



Walsall Housing Group

Financial Statements 2012/2013





After 9 years as Chair of Walsall Housing Group, Fred Bell (right) hands over to Paul Murray (left) in September 2012.

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Group Board, Executive Team and Advisers

Group Board

Independent Board Members

Fred Bell (to 25.09.12)
Paul Murray – Chair
Theresa Mingay
Amanda Tomlinson
Henriette Harnisch (from 29.01.13)
Wayne Hughes (from 25.09.12)
Peter Richmond (to 20.04.12)

Council Board Members

Edmund Hughes (from 19.11.12)
Ian Shires (from 19.11.12)
Stephen Wade (from 19.11.12)
Zahid Ali (to 23.05.12)

Tenant Board Members

Terence Bate
Neville Styles
Susan Palmer (from 25.09.12)
Janet Poyner (from 25.09.12)
Steven Preston (from 25.09.12)
Vera Birch (to 25.09.12)
Sheila Dickinson (to 25.09.12)
Ann Margaret Iliffe (to 25.09.12)

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

Group Chair

Fred Bell (Retiring Chair)



'It has been both an honour and a privilege to play a key role in the running of whg however, after the maximum term of nine years I am now stepping down as Chair.

We have come a very long way since whg was established in 2003 - emerging as a leading light in the world of social housing.

Our first of many accomplishments was the successful transfer of more than 20,000 homes from Walsall Council to whg, which was a delicate and challenging process. Only by working closely with everyone involved did we achieve our aim and we have excelled in the years that have followed, investing over £350 million in our existing homes and building or acquiring more than 300 new ones.

I have seen our reputation flourish, attracting partnerships with Walsall Council, the police and the voluntary and private sectors. These links have proven vital in helping us to achieve our aim of providing customers with excellent services so that they can enjoy a good quality of life in a safe and comfortable environment, both inside their homes and out in the community.

Our partnership with British Gas led to award-winning and pioneering work to vastly improve the energy efficiency of homes across Walsall. This is just one example of how our ingenuity, creativity and determination to do the best we can for our customers and communities is making a positive difference to lives.

Our achievements are in no small way down to the dedicated and talented people that I have had the pleasure to work alongside over the years, from WHG Board and committee members to colleagues, customers and partners. Together, we have taken innovation to the next level, becoming a shining example, to our competitors and have been recognised on a national stage.

I thank all those who have supported me during my time as Chair and wish my successor and the WHG Board all the best as they continue on this exciting journey to create a truly outstanding organisation'.

Paul Murray (Incoming Chair)



'It is an honour to take on the role of whg Chair from Fred Bell and I look forward to carrying on his excellent work.

I'm a practicing chartered accountant in Walsall and I hold various local directorships, including those connected with my family businesses of running care homes for people with learning disabilities.

I have been a WHG Board member since 2009 and am a member of the resources, governance and remuneration committees, as well as the VIEW Board.

As I settle into this new role and whg marks its 10th anniversary, we face significant challenges, not least the welfare reform changes which impact on so many of our customers and communities.

But, as an organisation, we have prepared for these and laid firm foundations to successfully rise to such challenges, grow as a business and support our customers through these tough times.

We are currently taking part in the national debate on the future provision of affordable housing and we are playing a key role by spearheading a number of exciting new developments across the Walsall borough'.



Report of the Board

Principal Activities

The Group is one of the largest 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; 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.

At 31 March 2013, the Group owns and or manages **19,157** general needs properties within Walsall, Sandwell and Cannock, **37** market rent properties, **553** Leasehold properties and **68** commercial properties.

whg's equity base was valued in a desk top valuation at £1.4 billion, on a vacant possession basis.



Statement of Public Benefit

The Board has considered its response to the change in the law, as embodied in the

Charities Act 2006, 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 Board has concluded that 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.

Corporate Governance

We are pleased to report that 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 Group's Board and Executive Directors are listed on page 4. The Group's Board comprises of 13 non-executive members and is responsible for managing the affairs of the Group as a whole.

The Group's Board is responsible for the Group's strategy, policy framework and 30 year business plan.

The Group Board met 6 times in the year to 31st March 2013.

The Chair of the Group Board and the Group Chief Executive, meet at least four times a year to exchange information and discuss progress on Corporate Plan objectives and the future development of the Group.

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 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.

The Group has insurance policies that indemnify all Board members and Executive Directors against liability when acting for the Group.

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 taking into account remuneration levels in the sector, each Executive Director's responsibilities and pay levels for comparable positions in the marketplace.

The Group offers to all colleagues a defined benefit final salary pension scheme provided by the West Midlands Pension Fund. Colleagues joining the Group since transfer are offered a choice between this and membership of the Social Housing Pension Scheme (SHPS), if they are currently a member of SHPS. 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, health care insurance and permanent health insurance. All Executive Directors and colleagues are employed by Walsall Housing Group Limited.

Employees

Walsall Housing Group (whg) aims to provide a great place to work in the Walsall Borough. The majority of our 603 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.

Committee Structure

The Group has a number of Standing Committees. They draw upon representation and skills from all of the Group's Local Committees. The Committees are:-

- **Resources Committee** which meets at least three times a year in ordinary meetings and once to consider and recommend the annual financial statements. The Committee's primary responsibility is to set the detailed financial framework for the Group's operations, to monitor financial performance and to make recommendations, and to oversee development of new business programmes.
- **Audit and Risk Management Committee** which meets three times a year, though the internal and external auditors may request additional meetings if they think it necessary. On an annual basis, the Committee meets in private session with the external and internal auditors. The Committee considers the appointment of internal and external auditors (in the latter case subject to approval at Annual General Meeting). Its primary responsibility is to oversee the audit and risk framework of the Group and to make

recommendations to the Group's Boards as appropriate.

- **Asset Management & Regeneration Committee** which meets at least four times a year and considers the plans and performance of the Group's repairs and maintenance service, approves the planned maintenance and major improvement programmes, and monitors their completion within financial, time and quality targets.
- **Governance Committee** which meets at least once a year and oversees all governance work across the Group including leading on governance reviews.
- **Remuneration Committee** composed of members of whg Board, which is responsible for recommending the remuneration of Executive .

