



Walsall Housing Group
Financial Statements 2013/2014

"Dedicated to the success
of our people and places"



inspiring
people



great
places



big
future

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Group Board, Executive Team and Advisers

Group Board

Independent Board Members

Paul Murray – Chair
Teresa Mingay
Amanda Tomlinson
Henriette Harnisch
Wayne Hughes (to 26.11.13)

Council Board Members

Edmund Hughes (to 19.06.14)
Ian Shires (to 19.06.14)
Stephen Wade (from 19.06.14)
Daniel Barker (from 19.06.14)

Tenant Board Members

Neville Styles
Janet Poyner
Steven Preston
Terence Bate (to 24.09.13)
Susan Palmer (to 23.07.13)
Roy Peace (from 24.09.13 - to 04.02.14)
Abdul Sahid Hossenally (from 24.09.13 - to 12.04.14)
Noel Maxwell (from 20.05.13)
Linda Cole (from 20.05.13)

Executive Team

Gary Fulford	Group Chief Executive
Martin Robertson	Group Finance Director
Robert Gilham	Director of Housing Services
Carole Wildman	Director of Regeneration & Development
Cliff Horrocks	Director of Asset Management
Jane Preece	Director of Organisational Development and Company Secretary

Secretary & Registered Office

Jane Preece
100 Hatherton Street
Walsall
WS1 1AB

Registered Numbers

Company Registration Number 4015633
Homes and Communities Agency Number L4389
Charity Commission Number 1108779

Advisors

External Auditor

Baker Tilly UK Audit LLP
Chartered Accountants and Statutory Auditor
St Philips Point
Temple Row
Birmingham B2 5AF

Principal Solicitors

Anthony Collins Birmingham
Shakespeares Stratford upon Avon
Shoosmiths Birmingham
Trowers & Hamlins London

Clearing Bankers

Lloyds Banking Group

Funders

Lloyds Banking Group
Santander Group UK
Nationwide Building Society

Strategic Report

Principal Activities

The Group is one of the largest and most successful affordable housing providers in the West Midlands, operating mainly within Walsall. Our principal activities are the development, improvement and management of social housing and community regeneration activities.

Walsall Housing Group Limited (whg) is a registered charity and a company limited by guarantee and is a registered provider (RP) with the Homes and Communities Agency (HCA).

The Group includes three non RP subsidiaries, Visionary Investment Enhancing Walsall Limited (VIEW) which is an Industrial & Provident Society with exempt charity status; and whg Trading Company Limited, and whg Developments Limited both of which are non charitable subsidiaries. whg is regulated by the HCA and complies with the Regulatory Code.

Property Portfolio

At 31 March 2014, the Group owns and or manages **19,342** properties within Walsall, Sandwell and Cannock. These are broken down as follows; **18,824** general needs, **391** affordable rent, **44** market rent, **17** older persons, **5** shared ownership and **61** commercial properties. In addition, there are also **573** leasehold properties.

Market Value

whg's equity base has been valued by Savills in a desktop valuation at **£1.4 billion** on a vacant possession basis. Existing Use Value – Social Housing of the housing stock for loan security purposes, as at the 31 March 2014 is: **£438 million**.

Return on Assets 2013/14 is **5.54%**. (Return on assets = net profit ÷ net assets x 100)

Statement of Public Benefit

The Board has considered its response to the change in the law, as embodied in the Charities Act 2008, requiring that public benefit can no longer be presumed but must be demonstrated. The Board confirms that they have had due regard to the Charity Commission's general guidance on public benefit.

The Group's aims and activities contribute benefits to the people of Walsall in the following ways:

- Provision of housing at rents below market levels for those in housing need
- Related services and support on the basis of identified needs
- Regeneration activity aimed at helping residents into work or training; promoting health and financial wellbeing; and tackling financial exclusion and fuel poverty
- Environmental awareness by the Group to inform our activity to ensure we minimise harm and improve the local area.

The Board has concluded that our activities are in the public interest as defined in the Charity Commission's guidance, being restricted only in terms of our area of operation and our published policies, designed to ensure fair access to our services for all those in housing or other need. The Board is not aware of any private benefits and has robust policies in place to prevent unintended benefits to related parties. The incidental benefits of a well-run housing service and environmental improvements are shared by all Walsall residents.

Group Board

The Board's main objectives:

- Setting goals, values and vision for the Group
- Business Planning and Budget agreement for the Group
- Group Strategy and Group Policy
- Constitutional issues for the Group and Governance
- Managing significant financial risk and ensuring compliance of the Group with all loan and security covenants
- Investment policy for stock and other assets
- Treasury Management
- Financial parameters ensuring effective financial management
- Audit – recommending the appointment of external auditors
- Monitoring the performance of itself and of the Local Committees
- Compliance with all legislative, regulatory, constitutional and financial requirements
- Establishing a framework for employment and deployment of Human Resources (HR)

Standing Committees

Asset Management and Development Committee

- Approve the stock investment programme of the Group and ensure highest standards of design, specification and project management are achieved.
- Monitor the progress and performance on stock investment and maintenance, responsive repairs and voids.
- Review asset management strategies and related policies of the Group, including related procurement matters.
- Approve proposals relating to provision of new homes and monitor their delivery.

Audit and Risk Management Committee

- Setting the detailed audit framework for the Group's operations within the overall corporate objectives of the Group and setting risk management strategies of the Group.
- Monitor the performance of the Group and its individual companies with respect to risk management and internal controls.

Remuneration Committee

- Consider and agree the pay review for all colleagues except Executive Directors within limits of delegated authority or to recommend any pay review proposals outside these limits to the WHG Board for decision.
- Consider and make recommendations to the WHG Board on the remuneration and terms and conditions of Executive Directors.
- Make recommendations to the Board on, and subsequently review from time to time, the Group's remuneration Policy for Executive Directors.

Resources Committee

- Set the detailed financial framework for the Group's operations within the overall financial objectives of the Group.
- Monitor the financial performance of the Group and its individual companies.

- Set the financial parameters and constraints for the Group's asset management, regeneration and development programmes.
- Consider financial aspects of proposed new business.
- Review the overall financial strategies and policies of the Group.
- Review other business resource strategies of the Group.

Governance Committee

- Consider and make recommendations to the whg Board on governance matters.
- Consider from time to time the key constitutional and governance documents of the Group including Memorandum and Articles of Association, Rules and Standing Orders.
- Consider reports on review of the Group's governance policies.
- Consider any new or revised Codes of Good Practice related to governance issued by regulatory or advisory bodies including the NHF Code of Governance.

- Consider and recommend the criteria for nominations to all Boards with particular reference to balancing and optimising skills, experience and achieving a diversity reflective of our communities.

Local Committees

The Local Committees comprise up to nine non-executive members, plus co-optees. Within the framework of the Group's strategy and policies, they are responsible for:-

- monitoring & scrutinising performance
- influencing strategy and policy
- assessment and approval of Local Neighbourhood Fund applications.

Day to day management and implementation of policy is delegated to the Group Chief Executive and then on to other Executive Directors as appropriate. Executive Directors meet regularly as a Group Executive Team and attend Board meetings as required.



Operating and Financial Review

Objectives and Strategy

In April 2011 the Board launched its 3 year corporate plan, “**Altogether Better**”. The plan built on whg’s reputation and success.

Three years on, what have we achieved?

Deliver services that delight our customers

Our customers and their expectations are very important to us. Through our Housing Service Panels, Tenant Inspectors Programmes and less formal gatherings we encourage our customers to work with us and set standards for service delivery and to hold us to account if we fall below those standards.

Welfare Reform



Welfare Reforms and the introduction of the ‘Bedroom Tax’ over the last year threw up some serious challenges for housing providers and their customers.

We were well prepared for the changes by gathering and analysing data to identify customers affected. Customers were given guidance on their options, offered help with moving costs if they wished to downsize, provided with advice on the benefit changes and assistance with managing budgets. We also worked with Walsave Credit Union to open ‘jam jar’ accounts to help customers budget efficiently.

The WMBUS (West Midlands Making Best Use of Stock) partnership was set up to

minimise the impact of under occupancy penalties on customers. As a member of the group it made it easier for people to move home across the region through mutual exchange.

whg has been held up as an example of good practice by the Chartered Institute of Housing for our groundbreaking work.

The online benefits calculator, developed by whg to help customers understand how they would be affected, has been adopted by 20 other housing associations and short listed for ‘Innovation of the Year in the UK Housing Awards.

As a result, **arrears have been held** to a marginal increase over the previous year, compared to much larger estimated increases.

Good Practice

Estate Management, Contract Management, Property Ownership and Neighbourhood Impact Officer Service have all won Housing Quality Network accreditation for the quality and consistency of whg’s neighbourhood services.

The performance of most of a number of our key service areas continues to be considered top 25% in comparison with our peers.

Customer Satisfaction levels with our services have risen to 87.8%

Rent and service charge arrears are 5.6% of the total rent debit

Create great homes and neighbourhoods

Eco Friendly

whg has been named the greenest in the UK after its eco-friendly credentials **won** the prestigious national award ‘Sustainable Landlord of the Year’.



The award recognises outstanding work by housing organisations to improve the lives of people in their communities and are organised by the Chartered Institute of Housing and Inside Housing.

Eco-friendly measures included work to complete external wall insulation on 2,500 of our properties to make them energy efficient as well as the installation of communal heating systems and solar panels on some of our properties. A state-of-the-art ground source heat pump at Austin House, one of our high rise blocks further commitments to complete work on thousands more of our properties and to install communal heating systems in all of our high rise blocks.



The latest step in whg’s approach is to launch Surefire - a partnership with British Gas delivering energy efficiency measures across whg homes and owner occupiers and privately rented homes, including commercial properties, across the region.

By 2020, we have a target of bringing in £30m of ECO funding to Walsall together with installation of energy saving measures to 10,000 more properties

whg’s offices feature an air source heat pump, ecology supporting beehives and water harvesting. whg’s Skills Centre also became host to the UK’s first professional environmental sustainability qualification.

ISO 14001

whg is also delighted to have achieved compliance with the environmental standard ISO14001.

Measures taken to meet the standard include; waste minimalisation at our asset management stores with 96% being recycled, 73% of waste previously tipped at landfill now recycled and collections of waste from offices now once a week reduced from once per day.

whg are committed to improving the physical environment and were able to highlight some exemplary examples of best practice.



Building for the Future

Development & Regeneration

In terms of development, whg has continued to support the Strategic Regeneration Framework which sets out in some detail the context of regeneration for Walsall; key principles and criteria; and numbers of specific schemes, many of them involving land owned by the Group.

whg have built 177 properties during the year with a further 257 on site. There will also be 255 new affordable housing properties commencing in October 2014 at Goscote, Silver Court and Beddows Road.



177 Properties completed & 257 new build properties on site



Strengthen local communities through working in partnership

whg has already shown that it is **‘more than a landlord’** through the delivery of projects which reach beyond the provision of housing. We recognise that to tackle some of the issues our customers and communities are facing we must develop effective and mutually beneficial partnerships.

Community Safety

whg’s CCTV team have been awarded ISO 9001 for CCTV Control Room Management. ISO 9001 certification serves to benefit both a company and its customers. Striving for this certification means that we have set up and will maintain our own quality management system which enables us to save time and money, increase our efficiency and demonstrate how committed we are to developing and improving our customer service. ISO 9001 gives our future customers the confidence that we provide a top quality service.

The certification also means we have achieved Approved Contractor Status and whg will be in the forefront for the new CCTV legislation due later in 2014. whg is one of only five organisations in the country to hold both ISO 9001 and British Standards 7598 and 7858.

whg recognise that to tackle some of the issues our customers and communities face we must continue to develop effective and mutually beneficial partnerships to enable the delivery of projects which reach beyond the provision of housing.

Percentage of closed ASB cases that were resolved = 95.6%

Regeneration

Over the past year the Capacity Building programme has engaged customers through our Community Champion outreach work. The work has focused on creating a stepping stone, linking residents into employability initiatives, further education, mainstream services, Adult Learning, Children’s Services, Volunteering and Work-based Learning. An extensive range of initiatives has been delivered.

Our Health and Housing Team works with hundreds of families across Walsall on initiatives to help improve health in the community. Courses are run for all ages.

Active Club sessions, organised by Community Champions, are run in local schools and community halls and aim to get youngsters fit and healthy. They also train up teachers and parents to carry on running the after school courses once we leave, so that there is a long term benefit.

Over the last 8 months whg have provided over 500 food parcels to our most vulnerable customers. In addition the Waste not Want not programme has provided bulk foods to six local CVS groups to support their ‘Big Feed’ programme; this has provided meals for an additional 700 people who are homeless or in crisis.



Become a stronger, more efficient and productive business that is a great place to work

Investing in Colleagues



whg has been recognised as the most improved not-for-profit organisation in the UK, scooping a place on the prestigious Best

Companies list.

This comes shortly after we were awarded the Gold Standard from Investors in People (IIP) which is a national standard to recognise excellence in people management practices.



