Walsall Housing Group

Financial Statements 2012

Image: whg Group Offices

Contents

Group Board, Executive Team and Advisers

Group Board

Independent Board Members

Fred Bell - Chair
Paul Murray
Theresa Mingay (from 27.09.11)
Amanda Tomlinson (from 01.02.12)
Peter Richmond
Wayne Hughes (to 27.09.11)

Council Board Members

Barry Sanders (to 25.05.11)
Ian Shires (to 25.05.11)
Zahid Ali (from 26.07.11 - resigned 23.05.12)

Tenant Board Members

Terence Bate
Vera Birch
Sheila Dickinson
Ann Margaret Iliffe
Neville Styles

Walsall Tenants and Residents Federation

Janet Poyner (to 29.06.11)
Amanda Wint (to 29.06.11)

Executive Team

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

Secretary & Registered Office

Jane Preece
100 Hatherton Street
Walsall
WS1 1AB

Registered Numbers

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

Advisors

External Auditor

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

Principal Solicitors

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

Clearing Bankers

Lloyds Banking Group

Funders

Lloyds Banking Group
Santander Group UK
Nationwide Building Society

Report of the Board

Principal Activities

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

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

The Group includes three non RP subsidiaries, Visionary Investment Enhancing Walsall Limited (VIEW) which is an Industrial & Provident Society with exempt charity status; whg Trading Company Limited and whg Development Company Limited (DEVCO) both of which are non charitable subsidiaries.

whg is regulated by the HCA and complies with the Regulatory Code.

At 31 March 2012, the Group owned and or managed 19,037 general needs properties within Walsall, Sandwell and Cannock, excluding 549 Leasehold properties.

Statement of Public Benefit

The Board has considered its response to the change in the law, as embodied in the Charities Act 2006, requiring that public benefit can no longer be presumed but must be demonstrated. The Board confirms that they have had due regard to the Charity Commission's general guidance on public benefit.

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

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

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

Corporate Governance

We are pleased to report that the Group's Board and Committees comply with the principal recommendations of the NHF Code of Governance 2010 save as set out within this paragraph. In relation to the Walsall Housing Group Board we did not comply with the recommendation in respect of limiting Board membership to a maximum of 12 members. This Board had 15 members in line with original transfer arrangements made with Walsall Council in March 2003. We are awaiting agreement from Walsall Council to reduce its representation to one member. Walsall Tenants and Residents Federation have agreed not to be represented on the whg Board but will play a more active role in tenant committee member recruitment and selection. This will enable the Group to comply with the NHF Code of Governance 2010 for 2013.

The Group's Board and Executive Directors are listed on page 4.

The Group's Board comprises up to fifteen non-executive members, plus co-optees, and is responsible for managing the affairs of the Group as a whole.

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

The Local Neighbourhood Committees comprise up to nine non-executive members, plus co-optees. Recently taking on the scrutiny role within the governance structure, they are responsible for monitoring performance and influencing strategy and policy, within the framework of the Group's strategy and policies, in each area.

The Group Board met 6 times in the year to 31st March 2012.

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

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

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

The Board and Executive Directors

In line with whg Board policy, Board members do not receive any remuneration for their services.

The remuneration packages of the Executive Directors are set taking into account remuneration levels in the sector, each Executive Director's responsibilities and pay levels for comparable positions in the marketplace.

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

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

Employees

Walsall Housing Group (whg) aims to provide a great place to work in the Walsall Borough. The majority of our 633 colleagues live in the local areas where they work and we offer development to colleagues at every level. Our continued success depends on recruiting, developing and retaining the best talent and our colleagues deliver a level of customer service which goes from strength to strength.

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

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

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

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

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

Committee Structure

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

- **Resources Committee** which meets at least three times a year in ordinary meetings and once to consider and recommend the annual financial statements. The Committee's primary responsibility is to set the detailed financial framework for the Group's operations, to monitor financial performance and to make recommendations, and to oversee development of new business programmes.
- **Audit and Risk Management Committee** which meets four times a year, though the internal and external auditors may request additional meetings if they think it necessary. On an annual basis, the Committee meets in private session with the external and internal auditors. The Committee considers the appointment of internal and external auditors (in the latter case subject to approval at Annual General Meeting). Its primary responsibility is to oversee the audit and risk framework of the Group and to make recommendations to the Group's Boards as appropriate.
- **Asset Management & Regeneration Committee** which meets four times a year and considers the plans and performance of the Group's repairs and maintenance services, approves the planned maintenance and major improvement programmes, and monitors their completion within financial, time and quality targets.
- **Governance Committee** which met three times this year and oversees all governance work across the Group including leading on governance reviews.
- **Remuneration Committee** composed of members of whg Board, which is responsible for recommending the remuneration of Executive Directors and pay increases etc.

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

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

Statement of Board Responsibilities

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

The Companies Act 2006 and the Housing Act 1996 require the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the surplus or deficit of the group and the company for that period.

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

a. select suitable accounting policies and then apply them consistently;

b. make judgements and accounting estimates that are reasonable and prudent;

c. state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;

d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Internal Controls

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

The systems of internal control are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable, and not absolute, assurance against material misstatement or loss.

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

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

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

Identifying and Evaluating Key Risks

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

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

Control Environment and Internal Controls

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

Information and Reporting Systems

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

Monitoring Arrangements to check the effectiveness of internal controls

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

This is complemented by regular reviews by a firm of internal auditors who provide independent assurance to the Boards, via the ARMC. The arrangements include a rigorous procedure, monitored by the ARMC, for ensuring that corrective action is taken in relation to any significant control issues.

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

Fraud Assurance

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

Employee Relations

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

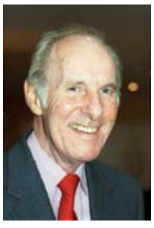
Disclosure of Information to the Auditor

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

Auditor

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

This report was approved by the Board and authorised for issue on 24th July 2012 and signed on its behalf by:



Frederick C Bell
Chair

Gary Fulford
Group Chief Executive

Jane Preece
Company Secretary

“Altogether Better”

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

Operating and Financial Review

Objectives and Strategy

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

Over the three years we will continue to change and grow. We are already highly successful in many areas of our work and we have a tremendous foundation for the future. The challenge now is to embrace our new mission and aims and become a truly outstanding organisation all of the time in all that we do.

Statement of Compliance

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

Going Concern

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

Value for Money

VFM is about maximising whg's use of resources in order to achieve our corporate objectives. The specific expectations of whg are:

- Set out a VFM action plan linking the Corporate and Business Plans to service and performance improvement;
- Understand the organisation's costs and the context of these costs; why the costs are high/low, what are the local factors which are impacting on them, what actions are being taken to manage the costs;
- Benchmark costs and performance against others and use the information to learn from our peers;
- Have effective methods of procurement and a comprehensive procurement strategy. Within whg we use modern methods of procurement, partnering and consortia to improve value from purchasing;
- To involve customers in even more decision making on services and the use of scarce resources;
- Embed VFM within the organisation so that it then becomes a way of working and is at the heart of our strategies and decisions;
- Use IS to deliver performance and service delivery improvements. The IS strategy will promote and support efficiencies across the organisation;
- To have a clear leadership from Board, with a champion at this level who leads on the strategy and provides scrutiny;
- To set clear targets for efficiency and performance improvements which have the involvement of customers;
- To review all major service areas to ensure that they deliver VFM.