In addition, ad hoc working groups are formed from time to time to address specific projects or topics.

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

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

Auditor

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

This report was approved by the Board and authorised for issue on 23rd July 2013 and signed on its behalf by:



Jane Preece
Company Secretary

suspected instances of fraudulent activity. Our policies on Fraud Prevention and Whistle Blowing address the specific issues arising. These policies are reviewed regularly.

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.



“Altogether Better”

*“a truly outstanding housing organisation
dedicated to the success of our
neighbourhoods and people”*



Operating and Financial Review

Objectives and Strategy

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

At the end of the 2nd year we have continued to change and grow. We are already highly successful in many areas of our work and we have a tremendous foundation for the future. The challenge is to become a truly outstanding organisation all of the time in all that we do.

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.

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. During the year we agreed a new Value for Money Strategy, 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. During 2012/13 we have reviewed our Housing Management and IT functions and as a result we expect to deliver savings and to improve the service provided to our external and internal customers.

The Group’s framework aims to deliver VFM initiatives, increase provision for added value services and to help fund new development. With regards to the latter we have now the financial resources to deliver 1000 new homes over the next four years of which 200 are currently onsite and a further 200 will commence shortly. We have value engineered our designs reducing the average cost of a home by between £10k to £20k and have been successful in attracting slippage affordable housing grant from the HCA . We are using benchmarking and spend analysis in order to identify improvement priorities. During 2012/13 we have focussed on communal heating, cleaning services and providing our customers with extended hours of service. These exercises are part of our continuing efforts to move towards achieving

cost reflective and cost effective, value for money service charges.

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. During the first 18 months of the corporate plan key areas of service delivery have maintained or achieved top quartile performance compared to our peers. These include estate management indicators, gas servicing, responding to complaints and levels of diversity information held. There are however a number of key service areas which have been consistently performing in the mid and lower quartiles. In particular these include, void rent loss and void turnaround, arrears performance. We have set ourselves the target to improve performance in these areas in 2013/14.



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.

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, development contractors, and tenant contents insurance which have so far secured savings of over £400k, which have been reflected in the budget for 2013/14. We involve our customers in these tender processes to ensure we achieve the right balance between cost and quality.

For 2013/14 we will continue to look for increased value from procurement and develop our VFM approach further. We have begun to implement a group wide VFM training programme to embed the principle further.

Whilst our operating costs amount to £63.8m per annum, our total housing property portfolio

is currently valued on an existing use for social housing basis at £1,500m and we recognise that making the best use of our assets offers the greatest potential for achieving value for money.

In the past, our asset management strategy has focussed on ensuring our stock is well maintained at our own decent homes plus standard. For 2013/14 we will be agreeing a new revised asset management strategy to 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. During 2012/13 we have invested £5.6m in eco works improving our Standard Assessment Procedure (SAP) rating across the group from 67.3 to 78.8.



We estimate that the works undertaken have saved over 1300 tonnes of carbon emissions and reduced some of our customers fuel

bills by 40%.

The financial statements show a strong financial performance for the year with a surplus of some £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 one of our next challenges will be to raise finance to support our longer term aspiration to build more homes for those in need. We will be implementing a new Treasury Strategy next year to seek additional sources of finance. To maintain our financial strength the Board is keen to ensure that we obtain maximum value for money from our resources and we are aware that this will be a key expectation of the coalition government and the regulator. 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.



Operational Performance

Altogether Better - Two 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.

Good Practice

We have been asked to share good practice with other housing providers at a conference hosted by Manchester Business School. We have also engaged a research company to deliver our mini STAR survey to measure our customer satisfaction throughout the year.

As we enter the final year of the corporate plan there is a renewed focus on key aspects of service delivery, and ambitious targets and plans set to ensure delivery of the corporate objectives and success measures. 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 are also on the rise.

Create great homes and neighbourhoods

Investing for the Future

Development & Regeneration

In terms of development, the Group 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. Properties developed, purchased and

converted this year total 178 with a further 200 new build properties on site.



Well Place development completed 2012/13

We are progressing the site at Harrowby Road through the HCA Developer Partner Panel. This includes the development of a package of four residential schemes, which will generate 146 affordable homes for rent and 174 homes for outright sale.

Other developments in the year

Green Initiatives

We have continued to carry out a range of 'green improvements to our homes, including new heating systems, communal heating and thermal wraps. Our customers are benefiting from warmer homes and lower energy costs. We were named 'Energy Efficiency Champion' by the Gas industry in 2011.

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.

The Regeneration Team is working in partnership with Walsall Council's Library Service to deliver a digital inclusion programme called "It's Your Life". The programme provides IT training to our customers and also promotes free computer resources through libraries. The team is also working with voluntary sector partner organisations MIND and Kaleidoscope (a mental health charity) to develop an Emotional Wellbeing programme to support our customers in managing stress.

Customer and Community Safety

Whg is determined to improve lives and lifestyles for the benefit of individuals and the wider community and is the first landlord to be accredited under the new '**Respect – ASB Charter for Housing**', awarded by Housemark and the Social Landlords Crime and Nuisance Group.

Our community safety team is widely regarded as a beacon of best practice due to its innovative and comprehensive approach to tackling anti-social behaviour and is an official hate crime reporting centre.

Benefit Days

Supporting the community with practical help is one of our priorities by holding a number of benefit days throughout the year. whg colleagues give their time by volunteering their energy and skills to ensure community projects can get off the ground or to just make a difference when there are seemingly mountainous tasks to achieve.



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

Business strength, efficiency and productivity have always been important ingredients for a successful organisation, however with the changes in the sector and the reinforced focus on value for money they are becoming more critical than before.

Accreditation and Awards

During this year we have been short listed for a number of major awards. These include the CIH Housing Heroes awards for the Community Safety Team, 24 Housing's Welfare Aware Awards and the Express and Star Business Awards.



We were also short listed for two UK Housing Awards for Innovation of the Year and Sustainable Landlord of the Year. Although we did not win either of these categories, our Business Improvement Research Officer was announced as a winner in the 'Homeless International Into Africa' Competition.