Ensuring whg is a great place to work is a key priority for us. Colleagues who are positively engaged ultimately deliver better services for our customers. whg want colleagues to achieve personal growth and develop meaningful careers with us. Our aim is to continue to build on these high standards.

whg is also an accredited Training and Development Premier Partner with **CIMA** in recognition of our commitment to supporting students.

Achieve growth through ambition, innovation and collaboration

As the sector becomes increasingly competitive the need to grow and collaborate is also amplified. By expanding our areas of work and exploiting new and different income streams we can invest more in the borough and in our homes.

Lyng Community Housing

whg took over responsibility for the management and repair & maintenance of properties on behalf of the Lyng Community Association in 2011. The partnership has proved successful. Services have developed and evolved and we have provided additional services for the Lyng including CCTV services.

Commercial Activity

We are offering repair services and gas servicing for our 573 leaseholders and other householders and landlords. There is considerable interest in this service from a number of estate agents operating in the area.

This year we been successful in our bids to;

- provide the IT services for Steps to Work a local training and employment provider
- to provide independent advice, information and support to Wolverhampton residents over 55, a service for Wolverhampton Council.

Both contracts commence April 2014.

Network and Partnership

whg colleagues are participating in key external networks, such as the M6 group, Women in Social Housing, the Walsall Partnership, Walsall College, Walsall Adult and Community College and others. These networks offer opportunities to share ideas and collaborate on key issues, as well as positioning whg as a positive, innovative organisation.

We need to continue to develop new partnerships and drive our ambitions through well informed strategic decision making in relation to new business opportunities. This will be a focus for colleagues during the year as we look to broaden the range of partnerships and activities that we are involved in.



Value for Money

Achieving Value for Money (VFM) and achieving efficiencies are integral to activity throughout Walsall Housing Group. We are committed to ensuring that services are delivered in an effective and efficient way to represent the best possible VFM for our customers. Demand for our services is constantly increasing yet resources are limited, hence there is a constant search for savings for reinvestment into those services that have a major impact on customers' lives, estates and neighbourhoods.

We strive at all times to maintain a balance between operating a commercially sensible approach and meeting the expectations of our customers.

Our Value for Money Strategy, is designed not only to meet the expectations of government and the regulator but also to enable us to maintain our financial strength and free up resources to improve services to our customers as well as build more affordable housing.

The objectives of our VFM strategy are to fully embed the concept of continuous improvement within the organisation. This will be achieved by:

- Ensuring a sustainable financial future for the Group, whilst improving our priority services to our customers;
- Understanding our costs, how they relate to our performance and how they compare with other organisations;
- Promoting and embedding a VFM culture across the Group.

We have been targeting actions to improve Value for Money at every level in the organisation and are committed to ensuring that services are delivered in an effective and efficient manner to represent the best possible VFM for our customers.

The Group's framework aims to deliver VFM initiatives, increase provision for added value services and to help fund new development.

2013/14 VFM Achievements

Development

During 2013/14 whg accelerated the development growth programme utilising whg's own land bank which is predominately in lower housing value areas in Walsall with significant remediation costs. The delivery approach was based on maximising HCA grant either direct or via our developer partners funding at competitive grant rates together with a drive to reduce build costs.

whg's overall development objective in 2013/14 was to deliver new build developments in line with whg's Growth Strategy and Business Plan to create good quality new build homes at a competitive cost.

We achieved this by:

- Undertaking a thorough analysis of whg's land bank.
- Building out 60% of whg's land bank to regenerate local communities
- Achieving key financial performance benchmarks for all new build residential sites ensuring economical efficiencies
- Reduced whg's borrowing and internal subsidy requirements by maximising external funding and obtaining HCA dispensation to charge in excess of 80% market rent on 181 new build homes.
- Developing a greater understanding and managing development costs delivery efficiency (including the delivery of development schemes through whg Developments allowing for considerable VAT savings)
- Maximising the value of our product and placing greater emphasis on the cost over value ratio and value engineering for individual schemes.
- Accessing external procurement frameworks such as the HCA DPP panel to increase the range, scope and quality of contractors for development partner selection process whilst saving internal costs of procurement.
- Developing partnership programmes with private developers that deliver outright sale homes at their own risk which generated cross subsidy provision for affordable rent

homes via residual land value arrangement.

- Enhance social value by incorporating training and apprenticeship schemes within build contracts.
- Following analysis of asset value to the business, disposal of high cost voids properties generating a capital receipt to be reinvested through future new build homes programme.
- Purchasing properties under the Mortgage Rescue scheme which helped to increase whg's asset portfolio at 53% of market value plus allowing families to remain in their own home reducing the costs to public services, reducing risk of homelessness and helping families to stay together.

Housing Services

Key projects for Housing Services team

- Minimising the time that properties are empty between customers
- Continue to develop our strategy and approach to address key issues for the organisation and our customers surrounding welfare reforms
- Develop whg tenancy strategy and approach to introducing and managing new tenancy options
- Customer satisfaction – identifying new ways to address dissatisfaction and building up customer insight to drive and inform services

whg has for some time recognised the impact that void performance and number of voids was having. During 2012/13 and 2013/14 work has been done to secure improvement on this performance. From a peak of 400 voids in February 2013 this was reduced to 190 in March 2014.

Costs were incurred to secure these improvements during 2012/13 but through redeployment of existing resources and targeting work effectively these were minimised where possible. This had a positive impact on reducing the rent lost through voids from 2.3% at March 2013 to 1.5% during 2013/14. The reduction of 210 voids from February 2013 to July 2013 equates to a saving of £840,000. Alongside the ability to

redirect these savings to other areas of the business this maximises the social value that whg is able to deliver from its assets; ensuring effective stock use and supporting our customers.

A Tenancy Strategy was agreed in May 2012 and outlines a number of agreements and guidance to support the use of relevant and appropriate options. The overarching aims are to:

- Promote economic activity and encourage work
- Promote mobility and reduce under-occupation and overcrowding
- Promote affordable housing options
- Make best use of housing stock whilst meeting housing need.

The use of the most appropriate tenancy agreement will ensure efficient services where tenancy management difficulties may arise.

Considerable focus has been placed on tenancy sustainment –we have used customer insight that has shown that under 25's are about five times more likely to have a failed tenancy. We have added a Younger Persons Officer to our team who is working closely with our younger customers.

Pre tenancy training has also been introduced. As well as supporting customers to sustain their tenancy whg is seeing evidence of fewer failures, reducing the impact of rent loss and the cost of repairing voids. We have adapted and renovated Butcroft House for supported living and are already seeing a success rate in tenancy turnover reducing from 10% to 5% this year.

During 2013/14 we have been developing the Tenant Information Portal System (TIPS). This will allow our customers to contact us and look at their information, such as their rent accounts in a more digital way through an online portal, reporting repairs. This means that customers can both contact us, and access information for questions they may have in a format and at a time that is most convenient to them. We have also built upon our digital communication options which previously included Facebook and Twitter. The website had over 158,480 hits during the year

with 715 followers on Twitter and 304 Facebook likes. These communication channels are monitored regularly and are an important way for our customers to contact at a time and in a method that is most convenient for them.

Asset Management

In the past, our asset management strategy has focussed on ensuring our stock is well maintained at our own decent homes plus standard. For 2014/15 our asset management strategy will make the most of our housing stock, considering areas such as redevelopment of certain schemes, tackling hard to let properties, exploiting our land holdings and providing under occupied properties to people in over occupied accommodation.

Active asset management ensures ongoing appraisal of all our homes using a sustainability indicator and a net present value calculation. These indicators are determined at an individual property level and are amalgamated into groupings (eg. area/street/neighbourhood/archetype).

The two indicators are determined separately but viewed side by side at individual property level and grouped levels. The individual property level information can identify particular properties with unusual issues, however the powerful use of the indicators is at a grouped level to identify trends (eg particular areas becoming unsustainable, particular property archetypes showing low net present values due to high repair levels)

The sustainability indicator takes into account:

- Repairs history
- Void occurrences (tenancy changes)
- Socio economic indicators for the neighbourhood derived from super output area statistics (from national statistics office)
- In future – the great homes and neighbourhoods rating from tenant inspection will be factored in

The net present value calculation takes into account:

- Repair costs estimates – based on last three years history
- Void cost estimate – based on occurrence rate and cost history
- Predicted planned works spend over 30 years
- Predicted rental income

Properties or groups of properties that show low net present value and low sustainability rating are targeted for investigation of the issues behind the results, together with market value and retention costs. Solutions are sought through management or other proposals. In circumstances where disposal is proposed then an appraisal of housing management impact on the area is weighed against the short and long term financial benefits before a final decision to dispose is taken.

During 2013/14 Asset Management procured a new fleet supplier with initial lease savings of £279k. Further efficiency gains will accrue from fuel efficiency and maintenance costs across our fleet size of 215.

Through our partnership with British Gas we have managed to secure grant funding of £4.3million in 2013/14 to deliver an increased eco programme delivering tangible energy savings to our customers. Treatment of multi storey and hard to treat homes is one of our current priorities enabling gains to be made by both whg in terms of asset condition and value and by the customer in lower heating costs and a better home environment. Our Standard Assessment Procedure (SAP), rating across the group is 78.8.

We estimate that the works undertaken have saved over 1750 tonnes of carbon emissions and reduced some of our customers fuel bills by 40%.

The contract in place with our planned works partner has enabled Asset Management to reduce the contract value by 2% equating to a £215k saving.

Productivity gains in the year have enabled additional repairs to be carried out for both the Group and whg Trading without additional resources.

Return on Assets

Whg makes best use of assets through our Asset Management modelling. We also have all asset titles and data detailing loans secured against each asset. Together with neighbourhood plans and community information we are well placed to be able to make informed decisions to dispose of assets that are not working for the business. In 2013/14 whg disposed of assets totalling £2.1m following assessment, which will allow future reinvestment.

Regeneration

All of the programmes and projects delivered / managed by the Regeneration Team are subject to a robust project development and performance management system. This includes the assessment of outputs and outcomes for each activity. In addition we provide individuals with an individual development plan which provides a framework to develop their skills and support them into a positive progression. We measure how this impacts on their confidence, self esteem, personal/ social skills and map their journey and the impact that this has had on their lives and those of their families.

Over the past year the Regeneration Team has successfully delivered a range of programmes supporting:

- 2490 customers involved in Capacity Building Programmes
- 1972 customers attended Healthy Lifestyle Advice Sessions
- 1481 customers benefiting from brief health interventions
- 236 customers into non accredited training
- 55 customers entering volunteering programmes
- 131 Customers continuing into additional training
- 1021 customers benefiting from debt management advice
- 127 Voluntary and community sector groups supported to gain funding to enable them to continue and expand their services within their own neighbourhoods

- 20 new Voluntary and Community Sector groups formed

To ensure we capture the outcomes of our interventions as well as our outputs we use a range of RARPA (Recognising and Recording Progress and Achievement) approved tools including individual learning plans with agreed objectives and outcomes, confidence catchers, diaries, videos, self assessment enabling the assessment of the distance travelled of an individual and the impact that each intervention is having on participants and their family.

whg manage a range of grant programmes:

- VIEW (Visionary Investment Enhancing Walsall) Community Chest – providing up to £10,000 to Walsall Voluntary and Community Sector groups, over the past year this has supported 14 Voluntary and Community Sector Groups
- Community First for ten priority wards in Walsall, up to £2500 to develop community activities to increase participation and foster community cohesion has supported 113 VCS groups within the past 12 months
- VIEW 'Peoples Fund' up to £500 to help individuals dreams come true, in the past year this has supported 12 people to gain new qualifications, 5 of which have then entered employment and 2 securing a better post

These grants deliver real benefits to the Voluntary and Community Sector in Walsall and can be life changing for individuals.

Working in partnership the Health and Housing programme aims to improve the health and wellbeing of our customers by engaging at grassroots level with those most at risk of poor health outcomes e.g. early death, long term conditions, emotional wellbeing. This programme has gone from strength to strength in the past 12 months, developing programmes that are having a real impact on the health of our customers. Programmes have included:

- Active Club sessions delivered to young people to increase their activity, reduce childhood obesity. In addition a



Volunteers are trained to continue the activity following the completion of the programme

- Vocational development courses for customers progressing onto a new Level 1 accredited 'Health to Make a Difference' course in March 2014.
- Eight residents have joined EVOLVE, a mainstream healthy weight and lifestyle programme run through WMBC Sports and Leisure, and signed up for the Move It card and received gym inductions.
- Provision of advice and guidance about lifestyle changes, advice on diet, physical activity, alcohol and drug abuse, sexual health, emotional wellbeing.
- Supporting customers to access mainstream health services.
- Health focused community events within our neighbourhoods

Over the past year the Capacity Building programme has engaged over customers through our Community Champion outreach work. The work has focused on creating a stepping stone, linking residents into employability initiatives, further education, mainstream services, Adult Learning, Children's Services, Volunteering and Work-based Learning. An extensive range of initiatives has been delivered, focused specifically within the neighbourhoods of Blakenall, Brownhills, Moxley and Central Walsall. Some of the key highlights of this work include:

- Neighbourhood consultations in Moxley and Darlaston South undertaken with local residents on emerging new build sites and developments at Curtin Drive and Barracks Lane.
- Over 220 residents have been engaged in IAG support services, community development and adult learning courses, e.g. Deal or No Deal and I.T.'s Your Life. Of those involved, 136 have no qualifications or previous work history so will require intensive guidance and support if they are to gain work-based experiences prior to moving into volunteering or paid employment.
- The Walsall Adult Community College (WACC) funded programme called

Thirst For Learning has engaged women from the South Asian communities. This has led to 14 people being engaged on the programme. Six of these participants required help with translation as English is not their first language. Ongoing support has been provided by Community Champions with translation skills, who will work alongside the learners to help them develop their personal action plan.

