Walsall Housing Group
Financial Statements

For the year ended 31 March 2020

Company Registration Number:	04015633
Registered Provider Number:	L4389
Registered Charity Number:	1108779
Registered office:	100 Hatherton Street Walsall WS1 1AB

Contents

Board, Executive Directors and Advisors

Board	Appointed	Left
Danielle Oum (Chair)		
Michael Hew (Deputy Chair)		
Linda Cole		30/09/19
Gary Fulford		
Colin Ian Gardner		31/07/20
Noel Maxwell		
Jatinder Sharma OBE		15/08/19
Gregory Warner-Harris		
Paul O'Driscoll		
Gary Moreton	29/07/19	
Guy Weston	01/11/19	
Darren Fradgley	01/11/19	
Akshay Parikh	01/11/19	
Elisabeth Downes	01/11/19	

Company Secretary

Karen Marshall

Executive Directors

Gary Fulford	Group Chief Executive
Martin Robertson	Corporate Director of Resources and Growth, Left 31/03/20
Adam Wagner	Corporate Director of Finance, Appointed 01/04/20
Karen Marshall	Corporate Director of Governance and Compliance
Theresa Huburn	Corporate Director of People and Learning
Robert Gilham	Corporate Director of Business Strategy and Assets
Fay Shanahan	Corporate Director of Operations
Rebecca Bennett Casserly	Corporate Director of Development

Statutory Auditor
RSM UK Audit LLP
St Phillips Point
Temple Row
Birmingham
B2 5AF

Internal Auditor
BDO LLP
Two Snowhill Queensway
Birmingham
B4 6GA

Principal Banker
Lloyds Bank plc
The Bridge
Walsall
WS1 1LU

Chair's Review

I'm delighted to share this year's Financial Statements with stakeholders.

This year has been yet another successful year for whg as we saw our turnover increase to £112.2m, while we made £3.2m value for money savings, compared to our target of £3.1m.

In 2019/20 we raised £25m on the bond market to finance our growth aspirations and support our development programme. The issue was twice oversubscribed by investors, showing continuing market confidence in whg and our plans for future growth.

whg has always been a customer-focused organisation – our customers are always at the heart of what we do. To help our focus on all aspects of customer service and create more channels for customers to get involved we developed a new Customer Voice Strategy and created a new Customer Voice Manager role. This year we are building on our commitment to engage with customers and have relaunched our Customer Scrutiny Panel, which will now be known as the Spotlight Review Group.

2019/20 will be remembered for the COVID-19 pandemic. This global crisis had a huge impact on our way of working, and I was impressed with the way the whole business responded to the challenge with enthusiasm, dedication and commitment.

We are committed to being a great employer and recognise that a flexible work culture can play a vital role in both the health and wellbeing of colleagues and in our performance. During the COVID-19 crisis we invested further in remote working, ensuring we had the technology and infrastructure to continue our vital work in supporting our customers and providing vital frontline services. 2020/21 will see us seek more ways to utilise new technologies as we look to become a more agile organisation.

Housing and health go hand-in-hand. whg is now a member of the Board of Walsall Together, an emerging integrated care partnership for Walsall, which will enable us to a provide more holistic approach to support people in Walsall to live the best lives they can. This cross-sector collaboration was seen in action during the coronavirus pandemic, when whg joined forces with its partners across the borough to provide an effective and coordinated support service.

In 2020/21 we look to further align our effort and resources to enable us to extend this work to support more families.

Danielle Oum
Chair of the Board
10 September 2020

Group Chief Executive's Review

I am proud to report that Walsall Housing Group (whg) has again delivered outstanding results for the year. We are now making our mark as a serious and growing provider of homes not just in Walsall but across the region.

In 2014 we published our Corporate Plan, setting out our 10-year vision for whg. This year we have taken stock of our progress so far, with an updated plan that sets out how we will finish what we started in 2014. We are immensely proud of everything we achieved in the six years since the plan was first launched and look forward to continuing our work to build safe and prosperous communities.

Our commitment to tackling the housing crisis has seen us accelerate our development programme and we are currently working on 21 sites, with 818 homes in construction at the start of the new financial year. In the last year, we completed 446 new homes across the Midlands, including properties in Walsall, Wolverhampton, Cannock, Telford, Bromsgrove and South Staffordshire. We have also invested £43.3m on improving the condition of our existing homes and neighbourhoods.

This year we announced an innovative new Joint Venture partnership between Lovell and our subsidiary Anthem Homes, which puts us in an even better position to deliver the high-quality new homes which are so urgently needed across the Midlands. Our first development through this partnership is for more than 250 homes on the former Caparo Engineering Works site in Walsall, which has stood empty for over a decade.

We are now venturing into new ways of building houses and are also exploring how "off-site" manufacturing solutions can address the rising demand for new homes. We are also exploring how hundreds of derelict garage sites across Walsall could be transformed using this new technology.

It is important to recognise that it is not just our property portfolio that is expanding. Our commitment to being more than just a landlord and supporting local communities has seen us transform the lives of thousands of people this year – improving health, building confidence and teaching the skills to secure employment.

In 2017 our Employment and Training Team were set the challenge of supporting 3,000 customers over a three year period and helping them becoming job ready. I am delighted to report that in October 2019, we celebrated achieving this success measure six months ahead of schedule. We are now continuing to build on this with a whole range of new initiatives that deliver employment support in the heart of local communities. These include a "Women into Construction" pilot and a new "My whg digital skills" course in partnership with Walsall College.

We are also proud to be leading the fight against homelessness in Walsall and in 2019, became one of the first housing providers in the West Midlands to commit to the Housing First programme at scale. We have made 40 of our homes available for the pilot, which aims to alleviate rough sleeping and street homelessness. The West Midlands Combined Authority project will see an investment of £9.6m across seven local authority areas.

During the year we continued on our Digital First journey and were delighted to sign up our 6000th customer on our digital portal. In line with our plans to progress as a digital first business, this year we plan to redesign our central office to offer improved self-serve facilities, providing another route for customers to quickly and efficiently resolve their queries.

We are also proud to have retained the highest possible rankings on the standards that cover financial viability (V1) and governance (G1). This was confirmed by the Regulator of Social Housing (RSH) in November 2019 following an annual assessment of our business. Our strong operating performance is reflected in our credit rating of A3 with a stable outlook by Moody's.

As we ended the year, we were dealing with the impact of the biggest health crisis we have seen during our 17 years, and our role as a Community Anchor organisation was invaluable to our customers and the wider community. We introduced a whole new way of working by rolling out the technology to enable all colleagues to work from home and introduced video conferencing for our colleagues and our Board.

We continued emergency repairs and gas safety checks to ensure our customers stayed safe, as well as making calls to 6,000 customers to check they were safe and well. We delivered 5,000 food hampers and supported the work of the local hubs, helped refurbish a local hospital, and helped homeless people in Walsall to move off the streets.

We look forward to continuing our work in 2020 as we work to provide more homes, create more jobs, improve lives and boost the economy in more areas than ever before.

Gary Fulford
Group Chief Executive
10 September 2020

The Group Board presents its report and the audited Financial Statements of Walsall Housing Group Limited ("the Company") and its subsidiary undertakings, together forming the Walsall Housing Group ("the Group", "whg"), for the year ended 31 March 2020.

Strategic Report

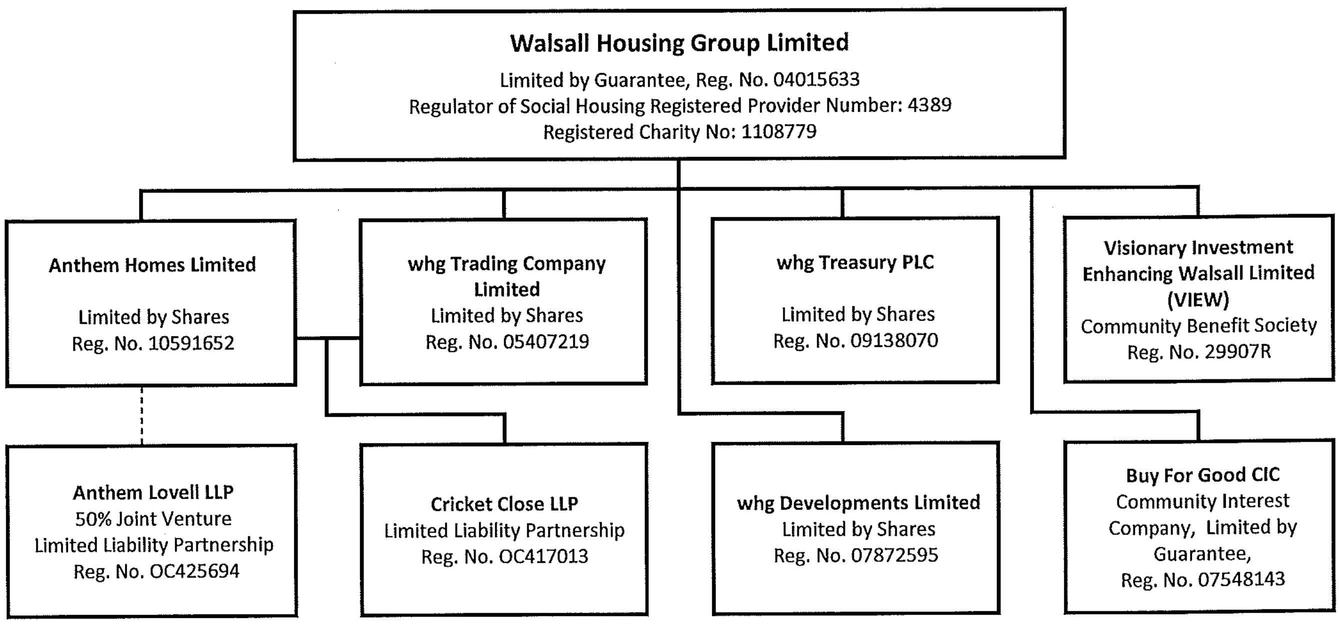
Group Profile

Principal Activities

The Group is a not-for-profit organisation whose principal activities include the development and management of affordable housing across the Midlands. During 2019/20 we continued to expand outside of Walsall and whg now owns and manages homes in 19 local authorities in the Midlands. The Group, as of 31 March, owns and/or manages 21,263 homes.

whg is a company limited by guarantee and a registered charity. Its core business activity is providing affordable and good quality homes to our customers. We are also a social business investing in people and communities. Our services include Shared Ownership homes and the development of homes for outright sales.

The company, its subsidiaries and joint ventures are shown in the diagram below for the year ended 31 March 2020:



Objectives and Strategies

Our Corporate Plan was launched in April 2014 and set out success measures for both 2020 and 2024. The plan was refreshed in April 2020 with new success measures that we will use to evaluate our achievements.

Our mission is "Dedicated to the success of our people and places".

The achievement of this mission is underpinned by five strategic aims:

- *Deliver high quality homes and services for our customers*
  Delivering on our promises is at the heart of our service offer. We have a strong commitment to quality and we will always strive to deliver the best. As a regional business we recognise the need to offer products that are attractive to our new customer markets and address housing needs. We work with local people and partners to provide support to help customers in our rented homes flourish.

- *Be an exceptional place to work that attracts, develops and retains talent*
  To ensure colleagues can truly shine and reach their full potential, we are committed to being a great employer that recognises and rewards excellence. All colleagues are given the opportunity to make a real difference and we encourage them to perform to the best of their ability. We recognise the need for excellent leaders across the organisation and will praise and celebrate great work whilst expecting every colleague to be accountable for their individual performance.

- *Grow and expand our services, our reach and our range*
  We are already expanding the range of work we carry out. We will continue to research and develop new services and products which benefit our customers and reinforce our position as leaders in the field. We have ambitious plans for growth and central to this growth is a bold development and acquisition programme which will underline the regional nature of our business.

- *Promote health and prosperity where we can make a difference*
  We want our customers to live healthy, prosperous lives but understand some may require additional support to achieve this. We do what we can, together with our partners, to find the right solution for each individual. This includes programmes geared towards promoting independence, improving health, building confidence, enhancing capability, reducing the digital divide and gaining the skills to secure employment.

- *Deliver a strong business, fit for today and prepared for tomorrow*
  In recognition of our ever more challenging operating environment, we will safeguard our income by focusing appropriate priority and resource on core services. This approach is supported by the careful financial management and good governance needed to fulfil our future aspirations. We are efficient, driving down costs and constantly seeking value for money. Building on our performance management culture, pursuing excellence and striving for continuous improvement will help achieve this.

Our Corporate Plan is underpinned by a range of success measures to ensure that we meet and, where possible, exceed our strategic aims. These are then cascaded into Operational Plans delivered across the business.

In 2017, we set 30 success measures across the five corporate aims that we aimed to achieve by March 2020. Progress is managed operationally, overseen by our Group Executive Team and reported to Board via a dashboard on a biannual basis. Progress against success measures is also included in the Group Chief Executive's monthly report and the quarterly Performance Dashboard.

Of the 30 success measures, 23 have been delivered, and seven continue to be progressed. As we launch our new Corporate Plan the success achieved to date has provided a strong platform to build from.

Our achievements include some great success stories such as: progress made on using Big Data to drive our service design and assets investment plan; 3,588 customers supported into employment; 1,491 new homes being built; and more than 25 apprentices employed by the business in any one year.

Strategic Performance Indicators

Indicator	2017/18	2018/19	2019/20	Trend	Target
Current Arrears %	1.95%	2.16%	2.84%	Declined	<3.5%
Void Rent Loss %	0.68%	0.60%	0.60%	Same	<0.7%
Customer Satisfaction with Repairs %	81.9%	83.0%	84.0%	Improved	>84%
Customers Recommending whg %	82.0%	83.2%	82.0%	Declined	≥82%
Compliance with Gas Regulations	100%	100%	100%	Same	=100%
New Homes Started	267	592	677	Improved	=604
New Homes Completed	497	551	446	Declined	=326
Customers with Improved Employment Prospects	1,214	1,271	1,274	Improved	>996

Overall performance for the year has been good with the majority of our targets being met or exceeded. Performance management is a routine part of operational and strategic discussions and is supported by a range of business insight reports. Through our governance model we have also ensured that business performance forms an integral part of our decision-making process. Performance is summarised below:

- Current rent arrears ended the year at 2.84%, which is good in the context of increasing numbers of customers being moved on to Universal Credit.
- Void rent loss for the year is 0.60%, which is 0.10% better than the target and this is due to the work undertaken to improve productivity and a reduction in the number of empty properties awaiting repair.
- 84% of our customers are satisfied with the repairs carried out on their homes, which is in line with the target. The Group is working hard to identify areas of dissatisfaction and improve processes to increase the satisfaction levels further.
- 82% of our customers would recommend whg, which is in line with our target. Further service improvement opportunities will be identified in 2020/21.
- Gas safety continues to be a key area of focus with the percentage of homes compliant with the gas regulations remaining at 100%.
- 677 new homes were started during the year which is 73 above the target.

- 446 homes were completed in the year, well in excess of our initial target, comprising 96 homes for social rent, 202 homes at affordable rent and 148 shared ownership homes.
- The Group has helped 1,274 customers to improve their employment prospects in various sectors including warehousing, care, construction and retail.

Future Prospects

whg is a well governed and financially viable organisation rated G1 and V1 by the RSH. Our Business Plan demonstrates strong financial performance in the years to come. Homes England has selected whg as a strategic partner. Total grant funding of £38.7m will help support the development of 1,000 new homes.

Looking forward whg aims to develop 550 homes per year, 50 of which will be for outright sale. In 2020/21, £70m will be invested into new homes and land. We will also invest a further £35.3m on routine, major and planned repairs on our existing homes. This investment represents our continued desire to ensure that all of our homes are great places to live in.

One of the success measures that continues from the 2017 Corporate Plan relates to open market sale homes where the two sites planned are not due to be started until later in 2020/21. We anticipate generating a profit on these sales to be reinvested in the development programme.

Although the focus during the first Quarter of 2020/21 was on business continuity and recovery linked to COVID-19, progress has been made against many of the 45 new corporate plan success measures linked to the five Strategic Aims.

A set of 34 bespoke VFM metrics has been established that aligns with the Corporate Plan and VFM strategy.

Financial Review

Statement of Comprehensive Income (SOCI) (page 43)

Turnover: £112.2m

Social housing lettings contributed £96.3m to Group turnover for the year. The annual 1% rent reduction on existing rents imposed on the sector continues to have an impact on our operating results but rent from new development has resulted in a net improvement in turnover. A further £11.9m derived from Shared Ownership first tranche sales and £4.0m from other activities take the total turnover to £112.2m, an improvement of 3.3%.

Operating surplus: £37.6m

Operating performance continues to be strong with an Operating Surplus of £37.6m. This surplus will be reinvested in new and existing housing stock.

	2020	2019	2020	2019	2020
	Turnover £m		Surplus £m		Margin
Social Housing	**96.3**	**95.1**	**31.3**	**33.9**	**32.5%**
Shared Ownership Sales	11.9	9.6	2.4	2.1	20.3%
Other Activities & Costs	4.0	3.9	(5.1)	(4.4)	
Total	112.2	108.6	28.6	31.6	25.5%
Gain on disposals			9.0	6.0	
Total	**112.2**	**108.6**	**37.6**	**37.6**	**33.5%**

The social housing margin was 32.5% for the year and operating margin before disposals was 25.5%. These are both good results for the Group and demonstrate that the core financial performance is complemented by, but not dependent on, asset sales. Further analysis of social housing operating costs is shown in the Notes to the accounts. The social housing operating margin of 32.5% is above the peer average of 29.9%. An operating margin before gains on disposal of 25.5% is healthy, but below the peer average of 27.4%. The low overall margin reflects the additional costs disclosed in Note 3 which show how uncapitalised development costs and non-cash pension costs arising from the annual pension valuation have had a big impact on costs and reduced the surplus.

Other Costs include some significant additional pensions costs arising from the annual pensions valuation for accounting purposes. These are not cash transactions and are matched with a movement in the pension provision.

Gain on disposals comprises 100 right to buy sales (£5.8m) and 34 voluntary right to buy sales (£3.2m).

Net surplus: £17.5m

Net surplus includes a favourable movement in fair value of investment properties of £1m and net interest and financing costs of £21.2m. Finance costs include interest receivable of £0.9m and an adverse movement in fair value of financial instruments of £1.3m.

Total comprehensive income for the year: £21.6m

The net surplus for the year of £17.5m was increased by an actuarial adjustment of £4.2m due to the year-end revaluation of pension assets and liabilities. This adjustment is reflected in a movement in the pension provision in the Statement of Financial Position.

Statement of Financial Position (page 46)

The Statement of Financial Position demonstrates the strength and capacity of the Group to continue to deliver its strategic objectives.

Fixed Assets: £517.3m

Capital expenditure is set out in Notes 12 to 14 to the Financial Statements. During the year we have invested a gross £56.0m in developing and acquiring new homes and have received approximately £2.4m from the Homes England Affordable Homes Programme towards the cost of our new build programme. We have also continued to invest in our existing housing stock in order to maintain homes above the Decent Homes Standard.

The capital cost of this investment during the year was approximately £11.8m. This combined investment can be seen in the movement in the net book value of housing assets from £435.7m to £490.6m. The year end balance includes £27.0m relating to schemes that are already on site and will contribute to future completed home targets.

Net Current Assets: £101.2m

Current assets have decreased by £14.8m. Significant movements include £2.8m in properties held for sale, £7.7m loan to a Joint Venture development company, and £4.7m increase in cash held. Short term creditors have increased by £30.6m mostly due to £25m facilities due to terminate in March 2021.

Long Term Creditors: £473.7m

A retained tranche on the bond was drawn during the year with a nominal value of £25m, and £25m of maturing bank debt has moved to short term creditors. The net movement in long term debt of £7.8m is due to the issue premium on the bond and a change in fair value of bank loans. There was also an increase of £10.2m in deferred grant income.

Provisions: £15.1m

Pension provisions have increased by £0.4m due to charges recognised as a result of the annual valuation for the accounts which resulted in charges of £4.3m in operating costs, £0.3m of interest balanced with an actuarial remeasurement of £4.2m in respect of the West Midlands Pension Fund.

Reserves: £129.7m

Reserves have increased by £21.6m reflecting the net comprehensive income for the year. Movement in the reserves balances is further shown in the Statement of Changes in Reserves on page 45.

Statement of Cash Flows (page 48)

This statement shows that the cash inflow generated from operating activities of £44.7m provided cash cover 2.1 times over the interest payable of £20.8m. Cash interest paid in the year was only £16.0m but the SOCI recognised accrued interest of £4.8m which was paid just after the year end.

The operating cashflow after interest provided £28.7m (free cash generated) to be used to fund investment and reduce the requirement to draw further debt.

Investment in new and existing housing assets of £68.6m, together with other asset purchases of £0.8m and £7.7m loaned to a development Joint Venture company, was funded by sales of £10.8m, grant of £9.6m, interest received of £0.6m, free cash of £28.7m and debt of £32.1m, resulting in net cash increase of £4.7m.

Net new funding of £32.1m was generated from a retained issue on the Group bond with a nominal value of £25m and premium of £7.1m.

The impact of critical accounting estimates and areas of judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out in the accounting policies. The material movements and impact of the estimates and assumptions are detailed in the financial review section.

