



Solihull
Community Housing
Shaping our neighbourhoods

Solihull Community Housing Limited

Company Limited by Guarantee

Financial Statements

For the year ended 31 March 2019

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Officers and Professional Advisers

Directors ("the Board")	D S Bell B Burton J M Fletcher J Hulland R Hyde (appointed 26 July 2018) Dr A G C Lane (resigned 19 June 2018) A M Mackiewicz B Maynard (resigned 19 June 2018) N T Page F Shanahan (resigned 19 June 2018) P L Smith L Tubbs C Williams
Chief Officers	F Hughes – Chief Executive S C Gilbert CPFA – Chief Financial Officer P Stoate – Chief of Assets and Business Development (resigned June 2018) M Pinnell – Executive Director of Assets and Development (from 25 September 2018) S Balu – Executive Director of Housing and Communities (from 25 September 2018) D Good – Executive Director of Customer and Corporate Services (from 25 September 2018)
Secretary	M E E Moroney-Barnett
Registered office	Endeavour House Meriden Drive Solihull B37 6BX
Registered number	04462630
Auditors	RSM 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

Chair's Introduction

31 March 2019



As the new Chair of Solihull Community Housing (SCH), this is the first set of accounts I have introduced. 2018/19 has seen some significant changes in its Executive Management Team (EMT) and indeed in my appointment taking over from the previous long-standing Chair. This new EMT structure will help SCH to maintain focus on its service delivery and support Fiona Hughes, our Chief Executive, in achieving the SCH 2022 Vision to:

- Provide warm, healthy homes and safe places to live
- Add social value through productive partnerships
- Make best use of assets and resources
- Grow and diversify
- Innovate, evolve and learn
- Continually improve

I hope, as a Chartered Accountant and with many years of non-executive and executive experience across the public, not for profit and private sectors, I can bring a new perspective and challenge to SCH to help it on its journey towards achieving its 2022 vision.

Our working relationship with Solihull Council (SMBC), without whom we could not provide the services we do for tenants and leaseholders, continues to grow and strengthen. I am confident that we remain a key partner supporting the Council in its delivery of the housing strategy across the borough.

The following pages detail the outturn position and some of the achievements for 2018/19 which I hope you find interesting.

Richard Hyde

Chair

23 September 2019

Strategic Report

31 March 2019

The Company sets out below its strategic report which aims to provide the reader of the accounts with a range of information that includes:-

- *Context for related financial statements*
- *Insight into entity's business model, main objectives and strategy*
- *Descriptions of the principal risks the entity faces and how they affect future prospects*
- *Analysis of past performance*
- *Signposting to complementary information*

Background

The social housing sector in Solihull continues to face long established issues with high levels of demand coupled with a shortage of affordable homes to rent and to buy. Making best use of existing housing, developing new homes and providing advice and assistance are all important elements in tackling this. SCH works to address the needs of the whole community and, of particular importance, is meeting the housing needs of the most vulnerable. This includes providing for the number and variety of homes needed to meet the increasing demand from older people and those with disabilities.

The 2016/17 financial year began the implementation of a 1% rent reduction per year for a four-year period as laid out by the Government in their 2015 Summer Budget. This was a significant deviation in financing policy where previously in 2012 the roll-out of self-financing within the Housing Revenue Account (HRA) had been based on a 30-year funding plan which allowed for inflationary rent increases and provided a balanced budget over the total period. 2018/19 was the third of the four-year rent reduction years.

The prospect of repaying debt within 30-years is unlikely not only because of reduced rental income but also a result of further legislation impacting on Local Authority owned housing. This includes an improved Right to Buy (RTB) discount introduced in 2012 which increased the number of properties sold at a lower value. In addition the roll-out of Welfare Reform initiatives impact on tenants' ability to pay rent alongside how rent is paid to landlords causes an increase in risk of non-payment. To address this, the Council have incorporated an estimated increase in bad debt provision compared to the previous Housing Benefit system in its accounts.

In October 2015, the then Prime Minister announced that agreement had been reached on the National Housing Federation's (NHF) proposal to extend the RTB to housing association tenants on a voluntary basis. A fundamental principle of the voluntary agreement was that the Government compensates housing associations for 100% of the value of the discount on homes sold. The Housing and Planning Act 2016 contained provisions that would have required local authorities in England to make an annual payment to Government in respect of the expected sales of "higher value" vacant stock over the year. It was expected that these payments would have been used to fund the compensation paid to housing associations and further guidance was anticipated. However, this uncertainty has now been removed with the Green Paper, A New Deal for Social Housing (August 2018) which announced that the Government would now not bring these provisions into effect.

The result of all this financial change directly impacts on SCH as the Management Fee and HRA Capital Programme are funded by the Council from a reduced HRA. SCH have responded by setting plans within the context of budgets that were acceptable to its parent, Solihull Council as both organisations look to manage their financial positions in the world of austerity.

Governance

A review of governance arrangements in 2017/18 highlighted the need for succession planning for SCH Board members, particularly as the previous Chair, who held the position since January 2010 was to retire in June 2018. Preparations took place into early 2018/19 to update the Articles of Association which previously allowed for the SCH Board to elect a Chair from amongst the membership at the first meeting following the Annual General Meeting. The Articles were amended by the parent Council who now appoint the Chair as an additional independent member, following a competitive recruitment and selection process. The position of Chair of the SCH Board is now remunerated for the first time since the ALMO was established. For the brief period between appointments one of the SCH Board members acted as Interim Chair to ensure a smooth transition.

Strategic Report

31 March 2019

(continued)

During 2018/19 there has been a continued focus on strengthening governance arrangements with a revision to the Committee structures supporting the SCH Board. This resulted in the creation of three Committees – Housing Operations; Audit & Risk and Human Resources & Remuneration. The Terms of Reference of the committees were reviewed and approved by the SCH Board in October 2018. SCH Board oversight of procurement has been transferred from Housing Operations Committee to the Audit & Risk Committee in the second half of 2018/19 and the Business and Development Committee was dissolved and the business previously considered by this Committee transferred to the SCH Board.

Membership of SCH Board Committees was reconsidered with membership being chosen based on the skills and experience of members which were appropriate to the remit of the Committee. The SCH Board have moved away from having equal constituency representation on Committees and focus on having the appropriate mix of skills and experience. There are now 5 members on each of the three Committees with the Chair of the SCH Board being a member of the Human Resources & Remuneration Committee but attending other Committee meetings as an observer.

Finally the Company revised the Executive Management structure which saw the creation of three Executive Director posts (Assets and Development; Housing and Communities and Customer and Corporate Services) and strengthens the leadership of the organisation. Plans are in place for the recruitment of senior posts to support the Executive Management Team in early 2019/20.

Annual Performance

SCH sets out its delivery priorities in its Annual Delivery Plan by stating the Objectives, Delivery Themes and Outcomes as well as Key Performance Indicators which are detailed at Page 8.

In conjunction with the Delivery Plan, SCH operate a balanced three-year budget, with detailed savings plans for 2018/19 through to 2020/21 extended to have a balanced budget up to 2021/22. In 2018/19 SCH delivered £683k planned savings from Revenue (£628k) and additional income (£55k). These savings were achieved with minimal impact to tenants by primarily removing surplus budget provisions, reshaping the structure of services delivered and a minor increase in income from the Wellbeing service.

Continuous service improvement still underpins everything SCH does and service performance and delivery is monitored rigorously. A comprehensive performance monitoring framework is in place and progress against key performance indicators and the Delivery Plan priorities is reported to the SCH Board on a quarterly basis. The Council oversees SCH performance by means of a Quarterly Monitoring Board, which is chaired by the Cabinet Member for Environment and Housing. The Delivery Plan is an integral part of the performance monitoring and service improvement process because it details how SCH will deploy the available resources in the most effective way to deliver the priority outcomes for the coming year.

The Revenue Management Fee, paid by the Council increased from £18.370m in 2017/18 to £18.402m in 2018/19, as well as a capital programme of £16.063m (2017/18: £14.433m). In addition to the planned savings, the year-end has seen further savings made in Revenue of £0.705m and in Capital of £1.395m. The Revenue savings were the result of staff vacancies and reduced repairs costs. These savings are to be set aside and transferred into working balances. The future use of these balances will be subject to SCH Board approval. Capital continues to be utilised primarily to increase and improve the existing housing stock and the Capital savings resulted from minor slippage of delivering the programme of works that will be carried forward into 2019/20, subject to Council approval.

The economic position is still fragile for those in receipt of benefits or low paid jobs and whilst regionally employment is improving, it is not being felt across all parts of the Borough with many in work receiving the minimum wage. To support households with financial worries, SCH have a Money Advice Team who provided advice to 806 customers this year compared to 638 in 2017/18 and helped these claimants to achieve £1.382m in benefits compared to £1.668m the year before. The team also helped tenants reduce rent arrears by £402k this year, which is more than last year's £240k. Some of the main factors contributing towards this £402k reduction are a result of increased payment of housing benefit claims for temporary accommodation and a reduction of arrears arising from tenants paying arrears owed as a result of the initial 5 week delay in receiving their first Universal Credit claim.

