



Solihull Community Housing Limited

Company Limited by Guarantee

FINANCIAL STATEMENTS

For the year ended

31 March 2013

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Officers and Professional Advisers

Directors ("the Board")	W A M Blackburn P A Brandum (resigned 5 September 2012) M Corser (appointed 22 May 2012, resigned 5 June 2013) D H J Dixon N A Grace (resigned 15 October 2012) S Gomm (resigned 5 June 2013) H R Hendry (resigned 22 May 2012) M Hewings (appointed 22 May 2012, resigned 5 June 2013) C J Horrocks C Iddles (resigned 23 January 2013) Dr A G C Lane A M Mackiewicz B Maynard S B Partridge J Potts S Rose (resigned 22 May 2012) 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	K A Preece
Registered office	Endeavour House Meriden Drive Solihull B37 6BX
Registered number	04462630
Auditors	Baker Tilly UK Audit LLP Chartered Accountants St Philips Point Temple Row Birmingham B2 5AF
Bankers	Barclays Bank plc Corporate Business Centre PO Box 333 15 Colmore Row Birmingham B3 2WN

Chairman's Statement

31 March 2013

Our vision continues to be to 'put our customers first, to be forward thinking and pursue opportunities for growth'.

We're aiming to achieve these goals now that we are no longer constrained by the Housing Subsidy system. We expect to be able to use new funds to improve the number and quality of our homes, and by offering various types of support during the continuing difficult economic environment.

Following on from the Decent Homes programme, we have recently started 'our new improvement programme. This is called "Great Places" which we are expecting to complete in 10 years rather than the original estimate of 15 years. We have given 43 low-rise buildings plus 525 houses and bungalows a substantial facelift, the beginning of transforming your neighbourhoods. The response from residents so far has been very positive. As well as improved common areas and external landscaping, these low-rise buildings now have new door entry security systems, purpose-built recycling and refuse areas.

The residents of our high-rise buildings are at the start of a massive programme of improvements due to be completed before March 2015. Solihull will be the beneficiary of the largest "ECO" scheme in the country which has been funded by British Gas who will refurbish 37 accommodation towers with an insulating "overcoat". In addition we will replace the inefficient and expensive space and water heating systems in 28 accommodation towers with new "green" biomass technology to provide cheaper hot water and heating. The expected savings in utility bills should help to make a difference to available incomes for all tenants living in high rise accommodation. During 2012 we piloted the processes and technology on Clare and Pembroke Houses. The completed towers have become a real beacon of regeneration in north Solihull.

The demand for homes in Solihull has not reduced during the past year, and we continue to work in various ways to address this demand. The re-invigorated Right to Buy scheme announced by Government in early 2012 has seen an increase in the number of sales from around 10 a year to 34 during 2012/13. Unfortunately this means fewer homes are available to let, and because the discounts given to buyers have increased, we are not seeing any additional income to fund new homes across the wider Solihull area.

However we do have planning consent on 4 sites. These will deliver a total of 46 homes during 2013/14 and 2014/15. We started on site on the first of these developments in February 2013 and 2 more sites will follow before autumn 2013. We have also been successful in developing contacts with building contractors who have unused grant allocation. This means we can now access affordable housing grant from the Homes & Communities Agency on all of these sites. This has brought in an additional £700k of funding that we hope will enable us to deliver another small scheme later.

We are continuing to consider other schemes, although we continue to face the challenge of securing suitable land and planning approvals. Our small buy-back scheme resulted in the purchase of 8 properties of varying sizes based on the acquisition strategy agreed in 2012. All of these homes have already been returned to rental usage to the benefit of tenants. We also have planning permission to convert 2 areas of unused office space back into flats, which will take place during 2013/14.

Although waiting list numbers have stabilised, we have seen increasing demands on our homelessness service during the year. We are finding it difficult to prevent homelessness by directing those in need towards the private rented sector or financial help. The proportion of households presenting themselves as homeless has increased from 20% to 28%. This places a real strain on everyone as we only have about 900 properties annually becoming vacant and available for a new tenant to move into. This also means that our use of budget hotels as a temporary solution is increasing – we'd love to avoid this if only we had more homes to allocate.

Chairman's Statement

31 March 2013
(continued)

The difficult economic climate has meant that our money advice team have helped twice as many households this year compared to last year; many more have been referred to the local Citizens Advice Bureaux. We are delighted to acknowledge the lowest ever arrears figures at the end of the year. Welfare Reform begins in earnest in April 2014 and we believe that the arrangements now in place to support those affected by the changes mean that we are as well prepared as possible.

Our vision to 'put our customers first' is demonstrated in various other ways too. For example we have continued with last year's initiative to fit 'sure stop' devices that helps older and more vulnerable tenants to disconnect their water at the flick of a switch when there is a leak. This year we have begun to distribute "Child Safety Packs" to families with children. These include child-proof plug socket covers, worktop and door corner protectors.

Additional fire prevention measures have been installed in all the high-rise accommodation and we have recently started installation in our low-rise accommodation. We have worked extensively with West Midlands Fire Service (WMFS) during this programme. We received some good publicity in the local newspapers about our offer to WMFS of two high-rise towers that were scheduled for demolition to enable an ambitious extensive fire training exercise. This training exercise was judged invaluable to all concerned, and helped enormously to practice containing a fire without injury and to minimise damage when such an incident occurred for real in Spring 2013.

We have been able to deliver a small operating surplus again this year although we had set a very tight budget during the year. We also agreed a new 3-year Value for Money strategy, but delivery against our targets continues to rely on the commitment of SCH staff to delivering the highest level of service to SCH tenants and leaseholders. As part of our ongoing efficiency drive we have been working with the Council to maximise benefits from sharing services – and have recently agreed to share our front-line face-to-face service with effect from July 2013.

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 to make Solihull an even better place to live.

Dr AGC Lane
Chairman
9 October 2013

Report of the Directors

31 March 2013

The directors present their report and the audited financial statements for the year ended 31 March 2013.