- The Beechdale Community Housing Association (BCHA) capacity building programme has provided an excellent development opportunity for two whg Community Champions to share their skills and experience working on the Beechdale Estate. They have assisted in the recruitment and training of a local Community Champion Team. BCHA have now recruited two new Community Champions

Social Return on Investment

In 2013/14 Asset Management received the award for our partnering contract with Wates Living Space under PPC2000 from ACA. Our partnering contract was recognised not only as an example of good practice and financial efficiencies but for the added social value it had delivered.

Jointly as a part of our corporate and social responsibility strategy, which is included in the structure of the PPC2000, the contract has provided for a mobile unit that travels through whg's neighborhoods providing free health care advice. The bus helped an estimated 750 customers over 3 years with demonstrable evidence showing that approximately 30% of these people would have required a hospital visit if their health issues were not treated. This action will have provided a saving of at least **£450,000**.

The contract also sets out a target of 70% of labour employed should be from within the borough of Walsall. This has been exceeded at 90% of the workforce being from the Walsall area. This initiative has saved at least **£135,000** over the period of the contract.

Every year The partnership have delivered a local initiative of community days, examples have been the development of community gardens and total property refurbishments. The SROI value of these schemes is **£600,000**.

More case studies and details of projects that have delivered some measure of Social Return are included in our Value for Money Report available on the whg website.

Benchmarking

We have set ourselves a corporate objective for all areas of our business to be in the top 25% of performance compared to our peers.



Our latest Housemark benchmarking results puts most areas within top and middle quartile.

Our Asset Management team participates in Housemark repairs benchmarking and our responsive repairs is ranked top quartile for value for money. The Group also participates in Baker Tilly's Back Office Benchmarking and also ranked in the top quartile.

Our Housemark cohort includes both traditional and LSVT housing associations with more than 10,000 properties. This gives a healthy cross section of 52 peers. We also benchmark and compare best practice with our near neighbours along the West Midlands M6 corridor. These include Orbit, Bromford, Midland Heart, WM, Wrekin and Jephson Housing Associations. Our performance and costs compared with this group are also very favourable.

We have secured savings through more effective procurement processes not only to reduce costs but to improve quality. We have tendered key contracts including fleet and development contractors, we involve our customers in these tender processes to ensure we achieve the right balance between cost and quality.

For 2014/15 we will continue to look for increased value from procurement and develop our VFM approach further. We have a

group wide VFM training programme to embed the principle further within all teams.

Whilst our operating costs amount to £69m per annum, our total housing property portfolio is currently valued on an existing use for social housing basis at £438m and we recognise that making the best use of our assets offers the greatest potential for achieving value for money.

The financial statements show a strong financial performance for the year with a surplus of some £11.9m enabling us to reinvest in services to customers and to build more affordable homes.

Although we have sufficient funding for our current development programme our current challenge is to raise finance to support our longer term aspiration to build more homes for those in need. To maintain our financial strength the Board is keen to ensure that we obtain maximum value for money from our resources. We have made good progress in this respect during recent years and going forward we will continue to gain a greater understanding of our costs and performance in relation to our peers and setting objectives for continuous improvement.

[Click here](#) to read our **2014 Value for Money Statement**, which includes performance and benchmarks.

Our **2013 Value for Money Statement** is also available. [Click here](#)



Housemark Comparisons	Preliminary whg 2013/14	Whg 2012/13	Average Peer Group >10,000 homes	whg Rank
Total Management Cost Per Home	£348	£342	£435	4
Total Response Repair and Void Works Cost Per Home	£565	£551	802	3
Total Major and Cyclical Works Cost Per Home	£1,826	£1,993	£1,508	40
Total Estate Cost Per Home	£200	£204	£190	32
Average Void Relet Time (Days)	31	33	30	30
Rent Lost Due to Empty Properties (Voids)	1.5%	2.29%	1.17%	45
Total Overheads as a Percentage of Income	9.07%	9.09%	10.59%	8
Turnover to Total Operating Assets	31.8%	32.4%	11.3%	6
Operating Margin	22.9%	23.1%	25.2%	27
Debt Per Unit Owned	£11,589	£10,995	£19,489	9
Overall Customer Satisfaction	87.8%	86.2%	84.1%	12

The peer group for Housemark includes all traditional and LSVT housing associations with over 10,000 homes. There are 52 associations in this group for 2012/13 and include our local peers within our M6 group.

Risk Management

Both strategic and operational risk management is embedded within the Group. An officer panel meets quarterly to review and monitor our risk exposure and ensure that ongoing training and awareness amongst colleagues is maintained. The Group Executive team, Audit and Risk Committee and the Board all review and consider the risks facing the Group, our actions to mitigate those risks and an assurance that these actions are in place and effective.

Portfolio Risk Testing

The Group also considers its potential portfolio risk as part of its viability and business planning processes. The business plan is subjected to a number of detailed and robust stress testing scenarios to ensure that the Group is in a strong position to achieve long term viability and to withstand a number of risks affecting the business at the same time.

The Group's top 10 risks are currently:

Increased Rent Arrears & Bad Debt

Income streams from rent are our primary source of income. The Welfare Reforms and recent introduction of 'Bedroom Tax' have posed a threat to the level of arrears sustained by the Group. There are a number of actions that have been put in place to reduce the risk of increased arrears and bad debt assess and monitor impact of welfare benefit changes identifying effective areas for intervention which, to date, have proved to be successful. Increased arrears through bedroom tax have been held at £300k and are reducing.

Higher Loan Interest Charges

Improvements in the economy will have an impact on interest charges. Although the rates have been stable for some time, it is expected that small increases will be seen this year. The Group continues to benefit from forward fix positions and cancellable swap options. This has allowed the Group to benefit from low interest rates to reduce both average interest rates and risks. However we are currently seeking finance from the bond market and as yet do not know what the terms of the bond will be.

Increased RTB Sales

Changes have been made to the Right to Buy legislation, the maximum discount for a house will increase from 60% to 70% of its value, and the £75,000 cap will start increasing in line with the consumer price index rate of inflation. A £100m fund will improve access to mortgage finance, and new Right to Buy agents will guide people through the buying process. The net receipt from the sale is less than 50% of the value and the cost of replacing that property. Options available to secure mortgages, with the Governments 'Help to Buy Mortgage' scheme also increases the options for customers to secure funding to buy their home.

Non Delivery of the Development Programme

Programme Funding for this years committed schemes is in place. However we have a 4 year development plan that will rely on securing additional finances. Funding for our new strategic aims is currently being pursued with the assistance of our main funders through the bond market.

Loan Finance Availability

Previously mentioned has been the strategy to refinance to secure funding going forward. There will be inherent risks around ratings and finance availability.

High Pension Costs

The Group have given consideration to this risk following the announcement of the higher pension contributions required by whg which almost doubled to £2.4m. However, the Panel did not take the opportunity to downgrade the risk based on the current outlook for the bond and investment market.

Shortfall in Rental Income

The Homes and Communities Agency's 'Affordable Housing Programme 2015-18', to which we are currently submitting a bid, relies on the value of market rents rather than the target rent formula. The current outlook shows that market rents are reducing between 2% in the south and 10% in the north east. This is largely caused by the increase in availability of first time mortgages through the Government's assisted mortgage scheme. Having considered this issue at some length and looking at the potential effect of a reducing market rent on our base rental income we concluded that this posed a slightly higher risk to our rental income in real terms. whg uses sensitivity analysis to check its capability to withstand a reduction in rental income and as part of its business planning process makes prudent assumptions about future inflationary increases which are included in its long term financial plan.

Financial Failure of Contractors

Although the economy is improving there is a need to ensure that all contracts undergo robust checks to reduce the risk of a contract failing. An independent check is undertaken of the financial strength of the contractor before entering into a major contract. The frequency of checks is dependent upon the impact of contractor failure and this process is achieved through use of independent sites such as Dunn & Bradstreet or Construction Line. whg seeks legal advice before entering into significant contracts. All such contracts allocate risks to the party most able to control them. For larger contracts, contractors are required to take out a bond that will be payable to whg in the event of the company failing.

Void and Letting Process

Procedures and reporting has been designed to ensure accountability at individual and team level and the executive directors have been very clear about the importance of delivering this service and fulfilling the improvement plan. Welfare benefit changes are considered with customers alongside the lettings processes to ensure that customers are not put under undue financial pressure but secure the property that is right for them.

Business Diversification

Due diligence is currently being carried out for proposals to allow a not for profit employment and training company to join the Group. Business plans are prepared for all new business proposals and risk assessments completed. Stress testing of Group business plan is carried out for any substantial additions.

Performance Highlights – 5 Year Summary

Achieving Top Levels of Performance

The Board exercises control through the monitoring and approval of annual business plans and budgets, and by reviewing the achievement of Group goals. They make use of a range of measures to assess this control.

The Executive Team and the Boards monitor the Key Performance Indicators (KPIs), together with a number of internal, more detailed Performance Indicators (PIs), on a regular basis in order to manage the Group's performance, ensure that targets are being achieved, and monitor strategies for continuous improvement.

Performance Improvement

Significant changes in the structure of the service delivery, aimed at improving performance, have realised performance improvements this year. Performance improvement targets are clearly linked to the corporate plan.

Performance Highlights

The key performance information for the Group for the past 5 years is shown below.

Key Performance Indicators	2010	2011	2012	2013	2014
% of dwellings vacant & available to let	0.6%	0.6%	0.8%	1.7%	0.9%
% of dwellings vacant & not available to let	1.1%	1.0%	1.1%	0.2%	0.4%
Average re-let time (days)	17	24	27	33	31
% homes non decent	1.0%	0.2%	0.7%	0.2%	0.5%
Emergency repairs completed within time	100.0%	100.0%	100.0%	100.0%	100.0%
Urgent repairs completed within time	99.9%	99.5%	99.7%	99.5%	99.7%
Routine repairs completed within time	99.7%	99.5%	99.7%	99.7%	99.6%
Emergency repairs as a % of all repairs	9.1%	12.1%	11.6%	15.1%	10.3%
Financial Performance Indicators					
Average weekly operating cost per unit	£50.41	£53.90	£54.12	£59.54	£63.71
Operating cost as a % of turnover	74.8%	78.5%	72.2%	75.8%	76.6%
Weekly investment per unit of stock	£28.00	£30.14	£27.42	£33.10	£34.67
% Rent debit in arrears	4.2%	4.2%	5.0%	5.4%	5.6%
% Rent lost due to voids	1.5%	1.7%	1.7%	2.3%	1.5%

% of dwellings vacant & available to let

In the last year we have made considerable progress to ensure that our voids lettings performance moves back to mid quartile and for **dwellings vacant and unavailable to let** maintains its top quartile performance.

Emergency repairs

With the introduction of new arrangements for appointments and balancing of resources we are able to respond to more repairs more quickly.

Rent loss due to voids

In the last year, there has been a reduction in void rent loss from 2.3% to 1.2% at the end of March 2014, an average of 1.5% for the year. This is now in line with our plans to achieve 1% in 2014/15.

Financial Review

Progress against Business Plan Financial targets

Financial Highlights – 5 Year Summary

Summary Income & Expenditure Account	2010 £000	2011 £000	2012 £000	2013 £000	2014 £000
Operating Surplus	15,887	19,017	16,917	16,893	17,436
Surplus on sale of fixed assets	773	1,023	1,326	1,661	4,082
Net interest payable	(9,501)	(8,153)	(7,644)	(9,631)	(9,632)
Surplus for the year	7,159	11,887	10,599	8,923	11,886
Summary Balance Sheet (Extract)					
Tangible fixed assets	76,417	187,798	203,435	219,172	236,404
Net current (liabilities)/assets	(5,785)	(7,843)	2,497	4,252	12,061
Total assets less current liabilities excluding pension asset/(liability)	70,632	179,955	205,932	223,424	248,465

Revenue Surplus

The group's revenue surplus for the year ended 31 March 2014 was £11.9m compared to a prior year surplus of £8.9m, primarily due to the increase in turnover exceeding the increase in operating costs.