Strategic Report

31 March 2019

(continued)

The rent for Council properties collected for 2018/19 was 97.22% a small rise from last year's 97.2% which is below the target of 97.9% and in monetary terms £293k below target. Rent Arrears increased from £1.744m to £1.914m, an increase of £170k. Given SCH is more advanced with Universal Credit "Full Service" it is difficult to compare figures with the usual list of benchmark comparators within the Midlands, who are less advanced. Council under-occupiers who were behind with their rent at year-end totalled 211 and the Discretionary Housing Payment allocation of £340k which the Council received to assist customers affected by welfare reform in 2018/19 was fully utilised. This funding is used to help a variety of customers who are struggling to pay rent and primarily impacted by welfare reforms and homelessness.

During 2018/19 there were 437 Introductory Tenancies granted compared to 478 in 2017/18. The lower number in 2018/19 is reflective of a lower overall number of properties becoming void during the year. Sustainment of such new tenancies are monitored and; 83 tenancies ended during the introductory period granted over two years from April 2017 to March 2019, demonstrating a 91% tenancy sustainment figure with tenancies moving to fixed term or secure tenancies.

The Council's Homelessness Strategy aims to prevent homelessness in Solihull, to provide a quality response to those that are affected by homelessness and meet the statutory responsibilities for people at threat of homelessness. In 2018/19, the Homelessness Reduction Act 2017 came into effect and this new legislation has significantly altered the duty on local authorities to take reasonable steps to prevent and relieve homelessness for anyone who is eligible and homeless, or threatened with homelessness within a period of 56 days. SCH responded to the changes that came into force and saw a significant increase in the number of households assisted. Full assessments are undertaken with a household of their circumstances, and their housing and support needs which informs a 'Personalised Housing Plan'. A 56 day time period is introduced to ensure people can expect decisions in a timely manner.

Decisions were made on 418 Homelessness applications, which is less than the 647 applications received in 2017/18. The introduction of the new prevention and relief duties under the Homelessness Reductions Act 2017 has seen the number of full duty decisions reduce. A duty to house was accepted in 287 cases this year compared to 404 last year. SCH uses a range of accommodation to provide Temporary Accommodation (TA) for homeless applicants and there are a number of HRA properties used for TA purposes. These increased to 98 and comprised of 77 self contained flats and a 21 unit purpose built supported facility at Ipswich Walk, which provides shared accommodation for homeless single people or childless couples with management and support delivered on site. The number of self contained Private Sector Leasing (PSL) properties increased by 2 from 24 to 26 and there are 20 units at two sites (Warwick Place and Warwick House) most of which have shared facilities.

The Housing Options service continues to expand the number and range of self-contained units for the use of TA through PSL and HRA stock. SCH has a dedicated resource to work with the private rented sector and, in addition to using PSL properties for TA, work is undertaken to prevent or relieve homelessness by enabling homeless households to be rehoused more permanently in privately rented homes. 33 families were successful in securing private rented sector tenancies and this area of activity is expected to gain momentum and grow further over the coming year.

To support SCH with managing the obligations of the Homelessness Reduction Act a new ICT system (Jigsaw) was introduced. This system is highly prescriptive and guides staff through key stages of the legislation.

In 2018/19, SCH allocated 851 properties; 699 Council properties and 152 Housing Association properties, compared with 681 Council properties and 175 Housing Association properties in 2017/18. Demand for housing in Solihull continues to be significant and well beyond the supply available annually and this high level of demand continues to place pressure on the need to turn void properties around quickly.

SCH are currently reviewing all applications on the housing register that are older than 12 months as part of the maintenance of the housing register and to ensure the register reflects the true number of applicants with a housing need in Solihull.

Strategic Report

31 March 2019

(continued)

Re-let times have improved significantly over recent years with the void target for 2018/19 set at a challenging 19 days which was achieved. The average cost of a void repair has also increased from £2,075 in 2017/18 to £2,276.

The Council's RTB sales reduced slightly with 59 properties sold in 2018/19 of which 36 were houses, compared to a total of 63 properties in 2017/18 where 36 were also houses. The buyers of any flats sold become leaseholders and SCH continue to manage these properties. The maximum level of discount is increasing each year and increased from £78,600 in 2017/18 to £80,900 in 2018/19 with a further increase again next year to £82,800. The level of discount continues to depress the average sales value despite the rising housing market resulting in the year's average discounted sale price of £66,790 being higher than last year's £55,970. However, the sales in 2018/19 have included some high value properties in sought after areas as some properties had higher sale prices after discount. In 2018/19, there were 11 properties sold for over £100k with 2 properties sold for over £200k. One property alone sold for £252k. This compares to 2017/18 where only 6 properties sold for values over £100k and a maximum being £136k. The number of applications processed reduced slightly to 131 from 144 in 2017/18. The scheme is undoubtedly a real opportunity for those tenants that are able to take advantage of the improved offer but this does mean a further loss of valuable stock to meet wider demand.

The 2018/19 capital programme that SCH delivered on behalf of the Council had a budget of £18.929m of which £6.377m was a contribution towards stock growth and development and the remaining capital programme set aside to deliver improvements to the housing stock.

Stock development for the Council in the year included:-

- Saxon Court; a 51 unit supported living development for the elderly. Formerly known as Coleshill Heath Extra Care Scheme work commenced in April 2017 and opened in December 2018.
- A 5 unit scheme in Greenhill Way, Shirley, commenced in March 2017 and opened in February 2019.
- A 9 unit scheme in Cambridge Drive of 5 houses and 4 flats commenced in April 2018 with a completion of April 2019.

In addition, SCH has maintained its commitment to improving the energy performance of the Council's housing stock specifically through the delivery of capital programmes for heating replacements. Other improvements to housing stock included a variety of property improvements such as:

- Roof replacements
- Window replacements
- Lift refurbishments
- Kitchen replacements
- Bathroom replacements

SCH has adopted a new Asset Management Strategy following approval by the Board in December 2017. Unlike previous strategies this document is one of a whole organisation approach underpinned by an Asset Performance tool that considers both financial and non-financial drivers. The information provides Net Present Values (NPVs) for all managed stock divided into ten locality areas and a further 72 sub areas, each with their own overall performance scores. Whilst this document contributes towards intelligent Asset Management, having this level of detail to inform the capital programme will go some way to identifying where investment is most needed.

Fire safety remains an organisational priority across SCH and is now a separate risk on the corporate risk register. Two strategic risk workshops took place with cross organisation senior representation to review actions implemented to date and continued mitigation. Additionally the compliance team have been rebranded as the 'Safer Homes' team with a primary focus being on approachability for our customers providing non technical answers to safety related enquiries.

Strategic Report

31 March 2019

(continued)

SCH has continued to work closely with the Council across all areas as this benefits all of the residents of Solihull. This effective collaborative approach helps the Council to deliver across their wider objectives in areas that are outside the core housing management contract. SCH involvement this year has focused around locality working with staff from the Council, the police and other partner agencies. Working as one team for the community managing specific Anti-Social Behaviour (ASB) casework. SCH provides an ASB service to all residents within the borough aiming to make a difference. For this reason satisfaction surveys are offered on every ASB case once it has been closed and customer feedback is used to make further improvements to the service.

In addition, Neighbourhood Officers from SCH continue to regularly work with local neighbourhood police teams, with SCH staff using Solihull Police station as a co-located base when they are undertaking visits in the South of the Borough.

A collaborative locality based approach to service delivery in 2018/19 with both Place and People in mind has seen operational delivery of SCH Neighbourhood Services Teams fully engaged with the locality tasking groups operating in three areas across the borough: North, East and West by attending monthly meetings and working with partners to find solutions to place based issues, resulting in some early successes. Locality plans have been developed for each area based on evidence provided by the partner organisations. During 2019/20 these plans will be tested with various groups around the borough to make sure everyone agrees these are the right priorities.

Further collaboration of services between SCH and the Council is to take place during 2019/20 which will include exploring the potential to create a more seamless approach to the management of littering on Council land using both education and enforcement responses.

There was a new financial challenge for the Wellbeing Service in 2018/19 as the Council funding for new Safe and Sound customers was withdrawn. In preparation an extensive review was carried out in 2018 to develop a new financially viable service keeping customer care and value at its core. The new service model was launched on 1 April 2018 offering a professional support service to Solihull residents, with a focus on a 'one stop' approach to Wellbeing that puts the needs of the individual at its centre. The goal is to allow people to continue to live happy, healthy, independent lives in their own homes, with support both on a practical and personal level.

Partnership working with Solihull Council's Adult Care & Support (AC&S) continues to strengthen and Wellbeing staff members now work alongside the AC&S team. Referrals are taken directly via their 'One Front Door' contact centre in recognition that at this first point of contact, there were significant numbers of people not eligible for support and could be referred to the Wellbeing Service.

