



Solihull
Community Housing
Shaping our neighbourhoods.

Solihull Community Housing Limited

Company Limited by Guarantee

Financial Statements

For the year ended 31 March 2020

INDEX

Officers and Professional Advisers	1
Chair's Introduction	2
Strategic Report	3
Report of the Directors	12
Statement of Directors' Responsibilities for the Financial Statements	14
Annual Governance Statement	15
Report of the Independent Auditor to the Member of Solihull Community Housing Limited	19
Statement of Comprehensive Income	21
Statement of Changes in Equity	22
Balance Sheet	23
Statement of Cash Flows	24
Significant Accounting Policies	25
Areas of Judgement and Risk Management	30
Notes to the Financial Statements	32

Officers and Professional Advisers

Directors ("the Board")	D S Bell K V Blunt (appointed 14 May 2019) B Burton J M Fletcher D E Howell (appointed 14 May 2019) J Hulland (resigned 14 May 2019) R Hyde A M Mackiewicz (resigned 14 May 2019) N T Page P L Smith L Tubbs C Williams
Chief Officers	F Hughes – Chief Executive S C Gilbert CPFA – Chief Financial Officer M Pinnell – Executive Director of Assets and Development S Balu – Executive Director of Housing and Communities D Good – Executive Director of Customer and Corporate Services (left 14 July 2019) K Bennett – Executive Director of Customer Transformation and Business Support (from 25 August 2019)
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 2020



As the Chair of Solihull Community Housing (SCH), this is the second set of accounts I have introduced. 2019/20 has seen some major changes and challenges, locally, nationally and internationally.

The new Executive Management Team (EMT) structure has been fully implemented this year and for the majority of this year they have continued to maintain focus on service delivery and 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 cannot fail to mention, however, the major impact in the last few weeks of the financial year brought about by the Coronavirus pandemic. My thanks go to the Executive Team and the whole workforce who have had to react to this developing situation which seems to be evolving, on a daily basis, at the moment. SCH have had to adapt how and where we work whilst trying to ensure that not only the tenants and leaseholders but also our staff are not exposed to undue risk.

Our working relationship with Solihull Council (SMBC) has continued to grow and develop and SCH playing a key role alongside SMBC in the response to Coronavirus for the residents of Solihull.

Our sympathies and the thoughts of everyone at SCH go out to those affected by this pandemic.

The following pages detail the outturn position and some of the achievements for 2019/20.

A handwritten signature in blue ink that reads "Richard Hyde". The signature is written in a cursive style with a large, looped 'R' and a long horizontal line underneath.

Richard Hyde

Chair

27 July 2020

Strategic Report

31 March 2020

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

Demand for social housing in Solihull remains high as home ownership and private renting is unaffordable for many people. Making the best use of existing housing, developing affordable new homes and preventing homelessness are key activities in managing this mismatch between demand and supply. Solihull has an ageing population and providing suitable homes and services to meet the needs of older and disabled people is increasingly important.

2019/20 was the fourth and final year of the government's policy to reduce social housing rents by 1% each year. From April 2020, rents will increase by an average of 2.7%, an improvement of the increases forecast in the Council's 30 year plan. However, the roll out of welfare reform to existing tenants under pensionable age continues and will place additional pressure on collecting rents. The level of Right to Buy has reduced in recent years and in 2019/20 the actual number of sales was 46. This was less than the number budgeted for the year of 65 housing stock.

Against this background, SCH continued to progress the objectives set out in the Future Strategic Vision: Provide Homes; Improve Wellbeing and Strengthen Communities (summarised on page 11), which is underpinned by annual delivery plans. A new strategic vision has been developed to take us forward to 2025. The 2019/20 Delivery Plan set out our strategic and operational priorities for the year.

Navigating an exit from the European Union with a minority government meant that progress on housing policy issues signposted in the 2018 Social Housing Green paper stalled. However, building safety and the need to listen to, and further engage, with tenants and residents were brought into sharp focus by the ongoing Grenfell Tower Inquiry and Hackitt Review recommendations. These issues shaped our strategic priorities for 2019/20, along with the need to contribute to stock growth, invest intelligently in the existing housing stock, and further enhance partnership working and support for the Solihull Council Plan, particularly through taking the lead role in implementing locality working. Investing in staff development and progressing digital engagement were also identified as cross-cutting strategic priorities.

Delivering excellent core housing management functions is a primary focus for SCH. For 2019/20, a comprehensive suite of operational priorities was developed to drive continuous improvement across each of the service directorates: Asset Management and Development; Housing and Communities; and Customer Service and Business Support.

The general election in December 2019 resulted in a government with a strong majority to implement its policy agenda. A new legislative programme was set out in the Queen's Speech and exit from the European Union was progressed. However, the emergence of the global Covid-19 emergency towards the end of 2019/20 has had a devastating impact. SCH continued to deliver services as far as possible, while prioritising support for those tenants at higher risk, and supporting the Council to assist Solihull's most vulnerable residents.

Governance

Good governance is essential for SCH to achieve its objectives and drive improvement as well as to maintain legal, regulatory and ethical standards. This will become even more important with the anticipated strengthening of regulatory standards. SCH is governed by a Board and three committees which report into it: Human Resources and Remuneration Committee; Audit and Risk Committee; and Housing Operations Committee. The SCH Board underwent a comprehensive training and development programme in 2018/19 and a Board appraisal process was carried out this year.

During 2019/20, recruitment to Executive Director positions in Asset Management and Development; Housing and Communities; and Customer Service Transformation and Business Support, was finalised.

Strategic Report

31 March 2020

(continued)

Annual Performance

SCH sets out its delivery priorities in its Annual Delivery Plan. For 2019/20, these priorities are organised as strategic and operational, with each priority having specific delivery milestones. A set of Key Performance Indicators (KPIs) is included in the Delivery Plan.

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 2019/20 SCH delivered savings totalling £966k from across the organisation.

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 Adult Social Care and Health. 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. A Service Improvement Board has been established to oversee key programmes of work being taken through sub groups.

The Revenue Management Fee, paid by the Council reduced from £18.402m in 2018/19, to £18.199m in 2019/20, as well as a capital programme of £11.815m (2018/19: £16.063m). In addition to the planned savings, the year-end has seen further savings made in Revenue of £0.511m.