Principal Activities

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

Business review and future developments

We may have thought that the previous two years were ones of real change, but over the year it has become clear that actually delivering in the new world will be a real challenge. Self-financing has meant that the Housing Revenue Account ("HRA") (and therefore our total available funds) is significantly better off than it was before – opening the door to a really wide ranging programme of capital improvements and increased expectations of when they will be delivered. The economic position of our tenants however is not improving – unemployment in the region continues to be high, wages for those in work have seen little or no increase over the last 2-3 years as the cost of living continues to rise and for those not in work the spectre of benefit changes through welfare reform starting in 2013/14 looms large. Set all of this against the backdrop of public sector austerity and cuts and the resulting drive by our parent, Solihull MBC, to deliver significant revenue savings and the expectation that we will share in this and we still face real challenges to deliver against our vision to "Put our customers first, be forward thinking and pursue opportunities for growth".

We continue to work closely with the Council across all areas and remain keen advocates of the view that all of the residents of Solihull (not just the tenants that we serve) can gain from an effective collaborative approach. We continue to work with the Council across all areas to help them to achieve their wider objectives as well as more directly in delivering services that are outside of the core housing management contract such as adaptations for disabled residents and alarm monitoring services for vulnerable people.

Last year, we launched our new vision "Put our customers first, be forward thinking and pursue opportunities for growth" at our staff conference. This year, the Board and our staff have been working to develop the key threads of our new 5-year Business Plan, which we eventually approved in January 2013. We engaged staff through a series of interactive workshops that saw every member of staff make their contribution to the development of 4 key strands; 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 will be looking to grow SCH as a business as well as supporting the council wherever we can. The annual service development plan reflects these strands and shows 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 – one that has been forged in the challenging economic environment that we find ourselves operating in now.

Having completed our Decent Homes programme during 2011/12, our attention has really turned to the task of improving the external environment for our properties, including the communal areas of our flatted accommodation. We have called this "Decent Homes for the outside" and our delivery is encapsulated in the 10-year Enveloping programme that we embarked on during the current year. We have made a really solid start to what was a new venture for us and delivered a full make-over to 43 low rises and 525 houses and bungalows during the year. Customer satisfaction with the finished product has been good and when you walk the areas where work has been done, you can really see the difference.

We continue to be concerned about the rising cost to our tenants of heating and are determined to make a difference here too. Although the Decent Homes programme replaced many of our heating systems, we still had around 1,450 properties (low-rise flats, houses and bungalows) with old and inefficient heating systems. The first year of our programme to replace these systems saw 420 homes benefit with the rest to follow over the next 2-3 years. And for all tenants, we continue to promote EBICo, which is an ethical fuel provider that has no standing charges.

Our 37 high-rises are a different story – they are poorly insulated, have very inefficient heating systems and old badly fitting windows – tackling this would require a substantial part of our available capital funding to really make a difference for these tenants. The Government's new Green Deal and in particular the ECO

Report of the Directors

31 March 2013
(continued)

("Energy Company Obligation") funding stream is one way that will help us to do this much more quickly than we would have done previously. During the year, we successfully delivered a scheme to overclad 2 adjoining blocks and install a new bio-mass system (using wood pellets to generate power) that will provide cheaper and more manageable heating and hot water throughout. A substantial element of the work was funded by British Gas as part of their ECO obligation and by the end of the year we had agreed a contract with them for a nominal cost to overclad the remaining 35 blocks over a two year period starting in June 2013. British Gas sees Solihull as a key partner to deliver their ECO obligations and we are continuing to work with them on a heating solution for the 35 blocks.

Right at the end of 2011/12 the Government re-launched the Right to Buy scheme that is open to all social housing tenants – increasing the maximum available discount in Solihull from £26,000 to £75,000. This has increased the number of applications that we have received over the year from 46 in 2011/12 to 107 in 2012/13. We completed 34 sales during the year compared with 11 last year – although the increased discounts meant that our average sales value at £53,500 is £24,000 less than in 2011/12. 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, particularly as the properties sold are predominantly family houses. In re-launching the scheme, we were promised that any additional income could be retained locally to support new build – the arrangements for this are very complex and to date Solihull has not generated any additional sales income that can be used in this way.

Increasing our stock is one of the key strands of the Asset Management strategy that we agreed during 2011/12 – we are tackling this through a combination of acquisition, development and conversion and we saw progress on all 3 fronts during the year. We agreed a range of criteria with the Council during the year for deciding whether to purchase a property or not. We completed the purchase of 8 properties during the year including a much-needed 5-bed house that was tenanted almost immediately by a very appreciative family of 10. We have also obtained planning permission to convert 2 unused office spaces located in high-rises back into 4 flats – we plan to complete the actual conversion early in 2013/14.

On the development front, we now have plans ready to deliver 41 new properties on 3 sites during 2013/14. We had already secured HCA grant of £304k in our own right for an 11 house site in Balsall Common but our construction partners are now bringing a total of £600k developer grant to the other two schemes. We started site clearance on the site in Balsall Common in February and will start both of the other schemes before the end of September 2013. Because each of these schemes will be benefitting from HCA grant, the properties (which will all become part of the main council stock) will all be let at Affordable rent rather than social rent – we expect this to equate to something around 70% of market rent to be broadly consistent with the rents charged by the Housing Associations operating within the borough.

The number of households on our waiting list at the end of the year has not changed a great deal compared with last year – standing at 16,408, we still have a massive challenge ahead of us to make any impression on this list. We completed 856 re-lets during the year – although this is more than last year, at 7.9% of our stock this is not making any impression on the waiting list as less than half are going to new applicants. The number of homeless acceptances has remained high – up to 409 in the year out of 1,435 applications – this means that we accepted 28% of applicants compared with 20% last year. Although we now accept budget hotels as one of our tools to meet short term homeless need, we still see the 5,000 nights spent in it by 185 households as a failure to some degree. Our options to help any applicants homeless or otherwise also seems to be reducing as private landlords are becoming increasingly unwilling to take tenants on benefits – we believe this is in light of the impending welfare reform changes. Pressure on our voids team to turn properties around more quickly continues (not least because numbers have increased), however the need to complete more extensive fire prevention works to meet our lettable standard has seen us fail to meet our stretching target of 17 days by some 5 days – we were however seeing improvements in this by the end of the year.