The longer term impacts of the ageing population are likely to include increased demand for health services and the right home environment is essential to health and wellbeing to prevent physical and mental ill health. In response, the Wellbeing offer was strengthened by introducing Home Hazard Assessments (HHA). The HHA can:

- Delay and reduce the need for primary and social care by providing preventative measures
- Prevent hospital admissions
- Enable timely hospital discharges
- Ensure a safe, healthy home

Strategic Report

31 March 2019

(continued)

An extract of 2018/19 end of year Key Performance Indicators used in SCH is included below.

KPI ref	KPI description	Target	Actual
NS1	Percentage of rent collected of rent due	97.90%	97.22%
NS2	Percentage of leaseholder service charges collected	98.50%	98.64%
NS3	Percentage of former tenancy arrears collected	15.00%	18.24%
NS4	Percentage of rent paid by digital means including Direct Debit	50.00%	58.53%
WR2	Benefits awarded due to Money Advice Team intervention	£800,000	£1,382,469
WR3	Reduction in arrears due to Money Advice Team intervention	£220,000	£402,694
NS6	Satisfaction with outcome of case ASB	80.00%	80.63%
NS7	Percentage of high rise blocks passing inspection (cleaning)	96.00%	98.33%
NS8	Percentage of low rise blocks passing inspection (cleaning)	96.00%	99.60%
NS33	Percentage of ASB cases closed with successful resolution	95.00%	94.46%
HO1	Average stay in temporary accommodation (all) - days	100	88
HO3	Average stay in temporary accommodation (Budget hotels) - days	42	5
HO5	Percentage of homeless approaches where prevention or relief achieved	40.00%	36.00%
WB1	Percentage of Minor adaptation works completed on time	97.50%	100.00%
WB2	Percentage of Major adaptation works completed on time	95.00%	99.67%
WB20	Number of new self funded Wellbeing service users	550	393
AM1	Percentage of properties with valid gas certificate	100.00%	100.00%
AM2	Percentage of repair jobs completed in timescale - All repairs	98.00%	98.72%
AM3	Percentage of appointments made - Response repairs	95.00%	96.16%
AM4	Percentage of appointments kept - Response repairs	96.00%	96.35%
AM7	Percentage of repairs completed right first time	90.00%	92.74%
AM17	Average number of repairs per property	2.92	3.13
VL1	Average re-let time of voids - days	19	19
VL2	Average void repair time (All voids) - days	10	9
VL3	Average time from repair complete to relet - days	9	7
VL13	Percentage of rent loss due to voids	0.90%	0.99%
VL16	Number of Lettable voids	85	94
CR1	Percentage of complaints resolved at stage 1	95.00%	97.44%
CR5	Short term staff sickness days	4	3.85
CR11	Enquiries resolved at first point of contact (Contact Centre)	80.00%	82.48%
CR27	Quality of call handling	90.00%	91.01%
CR29	Satisfaction with customer service Contact Centre	90.00%	90.24%
CR30	Overall survey return rate	14.00%	17.05%

Strategic Report

31 March 2019

(continued)

Customer Engagement

A range of planned activity has taken place across SCH to improve levels of customer satisfaction and engagement in response to the overall drop in satisfaction levels highlighted in the STAR survey 2018. Delivering a step-change improvement in customer satisfaction and engagement will continue to be a key strategic priority for the SCH Delivery Plan 2019/20.

Between September to December 2018 SCH were able to make contact with approximately 700 customers as part of a high profile and organisation wide 'Join the Conversation' campaign which created many opportunities to listen to tenants and identify concerns and priorities. The outcome of the campaign is helping SCH to deliver improved and more dynamic customer engagement that will help shape SCH priorities and the way services are delivered. It is also supporting the objectives of developing the localities agenda which has a focus on people working together to generate better community spirit.

Following on from the campaign there was an event held in January 2019 with 16 residents who had expressed an interest in working further with SCH. These residents are engaging in planned activities and as part of a broad and revised menu of involvement, for example, mystery shopping, survey completion, void inspection and support to set up a residents group.

In addition there is a Tenant Scrutiny Panel comprised of 12 members (10 tenants and 2 leaseholders) and meets on a quarterly basis to review key performance indicators and data on customer feedback from compliments and complaints. The work plan is based on analysis of the key performance indicators, trend from customer complaints as well as work suggested to link with business improvement or matters arising from their own experiences as customers. Members of the Scrutiny Panel do not raise personal issues and the focus is on service improvements that can benefit tenants and leaseholders generally.

During the last year the focus has been on:

- Tenant Void Inspectors – following a review of void management the Committee set up a trial for tenants to check voids immediately prior to letting thereby giving a customer view on the lettable standard. During the last year 4 additional void inspectors have been recruited and received training from officers supported by the Scrutiny members.
- Improving customer communications in relation to the repairs service including telephoning tenants when operatives are on the way to complete repairs and having a text messaging service that tenants can respond to in the event that an appointment needs to be changed.
- Commenting on the tenant's Annual report.
- Starting a project on customer journey mapping where the scrutiny panel members record any issues that they need to report to SCH and track progress. This has provided some useful data on how tenants and leaseholders experience can be improved with better processes. This project is still in the early stages and will continue in 2019/20.

As part of SCH increasing focus on improved customer engagement and influence a review of the effectiveness of the current Tenant Scrutiny model will take place including an exploration of alternative approaches ensuring greater capacity building and training investment. This will be focus for the first half of 2019/20.

Strategic Report

31 March 2019

(continued)

Future Considerations

2018/19 saw a number of significant developments for social housing. The Social Housing Green Paper, promised in the wake of the Grenfell Tower tragedy, was published in August 2018. Key themes included:

- Hearing the voice of residents
- The condition and safety of homes
- Eradicating stigmatism
- Improving performance and regulation of social landlords
- The supply of social housing.

SCH contributed to the Council's response to the Green Paper consultation document.

The decision not to implement the high value social homes provisions of the Housing and Planning Act 2016 was welcome, as was the rather unexpected announcement that HRA borrowing caps were to be lifted altogether. SCH will continue to support the Council in maximising the opportunities that this, and any flexibilities on the use of RTB receipts, may create for increasing the supply of much needed homes for social rent in Solihull.

The increased recognition of the importance of social homes for rents is positive, but very significant challenges remain. Brexit has dominated the political agenda, while Universal Credit, and other welfare reform and financial constraints impact on many customers and requires continual reflection on how service delivery can be improved.

Maximising income collection in the current climate is increasingly difficult for all social landlords. The requirement for increased support for persons who are homeless or threatened with homelessness brought about by the Homelessness Reduction Act is positive in intent, but the practical delivery of sustainable housing alternatives is problematic. While the Solihull number of households in TA is lower than the England average, there is increasing pressure on this provision and regrettably there has been an increase in the need to use hotel accommodation as a short-term response to the need for immediate temporary accommodation assistance.

Nevertheless there has been good progress towards achieving the SCH Future Strategic Vision and looking forward SCH will begin to consider how to refresh a vision for 2020 – 2025.

SCH's Future Strategic Vision (2017 – 2022) aims to refocus resources in a way that is better able to respond to the challenges and to support the Council to achieve its priorities. The five-year Strategic Vision aims to: - *"Provide Homes, Improve Wellbeing and Strengthen Communities"*. The 2018/19 Delivery Plan demonstrates the important contribution to helping deliver the Council's wider Vision, Purpose and Priorities set out in the Council Plan 2018-2020. The priorities set out in the SCH Delivery Plan reflect continuing focus on improving the housing management service and developing services in ways that add value such as supporting vulnerable people in the community.

Principal Risks

There are a number of risks and uncertainties considered by SCH on a regular basis and in 2018/19 the Board introduced an Audit and Risk Committee. The strategic risks during the year relate to:-

- The impact of the Grenfell Tower fire which may result in the need to identify significant capital investment and could impact on capital planning.
- CPI interest rate fluctuation which could causes greater uncertainty for longer term financial planning impacting on contract prices and future borrowing costs.
- The ability of residents being able to pay rent as a consequence of the many factors impacting on their income including welfare reform.
- The new Homelessness Reduction Act has placed increasing pressure on SCH officers and may impact on funding choices.
- New opportunities to increase funding for development may see an impact on staff being able to deliver in the timescales expected. Failure to do this could then impact on funding.
- Brexit financial impact may result in unexpected reductions to local government funding.

Strategic Report

31 March 2019

(continued)

All of these issues are considered within the SCH risk management process and reviewed on a regular basis.

Taking all of these changes, pressures and developments into account the overall outturn for the year is pleasing. The financial performance (separating out the impacts of IAS19 – Pensions and taxation) against budget and the previous year can be summarised as follows:

	2018/19 Actual £'000	2018/19 Budget £'000	2017/18 Actual £'000
Revenue			
Income	21,551	21,525	21,228
Expenditure	(20,846)	(21,525)	(19,846)
Surplus	705	-	1,382
Capital			
Income	17,534	18,929	15,682
Expenditure	(17,534)	(18,929)	(15,682)
Surplus	-	-	-
Combined			
Income	39,085	40,454	36,910
Expenditure	(38,380)	(40,454)	(35,528)
Surplus before tax and pension adjustments	705	-	1,382
Corporation tax	(13)	-	(14)
IAS19 Pension adjustments	(1,975)	-	(1,589)
Loss per Income Statement	(1,283)	-	(221)

Strategic Report

31 March 2019

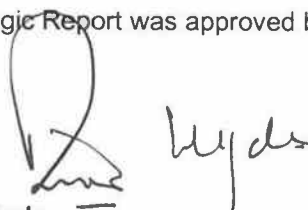
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The five-year strategic vision to *Provide Homes, Improve Wellbeing and Strengthen Communities* is underpinned by four "Delivery Themes", details of which are given in the table below. The annual delivery plan supports the achievement of this strategic vision and 2018/19 continued by establishing strategies designed to advance the delivery of the vision.