Rental Income

The overall net rent performed as expected this year with an overall increase in net rental income of £4.4m. The increase is due mainly to the annual rent increase of 2.6% and progression of customers towards target rent. Void loss was improved at 1.5% (2013: 2.3%).

Partnering Works

This year we have invested £14.8m of which £7.8m has been treated as capital expenditure under component accounting.

Financing Costs

Outstanding loans have increased by £12m this year to £220.6m and financing costs have increased in line with the additional loans.

Right to Buy Sales

The prevailing economic conditions and their impact on the housing market continue to affect Right to Buy income. The net income amounted to £2.6m in the year which was higher than last year's total of £1.4m.

Capital Expenditure

Capital expenditure is set out in note 10 to the financial statements. The Group has provided 177 new homes this year with 257 started on site and expected to complete during 2014/15.

Statement of Compliance

This Operating and Financial Review has been written to comply with the Statement of Recommended Accounting Practice for Registered Social Landlords 2010 (SORP 2010).

Going Concern

After making enquiries and based on the approved fifty year financial forecast the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the financial statements have been prepared on a going concern basis.

Treasury Management Policy

The Group has a formal Treasury Management Policy which is reviewed annually by the Group's Resources Committee. This policy provides the framework within which the Group seeks to mitigate risk relating to the borrowings and cash holding it has at any one time.

To achieve this aim, the policy clearly provides guidance when dealing with:

- Group borrowings and subsequent debt management (with reference to the loan documentation)
- Investing surplus funds
- The relationship with bankers, lenders and other advisers to the Group.

Reserves Policy

All surpluses generated are reinvested to meet the Group's principal objectives.

Capital Structure

The Group finances its activities using a £240m loan facility with a syndicate of banks, led by Lloyds Banking Group.

Loan Summary

At 31 March 2014 the Group had drawn loans totalling £220.6m. All loans are fully secured against the housing properties owned by the Group.

- The Group increased its loan financing by £12m during the year.
- The Group's average cost of funds (fixed and variable) at 31 March 2014 was 5.54% (2013: 5.32%)

Interest Rate Management

The Group had fixed rate loans totalling £195.1m (88.4% of its total loan balance £220.6m) at the year end.

The Group continues to benefit from forward fix positions and cancellable swap options. This has allowed the Group to benefit from low interest rates to reduce both average interest rates and risks.

During 2014 we expect to refinance, including a repayment of some bank debt and issue of a public bond.

The current and forward fix position is illustrated below.

	£m	Rate	Start	Matures	Option Date
Initial Fix	25	5.39%	2003	2032	
Fix1	15	5.06%	2005	2029	
Forward Fix 2	25	5.16%	2007	2023	
Forward Fix 3	25	4.63%	2007	2021	
Forward Fix 4	25	4.63%	2008	2017	
Forward Fix 5	10	4.12%	2008	2033	2013 *
Forward Fix 6	10	4.19%	2008	2033	2014 *
Forward Fix 7	10	4.34%	2008	2033	2014 *
Forward Fix 8	10	4.43%	2008	2033	2013 *
Forward Fix 9	20	4.84%	2008	2033	
Forward Fix 10	20	4.64%	2008	2033	
Total Fixed	195				

- * These are cancellable annually at the lenders option.

Loan Covenants

Loan covenants are set by the Lenders with reference to the latest financial forecasts. The primary loan covenants required by the Lenders are the income and expenditure ratio and the annual cash flow deficit. The Group has met its covenants for the financial year.

Cash Flows

The consolidated Cash Flow Statement is shown on page 37 of the Financial Statements. During the year the Group's net cash increased by £8.1m.

Current Liquidity

The Group policy is not to hold significant cash balances but to have the loan facilities in place to fund future cash requirements. Short term balances are invested overnight or with competitive term facilities until required. In accordance with the Treasury Management Policy, the Group maintains a list of investment limits for approved organisations with which it will deposit funds based upon short term credit ratings.

The strategic report (incorporating the Operating and Financial Review) was approved by the Board and authorised for issue on 22 July 2014 and signed on its behalf by:



Paul Murray
Chair

Looking Forward – Corporate Plan 2014-2024

“10 years of change” Improvement and growth

Our 2014-2024 corporate plan sets out our ambition, establishing the size, geography and work we will be doing by 2024.

In 10 years' time we aim to own or manage 30,000 homes, operate throughout the Midlands and be known nationally as a provider of much more than housing. We are already one of the West Midlands' leading and most successful providers of high quality homes.

Since 2003, we have invested more than £400 million in our homes and offer a wide range of services complementing our role as a landlord and employer. This has given us a solid foundation to build on.

We want to be the drivers of change. Our plan, “inspiring people, great places, big future”, sets out an ambitious approach to moving whg from being a good organisation to an outstanding one.

We are not just looking for happy customers; we want delighted customers. We do not aim to offer decent homes and neighbourhoods; we want great ones. Being a reasonable place to work is not good enough; we want to be an exceptional place to work.

Supporting our mission are six aims, together with the success measures against which we will judge ourselves. The success measures are set over a 3 and 10 year period. This allows us to be realistic about what we deliver in the short term and ambitions for the future.

- ***Take every opportunity to delight our customers***
- ***Be an exceptional place to work that attracts, develops and retains talent***
- ***Create great neighbourhoods where people and communities flourish***
- ***Improve health and prosperity where we work***
- ***Grow and expand our services, our reach, our range***
- ***Deliver a strong business, fit for today and prepared for tomorrow***



Directors' Report

Corporate Governance

The Group's Board and Committees comply with the principal recommendations of the NHF Code of Governance 2010 save as set out within this paragraph. In relation to the Walsall Housing Group Board we did not comply with the recommendation in respect of limiting Board membership to a maximum of 12 members. This Board has 13 members, including 3 Councillors. It has revised its membership from 15 as set out in the transfer arrangements with Walsall Council in March 2003.

The Board and Executive Directors

In line with whg Board policy, Board members do not receive any remuneration for their services. The remuneration packages of the Executive Directors are set by the WHG Board on recommendation from the Remuneration Committee, taking into account remuneration levels in the sector, each Executive Director's responsibilities and pay levels for comparable positions in the marketplace.

All Boards and Committees obtain external specialist advice from time to time as necessary.

The Group offers to all colleagues a defined benefit final salary pension scheme provided by the West Midlands Pension Fund. Colleagues joining the Group are offered a choice between this and membership of the Social Housing Pension Scheme (SHPS), if they are currently a member of SHPS. Auto enrolment pension provision is provided by SHPS and is a defined contribution scheme. The Executive Directors participate in the schemes on the same terms as all other

eligible colleagues. The Group contributes to the schemes on behalf of its colleagues.

The Executive Directors are entitled to other benefits such as a car allowance, and permanent health insurance. All Executive Directors and colleagues are employed by Walsall Housing Group Limited.

Statement of Board Responsibilities

The Board is responsible for preparing the Report of the Board and the financial statements in accordance with applicable law and regulations.

The Companies Act 2006 and the Housing Act 1996 require 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

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 group and the company and of the surplus or deficit of the group and the company for that period.

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and

the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and 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 group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Internal Controls

The Board has responsibility for establishing and maintaining adequate and effective systems of internal control and for reviewing their effectiveness.

The systems of internal control 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.

In meeting their responsibilities, the Group Board has adopted a risk-based approach to establishing and maintaining internal controls which are embedded within the day to day management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which the Group is exposed.

The process for identifying, evaluating and managing the significant risks faced by the Group is ongoing, and is reflected in every report considered by each Board, as well as being the subject of targeted exercises during the year.

The arrangements adopted by the Board in reviewing the effectiveness of the systems of internal control, together with some of the key elements of the control framework, include:

Identifying and Evaluating Key Risks

The Audit and Risk Management Committee (ARMC) oversees the risk management strategy and the work of internal and external auditors. The Group's risk management strategy, setting out the Group's attitude to risk in the achievement of its objectives, underpins risk management, business planning and control arrangements. These arrangements clearly define management responsibility for the identification, evaluation and control of significant risks.

The Executive Directors regularly consider reports on these risks and the Group Chief Executive is responsible for reporting to the Committee any significant changes affecting key risks.

Control Environment and Internal Controls

The processes to identify and manage the key risks to which the Group is exposed are an integral part of the internal control environment. Such processes, which are reviewed annually and revised where necessary, include risk assessment, strategic planning, performance monitoring, control over major spend projects, the setting of standards and targets for health and safety, data protection, fraud prevention and detection and environmental performance.

Information and Reporting Systems

Financial reporting procedures include setting detailed budgets for the year ahead and long-term financial forecasts for subsequent years. These are scrutinised by relevant Committees and approved by the Group Board. Budgets are monitored throughout the year by the Board and the Resources Committee. In addition, regular reports cover performance in key areas such as collection of rents, managing voids, major works and responsive repairs.

Monitoring Arrangements to check the effectiveness of internal controls

Regular reporting to management and all Group Boards and Committees is part of the control environment.

This is complemented by regular reviews by a firm of internal auditors who provide independent assurance to the Boards, via the ARMC. The arrangements include a rigorous procedure, monitored by the ARMC, for



ensuring that corrective action is taken in relation to any significant control issues.

The ARMC and Group Board receive an annual report on internal controls from the Group Chief Executive on behalf of the Group Executive Team as a body. In addition to reports on specific areas covered by their audit plan, the internal auditors provide an annual report covering the Group as a whole, summing up findings and improvements emerging during the year, and proposing future priorities. External auditors provide reports on management and control issues identified during the course of their work. These too are subject to scrutiny by the ARMC on behalf of the Board.

Fraud Assurance

We work with our internal and external auditors to ensure that controls are designed to reduce the risk of fraud and to respond to suspected instances of fraudulent activity. Our policies on Fraud Prevention and Whistle Blowing address the specific issues arising. These policies are reviewed regularly.

Employees

Walsall Housing Group (whg) aims to provide a great place to work in the Walsall Borough. The majority of our 654 colleagues live in the local areas where they work and we offer development to colleagues at every level. Our continued success depends on recruiting, developing and retaining the best talent and our colleagues deliver a level of customer service which goes from strength to strength.

We ensure that our colleagues reflect the diversity of the thriving multi-racial and diverse communities they serve and our evolving flexible employment practices respond to the differing work and family demands in today's climate.

We operate through simple management structures, delegate responsibility and aim for a culture of fairness, integrity and trust, where people are allowed to learn from mistakes and to challenge conventional thinking. We listen to colleagues and communicate at all levels through a variety of mechanisms, including opinion surveys, intranet, joint unions, and through an open door policy at all levels.

whg believes that all colleagues and customers have the right to be treated with dignity and respect and opposes unfair discrimination and harassment on the grounds of sex, race, colour, nationality or ethnic origin, HIV status, marital status, disability, sexual orientation, age, trade union activity or political views.

whg offers additional support and assistance to colleagues through a number of sources including a final salary pension scheme, contribution to private health scheme, free eye tests, child care vouchers, colleague assistance programme, counselling services, flexi time, occupational health, public duties, travel loans and other benefits in excess of statutory minimums.

whg promotes the continued safety and welfare of all its colleagues and works jointly with colleagues, trade unions and external health support teams to ensure our workplaces are safe and that a proactive approach is taken to the on-going promotion of healthy living and health awareness raising amongst our colleagues.

Employee Relations

To foster good workplace communications, a Joint Negotiating Committee (JNC) meets regularly. The purpose of the JNC is to enable trade union representatives to meet with Executive Directors and others to discuss and exchange views on matters of mutual concern and interest. Often, JNC working parties discuss items in more depth, especially equality and diversity and health and safety.

Directors' Indemnity Provision

The directors have third party indemnity insurance through the company.

Disclosure of Information to the Auditor

So far as each member of the Board is aware, there is no relevant audit information of which the Group's auditor is unaware. Each member of the Board has taken all the steps (such as making enquiries of other Board members and the auditor and any other steps required by the Board member's duty to exercise due care, skill and diligence) that they ought to have taken in their duty as a member of the

Board in order to make themselves aware of any relevant audit information and to establish

that the Group's auditor is aware of that information.

Auditor

A resolution to re-appoint Baker Tilly UK Audit LLP as the external auditor will be proposed at the forthcoming annual general meeting.

This report was approved by the Board and authorised for issue on 22 July 2014 and signed on its behalf by:



Jane Preece, Company Secretary



Independent Board Members

Paul Murray (Chair)



Paul Murray has been a Board member since 2009 and became Chair of WHG Board in September 2012. He is a Fellow of the Chartered Institute of Accountants in England and Wales and is in practice as an accountant in Walsall. He holds a number of Directorship positions and is involved in the family business running Care Homes for people with learning disabilities. Paul is a member of Resources Committee, Governance Committee and Remuneration Committee as well as VIEW Board.