However our wider homelessness service is continuing to prevent homelessness where it can – 280 cases this year (414 last year) and although some avenues of funding have closed down for us, we were delighted to be able to agree another 2-year funding envelope with the Council that will take us through to 2015. This will actually see us able to maintain the staffing levels that we had to deliver the extended service and hence offer that more rounded response for those that most need our support.

Report of the Directors

31 March 2013
(continued)

The deepening gloom in the economy continues to hit our tenants hard – even those that are in work. Our Money advice team has helped 335 cases this year compared with 150 cases in 2011/12 – although we know that we have increased the level of publicity that we give to this service, it does not disguise the fact that the number of tenants who need to talk about financial problems has more than doubled. Despite this, we continue to buck the trend with our arrears outturn – we posted our best ever performance at £945k (reduced by £61k from last year) and we collected 98.3% of the total rent roll.

“Put our customers first...” encapsulates our commitment to working with our customers to ensure that we deliver the service that they expect and deserve. Once again we retained the Government’s Customer Services Excellence award as well as accreditation with the Customer Contact Association. Our “local offer” this year saw us provide “Child Safety packs” to 243 families with children and we have continued to install “sure stops” that enable some of our elderly and more vulnerable tenants to turn off their water from a switch above their kitchen worktop.

Continuous service improvement still underpins everything that we do – and we still monitor service delivery rigorously. We continue to improve the engagement of tenants through the Forum and Scrutiny Panel as well as staff at all levels in the development of our Service Improvement Plan. Formal scrutiny of our performance now sits with our Tenant Scrutiny Panel that meets formally quarterly and more regularly between meetings to follow up on areas of concern with service heads. 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 as their “eyes and ears” to what is happening on the ground. We have continued to improve our complaints handling in terms of the speed of our response and most importantly the quality of our responses – the Tenant Scrutiny Panel has been showing a keen interest in the lessons learned from both complaints and compliments. Once again the Tenants Forum worked with our staff to publish our third performance report against the Tenant Services Authority standards.

Unfortunate events in other parts of the country have shown that the work that we did last year to develop our extensive fire safety policy was well-founded – we have completed fire-risk assessments in all of our high-rises where the risks are highest and carried out a wide range of remedial works including fire-stopping and door seals. Our programme to risk assess all low-rises is progressing to plan and we have worked with residents to ensure that all communal areas are clear of hazards – this has been a difficult discussion in some high-rises as residents have worked hard to create a homely atmosphere in the communal areas.

We have started to see some improved outcomes from our combined team providing services to the elderly and vulnerable – we were especially pleased that we were finally able to agree the launch in April 2013 of the more flexible alarm monitoring service to replace the rigid one-size fits all approach that we had previously. We have continued to work to improve the response time for adaptations, however the implementation of new guidance on the classification of works into critical and non-critical (the FACS criteria) has meant that we have not seen the step change that we would have liked despite the extensive process review that we have undertaken during the year.

We have been working with the Council towards the expectations around efficiency and financial savings and streamlining customer contact across council services that were set out in our latest Management Agreement. Over the year, we have worked with the Council in a review of the way in which we manage initial face to face contact with customers at our area offices. Responsibility for the delivery of this service has always been split between the Council and ourselves – after a lengthy review, we have agreed that the Council Connect service will take over delivery in both parts of the borough from the summer of 2013. This means that we should be able to focus more of our face-to-face contact on the more detailed concerns of tenants, although our Contact Centre will continue to take calls across all areas from all of our customers as well as the tenants of Family Housing as we successfully retained their contract during the year.

Pressure to make significant and ongoing efficiency cuts at the Council is continuing to impact on SCH and we are expected to demonstrate a high level of efficiencies within our own revenue budgets. In sharing the Council’s pain, we have frozen our base management fee in 2013/14 for the second year running and created £978k of efficiency savings (5.6% of the 2012/13 base budget) building on the 8% savings generated through the 2012/13 budget round. We have been able to refocus some of these savings into new activities supporting the implementation of welfare reform during the forthcoming year as well as some of the additional costs of supporting our fire safety policy. This level of saving has only been possible

Report of the Directors

31 March 2013

(continued)

because of the way in which we have embedded the principles of value for money and efficiency throughout the organisation.

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 - delivering an operating surplus – albeit a smaller one than last year – that we will be able to use to meet future needs including stock growth. This year we have reported efficiency savings of £1.2m (we also sustained the £1.9m of cashable savings delivered last year) - this included £0.7m savings on the £12m 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.

Financial performance (excluding the impact of IAS19 and before taxation) during the financial year against budget and the previous year can be summarised as follows:

	2012/13 Actual £'000	2012/13 Budget £'000	2011/12 Actual £'000
Revenue			
Income	19,488	17,535	20,742
Expenditure	(19,289)	(17,635)	(19,556)
Surplus	199	(100)	1,186
Capital			
Income	12,905	13,597	9,690
Expenditure	(12,905)	(13,597)	(9,690)
Surplus	0	0	0
Combined			
Income	32,393	31,132	30,432
Expenditure	(32,194)	(31,232)	(29,246)
Operating surplus/(deficit)	199	(100)	1,186
Corporation tax	(22)	0	(82)
Contribution to Capital from Reserves	-	-	(461)
Pension Adjustments	(479)	0	(301)
Surplus/(Deficit) per Income Statement	(302)	(100)	342

We believe that a well-trained and highly motivated workforce is essential to continue to meet challenging performance and service improvement targets. 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 know that we are facing some of the biggest challenges that we have ever seen in helping our tenants to face up to welfare reform and this does not mean that the challenges of matching supply and demand for housing and the challenges of an ageing population are being ignored. Our new 5-year Business Plan sets out our plans in all of these key areas as well as our outline expected funding for the same period. Our welfare reform team has been in place since autumn 2012 – since then it has been working on an individual basis with any tenant that we have identified as being at risk from the changes. We have also been working to help tenants put in place arrangements such as basic bank accounts and internet access to ensure that they will be able to work within the Universal Credit regime when it is eventually rolled-out across Solihull. Despite all of these challenges we believe that the culture of service excellence, innovation and strong financial management that we have embedded across SCH means that we are as best placed as we can be to do the right thing for our tenants and our stock.