Importantly the Board is now required to demonstrate to our stakeholders how we are meeting the VFM standard and this is to be achieved by publishing an annual self assessment outlining how we are achieving value for money in delivering value for money in delivering our objectives.

The table below demonstrates that the Group exceeded the VFM target set at the beginning of the year and made Value for Money gains of over £6m.

	Target	Actual	Variance
Value for money gains	4,000,000	6,021,134	2,021,134
Analysed as:			
Cash Savings	3,800,000	5,766,009	1,966,009
Non Cash Savings	200,000	255,125	55,125
	4,000,000	6,021,134	2,021,134

The main contributors to the value for money gains were:

- The Group has levered in over £5.2m through the Community Energy Savings programme to deliver energy improvements to the Group's stock. The programme has also delivered annualised energy savings of approximately £250k.
- Generating surpluses of £47k from commercial activities.
- Review of insurance arrangements which has led to further savings of £15k in 2011/12 in addition to the £164k previously secured by a tender in 2011
- The average sickness per colleague has reduced from an annualised 9.01 days to 8.35 days.

Operational Performance

Altogether Better - One year on, what have we achieved?

Deliver services that delight our customers

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

The performance of most of our key service areas are now considered to be in the top 25% in comparison with our peers. Customer satisfaction levels are also on the rise. Overall satisfaction with service delivery, repairs and maintenance and customers views being taken into account is now at over 82% with community safety, neighbourhood impact services, estate management and communications over 90%. Our target for all our services is at least 90%.

Our customer contact centre was placed **33rd** in the 2011 league table of UK call centres.

To delight our customers we also need to understand who is living in our homes and what their requirements and preferences are. This year we launched our **"All about you"** project which is aimed at collecting and utilising data about our customers to enhance and drive service delivery.

Create great homes and neighbourhoods

Investing for the Future

Development & Regeneration

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

Delays and changes in government funding in the past year has meant that we have only been able to provide **26 new homes** this year including **18 mortgage rescue** properties.

We submitted a joint bid for grant to support significant further development over the next four years and investment during 2011/12 included site starts for **76** new homes in Brownhills, **32** new homes in Bloxwich and a further **18** apartments in Darlaston. These are all expected to complete in 2012/13.

We are currently undertaking public consultation over plans to build some **700** homes in Goscote in partnership with Walsall Council. This significant project will revitalise the area with a mix of social and private housing, a village green, investment in education and open space improvements. We will go to the market in due course to appoint a construction partner.

Brownhills Development

Other developments in the year

100 Hatherton Street

Work on the flagship Town Centre Office, 100 Hatherton Street, was successfully completed. This is our new registered office and has involved the relocation of approximately 300 colleagues from a variety of offices in and around Walsall.

Green Initiatives

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

Strengthen local communities through working in partnership

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

ROCCs

Recognising **O**ur **C**ustomers and **C**ommunities. People who work tirelessly to make a real difference in their communities are recognised at our annual awards. A total of 49 awards were presented this year, to men and women of Walsall who devote countless hours of their time and bundles of energy to help others, improve their neighbourhoods and bring the community together.

ROCCs Awards Evening 2011

VIEW

During the past 12 months our Regeneration team has delivered 28 capacity building activities, engaging over 1,200 people. Projects have included healthy living programmes, sports activities, confidence building, business start up support and employment support, with numerous positive outcomes for those involved.

Community Development Foundation

We have also been selected as the accountable body for in excess of **£800k funding** from the Community Development Foundation. The fund has to be spent over a three year period on grass roots projects in some of the most deprived neighbourhoods' in Walsall. This work will further strengthen our links with voluntary sector and community groups.

Customer and Community Safety

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

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

Benefit Days

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

This year one such project, **Caldmore Village Festival,** has enabled a piece of land provided by whg to be cleared of overgrown vegetation and turned into a community outdoor space which will be used by the whole community to grow fruit, vegetables, plants and for education and recreation.

At the end of the summer a mammoth effort to restore a popular outdoor pursuit centre used by young people from Walsall took whg colleagues into the Welsh countryside for a DIY SOS style mission.

Around 60 colleagues from teams across the organisation travelled to **Bryntysilio Outdoor Education Trust near Llangollen**. Hundreds of Walsall school and college students use the centre each year which was in need of some TLC. Volunteers wasted no time getting stuck into the long list of tasks which included fitting a new kitchen, repairing a fire escape, plumbing, cleaning, decorating and gardening.

Bryntysilio Outdoor Centre

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

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

100 Hatherton Street

Significantly this year many colleagues have moved to our new offices at 100 Hatherton Street. Improvements in productivity and efficiency are already being seen as the majority of office based colleagues are now 'under one roof'. Specifically decisions can be made swiftly, answers can be sought easily and issues are being tackled jointly. There is also considerably less time and cost spent on colleagues travelling between offices. Further benefits will be realised as the potential of the building is maximised through the year ahead.

Benchmarking

By comparing our performance and costs to peers within the sector we can benchmark our performance in terms of efficiency and productivity. Overall in key business areas such as housing management, repairs and maintenance and back office services whg is in the top third for value for money.

Accreditation and Awards

The reduction in formal inspection and lack of regulation of 'consumer issues', has raised the profile of external accreditations. During the last 12 months whg was the first organisation nationwide to achieve HouseMark's **ASB Accreditation**, the Skills Centre also achieved the **Matrix Accreditation** for the provision of information, advice and guidance and our IT team achieved the national Computing Centre's **IT Department Accreditation**.

In addition, whg received a number of awards during the year including a **CIH regional award** for the NOW project and an **Energy Efficiency Award** for the CESP project. The contact centre was named as the 33rd best in the country and the communications team has been **short listed** for a national **CIPR award** for its work on the whg 100 Book.

Investing in Colleagues

To become a stronger more efficient business we recognise that we need to continue to invest in our colleagues. During the year a new and improved performance development review (PDR) process has been launched, to identify and build on areas of strength as well as to develop areas for improvement. The outcomes of these reviews will form the basis of colleagues training and development for the year ahead.

Sickness absence has improved again in the last year down from 9.01 days to 8.35 days. Although a full colleague survey has not been commissioned this year, we will be participating in the **Best Companies Survey** in the autumn, a sign of growing confidence in the business.

Achieve growth through ambition, innovation and collaboration

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

Lyng Community Housing

whg took over responsibility for the management and repairs of properties on behalf of the Lyng Community Association during the last year. The partnership has developed and evolved and we have completed further work for the Lyng including a profiling exercise of all their customers.

New Horizons Community Enterprises

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

Commercial Activity

We have also begun to offer work including repairs and gas servicing for our 550 leaseholders and other householders and landlords. There is considerable interest in this service from a number of estate agents operating in the area.