Risks and uncertainties in investments in Subsidiaries and Associates

On 23 August 2019 Anthem Homes Limited acquired 50% shareholding in Anthem Lovell LLP. This is a joint venture between Anthem Homes Limited and Lovell Partnerships Limited. Anthem Homes Limited has agreed a revolving loan facility secured by debenture with Anthem Lovell LLP which is limited to site specific business plans approved by Board. As at 31 March 2020 Anthem Lovell LLP had drawn down £7.7m of the facility.

Anthem Homes Limited also has agreed a £3.5m revolving loan facility with Cricket Close LLP to develop homes for outright sale.

Both projects are still in the very early days of development however we are confident the schemes will be developed as intended.

Business Health: Trend analysis, Ratio Analysis

The Group's results over the last five years are as follows:

	2019/20 £m	2018/19 £m	2017/18 £m	2016/17 £m	2015/16 £m
Turnover	112.2	108.6	105.6	99.1	97.3
Operating Surplus**	28.6	31.6	37.4	34.2	30.6
Operating Surplus*	**37.6**	**37.6**	**46.2**	**40.0**	**36.6**
Net Surplus	17.5	18.8	34.4	22.0	18.1
EBITDA**	41.0	43.1	47.8	44.4	42.7
EBITDA Major Repairs Included**	29.2	31.3	38.7	36.7	30.6

* Including gains on disposal
**Excluding gains on disposal

	2019/20 £m	2018/19 £m	2017/18 £m	2016/17 £m	2015/16 £m
Total net assets	618.5	578.2	554.95	458.8	429.1
Long Term Debt	402.5	396.1	396.5	335.8	335.7
Deferred Grant	61.3	51.1	49.0	45.0	38.5
Derivatives	9.8	8.3	8.2	14.7	14.7
Other LT Creditors	0.0	0.1	1.9	2.4	2.2
Pension Provision	14.2	13.8	23.9	20.9	10.4
Other Provisions	0.9	0.6	1.0	0.7	1.6
Income & Expenditure Reserve	**129.7**	**108.1**	**74.8**	**39.3**	**26.0**

Key Financial and Business Ratios:

	2019/20	2018/19	2017/18	2016/17	2015/16
Operating Margin Social	32.5%	35.7%	40.5%	37.3%	34.0%
Operating Margin before gains on disposal	**25.5%**	**29.1%**	**35.4%**	**34.5%**	**31.5%**
Operating Margin	**33.5%**	**34.6%**	**43.8%**	**40.4%**	**37.6%**
Net margin	14.7%	17.3%	32.5%	22.2%	18.6%
ROCE	6.1%	6.7%	8.1%	8.4%	8.5%
EBITDA Interest Cover	1.94	2.07	2.39	2.26	2.16
EBITDA (MRI) Interest Cover	1.39	1.51	1.94	1.87	1.55
Covenant Interest Cover	2.12	2.10	2.68	2.40	2.10
Cost of funds	4.84%	4.95%	5.06%	5.34%	5.35%
Gearing Ratio*	63.3%	65.1%	67.4%	70.2%	74.2%
Debt Per Unit £000	14.9	13.7	13.2	13.1	12.9
Net Debt / Turnover	2.77	2.61	2.44	2.55	2.37

Business Health: Ratio Analysis

The Group's operating margins are slightly higher than the benchmark median as shown in the VFM metrics on page 17.

Core operating margin on social housing activities remains strong at 32.5%, but Shared Ownership first tranche sales only generate a margin of 20.3%. As the proportion of Shared Ownership sales increases there will be a positive impact on operating surplus and cash flow, but the net operating margin could reduce due to the contribution of the lower relative margin.

The surplus after other activities and costs, which produce a net deficit due to non-capital development costs and pension adjustments is further reduced to 25.5%. However, the total operating margin including the surplus made on the sale of housing fixed assets and disposal of investment properties is 33.5%, a small reduction on the prior year. Producing margins at these levels is a good outcome, particularly when considering the compounding effect of successive 1% cuts to social housing rental income imposed on the sector by the Government.

The Group has taken advantage of the current low interest rate environment to secure £25m further funding against the Group bond, giving an increase in finance costs. This has caused interest cover ratios to deteriorate, but cost of funds, which is calculated on drawn funds, has improved to 4.84%. The Group still has undrawn variable rate facilities and the cost of funds will improve as these are drawn.

One of the impacts of raising funds on the capital markets has been to significantly increase the cash holding of the Group, which stood at £127.4m in current and short-term deposit accounts. This holding can be seen as a useful liquidity buffer against any shocks to the operating environment, recently expected to be due to Brexit uncertainty but currently mitigating the risks that may result from the COVID-19 pandemic.

The Group has invested in the development of new social housing in the year, completing 446 new properties for rent and sale. This has resulted in an increase in asset values and a small reduction in gearing in the year. Whilst gearing appears high it is driven by the low asset values as a continuing effect of stock transfer. To put this ratio into context the Net Debt per unit is still only £14.9k.

Accounting standards allow accounting policy choices with respect to asset values in statutory accounts. The Group's assets are valued at historic cost and have not been revalued, which can make asset values appear lower than benchmarked organisations.

Return on capital employed (ROCE) of 6.1% has reduced against the prior year figure of 6.7%. ROCE is calculated as operating surplus divided by net assets. As seen in the analysis above, surplus is at a similar level to the prior year, but the asset base has increased with the addition of newly developed units.

Void levels had improved in the year but are deteriorating since the year end due to the current delays in operating activity due to COVID-19. Resources will be deployed to restore void performance as soon as it is safe to do so.

Current tenants' rent arrears have increased in the year and are being proactively managed including support for the Group's tenants to manage the challenge of Universal Credit.

Treasury Management

The Group has a formal Treasury Management Policy and Strategy which are reviewed annually by the Board. The 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. The Group maintains a risk-aware approach to its debt portfolio and seeks to ensure that sufficient liquidity is available to meet foreseeable needs. Treasury activities are also supported by independent professional advice from Link Treasury Advisors.

Liquidity and Capital Structure

The Group finances its activities using facilities of £462.5m: £212.5m loan facilities with Lloyds Banking Group and Santander, together with the bond issue of £250m.

Current cash and facilities provide a high level of liquidity with £49.1m of available revolving credit facilities and £127.4m of cash and cash equivalents. The Group has a policy to maintain a minimum liquidity balance that covers 18 months of committed cash flows.

Loan Facilities	Facility £m	Drawn £m	Available £m	Fixed £m	Variable £m
Bond Finance	250.0	250.0	-	250.0	-
Bank Finance	212.5	163.4	49.1	163.4	49.1
Total Facilities	**462.5**	**413.4**	**49.1**	**413.4**	**49.1**
Funding mix				**89%**	**11%**

Interest Rate Management

The Group manages its interest rates through 89% of fixed rate funding and 11% of variable rate revolving credit facilities which are undrawn as at 31 March 2020. The fixed rate funding is comprised of the bond and drawn fixed rate loans from banks (of which 12% of fixed rate loans relates to a £20m loan with cancellable options). This has allowed the Group to protect itself against the risks associated with future rises in interest rates.

Investment Policy

Cash balances are invested on competitive term rates 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. The ratings of the approved organisations are checked on a daily basis to ensure investments are not at risk. Surplus cash is put in either fixed or floating deposit accounts. Fixed rates of interest attract rates of between 0.3% and 0.85% for a minimum of 95 days. Floating rates attract interest at rates that vary with bank rates.

Currency Risk

The Group borrows and invests cash in GBP sterling only and therefore does not have any currency risk.

Loan Covenants

There are two corporate based covenants, Net Interest Cover and Net Debt per Unit. In addition, a minimum asset cover is required on each individual facility. The Group ensures that it operates with a prudent level of headroom and monitors covenants on a monthly basis. This is reported to the Board on a quarterly basis. The Business Plan is very resilient to these covenants with a significant degree of headroom now and throughout the life of the plan. As at 31 March 2020 and throughout year, the Group met both its covenant targets for the financial year.

Year-end corporate covenant performance	Covenant	Actual	Met
1. Net Interest Cover:	1.1	2.12	Yes
The ratio of Adjusted Operating Surplus to Net Interest Payable is greater than 1.1:1.0 for the financial year			
2. Net Debt per Unit:	£25k	£14.9k	Yes
The Net Debt per Unit must not exceed £25k throughout the duration of the facilities			

Capacity

The maximum amount of debt that the Group can borrow is limited by the covenants shown above, but there is still a great deal of headroom available in both covenants.

The other limiting factor on future borrowing is how much spare capacity the Group has to provide security against future borrowing. The Group's assets are subject to regular revaluations to determine the portfolio value for the purpose of securing existing and new debt. Current valuations are estimated to be c £760m against an asset cover requirement on existing debt of c£496m, leaving a healthy amount of headroom.

The Business Plan models the utilisation of this uncharged asset base going forwards, as more units are charged to raise debt in support of further development and this new development adds to the asset base. The plan shows that the Group maintains sufficient uncharged assets to support its strategic development objectives, but also to provide further security to existing borrowing should there be any unforeseen deterioration in the asset values.

Bond

whg Treasury PLC is a subsidiary of Walsall Housing Group Limited. It is used as the vehicle to act as an onward lender of bond monies to its immediate parent company, Walsall Housing Group Limited.

Credit Rating

Moody's carried out their annual credit rating review for the Group in January 2020. The Group's rating is A3 with a stable outlook. The following assessment was provided:
'The credit profile of Walsall Housing Group Limited (A3 stable) reflects:

- its low-risk business model and strong operating performance;
- its high level of indebtedness; and
- a moderate development ambition"

Value for Money

STRATEGIC APPROACH

The overall approach to value for money has been developed from the Corporate Plan 2017 - 2024 and is based on what is required to deliver our mission. Our Value for Money Strategy 2019 - 2024 sets out the detail of our strategic approach to achieving value for money, which is to ensure our money is spent well and we optimise the use of our resources. The Strategy sets out our two main strategic aims, which are:

- to deliver value for customers; and
- to deliver value for money to stakeholders.

We have adopted the five E's as the guiding principles for our strategic approach, which are:

- **economy** – for us this means spending less and/or minimising our costs while continuing to deliver quality homes and services to our customers;
- **efficiency** – we will seek to do more for less thereby getting more from our resources;
- **effectiveness** - we will spend wisely and use our resources to achieve our Corporate Plan aims and social purpose;
- **equity** – we will ensure we use our resources to reduce inequality in our communities;
- **ethics** – we will use our resources with integrity, being open and accountable about our spending decisions.

Our strategic approach is underpinned by careful financial management and good governance. It builds on a strong culture of performance management and continuous improvement. It is supported by creative thinking that promotes innovation, including investment in technology that adds value and improves the customer experience. We are committed to delivering efficiencies and making sure we get the most out of our resources. We will be assisted by customers looking after their homes and adhering to their responsibilities.

Creating value for money allows us to provide as many new homes as possible and sustain investment in our existing homes, backed by high quality services.

Effective governance

Our strategic approach to delivering value for money is embedded throughout our governance structures across the Group and key business strategies. Our Board sets the strategic approach to value for money and checks it is being delivered. It is a skills-based Board with Members with a range or experience and knowledge who ensure our growth and non-housing commercial activity is well managed. We have a Board Champion to drive value for money.

Our Board looks to achieve value for money wherever possible and all Board reports include a value for money section to inform decision making. Each significant investment decision requires a robust business case that considers value for money as part of a detailed cost benefit analysis of alternative commercial, organisational and delivery structures and a rigorous appraisal of options for improving performance.

Our customers are encouraged to provide feedback and work with us to continually improve our services. This ensures we are providing value for money for the rent and charges that customers pay. Our customers are also involved in the procurement of major contracts that directly impact the service they receive.

Building and acquiring more homes

We are continuing with our Corporate Plan to achieve growth by development and are now starting to form geographical clusters across the West Midlands in support of operational efficiency while bringing in more rental and sales income. In 2019/20 we completed 446 new homes. These included Section 106 acquisitions for social/affordable rent and Shared Ownership, most of which have been acquired at open market discounts of between 20%-30%. These new homes offer a mixture of tenures to cater for the housing needs of our customers.

Achieving an optimal benefit

We make the optimum use of our resources and assets and use the returns they generate to help us sustain investment in our existing homes and build new ones – ensuring we provide high quality homes for our customers.

We demonstrate our efficiency by generating a strong operating margin and having a keen appetite to invest in growing and expanding our services, our reach and our range. We deliver significant social value to the communities we operate within. We demonstrate our effectiveness by building many more new homes that people need. We demonstrate our economy by tight budgetary control; ensuring costs are in line or below our peers and driving down our outliers. These are measured through our performance against the value for money metrics set by the RSH and delivery against our own value for money targets.

VALUE FOR MONEY PERFORMANCE

Value for money metrics

We report and compare our performance against the value for money metrics using the latest Global Accounts published by the RSH, which reports sector performance outturns for 2018/19. This is the most comprehensive data set for comparison purposes, and we have broken it down so we can compare against Registered Providers similar to us. The table below shows our performance and our quartile position in relation to the median results of a benchmark peer group comprising all RPs with over 20,000 homes.

	Value for money metrics	**whg 2017/18**	**whg 2018/19**	**whg 2019/20**	**Benchmark Median 2018/19**	**whg Quartile Position**
1	Reinvestment	12.5%	11.4%	**13.8%**	6.4%	Upper
2a	New supply social	2.4%	2.7%	**2.1%**	1.8%	Upper Median
2b	New supply non-social	0%	0%	**0.0%**	0.16%	Lower
3	Gearing	67.4%	65.1%	**63.3%**	46.6%	Lower
4	EBITDA MRI interest cover	194%	151%	**138.6%**	163.5%	Lower Median
5	Headline Social Housing CPU	£3,025	£3,340	**£3,473**	£3,511	Upper Median
6a	Operating margin – social	40.5%	35.7%	**32.5%**	33.7%	Lower Median
6b	Operating margin - overall	35.4%	29.1%	**25.5%**	26.9%	Lower Median
7	Return on capital employed	8.1%	6.7%	**6.1%**	3.7%	Upper

'Reinvestment %' looks at the investment in all of our properties as a percentage of their value. We are upper quartile for this metric due to our approach to maintaining the quality of our homes, but also due, in part, to the low historic asset values of our stock.

'New supply social %' expresses the number of new social homes delivered in 2019/20 as a proportion of all homes owned at 31 March 2020. The picture in 2019/20 is very positive and reflects that we are delivering against our Corporate Plan objective.

New supply non-social is 0% as expected. There were no plans to deliver either market rent or outright sale homes during the year although these are included in mixed development schemes in the future..

The 'Gearing %' shows the proportion of net borrowing in relation to our asset base and the degree of dependence on debt finance. Our lower quartile performance is a reflection of our low asset values due to our stock transfer origin. Our net debt per unit is only £14.9k and is probably a better measure of the proportion of debt to underlying asset value.

'Earnings before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA MRI) Interest Cover %' measures our level of cash surplus generated as a percentage of interest paid. It shows our headroom for meeting interest payments on existing debt. The interest cover percentage is at 138.6% (151% 2018/19). This is partly explained by the carrying cost of the bond, where we have raised cash on the capital markets in advance of it being required. However, this does give us a very resilient liquidity position.

'Headline social housing cost per unit' combines several cost elements to provide our overall social housing cost per unit. At £3,473 we are just better than the benchmark median. This metric reflects the high maintenance costs of homes. There is a three-year plan in place to address this and manage the maintenance cost per unit in line with median quartile.

'Operating Margin %' shows our profitability and is an indicator of our operating efficiency. The social housing lettings operating margin is 32.5% and demonstrates good performance from our core activities. An operating margin (overall) of 25.5% is healthy, but both metrics are slightly below the peer medians. The low overall margin reflects the additional costs disclosed in Note 3 which show how uncapitalised development costs and unusual pension costs have had a big impact on costs and reduced the surplus.

'Return on Capital Employed' shows how well we are using our capital and debt to generate a financial return. This indicator remains upper quartile at 6.1% and was 6.7% last year. With low asset values to start with, any increase in asset value due to development has a big impact on this ratio. With a small decline in surplus against the prior year whilst our asset base is increasing, a reduction in return is inevitable.

Strategic Performance Indicators are included in the Strategic Report on page 7.

Value for money targets 2019/20

We set ambitious targets for value for money gains. Progress is reported to the Executive Team in monthly management accounts and to the Board on a quarterly basis.

In 2019/20 we achieved £3.2m of value for money savings and efficiencies, with the bulk of the saving reinvested in to works to improve homes and neighbourhoods. The table below provides a summary.

Goal	Planned £m	Outturn £m
Lever in £0.2m of ECO funding to support our £1.4m programme of energy efficiency improvements to our homes	0.2	0.1
Repairs saving on disposal of ten high cost voids	0.1	0.1
Recover VAT through our development and maintenance programmes	1.2	1.2
Secure procurement savings	0.2	0.2
Asset management saving. £36k relate to corporate social responsibility rebate, stores tipping solution (segregation savings on wastage) and SMS Frameworks. Also, the neighbourhoods projects and the aids and adaptations programmes have produced the highest combined savings of £311k.	1.2	0.5
Securing Innovate UK grant funding for Advanced Method of Construction works	-	0.2
Overage income from the Harrowby Road development	-	0.7
Margin interest uplift with less interest paid over to the bank	0.2	0.2
Total	**3.1**	**3.2**

PROGRESS AGAINST VALUE FOR MONEY PROJECTS

Aim 1 – Delivering Value for Customers

Delivered:	Principles
Over 6,000 customers now registered on My whg portal and using the service to review their rent statements, make payments and report a repair	Efficiency Effectiveness
Unified Communications technology, launched in October, has enabled us to successfully keep many of our vital front-line services running throughout the lockdown period, including enabling teams to receive and make customer calls from home and aiding business recovery by providing functionality for conference calling and video calling amongst colleagues	Efficiency Equity Ethics Effectiveness
A chatbot solution to answer generic customer enquires is now live	Efficiency
Wizard, our predictive arrears functionality has now gone live	Economy Efficiency
Voicescape which was originally purchased to help us contact customers in arrears more efficiently has come into its own during the COVID-19 lockdown. We have been able to use it more pro-actively to contact large numbers of customers about a whole range of items	Economy Efficiency Equity
Better procurement rates have been negotiated meaning more outputs against the same budget, specifically from the new Stores Contract with Travis Perkins	Economy
whg has secured Warm Homes funding providing a 50% contribution to full central heating systems installed at customers' homes. We have over 100 properties that will qualify providing a saving of over £200k	Economy Equity Effectiveness

Creation of Project Uplift providing flexible part time employment for single parents with children in school	Equity Ethics
Development of BIM/ Digital Twin modelling of our high-rise blocks to provide building information in one place. It is not only interactive with colleagues but can be used by the WMFS in the event of any incidents involving our high rise blocks	Equity Ethics Effectiveness Efficiency
During the lockdown period we have delivered over 150 IT tablets to digitally excluded customers and we are working with O2 on a broadband offer for our customers	Equity Ethics
Our planned Wellbeing development at Caparo has been subject to a customer questionnaire and workshop which has driven the latest design, ensuring the offer is closer to customer expectations	Equity Ethics Efficiency
Replacement of our current customer CRM database expert agent with HomeMatch, linked with Sequel, helping to minimise duplication and creating better reports along with improving the customer experience	Economy Effectiveness
Improved our performance on resolving informal customer complaints at the first point of contact. This has moved from 60% through to almost 90% in 2019/20. This means we are resolving issues effectively at the earliest possible time, which is more efficient and better customer experience	Efficiency Effectiveness Economy
We have recently launched an in-house Social Prescribing Services partly funded by external investment	Equity Ethics

In Progress:	Principles
A Home Maintenance Services (HMS) service review action plan has been considered by GEXEC resulting in: • Project Magna, which relates to task management and aims to improve first point of contact for customers, improve quality of service and reduce communication traffic between whg teams; • An asset review project, aiming to modernise the current remote working systems within HMS; • The restructure of the Planning/Admin function has commenced, however is currently on hold due to the current COVID-19 situation; • The out of hours operating model has been redesigned; the plan was to go live from April 2020 however this has been put on hold for 12 months due to COVID-19.	Efficiency Effectiveness Economy
We are in the process of designing a new Health and Well Being Strategy in consultation with customers, ensuring the outcomes we achieve are in line with our customer's priorities	Equity Ethics
The Health and Well Being Team is part of the NHS network of Social Prescribing, enabling colleagues to access free training and resources, upskilling them to work more effectively and efficiently with customers	Equity Ethics
In the process of setting up HomeTrack intelligence database, which will provide sales reports to New Business, removing the need to outsource the demand report. There will also be a new sales website which will have the customer journey at the heart of its design	Economy Efficiency
Pre COVID-19 we were part way through a Neighbourhood Services review. We know that things like fly tipping are creating enquiries into the business. We were aiming to target some of our 'hotspots' as a way to improve our approach, improving our efficiency	Ethics Economy Effectiveness

Aim 2 – Delivering Value to Stakeholders

Delivered:	Principles
COVID-19; immediately launched our Stay In Stay Well project, using resources from across the whole business to phone customers who fell into the most vulnerable categories (initially the over 70s and then all over 60s / single people / other known vulnerable customers). Ensured vulnerable customers were properly supported, whilst also ensuring our referrals to our Local Authority partner's COVID-19 Community Hubs were appropriate. Made approximately over 6,000 individual calls. Customers report high levels of satisfaction in response to the calls	Equity Ethics Effectiveness
COVID-19; effective use of resources throughout lockdown. Services that were not able to be delivered during lockdown, resources were immediately diverted to support the local community effort. This included some of our repairs operatives helping support food distribution from the local Community Hubs. They have helped deliver over 5,000 food parcels to vulnerable families. We also helped to refurbish a local Hospital that was urgently needed by the hospital to help free up capacity in preparation for COVID-19	Equity Ethics Effectiveness
Two posts in the Health & Well Being Team (Service Manager and Community Health Manager) have been removed from the structure in March 2020 as a result of a team restructure	Economy
Phase one of the restructure/reorganisation of the Planning and Admin function within HMS is complete	Economy
Strategic Programme Board and Digital Programme Board established to monitor progress of projects within the Strategic and digital portfolio	Efficiency Effectiveness
A number of digital projects have now been delivered enabling a better service provision for customers and efficiencies and improvements for the business	Ethics Equity Effectiveness

In Progress:	Principles
There has been a focus from the Customer First project on streamlining processes and upskilling the Customer Services Team to resolve more complex enquires at first point of contact	Ethics Equity Efficiency
HMS Out of Hours consultation, meetings have taken place and consultation was due to close consultation on 31 March 2020, however due to COVID-19 we have extended this date to 31 July 2020	Efficiency Effectiveness Economy
Due to the large scale of the Professionalising Housing project, the restructure and review of Housing Advisor roles has been delayed until 2021 due to COVID-19. However, during Quarters 2 and 3 of 2020/21 the planned improvements of the service part of the project will go ahead, subsidised by the Apprentice Levy to upskill Housing colleagues	Economy
Our customer satisfaction measure has been at 86% for two years now. Our Business Change projects will deliver 'step change' such as through Customer First	Equity Ethics
Digital delivery is continuing and functionality including e-tenancy, e-signatures, end to end repairs booking and an improved Choose and Move platform are amongst the main projects expected to be delivered within the coming 12 months	Equity Ethics

Building more homes

In 2019/20 we invested a gross £67.4m in developing and acquiring 446 new homes.