Performance outcomes against Delivery Plan priorities and KPIs are set out below for each service area:

Asset Management and Development

Strategic priorities

Work to embed 'Safer Homes' as a core theme, integrating tenant engagement, has progressed well. Information on safety in the home has been promoted on the SCH website, digital communication channels and newsletters. Walkabouts with block champions have taken place. This work will continue into 2020/21, with the aim to increase tenant participation and as part of the engagement framework on the outcomes of fire risk assessments. Work to monitor and implement recommendations from the Hackitt Review and the associated improvement plan has also progressed well, through the Building Safety Group.

SCH continues to work with the Council to utilise opportunities for stock growth and to invest intelligently in the existing housing stock. Work started on site to deliver 14 homes for social rent and a number of shared ownership properties towards the end of 2019/20 and this will continue into the next year. In the longer term, SCH will work with the Council to bring forward a supported housing scheme in north Solihull and to develop a housing scheme for the Kingshurst Village Centre.

Operational priorities

More work is necessary to build on the existing stock condition information and further development to the Asset Performance tool has been identified and will continue into the next financial year.

Staffing resources have been realigned to create Customer Service and Safer Homes teams. These revised arrangements, together with continued work on the repairs improvement plan, will assist in efforts to increase customer satisfaction levels.

Strategic Report

31 March 2020

(continued)

Key performance indicators

Average void re-let time was 23 days (target 18 days) with a notable deterioration in quarter 4. There was also a significant increase in the number of lettable voids because of the suspension of general re-letting in mid-March in response to the Covid-19 emergency. As a consequence, the performance on rent loss due to voids suffered: 1.09% (target 0.9%). 100% compliance was achieved on gas safety certificates.

Asset Management and Development			
KPI ref	KPI Description	Target	Actual
AM1	Percentage of properties with valid gas certificate	100.00%	100.00%
AM2	Percentage of repair jobs completed in timescale - All repairs	99.00%	98.73%
AM3	Percentage of appointments made - Response repairs	98.00%	98.57%
AM4	Percentage of appointments kept - Response repairs	98.00%	98.44%
AM7	Percentage of repairs completed right first time	94.50%	95.32%
AM17	Average number of repairs per property	2.78	3.00
VL1	Average re-let time of voids – days	18	23
VL13	Percentage of rent loss due to voids	0.90%	1.09%
VL16	Number of lettable voids	85	118
WB1	Percentage of Minor adaptation works completed on time	99.00%	100.00%
WB2	Percentage of Major adaptation works completed on time	99.00%	100.00%

Housing and Communities

Strategic priorities

The key strategic priority for Housing and Communities was to implement locality working, which focuses on involving local people, organisations and partners in shaping and delivering services. Three locality plans, representing a tailored plan for each locality area were launched. Broad locality networks are more likely to improve outcomes. During 2019/20 wider networks were developed and locality events held, which involved the voluntary sector and wider partners. Opportunities to use the locality framework for family and case specific joint working were also explored.

Operational priorities

The duties introduced by the Homelessness Reduction Act 2017 implemented in April 2018, continued to place significant additional demands on the service. A comprehensive Housing Options Development Plan is overseen by a group led by the Executive Director for Housing and Communities. The plan covers all aspects of the service and supports the Council's Homelessness and Rough Sleeping Strategy which was approved in December 2019. Activities covered by the plan include funding, staffing, training, office accommodation, temporary accommodation units, development of a prevention 'toolkit' and systems and processes. Work against the plan progressed well and will continue into 2020/21.

Working effectively with partners is critical to tackling homelessness effectively. SCH works closely with the Council and the Council's other service delivery agencies, St Basils and SIAS, as well as a range of other organisations. Homelessness pathways have been developed and launched and partners have been encouraged to use the 'Alert' system for referring cases into SCH.

There was significant success in using the private rented sector to avert homelessness during 2019/20. SCH is also working with the Council to implement the Housing First initiative whereby accommodation is provided with wrap around support.

Strategic Report

31 March 2020

(continued)

Income collection is a vital function and, as such, very much a performance management focus. The continuing impact of welfare reforms, in particular the roll-out of Universal Credit, has impacted on many SCH customers and on efforts to maximise rent recovery. The aim is to improve levels of income collection while sustaining tenancies wherever possible. The SCH Income Collection, Tenancy Support and Money Advice Teams work hard to achieve this. During the year, SCH continued to work closely with the Council's Income and Awards Team and the Department for Work and Pensions to mitigate affordability issues, and the use of digital payments was promoted as part of a year-end rent payment campaign. Income collection will continue to be a priority focus, with a comprehensive review of the management and arrears collection processes planned for 2020/21.

SCH continued to deliver an all tenure anti-social behaviour response, utilising all the appropriate tools available to address the problem. These range from low level early interventions through to legal remedies, including possession action, for more serious cases. Coordinated multi-agency action can prove particularly effective in dealing with some individual cases and 'hot spot' locations in the community. The further development of Locality Working was valuable in this respect. The underlying causes of anti-social behaviour can be very complex and officers need to be alert to the risks posed by various forms of exploitation, such as 'county lines' drug activity, and be ready to respond appropriately. SCH membership and contribution to the newly formed Exploitation Reduction Delivery Group and Exploitation Panel, building on existing representation within the children and adults safeguarding arrangements, was an important development.

SCH has committed to follow the Chartered Institute of Housing (CIH) "Make a Stand" pledge on domestic abuse and a customer facing policy has been drafted for further consultation in 2020/21.

Initial recommendations for changes to the Council's Housing Allocation Scheme were brought forward in 2019/20. Final approval for the amendments was deferred because of the Covid-19 outbreak, but will be brought back in 2020/21 as part of a wider review of the scheme.

Joint working with the Council to improve services and support customers in need are operational priorities. A workshop was held with the Council's environmental services team with a view to provide a better, seamless, service for customers. In-year improvements were agreed and a longer term programme is being developed. SCH supported the corporate parenting agenda by introducing additional support for young people moving into new tenancies as part of the service offer to care leavers. The theme of joint work for the benefit of customers in the community continued in terms of SCH collaboration with Council colleagues to support the adult social care agenda. In particular, the Wellbeing, adaptation and supported housing services, including the provision of housing management services for the Saxon Court extra care scheme. Further work to develop a service offer for other lower level schemes was carried out and initial proposals considered. This work will continue in 2020/21.