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

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

Operational Performance

Achieving Top Levels of Performance

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

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

Performance Improvement

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

Performance Highlights

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

Key Performance Indicators	2008	2009	2010	2011	2012
% of dwellings vacant & available to let	0.3%	0.4%	0.6%	0.6%	0.8%
% of dwellings vacant & not available to let	1.0%	1.0%	1.1%	1.0%	1.1%
Average re-let time (days)	27	22	17	24	27
% homes non decent	2.9%	0.0%	1.0%	0.2%	0.7%
Emergency repairs completed within time	99.8%	99.7%	100.0%	100.0%	100.0%
Urgent repairs completed within time	99.1%	99.6%	99.9%	99.6%	99.6%
Routine repairs completed within time	98.4%	99.3%	99.7%	99.5%	99.7%
Emergency repairs as a % of all repairs	15.1%	11.2%	9.1%	12.1%	11.6%
Financial Performance Indicators					
Average weekly operating cost per unit	£81.74	£62.24	£50.41	£53.90	£ 54.12
Operating cost as a % of turnover	148.0%	101.4%	74.8%	78.5%	72.2%
Weekly investment per unit of stock	£58.49	£37.75	£28.00	£30.14	£ 27.42
% Rent debit in arrears	5.1%	3.3%	4.2%	4.2%	5.0%
% Rent lost due to voids	1.1%	1.2%	1.5%	1.7%	1.7%

Financial Review

Progress against Business Plan Financial targets

The Business Plan is used to measure the future financial viability of the Group and is regularly monitored and assessed. The business plan model estimates the likely performance of the Group over 50 years, and is reviewed and updated annually to reflect changes in performance and other factors which may affect the Group in the future.

Financial Highlights – 5 Year Summary

Summary Income & Expenditure Account	**2008 £000**	**2009 £000**	**2010 £000**	**Restated 2011 £000**	**2012 £000**
Operating Surplus/(Deficit)	(29,108)	(3,586)	15,887	19,017	16,917
Surplus on sale of fixed assets	6,547	2,928	773	1,023	1,326
Net interest payable	(6,872)	(8,429)	(9,501)	(8,153)	(7,644)
(Deficit)/Surplus on ordinary activities before taxation	(29,433)	(9,087)	7,159	11,887	10,599
Tax on deficit on ordinary activities	(15)	0	0	0	0
Surplus/(Deficit) for the financial year	(29,448)	(9,087)	7,159	11,887	10,599
Summary Balance Sheet (Extract)					
Tangible fixed assets	65,681	70,911	76,417	187,798	203,435
Net current (liabilities)/assets	(7,004)	(5,353)	(5,785)	(7,843)	2,497
Total assets less current liabilities excluding pension asset/(liability)	58,677	65,558	70,632	179,955	205,932
Pension Asset/(Liability)	4,612	2,839	(1,441)	8,434	(1,489)
Total assets less current liabilities including pension asset /(liability)	63,289	68,397	69,191	188,389	204,443
Creditors due after more than one year	168,519	183,697	180,374	185,193	200,024
Capital and reserves	(105,789)	(115,842)	(111,763)	2,323	2,550

Revenue Expenditure

The group’s revenue surplus for the year ended 31 March 2012 was £10.6m compared to a prior year (restated) surplus of £11.9m.

Rental Income

The overall net rent performed as expected this year with an overall increase in gross rental income of £5.8m. The increase is due mainly to the annual rent increase of 5.1% and progression of customers towards target rent. Void losses remained low at 1.67% (2011: 1.67%).

Major Works

This year we have invested £17.8m of which £13.2m has been treated as capital expenditure under component accounting.

Financing Costs
Outstanding loans have increased by £15m this year to £200m. Financing costs however have remained at a consistent level with the previous year due to the sustained lower interest rates.

Right to Buy Sales
The prevailing economic conditions and their impact on the housing market continue to affect Right to Buy income. The net income amounted to £755k in the year which was consistent with last year’s total of £899k.

Regeneration and Demolition
Demolition costs continue to reduce as clearance programmes are near to completion. Total expenditure this year was £255k (2010 £148k).

Capital Expenditure
Capital expenditure is set out in note 10 to the financial statements. The Group has provided 47 new homes this year with 126 started on site and expected to complete 2012/13.

External Influences

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

Decent Homes Standard
The Government established targets in 2000 to ensure that all social housing meets set standards of decency. The Group and its subsidiaries report in the Regulatory and Statistical Returns Survey on the number of properties which meet and in some cases exceed the Decent Homes Standard. The Group has achieved a compliance level of 100%.

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

Funding options for the Group, whilst more restricted, have not prevented us delivering our plans. The Group has available loan facilities of £40m to cover developments. Our current funding syndicate led by Lloyds Banking Group continues to provide strong support for our business plan.

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

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

Rent Restructuring
Rent restructuring has been set by the Government and whilst affording some measure of certainty for the future, a change in policy could restrict the level of future rental income.

Treasury Management Policy

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

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

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

Reserves Policy

All surpluses generated are reinvested to meet the Group's principal objectives. The Group has restricted reserves as explained within the Accounting Policies on page 28.

Capital Structure

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

Loan Summary

At 31 March 2012 the Group had drawn loans totalling £200m. All loans are fully secured against the housing properties owned by the Group.

- The Group increased its loan by £15m during the year.
- The Group's average cost of funds (fixed and variable) at 31 March 2012 was 5.02% (2011: 5.02%)

Interest Rate Management

The Group had fixed rate loans totalling £155m (77.5% of its total loan balance £200m) at the year end.

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

	£m	Rate	Start	Matures
Initial Fix	25	5.39%	2003	2032
Fix1	15	5.06%	2005	2029
Fix 2	25	5.16%	2007	2023
Fix 3	25	4.63%	2007	2021
Fix 4	25	4.63%	2008	2017
Fix 5	10	4.12%	2008	2011
Fix 6	10	4.19%	2008	2012
Fix 7	10	4.34%	2008	2012
Fix 8	10	4.43%	2008	2013
Total Fixed	155			

Loan Covenants

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

Cash Flows

The consolidated Cash Flow Statement is shown on page 27 of the Financial Statements. During the year the Group's net cash increased by £2m.

Current Liquidity

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

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

We have audited the group and parent company financial statements of Walsall Housing Group Limited for the year ended 31 March 2012 (the "financial statements") on pages 24 to 54. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of Board and auditor

As more fully explained in the Statement of Board Responsibilities set out on pages 7 and 8, the Board members (who are also the directors of the company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at *www.frc.org.uk/apb/scope/private.cfm*.

Opinion on financial statements

In our opinion the financial statements:

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

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

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

Date: 24th July 2012

Consolidated Income and Expenditure Account
For the year ended 31st March 2012

	Note	2012 £000	2011 £000 (Restated)
Turnover	2	75,518	70,000
Operating Costs before exceptional items	2	(58,601)	(58,292)
Exceptional item Pension credit	4	0	7,309
Operating costs after exceptional items		(58,601)	(50,983)
Operating surplus	2	16,917	19,017
Surplus on sales of fixed assets	6	1,326	1,023
Interest receivable and other income	7	8,024	7,496
Interest payable and similar charges	8	(15,668)	(15,649)
Surplus for the financial year	18	10,599	11,887

The results are wholly attributable to continuing activities.