Our Development Strategy 2020-24 sets out plans to build or acquire 2,200 new homes across the West Midlands region, with an expected gross cost of over £380m (excluding outright sale homes) which is aligned to, and funded by, our Business Plan. This includes 1,000 grant funded homes through our Strategic Partnership with Homes England. The programme balances investment in areas where rental or sales yields are high, generating additional income to support our social purpose, and is further supported by the reinvestment of proceeds from the disposal of poorly performing assets.

These new homes are being delivered by securing land and tendering the construction, by securing land and building packages with developers, and through s106 agreements. A detailed and comprehensive assessment of each scheme is undertaken to ensure it is viable and all associated risks can be mitigated. All schemes are expected to achieve a benchmark return on assets and strategic procurement and value engineering is used to achieve competitive build costs. The comprehensive records of new homes then become a part of our asset register.

Anthem Homes is our for-profit company to build homes for outright sale. We will largely work with private development partners through joint venture partnerships to deliver what we call 'profit for purpose' – investing profits in providing affordable homes that meet local housing need.

Maintaining and improving existing homes

Our Corporate Plan makes a firm commitment to deliver 'high quality homes and services to our customers'.

Our Asset Management Strategy directs how we actively improve the value from our assets by:

- maintaining our existing homes through responsive, preventative and planned maintenance;
- improving homes with low thermal ratings through a retrofit programme;
- improving neighbourhoods with an implementation of priority projects identified with customers; and
- increasing the numbers of homes in ownership though a new build programme and acquisition.

Each year we carry out a revaluation for internal purposes on a proportion of our homes at 'existing use value' to ensure we have sufficient value for security against loans. Increased property values each year reflect the significant investment we have made in our homes and rising markets.

We survey 20% of our stock each year to ensure we know our investment requirements and these feed into our Business Plan capital investment plans. We will be investing over £1.2bn in repairing, maintaining and improving our homes over the next 30 years. We invest in our existing housing stock in order to maintain homes to our 'Great Homes and Neighbourhoods Standard' and all of our properties meet the Government's Decent Homes Standard.

Our five-year investment plan represents a total investment of over £126m in maintaining our homes (excluding colleague costs). This prioritises work to properties with the greatest maintenance needs. The plan includes elemental replacements, health and safety works, neighbourhood improvements and energy efficiency works so all of our properties will have an energy rating of D or above by 2024. The legislation in respect of a minimum energy efficiency standard came into effect from April 2020. Properties will be required to be at a minimum decent home standard energy rating of E or above.

We spent a combined total of £43.3m on our existing homes in 2019/20 on component replacements, routine repairs, major repairs and planned repairs.

Our future aim is to achieve at least median performance on maintenance and major works costs per unit. We will achieve this by securing further efficiencies in the way we manage and deliver our maintenance programmes, retendering contracts and by using value engineering to reduce costs and waste – although not at the expense of safety.

In order to continue to deliver high quality homes for our customers we will actively appraise the performance of our homes, not just those that become empty or difficult to let. The appraisal will inform our decision on the best course of action for the homes we own so we maximise their value to customers and their financial return for our business.

Plan for improvement

A result of the investment to bring homes to a reasonable standard the maintenance cost per unit is high. A service review was carried out in March 2020 and there is a three-year plan to reduce expenditure and for us to achieve median quartile.

Social impact

We are proud of the positive impact we make through our investment in improving the health and prosperity of our customers and regenerating the neighbourhoods in which they live. The substantial social impact we make through our homes and services, the amount of social value we generate and the public money we save on annual basis as described in our Social Impact Report. During 2019/20 we generated social value of £39.4m.

Our social impact includes helping local residents to access employment, tackle poor health, and provide independence for customers who struggle with their mobility, deliver services to improve the wellbeing of our customers, improve our neighbourhoods, install measures to reduce fuel poverty and improve the energy efficiency of our homes and help sustain tenancies through money advice. We use the HACT Wellbeing Valuation Model as the principal methodology for measuring social value - it is a large bank of methodologically consistent and robust social values that provide a basic assessment of social impact, provide evidence of value for money, and allow us to compare the impact of different community investment programmes.

VALUE FOR MONEY PLANS FOR 2020/21 AND BEYOND

We plan to make further value for money gains and have a minimum target of £2.8m in 2020/21.

Value for money targets	**Target 2020/21 £m**
Lever in £0.1m of ECO funding in respect of rebate for using procurement framework on removal of gas at Hamilton & Woodall.	0.1
Recover VAT through our development and maintenance programmes.	1.6
Secure procurement savings.	0.1
Retender of the stores contract and no KPI fee resulting in a saving on the new stores contract.	0.3
Local Enterprise Funding for neighbourhood improvements	0.5
Advanced Methods of Construction grant funding awarded for research and development.	0.1
Margin uplift which is a forecast saving on the interest margin paid over to the banks.	0.1
Total	**2.8**

Value for money projects

We will deliver the following initiatives and projects to secure additional value for money in 2020/21:

- Collect and review evidence of value for money progress, gains, and social value achievements through a 'virtual evidence pack', progress report and Social Impact Report to tell the wider story of the broader positive value and impact on customers from the homes and services provided by whg;
- Work towards reducing cost per unit outliers;
- Continue to challenge ourselves to identify digital solutions to business operations: a new digital action plan is being developed to support the organisation's digital ambitions;
- Deliver a wide range of strategic change projects that will ensure we work as effectively as possible across the business.
- Re-procure the Tier 2 maintenance contracts to generate cost and efficiency savings and renew contracts for fire alarms and communal aerials to deliver VFM gains and ensure customers are safe;
- Deliver our Commercial Strategy and generate 'profit for purpose'.

Principal Risks and Uncertainties

The environment in which we operate produces inherent risks that we face in our everyday operations including economic challenges, government policy and social change. The Board clearly sets out its appetite to risk, providing the setting for business operations. We are not averse to taking on measured risk to deliver our objectives, but when taking these decisions, the Board fully appraises the risk to understand its potential impact.

The Risk Management Framework approved by the Board sets out the arrangements for identifying and managing risk in accordance with the Board's risk appetite.

The Group has adopted the three lines of defence risk management model, which is designed so that assurance is obtained through the strength and source of controls and the Group's reliance upon them.

The ongoing Risk Management Framework is overseen by the Risk Panel, Executive Team and Audit and Assurance Committee which remain focused on mitigating risks at all levels in the business. This ensures effective controls are in place. This approach is central to putting us in a strong position to achieve our strategic aims and embrace opportunities as they may arise.

The Board, as part of its review of risk management, has identified its most significant corporate risks and uncertainties, together with the mitigating actions taken in order to ensure that the risks are appropriately monitored and controlled. These risks have been reviewed to assess the impact of COVID-19 and any additional controls or assurance required. A summary of our Corporate Risk Register is set out below.

Risk	Steps taken to manage or mitigate
Customers do not / are not able to pay their rent.	Arrangements are in place to identify and support customers affected by welfare reforms and financial exclusion. Income collection is maximised through rigorous escalation procedures to prevent arrears increasing. In response to the impact of COVID-19 on customers' ability to pay rent, we are agreeing deferred payment plans and targeting money advice and we have provided additional colleague resource to ensure that we have the capacity we need to support customers. We have stress tested the projected arrears increase against the Business Plan and arrears and rent collected are included in a new suite of KPIs reported to Board.
Business Plan income targets are not achieved.	Income from all streams is monitored and the Business Plan stress tested against a range of scenarios, including increased voids, under-performance of the development programme and conversion of new homes intended for sale to rental homes and potential Brexit or COVID-19 related issues. A number of potential mitigations have been identified in the Budget that, if required, could generate operating surplus savings and improve cash/liquidity by March 2021. The new suite of KPIs reported to Board includes forecast surplus and cash position.

Risk	Steps taken to manage or mitigate
Failure to achieve desired outright sale/Shared Ownership sales goals	Joint venture arrangements with developers reduce exposure to any market downturn relating to outright sale homes. Potential schemes are robustly assessed to meet financial criteria and quality standards. Shared Ownership homes are marketed, and sales proactively managed, by an experienced team to start to secure sales ahead of completion. COVID-19 impacted sales due to delays in completions or customers being unable to move home. Part of our mitigation strategy is to convert unsold Shared Ownership homes to rental tenures we are currently experiencing high demand. Unsold homes are included in the new suite of KPIs reported to Board.
Appropriate levels of funding are not available.	We have an effective Treasury Management Strategy in place that will ensure funding is in place for a minimum of three years and is linked to the Business Planning process. Stress testing of the Business Plan in relation to COVID-19 shows a potential loss in total surplus and impact on liquidity. Mitigation strategies are being explored and our funding arrangements have been discussed with lenders.
Failure to meet deadlines and successfully deliver the development/ build programme.	Performance targets are monitored, and robust scheme assessments and contractor due diligence is carried out. COVID-19 has had a temporary impact on our completions and pipeline and our ability to let properties. The financial impact from the updated stress testing is that projected rental income from new build homes will reduce but there may be some opportunity to increase our stock at a reduced price. Decisions made by the Board will consider our liquidity and Golden Rules as well as our risk appetite.
Insufficient skilled colleague resource to meet operational and strategic needs.	The Group invests in training and developing colleagues and the annual budgeting process includes a review of the resources needed. It has processes in place to identify ongoing needs at team and individual level. The Group also places a strong focus on colleague engagement. Services have continued to be provided despite COVID-19 and all roles that could be performed remotely from home were enabled through the use of technology, with front line services being delivered digitally or scaled back to protect colleagues and customers.
Customer safety failure (gas, electrical, water, asbestos, fire, mechanical equipment).	The Group has a robust Quality Assurance process in place with appropriate testing and inspection. All gas servicing is completed in-house with a programme to ensure gas servicing visits are planned appropriately. COVID-19 resulted in an initial reduction in service but all essential safety checks and works are now being completed where possible. The new suite of KPIs reported to Board includes customer safety measures.

Risk	Steps taken to manage or mitigate
Information security breach.	We have a resilient security network and strong technical controls and arrangements to ensure that data is held securely. User access to systems is controlled and monitored using system access request. Our IT estate is protected by firewalls and other systems security measures, which are subject to third party penetration testing. We are aware that cyber security is a constant threat, which is why we have our own in-house Cyber Security specialist, as well as retaining specialist third party support for cyber security. We are working towards Cyber Essentials Plus accreditation.
Failure to meet regulatory/ and statutory requirements.	The Group has resources in place to identify requirements, assess compliance and progress any actions. Scrutiny arrangements and reviews of policies and procedures ensure any new requirements are complied with. We are closely monitoring compliance during the COVID-19 pandemic.
Failure to deliver against whg's health and prosperity targets.	whg has teams responsible for supporting customers into employment or training, with health and wellbeing initiatives and money advice. Performance targets are set and monitored and work with delivery partners is managed through Service Level Agreements. Services are being delivered remotely where possible in response to COVID-19 and we continue to work in partnership with other agencies.
Failure to maintain assets in line with regulatory standards and customer expectations.	The Group has a dedicated team to maintain assets in line with the Asset Management Strategy which is underpinned with asset condition surveys. The Asset Management Strategy is a critical business tool for us to align our property assets with business need; directly linked to the Corporate Plan and supported by the 30-year Business Plan. We have a recovery plan for addressing the backlog from COVID -19 and we have developed resilience plans for further restrictions.
Failure of strategic change projects.	There is a robust project management process in place with governance oversight of strategic projects. Resource planning and impact assessments are included as key features of the process. The project portfolio has been reprioritised due to COVID-19.
The business does not have the technical resource to deliver the Corporate Plan.	The Group maintains a high level of technical expertise and relevant skills. The IT infrastructure is managed so as to ensure appropriate systems are in place and are used effectively. This risk is largely unaffected by COVID-19, with the Information Technology Resource operating at full capacity and enabling the majority of colleagues to work remotely.

Energy and Carbon Reporting

The UK government's Streamlined Energy and Carbon Reporting (SECR) policy was implemented on 1 April 2019, when the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 came into force. whg meet SECR qualification criteria in the UK.

whg has opted to use the Operational Control boundary definition to define their carbon footprint boundary. The reporting period for the compliance is 1 April 2019 – 31 March 2020. Included within that boundary are Scope 1 & 2 emissions, as well as Scope 3 emissions from gas, electricity, company fleet and grey fleet in the UK. The GHG Protocol Corporate Accounting & Reporting Standard and UK Government's GHG Conversion Factors for Company Reporting have been used as part of carbon emissions calculation.

The results show that whg's total energy use and total gross Green House Gas (GHG) emissions amounted to 10,193,619 kWh and 2,321 tonnes of CO2 emissions (e) respectively in the 2019/20 financial year in the UK. Within the financial year, whg purchased 100% green electricity. Furthermore, whg generated 401,084 kWh of electricity through solar panels at 120 sites and 50% of the generated amount exported to the grid. As a result of these activities, whg's GHG emissions dropped by 1,056 tonnes and the total net emissions amounted to 1,264 tonnes of CO2e during the reporting year.

The results are presented in the following tables:

Table 1 emissions

Type of emissions	Activity	kWh	tCO2e	% of Total
Direct (Scope 1)	Natural Gas	2,676,189	492	21%
	Company Fleet	2,577,458	631	27%
	PV Generation	401,084	-	-
	Subtotal	**5,654,731**	**1,123**	48%
Indirect (Scope 2)	Electricity	3,931,800	1,005	43%
	Subtotal	**3,931,800**	**1,005**	**43%**
Indirect (Scope 3)	Grey Fleet	807,630	193	9%
	Subtotal	**807,630**	**193**	**9%**
	Total	**10,394,161**	**2,321**	**100%**
	PV Exported energy to the grid	**(200,542)**	**-**	**-**
	Total energy usage kWh	**10,193,619**	**-**	**-**

Table 2 Intensity Metric

Measure	Output
Total Energy Use (kWh)	10,193,619
Total Gross Emissions (tCO2e)	2,321
Renewable Electricity (tCO2e)	(1,005)
Electricity Exported to Grid (tCO2e)	(52)
Total net emissions	1,264
Number of Full Time Employees (FTE)	704
Tonnes of gross CO2e per FTE	3.3

We have chosen 'Tonnes of CO2e per FTE' as an intensity metric as this is an appropriate metric for the business. The company will compare their performance over time with this metric.

Energy Efficiency

whg has invested significantly over many years to eliminate their E, F and G properties. The aim over the next five years is to have no property less than a D rating and to have a clear target date for their properties and buildings to be carbon zero.
Within the 2019/ 2020 financial year, whg completed:

- 1,130 energy efficient measures of either thermal or heating improvements.
- 461 loft insulations.
- 625 boiler or full heating replacements to new energy efficient central heating systems.
- 44 external wall insulation which included new roofs and windows on their properties.

It is anticipated that 7,105,000 kWh energy is going to be saved over the next 5 years through these energy efficiency measures, which could lead to a potential saving of a further 1,600 tonnes of CO2e.

One of our Corporate Plan success measures is to develop a road map to achieve Carbon Neutral status.

Statement by the directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006

The Board of Directors of Walsall Housing Group Limited consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act) in the decisions taken during the year ended 31 March 2020. In particular, by reference to the approval of our 10-year Corporate Business Plan launched in 2014.

Our plan was designed to have a long-term beneficial impact on the company and to contribute to its success in delivering a quality homes and service to our customers. We will continue to operate our business within tight budgetary controls and in line with our regulatory targets.

Our colleagues are fundamental to the delivery of our plan. We aim to be a responsible employer in our approach to the pay and benefits our colleagues receive. The health, safety and well-being of our colleagues are primary considerations in the way we do business. (See pages 33-34 for more details on colleagues). We work to attract, develop and retain the best talent, equipped with the right skills for the future. Our people have a crucial role in delivering against our strategy and creating value.

Our plan was informed by engagement with customers, enabling us to gain an understanding of their views and priorities, communicating and listening. We have a strong commitment to quality.

We also aim to act responsibly and fairly in how we engage with our suppliers. We depend on the capability and performance of our suppliers, contractors and other partners, such as small businesses to help deliver the products and services we need for our operations and our customers.

Our plan took into account the impact of the company's operations on the community and environment and our wider societal responsibilities, and in particular how we impact the regions we serve throughout the Midlands. See pages 28-29 for more detail on the work whg does to improve its impact on the environment.

whg is well run and has tight budgetary controls ensuring we achieve our budgeted targets each year. This provides assurance to our bank lenders and to our investors in the debt capital markets.

As the Board of Directors, our intention is to behave responsibly and ensure that management operate the business in a responsible manner, operating within the high standards of business conduct and good governance expected for a business such as ours and in doing so, will contribute to the delivery of our plan. The intention is to nurture our reputation, through both the construction and delivery of our plan that reflects our responsible behaviour.

Statement of Compliance with the SORP

The Board confirms that this Strategic Report has been prepared in accordance with the principles set out in the 2018 Update of the SORP for Registered Social Housing Providers.

The Strategic Report of the Board was approved by the Board on 10 September 2020 and signed on its behalf by:

Danielle Oum
Chair of the Board
10 September 2020

The Report of the Board

The Board presents its report and audited Financial Statements for the year ended 31 March 2020.

The Group

The Group is a not-for-profit organisation with properties throughout the Midlands. The Group as of 31 March 2020 owns and manages 21,263 homes.

Principal Activities

The Group's principal activities are the development and management of social housing.

Board Statement of Public Benefit

The Group's aims and activities primarily benefit people in the following ways:

- Provision of housing at rents below market levels for those in housing need;
- Related home repair, improvement and tenancy management services;
- Support services that tackle social exclusion, money management and fuel poverty on the basis of identified needs;
- Community interest activity aimed at helping residents into work or training; promoting new enterprise and health and wellbeing in the communities we work in;
- Environmental initiatives that reduce our impact on the areas we work in and increase fuel efficiency for our customers.

The Board has concluded that our activities are in the public interest as defined in the Charity Commission's guidance. Our activities are 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 our residents.

Governance

The Non-Executive Board Members and the Executive Directors are listed on page 1.

Walsall Housing Group Limited is registered with the RSH as a registered provider of Social Housing, as a company limited by guarantee at Companies House and as a registered charity. whg is the legal parent of the Group and owns and manages the properties. It has seven subsidiaries, none of which are registered providers.

The Board, made up of eleven Non-Executive Board Members and one Executive Director, is responsible for the Group's governance. The Board meets regularly, with additional development days, training and breakfast sessions. The Board works alongside the Executive Team which is responsible for the day to day management of the Group's activities. The Board complies with the National Housing Federation Code of Governance and can have a maximum of 12 Members.

The Board is supported by Committees which are responsible for Audit and Assurance, Governance and Remuneration, Development, and Customer Experience. Committee Members are appointed by the Board and each Committee is chaired by a Board Member, providing accountability to the Board.

Complying with the National Housing Federation (NHF) Code of Governance

The Board has chosen to adopt the NHF Code of Governance. This Code is designed to ensure that housing providers such as whg maintain the highest possible standards of corporate governance. The principle underpinning the Code is that organisations should either confirm that they comply with all the requirements or explain any areas of non-compliance.

The subsidiaries have also adopted the Code where it is relevant.

Following thorough scrutiny of our compliance with the Code by the Governance and Remuneration Committee, the Board has concluded that whg is compliant with the Code in all areas.

Board Statement on compliance with RSH's Governance and Financial Viability Standard

The Board has completed an annual assessment of our compliance with the RSH's Governance and Financial Viability Standard and is fully compliant in all material respects. This includes using all reasonable endeavours to ensure compliance with all relevant law. An assessment has been carried out across the business of how whg identifies and complies with relevant legislation and keeps abreast of any new areas requiring compliance.