Teresa Mingay



Terry Mingay was appointed to the Board in 2011 and is a self-employed healthcare and management consultant. She retired from the NHS in Walsall in 2010, where she held a number of managerial positions and became an Executive Director in 1997. She held a number of positions as a Board Director, including nursing, human resources, partnerships and Deputy Chief Executive. In her partnership role she worked closely with Walsall Council. Since March 2010, Terry has been a Trustee on the Board of Sandwell MIND. Terry is also a member of VIEW Board, Remuneration Committee and Governance Committee.

Amanda Tomlinson



Amanda joined WHG Board in February 2012. A CIPFA qualified accountant, she is the Chief Executive of a Registered Provider based in the Black Country. Prior to that she was the Managing Director of another Staffordshire-based provider where she was also previously Director of Resources. She is a trustee for two local charities and brings strong financial and strategic business skills to the board. Amanda is Chair of the Resources Committee.

Henriette Harnisch



Henriette Harnisch has been a Board member since 2013. She is Vice Principal Business and Partnerships at Walsall College and was previously Associate Director for Education Partnerships at Wolverhampton University. Henriette is also a director of a number of other organisations including Black Country University Technical College and City of Wolverhampton Academy Trust, as well as being the Chair of the Mirus Academy. She is also our Value for Money Champion.

There is currently 1 Independent Board Member vacancy

Tenant Board Members

Janet Poyner



Janet has been a tenant Board member since 2012, having previously been a member for several years as a nominee from Walsall Tenant and Residents' Federation. She is a member of whg Aldridge and Brownhills Committee and a Tenant Inspector, carrying out void inspections and repairs satisfaction surveys. Now retired, Janet's career includes a period in the Women's Royal Air Force, work in a warehouse and at a newsagent's shop. Janet is also a member of both the Asset Management and Development Committee and the Audit and Risk Management Committee.

Steven Preston



Steven has been a tenant Board member since 2012 and is a member of whg Willenhall Committee. He began his career with a local lock manufacturer where he remained in various roles, for more than 24 years. He has since specialised in helping long term, 'hard to reach' or vulnerable unemployed members of the community into full time secure employment. His experience spans employers such as Dudley College, Groundwork and Sandwell Council of Voluntary Organisations. More recently, he has returned to 'home roots' working for Steps to Work, a charitable organisation, delivering contracts related to the Government's 'Work Programme'. Steven is also a member of the Remuneration Committee. He is the Equality and Diversity Champion for both Willenhall Committee and WHG Board.

Neville Styles



Neville has been a tenant Board member since 2006 and is a member of whg Darlaston Committee. A former sales manager, Neville's career includes running a pub and a newsagent's. Now retired, he is the treasurer of the local Rotary Club in Darlaston. Neville is also the Chair of Governance Committee, a member of the Remuneration Committee and the Audit and Risk Management Committee.

Noel Maxwell

Noel has been a Board Member since 2014 and is a member of the whg Central Walsall Committee. He came to live in the UK at a young age and after leaving school, spent 10 years working as a miner in the Cannock area before moving to work for a Cannock firm which supplied machinery to the construction and quarrying industries. Noel is now retired and hopes his role on the WHG Board will contribute to the future of whg and all its customers. Noel is also a member of the Asset Management and Development Committee.

Linda Cole

Linda was appointed to the Board in 2014, having been a member of the whg Bloxwich Committee for two years and a Tenant Inspector for four years. Linda has worked as a classroom assistant, hospital visitor and an English conversation tutor for Asian women, as well as teaching basic numeracy and literacy to adult learners. She is involved in several local voluntary groups including the patient participation group at Blakenall Surgery. Linda is also a member of the VIEW Board and sits on the Asset Management and Development Committee and Governance Committee.



Local Authority Board Members

Councillor Eddie Hughes



Eddie was appointed to the Board in November 2012. He is Chair of Walsall Council's Audit Committee and a member of the Children and Young People Performance and Scrutiny Panel. With a degree in Civil Engineering he has previously worked as a site engineer and building site manager on social housing developments.

Councillor Daniel Barker



Daniel was appointed to the Board in June 2014. He is a member of the Council's Planning and Audit Committee's.

Councillor Stephen Wade



Stephen was appointed to the Board in November 2012. He is a member of Walsall Council's Planning Committee and the Regeneration Scrutiny and Performance Panel. Stephen works as a teacher helping adults improve their maths and English skills.

Independent Auditor's Report to the Members of Walsall Housing Group Limited

We have audited the group and parent company financial statements of Walsall Housing Group Limited for the year ended 31 March 2014 (the "financial statements") on pages 34 to 65. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of Trustees and auditor

As more fully explained in the Statement of Board Responsibilities out on pages 25 to 26, the Trustees (who are also the directors of the company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed auditor under the Companies Act 2006 and section 151 of the Charities Act 2011 and report in accordance with those Acts.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2014 and of the group's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

GARY MORETON (Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
St Philips Point
Temple Row
Birmingham
B2 5AF

Date: 22 July 2014

Consolidated Income and Expenditure Account

For the year ended 31st March 2014

	Note	2014 £000	2013 £000
Turnover	2	86,484	80,697
Operating Costs	2	(69,048)	(63,804)
Operating surplus	2	17,436	16,893
Surplus on sales of fixed assets	6	4,082	1,661
Interest receivable and other income	7	8,067	7,660
Interest payable and similar charges	8	(17,699)	(17,291)
Surplus for the financial year	18	11,886	8,923

The results are wholly attributable to continuing activities.

Consolidated Statement of Total Recognised Surpluses and Deficits

For the year ended 31st March 2014

	Note	Group	
		2014 £000	2013 £000
Surplus for the year		11,886	8,923
Actuarial gain/(loss) on pension scheme	16	7,338	(5,238)
Total recognised surplus relating to the year		19,224	3,685

Consolidated Balance Sheet

As at 31st March 2014

Company No. 4015633

	Note	2014 £000	2013 £000
Tangible Fixed Assets			
Housing properties at cost less depreciation	10	246,591	225,382
Social Housing Grant	10	(27,650)	(23,126)
		<u>218,941</u>	<u>202,256</u>
Other tangible fixed assets	10	17,326	16,779
		<u>236,267</u>	<u>219,035</u>
Homebuy equity loans advanced		137	137
		<u>236,404</u>	<u>219,172</u>
Current Assets			
Stocks	11	102	91
Debtors	12	7,538	6,435
Money market deposits		8,939	15,188
Cash at bank and in hand		7,643	472
		<u>24,222</u>	<u>22,186</u>
Creditors: amounts falling due within one year	13	<u>(12,161)</u>	<u>(17,934)</u>
Net current assets		<u>12,061</u>	<u>4,252</u>
Net assets		<u>248,465</u>	<u>223,424</u>
Creditors: Amounts falling due after more than one year	14	221,049	208,707
Provisions for liabilities and charges	15	1,350	1,270
Pension liability	16	607	7,212
Capital and Reserves			
Revenue Reserve	18	25,459	6,235
		<u>248,465</u>	<u>223,424</u>

The financial statements on pages 34 to 65 were approved by the Board and authorised for issue on 22nd July 2014 and signed on its behalf by:

Paul Murray
Chair

Gary Fulford
Group Chief Executive

Jane Preece
Company Secretary

Company Balance Sheet

As at 31st March 2014

Company No. 4015633

	Note	2014 £000	2013 £000
Tangible Fixed Assets			
Housing properties at cost less depreciation	10	263,664	243,060
Social Housing Grant	10	(28,728)	(24,002)
		<u>234,936</u>	<u>219,058</u>
Other tangible fixed assets	10	16,856	16,309
		<u>251,792</u>	<u>235,367</u>
Homebuy equity loans advanced		137	137
		<u>251,929</u>	<u>235,504</u>
Current Assets			
Stocks	11	102	91
Debtors: Due within one year	12	8,430	7,301
Money market deposits		4,439	15,188
Cash at bank and in hand		6,324	6
		<u>19,295</u>	<u>22,586</u>
Creditors: amounts falling due within one year	13	<u>(12,079)</u>	<u>(23,748)</u>
Net current assets/(liabilities)		<u>7,216</u>	<u>(1,162)</u>
Net assets		<u>259,145</u>	<u>234,342</u>
Creditors: Amounts falling due after more than one year			
Pension liability	14	221,049	208,707
Provisions for liabilities and charges	16	607	7,212
	15	1,350	1,270
Capital and Reserves			
Revenue Reserve	18	36,139	17,153
		<u>259,145</u>	<u>234,342</u>

The financial statements on pages 34 to 65 were approved by the Board and authorised for issue on 22nd July 2014 and signed on its behalf by:

Paul Murray
Chair

Gary Fulford
Group Chief Executive

Jane Preece
Company Secretary

Consolidated Cash Flow Statement

For the year ended 31st March 2014

	Note	2014 £000	2013 £000
Net cash inflow from operating activities	25	27,419	25,672
Returns on investments and servicing of finance			
Interest received		125	148
Interest paid		(11,458)	(10,789)
		(11,333)	(10,641)
Capital Expenditure			
Purchase and construction of housing properties		(33,572)	(24,441)
Other capital grants received		3,874	2,441
Purchase of other fixed assets		(1,672)	(2,650)
Sales of housing properties		4,837	1,814
Sales of other fixed assets		315	502
		(26,218)	(22,334)
Management of liquid resources	26	6,249	(1,705)
Financing			
Net loans received	26	12,015	8,562
Increase/(Decrease) in cash	26	8,132	(446)

Notes to the Financial Statements

1. Accounting Policies

Basis of Accounting

The consolidated financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom and the Statement of Recommended Practice: "Accounting by Registered Social Landlords" (SORP) updated in 2010, and comply with the Accounting Direction for Private Registered Providers of Social Housing 2012 and Companies Act 2006.

The financial statements are prepared on the historical cost basis of accounting. The Board is satisfied that the current accounting policies are the most appropriate for the Group.

Basis of Consolidation

The Group financial statements consolidate the financial statements of Walsall Housing Group Limited and its subsidiary undertakings. Intra-group surpluses and deficits are eliminated on consolidation. The wholly owned subsidiaries which are consolidated are:

Visionary Investment Enhancing Walsall Limited
whg Trading Company Limited
whg Developments Limited

All financial statements of subsidiary companies are made up to the 31 March 2014.

Going Concern

The consolidated financial statements have been prepared on a going concern basis. The directors consider the use of the going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the Group to continue as a going concern.

Turnover

Turnover represents rental income receivable in the year, grant income, service charges, first tranche shared ownership sales and other goods and services supplied in the year excluding VAT.

Sale of Housing Properties

Surpluses or deficits arising from the sale of housing properties are recognised in the income and expenditure account of the year in which they arise.

Bad and Doubtful Debts

Provision is made against rent arrears of current and former tenants as well as other miscellaneous debts to the extent that they may be irrecoverable.

Taxation

The Company is registered as a charity and is expected to benefit from charitable tax exemptions in future periods. whg Trading Company Limited and whg Development Company Limited are not registered as charities and therefore corporation tax would be provided on tax surpluses should they arise.

Notes to the Financial Statements cont'd

Value Added Tax (VAT)

The Company and the Group are included in a group VAT registration, which covers all Group companies except whg Development Company Limited, which has its own registration. A large proportion of the Group's income is exempt from VAT. The majority of the expenditure, with the exception of major repairs expenditure, is subject to VAT, which cannot be reclaimed, and expenditure is therefore shown inclusive of VAT.

The Group and the Company are able to recover VAT on certain major repairs expenditure. This expenditure is reported net of recovered VAT.

Interest Payable

Interest payable is charged to the income and expenditure account in the year to which it relates, unless interest relates to the development of properties, where the related interest is capitalised and included as the cost of the property. This is calculated by reference to the Group's cost of borrowing and the development costs. Capitalised interest is amortised over the life of the underlying asset.

Pensions

The Group is a member of the West Midlands Pension Fund (WMPF), a multi-employer scheme with more than one participating employer and administered under the regulations governing the Local Government Pension Scheme (LGPS), a defined benefit scheme. The scheme is administered by trustees and is independent of the Group finances. Contributions are paid to the scheme in accordance with the recommendations of an independent actuary to enable the trustees to meet from the scheme the benefits accruing in respect of current and future service.

The Group has adopted Financial Reporting Standard No 17 (revised) "Retirement Benefits FRS17" for these financial statements.

Pension scheme assets are measured at market value. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a corporate bond. Any increase in the present value of the liabilities of the Group's share of the fund arising from employee service in the year is charged to operating surplus. The expected return of the scheme's assets and the increase during the year in the present value of the scheme's liabilities arising from the passage of time are included in other finance income / charges. Changes in the defined benefit pension scheme liability arising from factors other than cash contribution by the Group are charged to the Income and Expenditure Account or the statement of total recognised surpluses and deficits in accordance with FRS17 'Retirement Benefits'.

The pension's scheme's surpluses (to the extent that they are considered recoverable), or deficits are recognised in full and presented on the face of the balance sheet.

