

# Solihull Community Housing Limited

(a company limited by guarantee)

Annual Report

*Year ended 31 March 2006*

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**31 March 2006**

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## **Company Information**

**31 March 2006**

**Directors**

W A M Blackburn  
P A Brandum  
D H J Dixon (resigned 25 January 2006)  
N A Grace  
S Gomm  
K L Hawkins (resigned 7 June 2006)  
H R Hendry  
OM Hogg (appointed 7 June 2006)  
C J Horrocks  
Dr A G C Lane (appointed 25 January 2006)  
A M Mackiewicz  
R A P Morris (appointed 25 January 2006)  
M O' Gorman  
S B Partridge  
W R Reeves (resigned 7 June 2006)  
P W Sanders  
P L Smith  
T D Tedd (appointed 7 June 2006)

**Secretary**

K A Preece

**Registered office**

Endeavour House  
Meriden Drive  
Solihull  
B37 6BX

**Registered number**

04462630

**Auditors**

RSM Robson Rhodes LLP  
Chartered Accountants  
Centre City Tower  
7 Hill Street  
Birmingham  
B5 4UU

**Bankers**

Barclays Bank plc  
Corporate Business Centre  
PO Box 333  
15 Colmore Row  
Birmingham  
B3 2WN

# Report of the Directors

31 March 2006

The directors present their report and the audited financial statements for the year ended 31 March 2006.

## Principal activities

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

## Business review and future developments

The year under review has been a year of consolidation – building on the service improvements that were implemented prior to the Audit Commission inspection that took place in December 2005, as well as one of development and delivery.

Financial management within the Company has become more formalised during the year, although some of the benefits will not be felt until the next financial year. The income available to the Company is constrained by the funds that are available to Solihull MBC ("SMBC") to provide housing services within Solihull. Statutory legislation covering the provision of housing services by local authorities ensures that income from housing activities such as rents paid by tenants cannot be used for purposes that are defined as non-housing activities. The formal Management Agreement and related Service Level Agreements that govern the Company's relationship with its parent, Solihull MBC ensure that all available funds for housing are made available to the Company in order for it to carry out its activities. The Company seeks to maximise the level of service that it can provide within the funds available and seeks to obtain value for money in all areas.

The calculation of available funds is different for the two activity streams of the company:

- Revenue - encompassing day to day service provision ranging from central administration, through estate management, day to day repairs and the allocation of properties to the prevention of anti- social behaviour and homelessness.
- Capital – encompassing works to properties of a long term nature from meeting requirements under Health & Safety legislation, adapting properties for sick and disabled tenants through to delivery of the Decent Homes programme.

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

	2005/06 actual	2005/06 budget	2004/05 actual
	£'000	£'000	£'000
<b>Revenue</b>			
Income	18,473	18,400	18,358
Expenditure	(18,287)	(18,181)	(18,358)
Surplus	186	219	-
<b>Capital</b>			
Income	28,737	28,759	11,590
Expenditure	(28,737)	(28,759)	(11,590)
Surplus	-	-	-
<b>Combined</b>			
Income	47,210	47,159	29,948
Expenditure	(47,024)	(46,940)	(29,948)
Surplus	186	219	-

## Report of the Directors

31 March 2006

(continued)

Following the 2005 Audit Commission inspection, Solihull MBC received an additional funding allocation of £63 million to enable the Company to carry out a programme to bring all of the properties managed by the Company up to the Decent Homes standard by the Government's target of 2010. This funding is in addition to the normal funding available to fund programmes of capital works to properties. The Decent Homes standard has a number of elements that need to be taken into account, which primarily relate to the condition of facilities provided such as kitchens and bathrooms and whether the property provides a reasonable degree of thermal comfort.

Work on the ground commenced in earnest in April 2006, although during the previous two years many of the properties falling vacant had been brought up to the required standard before being released for letting to a new tenant. During the current year, 1,684 properties were brought up to the required standard compared with a target of 1,600. This leaves a further 3,257 properties that have already been identified as not meeting the standard and, in addition, the programme plans to deal with approximately 2,000 properties which will fail to meet the standard between now and the end of the programme. The work on these properties will take place between now and the end of the programme.