Our procedures ensure that we comply with statutory guidance in areas such as health and safety, for example, legionella testing and gas safety. whg has effective and robust governance arrangements in place that enable us to successfully deliver our Corporate Plan and improve our services to customers. Tight procedures are in place to ensure that we remain viable and that our assets are not put at risk.

General Data Protection Regulation

whg respects an individual's right to data privacy and data protection in line with the General Data Protection Regulation (GDPR) that came into effect on 25 May 2018.

Board Statement on Modern Slavery

This statement is made under Section 54(1) of the Modern Slavery Act 2015. It constitutes whg's Anti-Slavery and Human Trafficking Statement for the financial year ending 31 March 2020.

This statement is approved by the Board and applies to all organisations within the Group. It is reviewed and updated annually.

whg is committed to acting ethically and with integrity in all its business relationships. We have taken steps to ensure that adequate processes and controls are in place to ensure slavery and human trafficking is not taking place anywhere in our supply chains.

To read the full statement, visit: **https://www.whg.uk.com/modern-slavery-act/**

Colleagues

whg has a strategic aim to be an exceptional place to work that attracts, develops and retains talent. Through our varied recruitment techniques, we promote whg as a customer focused organisation with a strong social purpose, to ensure that we attract and recruit the right candidates for whg. whg's HR Team work closely with its Employment and Training Team to develop programmes which support the recruitment of customers. .

We expect colleagues to live our values; we empower colleagues and inspire 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 through a range of channels, including a growing range of digital platforms.

We offer competitive salaries, a range of benefits and a fantastic working environment. Benefits include a choice of pension schemes one of which is a defined benefit scheme, a health cash plan a range of confidential support services, which include access to physiotherapy, counselling and cognitive behavioural therapy. All colleagues are also entitled to 27 days annual leave, time off for public duties, and other generous schemes that are in excess of statutory minimums.

We promote the continued health, safety and wellbeing of all our colleagues through our 'Be A Better You' programme, which is aimed at raising the awareness of health of the body and mind, and ensure that a culture of health and safety is embedded across all areas of operation.

Equality, Diversity and Inclusion (EDI)

Equality, diversity and inclusion is important to us and we are committed to embedding a culture of fairness and mutual trust and respect.

We aim to have a workforce that is representative of the communities we serve at all levels and target recruitment campaigns to address areas of imbalance.

We regularly monitor our performance in relation to EDI and have an action plan in place to improve performance in this area.

Learning and Development

A strategic learning needs analysis is undertaken annually with senior leaders to map the challenges ahead and ensure training and development interventions are aligned to business requirements. This determines the focus and content of learning and development interventions for all colleagues and leaders. Training and development is tailored and targeted to roles or services as part of a blended learning offer integrating online learning.

Compliance and regulatory training is systematically planned and delivered to ensure all required certifications are valid and maintained.

Individual development needs are identified in real time through performance check-ins and responded to as necessary. Colleagues' individual needs are met by attendance at external conferences, seminars or workshops to maintain service specific knowledge currency or through best practice network meetings.

Opportunities for work shadowing, secondments and access to the mentoring scheme encourage colleagues to take responsibility for their development to support their future aspirations. whg also manages and develops its talent through various programmes, such as Dare to Lead and Mate to Manager programmes.

The Learning and Development Team works in partnership with leaders and managers to design and deliver service specific workshops and team development events, tailored to support service improvements and embed our values.

The Learning and Development Team is actively engaged with whg's Business Change and Projects Teams to scope, design and deliver the learning necessary to underpin the successful implementation and embedding of project outcomes, be it new technology, customer focused campaigns or outcomes from service reviews.

Professional qualifications are supported to support colleagues' specialist and technical competence, as well as upskilling to support internal talent management for progression and succession planning. We maximise the use of the Apprenticeship Levy to facilitate professional development on the job.

Apprenticeships are central to recruiting, developing and growing a talent pool within the organisation. Consistently exceeding the target of having 25 apprentices in the business in each year, whg provides high quality learner focused training and qualifications with approved training providers.

Employee Relations

To foster good workplace communications, local trade union representatives meet regularly with senior leaders to discuss and exchange views on matters of mutual concern and interest.

Other Information

Where information is not shown within the Report of the Board it is instead included within the Strategic Report starting on page 5 under S414c (11) Companies Act 2006.

Qualifying Third Party Indemnity Provisions

The Directors have third party indemnity insurance through the Company.

Energy and Carbon Report

See page 28-29 for whg Energy and Carbon Report.

Future Prospects

See page 8 of the Strategic Report for a review of whg future developments.

Going Concern

The Group's business activities, together with the factors that are likely to affect its future position, performance and development, are set out within the Strategic Report. The Group has long-term debt facilities in place which provide adequate resources to finance day to day operations, reinvestment in existing homes, together with meeting our targets for new development programmes.

The Group also has a long-term Business Plan which shows that it can service these debt facilities whilst continuing to comply with lenders' covenants. The Business Plan is regularly tested against shocks and stresses that may negatively affect operating performance and a mitigation strategy exists to deal with such stresses should they materialise.

The impact of COVID-19 has been assessed and we have performed stress tests on the approved budget for 2020/21. The scenarios modelled considered both short and long-term disruption during the 2020/21 year but expected a return to more usual operating conditions in the following year. These were reviewed by the Board on 26 March 2020.

After monitoring performance and activity in the period to June 2020, a revised budget was prepared reflecting this performance and our updated expectations for the rest of the financial year. This budget was approved by the Board in July 2020. This budget, together with assumptions on the impact on subsequent years, was included in the update of the Business Plan, which was approved by the Board in August 2020.

Although there is still a degree of uncertainty in the operating environment, the current forecasts and projections show that the Group remains financially viable against these stress tests. The areas likely to be of concern were considered to be:

- home sales will not happen as planned;
- new homes from development will not handover as planned;
- customers will struggle to pay rent;
- properties will remain void for longer due to greater turnover and the inability to complete repairs;
- increased costs to aid recovery may be experienced;
- there may be Increased operational inefficiencies within whg; and
- Development and Asset Management activity will change.

The most significant areas that have been reviewed are rental income, void losses, maintenance, and sales activity. Whilst we have an expectation that rent arrears and void losses will increase, we will also experience a deferment in some of our maintenance activity as we concentrate on safety and compliance works. We also expect sales activity and sales income to be deferred, but we have also experienced a short term stand still in new development activity and a deferment of any development expenditure which resulted in a real cash saving during the first quarter of 2020/21.

We have reviewed budgets to include mitigations that will deliver a revised budget position that manages our short-term concerns. Maintenance slippage is expected to be greater than the 10% used in the stress test, especially on major repairs where programmes will be re-profiled into later years. The net cash effect experienced to the date of these accounts has been positive due to the delays in the development programme.

Two pessimistic scenarios were prepared which included:

- 50% / 100% decrease in sales activity affecting Shared Ownership and Right to Buy
- Arrears increase to 4% / 6%
- Bad debts increase to 2% / 3%
- Void rent losses increase to 2% / 3%
- Additional recovery costs of £2m / £5m
- 10% / 25% slippage in all maintenance activities

The net impact of these assumptions before mitigation is shown below. The interest cover for loan purposes is the tightest covenant and this is still met, even in the more pessimistic scenario.

	Approved Budget 2020/21	**Short term stress test**	**Long term stress test**	**Revised Budget 2020/21**
Net Surplus £m	£23.16m	£13.87m	£2.03m	£21.12m
Interest Cover	1.95	1.60	1.14	1.99
Headroom £m	£17.7m	£10.3m	£0.9m	£18.6m

The revised budget for 2020/21 reduces the original budget total surplus by £2m to £21.1m and the capital budget by £11.7m to £75.9m. The revised budget projects that the Group will continue to report a healthy surplus, safeguarding the future viability of the organisation and meeting the expectations of our customers, investors and the RSH.

The revised forecast financial position will show total assets less current liabilities of £646.5m including cash and investments of £68.1m. Our net asset position is anticipated to be £150.8m.

The budget anticipates exceeding our interest cover covenant with significant headroom of £18.6m. Likewise, the proposed budget net debt per unit at £16.1k is substantially less than the banks' limit of £25k. The budgeted operating margin remains above 30.0% meeting our Corporate Plan aim.

Our worst-case scenario showed that net surplus (before mitigations) could be as low as £2m but, even at this level the interest cover covenant would still be met at 1.14, with £0.9m headroom.

The Group has a very strong liquidity position with £117m cash holding at 31March 2020 and with undrawn revolving facilities of £49m, so the Board is of the opinion that the Group has more than sufficient resources to meet its liabilities as they fall due.

The updated Business Plan has been prepared using the assumptions and forecasts within the revised budget and includes deferred expenditure carried forward from the current year. The Plan, which was approved by the Board in August 2020, showed that performance remained strong and that all covenants continue to be comfortably met.

On this basis, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months after the date on which the report and Financial Statements are signed. For this reason, it continues to adopt the going concern basis in the Financial Statements and expects to remain a going concern over the life of the Business Plan.

Board Statement on the Effectiveness of Internal Control

The Board holds 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 its responsibilities, the 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. This is reflected in every report considered by each Board, as well as being the subject of regular review by the Audit and Assurance Committee.

The Board is of the opinion that internal control arrangements are effective.

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 Assurance Committee oversees the Risk Management Framework and the work of internal and external auditors. The Group's Risk Management Framework approved by the Board, sets out the Group's attitude to risk in the achievement of its objectives, and 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 Team regularly considers reports on these risks and the Group Chief Executive is responsible for reporting any significant change affecting key risks to the Committee.

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 compliance with 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 Business Plan forecasts for subsequent years. These are approved by the Board. Budgets are monitored throughout the year by the Board. In addition, regular reports cover performance in key areas such as rent collection, managing voids, major works and responsive repairs.

Monitoring arrangements to check the effectiveness of internal controls

Regular reporting to management, 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 Board, via the Audit and Assurance Committee. The arrangements include a rigorous procedure, monitored by the Committee, for ensuring that corrective action is taken in relation to any significant control issues.

The Audit and Assurance Committee and Board receive an annual report on internal controls from the Group Chief Executive on behalf of the 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 Audit and Assurance Committee on behalf of the Board.

Fraud Assurance

The work with our internal auditors ensures that controls are designed to reduce the risk of fraud and to respond to suspected instances of fraudulent activity. The policies on fraud prevention and whistle blowing address any specific issues arising. These policies are reviewed regularly.

Statement of Board Responsibilities

The Board is responsible for preparing the Report of the Board, the Strategic Report 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 income and expenditure of the Group and the Company for that period. In preparing those Financial Statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and the company will continue in business.

The Board and the Executive Team 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.

Disclosure of Information to the Auditor

Each Member of the Board has taken all the steps required of them by the Board Members' duty to exercise due care, skill and diligence in order to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Auditor

A resolution to reappoint RSMUK Audit LLP as the external auditor will be proposed at the forthcoming annual general meeting.

This report was approved by the Board and authorised for issue on 10 September 2020 and signed on its behalf by:

Danielle Oum
Chair of the Board
10 September 2020

Independent Auditor's Report To The Members Of Walsall Housing Group

Opinion

We have audited the Financial Statements of Walsall Housing Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2020 which comprise the Consolidated and Company Statements of Total Comprehensive Income, Consolidated and Company Statements of Changes in Reserves, Consolidated and Company Statements of Financial Position, Consolidated Statement of Cash Flows and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 2020 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;
- have been properly 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 2019.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report, other than the Financial Statements and our auditor's report thereon. The Board is responsible for the other information. Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Report of the Board.

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

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

Respective responsibilities of the Board

As explained more fully in the Statement of Board Responsibilities set out on pages 38-39, the Board (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, and for such internal control as the Board determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Board is responsible for assessing the group's and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

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

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

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

Use of our report

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

RSM UK Audit LLP

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

Date 15 September 2020

Consolidated Statement of Total Comprehensive Income for the year ended 31 March 2020

	Note	2020 £000	2019 Restated £000
Turnover	3	112,183	108,635
Operating expenditure	3	(83,592)	(76,968)
Surplus on disposal of housing property	3	8,993	5,919
Operating surplus	5	37,584	37,586
Movement in fair value of investment properties	15	969	(48)
Surplus on disposal of property, plant and equipment	6	107	845
Interest receivable and other income	7	867	611
Interest and financing costs	8	(20,784)	(20,057)
Movement in fair value of financial instruments	25,35	(1,293)	(141)
Surplus for the year before tax		17,450	18,796
Taxation	11	16	(8)
Surplus for the year after tax		17,466	18,788
Other comprehensive income / (expenditure):			
Initial Recognition of SHPs multi- employer defined benefit scheme	27	-	(113)
Remeasurements – Actuarial gain in respect of pension schemes	27	4,176	14,623
Total comprehensive income for the year		21,642	33,298

The consolidated Financial Statements were approved by the Board on 10 September 2020.

Danielle Oum
Chair

Gary Fulford
Group Chief Executive

The consolidated results relate wholly to continuing activities.

The accompanying Notes form part of these Financial Statements.

Company Statement of Total Comprehensive Income for the year ended 31 March 2020

	Note	2020 £000	2019 Restated £000
Turnover	3	112,017	109,288
Operating expenditure	3	(83,470)	(76,388)
Surplus on disposal of housing property	3	8,993	5,919
Operating surplus	5	37,540	38,819
Movement in fair value of investment properties	15	969	(48)
Surplus on disposal of property, plant and equipment	6	107	777
Interest receivable and other income	7	1,024	642
Interest and financing costs	8	(10,747)	(10,543)
Interest and financing costs to Group undertakings	8	(10,037)	(9,414)
Movement in fair value of financial instruments	25,35	(1,293)	(141)
Gift Aid		257	-
Surplus for the year before tax		17,820	20,092
Taxation	11	-	-
Surplus for the year after tax		17,820	20,092
Other comprehensive income/(expenditure):			
Initial Recognition of SHPs multi- employer defined benefit scheme	27	-	(113)
Remeasurements – Actuarial gain in respect of pension schemes	27	4,176	14,623
Total comprehensive income for the year		21,996	34,602

The Financial Statements were approved by the Board on 10 September 2020.

Danielle Oum
Chair

Gary Fulford
Group Chief Executive

The Company's results relate wholly to continuing activities.

The accompanying Notes form part of these Financial Statements.

Consolidated Statement of Changes in Reserves for the year ended 31 March 2020

	Income and expenditure reserve £000	Total £000
Balance as at 1 April 2018	74,769	74,769
Surplus for the year	18,788	18,788
Other comprehensive expenditure for the year	(113)	(113)
Other comprehensive income for the year	14,623	14,623
Balance at 31 March 2019	108,067	108,067
Surplus for the year	17,466	17,466
Other comprehensive expenditure for the year	-	-
Other comprehensive income for the year	4,176	4,176
Balance at 31 March 2020	129,709	129,709

Company Statement of Changes in Reserves for the year ended 31 March 2020

	Income and expenditure reserve £000	Total £000
Balance as at 1 April 2018	89,229	89,229
Surplus for the year	20,092	20,092
Other comprehensive expenditure for the year	(113)	(113)
Other comprehensive income for the year	14,623	14,623
Balance at 31 March 2019	123,831	123,831
Surplus for the year	17,820	17,820
Other comprehensive expenditure for the year	-	-
Other comprehensive income for the year	4,176	4,176
Balance at 31 March 2020	145,827	145,827

Consolidated Statement of Financial Position

At 31 March 2020 **Company No. 4015633**

	Note	2020 £000	2019 £000
Fixed Assets			
Intangible assets	12	2,430	2,629
Tangible fixed assets - Housing Properties	13	490,644	435,682
Tangible fixed assets - Other Fixed Assets	14	14,476	15,147
Investment properties	15	9,550	8,581
Other Investments		20	20
Homebuy loans receivable	16	137	137
		517,257	462,196
Current Assets			
Properties held for sale	18	13,805	10,983
Trade and other debtors	19	9,823	9,290
Debtors due in more than one year	20	7,730	-
Investments	35	10,242	10,155
Cash and cash equivalents	35	117,154	112,502
		158,754	142,930
Creditors: Amounts falling due within one year	21	(57,549)	(26,907)
Net current assets		101,205	116,023
Total assets less current liabilities		618,462	578,219
Creditors: Amounts falling due after more than one year	22	473,653	455,659
Provisions for liabilities			
Defined Benefit Pension provision	27	14,242	13,847
Other provision	28	858	646
Total net assets		129,709	108,067
Reserves			
Income and expenditure reserves		129,709	108,067
Total Reserves		129,709	108,067

The accompanying Notes form part of these Financial Statements.
The Financial Statements on pages 43 to 96 were approved by the Board and authorised for issue on 10 September 2020 and are signed on its behalf by:

Danielle Oum
Chair

Gary Fulford
Group Chief Executive

Company Statement of Financial Position

At 31 March 2020 **Company No. 04015633**

	Note	2020 £000	2019 £000
Fixed Assets			
Intangible assets	12	2,430	2,629
Tangible fixed assets – Housing properties	13	508,774	453,860
Tangible fixed assets – other fixed assets	14	14,476	15,147
Investment properties	15	9,550	8,581
Homebuy loans receivable	16	137	137
Investment in subsidiaries	17	100	100
Other Investments		20	20
		535,487	480,474
Current Assets			
Properties for sale	18	12,137	9,330
Trade and other debtors	19	10,119	9,842
Debtors due in more than one year	20	10,211	2,480
Investments	35	10,242	10,155
Cash and cash equivalents	35	113,900	108,553
		156,609	140,360
Creditors: Amounts falling due within one year	21	(57,516)	(26,851)
Net current assets		99,093	113,509
Total assets less current liabilities		634,580	593,983
Creditors: Amounts falling due after more than one year	22	473,653	455,659
Provisions for liabilities			
Defined benefit Pension provision	27	14,242	13,847
Other provision	28	858	646
Total net assets		145,827	123,831
Reserves			
Income and expenditure reserve		145,827	123,831
Total Reserves		145,827	123,831

The accompanying Notes form part of these Financial Statements.
The Financial Statements on pages 43 to 96 were approved by the Board and authorised for issue on 10 September 2020 and are signed on its behalf by:

Danielle Oum
Chair

Gary Fulford
Group Chief Executive

Consolidated Statement of Cash Flows

	Note	2020 £000	2019 £000
Net cash generated from operating activities	30	**44,710**	**45,457**
Cash flow from investing activities			
Purchase of tangible fixed assets - housing properties		(68,587)	(50,836)
Purchase of tangible fixed assets - other		(845)	(1,771)
Loan to non-group entity		(7,730)	(20)
Proceeds from sale of tangible assets		10,784	8,137
Grants received		9,601	2,822
Interest received		630	564
		(56,147)	**(41,104)**
Cash flow from financing activities			
Interest paid		(16,008)	(20,295)
Retained bond issue		32,184	-
Withdrawal from deposits		(87)	(71)
		16,089	**(20,366)**
Net change in cash and cash equivalents		**4,652**	**(16,013)**
Cash and cash equivalents at beginning of the year		**112,502**	**128,515**
Cash and cash equivalents at end of the year		**117,154**	**112,502**

The accompanying Notes form part of these Financial Statements.
A reconciliation of net debt is shown in note 30A.

Notes to the Financial Statements

1. Legal Status

Walsall Housing Group Limited is a company limited by guarantee, registered under the Companies Act 2006 and is an English registered charity and social housing provider. Walsall Housing Group is a public benefit entity. The Company's registered office address and principal place of business is: 100 Hatherton Street, Walsall, WS1 1AB.

Walsall Housing Group's principal activities and the nature of the Company's operations can be found in the Group profile on page 5. Walsall Housing Group (the Group) comprises the following entities:

Name	Incorporation	Registration
Walsall Housing Group Limited	Limited by Guarantee	Reg. No. 04015633
	Registered Provider	Reg. No. L4389
	Registered Charity	Reg. No. 1108779
whg Treasury PLC	Limited by Shares	Reg. No. 09138070
whg Developments Limited	Limited by Shares	Reg. No. 07872595
whg Trading Company Limited	Limited by Shares	Reg. No. 05407219
Anthem Homes Limited	Limited by Shares	Reg. No. 10591652
Cricket Close LLP	Limited Liability Partnership	Reg. No. OC417013
Visionary Investment Enhancing Walsall Limited (VIEW)	Community Benefit Society	Reg. No. 29907R
Buy For Good CIC	Limited by Guarantee Community Interest Company	Reg. No. 07548143

*Walsall Housing Group Limited also has 50% share (via the Anthem Homes subsidiary) in a joint venture Anthem Lovell LLP (Registration number OC425694). This is not a subsidiary of the Group.

2. Accounting policies

Basis of Accounting

The consolidated Financial Statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice (SORP): "Accounting by Registered Social Landlords" updated in 2018, and comply with the Accounting Direction for Private Registered providers of Social Housing 2019 (the Accounting Direction). They have been prepared under the historical cost convention, modified to include certain financial instruments and investment properties at fair value.

Monetary amounts in these Financial Statements are rounded to the nearest whole £1,000, except where otherwise indicated.

The Board is satisfied that the current accounting policies are the most appropriate for the Group.

Basis of Consolidation

The consolidated Financial Statements incorporate those of the Company and all of its subsidiaries (i.e. entities that the Group controls though its power to govern the financial and operating policies so as to obtain economic benefits). All Financial Statements are made up to 31 March 2020.
All intra-Group transactions and balances between Group companies are eliminated on consolidation.
The wholly owned subsidiaries which are consolidated are listed at a) above.

