



Solihull Community Housing Limited

Company Limited by Guarantee

FINANCIAL STATEMENTS

For the year ended

31 March 2014

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Officers and Professional Advisers

Directors ("the Board")	W A M Blackburn M Corser (resigned 5 June 2013) D H J Dixon S Gomm (resigned 5 June 2013) M Hewings (resigned 5 June 2013) C J Horrocks Dr A G C Lane A M Mackiewicz B Maynard S B Partridge J Potts P L Smith N Drayson (appointed 17 April 2013) G Slater (appointed 5 June 2013) K MacNaughton (appointed 5 June 2013)
Senior Management Team	S Boyd – Chief Executive C Hodson – Director of Customer Services J D King – Director of Housing K A Preece – Director of Finance & Investment
Secretary	M Moroney
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

Chairman's Statement

31 March 2014

Our vision continues to be to 'put our customers first, to be forward thinking and pursue opportunities for growth' and we have continued to deliver across all areas during the year to March 2014.

The quality of the homes that we provide for our tenants and the surroundings that they live in remain our priority. Our 10 year "Great Places" programme aims to give all of our stock a real facelift – concentrating on the communal areas as well as the surroundings of our stock to complement the successful Decent Homes programme that transformed the interior of people's homes. For everyone this means external landscaping and refurbished sheds and fencing and for low-rise blocks, this also means new door entry security systems and purpose-built recycling and refuse areas. This year another 41 low-rises and 870 houses and bungalows have received a new look and once again the response from residents has been very positive.

The skyline of Solihull has really been transformed over this last year as the massive British Gas funded "ECO" scheme got underway. The scheme will refurbish 37 high-rise blocks with an insulating "overcoat" and replace the inefficient and expensive space and water heating systems in 28 high-rise blocks with new "green" biomass technology to provide cheaper hot water and heating. We are working at a real pace as we have to finish all of the works before March 2015 in order for British Gas to claim the full carbon credits that are funding this work. By the end of the year, we had completed overcladding on 20 blocks and installed the biomass plants in 13 – we will actually start connecting individual flats to the systems in April 2014. Alongside this work, we are completing the facelift with new doors, signage, lighting and, in many cases, windows to complete the external transformation. All of this work really does make a difference to the environment in which our tenants live.

Demand through the waiting list and more urgently through homelessness has continued to put pressure on our ability to house those in most need especially as we only had 841 void properties in the year to satisfy this demand. 25% more homeless cases were dealt with this year than the previous year and we can see no sign of this trend abating. We have continued to look at new ways to meet this demand and find alternatives to budget hotels through the private sector. In particular, we successfully identified a 10-bedroom block under private ownership that we are now using to accommodate single homelessness cases. Alongside this we launched our service to repair and manage properties for private sector landlords at the end of the year – we hope that this contact will provide us with another stream of private sector rented properties that we can use as an alternative to our own stock in the face of demand.

An additional challenge is that Right to Buy sales have increased again this year from 34 to 47 reflecting the increased discounts available since the scheme was re-launched last year. Unfortunately this means fewer homes are available to let, and we will not see any additional income to fund new homes across the wider Solihull area until 2014/15.

Stock growth therefore remains a priority for us and our new build programme is maintaining momentum although we continue to struggle with land availability. We completed a small 6 unit site in January 2014 and we are on site at a further 3 locations that will deliver another 40 units by the end of 2014. Our conversion of surplus office space also delivered a further 4 units to add to the 8 properties that we purchased on the open market during the year. In delivering these sites we will have drawn in £1,004,000 of grant funding through developers and our own bid, which means that we can recycle available funds to build more homes. We now have a pipeline beyond 2014 as we have successfully obtained planning permission for 3 further sites for a further 28 units – we have submitted bids through a developer under the new 2015-18 Affordable Homes bidding round to support these schemes and hope to be successful in that too.

Chairman's Statement

31 March 2014
(continued)

For our tenants, the economic climate has not improved and the introduction of the under-occupancy charge with effect from 1 April this year has made life even more difficult for some of them. Our money advice team have been able to directly help 511 households this year (which is over 50% more than they helped last year) as well as refer many more to the local Citizens Advice Bureaux. This is in addition to the 700 households affected by welfare reform that our dedicated team has worked with. Despite the pressure on our tenants, they have in the main continued to pay their rent - we have only seen a small rise in arrears and we actually had to evict fewer tenants for continued non-payment than in the previous year. None of these evictions came about because of welfare reform.

Our vision to 'put our customers first' is demonstrated in various other ways too. The re-launch of our Safe & Sound service at the start of the year was followed by a successful tender for the Council's contract to provide telecare services to the elderly and vulnerable across the borough. In a first for SCH, we will be delivering this contract in partnership with two other organisations to deliver a joined up package of services and support to those that need it.

We have delivered a surplus of £413k this year (as set out in the Strategic Report), but we have used £1m of our reserves to support the new build programme that we are delivering on behalf of the council – this is against the very tight budget that we set at the start of the year. Our efficiency drive continues and our staff work tirelessly to deliver the highest levels of service at a value for money cost. Following the success of the move to share our front-line face-to-face service with the Council in July, we began to explore other ways in which we could share services and make savings for both of us. This has resulted in an agreement to transfer our in-house Finance, HR and IT teams to the Council with effect from 1 July 2014.

The discussions around shared services inevitably led us to start talking to the Council about the future of SCH. We are delighted to have agreed the terms of a new Management Agreement to be signed in the summer of 2014. We will still be delivering the same high standard of service to our residents, but there will be new challenges for us all. For the first time, the agreement will allow us to look to widen the range of services that we offer and those that we can offer them to. Most particularly, the new deal will allow us to operate outside of Solihull. We believe that these enhanced provisions will allow us to expand SCH and generate new income streams that we can then plough back into serving the people of Solihull.

Finally on behalf of the full SCH board I would like to take this opportunity to express our thanks to all SCH staff for their work and commitment over the past 12 months. We look forward to continuing this high level of performance over the coming year as SCH starts to deliver against its new management agreement.

Dr AGC Lane
Chairman
1 September 2014

Strategic Report

31 March 2014

The Directors set out below their strategic report which aims to provide the reader of the accounts with a range of information about the operation of the business during the financial year as well as the environment in which it has been operating.

2013/14 began steadily with very positive prospects for a strong performance in all areas. The roll-out of self-financing within the Housing Revenue Account (“HRA”) had resulted in a much greater level of funding for the capital programme than before. We were set to embark on our widest ranging programme for many years within a framework of a clear medium and long term plan to improve our existing stock and create more of it to meet the high levels of demand that we continue to experience. We had put in place plans to ensure that the impact of welfare reform could be managed with limited risk to both the SCH and HRA positions. We had also managed to set these plans within the context of budgets that were acceptable to our parent, Solihull Metropolitan Borough Council as they look to manage their financial position in the world of austerity. In this context, our vision to “Put our customers first, be forward thinking and pursue opportunities for growth” remains a challenge, but one that we were prepared to meet.

The economic position of our tenants remains fragile – although regional employment levels have improved, wage levels have not and rising living costs impact on all tenants whether they are in work or not. We know that benefit changes are impacting on those in work as well as those that are not. Despite this, we have really seen our tenants strive to maintain their rent payments – although very slightly down on last year, we still managed to collect 98.21% of the total rent roll. However, we did see an increase in overall arrears from £945k to £1,067k – although there is an element of this that relates to tenants affected by welfare reform (34% of these are now in arrears), it is far from the main cause. We are proud that we have managed to avoid any eviction action for those tenants affected by welfare reform. Overall there were 42 evictions in the year - this is actually 9 less than 2012/13. Much of this is due to the continuing efforts of our Money Advice team – once again, they have increased the number of tenants that they have helped from 335 cases to 511 cases in the year – this level of demand really reflects how difficult our tenant and leaseholders are finding life still. They have worked very closely with our dedicated welfare reform team over the year – picking up tenants affected by under-occupancy charges that need financial advice to get them on the right track to maintain their rent payments. The welfare reform team has worked with over 700 households during the year in a range of ways to help them down-size, find a job and even find a lodger in response to the reduction in their benefits income.