Report of the Directors

**31 March 2013
(continued)**

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.

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

Our employment policies (including recruitment) clearly commit us to ensuring that every stage of employment starting with the application stage is transparent and fair. Assessment is based on the skills and aptitudes necessary to carry out a role regardless of any disability or personal attributes (including age, race, nationality, religion, gender and sexual orientation). When an employee 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 9 October 2013 and signed on its behalf by:

**K A Preece
Company Secretary
9 October 2013**

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 2013

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, the process for identifying, evaluating and managing the significant risks faced by the company continue to be reviewed and strengthened. The year ended 31 March 2013 has seen continuing development of the internal control framework including the implementation of changes to remedy weaknesses that were identified at the end of 2011/12.

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

- Board approved terms of reference and clearly delegated authorities for the Finance & Audit, Asset Management and Human Resources, Equalities & Diversity sub-committees 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) setting out the arrangements for the supervision and control of the finances, assets and other resources of the company. This includes detailed guidance notes, standard monitoring and approval documentation and for high value contracts an independent challenge Board to assess progress in tendering and then managing each contract.
- Formal processes and guidance based on Standing Orders to delegate financial authority limits from the Board down to relevant budget holders.
- Robust strategic and business planning processes.
- Formal quarterly reviews of the company's Corporate Risk Register (and supporting Directorate Risk Registers), which sets out the identified risks and the mitigating actions in place to deal with these risks as well as clearly defined management responsibilities for their identification, evaluation and control.
- Detailed financial budgets and 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 Finance & Audit sub-committee.
- A formal programme of internal audit work, carried out by officers independent of the executive. Reports and recommendations are agreed at directorate level as well as being considered in detail by the Finance & Audit sub-committee.
- Formal and independent annual external audit of reported financial performance and the processes that underpin it.
- Monthly monitoring of an agreed suite of performance indicators (both local and national) at team and corporate level and by the 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. The Board extensively debated the key areas that they wished to see reflected in the new 5-year SCH Business Plan that was agreed during the year. A number of visiting speakers helped members to consider the impact on Solihull and SCH services in a number of areas; these included the impact of the ageing population, the impact of the riots in summer 2011 on anti-social behaviour and the local economy as well as digital inclusion. There were also ongoing briefings as the detail of welfare reform and the proposed changes in allocations and the tenancy strategy evolved.

Statement on Internal Control

31 March 2013
(continued)

Board Members have continued to mentor the new independent Tenants Scrutiny Committee, which has taken over responsibility for performance monitoring from the Board this year. This new panel is now reporting directly to the Board on a quarterly basis and has started its work well – challenging service heads to explain under-performance and getting involved in our service review programme.

During the year, SCH has developed a new SCH 5-year Business Plan – this supports the 30-year HRA Business Plan that was developed last year, but reflects more clearly the ambitions of the Board for the company as well as setting out how the Board is looking to deliver against the expectations of the Council. The objectives and targets set out in the Business Plan were developed through a series of workshops that included all staff as well as discussions with the Board at various stages of the process.

During 2012/13, Board Members have reflected on the outcomes from the 2011/12 “whole Board” governance review. After discussions with the Council, the number of Board Members was reduced from 15 to 12 in January 2013 to reflect sector best practice. Members have agreed to carry out a facilitated review of a number of other areas that were identified during 2013/14. As part of this process, we will carry out a “gap analysis” of our governance arrangements against the HCA standard for viability and governance. All 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 few changes after the substantial review that was completed during 2011/12 – this was followed up with a series of additional staff briefing and training sessions that introduced our new electronic tendering process (that went live in March 2013) as well as provided further guidance on how to deliver good contract management. 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 the board) was again required to make a formal annual declaration of interests as at 31 March 2013.

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. These work alongside more traditional team meetings that focus on service delivery. We have continued to facilitate a wide range of personal training for all staff across the organisation during the year. We support the ongoing demands of continuing professional education and we are supporting a number of staff to achieve professional qualifications – in housing, procurement, accounting and law.

Our vision aims to set the customer at the heart of everything that we do – underpinning our achievement of this is 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 look to challenge complacency in all areas by regular service reviews especially in those areas that cut across a number of areas of the business. We agreed a programme as part of the Action Plan within our new Value for Money strategy to review every team within SCH over a period of 3 years – this will look at the reasons for the teams existence and whether we are clear about our objectives for the service before digging into how the team is structured and how effective their processes are in achieving their purpose. During 2012/13, we reviewed the Financial Operations, Customer Involvement and Communications teams as well as completing reviews of the Homelessness and Home Options services. As a result of these reviews we now have a new Customer Engagement team that brings together customer involvement and communications and which will drive our focus on responding to the messages that customers are giving us. During 2013/14 we will be combining the work of the homelessness and homes options teams to streamline the points of customer contact and ensure that each customer deals with the same individual until they find a new home.

We continue to raise the profile of the corporate “TeamSCH”. We have refreshed the regular traditional briefings - service heads now bring items to the sessions to share them personally with other attendees who then pass them on to their own teams. We have continued with our staff newsletter although these are now electronic as part of our green drive.