Joint Ventures

An entity is treated as a joint venture where a member of the Group holds an interest and shares control under a contractual agreement with one or more parties external to the Group. In the Group accounts, joint ventures are accounted for using the equity method. Under this method, where the venturer itself is not a parent, the fair value model is adopted, and an equity investment is initially recognised at the transaction price (including transaction costs). Changes in fair value are recognised where it is practicable to do so. Where it is impracticable to measure fair value reliably or without undue cost or effort, the cost model will be used in accordance with the provisions of FRS102. Dividends and other distributions received from the investment are recognised as income without regard to whether the distributions are from accumulated profits of the jointly controlled entity arising before or after the date of acquisition.

Reduced Disclosures

The individual accounts of Walsall Housing Group Limited have adopted the following disclosure exemptions:
- the requirement to present a statement of cash flows and related Notes
- financial instrument disclosures, including:
  - categories of financial instruments,
  - items of income, expenses, gains or losses relating to financial instruments, and
  - exposure to and management of financial risks.

Going Concern

The Group's business activities, together with the factors that are likely to affect its future position, performance and development, are set out within the Strategic Report. The Group has long-term debt facilities in place which provide adequate resources to finance day to day operations, reinvestment in existing homes, together with meeting our targets for new development programmes.

The Group also has a long-term Business Plan which shows that it can service these debt facilities whilst continuing to comply with lenders' covenants. The Business Plan is regularly tested against shocks and stresses that may negatively affect operating performance and a mitigation strategy exists to deal with such stresses should they materialise.

The impact of COVID-19 has been assessed and we have performed stress tests on the approved budget for 2020/21. The scenarios modelled considered both short and long-term disruption during the 2020/21 year but expected a return to more usual operating conditions in the following year. These were reviewed by the Board on 26 March 2020.

After monitoring performance and activity in the period to June 2020, a revised budget was prepared reflecting this performance and our updated expectations for the rest of the financial year. This budget was approved by the Board in July 2020. This budget, together with assumptions on the impact on subsequent years, was included in the update of the Business Plan, which was approved by the Board in August 2020.

Although there is still a degree of uncertainty in the operating environment, the current forecasts and projections show that the Group remains financially viable against these stress tests. The areas likely to be of concern were considered to be:

- home sales will not happen as planned;
- new homes from development will not handover as planned;
- customers will struggle to pay rent;
- properties will remain void for longer due to greater turnover and the inability to complete repairs;
- increased costs to aid recovery may be experienced;
- there may be Increased operational inefficiencies within whg; and
- Development and Asset Management activity will change.

The most significant areas that have been reviewed are rental income, void losses, maintenance, and sales activity. Whilst we have an expectation that rent arrears and void losses will increase, we will also experience a deferment in some of our maintenance activity as we concentrate on safety and compliance works. We also expect sales activity and sales income to be deferred, but we have also experienced a short term stand still in new development activity and a deferment of any development expenditure which resulted in a real cash saving during the first quarter of 2020/21.

We have reviewed budgets to include mitigations that will deliver a revised budget position that manages our short-term concerns. Maintenance slippage is expected to be greater than the 10% used in the stress test, especially on major repairs where programmes will be re-profiled into later years. The net cash effect experienced to the date of these accounts has been positive due to the delays in the development programme.

Two pessimistic scenarios were prepared which included:

- 50% / 100% decrease in sales activity affecting Shared Ownership and Right to Buy
- Arrears increase to 4% / 6%
- Bad debts increase to 2% / 3%
- Void rent losses increase to 2% / 3%
- Additional recovery costs of £2m / £5m
- 10% / 25% slippage in all maintenance activities

The net impact of these assumptions before mitigation is shown below. The interest cover for loan purposes is the tightest covenant and this is still met, even in the more pessimistic scenario.

	Approved Budget 2020/21	**Short term stress test**	**Long term stress test**	**Revised Budget 2020/21**
Net Surplus £m	£23.16m	£13.87m	£2.03m	£21.12m
Interest Cover	1.95	1.60	1.14	1.99
Headroom £m	£17.7m	£10.3m	£0.9m	£18.6m

The revised budget for 2020/21 reduces the original budget total surplus by £2m to £21.1m and the capital budget by £11.7m to £75.9m. The revised budget projects that the Group will continue to report a healthy surplus, safeguarding the future viability of the organisation and meeting the expectations of our customers, investors and the RSH.

The revised forecast financial position will show total assets less current liabilities of £646.5m including cash and investments of £68.1m. Our net asset position is anticipated to be £150.8m.

The budget anticipates exceeding our interest cover covenant with significant headroom of £18.6m. Likewise, the proposed budget net debt per unit at £16.1k is substantially less than the banks' limit of £25k. The budgeted operating margin remains above 30.0% meeting our Corporate Plan aim.

Our worst-case scenario showed that net surplus (before mitigations) could be as low as £2m but, even at this level the interest cover covenant would still be met at 1.14, with £0.9m headroom.

The Group has a very strong liquidity position with £117m cash holding at the 31st March 2020 and with undrawn revolving facilities of £49m, so the Board is of the opinion that the Group has more than sufficient resources to meet its liabilities as they fall due.

The updated Business Plan has been prepared using the assumptions and forecasts within the revised budget and includes deferred expenditure carried forward from the current year. The Plan, which was approved by the in August 2020, showed that performance remained strong and that all covenants continue to be comfortably met.

On this basis, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months after the date on which the report and Financial Statements are signed. For this reason, it continues to adopt the going concern basis in the Financial Statements and expects to remain a going concern over the life of the Business Plan.

Turnover and Revenue Recognition

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) and the amortisation of Deferred Capital Grant.

Rental and service charge income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids. Income from first tranche sales and sales of properties built for sale is recognised at the legal completion of the sale.

Other Income

Interest income is accrued on a time-apportioned basis, by reference to the principal outstanding at the effective interest rate.

Investment income is recognised on an accruals basis.

Intangible Fixed Assets

Intangible fixed assets are stated at cost less accumulated amortisation.
Amortisation is provided evenly on the cost of intangible fixed assets to write them down to their estimated residual values over their expected useful lives. The principal period used for intangible assets is seven years.

Tangible Fixed Assets – Housing Properties

Housing properties are properties for the provision of social housing and are principally properties available for rent and Shared Ownership.
Completed housing and Shared Ownership properties are stated at cost less accumulated depreciation and impairment losses.

Cost includes the cost of acquiring land and buildings, and expenditure incurred during the development period. 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.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that enhance the economic benefits of the asset, are capitalised as improvements. Such enhancements can occur if improvements result in any of the following:

- an increase in rental income;
- a material reduction in future maintenance costs;
- a significant extension to the life of the property.

Shared Ownership properties are split proportionally between fixed assets and current assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset, and related sales proceeds are included in turnover and related costs charged to operating costs. The remaining element is classed as a fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment. Disposals of the second and subsequent tranches are treated as fixed asset disposals in the normal manner and the resultant surplus is shown within "surplus/ (deficit) on disposal of property, plant and equipment".

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%, except over 55's where you can only purchase up to 75%

Right to Buy and Right to Acquire Disposals

For homes sold through a right to buy or right to acquire, the disposal net proceeds are included in the surplus on disposal of housing properties in the Statement of Comprehensive Income and become part of the income and expenditure reserve and used towards investment in our core activities. The sales are included as part of our operating surplus.

Voluntary Right to Buy Disposals

For homes sold under the scheme the proceeds will be retained by whg to fund replacement homes. The discount received by the tenant will be claimed back by whg from Homes England. We will claim back any transaction cost i.e. legal costs and debt associated with the property, and the net cash amount will be held as a designated reserve within the Statement of Financial Position to fund replacement properties as disclosed in Note 36. When the capital expenditure is incurred on the replacement property, whg will capitalise the property and release the related property from reserves.

This policy was reviewed in 2019/20, following the clarification in the 2018 update to the 2014 Housing SORP about what should be included within operating surplus, and these sales are now included as part of our operating surplus. The prior year has been restated for comparative purposes by disclosing £851k within Operating Surplus (Note 37).

Investment Properties

Investment properties consist of market rent housing properties. These properties are initially measured at cost and subsequently measured at fair value. Changes in fair value are recognised in the Statement of Comprehensive Income.

The Companies Act 2006 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in FRS 102. The Board considers that, because investment properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view. If this departure from the Companies Act 2006 had not been made in order to give a true and fair view, the surplus for the financial year would have been reduced by depreciation. However, the amount of depreciation cannot reasonably be quantified because depreciation is only one of many factors reflected in the annual valuation and the amount relating to the depreciation of the property cannot be separately identified.

Government Grants

Government grants include grants receivable from the Homes England, local authorities and other Government bodies.

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met, and the grants will be received.

Government grants received for housing properties are recognised in income over the useful life of the housing property structure and, where applicable, its individual components (excluding land) under the accruals model.

Government grants relating to revenue are recognised in income over the same period as the expenditure to which they relate once reasonable assurance has been gained that the entity will comply with the conditions and that the funds will be received. Grants due from government organisations or received in advance are included as current assets or liabilities. Government grants received for housing properties are subordinated to the repayment of loans by agreement with the Homes England. Government grants released on sale of a property may be repayable but are normally available to be recycled and are credited to a Recycled Capital Grant Fund and included in the statement of financial position in creditors. Previously amortised Social Housing Grant on disposed of properties is credited to the RCGF through a charge to the surplus on disposal.

If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as income. Where individual components are disposed of and this does not create a relevant event for recycling purposes, any grant which has been allocated to the component is released to the Statement of Comprehensive Income upon disposal of the associated property, the Group is required to recycle these proceeds and recognise them as a liability.

Other Grants

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

Depreciation of Housing Properties

Freehold land or assets under construction are not depreciated.

The Group separately identifies the major components of 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.

The Group depreciates the major components of its housing properties based on the following:

Building Components	Years
Structure	100 or 125
Windows and doors	27-30
Kitchen	18-20
Bathroom	27-30
Central Heating	27-30
Boilers	10
Wiring	22-25
External Wraps	35-40

Impairments of Fixed Assets

An assessment is made at each reporting date of whether there are indications that a fixed asset (including housing properties) may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the recoverable amount of the asset is estimated.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use of the asset based on its service potential, are recognised as impairment losses in Statement of Comprehensive Income.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in the Statement of Comprehensive Income. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

Other Tangible Fixed Assets

Tangible fixed assets are initially measured at cost, net of depreciation and any impairment losses. Expenditure under £500 is not capitalised and is treated as revenue expenditure. Depreciation is provided on all tangible fixed assets, other than freehold land and investment properties, at rates calculated to write off the cost or valuation of each asset to its estimated residual value on a straight-line basis over its expected useful life, as follows:

Other Assets	Years
Office buildings	50
IT	4-15
Furniture & office equipment	10
Motor vehicles	4
Office improvements	4-8

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

Properties in the course of construction are carried at cost, less any identified impairment loss. Cost includes professional fees and other directly attributable costs that are necessary to bring the property to its operating condition. Depreciation commences when the properties are ready for their intended use.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand and highly liquid interest-bearing securities with maturities of three months or less.

Borrowing Costs

General and specific borrowing costs directly attributable to the acquisition and construction of qualifying properties are added to the cost of those properties until such a time as the properties are ready for their intended use or sale.

Bond discount costs are accrued on an amortised cost basis so as to build up the total discount payable in

proportion to the outstanding capital over the life of the bond.
Loan and bond issue costs are deducted from the capital owed and amortised using the amortised cost basis so as to charge them to income in proportion to the outstanding capital.

Taxation

Walsall Housing Group Limited has charitable status and is registered with the Charity Commission and is therefore exempt from paying corporation tax on charitable activities.

Visionary Investment Enhancing Walsall Limited is an entity registered under the Co-operative and Community Benefit Societies Act 2014 and has charitable status for tax purposes.

whg Trading Company Limited, whg Developments Limited, whg Treasury PLC, Anthem Homes Limited, Buy For Good CIC and Cricket Close LLP are not registered as charities and therefore corporation tax would be provided on taxable surpluses should they arise.

Deferred Taxation

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is recognised when income or expenses from a subsidiary or associate have been recognised, and will be assessed for tax in a future period, except where:

- the Group is able to control the reversal of the timing difference; and
- It is probable that the timing difference will not reverse in the foreseeable future.

A deferred tax liability or asset is recognised for the additional tax that will be paid or avoided in respect of assets and liabilities that are recognised in a business combination. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

With the exception of changes arising on the initial recognition of a business combination, the tax expense (income) is presented either in income and expenditure, other comprehensive income or equity depending on the transaction that resulted in the tax expense (income).

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors.

Deferred tax assets and deferred tax liabilities are offset only if:

- the Group has a legally enforceable right to set off current tax assets against current tax liabilities, and
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

Value Added Tax (VAT)

The Company and the Group are included in a Group VAT registration, which covers Walsall Housing Group Limited, Visionary Investment Enhancing Walsall Limited and whg Trading Company Limited.

whg Developments Limited, Anthem Homes Limited, Cricket Close LLP and Buy For Good CIC each have separate registrations. whg Treasury PLC is not registered for VAT.

The majority of the Group expenditure is subject to VAT which cannot be reclaimed. Expenditure is

therefore shown inclusive of VAT.
Although a large proportion of the Group's income is exempt from VAT, the Group charges VAT on some of its income and is able to recover VAT on directly attributable costs. The Company and the Group are able to recover VAT in full on major works expenditure covered by the VAT shelter and development expenditure carried out through whg Developments Limited. This expenditure is reported net of VAT.

The Group is also able to recover part of the VAT it incurs on overhead expenditure in line with a partial exemption method agreed with HM Revenue and Customs (HMRC), which is shown in turnover.

The Financial Statements include VAT to the extent that it is suffered by the Group and not recoverable from HMRC. The balance of VAT payable or recoverable at the year end is included as a current liability or asset.

Interest Payable
Interest is capitalised on borrowings to finance the development of qualifying assets to the extent that it accrues in respect of the period of development if it represents:
- interest on borrowings specifically financing the development programme after deduction of related grants received in advance; or
- a fair amount of interest on borrowings of the Group as a whole after deduction of social housing grant received in advance to the extent that they can be deemed to be financing the development programme.

Capitalised interest is amortised over the life of the underlying asset.
Other interest payable is charged to the Statement of Comprehensive Income in the year.

Leases

All leases are operating leases and the annual rentals are charged to income and expenditure on a straight-line basis over the lease term.

Colleague Benefits

The costs of short-term colleague benefits are recognised as a liability and an expense.

The holiday year for Walsall Housing Group runs from 1 January – 31 December. The cost of any unused entitlement at 31 March is recognised in the period in which the employee's services are received.

The best estimate of the expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when whg is demonstrably committed to terminate the employment of the employee or to provide termination benefits.

Retirement Benefits

Defined benefit plans

The Group participates in two funded multi-employer defined benefit schemes, the Social Housing Pension Scheme (SHPS) which is administered independently by the Pensions Trust, and the West Midlands Metropolitan Authorities Pension Fund (WMMAPF), a multi-employer scheme with more than one participating employer and administered under the regulations governing the Local Government Pension Scheme (LGPS).

SHPS

For the SHPS, retirement benefits to colleagues of the Company are funded by contributions from all participating employers and employees in the Scheme. Payments are made to a fund operated by the Pensions Trust, an independent trust providing superannuation benefits for employees of voluntary organisations. These payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating Companies taken as a whole.

The assets and liabilities of whg's share of the pension are included on the Statement of Financial Position.

Actuarial assumptions are applied to determine each company's share of liabilities. The assumptions are updated at the year end, and the changes to the position go through the 'Other Comprehensive Income' statement, and not through the normal income and expenditure account, as there is not sufficient information to restate the comparative.

Calculations are carried out annually and independently of the pension triennial valuation.

The rate used to discount the benefit obligations to their present value is based on market yields for high quality corporate bonds with terms and currencies consistent with those of the benefit obligations.

LGPS

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 cost of providing benefits is determined using the projected unit credit method.

The net defined benefit asset/liability represents the present value of the defined benefit obligation minus the fair value of plan assets out of which obligations are to be settled. Any asset resulting from this calculation is limited to the present value of available refunds or reductions in future contributions to the plan.
Surpluses or deficits recognised in the Statement of Comprehensive Income:

- The change in the net defined benefit liability arising from colleague service during the year is recognised as an employee cost.
- The cost of plan introductions, benefit changes, settlements and curtailments are recognised as incurred.
- Net interest on the defined benefit asset/liability comprises the interest cost on the defined benefit obligation and interest income on plan assets, calculated by multiplying the fair value of the plan assets at the beginning of the period by the rate to discount the benefit obligations.

Surpluses or deficits recognised in other comprehensive income:

- Actuarial surpluses and deficits.
- The difference between the interest income on the plan assets and the actual return on the plan assets.

HomeBuy

The Group operates the HomeBuy scheme, lending a percentage of the cost to home purchasers, secured on the property. HomeBuy loans are treated within these Financial Statements as concessionary loans.

The loans are interest free and repayable only on the sale of the property. No HomeBuy grant has been received by the Company. On a sale, the fixed percentage of the proceeds is repaid. Therefore, no impairment exists at the reporting date.

Financial Instruments

The Group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial instruments which meet the criteria of a basic financial instrument as defined in Section 11 of FRS 102 are accounted for under an amortised historic cost model.

Non-basic financial instruments are recognised at fair value using a valuation technique provided by the lenders with any gains or losses being reported in surplus or deficit.

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument, and are offset only when the Group currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial Assets

Debtors
Debtors which are receivable within one year and which do not constitute a financing transaction are initially

measured at the transaction price. Trade Debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a debtor constitutes a financing transaction, the debtor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

A provision for impairment of debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in the Statement of Comprehensive Income for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in income or expenditure.

Financial Liabilities

Creditors
Creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

Investments policy
Cash balances are invested on competitive term rates 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. The ratings of the approved organisations are checked on a daily basis to ensure investments are not at risk.

Borrowings
Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges. Commitments to receive a loan are measured at cost less impairment.

Derecognition of financial assets and liabilities
A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Derivatives
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to fair value, at each reporting date. Fair value gains and losses are recognised in income or expenditure.

Provisions

The Group recognises provisions where it has an obligation at the reporting date as a result of a past event, which it is probable, will result in the transfer of economic benefits and that obligation can be estimated reliably. Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

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 Statement of Comprehensive

Income.

Critical Accounting Estimates and Areas of Judgement

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Defined Benefit Obligation (DBO) – WMMAPF
whg's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses (as analysed in Note 28). The liability at 31 March 2020 was £14.2m.

Defined Benefit Obligation (DBO) – SHPS
whg's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate anticipation of future salary increases and the roll forward of actuarial information to 31 March 2020. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses (as analysed in Note 28). The liability at 31 March 2020 was £92k.

Fair value measurement
whg uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument.

Management bases its assumptions on observable data as far as possible, but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices.

Fair value measurements were applied to the one remaining option instrument (relating to a cancellable fixed rate loan which had options in the year). The total value of these instruments was £9.8m at 31 March 2020 (Note 26).

Fair value measurements were applied to investment properties. The total value of these investments was £9.6m at 31 March 2020 (Note 15).

Useful lives of depreciable assets
whg reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes to decent homes standards which may require more frequent replacement of key components. Accumulated depreciation and amortisation at 31 March 2020 was £122.6m.

Critical areas of judgement

Impairment
From 1 April 2016, Walsall Housing Group reduced social housing rents by one per cent per annum up until 2019/20 in accordance with the Housing and Planning Act 2016.

Despite cost efficiency savings and other changes to the business, compliance with the new rent regime has resulted in a loss of net income for certain social housing property. This is an ongoing trigger for impairment review.

As a result, we estimated the recoverable amount of its housing properties as follows:

- determined the level at which recoverable amount is to be assessed (i.e., the asset level or cash generating unit (CGU) level). The CGU level was determined to be an individual scheme
- estimated the recoverable amount of the cash-generating unit
- calculated the carrying amount of the cash-generating unit and
- compared the carrying amount to the recoverable amount to determine if an impairment loss has occurred.

Based on this assessment, we have concluded that there continues to be no impairment of our social housing properties.

Capitalisation of property development costs
Distinguishing the point at which a project is more than likely not to continue, allowing capitalisation of associated development costs requires judgement. After capitalisation whg monitors the asset and considers whether changes indicate that impairment is required.

Leases
In categorising leases as finance leases or operating leases, management makes judgements as to whether significant risks and rewards of ownership have transferred to the Group as lessee, or the lessee, where the Group is a lessor.

