on behalf of SMBC. These mainly relate to the provision of worklessness, homelessness, housing options and related support services.

Notes to the Financial Statements

31 March 2010

16. FINANCIAL COMMITMENTS

Capital commitments

Capital expenditure commitments were as follows:	2010	2009
	£'000	£'000
Contracted for, but not provided in the accounts	2,258	-
	<u> </u>	<u> </u>

Operating lease commitments

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

	2010	2009
	£'000	£'000
(i) Land and buildings, leases expiring		
One to five years	65	65
Beyond five years	44	40
	<u>109</u>	<u>105</u>
	<u> </u>	<u> </u>
(ii) Plant and machinery, leases expiring		
Within one year	49	40
One to five years	164	42
	<u>213</u>	<u>82</u>
	<u> </u>	<u> </u>

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

	2010	2009
	£'000	£'000
Operating profit/(loss)	873	(479)
Current and past service pension costs	901	1,330
Contributions to pension scheme	(791)	(772)
	<u>983</u>	<u>79</u>
(Increase) in stocks	(6)	(20)
Decrease in debtors	1,397	97
Increase/(decrease) in creditors	229	(257)
Net cash inflow/(outflow) from operating Activities	<u>2,603</u>	<u>(101)</u>
	<u> </u>	<u> </u>

Notes to the Financial Statements

31 March 2010

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

	2010 £'000	2009 £'000
Increase/(decrease) in cash in year	2,781	(100)
New loan advanced to Company in year	(252)	-
	<hr/>	<hr/>
Increase/(decrease) in net cash	2,529	(100)
Net cash at 1 April 2009	3,215	3,315
	<hr/>	<hr/>
Net cash at 31 March 2010	5,744	3,215
	<hr/> <hr/>	<hr/> <hr/>

19. ANALYSIS OF NET CASH

	1 April 2009 £'000	Cash flow £'000	31 March 2010 £'000
Cash at bank and in hand	3,465	2,781	6,246
Net cash	<hr/> 3,465 <hr/>	<hr/> 2,781 <hr/>	<hr/> 6,246 <hr/>
Loans	(250)	(252)	(502)
Borrowings	<hr/> (250) <hr/>	<hr/> (252) <hr/>	<hr/> (502) <hr/>
Net cash	<hr/> 3,215 <hr/>	<hr/> 2,529 <hr/>	<hr/> 5,744 <hr/>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements

31 March 2010

20. 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 2010 were £791,000 (2009: £772,000) based on an employers' contribution rate of 10.8% (2009: 10.5%) of pensionable salaries. The actuarial valuation as at 31 March 2007 has indicated that contribution rates be increased to 11.1% for the year to 31 March 2011.

Contributions totalling £66,000 (2009: £61,000) were payable to the fund at the year end and are included in creditors. The company expects to contribute £687,000 to its defined benefit pension plan in the year to 31 March 2011.

In order to assess the actuarial valuation of the WMMAPF's liabilities at 31 March 2010, the actuaries have rolled forward the actuarial value of the liabilities reported in the triennial valuation as at 31 March 2007, allowing for changes in financial assumptions as prescribed under FRS 17.

Assumptions

The principal assumptions used by the actuary were as follows:

	2010	2009	2008
	%	%	%
Discount rate at 31 March	5.7	7.1	6.1
Expected return on plan assets	7.0	7.0	6.7
Future salary increases	5.3	5.1	5.4
Future pension increases	3.5	3.3	3.6
Inflation assumption	3.5	3.3	3.6

The post-retirement mortality assumptions used to value the benefit obligation at 31 March 2009 and 31 March 2010 are based on the PA92mc YOB table with a current year of use. In relation to life expectancy, it is assumed that life expectancy for a man who has reached pensionable age is age 86 and for females, age 89. Rates are adjusted for scheme members who have not reached pensionable age to reflect changes in mortality rates that are expected to arise over the period before they reach pensionable age.