SCH Objectives	Delivery Theme	Outcomes
Provide warm, healthy homes and safe places to live	Team 2022	<ul style="list-style-type: none"> SCH is equipped to deliver the Future Strategic Vision Governance is robust and the leadership style motivates and nurtures Shared organisational culture and set of acceptable behaviours Focus on operational and cost performance reduces the cost to serve
Add social value through productive partnerships	Service 2022	<ul style="list-style-type: none"> Clear service offer and delivery specifications Managed customer expectations and negative behaviours addressed Accelerated channel shifting promoting digital inclusion Savings and efficiency targets realised to sustain core services
Make best use of assets and resources	Value 2022	<ul style="list-style-type: none"> Fulfil a distinct social mission and set of social value services Operate fully productive partnerships with Solihull Council and other agencies Contribute to the delivery of the Solihull Council Plan and realisation of its outcomes Make a difference to Solihull residents and communities
Grow and diversify	Growth 2022	<ul style="list-style-type: none"> Grow income from a range of diversified activities Build and acquire additional social rent and affordable homes Offer innovative housing products in response to local needs Ready to develop a range of affordable tenures
Innovate, evolve and learn		
Continual Improvement		

Approval

The Strategic Report was approved by the Board on 23 September 2019 and signed on its behalf by:



Richard Hyde
Chair
23 September 2019

Report of the Directors

31 March 2019

The Directors present their report and the audited financial statements for the year ended 31 March 2019.

Principal Activities

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

Directors and Chief Officers

The Directors and Chief Officers of the Company during the year and subsequently are set out on page 1.

SCH also has the following Committees who have responsibility for specific areas:

- Audit and Risk Committee (formerly Audit Committee)
- Human Resources & Remuneration Committee (formerly Remuneration Committee)
- Housing Operations Committee
- Tenant Scrutiny Panel

Employees

SCH remains committed to ensuring that employees are fully engaged with the work that SCH does and the future plans for the business. There is a clear programme of communication and engagement with all staff including the cascade of a new Core Brief, regular face to face team briefs, an extensive intranet site as well as team meetings and briefings. There are clear lines of communication and reporting and well documented procedures for staff to raise concerns and issues.

Developing well-trained and motivated staff that display the skills and behaviours which reflect SCH's focus on excellent customer service and improving performance is a key priority. Human Resources (HR) have worked closely with the Chief Executive and the Executive Team to develop a detailed work programme and a new HR Business Lead has been appointed to provide additional capacity within the team to support delivery of agreed priorities.

Feedback from staff at all levels of the business is welcomed. A new staff engagement group is already identifying improvements and 'quick wins' to the ways of working and is supporting plans for a Company wide staff conference during 2019.

The improvements in the delivery of services to customers have been further supported by the SCH wide roll-out of customer excellence training which has been delivered to all staff through SCH's partnership with the Chartered Institute of Housing. The training proposed will reinforce positive behaviours that are a key feature of the new staff appraisal system from April 2019.

The wider SCH staff support package includes access to occupational health, counselling and financial and other support services. There is a positive relationship with recognised trade unions (UNITE and UNISON) and meetings are held regularly with them to discuss changes and new policies that affect staff.

Disclosure of information to auditors

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

Report of the Directors

31 March 2019

(continued)

Auditors

A resolution to reappoint RSM UK Audit LLP as auditor was agreed by the Board at the 2018 Annual General Meeting.

Strategic Report

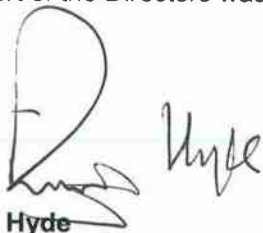
The Company has chosen in accordance with S414C(ii) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 to set out in the Company's Strategic Report information required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations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

Qualifying third party indemnity provisions

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

Approval

The report of the Directors was approved by the Board on 23 September 2019 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Richard Hyde', is written over a horizontal line.

Richard Hyde
Chair
23 September 2019

Statement of Directors' Responsibilities for the Financial Statements

The Directors are responsible for preparing the Strategic Report, Report of the Directors 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) 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 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 2019

The SCH Board acknowledges its overall responsibility for establishing and maintaining a system of governance, risk management and internal control which protects and makes the best use of public funds 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, SCH have continued to refine (as well as monitor) the processes for identifying, evaluating and managing the significant risks faced by the company.

As part of the process of preparing the Statement of Internal Control all teams are being reminded of key messages around safeguarding the company's assets, finances and reputation including robust risk management, highlighting any concerns relating to potential fraud and making the Insurance Team aware at the earliest possible opportunity of any potential claims against the company.

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

Monitoring and Performance

- There are robust strategic and business planning processes which have involved staff at all levels contributing.
- Quarterly monitoring of an agreed suite of performance indicators (both local and national) at team and corporate level and by the independent Tenant Scrutiny Panel.
- Regular reporting to senior management and the SCH Board of key business objectives, targets and outcomes.
- There are detailed policies and procedures in each area of the Company's work.
- Formal recruitment, retention, training and development policies for staff that incorporate annual appraisals of performance against targets that are consistent with the Delivery Plan and corporate objectives. During 2018/19 a training plan was developed covering both mandatory and optional training for all staff, which is monitored by the Operational Management Team.
- A formal programme of internal audit work, carried out by officers independent of the Executive Management Team. Reports and recommendations are agreed by Executive Management Team as well as being considered in detail by the Audit & Risk Committee.
- There is formal and independent annual external audit of statutory financial statements and SCH consider all audit findings.
- SCH Board have 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 SCH Board Members.
- During the year the majority of staff from all levels in the organisation received training on anti-fraud and whistleblowing which was delivered by the Investigation Team at Solihull Council.
- The SCH Board have held three away days during 2018/19 which have included a mixture of personal development and strategic discussion on topics including financial planning and value for money, handling conflict and good governance. At the last Away Day in January 2019 the SCH Board also started looking at the vision and strategy refresh.

Health & Safety

- Health and safety is given a high priority across the organisation with performance reports presented quarterly to the SCH Board. A full health and safety audit is undertaken every three years.
- SCH annually review the health & safety policy which is approved by the SCH Board and signed by both the Chair of the board and the Chief Executive. The policy was reviewed in September 2018.
- SCH have a comprehensive Performance Management Framework which includes a section on compliance indicators to improve monitoring of health and safety and the full details are reported to and discussed by the Housing Operations Committee. This strengthens the health & safety monitoring that is carried out by the SCH Board.

Statement on Internal Control

31 March 2019

(continued)

- Following the tragic events at Grenfell Tower in June 2017 extensive work was carried out by SCH and a Fire Safety action Tracker was introduced which is monitored by the SCH Board on a quarterly basis. SCH have also established a fire safety management group.
- At the end of November 2018 the SCH Board members held a Fire Safety risk Workshop which was facilitated by the Councils' Governance & Risk Management Advisor. Following this workshop it was agreed that further work will be undertaken in early 2019/20 to develop the "Bowtie" methodology appraisal of the risks around fire safety. The outcomes of this evaluation will be reported to the full board towards the end of 2019.

General Data Protection Regulations (GDPR)

- There has been a considerable amount of work undertaken to ensure compliance with the new General Data Protection Regulations (GDPR) which came into force in May 2018 which included developing Privacy Notices for all teams, identifying all agencies and organisations with whom personal data is shared and embedding a process of Privacy Impact Assessments for all new projects, contracts or systems of work using personal data.
- All staff are required to complete mandatory training in GDPR.

Risk Management

- Responsibility for the SCH Board level strategic oversight of the risk registers have been transferred from the SCH Board to the Audit & Risk Committee from December 2018 with the Chair of the Committee taking responsibility for reporting any issues of concern to the SCH Board.
- The Risk Management Policy was approved by the SCH Board in October 2017 and will be updated during 2019/20. The Corporate and Team Risk Registers are monitored by the Executive Management Team on a quarterly basis and by the SCH Board on a six monthly basis.
- The Executive Management team held a Risk Management workshop in December 2018 and have revised the corporate risk register following the workshop with reviews in January and February 2019 prior to presenting a report to the Audit & Risk Committee in March 2019.
- Formal reviews of the Company's Corporate Risk Register (and supporting service 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.
- The staffing structure of the Home Options Team was reviewed in light of the impact of the introduction of the Homelessness Reduction Act which imposes more responsibilities for preventing and relieving homelessness. This review has resulted in increasing the capacity of the team in to meet the obligations of the new act.