3a. Particulars of turnover, cost of sales, operating costs and operating surplus

GROUP – continuing activities	Turnover	Cost of sales	2020 Operating expenditure	Disposal of housing properties	Operating Surplus
	£000	£000	£000	£000	£000
Social housing lettings	96,267	-	(64,941)	-	31,326
Other social housing activities					
First tranche low cost home ownership sales	11,860	(9,454)	-	-	2,406
Disposal of properties	-	-	-	8,993	8,993
Charges for support services	-	-	(681)	-	(681)
Development costs	-	-	(2,045)	-	(2,045)
Other social housing grants	306	-	(189)	-	117
VAT recoverable	66	-	-	-	66
Other social housing	966	-	(235)	-	731
Defined benefit pension costs	-	-	(4,261)	-	(4,261)
	109,465	**(9,454)**	**(72,352)**	**8,993**	**36,652**
Activities other than Social Housing					
Non social housing lettings	1,010	-	(200)	-	810
Non social housing grants	222	-	(1,052)	-	(830)
Other non social housing	1,486	-	(534)	-	952
	112,183	**(9,454)**	**(74,138)**	**8,993**	**37,584**

	Turnover	Cost of sales	2019 Operating expenditure	Disposal of housing properties	Operating Surplus
	£000	£000	£000	£000	£000
Social housing lettings	95,139	-	(61,202)	-	33,937
Other social housing activities					
First tranche low cost home ownership sales	9,574	(7,473)	-	-	2,101
Disposal of properties RTB/RTA	-	-	-	5,919	5,919
Charges for support services	-	-	(652)	-	(652)
Development costs	-	-	(1,377)	-	(1,377)
Other social housing grants	198	-	(189)	-	9
VAT recoverable	184	-	-	-	184
Other social housing	852	-	(191)	-	661
Defined benefit pension costs	-	-	(3,511)	-	(3,511)
	105,947	**(7,473)**	**(67,122)**	**5,919**	**37,271**
Activities other than Social Housing					
Non social housing lettings	1,061	-	(236)	-	825
Non social housing grants	500	-	(1,191)	-	(691)
Other non social housing	1,127	-	(946)	-	181
	108,635	**(7,473)**	**(69,495)**	**5,919**	**37,586**

3b. Particulars of turnover, cost of sales, operating costs and operating surplus

2020					
COMPANY – continuing activities	Turnover	Cost of sales	Operating expenditure	Disposal of housing properties	Operating Surplus
	£000	£000	£000	£000	£000
Social housing lettings	96,519	-	(65,090)	-	31,429
Other social housing activities					
First tranche low cost home ownership sales	11,860	(9,454)	-	-	2,406
Disposal of properties RTB/RTA	-	-	-	8,993	8,993
Charges for support services	-	-	(681)	-	(681)
Development costs	-	-	(2,042)	-	(2,042)
Other social housing grants	616	-	(189)	-	427
VAT recoverable	66	-	-	-	66
Other social housing	789	-	(235)	-	554
Defined benefit pension costs	-	-	(4,261)	-	(4,261)
	109,850	**(9,454)**	**(72,498)**	**8,993**	**36,891**
Activities other than Social Housing					
Non social housing lettings	1,010	-	(200)	-	810
Non social housing grants	786	-	(1,052)	-	(266)
Other non social housing	371	-	(266)	-	105
	112,017	**(9,454)**	**(74,016)**	**8,993**	**37,540**

2019					
	Turnover	Cost of sales	Operating expenditure	Disposal of housing properties	Operating Surplus
	£000	£000	£000	£000	£000
Social housing lettings	95,944	-	(61,352)	-	34,592
Other social housing activities					
First tranche low cost home ownership sales	9,574	(7,473)	-	-	2,101
Disposal of properties RTB/RTA	-	-	-	5,919	5,919
Charges for support services	-	-	(652)	-	(652)
Development costs	-	-	(1,373)	-	(1,373)
Other social housing grants	504	-	(189)	-	315
VAT recoverable	184	-	-	-	184
Other social housing	893	-	(191)	-	702
Defined benefit pension costs	-	-	(3,511)	-	(3,511)
	107,099	**(7,473)**	**(67,268)**	**5,919**	**38,277**
Activities other than Social Housing					
Non social housing lettings	1,061	-	(236)	-	825
Non social housing grants	822	-	(1,191)	-	(369)
Other non social housing	306	-	(220)	-	86
	109,288	**(7,473)**	**(68,915)**	**5,919**	**38,819**

3c. Particulars of income and expenditure from social housing lettings

GROUP	General needs housing	Supported housing and housing for older people	Low cost home ownership	2020 Total	2019 Total
	£000	£000	£000	£000	£000
Rent receivable net of identifiable service charges	88,499	1,441	695	90,635	90,064
Service charge income	3,712	358	446	4,516	4,209
Amortised government grants	1,116	-	-	1,116	866
Turnover from social housing lettings	**93,327**	**1,799**	**1,141**	**96,267**	**95,139**
Management	15,374	210	126	15,710	14,415
Service charge costs	4,790	90	339	5,219	5,064
Routine maintenance	10,764	146	-	10,910	10,374
Planned maintenance	15,443	210	-	15,653	14,085
Major repairs expenditure	4,924	67	-	4,991	6,326
Bad debts	1,287	16	(88)	1,215	720
Depreciation of housing properties	10,955	151	137	11,243	10,218
Operating expenditure on social housing lettings	**63,537**	**890**	**514**	**64,941**	**61,202**
Operating surplus on social housing lettings	**29,790**	**909**	**627**	**31,326**	**33,937**
Void losses	**(517)**	**(41)**	**(4)**	**(562)**	**(586)**

3d. Particulars of Income and Expenditure from Social Housing Lettings

COMPANY	General needs housing	Supported housing and housing for older people	Low cost home ownership	2020 Total	2019 Total
	£000	£000	£000	£000	£000
Rent receivable net of identifiable service charges	88,499	1,441	695	90,635	90,064
Service charge income	3,712	358	446	4,516	4,209
Amortised government grants	1,116	-	-	1,116	866
Non government grant	252	-	-	252	805
Turnover from social housing lettings	**93,579**	**1,799**	**1,141**	**96,519**	**95,944**
Management	15,374	210	126	15,710	14,415
Service charge costs	4,790	90	339	5,219	5,064
Routine maintenance	10,764	146	-	10,910	10,374
Planned maintenance	15,443	210	-	15,653	14,085
Major repairs expenditure	4,924	67	-	4,991	6,326
Bad debts	1,287	16	(88)	1,215	720
Depreciation of housing properties	11,102	153	137	11,392	10,368
Operating expenditure on social housing lettings	**63,684**	**892**	**514**	**65,090**	**61,352**
Operating surplus on social housing lettings	**29,895**	**907**	**627**	**31,429**	**34,592**
Void losses	**(517)**	**(41)**	**(4)**	**(562)**	**(586)**

3e. Particulars of turnover from non-social housing lettings

	Group and Company	
	2020	2019
	£000	£000
Market rented housing properties	592	592
Garage rents	418	469
	1,010	1,061

4. Accommodation in management and development

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

	2020	2019
GROUP AND COMPANY	Number	Number
Social housing		
General housing:		
- social rent	18,077	18,146
- affordable rent	1,788	1,592
Supported housing	327	270
Low cost home ownership	447	342
Total owned	**20,639**	**20,350**
Leasehold properties	624	614
Total managed	**21,263**	**20,964**
Non-social housing		
Market rented housing properties	101	101
Total owned and managed	**101**	**101**
Accommodation in development at the year end	**818**	**579**

The Group owns 32 commercial properties (2019:34) that are managed on its behalf, under management agreements, by Walsall Council.

5. Operating Surplus

The operating surplus is arrived at after charging/(crediting):

	Group		Company	
	2020	**2019**	**2020**	**2019**
	£000	**£000**	**£000**	**£000**
Amortisation of deferred capital grant	(1,126)	(876)	(1,126)	(876)
Non government grant	-	-	(252)	(805)
Amortisation of intangible fixed assets	435	401	435	401
Depreciation of housing properties	11,243	10,218	11,392	10,368
Inventories recognised as an expense	436	385	436	385
Depreciation of other tangible fixed assets	1,006	1,071	1,006	1,071
Operating lease rentals:				
- land and buildings	69	69	69	69
- vehicles and equipment	1,515	1,503	1,515	1,503

Auditor's remuneration (including VAT)				
- Fees payable to the Company's auditor for the audit of the Financial Statements	72	79	54	59
- Fees payable to the Company's auditor for other services:	27	2	27	2
Total audit services	99	81	81	61

6. Surplus on disposal of property, plant and equipment

	Group		Company	
	2020	**2019**	**2020**	**2019**
	£000	£000	£000	£000
Disposal proceeds	10,755	8,286	10,755	8,286
Carrying value of fixed assets	(1,586)	(1,385)	(1,586)	(1,453)
Other costs of sale	(69)	(137)	(69)	(137)
Surplus on disposal	**9,100**	**6,764**	**9,100**	**6,696**

As included in our Accounting Policies in Note 2, the classification of the disposal for housing properties through Right to Buy and Right to Acquire are included within the Operating Surplus. In the 2019/20 financial statements this policy was amended to also include surplus on disposal of housing properties through Voluntary Right to Buy following the clarification in the 2018 update to the 2014 Housing SORP about what should be included within operating surplus.

The first table below shows the amounts included in the Operating Surplus in note 3, and the second table shows the asset disposals not included. The prior year has been restated for comparative purposes by disclosing £851k within Operating Surplus.

	Group		Company	
Surplus on disposal of housing properties included in Operating Surplus (Note 3) Right To Buy & Voluntary Right To Buy Sales	**2020** £000	**2019** £000	**2020** £000	**2019** £000
Disposal proceeds	10,226	7,103	10,226	7,103
Carrying value of fixed assets	(1,221)	(1,100)	(1,221)	(1,100)
Other costs of sale	(52)	(84)	(52)	(84)
	8,993	**5,919**	**8,993**	**5,919**

6. Surplus on disposal of property, plant and equipment (continued)

This table includes one off disposals of three void properties and four staircasing sales.

	Group		Company	
Surplus on disposal of other property, plant and equipment	**2020** £000	**2019** £000	**2020** £000	**2019** £000
Disposal proceeds	488	1,183	488	1,183
Carrying value of fixed assets	(363)	(285)	(363)	(353)
Other costs of sale	(18)	(53)	(18)	(53)
	107	**845**	**107**	**777**

7. Interest receivable and similar income

	Group		Company	
	2020 £000	**2019** £000	**2020** £000	**2019** £000
Interest receivable and similar income	**867**	**611**	**1,024**	**642**

8. Interest and financing costs

	Group		Company	
	2020 £000	**2019** £000	**2020** £000	**2019** £000
Net interest payable West Midlands Pension Fund	295	589	295	589
Net interest payable SHPS	15	12	15	12
Bank interest	10,753	10,750	10,753	10,674
Bond Interest and finance costs	9,906	9,325	9,939	9,356
Interest payable to JV partners	-	25	-	-
Amortisation of issue costs	97	58	97	58
Bond coupon discount	33	30	-	-
	21,099	**20,789**	**21,099**	**20,689**
Interest payable capitalised on housing properties under construction	(315)	(732)	(315)	(732)
	20,784	**20,057**	**20,784**	**19,957**
Capitalisation rate used to determine the finance costs capitalised during the period	4.84%	4.95%	4.84%	4.95%

8. Interest and financing costs (continued)

In July 2019, the Group issued the remaining £25m retained bond. The issue was over-subscribed and brought in total funds of £32m (£129.03 per £100 issued) at an all-in rate of 2.758% (1.308% yield, 145 bps spread). This issue attracted a £7m premium which will be amortised over the remaining life of the bond and netted off the interest payment on the coupon £25m with a rate of 4.25%. The cost of issuing the £25m retained bond was £104k.

The Company bond interest and finance costs and amortisation of issue costs relate to amounts owing to whg Treasury PLC. The split between payments due to Group companies and payments due to external funders is as follows:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	£000	£000	£000	£000
Payable to external funders	20,788	19,945	10,849	10,530
Payable to Group undertakings	-	-	9,939	9,414
	20,788	**19,945**	**20,788**	**19,945**

9. Employees

Average monthly number of employees expressed as full time equivalents (calculated based on a standard working week of 37 hours):

	2020	**2019**
GROUP AND COMPANY	No.	No.
Administration	172	157
Development	22	23
Housing, support and care	510	507
	704	687

Average monthly headcount

	2020	**2019**
GROUP AND COMPANY	No.	No.
Administration	183	168
Development	22	23
Housing, support and care	531	531
	736	722

	2020	**2019**
Employee Costs:	£000	£000
Wages and salaries	23,817	22,392
Social security costs	2,419	2,250
Other pension costs	6,482	5,478
	32,718	30,120
Redundancy costs	465	247
	33,183	30,367

The Company's employees are members of the West Midlands Pension Scheme (WMPS) or of the Social Housing Pension Scheme (SHPS). Further information on each scheme is given in Note 27.

9. Employees (continued)

The full time equivalent number of colleagues who received remuneration (including Directors) in excess of £59,999:

	2020 No	2019 No
£60,000 - £70,000	4	1
£70,001 - £80,000	3	4
£80,001 - £90,000	7	2
£90,001 - £ 100,000	1	-
£100,001 - £110,000	4	3
£110,001 - £120,000	-	2
£120,001 - £130,000	1	-
£130,001 - £140,000	1	1
£140,001 -£150,000	1	1
£160,001 - £170,000	1	-
£200,001 - £210,000	1	1

10. Key management personnel

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 2019.

The aggregate remuneration for key management personnel charged in the year is:

GROUP AND COMPANY	2020 £000	2019 £000
Basic salary	889	718
Benefits in kind	109	89
National Insurance	126	101
Pension contributions	104	84
	1,228	992

The Group 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.

The number of Directors to whom retirement benefits are accruing under defined benefit schemes was 6 (2019: 6).

During the year, the aggregate compensation for loss of office of key management personnel was £nil (2019: £nil).

The emoluments of the highest paid Director, the Group Chief Executive are shown below:

Highest Paid Director	2020 £000	2019 £000
Remuneration	206	201
National Insurance	27	26
Pension Contribution	22	21
	255	248

10. Key management personnel (continued)

Board members Attendance and Emoluments
Board members are paid as follows:

	Attendance			Remuneration	
	Board	Committee		2020	2019
Non-Executive Board Members				£000	£000
Danielle Oum (Chair)	9/10	GRC	3/3	15.4	6.5
Michael Hew (GRC Chair)	9/10	GRC	3/3	7.0	12.1
		AAC	4/4	-	-
Ian Gardner (AAC Chair)	9/10	AAC	4/4	7.0	5.3
Noel Maxwell (CEC Chair)	10/10	CEC	3/4	6.0	4.8
Gregory Warner-Harris (CCB Chair)	10/10	CCB	4/4	7.0	7.1
Paul O'Driscoll	9/10	DC	1/1	4.9	1.6
Elisabeth Downes from 1/11/19	3/3	GRC	3/3	2.1	-
Daren Fradgley from 1/11/19	3/3	CEC	1/1	2.1	-
Gary Moreton from 29/7/19	5/6	AAC	2/2	3.3	-
Akshay Parikh (DC Chair) from 1/11/19	3/3	DC	1/1	2.9	-
Guy Weston from 1/11/19	3/3	DC	1/1	2.1	-
Linda Cole to 30/9/19	6/6	CEC	2/2	3.5	6.9
Jatinder Sharma to 15/8/19		GRC	1/1	1.9	5.8
		AAC	1/2	-	-
Edmund Hughes to 8/6/18		-		-	2.8
Lee Glover to 7/12/18		-		-	5.1
Teresa Mingay to 13/9/18		-		-	2.2
Amanze Ejioguu to 12/3/19		-		-	4.6
Total				**65.2**	**64.8**
Board Expenses				3.4	2.5
Committee Members Remuneration				14.3	0.0
Total				**82.9**	**67.3**
Executive Board Member					
Gary Fulford (CEO)	9/10			-	-

Committee

Audit and Assurance	AAC
Customer Experience	CSC
Governance and Remuneration	GRC
Development	DC
Commercial Coterminous Board	CCB

No members of the Board other than the Chief Executive participate in the Social Housing Pension Scheme or the Local Government Pension Scheme.

11. Taxation

Walsall Housing Group Limited and VIEW are registered as charitable with HMRC and as such benefit from charitable tax exemptions. All other active Group companies including whg Trading Company Limited, whg Developments Limited, whg Treasury PLC, Anthem Homes Limited, Cricket Close LLP and Buy for Good CIC are liable to Corporation Tax.

Group	**2020**	**2019**
Current tax	£000	£000
UK corporation tax	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	(16)	8
Total deferred tax	(16)	8
Total tax on surplus on ordinary activities	(16)	8

	2020	**2019**
	£000	£000
Surplus on ordinary activities before tax	17,450	18,796
Surplus on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom of 19% (2019: 19%)	3,316	3,571
-Exempt charitable activities	(3,316)	(3,571)
Current tax charge for the year	-	-
Capital allowances in excess of depreciation	7	22
Adjustment to opening deferred tax rate	(23)	(14)
Deferred Tax	**(16)**	**8**

Company	**2020**	**2019**
Current tax	£000	£000
UK corporation tax	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	-	-
Total deferred tax	-	-
Total tax on surplus on ordinary activities	-	-

	2020	**2019**
	£000	£000
Surplus on ordinary activities before tax	17,820	20,092
Surplus on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom of 19% (2019: 19%)	3,386	3,817
Exempt charitable activities	(3,386)	(3,817)
Capital allowances in excess of depreciation	-	-
Adjustment to opening deferred tax rate	-	-
Current tax charge for the year	-	-

12. Intangible Fixed Assets

Group and Company	IT Software	IT Software work in progress	**Total Intangible assets**
	£000	**£000**	**£000**
Cost			
At 1 April 2019	3,273	680	**3,953**
Additions		390	**390**
Projects completed	392	(392)	**-**
Disposals	(332)	(95)	**(427)**
At 31 March 2020	**3,333**	**583**	**3,916**
Amortisation			
At 1 April 2019	1,324	-	**1,324**
Charged in the year	435	-	**435**
Released on disposal	(273)	-	**(273)**
At 31 March 2020	**1,486**	**-**	**1,486**
Net book value			
At 31 March 2020	**1,847**	**583**	**2,430**
At 31 March 2019	**1,949**	**680**	**2,629**

Amortisation on these assets is apportioned by FTE across all expenditure elements within the Statement of Comprehensive Income.

13. Fixed Assets – housing properties

Fixed Assets – housing properties

Group – housing properties	Social housing properties held for letting	Housing properties for letting under construction	Completed Shared Ownership housing properties	Shared Ownership housing properties under construction	**Total housing properties**
	£000	£000	£000	£000	**£000**
Cost					
At 1 April 2019	498,849	14,256	22,888	1,751	**537,744**
Additions	7,735	32,521	5,714	9,668	**55,638**
Component additions	9,077	2,705	-	-	**11,782**
Components completed	799	(799)	-	-	**-**
Interest capitalised	-	224	-	91	**315**
Change in tenure	3,129	-	(1,767)	-	**1,362**
Current asset held for sale	-	-	(1,482)	-	**(1,482)**
Schemes completed	24,750	(24,750)	8,618	(8,618)	**-**
Property disposals	(1,944)	-	(173)		**(2,117)**
Costs written off	-	(10)	-	-	**(10)**
Component disposals	(832)	-	-	-	**(832)**
At 31 March 2020	**541,563**	**24,147**	**33,798**	**2,892**	**602,400**
Depreciation					
At 1 April 2019	101,854	-	208	-	**102,062**
Depreciation charged in year	11,105	-	138	-	**11,243**
Released on disposal – properties	(714)	-	(3)	-	**(717)**
Released on disposal – components	(832)	-	-	-	**(832)**
At 31 March 2020	**111,413**	**-**	**343**	**-**	**111,756**
Net book value					
At 31 March 2020	**430,150**	**24,147**	**33,455**	**2,892**	**490,644**
At 31 March 2019	**396,995**	**14,256**	**22,680**	**1,751**	**435,682**

Included in the depreciation charge for the year is £358k of accelerated depreciation on components disposed before the end of their useful economic lives (2019: £269k).

13. Fixed Assets – housing properties (continued)

Company – housing properties	Social housing properties held for letting	Housing properties for letting under construction	Completed Shared Ownership housing properties	Shared Ownership housing properties under construction	**Total housing properties**
	£000	£000	£000	£000	**£000**
Cost					
At 1 April 2019	518,575	14,308	22,888	1,751	**557,522**
Additions	7,736	32,620	5,714	9,668	**55,738**
Works to existing properties	9,077	2,705	-	-	**11,782**
Components completed	799	(799)	-	-	**-**
Interest capitalised	-	224	-	91	**315**
Change in tenure	3,129	-	(1,767)	-	**1,362**
Current asset held for sale	-	-	(1,482)	-	**(1,482)**
Schemes completed	24,839	(24,839)	8,618	(8,618)	**-**
Property disposals	(1,944)	-	(173)	-	**(2,117)**
Costs written off	-	(10)	-	-	**(10)**
Component disposals	(832)	-	-	-	**(832)**
At 31 March 2020	**561,379**	**24,209**	**33,798**	**2,892**	**622,278**
Depreciation					
At 1 April 2019	103,454	-	208	-	**103,662**
Depreciation charged in year	11,253	-	138	-	**11,391**
Released on disposal – properties	(714)	-	(3)	-	**(717)**
Released on disposal – components	(832)	-	-	-	**(832)**
At 31 March 2020	**113,161**	**-**	**343**	**-**	**113,504**
Net book value					
At 31 March 2020	**448,218**	**24,209**	**33,455**	**2,892**	**508,774**
At 31 March 2019	**415,121**	**14,308**	**22,680**	**1,751**	**453,860**

Housing properties book value net of depreciation comprises

	Group		**Company**	
	2020	**2019**	**2020**	**2019**
	£000	£000	£000	£000
Freehold land and buildings	452,995	409,919	471,125	428,097
Leasehold buildings	1,302	1,332	1,302	1,332
Shared Ownership	36,347	24,431	36,347	24,431
	490,644	**435,682**	**508,774**	**453,860**

13. Fixed Assets – housing properties (continued)

Expenditure on works to existing properties

	Group		Company	
	2020	**2019**	**2020**	**2019**
	£000	£000	£000	£000
Components capitalised	11,782	11,778	11,782	11,710
Amounts charged to Statement of Comprehensive Income	4,991	6,320	4,991	6,320
	16,773	**18,098**	**16,773**	**18,030**

Assets held in the Company include uplift in the net book value of assets transferred from its subsidiaries arising from the Group restructure in January 2009. This has been eliminated on consolidation.