The number of households on our waiting list has risen again over the year – increasing from 16,408 to 18,526 – of this 58% is for small 1-bedroom properties when we only had 393 suitable properties that came available this year. During the year the Council approved a new allocations policy that will restrict the register to applicants that either live in Solihull already or have some form of local connection (such as a job or close family) with Solihull. This will be implemented in summer 2014 and will see waiting list numbers reduce to around 11,000. What remains a real challenge is that we are only able to meet that demand from a limited number of void properties and any stock growth that we are able to deliver. For 2013/14, this was 841 voids, 6 completed new builds, 4 conversions and 8 purchases. This means that 874 families were able to move into a much-needed new home during the year.

The re-launched Right to Buy scheme has seen a further increase in the numbers of properties sold to 47 (34 in 2012/13). The level of discount is continuing to depress the average sales value (which is still around £53,000) particularly as 31 of the sales are family houses. The number of applications has increased again from 107 last year to 126 this year reflecting a continuing wish to “own your own home” amongst our tenants and some increase in the number able to find funding to actually do this. Although the scheme is undoubtedly a real opportunity for those tenants that are able to take advantage of the improved offer, this does mean a further loss of valuable stock to meet wider demand – it was only in the second half of the year that we were able to project any additional income from these sales to fund new development.

The number of homeless acceptances has continued to rise during the year – in order to manage the throughput of cases better, we restructured the Home Options service to provide a single point of contact for all applicants whether they approach us through the waiting list or as homeless, We accepted a duty to house in 510 cases this year, which is a 25% increase from 409 last year – re-housing these cases obviously puts increasing pressure on our ability to house families on the waiting list as more of our available homes are allocated directly to the homeless.

Strategic Report

31 March 2014

(continued)

In order to meet this rising need, we have been using a range of budget hotels and have entered into a formal agreement to rent a 10-bedroom block of small flats from a private landlord that we have dedicated to providing temporary accommodation for single homeless cases. However good these temporary premises are, we do not see the 7,500 nights that 186 households spent in budget accommodation as one of our success stories, but we just do not have any alternative faced with this level of demand. The 10-unit block is a success for us as we are also able to provide some floating support for those people that are placed there and hopefully make some lasting improvement to their personal circumstances. Having said that we have had to place more people in temporary accommodation this year, we have once again been able to prevent homelessness in 368 cases through a range of options including help to find private rented properties and mediating with existing landlords and even parents to help those in need maintain where they are.

This high level of demand does mean is that there is increasing pressure on our voids team to turn properties around quickly. We worked on 973 void units over the year and once again we failed to meet our stretch target of 17 calendar days – although the 23 days cumulative masks a strong improvement in the final quarter reflecting changes in our processes. Our biggest problem throughout the year was an increase in the size of properties (and the level of work that needed doing) much of which is as a result of people down-sizing as a result of welfare reform. This has also increased the cost of an average void from £1,842 to £2,062, with a consequent impact on our financial outturn although we were able to manage this within our overall budgets.

Our efforts to bring in more properties that we can use either for homeless accommodation or longer term lets and make some inroads into the waiting list has also led us to develop an offer to private landlords to help them manage their properties. The initial offer is for a repairs service (that will include essentials such as gas and electric servicing and testing) but we would hope to see this expand into tenancy management over time. We see this work as a key way into the private sector market that will enable us to help more of those waiting for a new home.

SCH's funding comes from the Council's HRA and so some of the key risks that face the housing service are not always direct risks to SCH. Risks around welfare reform impact ultimately on the collection of rent, which is the source of the majority of the funding for the HRA. If SCH fails to manage either welfare reform or rent collection effectively in the medium to long term, there will be pressures to reduce the SCH Management fee that funds the housing management service and capital and improvement works. So far, provision has been made against this happening by the Council holding back surplus funding and making cautious bad debt provisions within the HRA to meet any shortfall in income. Many of the pressures around general demand for housing and homelessness demand in particular do not have a direct impact on SCH income streams, although they do create pressures on staffing levels in managing these areas.

Having said that the key risk areas around funding for housing services in Solihull are being managed, we continue to be under pressure to assist our parent council to balance their budgets and share their pain. We are expected to demonstrate a high level of efficiencies within our own revenue budgets and work closely with the council in looking at shared service opportunities in back office areas that will help us both. Once again we have frozen our base management fee in 2014/15 (the third year in a row) and created a further £643k of efficiency savings (3.5% of the 2013/14 base budget) – in total SCH will have delivered efficiency savings of 20% in the three-year window up to March 2015. We have once again been able to make a contribution to the work of the welfare reform team and we have been able to agree additional management fee to meet the costs of the projected increase in the number of void properties that we are now seeing as tenants downsize and because we are having to turn over an increased number of temporary accommodation units more often to meet homeless need. This continuing level of saving is only possible because of the way in which we have embedded the principles of value for money and efficiency throughout the organisation.

Strategic Report

31 March 2014

(continued)

Having said that we are operating under a tighter financial regime, we have continued to put significant levels of resource into the stock improvement and growth programme – the overall capital programme that we deliver on behalf of the Council had a budget of 2013/14 was £16.2m compared with £11.5m last year. This programme, which includes our work to increase the council's available stock through new build, conversion and acquisition, was the key component of the increase – growing from £0.8m to £3.7m. We funded £1m from our accumulated reserves to support this. We are delivering new homes through a combination of acquisition, development and conversion and we saw progress on all 3 fronts once more this year. This included the purchase of 8 properties during the year that we are able to get back into circulation much faster than any new build programme. This included the conversion of 2 unused office spaces located in blocks of flats back into 4 flats just before the year end. Work will also be completed by the summer to convert an unloved community hall into two bungalows – local residents have already said that they look as though they have always been there.

On the development front, we have not completed all of the developments that we had planned this year – but there has been no slippage in the number of units we expect to deliver overall. We completed a 6 unit site in Balsall Common in January that included two bungalows suitable for disabled tenants and we are on site with a 24 unit site in North Solihull, an 11 unit site in Fen End and a 5 unit site in Hampton-in-Arden. These last two sites will go towards meeting some key rural need. We were eventually able to secure HCA grant for all of these sites totalling £1,004,000 which was a real bonus for us. This means that all of these new homes will be let at Affordable rent rather than social rent. During the year, the Council agreed a rent-setting policy for all affordable rent homes (rather than the existing social rent properties) that will set rents at 70% of market rent with a cap on all rents of £125 p/week based on the local housing allowance provision – this is comparable with the rents charged by Housing Associations operating within the borough.

We also have a healthy pipeline of sites - we have planning permission on 3 sites where work will start later in 2014/15 to deliver 28 units – this includes a conversion of our former listed head office into 3 flats and overall will deliver 13 1 or 2-bedroom homes that will better meet the needs of those affected by the under-occupancy charge.

We have been making real progress in delivering our envelope programme – 41 communal areas in low-rise blocks have received the full make-over treatment as well as 870 houses and bungalows. Customer satisfaction for these works has been very high throughout and having completed 2 years you can start to see the wider impact on neighbourhoods when you take a walk around some areas. We have started a 5-year programme of electrical testing in all of our properties (although there is no statutory duty to do so) to mirror our annual gas servicing programme – this has seen 1,874 properties receive an up-to date check – as usual with new programmes, we began with our higher risk properties. We have continued with our programme to replace those old and inefficient heating systems that escaped replacement during Decent Homes – another 476 new boilers were fitted this year – leaving us with around 500 still to go. Because we are still concerned about the rising cost of heating for our tenants, we continue to promote energy switching to all as well as EBICo, which is an ethical fuel provider that has no standing charges.