Key performance indicators

The target for the percentage of rent collected of rent due was not met but there was an improving trend through the year with a better year end position when compared with 2018/19. There was a significant improvement during March following a successful rent campaign which was curtailed by the Covid-19 emergency. The total amount collected was £83,330.07 short of target. This shortfall was compounded by the late arrival of a DWP payment of £317,256.

The challenging 60% performance target for homelessness prevention or relief was not met. A revised target of 50% has been set for 2020/21. This remains a demanding stretch target and reflects SCH's ambition to add value and go beyond the Solihull Council Homelessness and Rough Sleeping Strategy, which has a target of 45%. The Housing Options Delivery Group is overseeing action designed to improve performance.

Strategic Report

31 March 2020

(continued)

The target for net gain in Wellbeing service users was not met and the Covid-19 restrictions impacted on this to some degree.

Housing and Communities			
KPI ref	KPI Description	Target	Actual
NS1	Percentage of rent collected of rent due	98.00%	97.80%
NS2	Percentage of leaseholder service charges collected	99.00%	99.27%
NS4	Percentage of rent paid by digital means including Direct Debit	60.00%	64.39%
WR3	Reduction in arrears due to Money Advice Team intervention	£350,000	£526,082
NS9	Percentage of flatted blocks passing cleaning inspection	98.00%	99.04%
NS10	Percentage of estate inspections completed	90.00%	98.21%
NS33	Percentage of ASB cases closed with successful resolution	97.00%	97.00%
HO1	Average stay in temporary accommodation (all) - days	112	91
HO3	Average stay in temporary accommodation (Budget hotels) – days	10	15
HO5	Percentage of homeless approaches where prevention or relief achieved	60.00%	38.04%
WB20	Net gain in paying Wellbeing service users	108	56

Customer and Business Support

Strategic priorities

Delivering a step change improvement in customer satisfaction and engagement is an absolute priority for SCH. Effective engagement is key to ensuring that services are delivered to meet customers need and in the way that they want to receive them.

During 2019/20 a SCH wide refresh of customer excellence training was delivered. A new customer complaint policy has been introduced to support earlier and quicker resolution of complaints and a new engagement and tenant scrutiny framework has been approved by the SCH Board. Work to develop a framework of core service standards commenced and will be finalised in 2020/21. There is further work to be done to achieve the desired improvement in customer satisfaction levels and this will continue into the new financial year.

SCH is committed to supporting and developing our staff teams. A challenging set of delivery milestones was developed for 2019/20. A revised appraisal scheme was introduced, a staff conference and awards event held, and equality and diversity training delivered. A review of HR policies and procedures and managers' toolkit will continue into 2020/21. We recognise that staff teams need to be supported and the SCH Staff Engagement Group has a work plan which includes the development of a staff welfare policy. Very importantly, we are investing in a leadership development and culture change programme for our staff. This programme started in 2019/20 and will continue into 2020/21.

Strategic Report

31 March 2020

(continued)

Increasing digital engagement is fundamentally important for redesigning SCH services in ways that improve the customer experience and achieve value for money. Efficient automation, online convenience and high quality data will drive service improvement and support better engagement with customers. During the year, a new CRM system was introduced and improvements carried out to the SCH website and intranet. Customer self-serve capacity has been increased by the implementation of the 'My SCH' customer portal and the initial target for customer take-up has been exceeded. An SCH 'app' has been developed and launched although it needs to be further developed with more functionality. This work will continue as part of the ongoing digital plan to be taken forward in 2020/21.

Operational priorities

The new SCH brand was embedded during 2019/20 and a competency framework for multi-agency safeguarding training established.

Important activity to ensure robust governance continued, including a SCH Board appraisal.

Work to agree an effective measurement to report the social value of our work will be carried forward into 2020/21.

Key performance indicators

To evidence whether our efforts to improve customer satisfaction levels are having a positive impact, the Customer and Business Support team work closely with the other service directorates to monitor key satisfaction metrics relating to repairs, the standard of the homes that we let, and anti-social behaviour case handling.

Satisfaction with repairs was 86.9% against a target of 91.5%. Improvement work is being done to update mobile phone records and deliver better messaging to customers. Further analysis will be undertaken and the survey methodology will also be reviewed. The target on satisfaction with ASB case handling was not achieved but significant improvement was made in the later part of the year, while the target for satisfaction with new home was met.

Take-up on the use of the 'My SCH' customer portal has been pleasing, well exceeding target.

At year-end, short term absence was above target but overall sickness continued to decrease with a reduction of 3.96 days over the year with long term down to 8.89 days.

Customer Service and Business Support			
KPI ref	KPI Description	Target	Actual
AM19	Satisfaction with response repairs service	91.50%	86.89%
VL19	Satisfaction with new home	87.00%	87.22%
NS6	Satisfaction with ASB case handling	87.00%	70.31%
CR1	Percentage of complaints resolved at stage 1	97.00%	95.00%
CR5	Short term staff sickness days	4.00	4.55
CR11	Enquiries resolved at first point of contact (Contact Centre)	85.00%	81.30%
CR28	Percentage of tenants using customer portal	10.00%	19.00%

Future considerations

SCH had planned for new challenges and a fresh approach, not least because a new majority government was eager to implement its legislative and policy reform programme. During 2019/20 the

SCH Strategic Vision was reset to take the organisation forward to 2025. More detail on this is set out below. However, all of these plans are fundamentally impacted by the Covid-19 emergency.

Strategic Report

31 March 2020

(continued)

The social distancing and self-isolation 'lockdown' directives have completely changed the way that SCH is working and priorities have been refocused. The pandemic may result in some of these changes becoming the 'new norm', but for now, and the immediate future, SCH is concentrating on delivering essential services and supporting those tenants and other residents who are at most risk. Where it is possible to continue to deliver routine services by new ways of working this is being done and, together with Council colleagues, preparations are being made for how all services may be recommenced when circumstances allow.

Much of SCH's work involves direct contact with customers but, for good reason, this has been dramatically curtailed. This inevitably means service backlogs, especially in repairs, and problems for tenants in paying rent charges and therefore for SCH's ability to collect income. The allocation and letting of homes has been suspended which will have significant implications for void times and loss of rental income. Social pressures may well be exacerbated by the lockdown conditions resulting in more homelessness presentations, increased demand for temporary accommodation and, potentially, higher levels of anti-social behaviour. The longer term impact for the economy and, in turn, on funding for public services is likely to be considerable.