The Group also participates in the Social Housing Pension Scheme (SHPS), which is administered independently by the Pensions Trust. For this scheme it has not been possible to identify the share of underlying assets and liabilities belonging to individual participating employers and it is therefore treated as a defined contribution scheme. The income and expenditure charge represents the employer's contribution payable to the scheme for the accounting period.

The Board has chosen the SHPs defined contribution scheme for auto-enrolment purposes from November 2013.

Housing Properties

Housing properties are principally properties available for rent and are stated at cost less depreciation. Cost includes the cost of acquiring and developing land and buildings, and expenditure incurred in respect of improvements.

Notes to the Financial Statements cont'd

Improvements are capitalised where a component of a tangible fixed asset has been treated separately or where the works result in an increase in the net rental income, such as the ability to charge increased rents, a reduction in future maintenance costs, or result in a significant extension of the useful economic life of the property. Only the direct overhead costs including interest associated with new developments or improvements are capitalised.

Housing properties are transferred at cost to completed properties when they are ready for letting.

Depreciation of Housing Properties

The Group separately identifies the major components which comprise its housing properties, and charges depreciation, so as to write down the cost of each component to its estimated residual value, on a straight line basis, over its estimated useful economic life.

Where Social Housing Grant or other grants have been allocated to a component; the depreciable amount is arrived at on the basis of the original cost, less the proportion of SHG and other grants attributable to the component, less residual value.

The Group depreciates the major components of its housing properties based on the number of days held during any year and on the following:

Building Components	Years
Structure	100
Windows	30
Kitchen	20
Bathroom	30
Central Heating	30
Wiring	25
External Wraps	40
Shared Ownership	100

Other Tangible Fixed Assets

Other tangible fixed assets are stated at cost less accumulated depreciation and other grants receivable.

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. The principal periods used for other assets are:

Other Assets	Years
Office Buildings	50
Computers	7
Furniture & Office Equipment	10
Motor Vehicles	4
Office Improvements	4

Freehold land is not depreciated.

Shared Ownership

Development of shared ownership housing properties is dealt with under fixed assets in the same manner, except that costs relating to first tranche sales are taken to current assets and costs relating to the remaining tranches are transferred to properties on completion.

Notes to the Financial Statements cont'd

Under shared ownership arrangements, the Group disposes of a long lease of shared ownership housing units to persons who occupy them, at a premium of between 25% and 75% of value. The occupier has the right to purchase further proportions at the current valuation up to 100%.

Upon sale, first tranche proceeds are included within turnover and related costs charged to operating costs. Disposals of the second and subsequent tranches are treated as fixed asset disposals in the normal manner and the resultant profit, shown within "Surplus on sales of fixed assets".

Impairment

Housing properties which are depreciated over a period in excess of 50 years are, in accordance with Financial Reporting Standard No 11 and the SORP 2010, subject to impairment reviews annually. Other assets are reviewed for impairment if there is an indication that impairment may have occurred.

Where there is evidence of impairment, appropriate impairment provisions are made.

Homebuy

The Group operates the Homebuy scheme lending a percentage of the cost to home purchasers, secured on the property. The loans are interest free and repayable only on the sale of the property. On a sale, the fixed percentage of the proceeds is repaid.

Liquid Resources

These are defined for the purposes of the cash flow statement as assets held on deposits of longer than seven days.

Provisions

Due to the numbers of properties and the establishment of regular programmes of repair and maintenance, the Group does not make a provision for future works. Actual costs are charged to the Income and Expenditure Account.

The Group recognises provisions where it has a present obligation (legal or constructive) as a result of a past event, where a transfer of economic benefit will be required to settle the obligation and an estimate can be made.

Social Housing and Other Grants

Where developments have been financed wholly or partly by social housing and other grants, the cost of those developments has been reduced by the amount of the grant received.

Social housing grant received for items of cost written off in the Income and Expenditure Account is matched against those costs as part of turnover (2.5%). The net social housing grant received and not spent is included in current liabilities, taking into account all properties under construction.

Under certain conditions social housing grant can be recycled by the Group. In these cases, the recycled social housing grant can be used for projects approved by the Homes and Communities Agency (HCA). However, recycled social housing grant may have to be repaid if certain conditions are not met, in which case it becomes a subordinated unsecured commercial debt.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Notes to the Financial Statements cont'd

Operating Leases

The cost of operating leases is charged to the Income and Expenditure Account on a straight line basis over the term of the lease.

Disposal Proceeds Fund

Net proceeds of Right to Acquire sales are credited to a Disposal Proceeds Fund in line with the Housing Act 1996. Interest is accrued at a rate specified by the Regulator and the Fund is applied for authorised purposes only, i.e. the provision of social housing dwellings for lettings.

Company Income and Expenditure Account

As permitted by S408 Companies Act 2006, the company has not presented its own Income and Expenditure Account. The company made a surplus for the year of £11,648,000 (2013: £9,106,000) (Note 18).

2. Turnover, Cost of Sales, Operating Costs and Operating Surplus/(Deficit)

GROUP	2014			2013		
	Turnover	Operating Costs	Operating Surplus/(Deficit)	Turnover	Operating Costs	Operating Surplus/(Deficit)
	£000	£000	£000	£000	£000	£000
Social Housing Lettings	83,050	63,453	19,597	78,177	58,823	19,354
Other Social Housing Activities						
Development Costs	0	517	(517)	0	428	(428)
Supported Housing	96	56	40	51	52	(1)
Other Supported Housing	0	199	(199)	0	431	(431)
Shared Ownership - Lettings	12	2	10	11	2	9
Other	584	152	432	400	147	253
Total from social housing activities	83,742	64,379	19,363	78,639	59,883	18,756
Non Social Housing Activities						
Lettings	431	63	368	281	31	250
Other including FR17 pension adjustment	2,311	4,606	(2,295)	1,777	3,890	(2,113)
Total from non social housing activities	2,742	4,669	(1,927)	2,058	3,921	(1,863)
Total from social and non social housing activities	86,484	69,048	17,436	80,697	63,804	16,893

2a Particulars of Income and Expenditure from Social Housing Lettings

	2014			2013		
	General Housing £000	Affordable Rents £000	Total £000	General Housing £000	Affordable Rents £000	Total £000
Turnover from social housing lettings						
Rent receivable net of identifiable service charges	78,709	1,008	79,717	75,160	145	75,305
Service charges receivable	2,727	0	2,727	2,634	0	2,634
Net Rental Income	81,436	1,008	82,444	77,794	145	77,939
SHG Grant	138	0	138	10	0	10
Other revenue grants	0	0	0	0	0	0
Other income	468	0	468	228	0	228
Turnover from Social Housing Lettings	82,042	1,008	83,050	78,032	145	78,177
Expenditure on social housing lettings						
Management	12,115	319	12,434	11,251	82	11,333
Services	4,656	123	4,779	4,801	35	4,836
Routine maintenance	7,441	196	7,637	6,641	49	6,690
Planned maintenance	11,264	297	11,561	11,026	81	11,107
Major repairs expenditure	15,964	421	16,385	15,303	112	15,415
Bad debts	1,196	31	1,227	536	4	540
Depreciation of housing properties	8,094	213	8,307	8,026	59	8,085
Impairment of Housing Properties	0	0	0	35	0	35
Other non housing depreciation	1,094	29	1,123	776	6	782
Operating Costs on Social Housing Lettings	61,824	1,629	63,453	58,395	428	58,823
Operating Surplus/(Deficit) on Social Housing Lettings	20,218	(621)	19,597	19,637	(283)	19,354
Void Losses	(1,171)	(51)	(1,222)	(1,715)	(112)	(1,827)

Notes to the Financial Statements cont'd

3. Directors' Emoluments

The Directors are defined for the purpose of this note as the members of the Board and Executive Directors of the Group, the latter having executive responsibility. This satisfies the definition included in the Accounting Direction for Private Registered Providers of Social Housing 2012. Other than the Executive Directors of the Group none of the Board members receive emoluments.

The emoluments of the Directors are set out below:

	2014 £000	2013 £000
Emoluments (including pension contributions and benefits in kind)	753	734
Emoluments (excluding pension contributions) paid to the Group Chief Executive who was also the highest paid Director	158	155

The Chief Executive is an ordinary member of the West Midlands Pension Scheme. No enhanced or special terms apply. The Group does not make any further contribution to an individual pension arrangement for the Group Chief Executive.

4. Employees

	2014 No.	2013 No.
Housing Management Headcount	193	170
Asset Management Headcount	320	303
Support & Other Headcount	141	154
Total Headcount	654	627
Average monthly number of employees expressed as full time equivalents	625	603
	2014 £000	2013 £000
Employee Costs		
Wages and Salaries	19,250	18,368
Social Security Costs	1,546	1,427
Other Pension Costs	3,562	2,907
	24,358	22,702

The employer pension contributions for 2014 year were £1.2m (2013: £1.1m).

Notes to the Financial Statements cont'd

4. Employees (cont'd)

Number of Full Time Equivalents paid > £60,000

	2014 £000	2013 £000
£60,000 - £70,000	7.0	10.0
£70,001 - £80,000	0.0	2.9
£80,001 - £90,000	1.0	0.0
£90,001 - £100,000	0.0	2.0
£100,001 - £110,000	4.0	2.0
£110,001 - £120,000	0.0	0.0
£120,001 - £130,000	1.0	1.0
£130,001 - £140,000	0.0	0.0
£140,001 - £150,000	0.0	0.0
£150,001 - £160,000	1.0	1.0

5. Operating Surplus

This is arrived at after charging:

	2014 £000	2013 £000
Depreciation and Impairment of Housing Properties	8,323	8,124
Depreciation of other tangible fixed assets	1,125	791
Operating Lease Rentals : Land & buildings	138	143
Operating Lease Rentals : Other	1,446	342
Auditor's remuneration for audit services	54	58

6. Surplus on Sales of Fixed Assets

	Net Proceeds £000	Cost of Sales £000	2014 Surplus £000	2013 Surplus £000
Right to buy sales	3,261	(677)	2,584	1,447
Sale of Other Assets	236	(10)	226	126
Sale of Land	89	0	89	194
Disposal of other Housing	1,742	(212)	1,530	183
Disposal of Components	0	(347)	(347)	(289)
	5,328	(1,246)	4,082	1,661

Notes to the Financial Statements cont'd

7. Interest Receivable and Other Income

	2014 £000	2013 £000
Bank Interest	124	149
FRS17 Expected return on pension plan assets	7,943	7,511
	<u>8,067</u>	<u>7,660</u>

8. Interest Payable and Similar Charges

	2014 £000	2013 £000
Other Loans	11,421	11,210
Interest payable capitalised on housing properties under construction	(60)	(148)
FRS17 Interest cost	6,338	6,229
	<u>17,699</u>	<u>17,291</u>

Interest is capitalised at an average rate of 5.54% (2013: 5.32%) on the Group's borrowing required to finance housing property developments.

9. Taxation

All active group companies except whg Trading Limited and whg Developments Limited are registered as charities and benefit from charitable tax exemptions.



Notes to the Financial Statements cont'd

10. Tangible Fixed Assets - Group

	Social Housing Properties held For letting £000	Social Housing Properties under construction £000	Shared Ownership £000	Offices £000	Furniture Fixtures and Fittings £000	Computers & Office Equipment £000	Motor Vehicles £000	Total £000
Cost								
At 1 st April 2013	268,227	8,003	331	15,069	1,827	7,505	47	301,009
Additions	1,425	21,415	0	44	206	1,407	15	24,512
Component Additions	5,562	2,197	0	0	0	0	0	7,759
Transfers to completed	19,493	(19,493)	0	0	0	0	0	0
Components Transfer to Completed	3,448	(3,448)	0	0	0	0	0	0
Disposals	(993)	0	0	(375)	0	0	0	(1,368)
Disposals of components	(795)	0	0	0	0	0	0	(795)
At 31st March 2014	296,367	8,674	331	14,738	2,033	8,912	62	331,117
Depreciation & Impairment								
At 1 st April 2013	51,090	0	89	2,362	66	4,649	47	58,303
Charged in year	8,321	0	2	326	171	626	2	9,448
Released on disposal Components	(448)	0	0	0	0	0	0	(448)
Released on disposal	(273)	0	0	(375)	0	0	0	(648)
At 31st March 2014	58,690	0	91	2,313	237	5,275	49	66,655
Social Housing Grant								
At 1 st April 2013	22,594	532	0	0	0	0	0	23,126
Receivable	1,048	3,476	0	0	0	0	0	4,524
Transfer to completed	3,598	(3,598)	0	0	0	0	0	0
At 31st March 2014	27,240	410	0	0	0	0	0	27,650
Other Grants								
At 1 st April 2013	0	0	0	545	0	0	0	545
Received	0	0	0	0	0	0	0	0
At 31st March 2014	0	0	0	545	0	0	0	545
Net book value								
At 31 st March 2014	210,437	8,264	240	11,880	1,796	3,637	13	236,267
At 31 st March 2013	194,543	7,471	242	12,162	1,761	2,856	0	219,035

Notes to the Financial Statements cont'd

10. Tangible Fixed Assets – Group (Continued)

Housing properties book value, net of depreciation, Social Housing Grant and other grants and offices net book value comprises:

	2014 £000	2013 £000
Freehold & Leasehold Land and Buildings	218,701	202,014
Shared Ownership	240	242
Freehold Offices	11,880	12,162
	<u>230,821</u>	<u>214,418</u>

Interest is capitalised at an average rate of 5.32% on the Group's borrowing required to finance housing property developments. Additions to housing properties and offices includes £60k (2013: £148k) of capitalised interest during the year. The cumulative amount of capitalised interest is £737k (2013: £677k).