Social housing assistance

	Group		Company	
	2020	**2019**	**2020**	**2019**
	£000	£000	£000	£000
Total accumulated social housing grant received or receivable at 31 March:	67,838	56,374	69,783	58,318
Recognised in the Statement of Comprehensive Income	(6,486)	(5,380)	(8,431)	(7,325)
Held as deferred Income	**61,352**	**50,993**	**61,352**	**50,993**

Finance costs

	Group		Company	
	2020	**2019**	**2020**	**2019**
	£000	£000	£000	£000
Aggregate amount of finance costs included in the cost of housing properties	**5,062**	**4,747**	**5,062**	**4,747**

Impairment

The Group considers individual schemes to be separate Cash Generating Units (CGU) when assessed for impairment, in accordance with the requirements of Financial Reporting Standard 102 and SORP 2018. Where this is not possible, individual homes are considered as separate CGUs for the assessment of impairment.

The Group recognised the potential economic impact of the COVID-19 pandemic to be an impairment trigger and accordingly undertook an impairment assessment to compare the carrying value of the CGUs to their estimated recoverable amounts. The Group determined that no impairment has occurred.

14. Tangible Fixed Assets – Other

Group and Company	Offices	Furniture Fixtures and Fittings	Computers & Office Equipment	Computers & Office Equipment WIP	Motor Vehicles	Total
	£000	£000	£000	£000	£000	**£000**
Cost						
At 1 April 2019	15,447	2,383	6,033	222	62	**24,147**
Additions	74	133	-	248	-	**455**
Projects completed	-	-	421	(421)	-	**-**
Disposals	-	(64)	(742)	-	-	**(806)**
At 31 March 2020	**15,521**	**2,452**	**5,712**	**49**	**62**	**23,796**
Depreciation						
At 1 April 2019	3,694	1,292	3,952	-	62	**9,000**
Charged in the year	334	215	457	-	-	**1,006**
Released on disposal	-	(64)	(622)	-	-	**(686)**
At 31 March 2020	**4,028**	**1,443**	**3,787**	**-**	**62**	**9,320**
Net book value						
At 31 March 2020	**11,493**	**1,009**	**1,925**	**49**	**-**	**14,476**
At 31 March 2019	**11,753**	**1,091**	**2,081**	**222**	**-**	**15,147**

15. Investment properties

	Group and Company	
Non social housing properties held for letting	**2020**	**2019**
	£000	£000
At 1 April	8,581	8,629
Revaluation	969	(48)
At 31 March	**9,550**	**8,581**

The Company owns a portfolio of market rented properties. These properties are accounted for at fair value. The Company used professional valuation services and undertook a desktop review which established the current worth of the properties. The current worth was then adjusted for movements in the property market using the median property price trends for the Walsall area. The methodology produced an estimated valuation of £8.6m at March 2019 and £9.6m at March 2020. The movements in fair value (£969k) (2019:(£48k)) have been recognised in the Statement of Total Comprehensive Income. The historic cost of the properties is £8m (2019: £8m).

16. Homebuy loans receivable

	Group and Company	
	2020	**2019**
	£000	£000
At 1 April	137	137
At 31 March	**137**	**137**

17. Investments in subsidiaries

As required by statute, the Financial Statements consolidate the results of whg Treasury PLC, whg Developments Limited, whg Trading Company Limited, Anthem Homes Limited, Cricket Close LLP, Visionary Investment Enhancing Walsall Limited (VIEW) and Buy For Good CIC. None of the subsidiaries are registered providers.

Walsall Housing Group Limited (whg) is the immediate and ultimate parent undertaking of all the subsidiaries, which were 100% subsidiaries throughout the year. whg has the right to appoint members to the Boards of the seven subsidiaries and thereby exercises control over them. All subsidiaries' registered addresses are the same as whg registered address disclosed on the front cover.

whg Treasury PLC's principal activity is to act as an onward moneylender of bond monies to its immediate parent company Walsall Housing Group Limited. whg owns all of the 50,000 £1 shares, which were issued at par on incorporation.

whg Developments Limited is a private company registered in England and Wales under the Companies Act 2006 (No.07872595) and limited by shares. The company has one £1 ordinary share in issue.

whg Trading Company Limited is a private company registered under the Companies Act 2006 (No.05407219) and limited by shares. The company has one £1 ordinary share in issue. The voting rights of one vote per share are with the parent company.

Anthem Homes Limited was created on 30 January 2017. The principal activity is the development of homes for sale. The parent company Walsall Housing Group Limited owns all of the 50,000 £1 shares, which were issued at par on incorporation.

Cricket Close is a Limited Liability Partnership and was a wholly owned subsidiary of Anthem Homes. On 3 May 2019 whg Trading Limited obtained a 1% shareholding in Cricket Close LLP, meaning that the LLP is no longer a fully owned subsidiary of Anthem Homes Limited, which now has a 99% shareholding in the LLP. Anthem Homes Limited continues to supply 100% of the LLP's funding at an interest rate of 5%.

VIEW is an entity registered under the Co-operative and Community Benefit Societies Act 2014 and the other subsidiaries are non-regulated companies, registered under the Companies Act 2006 in England. It is a Society limited by shares and is regulated by the Financial Services Authority. All intercompany balances recognised through the normal course of business are settled in cash and attract no interest. VIEW resolved to transfer its assets and liabilities to whg by Special resolutions approved by the VIEW Members on the 22nd June and 16th July 2020. The entity is no longer a going concern and has been dissolved. No material adjustments arose as a result of ceasing to apply the going concern basis. A transfer of engagement has been completed and the assets were transferred to Walsall Housing Group Limited on 18 August 2020.

Buy For Good CIC is a private company limited by guarantee, incorporated in England and Wales and registered under the Companies Act 2006 (No.07548143). The company was set up to deliver social value through innovative and collaborate procurement initiatives. It is a Community Interest Company.

Anthem Lovell LLP is a Limited Liability Partnership and non charitable company registered with Companies House. It was created on 18 January 2019. Anthem Homes is in partnership with Lovell Homes and each partner has a 50% share of the company. The initial capital of the LLP is £2.00 (two pounds) which was contributed in cash to the LLP by each Member in the sum of £1.00 (one pound) by way of its Capital Contribution and the LLP credited such amounts against the relevant Member's Capital Account. This is an associate company. It is accounted for by using the equity method of accounting. We recognise our share of the profit or loss through the Statement of Comprehensive Income. The company has had minimal activity to date so no profit or loss has been incurred and there is no impact on this year's financial statements. Anthem Homes Limited has agreed a revolving loan facility secured by debenture with Anthem Lovell LLP which is limited to site specific Business Plans approved by Board. At present only one such facility has been agreed on the Caparo scheme which has an agreed interest rate of 5% on 30% of the drawn funds (effective annual rate of 1.875%). As at 31 March 2020 Anthem Lovell LLP had drawn down £7,730k of the facility.

17. Investments in subsidiaries (continued)

Investments

	2020 £000	2019 £000
At the 1 April	100	100
Additions	-	-
At 31 March	100	100

a) During the year whg had the following intra-Group transactions and year end balances with whg Treasury PLC.

whg Treasury PLC to whg

Intra-Group transactions	Allocation basis	2020 £000	2019 £000
Interest payable	Bond interest charge payable	9,906	9,356
Custodian fees	Custodian fees payable	24	11
		9,930	9,367

There is a £269.9m long term intra-group creditor payable to whg Treasury PLC at the year end (2019: £233.4m).

b) During the year the Company had the following intra-Group transactions and year end balances with whg Developments Limited.

whg to whg Developments Limited

Intra-Group transactions	Allocation basis	2020 £000	2019 £000
Interest payable	Interest charge on loan	25	13
Management services	Percentage of development costs	50	101
		75	114

whg Developments Limited to whg

Intra-Group transactions	Allocation basis	2020 £000	2019 £000
Recharge of cost of sales	Design & Build	5,102	10,317
Gift aid	Not applicable	(87)	-
		5,015	10,317

There is a £278k net intra-group debtor owed to whg Developments Ltd at the year end made up of £853k owed to whg Developments Ltd and £575k owed by whg Developments Limited. (2019: net creditor £18k). Included in the £575k debt owed by whg Developments Limited is a £500k loan made by Walsall Housing Group in the 2012/13 year. Interest is charged at 5% (2019: LIBOR at 1% plus a margin of 1.5%). Interest amounted to £25k for the year (2019: £13k).

c) During the year whg had the following intra-Group transactions and year end balances with whg Trading Company Limited:

whg to whg Trading Company Limited

Intra-Group transactions	Allocation basis	2020 £000	2019 £000
Management services	Percentage of payroll costs	203	110

17. Investments in subsidiaries (continued)

whg Trading Company Limited to whg

Intra-Group transactions	**Allocation basis**	**2020** £000	**2019** £000
Gift aid	Not applicable	(136)	-

There is a £21k intra-group creditor owed by whg Trading Company Limited at the year end (2019: £28k).

d) During the year the Company had the following intra-Group transactions and year end balances with Anthem Homes Limited.

There is a £7.9m intra-group creditor owed by Anthem Homes Limited at the year end made up of £9.7m owed by Anthem Homes Limited to whg and £1.8m owed to Anthem Homes Limited by Cricket Close LLP (2019: net creditor £42k). The £9.7m debt owed by Anthem Homes Limited is a loan made by Walsall Housing Group at LIBOR (0.7% for the year) plus 3% interest. The £1.8m debtor is a loan made to Cricket Close LLP at a 5% market rate.

Anthem Homes Limited to whg

Intra-Group transactions	**Allocation basis**	**2020** £000	**2019** £000
Interest payable	Interest charge payable	212	44

Cricket Close LLP to Anthem Homes Limited
There is a £2m intra-group creditor owed by Cricket Close LLP at the year end against a loan made by Anthem Homes Limited. (2019: £2m).

Intra-Group transactions	**Allocation basis**	**2020** £000	**2019** £000
Interest payable	Interest charge payable	99	61

Anthem Homes Limited to Cricket Close LLP
There is a £2m intra-group debtor due from Cricket Close LLP at the year end against a loan made by Anthem Homes Limited. (2019: £2m).

Intra-Group transactions	**Allocation basis**	**2020** £000	**2019** £000
Interest receivable	Interest received	99	61

e) During the year the whg had the following intra-Group transactions and year end balances with VIEW.

whg to VIEW

Intra-Group transactions	**Allocation basis**	**2020** £000	**2019** £000
Contribution in respect of VAT recovered under the parent VAT shelter scheme	25% of VAT recovered on whg partnering works	(332)	(252)
Management services	Percentage of payroll costs	108	111
		(224)	(141)

VIEW to whg

Intra-Group transactions	**Allocation basis**	**2020** £000	**2019** £000
Regeneration grants	Grant funding project expenditure	(1,009)	(1,347)

There is a £412k net intra-group creditor owed by VIEW at the year end (2019: creditor £548k).

17. Investments in subsidiaries (continued)

f) During the year the Company had the following intra-Group transactions and year end balances with Buy for Good CIC.

whg to Buy For Good CIC

Intra-Group transactions	**Allocation basis**	**2020** £000	**2019** £000
Management services	Percentage of payroll / admin costs	-	6

Buy for Good CIC to whg

Intra-Group transactions	**Allocation basis**	**2020** £000	**2019** £000
Gift aid	Not applicable	(34)	-

There is a nil intra-group creditor owed by Buy for Good CIC at the year end (2019: £nil).

18. Properties held for sale

	Group		Company	
	2020 £000	**2019** £000	**2020** £000	**2019** £000
Shared Ownership Properties				
Completed properties	7,892	7,960	7,892	7,960
Work in progress	3,350	3,024	1,683	1,370
	11,242	10,984	9,575	9,330
Properties developed for outright sale	2,563	-	2,563	-
	13,805	**10,984**	**12,137**	**9,330**

19. Debtors

	Group		Company	
	2020 £000	**2019** £000	**2020** £000	**2019** £000
Due within one year				
Rent and service charges receivable	4,262	3,839	4,262	3,839
Less: provision for bad and doubtful debts	(2,168)	(1,841)	(2,168)	(1,841)
	2,094	1,998	2,094	1,998
Deferred tax asset	107	91	-	-
Other debtors	408	772	387	748
Prepayments and accrued income	7,214	6,429	6,910	6,219
Amounts owed by Group undertakings	-	-	728	877
	9,823	**9,290**	**10,119**	**9,842**

20. Debtors due in more than one year

	Group		Company	
	2020	**2019**	**2020**	**2019**
	£000	£000	£000	£000
Due after one year				
Loan to Anthem Lovell LLP	7,730	-		-
Loan to Anthem Homes Limited	-	-	9,711	1,980
Loan to whg Developments Limited	-	-	500	500
	7,730	**-**	**10,211**	**2,480**

21. Creditors: amounts falling due within one year

	Group		Company	
	2020	**2019**	**2020**	**2019**
	£000	£000	£000	£000
Bank loans (Note 25)	25,000	-	25,000	-
Trade creditors	8,282	7,021	7,468	6,371
Rent and service charges received in advance	3,709	3,538	3,709	3,538
Social housing grant received in advance	165	-	165	-
Other grants received in advance	7,658	7,700	7,658	7,700
Amounts owed to Group undertakings	-	-	5,992	885
Deferred grant income (Note 23)	880	813	880	813
Corporation Tax	-	-	-	-
Other taxation and social security	676	724	675	719
Unpaid contributions for retirement benefits	309	295	309	295
Disposal Proceeds (Note 24)	-	1,932	-	1,932
Other creditors*	2,362	1,792	2,323	1,668
Accruals and deferred income	8,508	3,092	3,337	2,930
	57,549	**26,907**	**57,516**	**26,851**

*Other creditors includes the Big Lottery funding for the Click Start Programme. A creditor of £nil is still outstanding at 31 March 2020 (2019: £31.6k). The total funding received for the year was £948k, with £704k being paid to our partners and whg recognising £244k through the Statement of Comprehensive Income.

22. Creditors: amounts falling due after more than one year

	Group		Company	
	2020	**2019**	**2020**	**2019**
	£000	£000	£000	£000
Recycled Capital Funds Grant (Note 26)	45	43	45	43
Debt (Note 25)	412,290	404,413	412,290	404,413
Disposal proceeds fund (Note 24)	-	63	-	63
Deferred grant income (Note 23)	61,318	51,140	61,318	51,140
	473,653	**455,659**	**473,653**	**455,659**

23. Deferred grant income

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
At 1 April 2019	51,953	49,696	51,953	49,696
Grant received in the year	11,453	3,246	11,453	3,246
Transfer to RCGF	(39)	(38)	(39)	(38)
Grants paid to partners	-	(32)	-	(32)
Grants recognised as income	(43)	(43)	(43)	(43)
Released to income in the year	(1,126)	(876)	(1,126)	(876)
At 31 March 2020	**62,198**	**51,953**	**62,198**	**51,953**
Amounts to be released within one year (Note 21)	880	813	880	813
Amounts to be released in more than one year (Note 22)	61,318	51,140	61,318	51,140
	62,198	**51,953**	**62,198**	**51,953**

Deferred Grant includes £422k (2019: £431k) relating to office buildings and £584k (2019: £529k) component accounting grant.

24. Disposal proceeds fund

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
At 1 April 2019	1,995	1,981	1,995	1,981
Net sale proceeds recycled	-	-	-	-
Interest accrued	12	14	12	14
Withdrawals	(2,007)	-	(2,007)	-
At 31 March 2020	**0**	**1,995**	**0**	**1,995**
Repayment Due				
Amounts due within one year (Note 22)	-	1,932	-	1,932
Between one and two years (Note 23)	-	63	-	63
Between two and three years (Note 23)	-	-	-	-
	0	**1,995**	**0**	**1,995**

As at 31 March 2020, there are no amounts due for repayment.

25. Debt analysis

Borrowings

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Due within one year				
Bank loans	25,000	-	25,000	-
	25,000	**-**	**25,000**	**-**
Due after more than one year				
Bank loans	148,025	171,733	148,025	171,733
Bond	266,307	234,747	266,307	234,747
	414,332	406,480	414,332	406,480
Less: issue costs	(2,042)	(2,067)	(2,042)	(2,067)
	412,290	**404,413**	**412,290**	**404,413**
Total loans	**437,290**	**404,413**	**437,290**	**404,413**

25. Debt analysis (continued)

	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Payable to external funders	437,290	404,413	172,538	171,148
Payable to Group undertakings	-	-	264,752	233,265
	437,290	404,413	437,290	404,413

Bank loans and derivatives

At 31 March 2020 the Group had four fixed rate loans with a callable option to the value of £20m (2019: £20m), the derivative element of which had a mark to market valuation at that date of £9.8m (2019: £8.3m).

The mark to market liability is included within bank loans. The loss of £1.5m (2019: £0.1m loss) in the fair value of the callable fixed rate loan derivatives has been taken through the Statements of Total Comprehensive Income.

Bond

In July 2019, the Group issued the remaining £25m retained bond. The sale was over-subscribed and brought in total funds of £32m (£129.03 per £100 issued) at an all-in rate of 2.758% (1.308% yield, 145 bps spread). This sale attracted a £7m premium which will be amortised over the remaining life of the bond and netted off the interest payment on the coupon £25m with a rate of 4.25%. The cost of issuing the £25m retained bond was £104k.

The bond monies are lent from whg Treasury PLC on to the parent company Walsall Housing Group Limited under the same terms and so the bond in the company above is therefore owed to the subsidiary, whg Treasury PLC.

The market value of the bond as at 31 March 2020 was £320.7m (2019: £271.2m).

Facilities and security

At 31 March 2020 the Group had £49.1m of agreed but undrawn borrowing facilities available (in the form of revolving credit facilities.

The bank loans and the bond are secured by specific charges based on the net book value on the housing properties of the Group in favour of the lenders. The underlying assets of the issuance belong to Walsall Housing Group Limited through a security trust arrangement with the Prudential Trustee Company Limited.

Terms of repayment, interest rates and issue costs

Bank loan repayments are via a mixture of instalments and one off bullet repayments. The current bond liability is payable in full in 2045.

The £163m of bank loans accrue interest at an average rate of approximately 6.38%. As above, the £250m bond has been issued at a coupon rate of 4.25%.

Gross issue costs for both the bank loans and the bond were £2.4m and were capitalised in the years in which they were incurred. Amortisation charged in the year was £130k (2019: £88k) leaving issue costs of £2,042k (2019: £2,067k) to be carried forward.

25. Debt analysis (continued)

Based on the lender's earliest repayment date, borrowings are repayable as follows:

	Group		Company	
	2020 £000	**2019** £000	**2020** £000	**2019** £000
Within one year or on demand	25,000	-	25,000	-
Two years or more but less than five years	80,867	105,867	80,867	105,867
Five years or more	333,465	300,614	333,465	300,614
	439,332	**406,481**	**439,332**	**406,481**
Less: unamortised issue costs	(2,042)	(2,068)	(2,042)	(2,068)
	437,290	**404,413**	**437,290**	**404,413**

26. Recycled Capital Grant Fund

	Group		Company	
	2020 £000	**2019** £000	**2020** £000	**2019** £000
Opening Balance as at 1 April	43	48	43	48
Inputs to RCGF:				
Grant recycled from property disposals	45	44	2	44
Interest accrued	-	1	-	1
Transfers from other PRP's	-	-	-	-
Recycling of grant				
New Build	(43)	(50)	-	(50)
Closing Balance as at 31 March	**45**	**43**	**45**	**43**

27. 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

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 2019.

The fair value of the scheme assets at that date was £208.7m.

When the LGPS benefit structure was reformed in 2014, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1 April 2014 by these members are subject to an 'underpin' which means that they cannot be lower than what they would have received under the previous benefit structure. The underpin ensures that these members do not lose out from the introduction of the new scheme by effectively giving them the better of the benefits from the old and new schemes.

27. Pension obligations (continued)

In December 2018 the Court of Appeal upheld a ruling ("McCloud/Sargeant") that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling are expected to apply to the LGPS (and other public service schemes) as well. The UK government requested leave to appeal to the Supreme Court, but this was denied at the end of June 2019. LGPS benefits accrued from 2014 may therefore need to be enhanced so that all members, regardless of age, will benefit from the underpin. Alternatively, restitution may be achieved in a different way, for example by paying compensation. In either case, the clear expectation is that many more members would see an enhanced benefit rather than just those currently subject to these protections. There will therefore be a retrospective increase to members' benefits, which in turn will give rise to a past service cost for the Fund employers.

Quantifying the impact of the judgement at this stage is very difficult because it will depend on the compensation awarded, members' future salary increases, length of service and retirement age and whether (and when) members withdraw from active service. Salary increases in particular can vary significantly from year to year and from member to member depending on factors such as budget restraint, job performance and career progression. The Government Actuary's Department (GAD) has estimated that the impact for the LGPS as a whole would be to increase active member liabilities by 3.2% based on a given set of actuarial assumptions. A full description of the data, methodology and assumptions underlying these estimates is given in GAD's paper, dated 10 June 2019.