At such time that it is possible to return to some form of normality, SCH will strive to deliver the strategic aims set out in the new vision for 2020 to 2025:

- Creating Homes
- More than Bricks and Mortar
- Strengthening Communities
- Excellent Customer Service
- Passion in People

These strategic aims, together with the SCH core values and commitments, will direct what is done and how it will be done. The SCH Delivery Plan for 2020/21 represents the first year of the new vision. However, it seems inevitable that some of the delivery milestones will have to be adjusted in light of the Covid-19 situation.

Principal Risks

- Impact of the Covid-19 emergency on
 - Repairs backlogs
 - Income collection rates
 - Homelessness presentations
 - Void performance and loss of rental income
 - Impact on contractors / supply chains
- Fire and building safety requirements which may require significant capital investment

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

Strategic Report

31 March 2020

(continued)

The financial performance (separating out the impacts of IAS19 – Pensions and taxation) against budget and the previous year can be summarised as follows:

	2019/20 Actual £'000	2019/20 Budget £'000	2018/19 Actual £'000
Revenue			
Income	21,422	21,766	21,551
Expenditure	(21,697)	(21,766)	(20,846)
Surplus	(275)	-	705
Capital			
Income	12,837	15,238	17,534
Expenditure	(12,837)	(15,238)	(17,534)
Surplus	-	-	-
Combined			
Income	34,259	37,004	39,085
Expenditure	(34,534)	(37,004)	(38,380)
Surplus before tax and pension adjustments	(275)	-	705
Corporation tax	(12)	-	(13)
IAS19 Pension adjustments	(1,515)	-	(1,975)
Loss per Income Statement	(1,802)	-	(1,283)

Strategic Report

31 March 2020

(continued)

SCH Strategic vision and delivery themes

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.

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 27 July 2020 and signed on its behalf by:



Richard Hyde

Chair

27 July 2020

Report of the Directors

31 March 2020

The Directors present their report and the audited financial statements for the year ended 31 March 2020.

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
- Human Resources & Remuneration Committee
- Housing Operations Committee
- Tenant Scrutiny Panel (until August 2019)

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 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 any concerns and issues. Positive relationships with recognised trade unions (UNITE and UNISON) are in place with regular meetings to discuss changes and new policies that affect staff.

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 continued to work closely with the Chief Executive and the Executive Team on developing a detailed work programme and training plan.

Feedback from staff at all levels of the business is welcomed. A number of new staff engagement groups have been set up to help identify improvements to the SCH ways of working. During 2019 reintroduced a revitalised Staff Conference giving staff the opportunity to learn what is going on across the organisation and to network with colleagues. The success of the event has ensured that it will become a regular feature in the SCH calendar.

April 2019 saw the introduction of the new staff appraisal system which not only recognises the achievement of targets but also puts an emphasis on the positive behaviours of staff. This follows the company wide roll-out of customer excellence training which was undertaken in 2018/19 through SCH's partnership with the Chartered Institute of Housing and a more extensive staff support package was also introduced in the year.

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 2020

(continued)

Auditors

Following an external tender process RSM UK Audit LLP have been confirmed as auditor for the Company for an initial period of 3 years (up until 31 December 2022).

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 27 July 2020 and signed on its behalf by:

A handwritten signature in blue ink that reads "Richard Hyde". The signature is written in a cursive style with a large initial 'R' and a horizontal line underneath the name.

Richard Hyde
Chair
27 July 2020

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.

Annual Governance Statement

31 March 2020

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 Annual Governance Statement (previously referred to as the Statement of Internal Control) all teams have been 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.

At the end of this financial year all Executive Directors have been asked to sign an assurance statement, confirming that they are satisfied that staff within their sphere of control are compliant with the governance framework including Standing Orders, Rules for Contract, Financial Regulations, Health and Safety and Risk Management. Each senior manager has also completed an individual self-assessment of their own area of control, highlighting any areas of concern or requiring further action to strengthen the control measures to safeguard company assets. Following this process a detailed action plan has been developed, to further strengthen areas where Executive Directors highlighted any gaps in the control measures.

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 included contributions from staff at all levels.
- Quarterly monitoring of an agreed suite of performance indicators (both local and national) at team and corporate level and as part of the quarterly monitoring by SMBC, as part of the client function.
- 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. SCH has a training plan covering both mandatory and optional training for all staff, which includes regular refresher training on key areas such as Protecting Information /Data Protection / Equalities and Inclusion and Safeguarding.
- A formal programme of internal audit work, carried out by officers independent of the Executive Management Team. Reports and recommendations are agreed by the Executive Management Team as well as being considered in detail by the Audit & Risk Committee.
- There is a 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 Counter Fraud Team at Solihull Council.
- The SCH Board held an Away Day in October 2019 to consider a revised Strategic Vision for the company which has since been approved by the Board and SMBC.

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.

Annual Governance Statement

31 March 2020

(continued)

- 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 May 2019.
- SCH have a comprehensive Performance Management Framework which includes a section on compliance indicators to improve the monitoring of health and safety, 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.
- Following the tragic events at Grenfell Tower in June 2017 there has been a considerable amount of work carried out to ensure the safety of residents. The SCH Board has received regular updates on progress with the Dame Judith Hackitt Review and the Public Enquiry led by Sir Michael Moore-Bick. The outcome of the Moore-Bick Report Phase 1 was published on 30 October 2019 and reported to the Board on 25 November 2019. SCH and SMBC are working together on the implementation of the recommendations which impose duties on both the owner and manager of high rise buildings. SCH and SMBC held a joint meeting, including the West Midlands Fire Service, on 5 November 2019 to consider the plans for implementing recommendations from the Moore-Bick Enquiry.

General Data Protection Regulations (GDPR)

- There was a substantial amount of work undertaken to ensure compliance with the General Data Protection Regulations (GDPR) which came into force in May 2018. This 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 and Protecting Information and are required to complete refresher training every two years. Refresher training commenced towards the end of 2019/20 to ensure staff are familiar with the regulations.