Our 37 high-rise blocks have always dominated the skyline in north Solihull, but now they are starting to do so for a different reason. In June 2013, we started an intensive 2 year programme funded by British Gas using their ECO (“Energy Company Obligation”) funding stream that will see all 37 blocks overclad and the 26 blocks that currently have inefficient electric storage heaters will be linked to new district heating plants fuelled by bio-mass systems (using wood pellets to generate power). The programme is very intensive – it must be completed by the end of March 2015 in order for British Gas to claim the relevant credits. So far in 2013/14, we have overclad 20 blocks and are also well on the way to replacing signage, fencing, entrance lobbies and doors (with new entry systems) and bin-store doors as well to really transform the blocks. 8 blocks have also received new windows inside their flats – installed from the inside using an innovative new approach so that there was no need for scaffolding. Work on the first bio-mass plants was complete on 13 blocks by the year end and we started connecting them up to individual flats in April 2014. We have hosted a number of visits to see the finished product including the Planning and Environment Ministers, which is an indication of the scale of the change that we are delivering.

Strategic Report

31 March 2014

(continued)

“Put our customers first...” encapsulates our commitment to working with our customers to ensure that we deliver the service that they expect and deserve. This year, we successfully negotiated the full re-accreditation process under the Government’s Customer Services Excellence award with flying colours. The way we respond to our customers is one of our key strengths and we have monitored service levels closely now that we have passed over responsibility (and the relevant staff) for face-to-face contact with customers at area offices to the Council’s Connect team – customers now receive a single integrated response whatever their problem – be it housing or rubbish collection and education. Our Contact Centre continues to take calls across all areas from all of our customers as well as the tenants of family Housing.

During the year we reviewed and restructured our approach to customer engagement and feedback – we recognised that the interest group structure that had been in place for many years had become a little stale. We carried out a wide range of consultation in the early part of the year with involved and non-involved tenants as well as internally, which resulted in a new approach to customer engagement. We have now replaced interest groups with “Hot Topic” sessions that any tenant or leaseholder can attend. Topics are selected from a range of sources including complaint trends and the work of the Tenant Scrutiny Committee in monitoring performance. These are advertised in advance through our newsletters and social media and have generally seen a positive and enthusiastic turnout leading to a good level of discussion and debate. So far this new approach is proving successful and the outcomes have been very useful in shaping the way in which we communicate with tenants.

Continuous service improvement still underpins everything that we do – and we still monitor service delivery rigorously. We continue to engage tenants through the Scrutiny Committee as well as staff at all levels in the development of our Service Improvement Plan. Over the year, the Tenant Scrutiny Committee has really got into its stride – the formal quarterly meetings are supplemented by other meetings to monitor progress on the work that they have commissioned as well as work on our annual performance report to tenants. This year the Committee has particularly looked at voids performance, the envelope scheme and MOTs as well as trends in complaints and compliments. Their formal reports to the Board have now become a standard part of the overall governance arrangements for SCH and their contribution is valued by the Board Members as their “eyes and ears” to what is happening on the ground. We continue to work to improve our complaints handling in terms of the speed of our response and most importantly the quality of our responses.

We continue to work closely with the Council across all areas. We believe that all of the residents of Solihull (not just the tenants that we serve) can gain from an effective collaborative approach that helps the Council to deliver across their wider objectives in areas that are outside of the core housing management contract. Our involvement this year has especially been around services for the elderly and vulnerable as well as the wider Adult Social Care agenda. The launch of our more flexible alarm monitoring service in April 2013 has gone well and we followed this up by successfully bidding for the Council’s borough-wide contract to offer telecare services across the borough. This service will install and monitor equipment such as movement sensors that provide increased peace of mind and security for relatives and carers of those vulnerable residents that wish to live independently. This contract will be delivered in partnership with Tynetec (specialist equipment providers) and Eldercare (who provide the monitoring service). Most importantly, we see this as another step along the road to a wider service provision in this key area.

The strength of our financial culture - zero-based budget setting and a really strong relationship between budget holders and finance staff helps us to ensure that all available funds are used efficiently and effectively to deliver excellent, customer-focused services. Once again, we have seen the rewards of having a really strong culture of financial control. We have delivered an increased operating surplus – that we will be able to use to meet future needs including stock growth. This year we have reported efficiency savings of £1.6m as well as sustaining the £1.1m of the cashable savings delivered last year – this includes £0.6m savings on the £8m of new contracts let during the year as well as an increase in the level of added value that we are obtaining from existing contracts during their lifetime.

Strategic Report

31 March 2014

(continued)

Taking all of these changes, pressures and developments into account, we are pleased with the overall outturn for the year. Our financial performance (separating out the impacts of IAS19 and taxation) against budget and the previous year can be summarised as follows:

	2013/14 Actual £'000	2013/14 Budget £'000	2012/13 Actual Restated £'000
Revenue			
Income	20,554	20,476	19,488
Expenditure	(20,141)	(20,476)	(19,289)
Surplus	413	0	199
Capital			
Income	16,335	17,833	12,905
Expenditure	(17,335)	(17,833)	(12,905)
Surplus	(1,000)	0	0
Combined			
Income	36,889	38,309	32,393
Expenditure	(37,476)	(38,309)	(32,194)
Operating surplus/(deficit)	(587)	0	199
Corporation tax	(15)	0	(22)
IAS19 Prior Year Adjustment	-	-	(441)
IAS19 Pension Adjustments	(1,445)	0	(479)
Surplus/(Deficit) per Income Statement	(2,047)	0	(743)

Last year, we launched our new 5-year Business Plan that flows from our vision “Put our customers first, be forward thinking and pursue opportunities for growth”. The plan has a number of key aims; facing up to welfare reform, growing our stock, expanding our offer to the elderly and vulnerable members of the community and improving access to jobs and training for our tenants. In all of these areas we are looking to grow SCH as a business as well as supporting the council wherever we can. The annual service development plan reflected these strands and showed a range of new initiatives that we believe will contribute over time to the achievement of the objectives set out in the Business Plan and our vision – initiatives such as the repairs service for private landlords and the telecare contract are just two examples of these new strands of work.

We recognise that without a well-trained and highly motivated workforce, we will not be able to continue to meet the challenging performance and service improvement targets that we set ourselves. We continue to support many staff members through professional training in their chosen area or in more basic skills training that helps them to do their job better. Every individual member of staff is challenged to take responsibility for their own performance and development – they achieve this through a combination of the formal and the informal - annual appraisal and progress monitoring with line managers throughout the year.

We have spent the year looking at ways to meet the challenges of austerity Britain and have been able to see real developments in all areas – we are however far from complacent and know that there is still more to do. Alongside this we turned the focus back onto our own future. As we worked with our parent to help them face their challenges, we both realised that it was time to start looking at our Management Agreement, although we were not scheduled to do this for another year. Discussions and negotiations began in earnest in autumn 2013 and by early 2014 we were able to agree a new look agreement that will roll out in the summer of 2014. This agreement will see us sharing more back office services with the Council and a refocus on the growth of our business. This will see us positively drive the development of our offer to third parties and look to generate income that can then be used to support council services (including housing) more generally in areas where funding is tight.

Strategic Report

31 March 2014

(continued)

This does not mean that we have forgotten our core purpose – despite all of these challenges and changes we still believe that the culture of service excellence, innovation and strong financial management that we have embedded across SCH means that we are still as best placed as we can be to do the right thing for our customers and the Council's stock.

Approval

The report of the directors was approved by the Board on 1 September 2014 and signed on its behalf by:

Dr AGC Lane
Chairman
1 September 2014

Report of the Directors

31 March 2014

The directors present their report and the audited financial statements for the year ended 31 March 2014.

Principal Activities

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

Directors

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

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. We have an innovative staff suggestion scheme that sees positive engagement from a wide range of staff at all levels.

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

Our employment policies (including recruitment) clearly commit us to ensuring that every stage of employment starting with the application stage is transparent and fair. Assessment is based on the skills and aptitudes necessary to carry out a role regardless of any disability or personal attributes (including age, race, nationality, religion, gender and sexual orientation). When an employee 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.

Disclosure of information to auditors

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

Auditors

A resolution to reappoint Baker Tilly UK Audit LLP, Chartered Accountants as auditor will be put to the Board at the Annual General Meeting.