The Funds' actuaries have made a best estimate of the impact on the Group's pension liabilities and this estimation is included in the net liability for the LGPS schemes as at 31 March 2020. These numbers are high level estimates based on scheme level calculations and depend on several key assumptions.
The impact on employers' funding arrangements will likely be dampened by the funding arrangements they have in place. However, if the judgement is upheld then there will be unavoidable upward pressure on contributions in future years.

Key Results

The estimated position at 31 March 2020 shows a deficit of £14.2m compared with a £13.2m deficit last year. The key reasons for this change are:

- The discount rate has decreased.
- The investment return was negative with volatile markets.
- Includes an estimate of the possible impact of the McCloud/Sargeant judgement based on the Government Actuary Department analysis which was not provided for last year. The adjustment is an estimate of the potential impact on the Employer's defined benefit obligation based on analysis carried out by the Government Actuary's Department (GAD) and the Employer's liability profile. It is not yet clear how this judgement may affect LGPS members' past or future service benefits.

The employer's contributions to the WMPF by the Company and Group for the year ended 31 March 2020 were £1.8m (2019: £1.7m). whg received a rebate for the year of £1,066k due to an improved funding position which resulted in the actual rate being 12% for the year. The employer's contribution rate has been fixed as 20.4% of pensionable salaries until 31 March 2023 with a discount of 12.2%.

Early retirements over the year, have resulted in a past service cost of £0.7m in the year to 31 March 2020 (2019: £nil). There were £nil (2019: £nil) of other settlements, curtailments, discretionary practices, constructive obligations or other material events during the year.

Calculation Method

The figures at 31 March 2020 are based on projecting forward the results of the last formal actuarial valuation of the Fund as at 31 March 2019.

27. Pension obligations (continued)

Key Assumptions

The key financial assumptions have been based on market assumptions as at 31 March 2020 and have been derived in a consistent manner to last year. This has resulted in the following assumptions:

	Group and Company	
Principal actuarial assumptions **Financial assumptions**	**31 March 2020 % per annum**	**31 March 2019 % per annum**
Discount rate	2.35	2.40
Future salary increases	3.40	3.90
Future pension increases	1.90	2.40
Inflation assumption	0.80	2.40

Mortality assumptions

The post-retirement mortality assumptions adopted to value the benefit obligation at March 2020 and March 2019 are based on the PA92 series. The assumed life expectations on retirement at age 65 are:

		Group and Company	
		2020 Years	**2019 Years**
Retiring today:	Males	21.9	20.9
	Females	24.1	23.2
Retiring in 20 years:	Males	23.8	22.6
	Females	26.0	25.0

Amounts recognised in surplus or deficit

	Group and Company	
	2020 £000	**2019** £000
Current service cost	5,287	5,132
Admin charges	133	86
Amounts charged to operating costs	5,420	5,218

	2020 £000	**2019** £000
Net interest payable	295	589
Amounts within interest and financing costs	295	589

Amounts Recognised in the Statement of Total Comprehensive Income

	2020 £000	**2019** £000
Re measurements	3,664	14,830
Actuarial (loss)/gain in respect of pension scheme	**3,664**	**14,830**

27. Pension obligations (continued)

Amounts recognised in Statement of Financial Position

	Group and Company		
	2020 £000	**2019** £000	**2018** £000
Present value of funded obligations	216,551	221,909	218,745
Fair value of plan assets	202,401	208,717	194,799
Net pension liability	(14,150)	(13,192)	(23,946)

Reconciliation of opening and closing balances of the present value of scheme liabilities

	Group and Company	
	2020 £000	**2019 £000**
Opening scheme liabilities	221,909	218,745
Current service cost	5,287	5,132
Interest cost	5,305	5,537
Change in financial assumptions	(22,330)	8,263
Experience (loss) / gain on defined benefit obligation	2,590	-
Change in demographic assumptions	4,855	(12,516)
Benefits paid	(2,862)	(4,289)
Past service costs including curtailments	707	-
Member Contributions	1,090	1,037
Closing scheme liabilities	**216,551**	**221,109**

Reconciliation of opening and closing balances of the fair value of plan assets

	Group and Company	
	2020 £000	**2019 £000**
Opening fair value of plan assets	208,717	194,799
Interest income	5,010	4,948
Return on plan assets (in excess of interest income)	(13,610)	10,577
Other actuarial gains/(losses)	2,389	2,323
Contributions by employer	1,800	1,731
Benefits paid	(2,862)	(4,289)
Administration expenses	(133)	(86)
Member contributions	1,090	1,037
Closing fair value of plan assets	**202,401**	**208,717**

	2020 £000	**2019** £000
Actual return on scheme assets	**8,600**	**15,525**

Major categories of plan assets as a percentage of total plan assets:

	2020 %	**2019** %
Equities	57.0	58.0
Government Bonds	12.0	8.0
Other Bonds	4.0	4.0
Properties	9.0	9.0
Cash	4.0	5.0
Other	15.0	17.0

27. Pension obligations (continued)

Sensitivity analysis

Adjustment to mortality age rating assumption	**+ 1 year £000**	**None £000**	**- 1 year £000**
Present value of total obligation	224,870	216,551	208,552
Projected service cost	5,369	5,197	5,031

Adjustment to discount rate	**+0.1% £000**	**0.0% £000**	**-0.1% £000**
Present value of total obligation	212,072	216,551	221,129
Projected service cost	5,072	5,197	5,325

The above includes an allowance for the estimated impact of the recent McCloud judgement on the projected service cost. The estimated impact as a percentage of the projected service cost is 1.0%.

Social Housing Pension Scheme

The company participates in the Social Housing Pension Scheme (the Scheme), a multi-employer scheme which provides benefits to some 500 non-associated employers. The Scheme is a defined benefit scheme in the UK.

The Scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1,522m. A Recovery Plan has been put in place with the aim of removing this deficit by 30 September 2026.

The Scheme is classified as a 'last-man standing arrangement'. Therefore, the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the Scheme. Participating employers are legally required to meet their share of the Scheme deficit on an annuity purchase basis on withdrawal from the Scheme.

For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the company to account for the Scheme as a defined benefit scheme.

For accounting purposes, two actuarial valuations for the scheme were carried out with effective dates of 31 March 2018 and 30 September 2018. The liability figures from each valuation are rolled forward to the relevant accounting dates, if applicable, and are used in conjunction with the company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus at the accounting period start and end dates.

The estimated position at 31 March 2020 shows a deficit of £92k (2019: £655k)

The number of scheme members employed by the Group at 31 March 2020 was nil (2019: 2). The charge to the Group for the year was £64k. (2019: £98k).

The Group also contributes to defined contribution schemes, also with the Social Housing Pension Scheme operated by the Pensions Trust.

Calculation Method

The figures at 31 March 2020 are based on projecting forward the results of the last formal actuarial valuation of the Fund as at 30 September 2017.

27. Pension obligations (continued)

Key Assumptions

The key financial assumptions have been based on market assumptions as at 31 March 2020 and have been derived in a consistent manner to last year. This has resulted in the following assumptions:

Financial assumptions	Group and Company 31 March 2020 % per annum	31 March 2019 % per annum
Discount rate	2.38	2.30
Future salary increases	2.62	3.30
Inflation assumption (RPI)	1.62	3.30
Inflation assumption (CPI)	2.62	2.30

Mortality assumptions

The post-retirement mortality assumptions adopted to value the benefit obligation at March 2020 imply the assumed life expectations on retirement at age 65 are:

		Group and Company 2020 Years	2019 Years
Retiring today:	Males	21.5	21.8
	Females	23.3	23.5
Retiring in 20 years:	Males	22.9	23.2
	Females	24.5	24.7

Amounts recognised in surplus or deficit

	Group and Company 2020 £000	2019 £000
Current service cost	-	60
Loss on settlements	-	-
Admin charges	2	2
Curtailments	-	-
Amounts charged to operating costs	2	62

	2020 £000	2019 £000
Net interest payable	15	12
Amounts within interest and financing costs	15	12

Amounts Recognised in the Statement of Total Comprehensive Income

	Group and Company 2020 £000	2019 £000
Re measurements	512	(207)
Actuarial gain in respect of pension scheme	**512**	**(207)**

27. Pension obligations (continued)

Other Comprehensive Expenditure

	2020 £000	2019 £000
De-recognition of SHPs Obligation held in provisions	-	374
Initial recognition of Defined benefit liability 2019	-	(487)
	-	**(113)**

Amounts recognised in Statement of Financial Position

	Group and Company	
	2020 £000	2019 £000
Present value of funded obligations	1,736	2,752
Fair value of plan assets	1,644	2,097
Net pension liability	(92)	(655)

Reconciliation of opening and closing balances of the present value of scheme liabilities

	Group and Company	
	2020 £000	2019 £000
Opening scheme liabilities	2,752	2,286
Current service cost	2	60
Interest cost	57	58
Change in scheme experience	(209)	270
Change in financial assumptions	(243)	167
Change in demographic assumptions	(18)	8
Benefits paid	(605)	(99)
Member Contributions	-	-
Closing scheme liabilities	**1,736**	**2,752**

Reconciliation of opening and closing balances of the fair value of plan assets

	Group and Company	
	2020 £000	2019 £000
Opening fair value of plan assets	2,097	1,799
Interest income	42	46
Return on plan assets (in excess of interest income)	42	238
Other actuarial gains/ (losses)	-	-
Contributions by employer	68	113
Benefits paid	(605)	(99)
Administration expenses	-	-
Member contributions	-	-
Closing fair value of plan assets	**1,644**	**2,097**

	2020 £000	2019 £000
Actual return on scheme assets	84	284

27. Pension obligations (continued)

Categories of plan assets:

	2020 £000	2019 £000
Absolute Return	115	182
Alternative Risk Premia	86	121
Corporate Bond Fund	94	98
Credit Relative Value	45	38
Distressed Opportunities	32	38
Emerging Markets Debt	50	72
Fund of Hedge Funds	1	9
Global Equity	240	353
Infrastructure	122	110
Opportunistic Illiquid Credit	40	-
Insurance-Linked Securities	50	60
Liquid Credit	1	-
Liability Driven Investment	546	768
Long Lease Property	28	31
Net Current Assets	7	4
Private Debt	33	28
Property	36	47
Risk Sharing	56	63
Secured Income	62	75
Total Assets	**1,644**	**2,097**

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

Sensitivity analysis

	Change in assumptions	Change in liabilities
Discount Rate	Increase of 0.1% pa	Decrease by 2.0%
Rate of inflation	Increase of 0.1% pa	Increase by 1.9%
Rate of salary growth	Increase of 0.1% pa	Increase by 0%
Rate of Mortality	Probability of surviving each year increased by 10%	Increase by 2.7%

The sensitivities shown above are approximate. Each sensitivity considers one change in isolation. The inflation sensitivity includes the impact of changes to the assumptions for revaluation, pension increases and salary growth where appropriate. The average duration of the defined benefit obligation at the period ended 31 March 2020 is 21 years.

28. Provisions for liabilities and charges

Group and Company	Insurance claims £000	Restructuring costs £000	Leave pay £000	Total £000
At 1 April 2019	442	-	204	646
Additions	244	163	229	636
Utilised	(220)	-	(204)	(424)
Reversals	-	-	-	-
At 31 March 2020	**466**	**163**	**229**	**858**

Provision is made for insurance claims awaiting final settlement that fall within the self-funding element of the Group's insurance policies. The settlement can take up to two years.

The restructuring costs provision relates to costs agreed but not yet paid during the year.

The leave pay provision represents holiday balances accrued as a result of services rendered in the current period and which colleagues are entitled to carry forward. The provision is measured as the salary cost payable for the period of absence.

29. Share Capital

Walsall Housing Group Limited is a company limited by guarantee. No shares have been issued.

30. Cash flow from operating activities

	2020 £000	2019 £000
Surplus for the year	17,450	18,796
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	12,249	11,289
Amortisation of intangible assets	435	401
Pension costs less contributions payable	3,620	3,493
Government grants amortised in the year	(1,170)	(919)
Movement in fair value of financial instruments	1,293	141
Adjustments for investing of financing activities:		
Surplus on disposal of property, plant & equipment	(9,100)	(6,764)
Movement in fair value of investment properties	(969)	48
Interest payable	20,784	20,057
Interest received	(867)	(611)
Operating cash flows before movements in working capital	**43,725**	**45,931**
(Increase)/decrease in stock	-	127
(Increase)in properties held for sale	(2,822)	(5,007)
Decrease/(Increase) in trade and other debtors	249	374
Increase/(decrease) in trade and other creditors	3,346	3,386
Increase/(Decrease) in provisions	212	646
Cash generated from operating activities	**44,710**	**45,457**

30A. Analysis of changes in net debt

	At 1 April 2019 £000	Cash flows £000	Fair-Value Movements £000	Other non-cash movements £000	At 31 March 2020 £000
Cash	112,502	4,652	-	-	117,154
Investments	10,155	87	-	-	10,242
Bank loans due within one year	-	-	-	(25,000)	(25,000)
Bonds due greater than one year	(232,680)	(31,819)	-	234	(264,265)
Bank loans due greater than one year	(171,733)	-	(1,292)	25,000	(148,025)
Total	**(281,756)**	**(27,080)**	**(1,292)**	**234**	**(309,894)**

The bond cash flow represents the proceeds of issue of a retained bond. The most significant non cash movement is the reclassification of bank loans due to terminate in March 2021.

31. Capital Commitments

	Group		Company	
	2020	**2019**	**2020**	**2019**
	£000	£000	£000	£000
Expenditure contracted for but not provided for	92,120	68,348	92,120	68,348
Expenditure authorised by the Board, but not contracted	1,426	27,144	1,426	27,144
	93,546	**95,492**	**93,546**	**95,492**

The above commitments will be financed as shown in the following table:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	£000	£000	£000	£000
Loan financing	82,964	95,258	82,964	95,258
Affordable housing grant	6,298	234	6,298	234
Other government grant	4,284	-	4,284	-
	93,546	**95,492**	**93,546**	**95,492**

Visionary Investment Enhancing Walsall Limited (VIEW) has commitments of £255k (2019: £410k) in respect of grant payables to external agencies.

32. Contingent assets/liabilities

The Group and Company had no contingent assets at 31 March 2020 (2019: £nil).

The Group receives capital grant from Homes England, which is used to fund the acquisition and development of housing properties and their components. In certain circumstances upon disposal of grant funded properties, the Group is required to recycle this grant by crediting a Recycled Capital Grant Fund.

At 31 March 2020, the Group has disposed of components, which had received £20k (2019: £46k) of grant funding. Although the disposal of these components has not given rise to a relevant event for the purposes of recycling grant (as the Group retains the property asset) it does have a future obligation to recycle this grant once the property is disposed of.

As the timing of any future disposal is uncertain, no provision has been recognised in these Financial Statements.

The Company is party to a Group VAT registration. At the year end, the other parties' VAT asset was £33.7k (2019: VAT asset £10.5k).

33. Leasing commitments

The total future minimum lease payments under non-cancellable operating leases are as set out below. Leases relate to land and buildings, aerials, vehicles and office equipment.

	2020	**2019**
	£000	£000
Within one year	429	786
Between two and five years	292	284
Over five years	-	77
	721	**1,147**

34. Related parties

Walsall Housing Group Limited is the parent company of the Group. It is registered with Companies House, the Charity Commission and the RSH and is a company limited by guarantee. Its wholly owned subsidiaries are:

- whg Treasury PLC is a non-charitable company registered with Companies House. Its principal activity is to act as an onward moneylender of bond monies to its immediate parent company Walsall Housing Group Limited. The Group owns all of the Company's 50,000 £1 shares which were issued at par on incorporation.

- whg Developments Limited is a non-charitable company registered with Companies House whose principal activity is to provide a design and build service to Walsall Housing Group Limited. The Group owns the £1 share which was issued at par on incorporation.

- whg Trading Company Limited is a non-charitable company registered with Companies House whose principal activity is providing housing related project management and professional services. The Company also receives feed in tariff from solar panels. The Group owns the £1 share which was issued at par on incorporation.

- Anthem Homes Limited is a non-charitable company registered with Companies House. Its principal activity is to develop homes for outright sale. The Group owns all of the Company's 50,000 £1 shares which were issued at par on incorporation.

- Cricket Close LLP is a Limited Liability Partnership and a non-charitable company registered with Companies House. It is a subsidiary of Anthem Homes which owns 99% of the LLP with a £2 member interest and the remaining 1% is owned by whg Trading Limited.

- Visionary Investment Enhancing Walsall Limited (VIEW) is an entity registered under the Co-operative and Community Benefit Societies Act 2014, which has charitable tax status. It is registered with the Financial Conduct Authority. VIEW's rules were amended at the AGM in September 2016. Its objects shall be to carry out for the benefit of the community:

  - The improvement of the health and wellbeing of poor people of aged, disabled (whether physically or mentally) or chronically sick people through the provision and management of facilities and services.

  - The relief of unemployment for the benefit of the public in such ways as may be thought fit, including assistance to find employment; and

  - Any other charitable object that can be carried out from time to time by a registered charity.

- Buy For Good CIC is a Community Interest Company registered with Companies House whose principal activity is to deliver social value through innovative and collaborate procurement initiatives.

Anthem Lovell LLP is a Limited Liability Partnership and non charitable company registered with Companies House. Anthem Homes is in partnership with Lovell Homes each partner has a 50% share of the company.

All entities are incorporated in England and Wales.

The intra-Group transactions which took place during the year between the parent undertaking and its subsidiaries are detailed within Note 17.

During the year there was a tenant, Noel Maxwell, who was a member of the Board of whg, and a tenant, Natalia Hill, who is part of the Customer Services Committee. Their tenancies are on normal commercial terms and they are not able to use their position to their advantage. The rent charged in 2020 was £9k (2019: £13k). Total arrears were nil (2019: £nil).

Disclosures in relation to key management personnel are included in Note 10.

35. Financial assets and liabilities

The Board policy on financial instruments is explained in the Strategic Report, as are references to financial risks. The Group's principal financial instruments comprise bank loans and other borrowings and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and payables, which arise directly from its operations.

Categories of financial assets and financial liabilities

FINANCIAL ASSETS

Financial assets measured at amortised cost

	Group		Company	
	2020	**2019**	**2020**	**2019**
	£000	£000	£000	£000
Net Rent Debtor	2,094	1,998	2,094	1,998
Other Debtors	408	772	387	748
Accrued Income	4,507	3,567	4,507	3,567
Amounts owing by Group undertakings		-	10,931	3,357
Cash and cash equivalents	117,154	112,502	113,900	108,553
Current Investments	10,242	10,155	10,242	10,155
Total Financial Assets	**134,405**	**128,994**	**142,061**	**128,378**

FINANCIAL LIABILITES

Financial liabilities measured at amortised cost

	Group		Company	
	2020	**2019**	**2020**	**2019**
	£000	£000	£000	£000
Bank Loans and bond	427,671	396,087	427,671	396,087
Trade Creditors	8,282	7,021	7,468	6,371
Accruals	8,508	3,092	3,337	2,930
Amounts owing to Group undertakings	-	-	5,992	885
Other Creditors	2,362	1,792	2,323	1,668
Total	**446,823**	**407,992**	**446,791**	**407,941**

Financial liabilities measured at Fair Value through the Statement of Comprehensive income

	Group		Company	
	2020	**2019**	**2020**	**2019**
	£000	£000	£000	£000
Derivatives (Note 25)	**9,618**	**8,326**	**9,618**	**8,326**
Total Financial Liabilities	**456,441**	**416,318**	**456,409**	**416,267**

Interest rate profile

The Group's debt has a weighted average interest rate of 4.85% (2019: 4.96%) and the weighted average for which it is fixed is the lifetime of the loan. The debt maturity profile is shown in Note 26.

35. Financial assets and liabilities (continued)

Borrowing facilities

The Group has undrawn committed borrowing facilities. The facilities available at 31 March in respect of which all conditions precedent had been met were as follows:

	2020	2019
	£000	£000
Expiring between one and two years – revolving credit facility	-	-
Expiring in more than two years – revolving credit facility	49,133	49,133
	49,133	**49,133**

36. Reserves

The Group has taken part in the Midlands pilot of a Voluntary Right to Buy scheme. Thirty-four properties were sold in the year to 31 March 2020 (2019: 7). The Group has created a designated reserve for the net proceeds plus discount reclaimed from Homes England less the amount of debt repaid. This designated reserve will be used to fund the one for one replacement of housing property.

	Group		Company	
	General Reserves	Designated Reserves	General Reserves	Designated Reserves
	£000	£000	£000	£000
As at 31 March 2019	107,419	648	123,183	648
Total comprehensive income for the year	21,642	-	21,996	-
Transfer to designated reserve	(2,508)	2,508	(2,508)	2,508
	126,553	**3,156**	**142,671**	**3,156**

37. Prior Period Adjustment

As included in our Accounting Policies in Note 2, the classification of the disposal for housing properties through Right to Buy and Right to Acquire is included within the Operating Surplus. In the 2019/20 financial statements this policy was amended to also include surplus on disposal of housing properties through Voluntary Right to Buy following the clarification in the 2018 update to the 2014 Housing SORP about what should be included within operating surplus.

The prior year has been restated for comparative purposes by disclosing £851k within Operating Surplus.

Note 6 shows the detail behind the amounts included and excluded in the Operating Surplus.