Our service delivery is monitored rigorously across all sectors of the organisation. Targets are set following a consultation process that includes tenants as well as staff, board members as well as our parent SMBC. The board receives quarterly reports of key performance indicators against targets and performance in previous years as well as comparisons with national and regional benchmarking statistics. More detailed performance statistics are also monitored at directorate and team level to ensure that problem areas are identified and remedial action taken at the earliest possible opportunity.

One of the Company's objectives is to achieve recognition as an organisation that delivers a 3\* excellent service by 2007. The organisation has developed another programme of service improvements in preparation for the next Audit Commission inspection in late 2007. The programme looks at all aspects of the services that the Company provides to tenants and residents of Solihull and compares the current service provision with the level of provision that the Audit Commission expect to see in order to award a 3\* rating. Areas of weakness are probed and the programme sets out the work that is needed to eradicate these weaknesses and fill any gaps between our current service provision and an "excellent" service.

Improvements delivered during the year cover areas as diverse as developing our Value for Money strategy, improving financial reporting and management to gaining a better understanding of our customer base and forging better links with hard to reach groups within that base. Projects have included reviews of services delivered within some service areas (such as Area Caretaker provision) and the implementation of new projects to install CCTV monitoring facilities in high-rise blocks and develop new ways for a tenant to pay their rent.

Excellent service delivery requires a well-trained and highly motivated workforce. During the year, the Company began to develop and deliver a wide-ranging management training programme to create our next leaders. Annual appraisals were used to develop individual training plans for staff at all levels, building on their skills and competencies to ensure that we have the best team possible to deliver services to our tenants and other residents. This includes provision for staff to obtain relevant professional qualifications through the use of external training providers using day-release and self-study options.

### Directors

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

# Report of the Directors

**31 March 2006**

(continued)

Those directors serving at the end of the year had no interests in the share capital of the company at 31 March. The directors had no other disclosable interests under the Companies Act 1985 in the shares of the Company or of any other group company.

## **Statement of directors' responsibilities for the financial statements**

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which 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:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 proper accounting records which 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 1985. 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.

At the date of making this report each of the company's directors, as set out on page 1, confirm the following:

- so far as each director is aware, there is no relevant information needed by the company's auditors in connection with preparing their report of which the company's auditors are unaware, and
- each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

## **Auditors**

The auditors are willing to continue in office, and a resolution to reappoint them will be proposed at the forthcoming annual general meeting.

## **Approval**

The report of the directors was approved by the Board on 29 November 2006 and signed on its behalf by:



K A Preece  
Secretary

## Chairman's statement

**31 March 2006**

As well as consolidating past improvements, the year under review has been one of continuous development and improving delivery. It has been another very successful year ending with the Company in a strong financial position.

Work on delivery of the Decent Homes programme commenced in earnest in April 2006, following on from the limited programme of work to void properties completed during the previous two years. During the current year, 1,684 properties were brought up to the required standard compared with a target of 1,600 and tenant satisfaction levels with work carried out have been high throughout the year.

We continue to monitor service delivery rigorously across all sectors of the organisation and compare our performance with other similar high-performing organisations across the country. Although we have not met all of the targets that we set ourselves, we continue to make progress in all areas and work against challenging service improvement plans that identify areas of weakness and develop our plans to eradicate them. As an organisation, we have also received renewed "Charter Mark" accreditation during the year, which reflects our commitment to customer service across all of our operations.

Significant improvements and changes to our service have been delivered through reviews in key areas particularly where they affect the quality of our estates as well as delivering the first phase of a two-year project to install CCTV monitoring facilities in high-rise blocks. During the year, our customer contact centre has continued to win recognition for the quality of its services and has received accreditation from the Customer Contact Association.