Consolidated Statement of Total Recognised Surpluses and Deficits
For the year ended 31st March 2012

	Note	Group	
		2012 £000	2011 £000 Restated
Surplus for the year		10,599	11,887
Actuarial (loss)gain on pension scheme	16	(10,372)	3,261
Total recognised surplus relating to the year		277	15,148
Prior Year Adjustment	28	101,050	
Total recognised surplus since the last annual report		101,277	

Consolidated Balance Sheet
As at 31st March 2012

	Note	2012 £000	2011 £000 (Restated)
Tangible Fixed Assets			
Housing properties at cost less depreciation	10	209,010	195,421
Social Housing Grant	10	(20,842)	(18,274)
		188,168	177,147
Other tangible fixed assets	10	15,130	10,514
		203,298	187,661
Homebuy equity loans advanced		137	137
		203,435	187,798
Current Assets			
Stocks	11	89	100
Debtors	12	6,818	5,368
Money market deposits		13,483	113
Cash at bank and in hand		423	313
		20,813	5,894
Creditors: amounts falling due within one year	13	(18,316)	(13,737)
Net current assets/(liabilities)		2,497	(7,843)
Net assets excluding pension asset		205,932	179,955
Pension asset	16	0	8,434
Net assets including pension asset		205,932	188,389
Creditors: Amounts falling due after more than one year	14	200,024	185,193
Provisions for liabilities and charges	15	1,869	873
Pension liability	16	1,489	0
Capital and Reserves			
Restricted Reserve	18	0	29
Revenue Reserve	18	2,550	2,294
		2,550	2,323
		205,932	188,389

The financial statements on pages 24 to 54 were approved by the Board and authorised for issue on 24th July 2012 and signed on its behalf by:

Frederick C Bell
Chair

Jane Preece
Company
Secretary

Company Balance Sheet
As at 31st March 2012

	Note	2012 £000	2011 £000 (Restated)
Tangible Fixed Assets			
Housing properties at cost less depreciation	10	226,703	213,296
Social Housing Grant	10	(21,718)	(19,150)
		204,985	194,146
Other tangible fixed assets	10	14,660	10,044
		219,645	204,190
Homebuy equity loans advanced		137	137
		219,782	204,327
Current Assets			
Stocks	11	89	100
Debtors: Due within one year	12	6,873	5,342
Money market deposits		13,483	113
Cash at bank and in hand		9	289
		20,454	5,844
Creditors: amounts falling due within one year	13	(23,569)	(19,259)
Net current liabilities		(3,115)	(13,415)
Net assets excluding pension asset		216,667	190,912
Pension asset	16	0	8,434
Net assets including pension asset		216,667	199,346
Creditors: Amounts falling due after more than one year	14	200,024	185,193
Pension liability	16	1,489	0
Provisions for liabilities and charges	15	1,869	873
Capital and Reserves			
Restricted Reserve	18	0	29
Revenue reserve	18	13,285	13,251
		13,285	13,280
		216,667	199,346

The financial statements on pages 24 to 54 were approved by the Board and authorised for issue on 24th July 2012 and signed on its behalf by:

Frederick C Bell
Chair

Jane Preece
Company Secretary

Consolidated Cash Flow Statement
For the year ended 31st March 2012

	Note		2012 £000		2011 £000 Restated
Net cash inflow from operating activities	25		30,561		22,240
Returns on investments and servicing of finance					
Interest received		16		9	
Interest paid		(9,859)		(9,581)	
			(9,843)		(9,572)
Capital Expenditure					
Purchase and construction of housing properties		(17,148)		(17,226)	
Other capital grants received		2,467		3,194	
Purchase of other fixed assets		(6,837)		(6,013)	
Sales of housing properties		775		991	
Sales of other fixed assets		571		74	
			(20,172)		(18,980)
Management of liquid resources	26		(13,370)		35
Financing					
Loans received	26		14,807		5,000
Increase/(Decrease) in cash	26		1,983		(1,277)

Notes to the Financial Statements

1. Accounting Policies

Basis of Accounting

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

There have been no changes in accounting policies with the exception of component accounting which is referred to below. In accordance with FRS3, prior period balances have been adjusted to reflect this change in accounting policy which has increased opening reserves by £101 million (note 28).

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

Basis of Consolidation

The Group financial statements consolidate the financial statements of Walsall Housing Group Limited and its subsidiary undertakings. Intra-group surpluses and deficits are eliminated on consolidation. The wholly owned subsidiaries which are consolidated are:-
Visionary Investment Enhancing Walsall Limited
whg Trading Company Limited
Whg Development Company Limited
All financial statements of subsidiary companies are made up to the 31st March 2012.

Going Concern

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

Turnover

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

Sale of Housing Properties

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

Bad and Doubtful Debts

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

Taxation

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

Value Added Tax (VAT)

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

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

Interest Payable

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

Pensions

The Group is a member of the West Midlands 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), a defined benefit scheme. The scheme is administered by trustees and is independent of the Group finances. Contributions are paid to the scheme in accordance with the recommendations of an independent actuary to enable the trustees to meet from the scheme the benefits accruing in respect of current and future service.

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

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

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

Housing Properties

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

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

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

Depreciation of Housing Properties

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

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

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

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

Other Tangible Fixed Assets

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

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

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

Freehold land is not depreciated.

Shared Ownership

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

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

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

Impairment

Housing properties which are depreciated over a period in excess of 50 years are, in accordance with Financial Reporting Standard No 11 and the SORP 2008, subject to impairment reviews annually. Other assets are reviewed for impairment if there is an indication that impairment may have occurred.
Where there is evidence of impairment, appropriate impairment provisions are made.

Homebuy

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

Liquid Resources

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

Provisions

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

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

Social Housing and Other Grants

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

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

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

Stocks

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

Operating Leases

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

Disposal Proceeds Fund

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

Restricted Reserves

These comprise funding from the Big Lottery Fund. Where income exceeds allowable expenditure in the year then the remaining income is transferred from Income and Expenditure Reserves to the Restricted Reserve. Where allowable expenditure exceeds income in the year then a transfer is made from the Restricted Reserve to the Income and Expenditure Reserves.

Company Income and Expenditure Account

As permitted by S408 Companies Act 2006, the company has not presented its own Income and Expenditure Account. The company made a surplus for the year of £10,377,000 (2011: restated surplus of £12,051,000).

Notes to the Financial Statements cont'd

2. Turnover, Cost of Sales, Operating Costs and Operating Surplus

GROUP	2012 Turnover	2012 Operating Costs	2012 Operating Surplus/ (Deficit)	2011 (Restated) Turnover	2011 (Restated) Operating Costs	2011 (Restated) Operating Surplus/ (Deficit)
	£000	£000	£000	£000	£000	£000
Social Housing Lettings	73,072	53,593	19,479	67,440	52,954	14,486
Other Social Housing Activities						
Development and Demolition Costs	0	959	(959)	0	638	(638)
Supported Housing	0	408	(408)	0	344	(344)
Shared Ownership - Lettings	13	50	(37)	14	23	(9)
Other	280	124	156	98	26	72
Total from social housing activities	**73,365**	**55,134**	**18,231**	**67,552**	**53,985**	**13,567**
Non Social Housing Activities						
Lettings	216	39	177	215	16	199
Other including FR17 pension adjustment	1,937	3,428	(1,491)	2,233	4,291	(2,058)
Total from non social housing activities	**2,153**	**3,467**	**(1,314)**	**2,448**	**4,307**	**(1,859)**
Exceptional pension credit (note 4)	0	0	0	0	(7,309)	7,309
Total from social and non social housing activities	**75,518**	**58,601**	**16,917**	**70,000**	**50,983**	**19,017**