During 2013 whg has won or been short listed for a number of awards. One award we are proud of is the regional newspapers' Inaugural Community Champion award for our investment in Walsall's communities. The award recognised the £772k handed to more than 200 community groups, the 40 tonnes of food distributed that was destined for landfill, the employment of 21 community champions, the 200 volunteer hours donated in colleague time and the 200 health checks



completed thanks to the investment in a community health bus.

Investing in Colleagues

To become a stronger more efficient business we recognise that we need to continue to invest in our colleagues. Our improved performance development review (PDR) process is helping to identify and build on areas of strength as well as to develop areas for improvement. The outcomes of the reviews now form the basis of colleagues training and development.

Sickness absence fell to 8.56 days by the end of 2012/13. It is hoped that the target of 7 days per colleague is achieved by 2013/14 year end.



We participated in the Best Companies Survey (*Best Not for Profit Organisation*) in the autumn. Results have given a very

valuable insight into the thoughts and experiences of colleagues. The overall position for whg indicated that we were just outside 'the ones to watch' which is an encouraging sign of growing confidence in the business.

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 repairs of properties on

behalf of the Lyng Community Association in 2011. The partnership has proved successful. Services have developed and evolved and we have completed further work for the Lyng including a profiling exercise of all their customers.

New Horizons Community Enterprises

Similar commercial arrangements exist with New Horizons, the successor body to the New Deal for Communities work in Blakenall, providing Financial and IT services. The Group has agreed to act in a safeguarding role for the new organisation.

Commercial Activity

We are offering repair services and gas servicing for our 550 leaseholders and other householders and landlords. There is considerable interest in this service from a number of estate agents operating in the area.

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.



Performance Highlights – 5 Year Summary

Achieving Top Levels of Performance

The Boards exercise 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	2009	2010	2011	2012	2013
% of dwellings vacant & available to let	0.4%	0.6%	0.6%	0.8%	1.7%
% of dwellings vacant & not available to let	1.0%	1.1%	1.0%	1.1%	0.2%
Average re-let time (days)	22	17	24	27	33
% homes non decent	0.0%	1.0%	0.2%	0.7%	0.2%
Emergency repairs completed within time	99.7%	100.0%	100.0%	100.0%	100.0%
Urgent repairs completed within time	99.6%	99.9%	99.5%	99.7%	99.5%
Routine repairs completed within time	99.3%	99.7%	99.5%	99.7%	99.7%
Emergency repairs as a % of all repairs	11.2%	9.1%	12.1%	11.6%	15.1%
Financial Performance Indicators					
Average weekly operating cost per unit	£62.24	£50.41	£53.90	£54.12	£ 59.54
Operating cost as a % of turnover	101.4%	74.8%	78.5%	72.2%	75.8%
Weekly investment per unit of stock	£37.75	£28.00	£30.14	£27.42	£33.10
% Rent debit in arrears	3.3%	4.2%	4.2%	5.0%	5.4%
% Rent lost due to voids	1.2%	1.5%	1.7%	1.7%	2.3%

% of dwellings vacant & available to let

In the last year we have re categorised voids more appropriately so that only voids which are not available as they are under review for disposal or reconstruction show in the not available to let line. This gives a more accurate position of the situation regarding voids that are under repair, regardless of cost of repairs

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, with the re categorisation of voids and works to bring homes back into use, there has been an increase in void rent loss. This is now reducing again and should be in line with previous performance during this year.

Financial Review

Progress against Business Plan Financial targets

The Business Plan is used to measure the future financial viability of the Group and is regularly We participated in the **Best Companies Survey (Best Not For Profit Organisation)** in the autumn. Results have given a very valuable monitored and assessed. The business plan model estimates the likely performance of the Group over 50 years, and is reviewed and updated annually to reflect changes in performance and other factors which may affect the Group in the future.

Financial Highlights – 5 Year Summary

Summary Income & Expenditure Account	2009 £000	2010 £000	2011 £000	2012 £000	2013 £000
Operating Surplus/(Deficit)	(3,586)	15,887	19,017	16,917	16,893
Surplus on sale of fixed assets	2,928	773	1,023	1,326	1,661
Net interest payable	(8,429)	(9,501)	(8,153)	(7,644)	(9,631)
(Deficit)/Surplus for the year	(9,087)	7,159	11,887	10,599	8,923
Summary Balance Sheet (Extract)					
Tangible fixed assets	70,911	76,417	187,798	203,435	219,172
Net current (liabilities)/assets	(5,353)	(5,785)	(7,843)	2,497	4,252
Total assets less current liabilities excluding pension asset/(liability)	65,558	70,632	179,955	205,932	223,424

Revenue Surplus

The group's revenue surplus for the year ended 31 March 2013 was £8.9m compared to a prior year surplus of £10.6m, primarily due to an increase in financing costs, from additional loans to service capital, an increasing cost of pensions and major work and repair programmes.

Rental Income

The overall net rent performed as expected this year with an overall increase in net rental income of £5.1m. The increase is due mainly to the annual rent increase of 5.6% and progression of customers towards target rent. Void loss was 2.3 % (2012: 1.67%).

Partnering Works

This year we have invested £21m of which £11m has been treated as capital expenditure under component accounting.

Financing Costs

Outstanding loans have increased by £8.6m this year to £208.6m 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 £1.4m in the year which was higher than last year's total of £755k.

Capital Expenditure

Capital expenditure is set out in note 10 to the financial statements. The Group has provided 178 new homes this year with 200 started on site and expected to complete during 2013/14.

External Influences – Key Risks

The Group is affected by a number of external factors including:

Welfare Reform

Universal Credits have posed a real challenge to the Group. Measures have been put in place to minimise the risk of increased rent arrears and ensure our stock meets the changing demands of our customers. We have also addressed the 'Bedroom tax' by identifying the customers affected and providing essential money advice. We have since increased the use of direct debits and with Walsave the local Credit Union, introduced customers to 'jam jar' accounts. Whilst it is too early to fully assess the impact, results in the first two months suggest arrears are being contained. Targeted monitoring will also be taking place. With regard to the direct payments, the DWP announced on 16th May that the demonstration projects would be extended from twelve to eighteen months in order to 'help to further develop the support needed for social housing tenants moving onto Universal Credit'.