We have continued to work on projects in partnership with others to improve the quality of life for tenants across the borough. This has included a strengthening of the team dealing with incidences of anti-social behaviour, where their work will be supported by the new CCTV monitoring station, as well as work in collaboration with the local college to deliver the "Pathways" initiative. This initiative aims to assist people from hard to reach groups in joining the employment market through the provision of a tailored programme of training and support.

All of this leaves the organisation in a strong position as we strive towards our objective of achieving recognition as an organisation delivering 3 star excellent services. It could not have been achieved without the commitment and assistance of our staff and partners and our thanks go to them once more.



P A Brandum  
Chairman

## **Statement on Internal Control**

**31 March 2006**

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

The process for identifying, evaluating and managing the significant risks faced by the Company is ongoing. The key elements of the control framework have continued to be developed throughout the year. The board receives and considers reports from management on these key risk management and control arrangements at scheduled meetings throughout the financial year.

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

- Board approved terms of reference and clearly delegated authorities for the Finance & Audit, Asset Management and Human Resources sub-committees as well as the Governance review group
- Formally adopted Standing Orders (incorporating Rules for Contract and Financial Regulations) setting out the arrangements for the supervision and control of the finances, assets and other resources of the Company
- Robust strategic and business planning processes
- Formal quarterly reviews of the Company's risk register, which sets out the identified risks and the mitigating actions in place to deal with these risks as well as clearly defined management responsibilities for their identification, evaluation and control
- Detailed financial budgets and a five-year rolling financial forecast
- Established authorisation and appraisal procedures for all significant new initiatives and commitments
- Regular reporting to senior management and the Board of key business objectives, targets and outcomes
- Continuing Board governance and member training programme
- Formal recruitment, retention, training and development policies
- Board approved anti-theft and corruption policies
- Detailed policies and procedures in each area of the company's work

The year ended 31 March 2006 was the second year of operation of the company and as such has seen ongoing development of the internal control framework including the implementation of changes to remedy weaknesses that were identified at the end of 2004/05. The Company has agreed and implemented a written Code of Conduct for Board members including a formal appraisal process and a policy on whistle-blowing as well as delivering a programme of training for members of the Board. The new year will see further developments in Board member training and induction. The Management Development Programme has begun to develop manager competencies and the Company-wide appraisal process has been reviewed to improve personal target setting and re-affirm the link between personal and corporate targets. The processes in place and information provided for financial and performance monitoring have continued to develop. Manager involvement in the budget and performance target setting process has further strengthened understanding of the importance of monitoring performance throughout the organisation and how to do this effectively. Plans are in place to further develop processes and monitoring, particularly in the area of medium-term financial planning. During the year, the Gershon efficiency agenda has become more high profile in the sector and some efficiency reviews have already been completed. This work will be continued and integrated into the developing Value for Money Strategy, which will be finalised in the early part of the forthcoming year.

The Board cannot delegate ultimate responsibility for the system of internal control, but it can, and has, delegated authority to the Finance & Audit sub-committee to regularly review the effectiveness of many of the key elements of the control framework. The Board receives five reports a year from the committee together with the minutes of their meetings. The Board has reserved the review of the remaining key elements to itself and receives reports on a quarterly basis. In particular, this includes reviews of the full risk register for the Company.



## Statement on Internal Control

31 March 2006

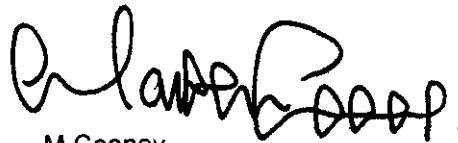
(continued)

The Finance & Audit sub-committee and full Board review the effectiveness of the system of internal control through the consideration of the results from regular reviews of the Company risk register, internal audit reports, management assurances, the external audit management letter and specialist reviews on areas such as health and safety, efficiency and operating structures. The Finance & Audit sub-committee has received the formal assurances of the Senior Management Team with regard to the system of internal control operating within the Company together with the annual report of the internal auditor, and has reported its findings to the board. The Board has considered all of this information in assessing the effectiveness of the system of internal control being operated by the Company.