2a Particulars of Income and Expenditure from Social Housing Lettings

GROUP	2012 General Housing £000	2012 Shared Ownership £000	2011 (Restated) General Housing £000	2011 Shared Ownership £000
Turnover from social housing lettings				
Rent receivable net of identifiable service charges	70,132	13	64,436	14
Service charges receivable	2,698	0	2,502	0
Net Rental Income	72,830	13	66,938	14
SHG Grant	32	0	136	0
Other revenue grants	0	0	145	0
Other income	210	0	221	0
Turnover from Social Housing Lettings	**73,072**	**13**	**67,440**	**14**
Expenditure on social housing lettings				
Management	11,827	0	10,624	0
Services	4,493	0	3,893	0
Routine maintenance	6,080	0	8,396	0
Planned maintenance	10,131	0	8,719	0
Major repairs expenditure	10,938	0	12,492	0
Bad debts	697	0	533	0
Depreciation of housing properties	7,533	2	7,224	2
Impairment of Housing Properties	47	48	19	21
Other non housing depreciation	1,847	0	1,054	0
Operating Costs on Social Housing Lettings	**53,593**	**50**	**52,954**	23
Operating Surplus/(Deficit)/on Social Housing Lettings	**19,479**	**(37)**	**14,486**	**(9)**
Void Losses	(1,169)	0	(1,067)	0

Note 2 - is now presented with Group Support Services (overheads) allocated across Housing Management and Repair and Maintenance headings. This is to ensure that if the statutory accounts are used for benchmarking purposes, the cost per property reflects the true cost of providing each service.

Notes to the Financial Statements cont'd

3. Directors' Emoluments

The Directors are defined for the purpose of this note as the members of the Board and Executive Directors of the Group, the latter having executive responsibility. This satisfies the definition included in the Accounting Requirements for Registered Social Landlords General Determination 2006. Other than the Executive Directors of the Group none of the Board members receive emoluments.

The emoluments of the Directors are set out below:

	2012 £000	2011 £000
Emoluments (including pension contributions and benefits in kind)	699	696
Emoluments (excluding pension contributions) paid to the Group Chief Executive who was also the highest paid Director	144	144

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

4. Employees

	2012 No.	2011 No.
Housing Management Headcount	169	170
Asset Management Headcount	308	316
Support & Other Headcount	156	176
Total Headcount	633	662
Average monthly number of employees expressed as full time equivalents	603	631

Employee Costs	2012 £000	2011 £000
Wages and Salaries	17,859	18,113
Social Security Costs	1,312	1,281
Other Pension Costs	2,619	4,463
	21,790	23,857

The employer pension contributions for 2012 year were £1.1m (2011: £0.9m).

5. Operating Surplus

This is arrived at after charging:

	2012 £000	2011 (Restated) £000
Depreciation and Impairment of Housing Properties	7,630	7,265
Depreciation of other tangible fixed assets	1,856	1,054
Operating Lease Rentals : Land & buildings	947	490
Operating Lease Rentals : Office equipment & computers	253	329
Auditor's remuneration for audit services	46	51

6. Surplus on Sales of Fixed Assets

	Proceeds £000	Cost of Sales £000	2012 Surplus £000	2011 Surplus £000
Right to buy sales	875	(120)	755	899
Sale of Other Assets	12	(6)	6	124
Sale of Land	126	(7)	119	0
Disposal of other Housing	472	(26)	446	0
	1,485	(159)	1,326	1,023

7. Interest Receivable and Other Income

	2012 £000	2011 £000
Bank Interest	19	10
FRS17 Expected return on pension plan assets	8,005	7,486
	8,024	7,496

8. Interest Payable and Similar Charges

	2012 £000	2011 £000
Other Loans	9,790	9,636
Interest payable capitalised on housing properties under construction	(186)	(270)
FRS17 Interest cost	6,064	6,283
	15,668	15,649

Interest is capitalised at an average rate of 5.02% (2011: 5.02%) on the Group's borrowing required to finance housing property developments.

9. Taxation

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

Notes to the Financial Statements cont'd

10. Tangible Fixed Assets - Group

	Social Housing Properties held For letting	Social Housing Properties under construction	Shared Ownership	Offices	Furniture Fixtures and Fittings	Computers & Office Equipment	Motor Vehicles	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost								
At 1st April 2011 (restated)	229,320	1,323	452	11,537	761	11,899	47	255,339
Additions	3,483	17,756	0	3,607	656	2,209	0	27,711
Transfers to held for letting	71	0	(71)	0	0	0	0	0
Transfers to completed	7,092	(7,092)	0	0	0	0	0	0
Disposals	(21)	0	0	(66)	(346)	(7,878)	0	(8,311)
At 31st March 2012	239,945	11,987	381	15,078	1,071	6,230	47	274,739
Depreciation & Impairment								
At 1st April 2011 (restated)	35,633	0	41	1,817	737	10,584	47	48,859
Charged in year	7,533	0	2	435	179	1,242	0	9,391
Impairment	47	0	48	0	0	0	0	95
Released on disposal	(1)	0	0	(66)	(346)	(7,878)	0	(8,291)
At 31st March 2012	43,212	0	91	2,186	570	3,948	47	50,054
Social Housing Grant								
At 1st April 2011	18,151	123	0	0	0	0	0	18,274
Receivable	0	2,568	0	0	0	0	0	2,568
Transfer to completed	1,216	(1,216)	0	0	0	0	0	0
At 31st March 2012	19,367	1,475	0	0	0	0	0	20,842
Other Grants								
At 1st April 2011	0	0	0	545	0	0	0	545
Received	0	0	0	0	0	0	0	0
At 31st March 2012	0	0	0	545	0	0	0	545
Net book value								
At 31st March 2012	177,366	10,512	290	12,347	501	2,282	0	203,298
At 31st March 2011 (restated)	175,536	1,200	411	9,175	24	1,315	0	187,661

10. Tangible Fixed Assets – Group (Continued)

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

	2012 £000	2011 (Restated) £000
Freehold & Leasehold Land and Buildings	187,878	176,736
Shared Ownership	290	411
Freehold Offices	12,347	9,175
	200,515	**186,322**

Offices include £12.2m expenditure on the New Town Centre Office of which £5.7m was incurred during the year. These offices were completed during the year. Interest is capitalised at an average rate of 5.02% on the Group's borrowing required to finance housing property developments. Additions to housing properties and offices includes £186k (2011: £270k) of capitalised interest during the year. The cumulative amount of capitalised interest is £529k (2011: £343k).