Statement on Internal Control

31 March 2013
(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 audit of its arrangements and procedures. Having got all teams up to a high standard they are now working hard to maintain and improve on this as we seek to raise the bar a little higher each year. We have expanded our knowledge of the CDM regulations by training all of our project managers working on the maintenance and improvement of our stock so that they are all able to act as CDM co-ordinators. 2011/12 saw an enormous amount of work to implement our new Asbestos and Fire Safety policies and we tested how well these are working this year through independently commissioned audits. We were very pleased that the feedback in both areas was strong – although as always we still have action plans to deliver further improvements during 2013/14. This means that the asbestos team were able to absorb the impact of the legislative changes with regard to notifiable non-licensed asbestos and we are on target with our programme of fire risk assessments; we have completed assessments on all of our high-rises and around a third of our low-rises as well as ensuring that the regime of regular fire integrity checks is still ongoing.

Embedding our approach to risk continues and we have seen real improvement in the way that directorates are identifying, managing and monitoring their own risks. 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. This year has seen another step change in our approach to managing contractor risk – in the current economic climate this particularly revolves around the risk of contractors going out of business. We now have risk registers and business continuity plans in place for each of our key contractors – unfortunately we have had to test some of them during the year and found them to be broadly effective.

We are facing increased pressure to share our parent council's pain with regard to cost saving, which has once again increased the importance of strong financial and performance monitoring. Designated finance representatives for each directorate work closely with budget holders throughout the year – this has once again shown excellent results in terms of budget management and another improvement in forecasting what is going to happen later in the year – this has meant that we are better at freeing up unused resources and recycling them elsewhere in the same financial year. Effective manager involvement in the budget and performance target setting process is now ingrained in day to day operations and personal and team ownership of targets and budgets is simply a given .

2012/13 was the first year of the new self-financing regime and we have put in place a regime that sees us update the 30-year HRA Business Plan annually before we start the budget round for the next year. Because we are so much clearer now about our objectives, we were able to re-schedule our capital programme for the current year (and the next few years) to take advantage of a significant injection of “green” ECO funding from British Gas that will see our 37 high-rises transformed over a 3 year period.

Austerity in the public sector, and more importantly, in local government means that we are still challenged to make a high-level of efficiency savings and we continue to set and deliver against savings targets. We can only do this because of managers' clear understanding of corporate drivers as well as the needs of their own teams. SCH continues to pride itself on its robust approach to efficiency and value for money – making the most of our resources means doing the best for our tenants. This is reflected in our new Value for Money strategy with its focus on service reviews as well as strong financial management and effective procurement and contract management. This extends to our work with our contractors – our new contract performance monitoring regime is really focussing on what they can bring to the table in addition to the basic contract expectations - real continuous improvement and value for money savings throughout the life of contracts is now a given.

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 succeeded. Many of these improvements are focussed on helping tenants to help themselves better – including access to more information and services on line and tenant DIY days as well as the development of a garage strategy and property acquisition strategy that aim to help our stock growth plans.

The Board cannot delegate ultimate responsibility for the system of internal control, but it can, and has, delegated authority to the Finance & Audit sub-committee to regularly review the effectiveness of many of the key elements of the control framework. The Board receives five reports a year from the committee. The Board

Statement on Internal Control

31 March 2013
(continued)

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

The Finance & Audit sub-committee and full Board reviews the effectiveness of the system of internal control through consideration of the results from regular reviews of the Corporate Risk Register, internal audit reports, management assurances, the external audit management letter and annual health and safety audits. The Finance & Audit sub-committee has received the formal 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

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

We have audited the financial statements on pages 15 to 38. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS's) as adopted by the European Union.

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

Respective responsibilities of directors and auditors

As more fully explained in the Directors' Responsibilities Statement set out on page 7, 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 APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRS's as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records or 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

2013

Statement of Comprehensive Income

for the year ended 31 March 2013

	Note	2013 £'000	2012 £'000
REVENUE	1	32,393	30,432
Operating expenses		(32,631)	(30,137)
(LOSS) / PROFIT FROM OPERATIONS	3	(238)	295
Finance (costs) / Income	4	(42)	129
(LOSS) / PROFIT BEFORE TAXATION		(280)	424
Income Tax expense	6	(22)	(82)
(LOSS) / PROFIT FOR THE YEAR	14	(302)	342
OTHER COMPREHENSIVE EXPENDITURE, NET OF TAX			
Actuarial gains and losses on defined benefit obligations	17	(4,594)	(3,392)
TOTAL COMPREHENSIVE EXPENDITURE FOR THE YEAR		(4,896)	(3,050)

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 2013

	Note	Retained Earnings £'000
BALANCE AT 31 March 2011		(2,750)
Profit for the financial year to 31 March 2012		342
Actuarial loss relating to the pension scheme	17	(3,392)
TOTAL COMPREHENSIVE EXPENDITURE FOR THE YEAR		(3,050)
BALANCE AT 31 March 2012		(5,800)
Loss for the financial year to 31 March 2013		(302)
Actuarial loss relating to the pension scheme	17	(4,594)
TOTAL COMPREHENSIVE EXPENDITURE FOR THE YEAR		(4,896)
BALANCE AT 31 MARCH 2013		(10,696)

Balance Sheet

at 31 March 2013

	Note	2013 £'000	2012 £'000
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	8	1,695	1,741
Other non current financial assets	7	57	171
CURRENT ASSETS			
Inventories	9	80	99
Trade and other receivables	7/10	2,554	1,091
Cash and cash equivalents	7/15	3,966	4,210
Other current financial assets	7	114	114
TOTAL ASSETS		8,466	7,426
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	7/11	(4,605)	(3,544)
Current tax liabilities	6	(22)	(82)
Borrowings	7/12	(139)	(135)
		(4,766)	(3,761)
NON CURRENT LIABILITIES			
Borrowings	7/12	(752)	(894)
Retirement benefit net obligations	17	(13,644)	(8,571)
TOTAL LIABILITIES		(19,162)	(13,226)
NET LIABILITIES		(10,696)	(5,800)
EQUITY			
Retained earnings	14	(10,696)	(5,800)
TOTAL EQUITY		(10,696)	(5,800)

The financial statements on pages 15 to 38 were approved by the Board and authorised for issue on 9 October 2013 and are signed on their behalf by:

Dr AGC Lane

Chairman

SB Partridge

Chair of Finance & Audit Sub-Committee

Statement of Cash Flows

for the year ended 31 March 2013

	Note	2013 £'000	2012 £'000
OPERATING ACTIVITIES			
Cash used by operations	15	(114)	(476)
Interest paid	4	(32)	(32)
Corporation Tax paid		(82)	-
NET CASH USED IN OPERATING ACTIVITIES		(228)	(508)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	8	7	(211)
Loans repaid	7	114	115
Interest received	4	1	1
NET CASH USED IN INVESTING ACTIVITIES		122	(95)
FINANCING ACTIVITIES			
Repayments of borrowings	12	(138)	(621)
Grant income received	8	-	300
NET CASH FROM FINANCING ACTIVITIES		(138)	(321)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(244)	(924)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		4,210	5,134
CASH AND CASH EQUIVALENTS AT END OF YEAR	15	3,966	4,210

Significant Accounting Policies

31 March 2013

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.

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, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost less accumulated depreciation.

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 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)

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 components as appropriate.

Significant Accounting Policies

31 March 2013

(continued)

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 and equipment 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.

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.

Significant Accounting Policies

31 March 2013

(continued)

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.

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.

Significant Accounting Policies

31 March 2013

(continued)

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% (2012: 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”, the service cost of the pension provision relating to the period, together with the cost of any benefits relating to past service, is charged to the Income Statement. A charge equal to the increase in the present value of the scheme liabilities (because the benefits are closer to settlement) and a credit equivalent to the Company’s long-term expected return on assets (based on the market value of the scheme assets at the start of the period), are included in the 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 changes.

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.

STANDARDS ISSUED AS AT 31 MARCH 2013 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 1 Presentation of financial statements

IAS 16 Property, Plant and Equipment

IAS 19 Employee Benefits – Amendments

IAS 32 Financial Instruments – Presentation – Amendment; Offsetting Financial Assets and Financial Liabilities

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

IFRS 9 Financial Instruments (including Amendment issued 16 Dec 11)

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 2013

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 business review set out on pages 4 to 8 of the Report of the Directors sets out a commentary on the current and future trading activities of the Company. The evidence gathered in this exercise forms a key element of the Directors' assessment of whether SCH continues to be a going concern. The other key factor is the agreement of a ten year extension to the Management Agreement with SCH's parent which was formally signed in May 2011.

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 regards 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 business review set out on pages 4 to 8 of the Director's report demonstrates the reasons why SCH expects to continue to make sufficient cash surpluses to do so.

FINANCIAL RISK MANAGEMENT

The Board of Solihull Community Housing is responsible for identifying, evaluating and managing the significant risks faced by the company. The Chair of the Finance & Audit Sub-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 risk overall management processes. The Statement on Internal Control set out on pages 10 to 13 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 99% (2012: 96%) 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 2013

(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 2013 financial assets, £2,581,000 (2012: £1,063,000) is owed to the Company by Solihull MBC and the Board therefore also consider that the likelihood of this risk arising is remote. 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 affect 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 2013 and 2012 Financial Assets are non-interest bearing.

All the Company's 2013 and 2012 Trade and Other Payables are non-interest bearing. The interest rates applicable to the Company's 2013 and 2012 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 £3,075,000 at 31 March 2013 (2012: £3,181,000).

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

Credit risk

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

Of the Company's total 2013 financial assets, £2,581,000 (2012: £1,063,000) is owed to the Company by Solihull MBC. The remainder are cash/cash equivalents and amounts due from third parties.

NOTES TO THE FINANCIAL STATEMENTS**for the year ended 31 March 2013****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

IFRS 8 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)/PROFIT FROM OPERATIONS

(Loss)/profit from operations is stated after charging/(crediting):

	2013	2012
	£'000	£'000
Inventories		
- cost of inventory recognised as an expense	1,073	932
- amounts written off	6	5
Depreciation of owned property, plant and equipment	39	30
Auditor's fees:		
- On audit services	22	21
- On taxation	3	6
Rentals under operating leases	364	409

The following table analyses the nature of expenses:

		2013	2012
		£'000	£'000
Staff costs	5	11,374	11,725
Depreciation, amortisation and impairments	8	39	30
Property works		16,870	13,193
Housing Management and Maintenance		2,942	3,167
Finance		517	484
Corporate Services		889	1,538
Total expenditure		<u>32,631</u>	<u>30,137</u>

4. FINANCE INCOME AND COSTS

		2013	2012
		£'000	£'000
Expected return on Pension assets	17	2,247	2,395
Interest costs of Pension liabilities	17	(2,258)	(2,235)
Prudential borrowing interest		(32)	(32)
Other interest receivable		1	1
		<u>(42)</u>	<u>129</u>

NOTES TO THE FINANCIAL STATEMENTS**for the year ended 31 March 2013****(continued)****5. STAFF COSTS**

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

	2013	2012
Senior Management Team	4	4
Housing Management and Maintenance	211	226
Finance	26	25
Corporate Services	65	80
	<u>306</u>	<u>335</u>

Staff costs, including directors:

	2013	2012
	£'000	£'000
Wages and salaries	9,341	9,374
Social security costs	655	679
Other pension costs	1,338	1,341
Modernisation and redundancy costs	40	331
	<u>11,374</u>	<u>11,725</u>

Remuneration of key management personnel

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

	2013	2012
	£'000	£'000
Short term employee benefits	442	453
Post employment benefits	70	65
	<u>512</u>	<u>518</u>

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 2013****(continued)****6. INCOME TAX EXPENSE****ANALYSIS OF CHARGE IN YEAR**

Current tax:

UK - Current year

2013**£'000****2012****£'000**

22

22

82

82

Current tax reconciliation:

2013**£'000****2012****£'000**

(Loss) / Profit before tax

(302)

342

Depreciation

39

30

IAS19 adjustments:

- Other finance income / (costs)

11

(160)

- Past and present service costs

468

461

216

673

Tax at the standard rate of corporation tax 20% (2012: 26%)

43

175

Marginal relief

-

(17)