P A Brandum

Chairman



M Cooney

Chief Executive

# Independent Auditors' Report to the Shareholders of Solihull Community Housing Limited

We have audited the financial statements on pages 9 to 26. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of directors and auditors**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the Chairman's Statement and the Statement on Internal Control. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## **Opinion**

In our opinion:

- The financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company as at 31 March 2006 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.
- The information given in the Directors' Report, the Chairman's Statement and the Statement on Internal Control, is consistent with the financial statements.

*RSM Robson Rhodes LLP*  
RSM Robson Rhodes LLP  
Chartered Accountants and Registered Auditors  
Birmingham, England

*5 December* 2006

# Profit and Loss Account

for the year ended 31 March 2006

	Note	2006 £'000	2005 Restated £'000
<b>Turnover</b>	2	46,772	29,632
Change in stock		4	80
Other operating income		438	316
Staff costs	6	(7,796)	(8,287)
Other operating charges	3	(39,144)	(22,032)
		<hr/>	<hr/>
<b>Operating profit/(loss)</b>		274	(291)
Interest receivable	4	120	57
Other finance income	5	125	122
		<hr/>	<hr/>
<b>Profit/(loss) on ordinary activities before taxation</b>		519	(112)
Tax on profit on ordinary activities	8	(18)	-
		<hr/>	<hr/>
<b>Retained profit/(loss) for the year</b>	13	501	(112)
		<hr/>	<hr/>

No operations were discontinued during the year and all operations are continuing beyond 31 March 2006.

## Statement of Total Recognised Gains and Losses

for the year ended 31 March 2006

	Note	2006 £'000	2005 Restated £'000
Profit/(loss) for the financial year		501	(112)
Actuarial loss relating to the pension scheme		(382)	(213)
		<hr/>	<hr/>
Total recognised gains and losses relating to the year		119	(325)
Prior year adjustment		(2,120)	
		<hr/>	<hr/>
Total recognised losses since the last report		(2,001)	
		<hr/>	<hr/>

## Reconciliation of movement in funds

for the year ended 31 March 2006

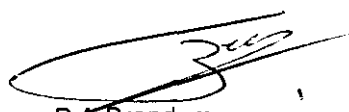
	Note	2006 £'000	2005 Restated £'000
Opening total funds as previously stated		-	-
Prior year adjustment		(2,120)	(1,795)
		<hr/>	<hr/>
Opening total funds as restated		(2,120)	(1,795)
Total recognised gains and losses relating to the year		119	(325)
		<hr/>	<hr/>
Closing total deficit of funds		(2,001)	(2,120)
		<hr/>	<hr/>

# Balance Sheet

at 31 March 2006

	Note	2006 £'000	2005 Restated £'000
<b>Current assets</b>			
Stocks	9	84	80
Debtors	10	542	2,181
Cash at bank and in hand		3,547	752
		<hr/>	<hr/>
<b>Creditors: Amounts falling due within one year</b>	11	4,173 (3,755)	3,013 (2,763)
		<hr/>	<hr/>
<b>Net current assets</b>		418	250
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		418	250
<b>Creditors: Amounts falling due after more than one year</b>	12	(250)	(250)
		<hr/>	<hr/>
<b>Net assets excluding pension liability</b>		168	-
		<hr/>	<hr/>
<b>Pension liability</b>	19	2,169	2,120
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Profit and loss account	13	(2,001)	(2,120)
		<hr/>	<hr/>
<b>Deficit of shareholders' funds</b>		(2,001)	(2,120)
		<hr/>	<hr/>
		168	-
		<hr/>	<hr/>

The financial statements were approved by the Board on 29 November 2006 and signed on its behalf by:

  
P A Brandum  
Chairman

## Cash Flow Statement

for the year ended 31 March 2006

	Note	2006 £'000	2005 £'000
Net cash inflow from operating activities	16	2,678	445
Returns on investment and servicing of finance			
Interest received		120	57
Taxation		(3)	-
Cash flow before financing		2,795	502
Financing			
New loan from parent undertaking		-	250
Increase in cash	17	2,795	752

# Notes to the Financial Statements

31 March 2006

## 1. ACCOUNTING POLICIES

The accounts have been prepared in accordance with applicable accounting standards in the United Kingdom. Financial Reporting Standard (FRS) 17 has been adopted from 1 April 2005 and prior year results have been restated accordingly.