Risk Management

- Responsibility for the strategic oversight of risk management has been transferred from the SCH Board to the Audit & Risk Committee, 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 March 2020. The Corporate and Team Risk Registers are monitored by the Executive Management Team on a quarterly basis and by the Audit & Risk Committee four times per year. There is also an annual risk management report presented to the full Board.
- Formal reviews of the Company's Corporate Risk Register (and supporting service Risk Registers) were regularly undertaken. The registers detail the identified risks and the mitigating actions in place to deal with them, as well as clearly defined management responsibilities for their identification, evaluation and control.
- During 2019/20 there was a programme of workshops to provide training for all managers with responsibility for managing risks and the supporting risk registers were all reviewed /challenged and updated.
- In February 2020 a joint Risk Workshop was held with senior SMBC officers and the SCH Executive Management Team to consider cross cutting risks impacting on both organisations with the intention of setting up a new joint risk register.

Financial Management

- Responsibility for financial monitoring goes to the SCH Board on a quarterly basis so that all members take responsibility for financial oversight.
- In May 2019 the SCH Board received a presentation from the Chief Financial Officer setting out proposals for shaping the 2020/21 to 2022/23 Budget Strategy, which allowed the Board to have a 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.

Annual Governance Statement

31 March 2020

(continued)

- 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 directorate level, as well as formal, scheduled reporting to the Executive Management team and the SCH Board.

Procurement

In October 2019 the SMBC Internal Audit Service published a report on the SCH procurement process with a low level 4 assurance rating.

Following this, immediate changes in the way that procurement is managed at SCH were implemented, with the key changes being:

- The responsibility for managing the Procurement Service was transferred to the Chief Financial Officer with effect from December 2019
- Recruitment of a new Procurement Team Manager and additional staff to support the procurement function
- All procurement requests are now being approved by the Procurement Team and Finance Teams
- The Finance Team undertaking financial checks on contractors
- Improvements to regular monitoring of contractual spend and particular attention to the amounts spent on Agency Staff
- Monthly reporting of progress against an improvement plan is also reported to the Chair of the Board and the Chair of the Audit & Risk Committee

All staff and SCH Board members are required to complete an 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 senior managers attend a monthly Senior Leadership Team Meeting and at the end of January 2020, a Leadership Development Programme commenced for this group of managers with an Away Day and in 2020/21 the next level of managers will also be joining the development programme.

During 2019/20 there was a focus on improving customer satisfaction and engagement and in February 2020 a new Engagement Framework was approved by the Board.

In 2019/20 all staff underwent customer service training delivered by an external specialist. This training was also delivered to SCH Board members and was completed by May 2019.

During 2019/20 a cross organisation Group to bring together key managers to deliver accelerated customer service improvements through a Customer Experience Improvement Panel (CEIP). The group meet monthly and looks at trends across customer satisfaction surveys, complaints and compliments as well as service demand information and uses the data to inform improvement planning measures.

Health and Safety support is provided by the Council's Health and Safety Support Team and there was one reportable incident to the Health and Safety Executive (HSE) during the last year. This accident involved an operative pulling a muscle in his back when lifting a heavy object resulting in more than 7 days absence.

SCH has a Corporate Health and Safety cross-team working group chaired by the Executive Director of Assets and Development who ensured that work plans were completed within the agreed time scales.

Annual Governance Statement

31 March 2020

(continued)

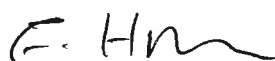
The rent reduction of 1% per annum for four years introduced in 2015 was incorporated in the SCH budget with clear savings plans. All Executive Directors worked with the Finance team to develop 3-year budget plans and these were monitored during 2019/20 at monthly Finance Monitoring Meetings. A 'traffic light' rating system, whereby areas are rated as red, amber or green, (RAG rating) has continued to be used to identify any areas of concern where the planned level of savings may not be achieved, so that alternative strategies can be put in place. At the end of 2019/20 the required level of savings had been achieved in the year and these monitoring meetings are scheduled to continue during 2020/21.

Budget setting will remain challenging especially with the impact of Welfare Reform and the potential for an increase in rent arrears following the Covid-19 pandemic, but close financial monitoring will ensure the delivery of the efficiencies required to remain within overall budgets.

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

The SCH Board cannot delegate ultimate responsibility for the Annual Governance Statement, 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 as well as 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
27 July 2020

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 2020 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 2020 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 or 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 14, 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.

ANNA SPENCER GRAY

ANNA SPENCER-GRAY (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: 30.7.20

Statement of Comprehensive Income

for the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
REVENUE	1	34,259	39,085
Operating expenses	3	(35,672)	(39,978)
(LOSS)/ PROFIT FROM OPERATIONS		(1,413)	(893)
Finance costs	4/16	(377)	(377)
LOSS BEFORE TAXATION		(1,790)	(1,270)
Income Tax expense	6	(12)	(13)
LOSS FOR THE YEAR	14	(1,802)	(1,283)
OTHER COMPREHENSIVE INCOME, NET OF TAX			
Actuarial gains on defined benefit obligations	17	4,269	1,638
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,467	355

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 2020

	Note	Total Equity & Reserves £'000
BALANCE AT 1 April 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)
Loss for the financial year to 31 March 2020		(1,802)
Actuarial gain relating to the pension scheme	17	4,269
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,467
BALANCE AT 31 March 2020		(1,589)

Balance Sheet

at 31 March 2020

	Note	2020 £'000	2019 £'000
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	8	1,912	1,951
Right of use assets	16	1,152	0
CURRENT ASSETS			
Inventories	9	162	80
Trade and other receivables	7/10	2,784	2,113
Cash and cash equivalents	7/15	12,260	11,406
Other current financial assets	7	0	0
TOTAL ASSETS		18,270	15,550
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	7/11	(6,186)	(4,287)
Current tax liabilities	6	(13)	(14)
Lease liabilities	16	(326)	0
Borrowings	7/12	(34)	(33)
		(6,559)	(4,334)
NON CURRENT LIABILITIES			
Borrowings	7/12	(483)	(517)
Lease liabilities	16	(831)	0
Retirement benefit net obligations	17	(11,986)	(14,740)
Other non-current financial liabilities	7/11	0	(15)
TOTAL LIABILITIES		(19,859)	(19,606)
NET LIABILITIES		(1,589)	(4,056)
EQUITY – Attributable to parent			
Retained earnings	14	(1,589)	(4,056)
TOTAL EQUITY – ATTRIBUTABLE TO MEMBER		(1,589)	(4,056)

The financial statements on pages 21 to 45 were approved by the Board and authorised for issue on 27 July 2020 and are signed on their behalf by:



Mr Richard Hyde
Chair

Statement of Cash Flows

for the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
OPERATING ACTIVITIES			
Cash inflow/(outflow) from operations	15	1,227	(1,101)
Interest paid	4	(38)	(25)
Corporation tax paid		(13)	(14)
NET CASH GENERATED FROM OPERATING ACTIVITIES		1,176	(1,140)
FINANCING ACTIVITIES			
Repayments of borrowings	12	(34)	(31)
Repayment of lease liabilities	16	(288)	-
NET CASH USED IN FINANCING ACTIVITIES		(322)	(31)
NET INCREASE IN CASH AND CASH EQUIVALENTS		854	(1,171)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		11,406	12,577
CASH AND CASH EQUIVALENTS AT END OF YEAR	15	12,260	11,406

Significant Accounting Policies

31 March 2020

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 details of the delivery plan and the five-year Strategic Vision which is 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. The Council, at the Full Cabinet meeting on 13 February 2020, approved the roll-over of this agreement for the period 2020/21 to 2024/25. The Company also has sufficient cash reserves available should it be required to draw upon them.

Due consideration has been given to the current Covid19 pandemic and although it is acknowledged that in the short-term services have been impacted with staff redeployed to support the Company's response to this global pandemic the company is already working through its medium to long-term recovery plan. This recovery plan has started with service specific recovery plans and weekly meetings of the Executive Management Team. This added to the Council's confirmation that the revenue management fee for 2020/21 will be unaffected and that there are no plans for a significant reduction in revenue management fee for the period 2021/22 reinforces the accounts being prepared on a going concern basis.

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.

Significant Accounting Policies

31 March 2020

(continued)

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.

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 2020

(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

IFRS 16 is the new Lease Accounting Standard that has come into effect from April 2019. The adoption of this new Standard has resulted in SCH recognising a right-of-use asset and related lease liability in connection with all former operating leases with the exception of those leases with a remaining lease term of less than 12 months from the date of initial application.

The new standard has been applied using the cumulative catch-up approach with the right-of-use asset under leases being measured at an amount equal to the lease liability. This new standard includes an optional exemption that can be applied on transition, meaning that leases previously accounted for as an operating lease with a remaining term of less than 12 months can be accounted for on a straight-line basis over the remaining lease term. SCH have applied this exemption to 61 leases for 60 vehicles and a lease for water units all of which had lease end dates during 2019/20.

Depreciation has been applied to right-of-use assets on a straight-line basis from date of transition for existing leases or lease commencement date for leases entered into within the current financial year.

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.

Significant Accounting Policies

31 March 2020

(continued)

FINANCIAL INSTRUMENTS (continued)

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

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

Bank overdrafts are presented within current liabilities.

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

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.

At the reporting date, the Company has a potential deferred tax asset in respect of the pensions deficit of £11,986,000. No deferred tax asset has been recognised as it is not considered probable that there will be future taxable profits available.

Significant Accounting Policies

31 March 2020

(continued)

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% (2019: 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".

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.

Through its defined benefit pension scheme the company is exposed to a number of risks, the most notable being:

- Investment risk. The Fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can require additional funding to be required if a deficit emerges;
- Interest rate risk. The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount future liability cashflows. As the Fund holds assets such as equities the value of the assets and liabilities may not fluctuate in the same way;
- Inflation risk. All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation; and
- Longevity risk. In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

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:

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current – effective 2023

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 2020

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 11 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 2020. 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 Executive Director maintains a supporting Service Risk Register. A series of workshops have been held this year to rebuild these risk registers from the ground up. 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 quarterly 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 Annual Governance Statement set out on pages 15 to 18 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 96% (2019: 98%) 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. Despite the recent Coronavirus pandemic and the impact this has had to the Council's revenue finances, it is still 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 2020

(continued)

Liquidity Risk and Credit Risk (continued)

Credit risk predominantly arises from trade receivables of the Company's total 2020 financial assets, £1,821,000 (2019: £1,493,000) 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 2020 and 2019 Financial Assets are non-interest bearing.

All the Company's 2020 and 2019 Trade and Other Payables are non-interest bearing. The interest rates applicable to the Company's 2020 and 2019 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 £10,583,000 at 31 March 2020 (2019: £10,856,000).

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 2020

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:	2020 £'000	2019 £'000
Inventories		
- cost of inventory recognised as an expense	966	895
Depreciation of owned property, plant and equipment	39	41
Depreciation of leased assets	294	
Auditor's fees:		
- audit services	25	18
- taxation	2	2
Rentals under operating leases	52	357

The following table analyses the nature of expenses:		2020 £'000	2019 £'000
Staff costs	5	12,144	11,949
Asset management		17,451	22,026
Housing management		3,247	3,527
Corporate services		2,830	2,476
Total expenditure		<u>35,672</u>	<u>39,978</u>

4. FINANCE COSTS

		2020 £'000	2019 £'000
Interest on net pension liability	17	(339)	(352)
Prudential borrowing interest		(23)	(25)
Interest on lease liabilities	16	(15)	-
		<u>(377)</u>	<u>(377)</u>

Notes to the Financial Statements

for the year ended 31 March 2020

(continued)

5. STAFF COSTS

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

	2020 No	2019 No
Non-executive Directors	10	11
Executive Management Team	4	5
Housing and Communities	118	109
Assets and Development	109	110
Procurement	1	0
Customer Service Transformation and Business Support	48	59
	<u>290</u>	<u>294</u>

Staff costs, including directors:

	2020 £'000	2019 £'000
Wages and salaries	7,737	7,491
Social security costs	702	671
Other pension costs	2,496	2,882
Modernisation and redundancy costs	196	46
Sub-total employed staff costs	<u>11,131</u>	<u>11,090</u>
Agency costs	1,013	859
Total staff costs	<u>12,144</u>	<u>11,949</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:

	2020 £'000	2020 Average per full time equivalent	2019 £'000	2019 Average per full time equivalent
Short term employee benefits (Pay & Employers NI)	438	117	448	96
Post employment benefits (Employers Pension)	72	19	73	16
	<u>510</u>	<u>136</u>	<u>521</u>	<u>112</u>

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 £59,771 (2019: £57,170). 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 £1,122,584 (2019: £951,140). 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 2020

(continued)

5. STAFF COSTS (continued)

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

During 2019/20 the Chair of the Board received remuneration of £8,000 (2018/19: £5,000).