Financial Management

- Responsibility for financial monitoring, including issues previously reported to the Business & Development Committee goes to the SCH Board so that all members take responsibility for financial oversight.
- In May 2018 the SCH Board used an Away Day to have a detailed strategic discussion around the 10 year Financial Plan including reviewing costs, inflation assumptions, savings, income generation and financial dashboard. This discussion helped inform the budget planning process and refresh.
- SCH has detailed financial annual budgets, a 5-year medium term financial plan and a 30-year financial Business Plan, supported by regular monitoring meetings with individual budget holders and at department level, as well as formal, scheduled reporting to the Executive Management team and the relevant SCH Board Committees.

Statement on Internal Control

31 March 2019

(continued)

All staff and SCH Board members have completed the Annual Declaration of Interests and where members of staff have made a declaration, line managers have put in place agreed working practices to avoid any actual or perceived conflicts. Both the line manager and the staff member sign the agreed protocol. Agency or temporary members of staff are also required to complete the Declaration of Interests on joining the Company and similar measures are put in place to avoid conflicts. At the start of every SCH Board and Committee meeting members are asked to declare any interests arising from items on the agenda.

The formal officer meeting structure includes a weekly meeting of the Executive Management Team which is chaired by the Chief Executive and includes the Executive Directors. On a fortnightly basis this also includes the Chief Financial Officer.

The Executive Directors and other senior managers attend a monthly Operational Management Team Meeting which is chaired by the Chief Executive and on a bi-monthly basis a wider group of managers and team leaders join the Operational Management Team for a Wider Operational Team Meeting. This allows staff across the organisation to have an opportunity to come together and learn about the key business priorities. These higher level formal meetings work alongside more traditional team meetings that focus on service delivery and team plans.

The SCH vision to *"set the customer at the heart of everything that we do"* continues to underpin all of SCH activities and have a clear focus on strong embedded performance management. SCH look to achieve high levels of customer service in all areas of business – whether the customer is an external or internal one. Improving customer satisfaction levels is the key objective for the whole organisation in 2019/20 and to this end all staff are undergoing customer service training delivered by an external specialist. This training was also delivered to SCH Board members and completed by May 2019. The achievement of this aim should be delivered in many different ways; through personal and team targets and through regular discussion at individual and team meetings.

The SCH Health and Safety support is provided by the Council's Health and Safety Team. This has provided the Company with a more effective supporting arrangement. There were four reportable incidents to the Health and Safety Executive (HSE) during the last year with one being an injury to a tenant in their garden and three relating to contractor / employees. Whilst all four incidents were reportable, they were fairly minor events and the HSE has not asked for more information. One incident included the potential exposure to asbestos by a contractor drilling into a substance and the possible impact would not be known for 15 – 60 years. SCH have continued to hold a Corporate Health and Safety cross-team working group who ensured that the relevant work plans have been introduced and completed within the agreed time scales. The Corporate Health and Safety Group is chaired by the Executive Director of Assets and Development. The Corporate Health & Safety Group is supported by local site Health & Safety Groups at the Asset Management Hub and Endeavour House.

Following the announcement in the 2015 Government Budget that social housing rents would need to reduce by 1% per annum for four years a clear financial plan was put in place to deliver the required level of savings whilst maintaining, as far as possible, the high levels of service expected by our customers. All Executive Directors have worked with the Council's Finance team to develop budget plans for the next three years and these were monitored during 2018/19 at monthly Finance Monitoring Meetings held with the SCH Finance Manager and Senior Accountant. A 'traffic light' rating system, whereby areas are rated as red, amber or green, known as a RAG rating has continued to be used to flag up any areas of concern where the planned level of savings may not be achieved so that alternative strategies can be put in place. These monitoring meetings are scheduled to continue during 2019/20. At the end of 2018/19 the required level of savings had been achieved in the year.

During 2019/20 the budget savings plans will be reviewed to ensure delivery of the required level of savings and this may require alterations to some.

Budget setting will remain challenging in the context of both the savings required to deliver rent reductions and also due to the uncertainty over the impact of the implementation of Welfare Reforms. Close financial monitoring will ensure the delivery of the efficiencies required is still on track.

The annual delivery plan sets out key organisational milestones which are monitored through the performance framework and associated quarterly performance dashboard.

Statement on Internal Control

31 March 2019

(continued)

The SCH Board cannot delegate ultimate responsibility for the system of internal control, but it can, and has, delegated authority to the Audit & Risk Committee to regularly review the effectiveness of many of the key elements of the control framework. The SCH Board has received reports this year from the Audit & Risk Committee covering external and internal audit and from December 2018 risk management. The SCH Board has reserved the review of the remaining key elements (in particular Financial Monitoring and Health & Safety) to itself and receives reports on a regular basis.



Richard Hyde
Chair
23 September 2019



F. Hughes
Chief Executive

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

Opinion

We have audited the financial statements of Solihull Community Housing Limited (the 'Company') for the year ended 31 March 2019 which comprise Statement of Comprehensive Income, Statement of Changes in Equity, Balance Sheet, Statement of Cash Flows, Areas of Judgement and Risk Management and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

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

(Continued)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Report of the Directors.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 15, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities> This description forms part of our auditor's report.

Use of our report

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

RSM UK Audit LLP
STEPHANIE WARBOYS (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
St Philips Point
Temple Row
Birmingham
B2 5AF

Date: 7th October 2019

Statement of Comprehensive Income

for the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
REVENUE	1	39,085	36,910
Operating expenses	3	(39,978)	(36,707)
(LOSS)/ PROFIT FROM OPERATIONS		(893)	203
Finance costs	4	(377)	(410)
LOSS BEFORE TAXATION		(1,270)	(207)
Income Tax expense	6	(13)	(14)
LOSS FOR THE YEAR	14	(1,283)	(221)
OTHER COMPREHENSIVE INCOME, NET OF TAX			
Actuarial gains on defined benefit obligations	17	1,638	1,976
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		355	1,755

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

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

Statement of Changes in Equity

for the year ended 31 March 2019

	Note	Total Equity & Reserves £'000
BALANCE AT 1 April 2017		(6,166)
Loss for the financial year to 31 March 2018		(221)
Actuarial gain relating to the pension scheme	17	1,976
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,755
BALANCE AT 31 March 2018		(4,411)
Loss for the financial year to 31 March 2019		(1,283)
Actuarial gain relating to the pension scheme	17	1,638
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		355
BALANCE AT 31 March 2019		(4,056)

Balance Sheet

at 31 March 2019

	Note	2019 £'000	2018 £'000
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	8	1,951	1,992
CURRENT ASSETS			
Inventories	9	80	80
Trade and other receivables	10	2,113	829
Cash and cash equivalents	15	11,406	12,577
TOTAL ASSETS		15,550	15,478
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	11	(4,287)	(4,848)
Current tax liabilities		(14)	(14)
Borrowings	12	(33)	(31)
		(4,334)	(4,893)
NON CURRENT LIABILITIES			
Borrowings	12	(517)	(550)
Retirement benefit net obligations	17	(14,740)	(14,405)
Other non current financial liabilities	11	(15)	(41)
TOTAL LIABILITIES		(19,606)	(19,889)
NET LIABILITIES		(4,056)	(4,411)
EQUITY – Attributable to parent			
Retained earnings	14	(4,056)	(4,411)
TOTAL EQUITY – ATTRIBUTABLE TO MEMBER		(4,056)	(4,411)

The financial statements on pages 22 to 46 were approved by the Board and authorised for issue on 23 September 2019 and are signed on their behalf by:



Mr Richard Hyde
Chair



Mr Nigel Page
Chair of Audit and Risk Committee

Statement of Cash Flows

for the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
OPERATING ACTIVITIES			
Cash (outflow)/ inflow from operations	15	(1,101)	1,500
Interest paid	4	(25)	(26)
Corporation tax paid		(14)	(21)
NET CASH (USED IN)/ GENERATED FROM OPERATING ACTIVITIES		(1,140)	1,453
FINANCING ACTIVITIES			
Repayments of borrowings		(31)	(30)
NET CASH USED IN FINANCING ACTIVITIES		(31)	(30)
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		(1,171)	1,423
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		12,577	11,154
CASH AND CASH EQUIVALENTS AT END OF YEAR	15	11,406	12,577

Significant Accounting Policies

31 March 2019

BASIS OF ACCOUNTING

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

GOING CONCERN

The accounts have been prepared on a going concern basis. The Strategic Report sets out the basis on which the directors have been able to make this assumption. This includes consideration of the trading activities of the Company along with the five-year rolling Management Agreement signed on 24 April 2015 with an initial end date of 31 March 2020. The Council has confirmed that the agreement will roll forward as part of the Council's budget setting process.

REVENUE

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

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

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

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

PROPERTY

Housing properties were initially recorded at cost less any identified impairment loss until the date of the first revaluation which took place on 31 March 2016. All Housing properties are now included within the accounts at Existing Use Value (Social Housing).

Completed properties are then subject to a full re-valuation every 5 years - the market values for the properties being then adjusted to Existing Use Value - Social Housing (EUV-SH).