Effect of non-trading activities with member not subject to corporation tax

(21)

(76)

22

82

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 £106,000 (2012: £380,000) arose in the year and is reflected in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS**for the year ended 31 March 2013****(continued)****7. FINANCIAL INSTRUMENTS**

		2013	2012
		£'000	£'000
Assets at fair value:			
Non-current financial assets			
Loan to SMBC (low-energy lighting)		57	171
Current financial assets			
Loan to SMBC (low-energy lighting)		114	114
Trade and other receivables	10	2,554	1,091
Cash and cash equivalents	15	3,966	4,210
Total loans and receivables		6,691	5,586
Liabilities at fair value:			
		2013	2012
		£'000	£'000
Current financial liabilities			
Trade and other payables	11	4,605	3,544
Borrowings	12	139	135
		4,744	3,679
Non-current financial liabilities			
Borrowings	12	752	894
Total other financial liabilities		5,496	4,573

MATURITY ANALYSISFinancial 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.

		2013	2012
		£'000	£'000
Within 6 Months			
Loan to SMBC (low-energy lighting)		57	57
Trade and other receivables	10	2,554	1,091
Cash and cash equivalents	15	3,966	4,210
6 Months to 1 Year			
Loan to SMBC (low-energy lighting)		57	57
1 to 5 Years			
Loan to SMBC (low-energy lighting)		57	171
Total		6,691	5,586

NOTES TO THE FINANCIAL STATEMENTS**for the year ended 31 March 2013****(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 2013 up to the contractual maturity date:

		2013	2012
		£'000	£'000
Within 6 Months			
Trade and other payables	11	4,605	3,544
Borrowings	12	57	57
6 Months to 1 Year			
Borrowings	12	82	78
1 to 5 Years			
Borrowings	12	752	894
Total		<u>5,496</u>	<u>4,573</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, PLANT AND EQUIPMENT

	Freehold Land	Assets in course of construction	Completed Properties available for letting		Total
			Rented	Shared Ownership	
	£'000	£'000	£'000	£'000	£'000
Cost:					
At 1 April 2011	233	959	921	258	2,371
Additions	-	158	-	-	158
Transfers from Stock	398	-	(271)	(74)	53
Schemes Completed	-	(1,117)	1,117	-	-
At 31 March 2012	631	-	1,767	184	2,582
Additions	-	-	-	(7)	(7)
At 31 March 2013	631	-	1,767	177	2,575

NOTES TO THE FINANCIAL STATEMENTS**for the year ended 31 March 2013****(continued)****8. PROPERTY, PLANT AND EQUIPMENT (continued)****Capital Grants**

At 1 April 2011	-	(300)	(142)	(39)	(481)
Received during year	-	(300)	-	-	(300)
Schemes Completed	-	600	(600)	-	-
At 31 March 2012	-	-	(742)	(39)	(781)
At 31 March 2013	-	-	(742)	(39)	(781)

Accumulated depreciation and any recognised impairment losses:

At 1 April 2011	-	-	(23)	(7)	(30)
Charged in the year	-	-	(28)	(2)	(30)
At 31 March 2012	-	-	(51)	(9)	(60)
Charged in the year	-	-	(34)	(5)	(39)
At 31 March 2013	-	-	(85)	(14)	(99)

Net book value:

At 31 March 2013	631	-	940	124	1,695
At 31 March 2012	631	-	974	136	1,741
At 31 March 2011	233	659	756	212	1,860

The depreciation expense of £39,000 (2012: £30,000) has been charged to operating expenses within the Income Statement. Additions during the year reflects the release of an accrual for additional works that was not required.

9. INVENTORIES

	2013	2012
	£'000	£'000
Raw materials and consumables	80	99
	<u>80</u>	<u>99</u>

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

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2013
(continued)

10. TRADE AND OTHER RECEIVABLES

	2013	2012
	£'000	£'000
Trade receivables	2,415	803
Other receivables	139	270
Other tax and social security	-	18
	<u>2,554</u>	<u>1,091</u>

The average credit period taken on provision of services is 6 days (2012: 14 days).

An allowance has been made for estimated irrecoverables of £44,000 (2012: £52,000). 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.

	2013	2012
	£'000	£'000
Up to 3 months	-	30
Up to 6 months	-	10
Greater than 6 months	-	1
	<u>-</u>	<u>41</u>

	2013	2012
	£'000	£'000
The movement in the allowance account was as follows:		
Opening balance as at 1 April	52	230
Provision for receivables impairment	17	28
Receivables written off during the year	(17)	(192)
Unused amounts reversed	(8)	(14)
Closing balance as at 31 March	<u>44</u>	<u>52</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 2013

(continued)

11. TRADE AND OTHER PAYABLES

	2013	2012
	£'000	£'000
Amounts payable relating to invoiced amounts	1,301	1,291
Accruals and deferred income	2,757	1,945
Other tax and social security	177	13
Other creditors	370	295
	<u>4,605</u>	<u>3,544</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 (2012: 17 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	2013	2012
		£'000	£'000
<u>Less than 1 year</u>			
Interest free loan from Salix	a	114	114
Prudential borrowing from SMBC	b	25	21
		<u>139</u>	<u>135</u>
<u>Greater than 1 year</u>			
Interest free loan from Salix	a	58	172
Prudential borrowing from SMBC	b	694	722
		<u>752</u>	<u>894</u>
		<u>891</u>	<u>1,029</u>

Interest Rate Summary

	2013	2012
	£'000	£'000
Non-interest bearing	172	286
Floating rate	719	743
	<u>891</u>	<u>1,029</u>

NOTES TO THE FINANCIAL STATEMENTS**for the year ended 31 March 2013****(continued)****12. BORROWINGS (continued)**

Loan details are as follows:

- a) Interest-free loan from Salix Finance Ltd under the Energy Efficiency Loan Scheme - £172,000 (2012: £286,000). 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 - £719,000 (2012: £743,000). 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