Interest Rates, Funding & Development

In the current economic climate, interest rates and the ability to raise funds are issues facing many RP's. Interest rates have been managed by the Group through the Treasury Management Policy, monitored by the Resources Committee at least quarterly.

Funding options for the Group, whilst more restricted, have not prevented us delivering our plans. The Group has available loan facilities of £32m to cover developments. Our current funding syndicate led by Lloyds Banking Group continues to provide strong support for our business plan.

We already own land planned for housing development and because we have not purchased land for development at high market values, we will not face impairment issues. By securing grant to convert proposed homes for sale to rented properties we have also avoided the risk of having unsold properties.

Build Cost Inflation

We manage these risks by negotiations within partnering agreements with main contractors, building in cost certainty and longer-term commitments. Risks are also reduced through operating in-house maintenance teams.

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 2013 the Group had drawn loans totalling £208.6m. All loans are fully secured against the housing properties owned by the Group.

- The Group increased its loan by £8.6m during the year.
- The Group's average cost of funds (fixed and variable) at 31 March 2013 was 5.32% (2012: 5.02%)

Interest Rate Management

The Group had fixed rate loans totalling £195.1m (93.5% of its total loan balance £208.6m) 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. 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 27 of the Financial Statements. During the year the Group's net cash decreased by £0.5m.

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.



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 2013 (the "financial statements") on pages 24 to 56. 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 Board and auditor

As more fully explained in the Statement of Board Responsibilities set out on pages 8 and 9, the Board members (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 APB's website at www.frc.org.uk/apb/scope/private.cfm.

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 2013 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 Report of the Board and the Operating and Financial Review 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: 23rd July 2013



Consolidated Income and Expenditure Account

For the year ended 31st March 2013

	Note	2013 £000	2012 £000
Turnover	2	80,697	75,518
Operating Costs before exceptional items	2	(63,804)	(58,601)
Operating surplus	2	16,893	16,917
Surplus on sales of fixed assets	6	1,661	1,326
Interest receivable and other income	7	7,660	8,024
Interest payable and similar charges	8	(17,291)	(15,668)
Surplus for the financial year	18	8,923	10,599

The results are wholly attributable to continuing activities.

Consolidated Statement of Total Recognised Surpluses and Deficits

For the year ended 31st March 2013

	Note	Group	
		2013 £000	2012 £000
Surplus for the year		8,923	10,599
Actuarial (loss) on pension scheme	16	(5,238)	(10,372)
Total recognised surplus relating to the year		3,685	227

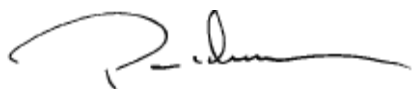
Consolidated Balance Sheet

As at 31st March 2013

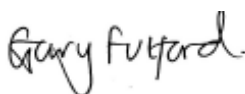
Company No. 4015633

	Note	2013 £000	2012 £000
Tangible Fixed Assets			
Housing properties at cost less depreciation	10	225,382	209,010
Social Housing Grant	10	(23,126)	(20,842)
		<u>202,256</u>	<u>188,168</u>
Other tangible fixed assets	10	16,779	15,130
		<u>219,035</u>	<u>203,298</u>
Homebuy equity loans advanced		137	137
		<u>219,172</u>	<u>203,435</u>
Current Assets			
Stocks	11	91	89
Debtors	12	6,435	6,818
Money market deposits		15,188	13,483
Cash at bank and in hand		472	423
		<u>22,186</u>	<u>20,813</u>
Creditors: amounts falling due within one year	13	<u>(17,934)</u>	<u>(18,316)</u>
Net current assets		<u>4,252</u>	<u>2,497</u>
Net assets		<u>223,424</u>	<u>205,932</u>
Creditors: Amounts falling due after more than one year	14	208,707	200,024
Provisions for liabilities and charges	15	1,270	1,869
Pension liability	16	7,212	1,489
Capital and Reserves			
Revenue Reserve	18	6,235	2,550
		<u>223,424</u>	<u>205,932</u>

The financial statements on pages 24 to 56 were approved by the Board and authorised for issue on 23rd July 2013 and signed on its behalf by:



Paul Murray
Chair



Gary Fulford
Group Chief Executive



Jane Preece
Company Secretary

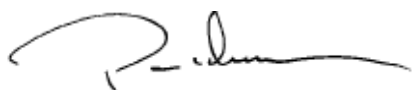
Company Balance Sheet

As at 31st March 2013

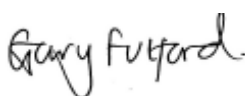
Company No. 4015633

	Note	2013 £000	2012 £000
Tangible Fixed Assets			
Housing properties at cost less depreciation	10	243,060	226,703
Social Housing Grant	10	(24,002)	(21,718)
		<u>219,058</u>	<u>204,985</u>
Other tangible fixed assets	10	16,309	14,660
		<u>235,367</u>	<u>219,645</u>
Homebuy equity loans advanced		137	137
		<u>235,504</u>	<u>219,782</u>
Current Assets			
Stocks	11	91	89
Debtors: Due within one year	12	7,301	6,873
Money market deposits		15,188	13,483
Cash at bank and in hand		6	9
		<u>22,586</u>	<u>20,454</u>
Creditors: amounts falling due within one year	13	<u>(23,748)</u>	<u>(23,569)</u>
Net current liabilities		<u>(1,162)</u>	<u>(3,115)</u>
Net assets		<u>234,342</u>	<u>216,667</u>
Creditors: Amounts falling due after more than one year	14	208,707	200,024
Pension liability	16	7,212	1,489
Provisions for liabilities and charges	15	1,270	1,869
Capital and Reserves			
Revenue Reserve	18	17,153	13,285
		<u>234,342</u>	<u>216,667</u>

The financial statements on pages 24 to 56 were approved by the Board and authorised for issue on 23rd July 2013 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 2013

	Note	2013 £000	2012 £000
Net cash inflow from operating activities	25	25,672	30,561
Returns on investments and servicing of finance			
Interest received		148	16
Interest paid		(10,789)	(9,859)
		(10,641)	(9,843)
Capital Expenditure			
Purchase and construction of housing properties		(24,441)	(17,148)
Other capital grants received		2,441	2,467
Purchase of other fixed assets		(2,650)	(6,837)
Sales of housing properties		1,814	775
Sales of other fixed assets		502	571
		(22,334)	(20,172)
Management of liquid resources	26	(1,705)	(13,370)
Financing			
Loans received	26	8,562	14,807
(Decrease)/ Increase in cash	26	(446)	1,983

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 2013.