This method applies a reduction to the market value of the property in order to reflect the service potential of the asset in its delivery of social housing objectives. The percentage reduction applicable to the assets is that defined by the Ministry for Housing, Communities and Local Government. Where a change in the percentage applied to arrive at the EUV-SH value is considered to result in a material change in the value of the Company's assets, this change will be applied immediately as a desktop exercise, even where a full revaluation is not yet due.

The change in the EUV-SH percentage itself is assumed not to materially change the underlying value of the property.

Any amounts arising as a result of revaluation, exceeding the historical cost, are credited to the revaluation reserve.

DEPRECIATION

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

Significant Accounting Policies

31 March 2019

(continued)

DEPRECIATION (continued)

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

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

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

HOUSING PROPERTIES

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

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

IMPAIRMENT OF PROPERTY

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

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

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

SHARED OWNERSHIP PROPERTIES

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

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

Significant Accounting Policies

31 March 2019

(continued)

GOVERNMENT GRANTS

Grants in respect of revenue activities are credited to the Statement of Comprehensive Income in the same period as the expenditure to which they relate, once reasonable assurance has been gained that the Company will comply with the conditions attaching to them and that the funds will be received.

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

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

OTHER GRANTS

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

INVENTORIES (excluding Shared ownership properties)

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

LEASES

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.

FINANCIAL INSTRUMENTS

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

Financial assets

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

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.

Significant Accounting Policies

31 March 2019

(continued)

FINANCIAL INSTRUMENTS (continued)

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

Bank overdrafts are presented within current liabilities.

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

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

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

TAXATION

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

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

DEFERRED TAXATION

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

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

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

PENSIONS

All permanent employees of the Company are entitled to join the local government "defined benefit" pension scheme, the West Midlands Pension Fund, which is administered by Wolverhampton City Council and provides members with defined benefits, related to pay and service. During the year, the Company paid an employer's contribution rate of 19.9% (2018: 19.9%) into the fund in addition to meeting all pension payments relating to added years benefits awarded during the year, together with any related increases.

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

Significant Accounting Policies

31 March 2019

(continued)

The difference between the fair value of the assets of the scheme and the present value of the accrued pension liabilities is shown as an asset or liability on the balance sheet net of any deferred tax. Any difference between the expected return on assets and that actually achieved is recognised in the Statement of Comprehensive Income along with differences arising from experience or assumption (financial and demographic) changes.

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

STANDARDS ADOPTED EARLY BY THE COMPANY

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

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

IFRS 9 – Financial Instruments - Effective 2019

IFRS 15 – Revenue from Contracts with Customers – effective 2019

IFRS 16 – Leases – effective 2020

IAS 19 – Plan amendment, curtailment or settlement – effective 2020

IFRIC 23 - Uncertainty over Income Tax Treatments – effective 2020

With the exception of IFRS 16 which is under review, none of these standards are expected to have a material impact on the Company's financial statements.

Areas of Judgement and Risk Management

31 March 2019

CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

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

The Strategic Report set out on pages 3 to 12 of these accounts sets out a commentary on the current and future trading activities of the Company as well as the key risks underlying its operations. The evidence gathered in this exercise forms a key element of the Directors' assessment of whether SCH continues to be a going concern.

The estimates (and related assumptions) that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are in relation to the pension scheme and the property revaluations. The detailed assumptions in relation to the pension scheme are set out in Note 17 to the accounts. Solihull Community Housing's ("SCH") parent, Solihull Council confirms on an annual basis that they expect SCH to make best endeavours to maintain a fully funded scheme by complying with any guidance issued by the actuary with regard to contribution levels. In line with the Company's accounting policies its property portfolio is revalued every five years. The first such revaluation took place on 31 March 2016 and has been updated by a desktop review at 31 March 2019. Details are set out in Note 8 to the accounts.

FINANCIAL RISK MANAGEMENT

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

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

SCH maintains a Corporate Risk register and each Head of Service maintains a supporting Service 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. The Executive Management Team (EMT) carry out formal reviews of the registers and report the strategic risks to the Board twice a year.

Monitoring exposure to financial risks forms a key part of SCH's overall risk management processes. The Statement on Internal Control set out on pages 16 to 19 of these accounts sets out a more detailed explanation of SCH's approach to the management of both financial and operational risk.

Liquidity Risk and Credit Risk

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

The Company is largely dependent on its largest customer, Solihull Council. The Capital and Revenue Management Fees and income from Service Level Agreements from Solihull Council represent 98% (2018: 99%) of SCH's income and are receivable monthly in advance. SCH is dependent on Management Fee income in order to maintain the necessary cash flow to operate effectively.

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

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

Areas of Judgement and Risk Management

31 March 2019

(continued)

Liquidity Risk and Credit Risk (continued)

Credit risk predominantly arises from trade receivables of the Company's total 2019 financial assets, £1,493,000 (2018: £590,000) is owed to the Company by Solihull Council and the SCH Board therefore also consider that the likelihood of this risk arising is remote. The remainder are cash/cash equivalents and amounts due from third parties. Other trade receivables are limited in value.

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

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

Interest rate risk

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

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

All the Company's 2019 and 2018 Financial Assets are non-interest bearing.

All the Company's 2019 and 2018 Trade and Other Payables are non-interest bearing. The interest rates applicable to the Company's 2019 and 2018 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 £10,856,000 at 31 March 2019 (2018: £11,996,000).

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

Notes to the Financial Statements

for the year ended 31 March 2019

1. REVENUE

Sales were made wholly in the United Kingdom and derived from the Company's principal activity of housing management, including rental of properties.

2. SEGMENT INFORMATION

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

3. PROFIT FROM OPERATIONS

Loss/ profit from operations is stated after charging:

	2019	2018
	£'000	£'000
Inventories		
- cost of inventory recognised as an expense	895	812
Depreciation of owned property, plant and equipment	41	33
Auditor's fees:		
- audit services	18	18
- taxation	2	3
Rentals under operating leases	357	367

The following table analyses the nature of expenses:

		2019	2018
		£'000	£'000
Staff costs	5	11,949	11,305
Asset management		22,026	19,984
Housing management		3,527	2,788
Corporate services		2,476	2,630
Total expenditure		39,978	36,707

4. FINANCE COSTS

		2019	2018
		£'000	£'000
Interest on net pension liability	17	(352)	(384)
Prudential borrowing interest		(25)	(26)
		(377)	(410)

Notes to the Financial Statements

for the year ended 31 March 2019

(continued)

5. STAFF COSTS

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

	2019 No	2018 No
Non-executive Directors	11	12
Executive Management Team	5	3
Housing Management	109	100
Asset Management	110	106
Corporate Services	59	70
	<u>294</u>	<u>291</u>

Staff costs, including directors:

	2019 £'000	2018 £'000
Wages and salaries	7,491	7,356
Social security costs	671	677
Other pension costs	2,882	2,441
Modernisation and redundancy costs	46	165
Sub-total employed staff costs	<u>11,090</u>	<u>10,639</u>
Agency costs	859	666
Total staff costs	<u>11,949</u>	<u>11,305</u>

Remuneration of key management personnel:

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

	2019 £'000	2019 Average per full time equivalent	2018 £'000	2018 Average per full time equivalent
Short term employee benefits (Pay & Employers NI)	448	96	256	118
Post employment benefits (Employers Pension)	73	16	43	20
	<u>521</u>	<u>112</u>	<u>299</u>	<u>138</u>

The year-on-year increase of £222,000 is made up of a combination of adding existing Heads of Service posts into the Executive Management Team (£120,000), creation of new Executive Directors posts and a remunerated Chairs role (£138,000), additional pension contributions relating to these changes (£30,000) all of which have been offset by the deletion of Chief Officer roles during the year (£66,000).

The role of the Chief Financial Officer in SCH is undertaken by the Council's Assistant Director of Finance and Property Services and spends approximately 50% of her time on SCH business. This 50% costs the Council £57,170 (2018: £54,520). This is not included within the staffing details above as the role forms part of an overall Service Level Agreement (SLA) paid by SCH to the Council at a total cost of £951,140 (2018: £1,157,970). The SLA provides the company with support services for Finance, Human Resources, Information Technology, Health and Safety and Equalities.

Notes to the Financial Statements

for the year ended 31 March 2019

(continued)

5. STAFF COSTS (continued)

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

During 2018/19 the Chair of the Board received remuneration of £5,000 (2017/18: £nil)

No other directors received any emoluments but all Board Members were entitled to reimbursement of incidental expenses incurred when attending Board meetings and other formal events in their capacity as Board members.

6. INCOME TAX EXPENSE

ANALYSIS OF CHARGE IN YEAR

Current Tax:

UK – Current tax

2019

£'000

2018

£'000

13

14

13

14

Current tax reconciliation:

2019

£'000

2018

£'000

(Loss) before tax

(664)

(207)

Depreciation

41

33

IAS19 adjustments:

- Other finance income

352

384

- Past and present service costs

2,250

2,460

1,979

2,670

2019

£'000

2018

£'000

Tax at the standard rate of corporation tax 19% (2018: 19%)

376

534

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

(363)

(520)

13

14

Where the Company has income related to trading outside of the council, this is taxable. During the reporting year income from the ownership and management of the Company's own developments and from the Company's 'Better Places' service were subject to Corporation Tax. A taxable profit of £69,000 arose in the year and is reflected in these statements (2018: £74,000).