### **Basis of accounting**

The financial statements are prepared under the historical cost convention.

### **Turnover**

Turnover consists of the invoiced value (excluding VAT) for goods and services supplied.

### **Leased assets**

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the terms of the leases.

### **Government grants**

Grants in respect of revenue activities are credited to the profit and loss account in the same period as the expenditure to which they contribute.

### **Stocks**

Stocks are valued at the lower of cost and estimated value in use. Cost is determined based on the last purchase price by item coupled with a strict stock rotation policy and regular write-offs.

### **Taxation**

The relationship between the Company and its parent undertaking has been recognised as one of Mutual Trading. Consequently, any activities that the Company carries on with its parent are not liable to corporation tax.

### **Deferred taxation**

Deferred tax is provided, except as noted below, on timing differences that have arisen but not reversed by the balance sheet date, where the timing differences result in an obligation to pay more tax, or a right to pay less tax, in the future. Timing differences arise because of differences between the treatment of certain items for accounting and taxation purposes.

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

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

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

### **Pensions**

All permanent employees of the company contribute to a "defined benefit" pension scheme, the West Midlands Metropolitan Authorities Pension Fund, which is administered by Wolverhampton City Council and provides members with defined benefits related to pay and service. During the year, the company paid an employer's contribution rate of 10.2 % (2005: 13.1%) into the fund in addition to meeting all pension payments relating to added years benefits awarded during the year, together with any related increases.

# Notes to the Financial Statements

31 March 2006

## 1. ACCOUNTING POLICIES

### Pensions (continued)

In accordance with FRS 17 "Retirements benefits", the service cost of the pension provision relating to the period, together with the cost of any benefits relating to past service, is charged to the profit and loss account. A charge equal to the increase in the present value of the scheme liabilities (because the benefits are closer to settlement) and a credit equivalent to the Company's long-term expected return on assets (based on the market value of the scheme assets at the start of the period), are included in the profit and loss account under "other finance income".

The difference between the market value of the assets of the scheme and the present value of the accrued pension liabilities is shown as an asset or liability on the balance sheet net of deferred tax. Any difference between the expected return on assets and that actually achieved is recognised in the statement of total recognised gains and losses along with differences arising from experience or assumption changes.

Further information on pension arrangements is set out in note 19 to the accounts.

## 2. TURNOVER

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

	2006 £'000	2005 £'000
<b>Fees paid by Solihull Metropolitan Borough Council in respect of:</b>		
Management and maintenance of properties	46,069	28,890
Other related services	703	742
	<hr/>	<hr/>
	46,772	29,632
	<hr/>	<hr/>

## 3. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is arrived at after charging:

	2006 £'000	2005 £'000
Operating lease rentals		
- plant and machinery	244	164
- land and buildings	128	128
Auditors' remuneration	19	18
	<hr/>	<hr/>



# Notes to the Financial Statements

31 March 2006

## 3. OPERATING PROFIT/(LOSS) (continued)

### Analysis of other operating charges

	2006 £'000	2005 £'000
Property works	33,691	16,658
Housing Management and Maintenance	3,197	3,407
Finance	575	301
Corporate Services	1,681	1,666
	<hr/>	<hr/>
	39,144	22,032
	<hr/>	<hr/>

## 4. INTEREST RECEIVABLE

	2006 £'000	2005 £'000
Bank interest	119	56
Other interest	1	1
	<hr/>	<hr/>
	120	57
	<hr/>	<hr/>