Notes to the Financial Statements cont'd

10. Tangible Fixed Assets – Company

	Social Housing Properties held For letting £000	Social Housing Properties under Construction £000	Shared Ownership £000	Offices £000	Furniture Fixtures and Fittings £000	Computers & Office Equipment £000	Motor Vehicles £000	Total £000
Cost								
At 1 st April 2013	286,679	8,003	331	15,069	1,827	7,505	47	319,461
Additions	1,425	21,774	0	44	206	1,407	15	24,871
Component Additions	5,562	2,197	0	0	0	0	0	7,759
Transfers to completed	19,773	(19,773)	0	0	0	0	0	0
Components Transfer to Completed	3,448	(3,448)	0	0	0	0	0	0
Disposals	(1,879)	0	0	(375)	0	0	0	(2,254)
Disposals of components	(795)	0	0	0	0	0	0	(795)
At 31st March 2014	314,213	8,753	331	14,738	2,033	8,912	62	349,042
Depreciation								
At 1 st April 2013	51,864	0	89	2,362	66	4,649	47	59,077
Charged in year	8,471	0	2	326	171	626	2	9,598
Released on disposal Components	(448)	0	0	0	0	0	0	(448)
Released on disposal	(345)	0	0	(375)	0	0	0	(720)
At 31st March 2014	59,542	0	91	2,313	237	5,275	49	67,507
Social Housing Grant								
At 1 st April 2013	23,469	533	0	0	0	0	0	24,002
Receivable	1,048	3,678	0	0	0	0	0	4,726
Transfers to completed	3,801	(3,801)	0	0	0	0	0	0
At 31st March 2014	28,318	410	0	0	0	0	0	28,728
Other Grants								
At 1 st April 2013	0	0	0	1,015	0	0	0	1,015
Received	0	0	0	0	0	0	0	0
At 31st March 2014	0	0	0	1,015	0	0	0	1,015
Net book value								
At 31 st March 2014	226,353	8,343	240	11,410	1,796	3,637	13	251,792
At 31 st March 2013	211,346	7,470	242	11,692	1,761	2,856	0	235,367

Notes to the Financial Statements cont'd

Housing properties book value, net of depreciation Social Housing Grant and other grants and offices net book value comprises:

10. Tangible Fixed Assets – Company

	2014 £000	2013 £000
Freehold & Leasehold Land and Buildings	234,696	218,816
Shared Ownership	240	242
Freehold Offices	11,410	11,692
	<u>246,346</u>	<u>230,750</u>

Assets held in the Company include £118.5m uplift in the net book value of assets transferred from its subsidiaries arising from the group restructure in January 2009. This has been eliminated on consolidation. The net book value of housing properties includes £60k (2013: £148k) of capitalised interest in the year. The cumulative amount of capitalised interest is £737k (2013: £677k).

11. Stocks

	<u>Group</u>		<u>Company</u>	
	2014 £000	2013 £000	2014 £000	2013 £000
Van Stocks	<u>102</u>	<u>91</u>	<u>102</u>	<u>91</u>

12. Debtors due within one year

	<u>Group</u>		<u>Company</u>	
	2014 £000	2013 £000	2014 £000	2013 £000
Rent and service charges receivable	5,378	5,819	5,378	5,819
Less: Provision for bad and doubtful debts	(1,455)	(1,815)	(1,455)	(1,815)
	<u>3,923</u>	<u>4,004</u>	<u>3,923</u>	<u>4,004</u>
Amounts owed by Group undertakings			1,164	944
Prepayments and other debtors	3,615	2,431	3,343	2,353
	<u>7,538</u>	<u>6,435</u>	<u>8,430</u>	<u>7,301</u>

Notes to the Financial Statements cont'd

13. Creditors: Amounts Falling Due Within One Year

	<u>Group</u>		<u>Company</u>	
	2014 £000	2013 £000	2014 £000	2013 £000
Bank overdraft	0	961	0	812
Amounts owed to group undertakings	0	0	1,142	6,251
Trade creditors	4,040	5,766	3,302	4,369
Rent and service charges received in advance	1,046	941	1,046	941
SHG received in advance	108	63	108	63
Other taxation and social security	719	626	671	1,867
Other creditors and accruals	6,248	9,577	5,810	9,445
	12,161	17,934	12,079	23,748

14. Creditors: Amounts Falling Due After More Than One Year

	<u>Group</u>		<u>Company</u>	
	2014 £000	2013 £000	2014 £000	2013 £000
Commercial Loan repayable by instalments from 2017	220,577	208,562	220,577	208,562
Disposal Proceeds Fund	472	145	472	145
	221,049	208,707	221,049	208,707

The commercial loan is secured by specific charges on the housing properties of the Group in favour of Lloyds Banking Group. The loan is repayable as follows:

Commercial Loan

By instalments	<u>Group</u>		<u>Company</u>	
	2014 £000	2013 £000	2014 £000	2013 £000
Within 5 years	25,000	25,000	25,000	25,000
After five years	195,577	183,562	195,577	183,562
	220,577	208,562	220,577	208,562

At 31 March 2014, the Group had drawn down £220.6m (2013: £208.6m) of its total loan facility of £240m. The fixed rate element of this was £195.1m (2013: £195.1m), and the variable rate element was £25.5m (2013: £13.5m). The loan is repayable from 2017. At 31 March 2014, the average interest rates charged were 5.83% for the fixed (2013: 5.83%) and 1.49% for the variable (2013: 1.5%) rate elements of the loan.

Notes to the Financial Statements cont'd

Disposal Proceeds Fund

	<u>Group</u>		<u>Company</u>	
	2014 £000	2013 £000	2014 £000	2013 £000
At 1 April 2013	145	24	145	24
Transfer in to Fund	446	121	446	121
Transfer out to development schemes	(119)	0	(119)	0
At 31st March 2014	472	145	472	145

Repayment Due

Within one year (note 13)	0	0	0	0
Between one and two years	25	24	25	24
Between two and three years	447	121	447	121
	472	145	472	145

15. Provisions for liabilities and charges

	<u>Group</u>		<u>Company</u>	
	2014 £000	2013 £000	2014 £000	2013 £000
Insurance Claims	759	619	759	619
Office Closure Costs	319	433	319	433
Redundancy Costs	30	218	30	218
Holiday Pay	242	0	242	0
At 31 March 2014	1,350	1,270	1,350	1,270

Insurance Claims

	<u>Group</u>		<u>Company</u>	
	2014 £000	2013 £000	2014 £000	2013 £000
At 1 April 2013	619	574	619	574
New claims arising during the year	387	423	387	423
Claims settled during the year	(247)	(378)	(247)	(378)
At 31st March 2014	759	619	759	619

Provision is made for insurance claims awaiting final settlement that fall within the self funding element of the Group's insurance policies.

Notes to the Financial Statements cont'd

Office Closure Costs

	<u>Group</u>		<u>Company</u>	
	2014 £000	2013 £000	2014 £000	2013 £000
At 1 April 2013	433	1,132	433	1,132
Utilised in the year	(122)	(516)	(122)	(516)
Released in the year	0	(237)	0	(237)
Provided in the year	8	54	8	54
At 31 March 2014	319	433	319	433

The above provision is for expected dilapidation works to existing offices and rent charges to the end of leases for offices which have been closed.

Redundancy & Similar Provision

	<u>Group</u>		<u>Company</u>	
	2014 £000	2013 £000	2014 £000	2013 £000
At 1 April 2013	218	163	218	163
Provided in the year	0	218	0	218
Utilised in the year	(188)	(163)	(188)	(163)
At 31st March 2014	30	218	30	218

Holiday Pay Provision

	<u>Group</u>		<u>Company</u>	
	2014 £000	2013 £000	2014 £000	2013 £000
At 1 April 2013	0	0	0	0
Provided in the year	242	0	242	0
Utilised in the year	0	0	0	0
At 31st March 2014	242	0	242	0

The holiday year runs from January to December. The above provision for holiday pay is for the colleague holiday entitlement for January to March 2014 less actual holiday taken.

16. Pension Obligations

The Group operates two pension schemes; West Midlands Pension Fund and Social Housing Pension Scheme. Both schemes are funded through payments to trustee-administered funds, determined by periodic actuarial valuations. Both schemes provide defined benefits based on members' final salary at retirement, death or leaving service.

West Midlands Pension Fund

Walsall Housing Group Limited is a member of the West Midlands Pension Fund (WMPF).

The West Midlands Pension Fund (WMPF) is a multi-employer scheme with more than one participating employer and is administered 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 2013.

The market value of the scheme assets at that date was £135.9m.

Key Results

The estimated FRS17 position at 31 March 2014 shows a deficit of £0.6m compared to a £7.2m deficit last year. The key reasons for this change are :

- lower assumed rate of future inflation, salary increase, revaluation and pension increases ;
- experience between the 31 March 2010 and 31 March 2013 actuarial valuations of the fund not previously allowed for;
- the difference between employer contributions paid and the service cost over the year;
- asset return over the year different to assumptions;
- a lower discount rate.

The employers' contributions to the WMPF by the Group for the year ended 31 March 2014 were £1.1m (2013: £1.2m) and the employers' contribution rate has been fixed as 13.6% of pensionable pay until 31 March 2015.

Early retirements over the year, have resulted in past service cost of nil in the year to 31 March 2014 (2013: nil). There were £37k (2013: £160k) of other settlements, curtailments, discretionary practices, constructive obligations or other material events during the year.

Calculation Method

The figures at 31 March 2014 are based on projecting forward the results of the last formal actuarial valuation of the Fund as at 31 March 2013.

Key Assumptions

The key financial assumptions have been based on market assumptions as at 31 March 2014 and have been derived in a consistent manner to last year. This has resulted in the following assumptions:

Notes to the Financial Statements cont'd

16. Pension Obligations (continued)

	31 March 2014 % per annum	31 March 2013 % per annum	31 March 2012 % per annum
Financial Assumptions			
Discount Rate	4.50	4.40	5.05
Salary Increases	4.15	4.15	4.35
Pension increases	2.40	2.40	2.60
Inflation	2.40	2.40	2.60
	31 March 2014	31 March 2013	31 March 2012
Further life expectancies from age 65:			
Retiring today			
Males	22.9	22.1	21.9
Females	25.5	24.8	24.9
Retiring in 20 years			
Males	25.1	23.9	23.7
Females	27.8	26.7	26.9

Following consideration of the 31 March 2007 actuarial valuation, the Employer changed its mortality assumption in the 31 March 2010 year-end disclosures to allow for greater future life expectancy by introducing a 1% minimum rate of future annual improvements in mortality rates. Detailed consideration of the mortality assumption was carried out as part of the 31 March 2013 valuation carried out under the statutory funding regime. The mortality assumption has been updated to bring it into line with the funding basis.

Other demographic assumptions (e.g. retirement rates, withdrawal rates, allowance for cash on retirement etc) are also the same as those adopted in last years disclosures and in the 2013 valuation. In particular, it is assumed that 50% of retiring members will take the maximum tax-free cash sum available at retirement and 50% will take the standard 3/80ths cash sum.