Notes to the Financial Statements cont'd

10. Tangible Fixed Assets – Company

Cost	Social Housing Properties held For letting £000	Social Housing Properties under construction £000	Shared Ownership £000	Offices £000	Furniture Fixtures and Fittings £000	Computers & Office Equipment £000	Motor Vehicles £000	Total £000
At 1st April 2011 (restated)	247,604	1,323	452	11,537	761	11,899	47	273,623
Additions	3,483	17,756	0	3,607	656	2,209	0	27,711
Transfers to held for lettings	71	0	(71)	0	0	0	0	0
Transfers to completed	7,092	(7,092)	0	0	0	0	0	0
Disposals	(21)	0	0	(66)	(346)	(7,878)	0	(8,311)
At 31st March 2012	258,229	11,987	381	15,078	1,071	6,230	47	293,023
Depreciation & Impairment								
At 1st April 2011 (restated)	36,042	0	41	1,817	737	10,584	47	49,268
Charged in year	7,715	0	2	435	179	1,242	0	9,573
Impairment	47	0	48	0	0	0	0	95
Released on disposal	(1)	0	0	(66)	(346)	(7,878)	0	(8,291)
At 31st March 2012	43,803	0	91	2,186	570	3,948	47	50,645
Social Housing Grant								
At 1st April 2011	19,026	124	0	0	0	0	0	19,150
Receivable	0	2,568	0	0	0	0	0	2,568
Transfers to completed	1,216	(1,216)	0	0	0	0	0	0
At 31st March 2012	20,242	1,476	0	0	0	0	0	21,718
Other Grants								
At 1st April 2011	0	0	0	1,015	0	0	0	1,015
Received	0	0	0	0	0	0	0	0
At 31st March 2012	0	0	0	1,015	0	0	0	1,015
Net book value								
At 31st March 2012	194,184	10,511	290	11,877	501	2,282	0	219,645
At 31st March 2011 (restated)	192,536	1,199	411	8,705	24	1,315	0	204,190

10. Tangible Fixed Assets – Company (Continued)

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

	2012 £000	2011 (restated) £000
Freehold & Leasehold Land and Buildings	204,695	193,735
Shared Ownership	290	411
Freehold Offices	11,877	8,705
	216,862	202,851

The net book value of housing properties includes £186k (2011: £270k) of capitalised interest. The cumulative amount of capitalised interest is £529k (2011: £343k).

11. Stocks

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Van Stocks	89	100	89	100

12. Debtors due within one year

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Rent and service charges receivable	5,984	5,155	5,984	5,155
Less: Provision for bad and doubtful debts	(1,957)	(1,900)	(1,957)	(1,900)
	4,027	3,255	4,027	3,255
Amounts owed by Group undertakings	-	-	69	2
Prepayments and other debtors	2,791	2,113	2,777	2,085
	6,818	**5,368**	**6,873**	**5,342**

13. Creditors: Amounts Falling Due Within One Year

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Bank overdraft	466	2,339	466	2,339
Amounts owed to group undertakings	0	0	5,297	5,575
Trade creditors	6,232	3,891	6,232	3,891
Rent and service charges received in advance	1,333	1,239	1,333	1,239
SHG received in advance	779	877	779	877
Other taxation and social security	641	610	647	602
Other creditors and accruals	8,865	4,781	8,815	4,736
	18,316	**13,737**	**23,569**	**19,259**

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

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Commercial Loan repayable by instalments from 2017	200,000	185,193	200,000	185,193
Disposal Proceeds Fund	24	0	24	0
	200,024	**185,193**	**200,024**	**185,193**

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

Commercial Loan

By instalments	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Within 5 years	25,000	0	25,000	0
After five years	175,000	185,193	175,000	185,193
	200,000	**185,193**	**200,000**	**185,193**

At 31 March 2012, the Group had drawn down £200m (2011: £185.2m) of its total loan facility of £240m.The fixed rate element of this was £155.1m (2011: £155.1m), and the variable rate element was £44.9m (2011: £30.1m). The loan is repayable from 2017. At 31 March 2012, the average interest rates charged were 5.69% for the fixed (2011: 5.69%) and 1.61% for the variable (2011: 1.49%) rate elements of the loan.

Notes to the Financial Statements cont'd

Disposal Proceeds Fund

	Group 2012 £000	Group 2011 £000	Company 2012 £000	Company 2011 £000
At 1 April 2011	0	500	0	500
Transfer to Fund	146	146	146	146
Transfer to schemes	(122)	(646)	(122)	(646)
At 31st March 2012	**24**	**0**	**24**	**0**
By Instalments				
Within one year (note 13)	0	0	0	0
Between one and two years	0	0	0	0
Between two and three years	24	0	24	0
	24	**0**	**24**	**0**

15. Provisions for liabilities and charges

	Group 2012 £000	Group 2011 £000	Company 2012 £000	Company 2011 £000
Insurance Claims	574	598	574	598
Office Closure Costs	1,132	275	1,132	275
Redundancy Costs	163	0	163	0
At 31 March 2012	**1,869**	**873**	**1,869**	**873**

Insurance Claims

	Group 2012 £000	Group 2011 £000	Company 2012 £000	Company 2011 £000
At 1 April 2011	598	580	598	580
New claims arising during the year	303	355	303	355
Claims settled during the year	(327)	(337)	(327)	(337)
At 31st March 2012	**574**	**598**	**574**	**598**

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

Notes to the Financial Statements cont'd

Redundancy Provision

	Group 2012 £000	Group 2011 £000	Company 2012 £000	Company 2011 £000
At 1 April 2011	0	0	0	0
Transfer to Fund	163	0	163	0
At 31st March 2012	**163**	**0**	**163**	**0**

Dilapidations & Office Rent

	Group 2012 £000	Group 2011 £000	Company 2012 £000	Company 2011 £000
At 1 April 2011	275	0	275	0
New expected costs during the year	857	275	857	275
At 31 March 2012	**1,132**	**275**	**1,132**	**275**

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

16. Pension Obligations

The Group operates two pension schemes; West Midlands Metropolitan Authorities 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 Metropolitan Authorities Pension Fund

Walsall Housing Group Limited and its subsidiaries are members of the West Midlands Metropolitan Authorities Pension Fund (WMMAPF).

The West Midlands Metropolitan Authorities Pension Fund (WMMAPF) is a multi-employer scheme with more than one participating employer and is administered under the regulations governing the Local Government Pension Scheme (LGPS), a defined benefit scheme. Triennial actuarial valuations of the pension scheme are performed by an independent, professionally qualified actuary using the projected unit method. The most recent formal actuarial valuation was completed as at 31 March 2010.

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

Key Results

The estimated FRS17 position at 31 March 2012 shows a deficit of £1.5m compared to a £8.4m surplus last year. The key reasons for this change are :

- lower assumed rate of future inflation, salary increase, revaluation and pension increases ;
- experience between the 31 March 2007 and 31 March 2010 actuarial valuations of the fund not previously allowed for;
- the difference between employer contributions paid and the service cost over the year;
- asset return over the year different to assumptions;
- a lower discount rate.

16. Pension Obligations (continued)

The employers' contributions to the WMMAPF by the Group for the year ended 31 March 2012 were £1m (2011: £1m) and the employers' contribution rate has been fixed as 7.2% of pensionable pay until 31 March 2014.

Early retirements over the year, have resulted in past service cost of £39k in the year to 31 March 2012. There were no other settlements, curtailments, discretionary practices, constructive obligations or other material events during the year.

Calculation Method

The figures at 31 March 2012 are based on projecting forward the results of the last formal actuarial valuation of the Fund as at 31 March 2010.