Approval

The report of the directors was approved by the Board on 1 September 2014 and signed on its behalf by:

Dr AGC Lane
Chairman
1 September 2014

Statement of Directors' Responsibilities for the Financial Statements

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

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

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

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

- a) select suitable accounting policies and then apply them consistently;
- b) make judgements and accounting estimates that are reasonable and prudent;
- c) state whether applicable International Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The Board of Directors is responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement on Internal Control

31 March 2014

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

Although there is already a strong framework in place, we have continued to refine (as well as monitor) the processes for identifying, evaluating and managing the significant risks faced by the company. The year ended 31 March 2014 has seen further development of the internal control framework including the implementation of changes to remedy weaknesses that were identified at the end of 2012/13.

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

- Board approved terms of reference and clearly delegated authorities for the Board Committees (that include responsibility for both Financial and Audit matters) as well as the independent Tenant Scrutiny Committee that considers performance and service improvement.
- Formally adopted Standing Orders (incorporating Rules for Contract and Financial Regulations) that set out the arrangements for the supervision and control of the finances, assets and other resources of the company. 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 annual budgets, a 5-year medium term financial plan and a 30-year financial Business Plan, supported by regular monitoring meetings with individual budget holders and at directorate level, as well as formal, scheduled reporting to the Senior Management team and the relevant Board committees.
- A formal programme of internal audit work, carried out by officers independent of the executive. Reports and recommendations are agreed at directorate level as well as being considered in detail by the Audit 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 independent Tenant Scrutiny Committee, who then report directly 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.

The Board met for four mandatory "away days" during the year, with a wide agenda to discuss the key issues facing the company in more detail. As the "mid-year" review as set out in the current Management Agreement was due to take place in 2014/15, the Board has devoted much of its discussion at these sessions to preparing us for the review that the Council will carry out. Alongside this has been a growing need to better support the Council as it seeks to manage the substantial financing deficit that it is facing as a result of the Government's austerity cuts. As part of this work, the Board has received presentations from the Council's Chief Executive and the Cabinet Member with responsibility for Housing and Regeneration to understand their perspective and expectations. As part of this process, the Chairman and Chief Executive have led discussions with Council Senior Management that has resulted in the agreement of terms for a new Management Agreement that will be finalised during the first half of 2014/15.

Statement on Internal Control

31 March 2014
(continued)

The other key strand of work that the Board has carried out during the year has been to commission an externally facilitated review of governance practice in a number of areas including Board Member remuneration, terms of office, training and appraisal and succession planning. As part of this review we completed a “gap analysis” of our governance arrangements against the HCA standard for viability and governance. Following the completion of this piece of work in late 2013, the Board agreed an action plan to implement some of the recommendations around the Committee structure and appraisal in particular and has commissioned follow-up work during 2014/15 in other areas (including remuneration).

New members of the Board have followed a personal induction programme designed to ensure that their understanding of the business is sufficient to enable them to play an active part in decision-making.

During the year, the Board once again reviewed Standing Orders (incorporating Rules for Contracts). There were relatively few changes of any substance again this year – however, the changes that were made ensured that SCH was ready for the enactment of the new EU Directive on procurement with effect from April 2014. The delegation of authority levels across SCH has again 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 2014.

We have a flexible structure of meetings across the various tiers of management that focus on collaborative working throughout the organisation and we review the effectiveness of this approach regularly. As part of this we tried a new approach to our Senior Managers Forum during the year. Alongside this, there has been an active cross-service group looking at our void standard in all of its facets – we shall see a new standard and void management process implemented in the first half of 2014/15 as a result. These higher level formal meetings work alongside more traditional team meetings that focus on service delivery. We have once again facilitated a wide range of personal training for all staff across the organisation during the year, especially in support of a number of teams where we have restructured the service during the year. At a wider level, we continue to support a number of staff to achieve professional qualifications – in housing, procurement, accounting and law.

Our vision to set the customer at the heart of everything that we do continues to underpin all of our activities and we therefore have a clear focus on strong embedded performance management. We look to achieve high levels of customer service in all areas of our business – whether the customer is an external or internal one. The achievement of this aim is delivered in many different ways; through personal and team targets and through regular discussion at individual and team meetings. We continue to challenge complacency in all areas – the programme of regular service reviews that we agreed when we set our current Value for Money Strategy has continued. During 2013/14, we have rolled out the recommendations from the review of our Home Options and Homelessness services so that we are now delivering a more integrated and streamlined service that has seen more focussed outcomes for tenants. We have also completed a review of our Estate Management and Anti-Social behaviour teams – implementation early in 2014/15 will see a new combined service that will be area based rather than service specific – we believe that this will enable us to deliver a more joined-up service to residents. We are also continuing with reviews of some of the remaining back office teams although the changes there have been less significant.

We continue to raise the profile of the corporate “TeamSCH”. The refreshed team briefings that follow each Board meeting are now more interactive and we are seeing better dissemination of information across the wider organisation. Our electronic staff newsletter is now supplemented by a regular Business briefing that pulls together important business news as well as reminders about changes with electronic links to more information on our website and Intranet pages. We have also seen positive engagement from staff at all levels with the “Thinkchange” ideas initiative – 85 ideas have been considered by a panel of staff and so far 13 have been implemented as quick wins covering improvements in staff conditions and a number of ideas to improve our appointment arrangements.

Statement on Internal Control

31 March 2014
(continued)

Our emphasis on a strong health & safety culture has continued – the embedded basics have remained the same with every team again being subject to a formal internal audit of its arrangements and procedures. The 2013/14 audits have seen most teams maintain the high standards that they have already obtained although we have raised the bar in terms of our scoring to drive continuous improvement and avoid complacency. As part of our testing this year, we subjected our Maintenance Services team to an external audit of their H&S approach and were pleased that this did not highlight any significant weaknesses that we were not already aware of. After the work we did last year on our approach to CDM, we subjected our files and approach to an external review – again we were pleased with the outcomes across the various teams that work in this area. During the year, we have continued with our strong cross-service focus on both asbestos and fire with progress as expected against our action plans in both areas. Work in the area of fire safety is ongoing – we are now reviewing high-rise fire risk assessments for the second time, have completed another third of the assessments in our low-rises and have completed any necessary works identified from these inspections and assessments.

We have continued to see improvement in the way that directorates are identifying, managing and monitoring their own risks and in particular in proactively managing risks around our contractors to ensure that we can continue to deliver services if they fail. The Corporate Leadership team has continued to monitor high level risks during the year and report the most critical risks to the Board in line with the Risk Management strategy.

Continuing public sector austerity has meant that the pressure to make cost savings and help our parent council has not diminished – re-iterating the importance of our strong financial and performance monitoring regime. At a higher level, we have updated the 30-year HRA Business Plan principally to reflect the changing guidance around annual rent increases. As in previous years, we used this as the basis for our revenue and capital budgets for 2014/15 and our update of the medium-term capital programme for the next 5 years. Designated finance representatives for each directorate continue to work closely with budget holders during the year – our budget management was again strong and our confident forecasting meant that we were able to manage the pressures that we saw as a result of an increase in void numbers and costs at a corporate level without making any significant cuts elsewhere.

Austerity in the public sector also means that the focus on efficiency continues. We are working towards a 3 year broad savings target set against a backdrop of a frozen revenue management fee. Budget setting remains a challenge in this context but once again we have delivered against the savings targets that we have set. We can only do this because of managers' clear understanding of corporate drivers as well as the needs of their own teams. Manager involvement in the budget and performance target setting process is embedded in our day to day operations and personal and team ownership of targets and budgets is simply a given – value for money is just part of our business.

Once again we set a robust Corporate Service Improvement Plan (and a supporting suite of team improvement plans) that aimed to maintain and improve on excellent services and we broadly delivered as planned. Many of these improvements are focussed on streamlining services and particularly customer contact in some of our most stretched areas including homelessness, allocations and neighbourhood services. Another significant project has been a major upgrade to our housing management systems in the area of repairs and appointments. We did not go live until May 2014, but much of the year has been spent developing and testing the new system and processes to ensure that the roll-out does not disrupt services to tenants in the short term and demonstrates improvements in service quickly after implementation.