Amounts charged in these financial statements

Analysis of amount charged to operating profit/(loss)	2010	2009
	£'000	£'000
Current service cost	879	1,302
Past service cost	22	-
Losses on curtailments and settlements	-	28
Total	901	1,330

Notes to the Financial Statements

31 March 2010

20. PENSIONS (continued)

Analysis of amount included in other finance charges	2010	2009
	£'000	£'000
Expected returns on pension scheme assets	1,499	1,899
Interest on pension scheme liabilities	<u>(1,865)</u>	<u>(1,919)</u>
Total	<u><u>(366)</u></u>	<u><u>(20)</u></u>

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)	2010	2009
	£'000	£'000
Actual return less expected return on pension scheme assets	5,623	(7,408)
Experience gains and losses arising on scheme liabilities	-	(27)
Changes in assumptions underlying the present value of the scheme liabilities	<u>(12,031)</u>	<u>8,351</u>
Actuarial (loss)/gain recognised in the STRGL	<u><u>(6,408)</u></u>	<u><u>916</u></u>

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)	Cumulative	Cumulative
	2010	2009
	£'000	£'000
Actual return less expected return on pension scheme assets	21	(5,602)
Experience gains and losses arising on scheme liabilities	1,044	1,044
Changes in assumptions underlying the present value of the scheme liabilities	<u>(7,651)</u>	<u>4,380</u>
Actuarial loss recognised in the STRGL	<u><u>(6,586)</u></u>	<u><u>(178)</u></u>

Notes to the Financial Statements

31 March 2010

20. PENSIONS (continued)

Changes in the present value of the defined benefit Obligation	2010 £'000	2009 £'000
Opening defined benefit obligation at 1 April	25,663	30,844
Current service cost	879	1,302
Interest cost	1,865	1,919
Member contributions	476	454
Actuarial loss/(gain)	12,031	(8,351)
Curtailments	-	28
Benefits paid	(142)	(533)
Past service cost	22	-
Closing defined benefit obligation at 31 March	<u>40,794</u>	<u>25,663</u>
Changes in the fair value of scheme assets	2010 £'000	2009 £'000
Opening plan assets at 1 April	22,463	27,279
Expected return on plan assets	1,499	1,899
Actuarial gains/(losses) on assets	5,623	(7,408)
Employer contributions	791	772
Member contributions	476	454
Benefits/transfers paid	(142)	(533)
Closing fair value of plan assets at 31 March	<u>30,710</u>	<u>22,463</u>
Net Pension liability	<u>10,084</u>	<u>3,200</u>

Notes to the Financial Statements

31 March 2010

20. PENSIONS (continued)

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

	Scheme Asset 2010	Expected Return 2010	Scheme Asset 2009	Expected Return 2009
	£'000	%	£'000	%
Equities	16,491	7.5	12,512	7.5
Government Bonds	2,426	4.5	2,785	4.0
Other Bonds	1,843	5.2	921	6.0
Property	2,211	6.5	1,640	6.5
Cash	430	0.5	899	0.5
Other	7,309	7.5	3,706	7.5
	<u>30,710</u>		<u>22,463</u>	

Amounts for the current and previous four periods are as follows

	2010	2009	2008	2007	2006
	£'000	£'000	£'000	£'000	£'000
Fair value of plan assets at 31 March	30,710	22,463	27,306	25,994	22,964
Present value of defined obligation at 31 March	(40,794)	(25,663)	(30,844)	(26,423)	(25,133)
(Deficit) in the scheme	<u>(10,084)</u>	<u>(3,200)</u>	<u>(3,538)</u>	<u>(429)</u>	<u>(2,169)</u>
Experience adjustments arising on plan assets	5,623	(7,408)	(1,391)	-	-
Experience adjustments arising on plan liabilities		-	(407)	-	-

Disclosure of information regarding experience adjustments was not a requirement of FRS17 before the year ended 2008-09 and so figures are not available for years 2006 and 2007.