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 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 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

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.

A full year's depreciation is charged in the year of acquisition and none in the year of disposal.

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. 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.

Notes to the Financial Statements cont'd

Stocks

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

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 £9,106,000 (2012: £10,377,000) (Note 18).

Notes to the Financial Statements cont'd

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

GROUP	2013			2012		
	Turnover	Operating Costs	Operating Surplus/ (Deficit)	Turnover	Operating Costs	Operating Surplus/ (Deficit)
	£000	£000	£000	£000	£000	
Social Housing Lettings	78,177	58,823	19,354	73,072	53,593	19,479
Other Social Housing Activities						
Development Costs	0	428	(428)	0	959	(959)
Supported Housing	51	52	(1)	0	0	0
Other Supported Housing	0	431	(431)	0	408	(408)
Shared Ownership - Lettings	11	2	9	13	50	(37)
Other	400	147	253	280	124	156
Total from social housing activities	78,639	59,883	18,756	73,365	55,134	18,231
Non Social Housing Activities						
Lettings	281	31	250	216	39	177
Other including FR17 pension adjustment	1,777	3,890	(2,113)	1,937	3,428	(1,491)
Total from non social housing activities	2,058	3,921	(1,863)	2,153	3,467	(1,314)
Total from social and non social housing activities	80,697	63,804	16,893	75,518	58,601	16,917

2a Particulars of Income and Expenditure from Social Housing Lettings

	2013			2012		
	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	75,160	145	75,305	70,132	0	70,132
Service charges receivable	2,634	0	2,634	2,698	0	2,698
Net Rental Income	77,794	145	77,939	72,830	0	72,830
SHG Grant	10	0	10	32	0	32
Other revenue grants	0	0	0	0	0	0
Other income	228	0	228	210	0	210
Turnover from Social Housing Lettings	78,032	145	78,177	73,072	0	73,072
Expenditure on social housing lettings						
Management	11,251	82	11,333	11,827	0	11,827
Services	4,801	35	4,836	4,493	0	4,493
Routine maintenance	6,641	49	6,690	6,080	0	6,080
Planned maintenance	11,026	81	11,107	10,131	0	10,131
Major repairs expenditure	15,303	112	15,415	10,938	0	10,938
Bad debts	536	4	540	697	0	697
Depreciation of housing properties	8,026	59	8,085	7,533	0	7,533
Impairment of Housing Properties	35	0	35	47	0	47
Other non housing depreciation	776	6	782	1,847	0	1,847
Operating Costs on Social Housing Lettings	58,395	428	58,823	53,593	0	53,593
Operating Surplus/(Deficit) on Social Housing Lettings	19,637	(283)	19,354	19,479	0	19,479
Void Losses	(1,715)	(112)	(1,827)	(1,169)	0	(1,169)

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:

	2013 £000	2012 £000
Emoluments (including pension contributions and benefits in kind)	734	699
Emoluments (excluding pension contributions) paid to the Group Chief Executive who was also the highest paid Director	155	144

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

	2013 No.	2012 No.
Housing Management Headcount	170	169
Asset Management Headcount	303	308
Support & Other Headcount	154	156
Total Headcount	627	633
Average monthly number of employees expressed as full time equivalents	603	603
Employee Costs	2013 £000	2012 £000
Wages and Salaries	18,368	17,859
Social Security Costs	1,427	1,312
Other Pension Costs	2,907	2,619
	22,702	21,790

The employer pension contributions for 2013 year were £1.1m (2012: £1.1m).

Notes to the Financial Statements cont'd

4. Employees (cont'd)**Number of Full Time Equivalents paid > £60,000**

	2013 £000	2012 £000
£60,000 - £70,000	10.0	6.5
£70,001 - £80,000	2.9	2.0
£80,001 - £90,000	0.0	0.0
£90,001 - £100,000	2.0	2.0
£100,001 - £110,000	2.0	2.0
£110,001 - £120,000	0.0	1.0
£120,001 - £130,000	1.0	0.0
£130,001 - £140,000	0.0	0.0
£140,001 - £150,000	0.0	1.0
£150,001 - £160,000	1.0	0.0

5. Operating Surplus

This is arrived at after charging:

	2013 £000	2012 £000
Depreciation and Impairment of Housing Properties	8,124	7,630
Depreciation of other tangible fixed assets	791	1,856
Operating Lease Rentals : Land & buildings	143	947
Operating Lease Rentals : Office equipment & computers	342	253
Auditor's remuneration for audit services	58	46

6. Surplus on Sales of Fixed Assets

	Net Proceeds £000	Cost of Sales £000	2013 Surplus £000	2012 Surplus £000
Right to buy sales	2,084	(637)	1,447	755
Sale of Other Assets	131	(5)	126	6
Sale of Land	200	(6)	194	119
Disposal of other Housing	194	(11)	183	446
Disposal of Components	0	(289)	(289)	0
	<u>2,609</u>	<u>(948)</u>	<u>1,661</u>	<u>1,326</u>

Notes to the Financial Statements cont'd**7. Interest Receivable and Other Income**

	2013 £000	2012 £000
Bank Interest	149	19
FRS17 Expected return on pension plan assets	7,511	8,005
	<u>7,660</u>	<u>8,024</u>