The Board cannot delegate ultimate responsibility for the system of internal control, but it can, and has, delegated authority to Board committees (the Finance & Audit sub-committee until December 2013 and the Audit Committee thereafter) to regularly review the effectiveness of many of the key elements of the control framework. The Board received four reports this year from the committees covering financial management and external and internal audit. 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.

Statement on Internal Control

**31 March 2014
(continued)**

The Audit Committee (previously 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 Audit Committee has received the formal positive assurances of the Senior Management Team with regard to the system of internal control operating within the company together with the annual reports 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**

**S Boyd
Chief Executive**

1 September 2014

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

We have audited the financial statements on pages 17 to 43. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 11, 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 and express an opinion on 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 of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

Opinion on 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 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the provisions of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and 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

Date:

Statement of Comprehensive Income

for the year ended 31 March 2014

	Note	2014 £'000	2013 Restated £'000
REVENUE	1	36,889	32,393
Operating expenses		(38,335)	(32,684)
LOSS FROM OPERATIONS	3	(1,446)	(291)
Finance costs	4	(586)	(430)
LOSS BEFORE TAXATION		(2,032)	(721)
Income Tax expense	6	(15)	(22)
LOSS FOR THE YEAR	14	(2,047)	(743)
OTHER COMPREHENSIVE INCOME/(EXPENDITURE), NET OF TAX			
Actuarial gains and losses on defined benefit obligations	17	7,975	(4,153)
TOTAL COMPREHENSIVE INCOME/(EXPENDITURE) FOR THE YEAR		5,928	(4,896)

The loss from operations for the year arises from the Company's continuing operations.

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

Statement of Changes in Equity

for the year ended 31 March 2014

	Note	Retained Earnings £'000
BALANCE AT 31 March 2012		(5,800)
Loss for the financial year to 31 March 2013 (as restated)	20	(743)
Actuarial loss relating to the pension scheme (as restated)	17/20	(4,153)
TOTAL COMPREHENSIVE EXPENDITURE FOR THE YEAR		(4,896)
BALANCE AT 31 March 2013	20	(10,696)
Loss for the financial year to 31 March 2014		(2,047)
Actuarial gain relating to the pension scheme	17	7,975
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		5,928
BALANCE AT 31 MARCH 2014		(4,768)

Balance Sheet

at 31 March 2014

	Note	2014 £'000	2013 £'000
ASSETS			
NON CURRENT ASSETS			
Property	8	1,695	1,695
Other non current financial assets	7	-	57
CURRENT ASSETS			
Inventories	9	94	80
Trade and other receivables	7/10	2,960	2,554
Cash and cash equivalents	7/15	3,987	3,966
Other current financial assets	7/12	57	114
TOTAL ASSETS		8,793	8,466
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	7/11	(5,676)	(4,605)
Current tax liabilities	6	(20)	(22)
Borrowings	7/12	(83)	(139)
		(5,779)	(4,766)
NON CURRENT LIABILITIES			
Borrowings	7/12	(668)	(752)
Retirement benefit net obligations	17	(7,114)	(13,644)
TOTAL LIABILITIES		(13,561)	(19,162)
NET LIABILITIES		(4,768)	(10,696)
EQUITY			
Retained earnings	14	(4,768)	(10,696)
TOTAL EQUITY		(4,768)	(10,696)

The financial statements on pages 17 to 43 were approved by the Board and authorised for issue on 1 September 2014 and are signed on their behalf by:

Dr AGC Lane

Chairman

SB Partridge

Chair of Audit Committee

Statement of Cash Flows

for the year ended 31 March 2014

	Note	2014 £'000	2013 £'000
OPERATING ACTIVITIES			
Cash used by operations	15	135	(114)
Interest paid	4	(31)	(32)
Corporation Tax paid		(17)	(82)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES		87	(228)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	8	(40)	7
Loans repaid	7	114	114
Interest received	4	-	1
NET CASH USED IN INVESTING ACTIVITIES		74	122
FINANCING ACTIVITIES			
Repayments of borrowings	12	(140)	(138)
NET CASH FROM FINANCING ACTIVITIES		(140)	(138)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		21	(244)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		3,966	4,210
CASH AND CASH EQUIVALENTS AT END OF YEAR	15	3,987	3,966

Significant Accounting Policies

31 March 2014

BASIS OF ACCOUNTING

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

GOING CONCERN

The accounts have been prepared on a going concern basis. The Strategic Report sets out the basis on which the directors have been able to make this assumption. This includes consideration of the trading activities of the company as well as the positive on going discussions with the parent with regard to the renewal of the Management Agreement.

REVENUE

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

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

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

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

PROPERTY

Housing properties are initially recorded at cost less any identified impairment loss until the first revaluation.

Completed properties are re-valued every 5 years at Existing Use Value (Social Housing). All amounts exceeding the previous value are credited to the revaluation reserve. Depreciation of these assets commences when the assets are ready for their intended use.

DEPRECIATION

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

Housing Properties

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

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

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

Significant Accounting Policies

31 March 2014
(continued)

DEPRECIATION (continued)

Housing Properties

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

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

IMPAIRMENT OF PROPERTY

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

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

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

INVESTMENT AND SHARED OWNERSHIP PROPERTIES

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

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

Revenue from the initial "tranche" sales of Shared Ownership properties is recognised as sales income.

Sales of subsequent tranches are recognised as the disposal of a non-current asset, with the profit or loss on disposal being charged or credited to the Income Statement.

GRANTS

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

Grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received. Capital grants relating to property, plant are deducted from the cost of the relevant non-current asset.

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

INVENTORIES (excluding Investment and Shared ownership properties)

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

LEASES

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

Significant Accounting Policies

31 March 2014

(continued)

LEASES (continued)

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

FINANCIAL INSTRUMENTS

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

Financial assets

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

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

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

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

Financial liabilities:

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

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

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

TAXATION

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

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

The tax expense represents the sum of the current tax expense and deferred tax expense.

DEFERRED TAXATION

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

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.

Significant Accounting Policies

31 March 2014

(continued)

DEFERRED TAXATION (continued)

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

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

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

PENSIONS

All permanent employees of the Company are entitled to join the “defined benefit” pension scheme, the West Midlands Metropolitan Authorities Pension Fund, which is administered by Wolverhampton City Council and provides members with defined benefits related to pay and service. During the year, the Company paid an employer’s contribution rate of 12.0% (2013: 12.0%) into the fund in addition to meeting all pension payments relating to added years benefits awarded during the year, together with any related increases.

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

The difference between the 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 Changes in Equity along with differences arising from experience or assumption (financial and demographic) changes.

IAS 19 “Employee Benefits” (revised/effective 2013) has been applied for the first time in these accounts. The revisions relate to the disclosure (and treatment) of administration costs and expected returns on fund assets and interest on liabilities. IAS19 requires actuarial gains and losses to be recognised immediately in other comprehensive income and the same discount rate to be applied to the defined benefit obligation and the plan assets. The comparative figures have been restated to reflect these changes through a prior year adjustment. The specific changes are set out in more detail in note 20 to these accounts. The changes did not affect the net pension liability reflected in the accounts for the year ended 31 March 2013.

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

STANDARDS ADOPTED EARLY BY THE COMPANY

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

Significant Accounting Policies

31 March 2014

(continued)

STANDARDS ISSUED AS AT 31 MARCH 2014 BUT NOT YET EFFECTIVE

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

IAS 16 Property, Plant and Equipment

IAS 24 Related Party Disclosures

IAS 36 Impairment of Assets - Amendment

IAS 39 Financial Instruments – Recognition and Measurement - Amendment

IFRS 7 Financial Instruments – Disclosure – Amendment; Offsetting Financial Assets and Financial Liabilities

IFRS 9 Financial Instruments (including Amendment issued 16 Dec 11 and 19 Nov 2013)

IFRS 13 Fair Value Measurement

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Company when the relevant standards and interpretations come into effect.