On the basis that we are not expecting to sell the housing properties owned by the Company, no allowance has been made within these financial statements for deferred taxation as a result of revaluations of housing properties undertaken (last revaluation: 31 March 2017). Any such sales would only be taxable if sold to a party other than the Council.

Notes to the Financial Statements

for the year ended 31 March 2019

(continued)

7. FINANCIAL INSTRUMENTS

		2019 £'000	2018 £'000
Assets at amortised cost:			
Current financial assets			
Trade and other receivables		1,839	761
Liabilities at amortised cost:			
		2019 £'000	2018 £'000
Current financial liabilities			
Trade and other payables		3,884	4,177
Borrowings	12	33	31
		3,917	4,208
Non-current financial liabilities			
Borrowings	12	517	550
Retentions on construction projects	11	15	41
Total other financial liabilities		4,449	4,799

MATURITY ANALYSIS

Financial Assets

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

		2019 £'000	2018 £'000
Within 6 Months			
Trade and other receivables		1,839	761

Notes to the Financial Statements

for the year ended 31 March 2019

(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 2018 up to the contractual maturity date:

		2019 £'000	2018 £'000
Within 6 Months			
Trade and other payables	11	3,706	4,136
Borrowings	12	33	31
6 Months to 1 Year			
Trade and other payables		178	41
1 to 5 Years			
Payables due >1 year: retentions on construction projects	11	15	41
Borrowings	12	517	550
Total		<u>4,449</u>	<u>4,799</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.

Notes to the Financial Statements

for the year ended 31 March 2019

(continued)

8. PROPERTY

	Freehold Land	Completed Properties available for letting		Total
		Rented	Shared Ownership	
	£'000	£'000	£'000	£'000
Valuation:				
At 1 April 2017	691	1,416	188	2,295
At 31 March 2018	691	1,416	188	2,295
Additions	-	-	-	-
At 31 March 2019	691	1,416	188	2,295
Accumulated depreciation and any recognised impairment losses:				
At 1 April 2017	-	(237)	(33)	(270)
Charged in the year	-	(29)	(4)	(33)
At 31 March 2018	-	(266)	(37)	(303)
Charged in the year	-	(35)	(6)	(41)
At 31 March 2019	-	(301)	(43)	(344)
Net book value:				
At 31 March 2019	691	1,115	145	1,951
At 31 March 2018	691	1,150	151	1,992
At 31 March 2017	691	1,179	155	2,025

The depreciation expense of £41,000 (2018: £33,000) has been charged to operating expenses within the Income Statement.

During 2016/17, the Department for Communities and Local Government increased the percentage applied to market values in order to arrive at Existing Use Value - Social Housing (EUV-SH) in the West Midlands from 34% to 40%. In line with our accounting policy, all properties owned by Solihull Community Housing were revalued by management in a desktop exercise in order to reflect this change, which resulted in a revaluation gain in that year of £312,000.

The next full revaluation of these properties is due in 2020/21, in line with the current accounting policy.

SCH received a total of £781,000 of Social Housing Grant towards the development of these properties; this sum was recognised as income in 2015/16 in line with the first full revaluation.

Notes to the Financial Statements

for the year ended 31 March 2019

(continued)

9. INVENTORIES

	2019 £'000	2018 £'000
Raw materials and consumables	80	80
	<u>80</u>	<u>80</u>

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

10. TRADE AND OTHER RECEIVABLES

	2019 £'000	2018 £'000
Trade receivables	1,544	615
Other receivables	569	214
	<u>2,113</u>	<u>829</u>

The average credit period taken on provision of services is 17 days (2018: 8 days).

An allowance has been made for estimated irrecoverables of £40,000 (2018: £44,000). This allowance has been based on the knowledge of the financial circumstances of individual customers at year-end.

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

	2019 £'000	2018 £'000
Up to 3 months	98	101
Up to 6 months	-	-
Greater than 6 months	6	4
	<u>104</u>	<u>105</u>

	2019 £'000	2018 £'000
The movement in the allowance account was as follows:		
Opening balance as at 1 April	44	59
Provision for receivables impairment	18	10
Receivables written off during the year	(11)	(6)
Unused amounts reversed	(11)	(19)
Closing balance as at 31 March	<u>40</u>	<u>44</u>

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

Notes to the Financial Statements

for the year ended 31 March 2019

(continued)

11. TRADE AND OTHER PAYABLES

	2019 £'000	2018 £'000
Amounts payable relating to invoiced amounts	604	1,542
Accruals and deferred income	2,792	2,302
Other tax and social security	254	433
Other creditors	637	571
Current trade and other payables	4,287	4,848
Non-current other creditors: retentions on construction projects	15	41
Total trade and other payables	4,302	4,889

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 14 days (2018: 9 days).

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

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

12. BORROWINGS

	2019 £'000	2018 £'000
<u>Less than 1 year</u>		
Prudential borrowing from SMBC	33	31
<u>Greater than 1 year</u>		
Prudential borrowing from SMBC	517	550
	550	581

Interest Rate Summary

	2019 £'000	2018 £'000
Floating rate	550	581
	550	581

A floating rate loan from Solihull Council to finance SCH's development of properties for rent and shared ownership - £550,000 (2018: £581,000). This is a floating rate loan repayable over 22 years from 2010/11 to 2031/32. Interest is charged at the Council's Consolidated rate of Interest (CRI). The loan is secured on the developed properties.

Notes to the Financial Statements

for the year ended 31 March 2019

(continued)

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

	2019 £'000	2018 £'000
Retained Earnings		
At 1 April	(4,411)	(6,166)
Retained loss for the year	(1,283)	(221)
Actuarial gain	1,638	1,976
Total Equity and Reserves	(4,056)	(4,411)

15. CASHFLOWS

	2019 £'000	2018 £'000
Reconciliation of profit from operations to net cash inflow from operating activities:		
Cash (outflow)/ inflow from operations before tax	(893)	203
Depreciation	41	33
Pension contributions paid in period	(1,263)	(1,283)
Pension contributions charged in the period	2,884	2,488
Decrease in inventories	-	27
(Increase)/ Decrease in debtors	(1,284)	853
Decrease in creditors	(586)	(821)
Net cash (outflow)/ inflow from operating activities	(1,101)	1,500

CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent:

	2019 £'000	2018 £'000
Cash at bank and in hand	11,406	12,577
	11,406	12,577

Notes to the Financial Statements

for the year ended 31 March 2019

(continued)

16. COMMITMENTS UNDER OPERATING LEASES

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

	Land and buildings 2019 £'000	Land and buildings 2018 £'000	Plant and machinery 2019 £'000	Plant and machinery 2018 £'000
Total value of lease commitments				
Expiry of lease:				
Within 1 year	40	40	166	311
Between 2-5 years	90	130	88	264
After 5 years	-	-	-	-
	130	170	254	575

Operating lease payments represent rentals payable by the Company for office premises and equipment. £90,000 (2018: £130,000) of the leases for land and buildings relates to a lease expiring after 1 year. Rentals on both leases are fixed throughout the term of the lease. Rentals for plant and machinery are fixed for an average of 2 years.

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 2019 for the purposes of the IAS 19 valuation for inclusion in these financial statements prepared by Barnett Waddingham, a registered actuary engaged by West Midlands Pension Fund. The present values of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit method.

	2019	2018
Key assumptions used:	%	%
Discount rate	2.4	2.6
Future salary increases	3.9	3.8
Future pension increases	2.4	2.3
CPI increases	2.4	2.3

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:	2019	2018
Male	86	87
Female	88	89

The average life expectancy for a pensioner retiring at 65, aged 45 at the reporting date:	2019	2018
Male	88	89
Female	90	92

Notes to the Financial Statements

for the year ended 31 March 2019

(continued)

17. RETIREMENT BENEFIT OBLIGATIONS (continued)

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 (£1,491,000)
Short term salary increase	Increase by 0.1%	Increase £155,000
Pension growth rate	Increase by 0.1 %	Increase £1,364,000
Rate of mortality	Increase by 1 year	Increased £2,920,000

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

	2019 £'000	2018 £'000
Current service cost	2,856	2,460
Net interest on liability	352	384
Administration cost	28	28
Total operating charge	<u>3,236</u>	<u>2,872</u>

Of the charge for the year: £2,884,000 has been charged to operating costs (2018: £2,488,000);
£352,000 has been charged to finance costs (2018: £384,000).

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

Gain recognised £1,638,000 (2018: £1,976,000);

Cumulative expense is £7,444,000 (2018: £9,082,000).

The actual return on scheme assets was a gain of £2,341,000 (2018: £42,000).