8. Interest Payable and Similar Charges

	2013 £000	2012 £000
Other Loans	11,210	9,790
Interest payable capitalised on housing properties under construction	(148)	(186)
FRS17 Interest cost	6,229	6,064
	<u>17,291</u>	<u>15,668</u>

Interest is capitalised at an average rate of 5.32% (2012: 5.02%) 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 2012	239,945	11,987	381	15,078	1,071	6,230	47	274,739
Additions	1,155	12,772	0	(9)	1,174	1,275	0	16,367
Component Additions	9,658	1,584	0	0	0	0	0	11,242
Transfers to held for letting	50	0	(50)	0	0	0	0	0
Transfers to completed	15,506	(15,506)	0	0	0	0	0	0
Components Transfer to Assets	2,834	(2,834)	0	0	0	0	0	0
Disposals	(495)	0	0	0	(418)	0	0	(913)
Disposals of components	(426)	0	0	0	0	0	0	(426)
At 31st March 2013	268,227	8,003	331	15,069	1,827	7,505	47	301,009
Depreciation & Impairment								
At 1 st April 2012	43,212	0	91	2,186	570	3,948	47	50,054
Charged/(Credited) in year	8,086	0	3	176	(86)	701	0	8,880
Transferred to rent	5	0	(5)	0	0	0	0	0
Impairment	35	0	0	0	0	0	0	35
Released on disposal	(248)	0	0	0	(418)	0	0	(666)
At 31st March 2013	51,090	0	89	2,362	66	4,649	47	58,303
Social Housing Grant								
At 1 st April 2012	19,367	1,475	0	0	0	0	0	20,842
Receivable	0	2,284	0	0	0	0	0	2,284
Transfer to completed	3,227	(3,227)	0	0	0	0	0	0
At 31st March 2013	22,594	532	0	0	0	0	0	23,126
Other Grants								
At 1 st April 2012	0	0	0	545	0	0	0	545
Received	0	0	0	0	0	0	0	0
At 31st March 2013	0	0	0	545	0	0	0	545
Net book value								
At 31 st March 2013	194,543	7,471	242	12,162	1,761	2,856	0	219,035
At 31 st March 2012	177,366	10,512	290	12,347	501	2,282	0	203,298

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:

	2013 £000	2012 £000
Freehold & Leasehold Land and Buildings	202,014	187,878
Shared Ownership	242	290
Freehold Offices	12,162	12,347
	<u>214,418</u>	<u>200,515</u>

Offices include £12.2m expenditure on the New Town Centre Office. 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 £148k (2012: £186k) of capitalised interest during the year. The cumulative amount of capitalised interest is £677k (2012: £529k).



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 2012	258,229	11,987	381	15,078	1,071	6,230	47	293,023
Additions	1,323	12,772	0	(9)	1,174	1,275	0	16,535
Component Additions	9,658	1,584	0	0	0	0	0	11,242
Transfers to held for lettings	50	0	(50)	0	0	0	0	0
Transfers to completed	15,506	(15,506)	0	0	0	0	0	0
Components Transfer to assets	2,834	(2,834)	0	0	0	0	0	0
Disposals	(495)	0	0	0	(418)	0	0	(913)
Disposals of components	(426)	0	0	0	0	0	0	(426)
At 31st March 2013	286,679	8,003	331	15,069	1,827	7,505	47	319,461
Depreciation								
At 1 st April 2012	43,803	0	91	2,186	570	3,948	47	50,645
Charged/(Credited) in year	8,269	0	3	176	(86)	701	0	9,063
Transferred to rent	5	0	(5)	0	0	0	0	0
Impairment	35	0	0	0	0	0	0	35
Released on disposal	(248)	0	0	0	(418)	0	0	(666)
At 31st March 2013	51,864	0	89	2,362	66	4,649	47	59,077
Social Housing Grant								
At 1 st April 2012	20,242	1,476	0	0	0	0	0	21,718
Receivable	0	2,284	0	0	0	0	0	2,284
Transfers to completed	3,227	(3,227)	0	0	0	0	0	0
At 31st March 2013	23,469	533	0	0	0	0	0	24,002
Other Grants								
At 1 st April 2012	0	0	0	1,015	0	0	0	1,015
Received	0	0	0	0	0	0	0	0
At 31st March 2013	0	0	0	1,015	0	0	0	1,015
Net book value								
At 31 st March 2013	211,346	7,470	242	11,692	1,761	2,856	0	235,367
At 31 st March 2012	194,184	10,511	290	11,877	501	2,282	0	219,645

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

Notes to the Financial Statements cont'd

10. Tangible Fixed Assets – Company

	2013 £000	2012 £000
Freehold & Leasehold Land and Buildings	218,816	204,695
Shared Ownership	242	290
Freehold Offices	11,692	11,877
	<u>230,750</u>	<u>216,862</u>

The net book value of housing properties includes £148k (2012: £186k) of capitalised interest. The cumulative amount of capitalised interest is £677k (2012: £529k).

11. Stocks

	<u>Group</u>		<u>Company</u>	
	2013 £000	2012 £000	2013 £000	2012 £000
Van Stocks	91	89	91	89

12. Debtors due within one year

	<u>Group</u>		<u>Company</u>	
	2013 £000	2012 £000	2013 £000	2012 £000
Rent and service charges receivable	5,819	5,984	5,819	5,984
Less: Provision for bad and doubtful debts	(1,815)	(1,957)	(1,815)	(1,957)
	4,004	4,027	4,004	4,027
Amounts owed by Group undertakings		-	944	69
Prepayments and other debtors	2,431	2,791	2,353	2,777
	<u>6,435</u>	<u>6,818</u>	<u>7,301</u>	<u>6,873</u>

Notes to the Financial Statements cont'd

13. Creditors: Amounts Falling Due Within One Year

	<u>Group</u>		<u>Company</u>	
	2013 £000	2012 £000	2013 £000	2012 £000
Bank overdraft	961	466	812	466
Amounts owed to group undertakings	0	0	6,251	5,297
Trade creditors	5,766	6,232	4,369	6,232
Rent and service charges received in advance	941	1,333	941	1,333
SHG received in advance	63	779	63	779
Other taxation and social security	626	641	1,867	647
Other creditors and accruals	9,577	8,865	9,445	8,815
	17,934	18,316	23,748	23,569