Notes to the Financial Statements cont'd

16. Pension Obligations (continued)

Amounts recognised in the balance sheet

	At the year end 31/03/14 £000	At the year end 31/03/13 £000	At the year end 31/03/12 £000
Present value of funded obligations	140,167	143,118	122,558
Fair value of plan assets	139,560	135,906	121,069
Net pension liability	<u>(607)</u>	<u>(7,212)</u>	<u>(1,489)</u>

	2014 £000	2013 £000
Actual return on scheme assets		
Expected return on scheme assets	7,943	7,511
Gains/(Losses) on scheme assets	(3,843)	7,373
Actual return on scheme assets	<u>4,100</u>	<u>14,884</u>

Analysis of the amount charged to operating surplus:

	2014 £000	2013 £000
Current service costs	3,454	2,770
Past service costs	0	0
Effect of curtailments or settlements	37	160
Total operating charge	<u>3,491</u>	<u>2,930</u>

Analysis of the amount credited/(charged) to other finance charges under Financial Reporting Standard 17:

	2014 £000	2013 £000
Expected return on assets	7,943	7,511
Interest on liabilities	(6,338)	(6,229)
Net financial income	<u>1,605</u>	<u>1,282</u>

Analysis of the amount recognised in the statement of total recognised surpluses and deficits (STRSD):

	2014 £000	2013 £000
Actual return less expected return on assets	(3,843)	7,373
Changes in assumptions underlying the present value of liabilities	11,181	(12,611)
Actuarial gain/(deficit) for recognition in the STRSD	<u>7,338</u>	<u>(5,238)</u>

Notes to the Financial Statements cont'd

16. Pension Obligations (continued)

	At the year end 31/03/14 £000	At the year end 31/03/13 £000
Change in benefit obligation		
Benefit obligation at beginning of year	143,118	122,558
Current service cost	3,454	2,770
Interest cost	6,338	6,229
Member contributions	1,036	1,004
Past service costs	0	0
Curtailments	37	160
Actuarial (gains)/losses	(11,181)	12,611
Benefits paid	(2,635)	(2,214)
Benefit obligation at end of year	<u>140,167</u>	<u>143,118</u>
Change in plan assets		
Fair value of plan assets at beginning of year	135,906	121,069
Expected rate of return on plan assets	7,943	7,511
Actuarial (losses)/gains	(3,843)	7,373
Employer contributions	1,153	1,163
Member contributions	1,036	1,004
Benefits paid	(2,635)	(2,214)
Fair value of plan assets at end of year	<u>139,560</u>	<u>135,906</u>

Plan Assets

The weighted-average asset allocation at the year-end was as follows:

	Expected rate of return	Plan assets at 31/03/2014	Expected rate of return	Plan assets at 31/03/2013	Expected rate of return	Plan assets at 31/03/2012
Equities	7.00%	81,364	7.00%	57,215	7.00%	83,053
Government Bonds	3.40%	11,444	2.80%	12,232	3.50%	11,865
Other Bonds	4.30%	14,933	3.90%	16,309	5.05%	9,443
Property	6.20%	12,560	5.70%	12,232	6.40%	15,134
Other	7.50%	19,259	7.50%	37,918	0.50%	1,574
	<u>5.98%</u>	<u>139,560</u>	<u>5.85%</u>	<u>135,906</u>	<u>6.35%</u>	<u>121,069</u>

To develop the expected long-term rate of return on assets assumption, the employer considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio. This resulted in the selection of the above assumptions.

Notes to the Financial Statements cont'd

16. Pension Obligations (continued)

Weighted average assumptions used to determine net pension cost for the year ended:

	31/03/2014	31/03/2013
Discount rate	4.50%	4.40%
Rate of salary increase	4.15%	4.15%
Rate of pension increase	2.40%	2.40%
Inflation assumption -CPI	2.40%	2.40%
Further life expectancies from age 65:		
Retiring today		
Males	22.9	22.1
Females	25.5	24.8
Retiring in 20 years		
Males	25.1	23.9
Females	27.8	26.7

History of Experience Gains and Losses

	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
Benefit obligation at end of year	140,167	143,118	122,558	109,591	110,189
Fair value of plan assets at end of year	(139,560)	135,906	121,069	118,025	108,748
(Deficit)/Surplus	(607)	(7,212)	(1,489)	8,434	(1,441)
Difference between expected and actual return on share of scheme assets:					
Amount (£000)	(3,843)	7,373	(4,832)	1,675	20,486
Percentage of share of scheme assets	2.8%	5.4%	-4.0%	1.4%	18.8%
Experience surpluses and deficits on share of scheme					
Amount (£000)	3,715	0	0	1,035	4,725
Percentage of present value of share of scheme liabilities	2.7%	0.0%	0.0%	0.9%	4.3%
Total amount recognised in statement of total recognised surpluses and deficits					
Amount (£000)	7,338	(5,238)	(10,372)	3,261	(3,080)
Percentage of present value of share of scheme liabilities	5.2%	-3.7%	-8.5%	3.0%	-2.8%

16. Pension Obligations (continued)

West Midlands Pension Fund Contributions

The employer expects to contribute £1.9m in the year to 31 March 2015.

Social Housing Pension Scheme

Walsall Housing Group Limited participates in the Social Housing Pension Scheme (SHPS) which is a multi-employer defined benefit scheme, is funded and is contracted out of the state scheme.

SHPS is a multi-employer defined benefit scheme. Employer participation in the Scheme is subject to adherence with the employer responsibilities and obligations as set out in the "SHPS House Policies and Rules Employer Guide".

The Scheme operated a single benefit structure, final salary with a 1/60th accrual rate until 31 March 2007. From April 2007 there are three benefit structures available, namely:

Final salary with a 1/60th accrual rate

Final salary with a 1/70th accrual rate

Career average revalued earnings with a 1/60th accrual rate

Walsall Housing Group Limited has elected to operate the final salary with a 1/60th accrual rate benefit structure for its active members.

The Trustee commissions an actuarial valuation of the Scheme every 3 years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required so that the Scheme can meet its pension obligations as they fall due. From April 2007 the split of the total contribution rate between member and employer is set at individual employer level, subject to the employer paying no less than 50% of the total contribution rate. From 1 April 2010 the requirement for employers to pay at least 50% of the total contribution rate no longer applies.

Walsall Housing Group Limited paid contributions at the rate of 13.8% during the accounting period. Member contributions vary between 7.5% and 8.5% depending on their age.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discounted rate calculated by reference to the expected future investment returns.

The number of scheme members employed by the Group at 31 March 2014 was 5 (2013: 4). The charge to the Group for the year was £78.7k (2013: £53k).

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The last formal valuation of the scheme was performed as at September 2011 by a professionally qualified actuary using the 'projected unit' method. The market value of the Scheme's assets at the valuation was £2,062 million. The valuation revealed a shortfall of assets compared to liabilities of £1,035 million, equivalent to a past service funding level of 67.0%.

Social Housing Pension Scheme Contributions

The employer expects to contribute £83k in the year to 31 March 2015.

Notes to the Financial Statements cont'd

16. Pension Obligations (continued)

The financial assumptions underlying the valuation as at 30 September 2011 were as follows:-

	% pa	
Valuation discount rates		
Pre retirement	7.0	
Non pensioner post retirement	4.2	
Pensioner post retirement	4.2	
Pensionable earnings growth	2.5	For 3 years then 4.4%
Price inflation	2.9	
Pension increases		
Pre 88 GMP	0.0	
Post 88 GMP	2.0	
Excess over GMP	2.4	

Expenses for death in service insurance, administration and PPF levy are included in the contribution rate. The valuation was carried out using the following demographic assumptions:

Mortality pre retirement – 41% SAPS S1 Male/Female All Pensioners (amounts), Year of Birth, CMI_2009 projections with long term improvement rates of 1.5% p.a. for Males and 1.25% p.a. for Females
 Mortality post retirement – 97% SAPS S1 Male/Female All Pensioners (amounts), year of Birth, CMI_2009 projections with long term improvement rates of 1.5% p.a. for Males and 1.25% p.a. for Females.

Following consideration of the results of the actuarial valuation, it was agreed that the shortfall of £1,035m million would be dealt with by the payment of deficit contributions as shown in the table below:

From 1 April 2013 to 30 September 2020	A cash amount equivalent to 7.5% of Members' Earnings per annum (payable monthly and increasing by 4.7% per annum each April)
From 1 October 2020 to 30 September 2023	A cash amount equivalent to 3.1% of Members' Earnings per annum (payable monthly and increasing by 4.7% per annum each April)
From 1 April 2013 to 30 September 2026	£30,640,000 per annum (payable monthly and increasing by 3% per annum each April; first increase on 1 April 2014)

Employers that participate in the Scheme on a non-contributory basis pay a joint contribution rate (i.e. a combined employer and employee rate).

Employers that have closed the scheme to new entrants are required to pay an additional employer contribution loading of 2.5% to reflect the higher costs of a closed arrangement.

A small number of employers are required to contribute at a different rate to reflect the amortisation of a surplus or deficit on the transfer of assets and past service liabilities from another pension scheme into the SHPS Scheme.

Employers joining the Scheme after 1 October 2002, that do not transfer any past service liabilities to the Scheme, pay contributions at the ongoing future service contribution rate. This rate is reviewed at each valuation and applies until the second valuation after the date of joining the Scheme, at which point the standard employer contribution rate is payable. Contribution rates are changed on the 1st April that falls 18 months after the valuation date.

As a result of pension scheme legislation there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.



Notes to the Financial Statements cont'd

16. Pension Obligations (continued)

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

Walsall Housing Group Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Social Housing Pension Scheme based on the financial position of the Scheme as at 30 September 2013. As of this date the estimated employer debt for Walsall Housing Group Limited was £1,367,027 (2013: £1,353,225).

17. Share Capital

Walsall Housing Group Limited is a Company Limited by Guarantee. No shares have been issued

18. Reserves

	<u>Group</u>	<u>Company</u>
	Revenue Reserve £000	Revenue Reserve £000
At 1 April 2013	6,235	17,153
Surplus for the year	11,886	11,648
Actuarial loss relating to the pension scheme	7,338	7,338
At 31 March 2014	<u>25,459</u>	<u>36,139</u>

The movement on reserves reflects the movement in members' interests.

Notes to the Financial Statements cont'd

19. Financial Commitments

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

	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
(i) Land and Buildings, leases expiring				
Within one year	58	0	58	0
One to two years	12	50	12	50
Two to five years	15	64	15	64
Beyond five years	0	0	0	0
	85	114	85	114

	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
(ii) Other leases expiring				
Within one year	51	47	51	47
One to two years	16	4	16	4
Two to five years	1,211	9	1,211	9
Beyond five years	186	196	186	196
	1,464	256	1,464	256

20. Contingent Liabilities

The company is part of a group VAT registration. At the year end, the other parties' VAT liability was £59.1k (2013: £10.3k).

21. Capital Commitments

	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
Capital expenditure contracted for but not provided in the financial statements	17,028	16,975	17,028	16,975
Capital expenditure authorised but not contracted for	888	0	888	0
Total level of commitments	17,916	16,975	17,916	16,975

These commitments are to be financed by the receipt of Social Housing Grant and loan finance as follows:

	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
Affordable Housing Grant	4,061	3,298	4,061	3,298
Loans	13,855	13,677	13,855	13,677
	17,916	16,975	17,916	16,975

Notes to the Financial Statements cont'd

22. Related Parties

The Board includes members who are tenants. The terms of the tenancy arrangements are consistent with those offered to other tenants and at the end of the year no significant amount was due to the Group in respect of these members.

The Board also includes members concurrently who are elected representatives of Walsall Council. The Group undertakes transactions with the Council at arms length in the normal course of business.

23. Accommodation in Management

At the end of the year accommodation in management for each class of accommodation was as follows:

	2014 Number	2013 Number
Social Housing		
Social Housing owned and managed	19,042	18,969
Managed for another Registered Provider	190	188
Non Social Housing		
Market Rented Housing Properties	49	37
Commercial Properties Owned but managed by others	61	68
Total Owned and managed	19,342	19,262

24. Disclosure of Group Activity

Walsall Housing Group Limited is the parent company of the Group. It is registered with Companies House, the Charity Commission and the HCA. It is a company limited by guarantee.

Wholly owned subsidiaries are:

- Visionary Investment Enhancing Walsall Limited (VIEW), an Industrial and Provident Society which has charitable tax status. It is registered with the Financial Conduct Authority.
- whg Trading Company Limited, a non charitable company registered with Companies House.
- whg Developments Limited, a non charitable company registered with Companies House.

The Company is required by Companies Act 2006 to prepare consolidated financial statements. The company has taken advantage of the exemption under FRS8, not to disclose transactions with wholly owned group companies.

Notes to the Financial Statements cont'd

25. Reconciliation of Operating Surplus to Net Cash Inflow from Operating Activities

	2014 £000	2013 £000
Operating Surplus	17,436	16,893
Depreciation and impairment of tangible fixed assets	9,448	8,912
Decrease in stocks	(11)	(2)
Increase in debtors	(409)	411
Increase/(Decrease) in creditors	(1,383)	(2,309)
Pension contributions paid in the year	(1,153)	(1,140)
Pension contributions charged in the year	3,491	2,907
	27,419	25,672

26 Reconciliation of Net Cash Flow to Movement in Net Debt

	2014 £000	2013 £000
Increase/(Decrease) in cash	8,132	(446)
Money Market deposits	(6,249)	1,705
Cash (inflow) from increase in debt	(12,015)	(8,562)
(Increase) in net debt from cash flows	(10,132)	(7,303)
Opening net debt	(193,863)	(186,560)
Closing net debt	(203,995)	(193,863)

27 Analysis of Net Debt

	At 1 April 2013 £000	Cash Flows £000	At 31 March 2014 £000
Cash at bank and in hand	472	7,171	7,643
Bank overdraft	(961)	961	0
Changes in Cash	(489)	8,132	7,643
Money market deposits	15,188	(6,249)	8,939
Loans	(208,562)	(12,015)	(220,577)
Closing Net Debt	(193,863)	(10,132)	(203,995)