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

	2019 £'000	2018 £'000
Fair value of scheme assets	65,393	63,219
Present value of defined benefit contributions	(80,133)	(77,624)
Liability recognised in the Balance Sheet	<u>(14,740)</u>	<u>(14,405)</u>

Notes to the Financial Statements

for the year ended 31 March 2019

(continued)

17. RETIREMENT BENEFIT OBLIGATIONS (continued)

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

	2019	2018
	£'000	£'000
At 1 April	(14,405)	(14,792)
Current service cost including curtailments	(2,250)	(2,351)
Past service cost	(606)	(109)
Interest cost	(1,962)	(2,090)
Remeasurement arising from changes in financial assumptions	907	3,640
Expected return on scheme assets	1,610	1,706
Actuarial gains	731	(1,664)
Administration expenses	(28)	(28)
Employer contributions	1,263	1,283
At 31 March	<u>(14,740)</u>	<u>(14,405)</u>

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

	2019	2018
	£'000	£'000
At 1 April	77,624	77,971
Current service cost including curtailments	2,250	2,351
Past service cost	606	109
Interest cost	1,962	2,090
Remeasurement arising from changes in financial assumptions	(907)	(3,640)
Contributions by plan participants	418	411
Benefits paid	(1,820)	(1,668)
At 31 March	<u>80,133</u>	<u>77,624</u>

Movement in the fair value of scheme assets in the current period:

	2019	2018
	£'000	£'000
At 1 April	63,219	63,179
Expected return on scheme assets	1,610	1,706
Actuarial gains/ (losses)	731	(1,664)
Administration expenses	(28)	(28)
Employer contributions	1,263	1,283
Employee contributions	418	411
Benefits paid	(1,820)	(1,668)
At 31 March	<u>65,393</u>	<u>63,219</u>

Notes to the Financial Statements

for the year ended 31 March 2019

(continued)

17. RETIREMENT BENEFIT OBLIGATIONS (continued)

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

	Expected return		Fair value of assets	
	%	%	£'000	£'000
	2019	2018	2019	2018
Equity instruments	2.4	2.6	38,651	40,405
Debt instruments	2.4	2.6	8,802	7,038
Property	2.4	2.6	5,554	4,868
Alternatives	2.4	2.6	10,315	9,352
Cash	2.4	2.6	2,071	1,556
	2.5	2.6	65,393	63,219

Since 2016 the overall rate of return on scheme assets is calculated with reference to the overall discount rate. These were previously determined by reference to relevant indices.

The five year history of experience adjustments are as follows:

	2019	2018	2017	2016	2015
At 31 March:	£'000	£'000	£'000	£'000	£'000
Fair value of plan assets	65,393	63,219	63,179	50,980	50,772
Present value of defined obligation	(80,133)	(77,624)	(77,971)	(62,689)	(63,289)
Deficit in the plan	(14,740)	(14,405)	(14,792)	(11,709)	(12,517)
Re-measurement on Assets	731	(1,664)	10,392	(1,849)	4,743
(Gain)/ loss on financial assumptions	3,520	(3,640)	12,525	(3,724)	9,463
Gain on demographic assumptions	4,427	-	-	-	-
Total Actuarial gain/ (loss) for year	1,638	1,976	(2,133)	1,875	(4,720)

The estimated amounts of contributions expected to be paid to the scheme during the financial year ending 31 March 2020 is £1,588,000.

Notes to the Financial Statements

for the year ended 31 March 2019

(continued)

18. RELATED PARTY TRANSACTIONS

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

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

	2019	2018
	£'000	£'000
During the year the Company:		
- supplied goods and services to SMBC	38,402	36,692
- purchased goods and services from SMBC	3,588	3,762
At 31 March		
- included in year-end Debtors owed by SMBC	1,493	590
- included in year-end Creditors owing to SMBC	(714)	(753)
- included in year-end Borrowings owing to SMBC	(550)	(581)
- Net balance due to / (from) SMBC	229	(744)

Included in the above figures is a loan from Solihull Council to fund SCH's own development of properties for rent and shared ownership. Further details are set out in note 12. The loan is secured against the assets that it was used to develop. As at 31 March 2019 the balance outstanding was £550,000 (2018: £581,000).

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 role of Chief Finance Officer is undertaken by the Council's Assistant Director of Finance and Property Services and is paid by the Company as part of the recharge from SMBC for support services provided (shown in aggregate above) and therefore does not feature within Remuneration of key management personnel shown in note 5.

19. CAPITAL COMMITMENTS

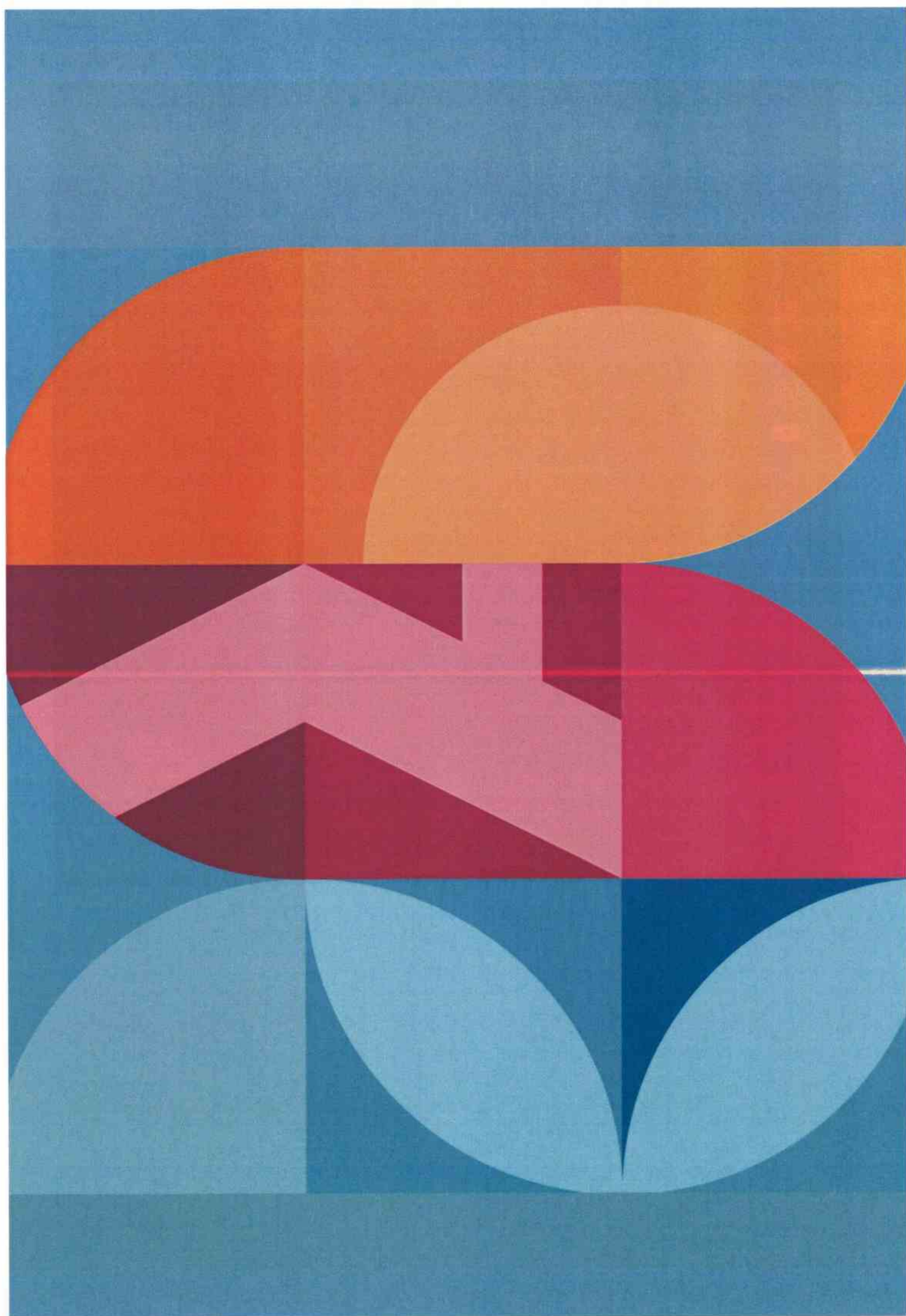
At 31 March 2019 the Company had no capital expenditure commitments (2018: £nil)

20. CONTINGENT LIABILITY

Until 31 March 2018, the Company acted as an agent for Severn Trent Water collecting water charges due from tenants and receives a commission payment for doing so - this contract has now ended. There is currently a case underway in London (Jones v London Borough of Southwark) where a judgement has been made that the Council was acting as a water reseller rather than an agent. Where an organisation is classed as a water reseller the organisation would be subject to the Water Re-Sale Order 2006, which restricts the amount a purchaser of water can charge when reselling water to the end-customer, effectively only allowing for modest administration charges to be passed on.

Any challenge would be strongly defended by the Company and the Council and as such the Company has accepted the Local Government Associations (LGAs) offer of support and advice as part of a combined approach on behalf of a number of organisations.

No allowance has been made in these financial statements for potential costs resulting from any such legal challenge as, not only does the Company believe that the commission income equates to a reasonable administration charge, but the Council has also provided a letter of support confirming that any such losses, as a result of a court judgement, would be funded from the Council's Housing Revenue Account.



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