## 5. OTHER FINANCE INCOME

	2006 £'000	2005 £'000
Expected return on pension scheme assets	1,223	1,067
Interest on pension scheme liabilities	(1,098)	(945)
	<hr/>	<hr/>
	125	122
	<hr/>	<hr/>

# Notes to the Financial Statements

31 March 2006

## 6. EMPLOYEES

Average monthly number of employees, including executive officers:

	2006 No	2005 No
Executive Management Team	5	5
Housing Management and Maintenance	213	249
Finance	19	20
Corporate Services	63	44
	<hr/>	<hr/>
	300	318
	<hr/>	<hr/>

Staff costs, including directors:

	2006 £'000	2005 restated £'000
Wages and salaries	6,865	6,805
Social security costs	522	502
Pension costs	409	980
	<hr/>	<hr/>
	7,796	8,287
	<hr/>	<hr/>

## 7. DIRECTORS' REMUNERATION

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

None of the directors received any emoluments but were entitled to reimbursement of incidental expenses incurred when attending Board meetings and other formal events in their capacity as Board members.

# Notes to the Financial Statements

31 March 2006

## 8. TAXATION

### (a) Analysis of charge in period

	2006 £'000	2005 £'000
<b>Current tax:</b>		
UK corporation tax on profits of the period	15	-
Adjustments in respect of prior period	3	-
	<hr/>	<hr/>
Total current tax	18	-
	<hr/>	<hr/>

With the exception of bank interest and some small amounts of trading with third parties, the activities of the Company can all be classified as arising from the mutual trading relationship with it's parent undertaking.

### (b) Current tax reconciliation:

	2006 £'000	2005 £'000
Profit/(loss) on ordinary activities before taxation	519	(112)
FRS17 adjustments:		
- Other finance income	(125)	(122)
- Pension service costs	393	1,176
- Contributions to pension scheme	(601)	(942)
	<hr/>	<hr/>
	186	-
	<hr/>	<hr/>

	2006 £'000	2005 £'000
Theoretical tax at UK corporation tax rate 19%	35	-
Effects of:		
- Surplus from mutual trading activities	(20)	-
- Adjustment in respect of prior period	3	-
	<hr/>	<hr/>
Current tax charge for the period	18	-
	<hr/>	<hr/>

## Notes to the Financial Statements

31 March 2006

### 9. STOCKS

	2006 £'000	2005 £'000
Raw materials and consumables	84	80

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

### 10. DEBTORS

	2006 £'000	2005 £'000
Trade debtors	11	75
Amounts owed by parent undertakings	451	1,877
Other debtors	80	18
Other taxation	-	211
	<u>542</u>	<u>2,181</u>

All debtors fall due within less than one year.

### 11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £'000	2005 £'000
Trade creditors	852	1,358
Amounts owed to parent undertaking	745	885
Other creditors	725	1
Other taxation and social security	238	-
Corporation tax	15	-
Accruals and other deferred income	1,180	519
	<u>3,755</u>	<u>2,763</u>

# Notes to the Financial Statements

31 March 2006

## 12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2006 £'000	2005 £'000
Loans repayable in more than 2 years, but not more than 5 years:		
- Loan repayable to parent undertaking	250	250

The loan is an interest free loan made by the parent undertaking at the commencement of trading on 1 April 2004 as set out in the Management Agreement. The Loan is repayable on the termination of the Management Agreement or 31 March 2009, whichever is the earlier.

## 13. PROFIT AND LOSS RESERVE

	2006 £'000	2005 £'000
At 1 April as previously stated	-	-
Prior year adjustment	(2,120)	(1,795)
At 1 April restated	(2,120)	(1,795)
Profit/(loss) for the year	501	(112)
Actuarial gain relating to pension scheme	2,281	688
Loss relating to changes to assumptions in pension scheme	(2,663)	(901)
At 31 March	(2,001)	(2,120)

## Notes to the Financial Statements

31 March 2006

### 14. RELATED PARTY TRANSACTIONS

Solihull Community Housing Limited is a local authority controlled company of Solihull Metropolitan Borough Council, established with no share capital and limited by guarantee. The Council has delegated responsibility for the management and maintenance of its residential stock to Solihull Community Housing in accordance with a 5-year Management Agreement effective from 1 April 2004. As part of the agreement, the Company is also responsible for meeting all costs in respect of works carried out to properties either by the Company's own staff or external contractors. The Council pays the Company a monthly management fee to meet all of these costs in accordance with the management agreement and any variations subsequently agreed. In 2005-06, the management fee amounted to £46,069,000 (2004-05: £28,890,000).