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

	<u>Group</u>		<u>Company</u>	
	2013 £000	2012 £000	2013 £000	2012 £000
Commercial Loan repayable by instalments from 2017	208,562	200,000	208,562	200,000
Disposal Proceeds Fund	145	24	145	24
	208,707	200,024	208,707	200,024

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>	
	2013 £000	2012 £000	2013 £000	2012 £000
Within 5 years	25,000	25,000	25,000	25,000
After five years	183,562	175,000	183,562	175,000
	208,562	200,000	208,562	200,000

At 31 March 2013, the Group had drawn down £208.6m (2012: £200m) of its total loan facility of £240m. The fixed rate element of this was £195.1m (2012: £155.1m), and the variable rate element was £13.5m (2012: £44.9m). The loan is repayable from 2017. At 31 March 2012, the average interest rates charged were 5.83% for the fixed (2012: 5.69%) and 1.50% for the variable (2012: 1.61%) rate elements of the loan.

Notes to the Financial Statements cont'd

Disposal Proceeds Fund

	Group		Company	
	2013 £000	2012 £000	2013 £000	2012 £000
At 1 April 2012	24	0	24	0
Transfer to Fund	121	146	121	146
Transfer to schemes	0	(122)	0	(122)
At 31st March 2013	145	24	145	24

Repayment Due

	Group		Company	
	2013 £000	2012 £000	2013 £000	2012 £000
Within one year (note 13)	0	0	0	0
Between one and two years	24	0	24	0
Between two and three years	121	24	121	24
	145	24	145	24

15. Provisions for liabilities and charges

	Group		Company	
	2013 £000	2012 £000	2013 £000	2012 £000
Insurance Claims	619	574	619	574
Office Closure Costs	433	1,132	433	1,132
Redundancy Costs	218	163	218	163
At 31 March 2013	1,270	1,869	1,270	1,869

Insurance Claims

	Group		Company	
	2013 £000	2012 £000	2013 £000	2012 £000
At 1 April 2012	574	598	574	598
New claims arising during the year	423	303	423	303
Claims settled during the year	(378)	(327)	(378)	(327)
At 31st March 2013	619	574	619	574

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>	
	2013 £000	2012 £000	2013 £000	2012 £000
At 1 April 2012	1,132	275	1,132	275
Utilised in the year	(516)	0	(516)	0
Released in the year	(237)	0	(237)	0
Provided in the year	54	857	54	857
At 31 March 2013	433	1,132	433	1,132

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 during the year.

Redundancy Provision

	<u>Group</u>		<u>Company</u>	
	2013 £000	2012 £000	2013 £000	2012 £000
At 1 April 2012	163	0	163	0
Provided in the year	218	163	218	163
Utilised in the year	(163)	0	(163)	0
At 31st March 2013	218	163	218	163

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 2010.

The market value of the scheme assets at that date was £108.7m.

Key Results

The estimated FRS17 position at 31 March 2013 shows a deficit of £7.2m compared to a £1.5m 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 2007 and 31 March 2010 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 2013 were £1.2m (2012: £1m) and the employers' contribution rate has been fixed as 7.2% of pensionable pay until 31 March 2014.

Early retirements over the year, have resulted in past service cost of nil in the year to 31 March 2013 (2012: £39k). There were £160k (2012: nil) of other settlements, curtailments, discretionary practices, constructive obligations or other material events during the year.

Calculation Method

The figures at 31 March 2013 are based on projecting forward the results of the last formal actuarial valuation of the Fund as at 31 March 2010.

Key Assumptions

The key financial assumptions have been based on market assumptions as at 31 March 2013 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 2013 % per annum	31 March 2012 % per annum	31 March 2011 % per annum
Financial Assumptions			
Discount Rate	4.40	5.05	5.50
Salary Increases	4.15	4.35	4.50
Pension increases	2.40	2.60	3.00
Inflation	2.40	2.60	3.00
	31 March 2013	31 March 2012	31 March 2011
Further life expectancies from age 65:			
Retiring today			
Males	22.1	21.9	21.3
Females	24.8	24.9	24.2
Retiring in 20 years			
Males	23.9	23.7	22.8
Females	26.7	26.9	25.8

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 2010 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 2010 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 31/03/13 £000	At the year end 31/03/12 £000	At the year end 31/03/11 £000
Present value of funded obligations	143,118	122,558	109,591
Fair value of plan assets	135,906	121,069	118,025
Net pension (liability)/asset	(7,212)	(1,489)	8,434

	2013 £000	2012 £000
Actual return on scheme assets		
Expected return on scheme assets	7,511	8,005
Gains/(Losses) on scheme assets	7,373	(4,832)
Actual return on scheme assets	14,884	3,173

Analysis of the amount charged to operating surplus:

	2013 £000	2012 £000
Current service costs	2,770	2,580
Past service costs	0	39
Effect of curtailments or settlements	160	0
Total operating charge	2,930	2,619

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

	2013 £000	2012 £000
Expected return on assets	7,511	8,005
Interest on liabilities	(6,229)	(6,064)
Net financial income	1,282	1,941

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

	2013 £000	2012 £000
Actual return less expected return on assets	7,373	(4,832)
Changes in assumptions underlying the present value of liabilities	(12,611)	(5,540)
Actuarial deficit for recognition in the STRSD	(5,238)	(10,372)



Notes to the Financial Statements cont'd

16. Pension Obligations (continued)

	At the year end 31/03/13 £000	At the year end 31/03/12 £000
Change in benefit obligation		
Benefit obligation at beginning of year	122,558	109,591
Current service cost	2,770	2,580
Interest cost	6,229	6,064
Member contributions	1,004	1,014
Past service costs	0	39
Curtailments	160	0
Actuarial losses	12,611	5,540
Benefits paid	(2,214)	(2,270)
Benefit obligation at end of year	<u>143,118</u>	<u>122,558</u>
Change in plan assets		
Fair value of plan assets at beginning of year	121,069	118,025
Expected rate of return on plan assets	7,511	8,005
Actuarial gains/(losses)	7,373	(4,832)
Employer contributions	1,163	1,127
Member contributions	1,004	1,014
Benefits paid	(2,214)	(2,270)
Fair value of plan assets at end of year	<u>135,906</u>	<u>121,069</u>