Key Assumptions

The key financial assumptions have been based on market assumptions as at 31 March 2012 and have been derived in a consistent manner to last year. This has resulted in the following assumptions:

	31 March 2012 % per annum	31 March 2011 % per annum	31 March 2010 % per annum
Financial Assumptions			
Discount Rate	5.05	5.50	5.65
Salary Increases	4.35	4.50	4.60
Pension increases	2.60	3.00	3.60
Inflation	2.60	3.00	3.60

	31 March 2012	31 March 2011	31 March 2010
Further life expectancies from age 65:			
Retiring today			
Males	21.9	21.3	21.7
Females	24.9	24.2	24.9
Retiring in 20 years			
Males	23.7	22.8	23.5
Females	26.9	25.8	26.8

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

Other demographic assumptions (e.g. retirement rates, withdrawal rates, allowance for cash on retirement etc) are also the same as those adopted in last years disclosures and in the 2010 valuation. In particular, it is assumed that 50% of retiring members will take the maximum tax-free cash sum available at retirement and 50% will take the standard 3/80ths cash sum.

16. Pension Obligations (continued)

Amounts recognised in the balance sheet

	At the year end 31/03/12 £000	At the year end 31/03/11 £000	At the year end 31/03/10 £000
Present value of funded obligations	122,558	109,591	110,189
Fair value of plan assets	121,069	118,025	108,748
Net pension (liability)/asset	(1,489)	8,434	(1,441)

Actual return on scheme assets	2012 £000	2011 £000
Expected return on scheme assets	8,005	7,486
(Losses) /Gains on scheme assets	(4,832)	1,675
Actual return on scheme assets	3,173	9,161

Analysis of the amount charged to operating surplus:	2012 £000	2011 £000
Current service costs	2,580	2,846
Past service costs	39	0
Effect of change from RPI to CPI	0	(7,309)
Total operating charge /(credit)	2619	(4,463)

Analysis of the amount credited/(charged) to other finance charges under Financial Reporting Standard 17:	2012 £000	2011 £000
Expected return on assets	8,005	7,486
Interest on liabilities	(6,064)	(6,283)
Net financial income	1,941	1,203

Analysis of the amount recognised in the statement of total recognised surpluses and deficits (STRSD):	2012 £000	2011 £000
Actual return less expected return on assets	(4,832)	1,675
Changes in assumptions underlying the present value of liabilities	(5,540)	1,586
Actuarial (deficit) /surplus for recognition in the STRSD	(10,372)	3,261

Notes to the Financial Statements cont'd

16. Pension Obligations (continued)

Change in benefit obligation	At the year end 31/03/12 £000	At the year end 31/03/11 £000
Benefit obligation at beginning of year	109,591	110,189
Current service cost	2,580	2,846
Interest cost	6,064	6,283
Member contributions	1,014	1,040
Past service costs	39	0
Effect of change from RPI to CPI	0	(7,309)
Actuarial (gains)/losses	5,540	(1,586)
Benefits paid	(2,270)	(1,872)
Benefit obligation at end of year	122,558	109,591
Change in plan assets		
Fair value of plan assets at beginning of year	118.025	108,748
Expected rate of return on plan assets	8,005	7,486
Actuarial (losses)/gains	(4,832)	1,675
Employer contributions	1,127	948
Member contributions	1,014	1,040
Benefits paid	(2,270)	(1,872)
Fair value of plan assets at end of year	121,069	118,025

Plan Assets

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

	Expected rate of return	Plan assets at 31/03/2012	Expected rate of return	Plan assets at 31/03/2011	Expected rate of return	Plan assets at 31/03/2010
Equities	7.00%	83,053	7.50%	82,145	7.50%	79,603
Government Bonds	3.50%	11,865	4.40%	11,566	4.50%	9,244
Other Bonds	5.05%	9,443	5.40%	8,380	5.20%	8,374
Property	6.40%	15,134	6.50%	13,455	6.50%	10,113
Other	0.50%	1,574	0.50%	2,479	0.50%	1,414
	6.35%	121,069	6.79%	118,025	6.88%	108,748

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

16. Pension Obligations (continued)

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

	31/03/2012	31/03/2011
Discount rate	5.50%	5.65%
Rate of salary increase	4.50%	4.60%
Rate of pension increase	3.00%	3.60%
Inflation assumption -CPI	3.00%	3.00%
Further life expectancies from age 65:		
Retiring today		
Males	21.3	21.7
Females	24.2	24.9
Retiring in 20 years		
Males	22.8	23.5
Females	25.8	26.8

History of Experience Gains and Losses

	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
Benefit obligation at end of year	122,558	109,591	110,189	80,097	96,268
Fair value of plan assets at end of year	121,069	118,025	108,748	82,936	100,880
(Deficit)/Surplus	(1,489)	8,434	(1,441)	2,839	4,612
Difference between expected and actual return on share of scheme assets:					
Amount (£000)	(4,832)	1,675	20,486	(25,628)	(5,406)
Percentage of share of scheme assets	-4.0%	1.4%	18.8%	-30.9%	-5.4%
Experience surpluses and deficits on share of scheme					
Amount (£000)	0	1,035	4,725	-	7,369
Percentage of present value of share of scheme liabilities	0.0%	0.9%	4.3%	0%	7.7%
Total amount recognised in statement of total recognised surpluses and deficits					
Amount (£000)	(10,372)	3,261	(3,080)	(988)	(2,420)
Percentage of present value of share of scheme liabilities	-8.5%	3.0%	-2.8%	-1.2%	-2.5%

16. Pension Obligations (continued)

West Midlands Pension Fund Contributions

The employer expects to contribute £1.148m in the year to 31 March 2013.

Social Housing Pension Scheme

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

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

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

Final salary with a 1/60th accrual rate
Final salary with a 1/70th accrual rate
Career average revalued earnings with a 1/60th accrual rate

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

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

Walsall Housing Group Limited paid contributions at the rate of 9.7% during the accounting period. Member contributions vary between 6.4% and 8.4% depending on their age.

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

The number of scheme members employed by the Group at 31 March 2012 was 4 (2011: 4). The charge to the Group for the year was £17k (2011: £17k).

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

The last formal valuation of the scheme was performed as at September 2008 by a professionally qualified actuary using the 'projected unit' method. The market value of the Scheme's assets at the valuation was £1,527 million. The valuation revealed a shortfall of assets compared to liabilities of £663 million, equivalent to a past service funding level of 69.7%.

Social Housing Pension Scheme Contributions

The employer expects to contribute £18.4k in the year to 31 March 2013.

16. Pension Obligations (continued)

The financial assumptions underlying the valuation as at 30 September 2008 were as follows:-

	% pa
Valuation discount rates	
Pre retirement	7.8
Non pensioner post retirement	6.2
Pensioner post retirement	5.6
Pensionable earnings growth	4.7
	% pa
Price inflation	3.2
Pension increases	
Pre 88 GMP	0.0
Post 88 GMP	2.8
Excess over GMP	3.0

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

Mortality pre retirement – PA92 Year of birth, long cohort projection, minimum improvement 1%
Mortality post retirement – 90% S1PA Year of birth, long cohort projection, minimum improvement 1%pa

Following consideration of the results of the actuarial valuation, it was agreed that the shortfall of £663 million would be dealt with by the payment of deficit contributions of 7.5% of pensionable salaries, increasing each year in line with salary growth assumptions, from April 2010 to 30 September 2020, dropping to 3.1% from October 2020 to 30 September 2023. Pensionable earnings at 30 September 2008 are used as the reference point for calculating these deficit contributions.