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 year

Adjustment in respect of prior year

2020	2019
£'000	£'000
14	13
(2)	0
<u>12</u>	<u>13</u>

Current tax reconciliation:

(Loss) before tax

Depreciation

IAS19 adjustments:

- Other finance income

- Past and present service costs

2020	2019
£'000	£'000
(1,790)	(1,270)
333	41
339	352
2,469	2,856
<u>1,351</u>	<u>1,979</u>

Figures have been restated for 2019 due to an error in last year's accounts, the figures were previously reported as Loss before tax (£664,000) and Past and present service costs £2,250,000.

	2020	2019
	£'000	£'000
Tax at the standard rate of corporation tax 19% (2019: 19%)	257	376
Effect of non-trading activities with member not subject to corporation tax	(243)	(363)
	<u>14</u>	<u>13</u>

Where the Company has income related to trading outside of the council, this is taxable. During the reporting year income from the ownership and management of the company's own developments and from the company's 'Better Places' service were subject to Corporation Tax. A taxable profit of £75,000 arose in the year and is reflected in these statements (2019: £69,000).

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 2020

(continued)

7. FINANCIAL INSTRUMENTS

		2020	2019
		£'000	£'000
Assets at amortised cost:			
Current financial assets			
Trade and other receivables	10	2,205	1,839
Liabilities at amortised cost:			
		2020	2019
		£'000	£'000
Current financial liabilities			
Trade and other payables	11	5,927	3,884
Borrowings	12	34	33
		5,961	3,917
Non-current financial liabilities			
Borrowings	12	483	517
Retentions on construction projects	11	0	15
Total other financial liabilities		6,444	4,449

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.

		2020	2019
		£'000	£'000
Within 6 Months			
Trade and other receivables	10	2,205	1,839

Notes to the Financial Statements

for the year ended 31 March 2020

(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 2020 up to the contractual maturity date:

		2020 £'000	2019 £'000
Within 6 Months			
Trade and other payables	11	5,927	3,706
Borrowings	12	34	33
6 Months to 1 Year			
Payables due 6 months to 1 year: retentions on construction projects		0	178
1 to 5 Years			
Payables due >1 year: retentions on construction projects		0	15
Borrowings	12	483	517
Total		<u>6,444</u>	<u>4,449</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 2020

(continued)

8. PROPERTY

	Freehold Land	Completed Properties available for letting		Total
		Rented	Shared Ownership	
	£'000	£'000	£'000	£'000
Valuation:				
At 1 April 2018	691	1,416	188	2,295
At 31 March 2019	691	1,416	188	2,295
Additions				
At 31 March 2020	691	1,416	188	2,295
Accumulated depreciation and any recognised impairment losses:				
At 1 April 2018	-	(266)	(37)	(303)
Charged in the year	-	(35)	(6)	(41)
At 31 March 2019	-	(301)	(43)	(344)
Charged in the year	-	(33)	(6)	(39)
At 31 March 2020	-	(334)	(49)	(383)
Net book value:				
At 31 March 2020	691	1,082	139	1,912
At 31 March 2019	691	1,115	145	1,951
At 31 March 2018	691	1,150	151	1,992

The depreciation expense of £39k (2019: £41,000) 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 2020

(continued)

9. INVENTORIES

	2020	2019
	£'000	£'000
Raw materials and consumables	162	80
	<u>162</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

	2020	2019
	£'000	£'000
Trade receivables	1,778	1,544
Other receivables including rent	589	569
Other tax and social security	417	-
	<u>2,784</u>	<u>2,113</u>

The average credit period taken on provision of services is 14 days (2019: 17 days).

An allowance has been made for estimated irrecoverables of £70,000 (2019: £40,000). 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.

	2020	2019
	£'000	£'000
Up to 3 months	246	98
Up to 6 months	50	-
Greater than 6 months	3	6
	<u>299</u>	<u>104</u>

	2020	2019
	£'000	£'000
The movement in the allowance account was as follows:		
Opening balance as at 1 April	40	44
Provision for receivables impairment	47	18
Receivables written off during the year	(14)	(11)
Unused amounts reversed	(3)	(11)
Closing balance as at 31 March	<u>70</u>	<u>40</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 2020

(continued)

11. TRADE AND OTHER PAYABLES

	2020 £'000	2019 £'000
Amounts payable relating to invoiced amounts	1,845	604
Accruals and deferred income	3,580	2,792
Other tax and social security	184	254
Other creditors	577	637
Current trade and other payables	6,186	4,287
Non-current other creditors: retentions on construction projects	0	15
Total trade and other payables	6,186	4,302

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 15 days (2019: 14 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

		2020 £'000	2019 £'000
<u>Less than 1 year</u>			
Prudential borrowing from SMBC	b	34	33
<u>Greater than 1 year</u>			
Prudential borrowing from SMBC	b	484	517
		518	550

Interest Rate Summary

	2020 £'000	2019 £'000
Floating rate	518	550
	518	550

A floating rate loan from Solihull Council to finance SCH's development of properties for rent and shared ownership - £518,000 (2019: £550,000). 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 2020

(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

	2020	2019
	£'000	£'000
Retained Earnings		
At 1 April	(4,056)	(4,411)
Retained loss for the year	(1,802)	(1,283)
Actuarial gain	4,269	1,638
Total Equity and Reserves	(1,589)	(4,056)

Reserves consist of a retained earning reserve which is used to recognise the cumulative profit and loss net of any distributions for future specific activities and the pension reserve which is used to record the current pension fund deficit.