Solihull Community Housing also provides a number of services to the Council that are covered by Service Level Agreements rather than the main Management Agreement. These include the provision of a Homelessness service and the administration of the Right to Buy Scheme on behalf of the Council. In 2005-06, the income in respect of these services amounted to £686,000 (2004-05: £742,000).

Solihull Community Housing utilised Solihull MBC's payroll system for all staff during the period under a Service Level Agreement. The net payment of salaries to staff together with the payment of deductions (PAYE, NI and pension) are deducted from the Company's own bank account.

Solihull MBC charged Solihull Community Housing £2,752,000 in 2005-06 (2004-05: £1,276,000) for the provision of support services and the Company's share of the costs of shared services.

The balance owing to Solihull MBC at 31 March 2006 included £140,000 (2005: £529,000) in respect of expenses met by the Council that are to be reimbursed by the Company.

# Notes to the Financial Statements

31 March 2006

## 15. FINANCIAL COMMITMENTS

### Capital commitments

Capital expenditure commitments were as follows:

	2006 £'000	2005 £'000
Contracted for, but not provided in the accounts	-	-

### Operating lease commitments

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

	2006 £'000	2005 £'000
(i) Land and buildings, leases expiring beyond five years	128	128
(ii) Plant and machinery, leases expiring within one year	7	31
one to five years	147	156
	154	187

## 16. RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2006 £'000	2005 restated £'000
Operating profit/(loss)	274	(291)
Current and past service pension costs	393	1,176
Contributions to pension scheme	(601)	(942)
	66	(57)
(Increase) in stocks	(4)	(80)
Decrease/(increase) in debtors	1,639	(2,181)
Increase in creditors	977	2,763
Net cash inflow from operating activities	2,678	445

# Notes to the Financial Statements

31 March 2006

## 17. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2006 £'000	2005 £'000
Increase in cash in year	2,795	752
Decrease in net debt from cash flow in year		
New loan advanced to Company in year	-	(250)
Increase in net cash	2,795	502
Net cash at 1 April 2005	502	-
Net cash at 31 March 2006	3,297	502

## 18. ANALYSIS OF NET CASH

	1 April 2005 £'000	Cash flow £'000	31 March 2006 £'000
Cash at bank and in hand	752	2,795	3,547
Net cash	752	2,795	3,547
Loans	(250)	-	(250)
Borrowings	(250)	-	(250)
Net cash	502	2,795	3,297



# Notes to the Financial Statements

31 March 2006

## 19. PENSIONS

The West Midlands Metropolitan Authorities Pension Fund (WMMAPF) is a multi-employer scheme with more than one participating employer, which is administered by Wolverhampton City Council under the regulations governing the Local Government Pension Scheme (LGPS), a defined benefit scheme. Triennial actuarial valuations of the pension scheme are performed by an independent, professionally qualified actuary using the projected unit method. The most recent formal actuarial valuation was completed as at 31 March 2004.

The employers' contributions to the WMMAPF by the company for the year ended 31 March 2006 were £617,000 and the employers' contribution rate was revised following the formal actuarial valuation as at 31 March 2004, from 13.1% to 10.2% of pensionable salaries from 1 April 2005.

In order to assess the actuarial valuation of the WMMAPF's liabilities at 31 March 2006, the actuaries have rolled forward the actuarial value of the liabilities reported in the triennial valuation as at 31 March 2004, allowing for changes in financial assumptions as prescribed under FRS 17.