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

Employers that have closed the scheme to new entrants are required to pay an additional employer contribution loading of 3.0% to reflect the higher costs of a closed arrangement

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

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

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

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

Walsall Housing Group Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Social Housing Pension Scheme based on the financial position of the Scheme as at 30 September 2011. As of this date the estimated employer debt for Walsall Housing Group Limited was £1,296,317 (2011: £965,000).

Notes to the Financial Statements cont'd

17. Share Capital

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

18. Reserves

	Group		Company	
	Revenue Reserve £000	Restricted Reserve £000	Revenue Reserve £000	Restricted Reserve £000
At 1 April 2011 (Restated)	2,294	29	13,251	29
Transfer from restricted reserves	29	(29)	29	(29)
Surplus for the year	10,599	0	10,377	0
Actuarial loss relating to the pension scheme	(10,372)	0	(10,372)	0
At 31 March 2012	**2,550**	**0**	**13,285**	**0**

The movement on reserves reflects the movement in members' interests. The restricted reserve relates to the BIG Lottery project – Promoting Active Citizenship Through Active Community Involvement. Walsall Housing Group maintains a separate reserve for the BIG Lottery Fund. Income received in the year was £125k (2011:£168k) and £152k was expended, (2011:£148k). £29k has therefore been transferred from the Restricted Reserve to cover expenditure.

19. Financial Commitments

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

	Group		Company	
(i) Land and Buildings, leases expiring	2012 £000	2011 £000	2012 £000	2011 £000
Within one year	325	0	325	0
One to two years	50	338	50	338
Two to five years	72	126	72	126
Beyond five years	0	15	0	15
	447	**479**	**447**	**479**

	Group		Company	
(ii) Equipment & computers expiring	2012 £000	2011 £000	2012 £000	2011 £000
Within one year	68	40	68	40
One to two years	51	85	51	85
Two to five years	51	47	51	47
Beyond five years	182	180	182	180
	352	**352**	**352**	**352**

20. Contingent Liabilities

There are no contingent liabilities (2011: Nil)

21. Capital Commitments

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Capital expenditure contracted for but not provided in the financial statements	8,957	9,696	8,957	9,696
Total level of commitments	**8,957**	**9,696**	**8,957**	**9,696**

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

Social Housing Grant	2,010	1,184	2,010	1,184
Loans	6,947	8,512	6,947	8,512
	8,957	**9,696**	**8,957**	**9,696**

22. Related Parties

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

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

23. Accommodation in Management

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

	2012 Number	2011 Number
Social Housing		
Social Housing owned and managed	18,882	18,903
Managed for another Registered Provider	155	0
Non Social Housing		
Commercial Properties Owned but managed by others	68	68
Total Owned and managed	**19,105**	**18,971**

24. Disclosure of Group Activity

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

Wholly owned subsidiaries are:

- Visionary Investment Enhancing Walsall Limited (VIEW), an Industrial and Provident Society which has charitable tax status. It is registered with the Financial Services Authority.
- whg Trading Company Limited, a non charitable company registered with Companies House.
- whg Development Company Limited, a non charitable company registered with Companies House – dormant at 31st March 2012

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

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

	2012 £000	2011 £000
Operating Surplus	16,917	19,017
Depreciation and impairment of tangible fixed assets	9,486	8,319
Decrease in stocks	11	1
Increase in debtors	(1,420)	(348)
Increase in creditors	4,075	662
Pension contributions paid in the year	(1,127)	(948)
Change in pension assumptions RPI to CPI	0	(7,309)
Pension contributions charged in the year	2,619	2,846
	30,561	**22,240**

26 Reconciliation of Net Cash Flow to Movement in Net Debt

	2012 £000	2011 £000
Decrease in cash	1,983	(1,277)
Money Market deposits	13,370	(35)
Cash (inflow) from increase in debt	(14,807)	(5,000)
Increase (Decrease) in net debt from cash flows	546	(6,312)
Opening net debt	(187,106)	(180,794)
Closing net debt	**(186,560)**	**(187,106)**

Notes to the Financial Statements cont'd

27 Analysis of Net Debt

	At 1 April 2011 £000	Cash Flows £000	At 31 March 2012 £000
Cash at bank and in hand	313	110	423
Bank overdraft	(2,339)	1,873	(466)
Changes in Cash	**(2,026)**	**1,983**	**(43)**
Money market deposits	113	13,370	13,483
Loans	(185,193)	(14,807)	(200,000)
Closing Net Debt	**(187,106)**	**546**	**(186,560)**

28. Prior Year Adjustment

The prior year adjustment reflects the introduction of component accounting in accordance with SORP 2010 which confirms that housing properties always comprise of several components.

The Group has determined that its properties include major components as set out in note 1 to these financial statements. The SORP 2010 requires these components to be accounted for separately to the land and structure of the building for depreciation purposes.

The effect of this change in accounting policy is to increase the Group's surplus for the year ending 31 March 2011 by £2,112,002 and the Company's surplus by £3,114,000.

The cumulative effect on Group reserves since last reported is an increase of £101,050,000.
The cumulative effect on the Company reserves since last reported is an increase of £3,064,000

Impact of component accounting:

	Group			Company		
	Cumulative Prior Year Adjustments to 31 March 2010 £000	Prior Year Adjustment for 2010/11 £000	Cumulative Prior Year Adjustments to 31 March 2011 £000	Cumulative Prior Year Adjustments to 31 March 2010 £000	Prior Year Adjustment for 2010/11 £000	Cumulative Prior Year Adjustments to 31 March 2011 £000
Income and expenditure account						
Operating Costs						
Depreciation Charge	(21,234)	(5,618)	(26,852)	(19,981)	(4,616)	(24,597)
Major improvement Expenditure	120,172	7,730	127,902	19,931	7,730	27,661
Impact on Operating Surplus/(Deficit)	98,938	2,112	101,050	(50)	3,114	3,064

28. Prior Year Adjustment (cont'd)

	Group			Company		
	Cumulative Prior Year Adjustments to 31 March 2010	Prior Year Adjustment for 2010/11	Cumulative Prior Year Adjustments to 31 March 2011	Cumulative Prior Year Adjustments to 31 March 2010	Prior Year Adjustment for 2010/11	Cumulative Prior Year Adjustments to 31 March 2011
	£000	£000	£000	£000	£000	£000
Balance Sheet						
Housing Properties (cost)						
At 31 March as previously stated	91,334		103,192	209,860		221,718
Additional capitalisation of components	120,173	7,730	127,903	19,931	7,730	27,661
At 31 March as restated	211,507		231,095	229,791		249,379
Housing Properties (depreciation)						
At 31 March as previously stated	(7,175)		(8,822)	(8,656)		(11,486)
Additional Depreciation	(21,234)	(5,618)	(26,852)	(19,981)	(4,616)	(24,597)
At 31 March as restated	(28,409)		(35,674)	(28,637)		(36,083)
Revenue Reserves						
Revenue reserves at 31 March as previously stated	(111,772)		(98,756)	(1,991)		10,187
Impact on operating surplus	98,938	2,112	101,050	(50)	3,114	3,064
Revenue Reserves at 31 March as restated	(12,834)		2,294	(2,041)		13,251