15. CASHFLOWS

	2020	2019
	£'000	£'000
Reconciliation of operating profit to net cash inflow/(outflow) from operating activities		
Operating (loss)/ profit before tax	(1,413)	(893)
Depreciation and amortisation	333	41
Pension contributions paid in period	(1,335)	(1,263)
Pension contributions (credited)/charged in the period	2,511	2,884
Decrease/(Increase) in inventories	(82)	-
(Increase)/ Decrease in debtors	(671)	(1,284)
(Decrease)/Increase in creditors	1,884	(586)
Net cash (outflow)/ inflow from operating activities	1,227	(1,101)

CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent:

	2020	2019
	£'000	£'000
Cash at bank and in hand	12,260	11,406
	12,260	11,406

Notes to the Financial Statements

for the year ended 31 March 2020

(continued)

16. COMMITMENTS UNDER LEASES

Right-of-use assets	Land and buildings £'000	Plant and machinery £'000	Total £'000
Balance at 1 April 2019	127	173	300
Depreciation charge for the year	(39)	(255)	(294)
Additions to the right of use assets	-	1,146	1,146
Balance at 31 March 2020	88	1,064	1,152

	Land and buildings 2020 £'000	Land and buildings 2019 £'000	Plant and machinery 2020 £'000	Plant and machinery 2019 £'000
Total value of lease commitments				
Expiry of lease:				
Within 1 year	40	40	299	166
Between 2-5 years	50	90	800	88
After 5 years	-	-	-	-
Total undiscounted lease liabilities at 31 March 2020	90	130	1,099	254
Lease liabilities included in the statement of financial position at 31 March 2020	87	-	1,070	-
Current	38	-	288	
Non-current	49	-	782	

Amounts recognised in statement of comprehensive income

	2020 £'000
Interest on lease liabilities	15
Expenses relating to short-term leases	52

Amounts recognised in statement of cash flows

	2020 £'000
Total cash outflow for leases	288

Notes to the Financial Statements

for the year ended 31 March 2020

(continued)

17. RETIREMENT BENEFIT OBLIGATIONS

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out as at 31 March 2020 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.

	2020	2019
Key assumptions used:	%	%
Discount rate	2.35	2.4
Future salary increases	2.90	3.9
Future pension increases	1.90	2.4
CPI increases	1.90	2.4

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

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

	2020	2019
Male	87	86
Female	89	88

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

	2020	2019
Male	89	88
Female	91	90

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 (£1,521,000)
Short term salary increase	Increase by 0.1%	Increase £147,000
Pension growth rate	Increase by 0.1 %	Increase £1,411,000
Rate of mortality	Increase by 1 year	Increased £3,011,000

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

	2020	2019
	£'000	£'000
Current service cost	2,469	2,856
Net interest on liability	339	352
Administration cost	42	28
Total operating charge	2,850	3,236

Of the charge for the year:

£2,511,000 has been charged to operating costs (2019: £2,884,000);
£339,000 has been charged to finance costs (2019: £352,000).

Notes to the Financial Statements

for the year ended 31 March 2020

(continued)

17. RETIREMENT BENEFIT OBLIGATIONS (continued)

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

Gain recognised £4,269,000 (2019: £1,638,000);

Cumulative expense is £3,175,000 (2019: £7,444,000).

The actual return on scheme assets was a loss of £2,692,000 (2019: Gain of £2,341,000).

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

	2020	2019
	£'000	£'000
Fair value of scheme assets	64,978	65,393
Present value of defined benefit contributions	(76,964)	(80,133)
Liability recognised in the Balance Sheet	(11,986)	(14,740)

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

	2020	2019
	£'000	£'000
At 1 April	(14,740)	(14,405)
Current service cost including curtailments	(2,392)	(2,250)
Past service cost	(77)	(606)
Interest cost	(1,907)	(1,962)
Remeasurement arising from changes in financial assumptions	6,098	907
Expected return on scheme assets	1,568	1,610
Actuarial gains	(1,829)	731
Administration expenses	(42)	(28)
Employer contributions	1,335	1,263
At 31 March	(11,986)	(14,740)

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

	2020	2019
	£'000	£'000
At 1 April	80,133	77,624
Current service cost including curtailments	2,392	2,250
Past service cost	77	606
Interest cost	1,907	1,962
Remeasurement arising from changes in financial assumptions	(6,098)	(907)
Contributions by plan participants	428	418
Benefits paid	(1,875)	(1,820)
At 31 March	76,964	80,133

Notes to the Financial Statements

for the year ended 31 March 2020

(continued)

17. RETIREMENT BENEFIT OBLIGATIONS (continued)

Movement in the fair value of scheme assets in the current period:	2020 £'000	2019 £'000
At 1 April	65,393	63,219
Expected return on scheme assets	1,568	1,610
Actuarial gains/ (losses)	(1,829)	731
Administration expenses	(42)	(28)
Employer contributions	1,335	1,263
Employee contributions	428	418
Benefits paid	(1,875)	(1,820)
At 31 March	64,978	65,393

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

	Expected return		Fair value of assets	
	% 2020	% 2019	£'000 2020	£'000 2019
Equity instruments	2.4	2.4	36,989	38,651
Debt instruments	2.4	2.4	10,268	8,802
Property	2.4	2.4	5,779	5,554
Alternatives	2.4	2.4	9,610	10,315
Cash	2.4	2.4	2,332	2,071
	2.4	2.5	64,978	65,393

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:

At 31 March:	2020 £'000	2019 £'000	2018 £'000	2017 £'000	2016 £'000
Fair value of plan assets	64,978	65,393	63,219	63,179	50,980
Present value of defined obligation	(76,964)	(80,133)	(77,624)	(77,971)	(62,689)
Deficit in the plan	(11,986)	(14,740)	(14,405)	(14,792)	(11,709)
Re-measurement on Assets	(1,829)	731	(1,664)	10,392	(1,849)
Experience adjustments arising on plan liabilities	185	-	-	-	-
(Gain)/ loss on financial assumptions	8,017	(3,520)	3,640	(12,525)	3,724
Gain on demographic assumptions	(2,104)	4,427	-	-	-
Total Actuarial gain/ (loss) for year	4,269	1,638	1,976	(2,133)	1,875

The estimated amounts of contributions expected to be paid to the scheme during the financial year ending 31 March 2021 is £1,327,000.

Notes to the Financial Statements

for the year ended 31 March 2020

(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.

	2020	2019
	£'000	£'000
During the year the Company:		
- supplied goods and services to SMBC	33,011	38,402
- purchased goods and services from SMBC	3,830	3,588
At 31 March		
- included in year-end Debtors owed by SMBC	1,821	1,493
- included in year-end Creditors owing to SMBC	(1,468)	(714)
- included in year-end Borrowings owing to SMBC	(518)	(550)
- included in year-end Deferred Income from SMBC	(54)	(104)
- Net balance due to / (from) SMBC	(219)	125

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 2020 the balance outstanding was £518,000 (2019: £550,000).

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.

19. CAPITAL COMMITMENTS

At 31 March 2020 the Company had no capital expenditure commitments (2019: £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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