Areas of Judgement and Risk Management

31 March 2014

CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

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

The Strategic report set out on pages 4 to 9 of these accounts sets out a commentary on the current and future trading activities of the Company as well as the key risks underlying its operations. The evidence gathered in this exercise forms a key element of the Directors' assessment of whether SCH continues to be a going concern.

The only estimate (and related assumptions) that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities is considered to relate to the pension scheme. The detailed assumptions in this regard are set out in Note 17 to the accounts. Solihull Community Housing's ("SCH") parent, Solihull MBC confirms on an annual basis that they expect SCH to make best endeavours to maintain a fully funded scheme by complying with any guidance issued by the actuary with regard to contribution levels.

In considering whether the Company will be able to meet these future pension contributions, the Strategic Review set out on pages 4 to 9 of these accounts demonstrates the reasons why SCH expects to continue to make sufficient cash surpluses to do so.

FINANCIAL RISK MANAGEMENT

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

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

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

Monitoring exposure to financial risks forms a key part of SCH's overall risk management processes. The Statement on Internal Control set out on pages 12 to 15 of these accounts sets out a more detailed explanation of SCH's approach to the management of both financial and operational risk.

Liquidity Risk and Credit Risk

SCH's objective is to meet its liabilities as they fall due whilst maintaining sufficient funds to enable the Company to react to unexpected changes in market conditions.

The Company is largely dependent on its largest customer, Solihull MBC. The Capital and Revenue Management Fees and income from Service Level Agreements from SMBC represent 98% (2013: 99%) of SCH's income and are receivable monthly in advance. SCH is dependent on Management Fee income in order to maintain the necessary cash flow to operate effectively.

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

Areas of Judgement and Risk Management

31 March 2014

(continued)

Liquidity Risk and Credit Risk (continued)

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

Credit risk predominantly arises from trade receivables – of the Company's total 2014 financial assets, £2,820,000 (2013: £2,581,000) is owed to the Company by Solihull MBC and the Board therefore also consider that the likelihood of this risk arising is remote. The remainder are cash/cash equivalents and amounts due from third parties. Other trade receivables are limited in value.

SCH has joint banking arrangements with Solihull MBC but the Company's arrangements reflect its independence (e.g. a separate bank account, bank mandate and signatories).

SMBC carries out Treasury Management on behalf of SCH under a Service Level Agreement (SLA). Surplus funds for both SMBC and SCH are pooled and deposited overnight and on longer arrangements, under a formal agreement between the two parties. The resulting interest is credited to the Council's Housing Revenue Account (HRA), and thus supplements the Management Fee payable to SCH.

Interest rate risk

SCH's interest rate risk is limited to the following areas:

- The rate that the Housing Revenue Account (HRA) earns on its balances – which directly affects the management fee payable to SCH (see above).
- Solihull MBC's Consolidated Rate of Interest (CRI) on the loan to finance SCH's developments and Planned Preventative Maintenance programme

All the Company's 2014 and 2013 Financial Assets are non-interest bearing.

All the Company's 2014 and 2013 Trade and Other Payables are non-interest bearing. The interest rates applicable to the Company's 2014 and 2013 Borrowings are set out in Note 12 to these accounts, where these amounts are analysed by interest type.

Capital Management

The Company's main objective when managing capital is to ensure that it maintains sufficient capital to ensure that the Council's tenants continue to receive an excellent housing management service from the Company. The level of management fee agreed with the Council annually in respect of the Management Agreement and the Company's level of operating efficiency are the principal determinants of the level of equity that the Company is able to retain. As a company limited by guarantee, the only equity / capital of the Company is represented by its retained earnings reserves.

The Company's level of debt is not significant. "Net debt" is defined as including short and long-term borrowings (including overdrafts and lease obligations) net of cash and cash equivalents and represents net positive funds of £3,236,000 at 31 March 2014 (2013: £3,075,000).

The Company does not have any externally imposed capital requirements and has not made any changes to its capital management during the year.

NOTES TO THE FINANCIAL STATEMENTS**for the year ended 31 March 2014****1. REVENUE**

Revenue is generated wholly in the United Kingdom and derived from the Company's principal activity of housing management, including rental of properties.

2. SEGMENT INFORMATION

IFRS8 requires the provision of segmental information for the Company on the basis of information reported internally to the chief operating decision-maker for decision-making purposes. The Company considers that the role of chief operating decision-maker is performed by the Company's Board of Directors and all results are reported as a single segment.

3. LOSS FROM OPERATIONS

Profit/(loss) from operations is stated after charging:

	2014	2013
	£'000	£'000
Inventories		
- cost of inventory recognised as an expense	1,193	1,073
- amounts written off	2	6
Depreciation of owned property, plant and equipment	40	39
Auditor's fees:		
- On audit services	25	22
- On taxation	4	3
- For other services	2	-
Rentals under operating leases	356	364

The following table analyses the nature of expenses:

		2014	2013
		£'000	£'000
Staff costs (as restated)	5	11,785	11,427
Depreciation, amortisation and impairments	8	40	39
Property works		21,479	16,870
Housing Management and Maintenance		3,296	2,942
Finance		614	517
Corporate Services		1,121	889
Total expenditure		<u>38,335</u>	<u>32,684</u>

4. FINANCE COSTS

		2014	2013
		£'000	£'000
Interest on net pension liability (as restated)	17	(555)	(399)
Prudential borrowing interest		(31)	(32)
Other interest receivable		-	1
		<u>(586)</u>	<u>(430)</u>

NOTES TO THE FINANCIAL STATEMENTS**for the year ended 31 March 2014****(continued)****5. STAFF COSTS**

The average monthly number of persons employed by the Company during the year was:

	2014	2013
Executive Management Team	4	4
Housing Management and Maintenance	219	211
Finance	23	26
Corporate Services	54	65
	300	306
	300	306

Staff costs, including directors:

	2014	2013
	£'000	£'000
Wages and salaries	8,540	8,654
Agency costs	824	740
Social security costs	651	655
Other pension costs (as restated)	1,770	1,338
Modernisation and redundancy costs	-	40
	11,785	11,427
	11,785	11,427

Remuneration of key management personnel

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

	2014	2013
	£'000	£'000
Short term employee benefits	441	442
Post employment benefits	90	70
	531	512
	531	512

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
for the year ended 31 March 2014
(continued)

6. INCOME TAX EXPENSE	2014	2013
ANALYSIS OF CHARGE IN YEAR	£'000	£'000
Current Tax:		
UK – Current tax	20	22
Adjustment in respect of prior year	(5)	-
	<u>15</u>	<u>22</u>
Current tax reconciliation:	2014	2013
	£'000	restated
		£'000
Loss before tax	(2,032)	(721)
Depreciation	40	39
IAS19 adjustments:		
- Other finance income / (costs)	555	399
- Past and present service costs	1,732	1,347
	<u>295</u>	<u>1,064</u>
Tax at the standard rate of corporation tax 20% (2013: 20%)	59	213
Marginal relief	-	-
Effect of non-trading activities with member not subject to corporation tax	(39)	(191)
	<u>20</u>	<u>22</u>

Where the Company has income related to trading outside of the council, this is taxable. During the reporting year income from the ownership and management of the company's own developments was subject to Corporation Tax. A taxable profit of £ 99,000 (2013: £106,000) arose in the year and is reflected in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2014
(continued)

7. FINANCIAL INSTRUMENTS

		2014	2013
		£'000	£'000
Assets at fair value:			
Non-current financial assets			
Loan to SMBC (low-energy lighting)		-	57
Current financial assets			
Loan to SMBC (low-energy lighting)		57	114
Trade and other receivables	10	2,960	2,554
Cash and cash equivalents	15	3,987	3,966
Total loans and receivables		7,004	6,691
Liabilities at fair value:			
Current financial liabilities			
Trade and other payables	11	5,676	4,605
Borrowings	12	83	139
		5,759	4,744
Non-current financial liabilities			
Borrowings	12	668	752
Total other financial liabilities		6,427	5,496

MATURITY ANALYSIS

Financial Assets

The table below analyses the Company's financial assets which are considered to be readily saleable or are expected to generate cash inflows to meet cash outflows on financial liabilities.