	2013	2012
	£'000	£'000
Retained Earnings		
1 April	(5,800)	(2,750)
(Loss)/ profit for the year	(302)	342
Actuarial loss	(4,594)	(3,392)
At 31 March	(10,696)	(5,800)

NOTES TO THE FINANCIAL STATEMENTS**for the year ended 31 March 2013****(continued)****15. CASHFLOWS**

	2013	2012
	£'000	£'000
Reconciliation of operating profit to net cash (outflow) / inflow from operating activities:		
Operating (loss) / profit before tax	(238)	295
Depreciation and amortisation	39	30
Pension contributions paid in period	(847)	(857)
Pension contributions charged in the period	1,315	1,318
Decrease in inventories	19	164
(Increase) / decrease in debtors	(1,463)	700
Increase / (decrease) in creditors	1,061	(2,126)
Net cash outflow from operating activities	(114)	(476)

CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent:

	2013	2012
	£'000	£'000
Cash at bank and in hand	3,966	4,210
	3,966	4,210

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
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Total value of lease commitments				
Expiry of lease:				
Within 1 year	78	105	254	232
Between 2-5 years	49	252	119	336
After 5 years	-	-	1	4
	127	357	374	572

Operating lease payments represent rentals payable by the Company for office premises and equipment. £9,000 (2012: £50,000) of the leases for land and buildings relates to a lease expiring after 1 year, with the remaining £118,000 (2012: £307,000) 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 2013****(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 2013 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.

	2013	2012
Key assumptions used:	%	%
Discount rate	4.2	4.9
Expected return on plan asset	5.9	6.0
Future salary increases	4.2	4.3
Future pension increases	2.4	2.5

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:

	2013	2012
Male	87	87
Female	90	89

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

	2013	2012
Male	89	88
Female	92	91

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%	Decrease £1,106,000
Salary growth rate	Increase by 0.1%	Increase £1,129,000
Rate of mortality	Increase by 1 year	Increase £1,027,000

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

	2013	2012
	£'000	£'000
Current service cost	1,315	1,235
Expected return on scheme assets	(2,247)	(2,395)
Interest cost	2,258	2,235
Curtailments	-	83
Total operating charge	<u>1,326</u>	<u>1,158</u>

NOTES TO THE FINANCIAL STATEMENTS**for the year ended 31 March 2013****(continued)****17. RETIREMENT BENEFIT OBLIGATIONS (continued)**

Of the charge for the year: £1,315,000 has been charged to operating costs (2012: £1,318,000 expensed)
£11,000 has been charged to finance costs (2012: £160,000 credited)

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

Loss recognised in 2013 was £4,594,000 (2012: £3,392,000)

Cumulative expense is £14,496,000 (2012: £9,902,000)

The actual return on scheme assets was £4,585,000 (2012: £794,000)

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

	2013	2012
	£'000	£'000
Fair value of scheme assets	42,151	37,012
Present value of defined benefit contributions	(55,795)	(45,583)
Liability recognised in the Balance Sheet	(13,644)	(8,571)

Analysis for reporting purposes:	2013	2012
	£'000	£'000
Non-current assets	12,646	10,622
Current assets	29,505	26,390
Current and non-current liabilities	(55,795)	(45,583)
	(13,644)	(8,571)

Movements in the present value of defined benefit obligations in the current period:	2013	2012
	£'000	£'000
at 1 April	45,583	39,805
Current service cost including curtailments	1,315	1,318
Interest cost	2,258	2,235
Actuarial gains and losses	6,932	1,792
Contributions by plan participants	466	473
Benefits paid	(759)	(40)
at 31 March	55,795	45,583

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2013
(continued)

17. RETIREMENT BENEFIT OBLIGATIONS (continued)

Movement in the fair value of scheme assets in the current period:	2013	2012
	£'000	£'000
at 1 April	37,012	34,927
Expected return on scheme assets	2,247	2,395
Actuarial gains and losses	2,338	(1,600)
Employer contributions	847	857
Employee contributions	466	473
Benefits paid	(759)	(40)
at 31 March	<u>42,151</u>	<u>37,012</u>

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

	Expected return		Fair value of assets	
	%	%	£'000	£'000
	2013	2012	2013	2012
Equity instruments	7.0	7.0	17,745	20,283
Debt instruments	3.4	3.5	8,852	6,921
Property	5.7	6.0	3,794	3,701
Other assets	6.5	6.4	11,760	6,107
	<u>6.0</u>	<u>6.2</u>	<u>42,151</u>	<u>37,012</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:

	2013	2012	2011	2010	2009
	£'000	£'000	£'000	£'000	£'000
Fair value of plan assets at 31 March	42,151	37,012	34,927	30,710	22,463
Present value of defined obligation at 31 March	(55,795)	(45,583)	(39,805)	(40,794)	(25,663)
Deficit in the plan	<u>(13,644)</u>	<u>(8,571)</u>	<u>(4,878)</u>	<u>(10,084)</u>	<u>(3,200)</u>
Experience adjustments arising on plan assets	2,338	(1,600)	1,245	5,623	(7,408)
Experience adjustments arising on plan liabilities	-	-	541	-	-

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2013
(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 2014 is £847,000.

The Company will be required to implement the revised standard IAS19 in preparing the accounts for the financial year ending 31 March 2014. It is estimated that this change will result in an increase in the projected deficit of a further £723,000 when compared with the current basis.

18. RELATED PARTY TRANSACTIONS

The Company's parent and ultimate parent is Solihull Metropolitan Borough Council.

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.

	2013	2012
	£'000	£'000
During the year the company:		
- supplied goods and services to SMBC	32,081	29,133
- purchased goods and services from SMBC	1,887	1,894
At 31 March		
- included in year-end Debtors owed by SMBC	2,581	1,063
- included in year-end Creditors owing to SMBC	1,384	1,868
- Net balance due (from) / to SMBC	<u>(1,197)</u>	<u>805</u>

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 2013 the balance outstanding was £719,000 (2012: £743,000).

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 2013 the Company had no capital expenditure commitments (2012: £nil)