Plan Assets

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

	Expected rate of return	Plan assets at 31/03/2013	Expected rate of return	Plan assets at 31/03/2012	Expected rate of return	Plan assets at 31/03/2011
Equities	7.00%	57,215	7.00%	83,053	7.50%	82,145
Government Bonds	2.80%	12,232	3.50%	11,865	4.40%	11,566
Other Bonds	3.90%	16,309	5.05%	9,443	5.40%	8,380
Property	5.70%	12,232	6.40%	15,134	6.50%	13,455
Other	7.50%	37,918	0.50%	1,574	0.50%	2,479
	<u>5.85%</u>	<u>135,906</u>	<u>6.35%</u>	<u>121,069</u>	<u>6.79%</u>	<u>118,025</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:

	31/03/2013	31/03/2012
Discount rate	4.40%	5.50%
Rate of salary increase	4.15%	4.50%
Rate of pension increase	2.40%	3.00%
Inflation assumption -CPI	2.40%	3.00%
Further life expectancies from age 65:		
Retiring today		
Males	22.1	21.3
Females	24.8	24.2
Retiring in 20 years		
Males	23.9	22.8
Females	26.7	25.8

History of Experience Gains and Losses

	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000
Benefit obligation at end of year	143,118	122,558	109,591	110,189	80,097
Fair value of plan assets at end of year	135,906	121,069	118,025	108,748	82,936
(Deficit)/Surplus	(7,212)	(1,489)	8,434	(1,441)	2,839
Difference between expected and actual return on share of scheme assets:					
Amount (£000)	7,373	(4,832)	1,675	20,486	(25,628)
Percentage of share of scheme assets	5.4%	-4.0%	1.4%	18.8%	-30.9%
Experience surpluses and deficits on share of scheme					
Amount (£000)	0	0	1,035	4,725	-
Percentage of present value of share of scheme liabilities	0.0%	0.0%	0.9%	4.3%	0%
Total amount recognised in statement of total recognised surpluses and deficits					
Amount (£000)	(5,238)	(10,372)	3,261	(3,080)	(988)
Percentage of present value of share of scheme liabilities	-3.7%	-8.5%	3.0%	-2.8%	-1.2%

Notes to the Financial Statements cont'd

16. Pension Obligations (continued)

West Midlands Pension Fund Contributions

The employer expects to contribute £1.089m in the year to 31 March 2014.

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 9.7% during the accounting period. Member contributions vary between 6.5% 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 2013 was 4 (2012: 4). The charge to the Group for the year was £53k (2012: £50k).

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 £68k in the year to 31 March 2014.

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 2012. As of this date the estimated employer debt for Walsall Housing Group Limited was £1,353,225 (2012: £1,296,317).

17. Share Capital

The 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 2012	2,550	13,285
Surplus for the year	8,923	9,106
Actuarial loss relating to the pension scheme	<u>(5,238)</u>	<u>(5,238)</u>
At 31 March 2013	<u>6,235</u>	<u>17,153</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	
	2013 £000	2012 £000	2013 £000	2012 £000
(i) Land and Buildings, leases expiring				
Within one year	0	325	0	325
One to two years	50	50	50	50
Two to five years	64	72	64	72
Beyond five years	0	0	0	0
	114	447	114	447

	Group		Company	
	2013 £000	2012 £000	2013 £000	2012 £000
(ii) Equipment & computers expiring				
Within one year	47	68	47	68
One to two years	4	51	4	51
Two to five years	9	51	9	51
Beyond five years	196	182	196	182
	256	352	256	352

20. Contingent Liabilities

There are no contingent liabilities (2012: None).

21. Capital Commitments

	Group		Company	
	2013 £000	2012 £000	2013 £000	2012 £000
Capital expenditure contracted for but not provided in the financial statements	16,975	8,957	16,975	8,957
Total level of commitments	16,975	8,957	16,975	8,957

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

	2013	2012	2013	2012
	£000	£000	£000	£000
Affordable Housing Grant	3,298	2,010	3,298	2,010
Loans	13,677	6,947	13,677	6,947
	16,975	8,957	16,975	8,957

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:

	2013 Number	2012 Number
Social Housing		
Social Housing owned and managed	18,969	18,882
Managed for another Registered Provider	188	155
Non Social Housing		
Market Rented Housing Properties	37	0
Commercial Properties Owned but managed by others	68	68
Total Owned and managed	<u>19,262</u>	<u>19,105</u>

Notes to the Financial Statements cont'd

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 Services 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.

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

	2013 £000	2012 £000
Operating Surplus	16,893	16,917
Depreciation and impairment of tangible fixed assets	8,912	9,486
Decrease in stocks	(2)	11
Increase in debtors	411	(1,420)
Increase in creditors	(2,309)	4,075
Pension contributions paid in the year	(1,140)	(1,127)
Pension contributions charged in the year	2,907	2,619
	25,672	30,561

26 Reconciliation of Net Cash Flow to Movement in Net Debt

	2013 £000	2012 £000
(Decrease)/Increase in cash	(446)	1,983
Money Market deposits	1,705	13,370
Cash (inflow) from increase in debt	(8,562)	(14,807)
Increase (Decrease) in net debt from cash flows	(7,303)	546
Opening net debt	(186,560)	(187,106)
Closing net debt	(193,863)	(186,560)

Notes to the Financial Statements cont'd

27 Analysis of Net Debt

	At 1 April 2012 £000	Cash Flows £000	At 31 March 2013 £000
Cash at bank and in hand	423	49	472
Bank overdraft	(466)	(495)	(961)
Changes in Cash	(43)	(446)	(489)
Money market deposits	13,483	1,705	15,188
Loans	(200,000)	(8,562)	(208,562)
Closing Net Debt	(186,560)	(7,303)	(193,863)