		2014	2013
		£'000	£'000
Within 6 Months			
Loan to SMBC (low-energy lighting)		57	57
Trade and other receivables	10	2,960	2,554
Cash and cash equivalents	15	3,987	3,966
6 Months to 1 Year			
Loan to SMBC (low-energy lighting)		-	57
1 to 5 Years			
Loan to SMBC (low-energy lighting)		-	57
Total		7,004	6,691

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

(continued)

7. FINANCIAL INSTRUMENTS (continued)Financial Liabilities

The table below analyses the Company's financial liabilities on a contractual gross undiscounted cash flow basis into maturity groupings based on amounts outstanding at 31 March 2014 up to the contractual maturity date:

		2014	2013
		£'000	£'000
Within 6 Months			
Trade and other payables	11	5,676	4,605
Borrowings	12	57	57
6 Months to 1 Year			
Borrowings	12	26	82
1 to 5 Years			
Borrowings	12	668	752
Total		<u>6,427</u>	<u>5,496</u>

The Company would normally expect that sufficient cash is generated in the operating cycle to meet the contractual cash flows as disclosed above through effective cash management

8. PROPERTY

	Freehold Land	Completed Properties available for letting		Total
		Rented	Shared Ownership	
	£'000	£'000	£'000	£'000
Cost:				
At 1 April 2012	631	1,767	184	2,582
Additions	-	-	(7)	(7)
At 31 March 2013	<u>631</u>	<u>1,767</u>	<u>177</u>	<u>2,575</u>
Additions	-	40	-	40
At 31 March 2014	<u>631</u>	<u>1,807</u>	<u>177</u>	<u>2,615</u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2014
(continued)

8. PROPERTY (continued)

	Freehold Land	Completed Properties available for letting		Total
	£'000	Rented £'000	Shared Ownership £'000	£'000
Capital Grants				
At 1 April 2012	-	(742)	(39)	(781)
At 31 March 2013	-	(742)	(39)	(781)
At 31 March 2014	-	(742)	(39)	(781)
Accumulated depreciation and any recognised impairment losses:				
At 1 April 2012	-	(51)	(9)	(60)
Charged in the year	-	(34)	(5)	(39)
At 31 March 2013	-	(85)	(14)	(99)
Charged in the year	-	(35)	(5)	(40)
At 31 March 2014	-	(120)	(19)	(139)
Net book value:				
At 31 March 2014	631	945	119	1,695
At 31 March 2013	631	940	124	1,695
At 31 March 2012	631	974	136	1,741

The depreciation expense of £40,000 (2013: £39,000) has been charged to operating expenses within the Income Statement.

9. INVENTORIES

	2014 £'000	2013 £'000
Raw materials and consumables	94	80
	94	80

Raw materials and consumables set out above are carried at the lower of cost and net realisable value. The replacement cost of the above stocks would not be significantly different from the values stated.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2014
(continued)

10. TRADE AND OTHER RECEIVABLES

	2014	2013
	£'000	£'000
Trade receivables	2,766	2,415
Other receivables	194	139
	<u>2,960</u>	<u>2,554</u>

The average credit period taken on provision of services is 10 days (2013: 6 days).

An allowance has been made for estimated irrecoverables of £27,000 (2013: £44,000). This allowance has been based on the knowledge of the financial circumstances of individual customers at year-end.

The following table provides an analysis of trade and other receivables that were past due at 31 March but not impaired. The Company believes that these balances are ultimately recoverable based on a review of past payment history and the current financial status of the customers.

	2014	2013
	£'000	£'000
Up to 3 months	1	-
	<u>1</u>	<u>-</u>

	2014	2013
	£'000	£'000
The movement in the allowance account was as follows:		
Opening balance as at 1 April	44	52
Provision for receivables impairment	6	17
Receivables written off during the year	(19)	(17)
Unused amounts reversed	(4)	(8)
Closing balance as at 31 March	<u>27</u>	<u>44</u>

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

(continued)

11. TRADE AND OTHER PAYABLES

	2014	2013
	£'000	£'000
Amounts payable relating to invoiced amounts	2,878	1,301
Accruals and deferred income	1,826	2,757
Other tax and social security	562	177
Other creditors	410	370
	<u>5,676</u>	<u>4,605</u>

All trade and other payables fall due within less than 12 months.

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 16 days (2013: 16 days).

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

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

12. BORROWINGS

	Notes	2014	2013
		£'000	£'000
<u>Less than 1 year</u>			
Interest free loan from Salix	a	57	114
Prudential borrowing from SMBC	b	26	25
		<u>83</u>	<u>139</u>
<u>Greater than 1 year</u>			
Interest free loan from Salix	a	-	58
Prudential borrowing from SMBC	b	668	694
		<u>668</u>	<u>752</u>
		<u>751</u>	<u>891</u>

Interest Rate Summary

	2014	2013
	£'000	£'000
Non-interest bearing	57	172
Floating rate	694	719
	<u>751</u>	<u>891</u>

NOTES TO THE FINANCIAL STATEMENTS**for the year ended 31 March 2014****(continued)****12. BORROWINGS (continued)**

Loan details are as follows:

- a) Interest-free loan from Salix Finance Ltd under the Energy Efficiency Loan Scheme – £57,000 (2013: £172,000). This is repayable by equal instalments, with the last instalment falling due in 2014.
- b) Loan from Solihull MBC to finance SCH's development of properties for rent and shared ownership - £694,000 (2013: £719,000). This is a floating rate loan repayable over 22 years. Interest is charged at the Council's Consolidated rate of Interest (CRI). The loan is secured on the developed properties.

13. COMPANY LIMITED BY GUARANTEE

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

14. RESERVES

	2014	2013
	£'000	£'000
Retained Earnings		
At 1 April	(10,696)	(5,800)
Loss for the year	(2,047)	(743)
Actuarial gain/(loss)	7,975	(4,153)
At 31 March	(4,768)	(10,696)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2014
(continued)

15. CASHFLOWS	2014	2013
	£'000	£'000
Reconciliation of operating loss to net cash inflow / (outflow) from operating activities:		
Operating loss before tax	(1,446)	(238)
Depreciation and amortisation	40	39
Pension contributions paid in period	(864)	(847)
Pension contributions charged in the period	1,754	1,315
Decrease in inventories	(14)	19
(Increase) in debtors	(406)	(1,463)
Increase in creditors	1,071	1,061
Net cash inflow/(outflow) from operating activities	<u>135</u>	<u>(114)</u>

CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent:	2014	2013
	£'000	£'000
Cash at bank and in hand	3,987	3,966
	<u>3,987</u>	<u>3,966</u>

16. COMMITMENTS UNDER OPERATING LEASES

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

	Land and buildings	Land and buildings	Plant and machinery	Plant and machinery
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Total value of lease commitments				
Expiry of lease:				
Within 1 year	87	78	130	254
Between 2-5 years	-	49	17	119
After 5 years	-	-	-	1
	<u>87</u>	<u>127</u>	<u>147</u>	<u>374</u>

Operating lease payments represent rentals payable by the Company for office premises and equipment. £Nil (2013: £9,000) of the leases for land and buildings relates to a lease expiring after 1 year, with the remaining £Nil (2013: £118,000) relating to a lease expiring after 2 years. Rentals on both leases are fixed throughout the term of the lease. Rentals for plant and equipment are fixed for an average of 3 years

NOTES TO THE FINANCIAL STATEMENTS**for the year ended 31 March 2014****(continued)****17. RETIREMENT BENEFIT OBLIGATIONS**

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out as at 31 March 2014 for the purposes of the IAS 19 valuation for inclusion in these financial statements prepared by a registered actuary engaged by Mercer Limited. The present values of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

	2014	2013
	%	%
Key assumptions used:		
Discount rate	4.5	4.2
Future salary increases	4.2	4.2
Future pension increases	2.4	2.4

Mortality rate assumptions are based on publicly available data in the UK.