### Assumptions

The major assumptions used by the actuary in assessing scheme liabilities on an FRS 17 basis were:

	31 March 2006 % per annum	31 March 2005 % per annum	31 March 2004 % per annum
Rate of increase in salaries	4.65	4.4	4.3
Rate of increase in pensions in payment	2.9	2.9	2.8
Discount rate	4.9	5.4	5.5
Inflation assumption	2.9	2.9	2.8

# Notes to the Financial Statements

31 March 2006

## 19. PENSIONS (continued)

### Fair value and expected return on assets

The fair value of assets in the WMMAPF related to the Company and the expected rates of return were:

	Expected return 31 March 2006 %	Fair value 31 March 2006 £000	Expected return 31 March 2005 %	Fair value 31 March 2005 £000	Expected return 31 March 2004 %	Fair value 31 March 2004 £000
Equities	7.0	17,683	7.5	13,042	7.5	11,250
Government Bonds	4.3	1,837	4.7	1,723	4.7	1,427
Other Bonds	4.9	1,148	5.4	738	5.5	603
Property	6.0	1,607	6.5	1,266	6.5	1,074
Other	4.5	689	4.0	809	4.0	353
	<u>6.5</u>	<u>22,964</u>	<u>6.9</u>	<u>17,578</u>	<u>7.0</u>	<u>14,707</u>
Value placed on liabilities		(25,133)		(19,698)		(16,502)
Net pension liability		<u>(2,169)</u>		<u>(2,120)</u>		<u>(1,795)</u>

### Reserves

	2006 £'000	2005 £'000
Profit and loss reserve excluding pension liability	168	-
Pension reserve	(2,169)	(2,120)
<b>Profit and loss reserve</b>	<u>(2,001)</u>	<u>(2,120)</u>

### Analysis of the amount charged to operating surplus

	2006 £'000	2005 £'000
Current service cost	(1,037)	(993)
Past service cost	644	(183)
<b>Total operating charge</b>	<u>(393)</u>	<u>(1,176)</u>

## Notes to the Financial Statements

31 March 2006

### 19. PENSIONS (continued)

#### Analysis of the amount charged to other finance costs

	2006 £'000	2005 £'000
Expected return on pension scheme assets	1,223	1,067
Interest on pension scheme liabilities	(1,098)	(945)
	<hr/>	<hr/>
Net return	125	122
	<hr/>	<hr/>

#### Analysis of amount recognised in statement of total recognised gains and losses (STRGL)

	2006 £'000	2005 £'000
Actual return less expected return on pension scheme assets	3,344	688
Experience gains and losses arising on scheme liabilities	(1,063)	-
Changes in assumptions underlying the present value of scheme liabilities	(2,663)	(901)
	<hr/>	<hr/>
Actuarial loss recognised in STRGL	(382)	(213)
	<hr/>	<hr/>

#### Movement in deficit during the year

	2006 £'000	2005 £'000
Deficit in scheme at beginning of year	(2,120)	(1,795)
Movement in year:		
Current service cost	(1,037)	(993)
Contributions	601	942
Past service gains/(costs)	644	(183)
Other finance costs	125	122
Actuarial loss	(382)	(213)
	<hr/>	<hr/>
Deficit in scheme at end of year	(2,169)	(2,120)
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## Notes to the Financial Statements

31 March 2006

### 19. PENSIONS (continued)

#### History of experience gains and losses

	2006	2005
<b>Difference between expected and actual return on share of scheme assets:</b>		
Amount (£'000)	3,344	688
Percentage of share of scheme assets	14.6%	3.9%
<b>Experience gains and losses on share of scheme liabilities:</b>		
Amount (£'000)	(1,063)	-
Percentage of present value of share of scheme liabilities	4.2%	-
<b>Total amount recognised in statement of total recognised surpluses and deficits:</b>		
Amount (£'000)	(2,663)	(901)
Percentage of the present value of share of scheme liabilities	10.6%	4.6%