The average life expectancy for a pensioner retiring at 65 on the reporting date is:

	2014	2013
Male	88	87
Female	91	90

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

	2014	2013
Male	90	89
Female	93	92

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

	Change in Assumption	Overall Impact on Liability
Discount rate	Increase by 0.1 %	Decreased £1,005,000
Salary growth rate	Increase by 0.1 %	Increased £313,000
Rate of mortality	Increase by 1 year	Increased £909,000

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

	2014	2013
	£'000	restated £'000
Current service cost	1,732	1,347
Net interest on liability	555	399
Administration cost	22	21
Curtailments	-	-
Total operating charge	<u>2,309</u>	<u>1,767</u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2014
(continued)

17. RETIREMENT BENEFIT OBLIGATIONS (continued)

Of the charge for the year: £1,754,000 has been charged to operating costs (2013: £1,368,000)
£ 555,000 has been charged to finance costs (2013:£399,000)

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

Gain recognised in 2014 was £7,975,000 (2013: loss of £4,153,000)

Cumulative expense is £6,080,000 (2013: £14,055,000)

The actual return on scheme assets was £ 1,302,000 (2013: £4,606,000)

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

	2014	2013
	£'000	£'000
Fair value of scheme assets	43,821	42,151
Present value of defined benefit contributions	(50,935)	(55,795)
Liability recognised in the Balance Sheet	(7,114)	(13,644)

	2014	2013
	£'000	£'000
Analysis for reporting purposes:		
Non-current assets	12,257	12,646
Current assets	31,564	29,505
Current and non-current liabilities	(50,935)	(55,795)
	(7,114)	(13,644)

	2014	2013
	£'000	restated £'000
Movements in the present value of defined benefit obligations in the current period:		
at 1 April	55,795	45,583
Current service cost including curtailments	1,732	1,347
Interest cost	2,341	2,226
Actuarial (gains)/losses	(8,814)	6,932
Contributions by plan participants	473	466
Benefits paid	(592)	(759)
at 31 March	50,935	55,795

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

(continued)

17. RETIREMENT BENEFIT OBLIGATIONS (continued)

Movement in the fair value of scheme assets in the current period:	2014	2013
	£'000	restated
		£'000
at 1 April	42,151	37,012
Expected return on scheme assets	1,786	1,827
Actuarial (losses)/gains	(839)	2,779
Administration expenses	(22)	(21)
Employer contributions	864	847
Employee contributions	473	466
Benefits paid	(592)	(759)
at 31 March	<u>43,821</u>	<u>42,151</u>

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

	Expected return		Fair value of assets	
	%	%	£'000	£'000
	2014	2013 Restated	2014	2013
Equity instruments	7.0	7.0	25,513	23,360
Debt instruments	3.9	3.4	8,309	8,506
Property	6.2	5.7	3,948	3,600
Alternatives	7.0	7.0	4,868	5,290
Cash	0.5	0.5	1,183	1,395
	<u>6.1</u>	<u>6.0</u>	<u>43,821</u>	<u>42,151</u>

The expected rates of return on categories of plan assets are determined by reference to relevant indices. The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

The five year history of experience adjustments are as follows:

	2014	2013	2012	2011	2010
	£'000	£'000	£'000	£'000	£'000
Fair value of plan assets at 31 March	43,821	42,151	37,012	34,927	30,710
Present value of defined obligation at 31 March	(50,935)	(55,795)	(45,583)	(39,805)	(40,794)
Deficit in the plan	<u>(7,114)</u>	<u>(13,644)</u>	<u>(8,571)</u>	<u>(4,878)</u>	<u>(10,084)</u>
Re-measurement on Assets	(839)	2,779	(1,600)	1,245	5,623
Experience adjustments arising on plan liabilities	(3505)	-	-	541	-
(Gain)/Loss on financial assumptions	(5,687)	6,329	-	-	-
Loss on demographic assumptions	378	603	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2014
(continued)

17. RETIREMENT BENEFIT OBLIGATIONS (continued)

The estimated amounts of contributions expected to be paid to the scheme during the financial year ending 31 March 2015 is £1,081,000 .

The Company implemented the revised standard IAS19 in preparing the accounts for the financial year ended 31 March 2014. This resulted in an additional charge to the accounts relating to the prior year ended 31 March 2013, which has been dealt with as a prior year adjustment as detailed in note 20.

18. RELATED PARTY TRANSACTIONS

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

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

	2014	2013
	£'000	£'000
During the year the company:		
- supplied goods and services to SMBC	36,327	32,081
- purchased goods and services from SMBC	2,789	1,887
At 31 March		
- included in year-end Debtors owed by SMBC	2,820	2,581
- included in year-end Creditors owing to SMBC	(1,480)	(1,384)
- Net balance due from SMBC	<u>(1,340)</u>	<u>(1,197)</u>

Netted off within the supply of goods and services to SMBC is the sum of £1,000,000 which represents a contribution by SCH to SMBC towards the developments of new stock for letting.

Included in the above figures is a loan from SMBC to fund SCH's own development of properties for rent and shared ownership. Further details are set out in note 12. The loan is secured against the assets that it was used to develop. As at 31 March 2014 the balance outstanding was £ 694,000 (2013: £719,000).

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

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

19. CAPITAL COMMITMENTS

At 31 March 2014 the Company had no capital expenditure commitments (2013: £nil)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2014
(continued)

20. IAS 19 RESTATEMENT OF THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2013

Statement of Comprehensive Income
for the year ended 31 March 2013

	Note	2013 £'000	Application IAS 19 £'000	2013 Restated £'000
REVENUE	1	32,393	-	32,393
Operating expenses		(32,631)	(53)	(32,684)
LOSS FROM OPERATIONS	3	(238)	(53)	(291)
Finance costs	4	(42)	(388)	(430)
LOSS BEFORE TAXATION		(280)	(441)	(721)
Income Tax expense	6	(22)	-	(22)
LOSS FOR THE YEAR	14	(302)	(441)	(743)
OTHER COMPREHENSIVE EXPENDITURE, NET OF TAX				
Actuarial losses on defined benefit obligations	17	(4,594)	441	(4,153)
TOTAL COMPREHENSIVE EXPENDITURE FOR THE YEAR		(4,896)	-	(4,896)

Statement of Changes in Equity
for the year ended 31 March 2013

	Note	Retained Earnings £'000	Application IAS 19 £'000	Retained Earnings Restated £'000
BALANCE AT 31 March 2012		(5,800)	-	(5,800)
Loss for the financial year to 31 March 2013		(302)	(441)	(743)
Actuarial loss relating to the pension scheme	17	(4,594)	441	(4,153)
TOTAL COMPREHENSIVE EXPENDITURE FOR THE YEAR		(4,896)	-	(4,896)
BALANCE AT 31 MARCH 2013		(10,696)	-	(10,696)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2014
(continued)

20. IAS 19 RESTATEMENT OF THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2013 (continued)

Adjustments relating to the implementation of IAS19 (revised 2013)

	Reported 2013 £'000	Restatement £'000	Restated 2013 £'000
Statement of Comprehensive Income			
Cost of Service			
Current service cost	1,315	32	1,347
Administration costs in relation to assets	-	21	21
Financing and investment income and expenditure			
Interest cost on liability	2,258	(2,258)	-
Expected return on scheme asset	(2,247)	2,247	-
Net interest cost	-	399	399
	<u>1,326</u>	<u>441</u>	<u>1,767</u>
Actuarial gains and losses on defined benefit obligations			
Actuarial losses	4,594	(441)	4,153
Total Post Employment Benefit charged to the Statement of Comprehensive Income	<u>5,920</u>	<u>-</u>	<u>5,920</u>

IAS 19 "Employee Benefits" (revised 2013) has been applied for the first time in these accounts. The revisions relate to the disclosure of (and treatment of) administration costs and expected returns on final assets and interest on liabilities. IAS19 requires actuarial gains and losses to be recognised immediately in other comprehensive income and the same discount rate to be applied to the defined benefit obligation and the plan assets. The comparative figures have been restated to reflect these changes through a prior year adjustment. The changes did not affect the net pension liability reflected in the accounts for the year ended 31 March 2013.