Walsall Housing Group
Financial Statements

For the year ended 31 March 2019

Company Registration Number:	04015633
Registered Provider Number:	L4389
Registered Charity Number:	1108779

Registered office: 100 Hatherton Street
Walsall
WS1 1AB

Contents

Board, Executive Directors and Advisors

Board	Appointed	Left
Danielle Oum (Chair)	26/10/18	
Michael Hew (Deputy Chair)		
Edmund Hughes		08/06/18
Linda Cole		
Amanze Ejiogu		12/03/19
Gary Fulford		
Colin Ian Gardner		
Lee Glover		07/12/18
Noel Maxwell		
Teresa Mingay		14/09/18
Jatinder Sharma OBE		
Gregory Warner-Harris		
Paul O'Driscoll	04/12/18	

On 08/06/18 Edmund Hughes resigned as both Chair and Board Member. The Deputy Chair, Mike Hew, was appointed as Interim Chair until the new Chair, Danielle Oum took up the role on 01/02/19.

Company Secretary

Karen Marshall

Executive Directors

Gary Fulford	Group Chief Executive
Martin Robertson	Corporate Director of Resources and Growth
Karen Marshall	Corporate Director of Governance and Compliance
Theresa Huburn	Corporate Director of People and Learning
Robert Gilham	Corporate Director of Business Strategy and Assets
Fay Shanahan	Corporate Director of Operations
Rebecca Bennett Casserly	Corporate Director of Development (Appointed 06/04/19)

Statutory Auditor	Internal Auditor	Principal Banker
RSM UK Audit LLP	BDO LLP	Lloyds Bank plc
St Phillips Point	Two Snowhill	The Bridge
Temple Row	Queensway	Walsall
Birmingham	Birmingham	WS1 1LU
B2 5AF	B4 6GA	

Group Chief Executive's Review

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

As we look to operate over a broader geography, 2018/19 saw us complete 551 new homes across the Midlands, including properties in Worcester, Cannock, Telford and Solihull. We also marked the official completion of our Brownhills regeneration programme. The £50m project saw us build almost 400 new homes over the last seven years, including our third wellbeing scheme, Ellum Pointe. We also started work on building a further 592 new homes during the year.

Our ambitious development programme received a huge boost in January 2019 when we were named as one of just 23 associations to be awarded funding through the Strategic Partnership announced by Homes England. The £38.7m grant means we will be able to build an additional 1,000 affordable homes over the next five years, which is in addition to the 1,538 new homes we already plan to build, set out in the Development Strategy 2017-2021.

This year Universal Credit was rolled out to almost 2,000 of our customers. Despite the challenges of welfare reform and the migration to this new benefit, our rent collection performance has remained strong, thanks largely to the huge impact of our Rent First behavioural change campaign. This campaign encouraged customers to prioritise their rent payments so they could enjoy a safe and secure home. Our end of year tenant arrears performance of 2.16% is well within our year end target. This illustrates that Rent First continues to provide a sound foundation for us to face the ongoing challenges presented as more and more of our customers move on to Universal Credit.

Our money advice team play a pivotal roll in mitigating the impact of welfare reforms for our customers and in the last year our money advice service opened 2,492 cases and supported customers to access approximately an extra £4m.

This year we have been really proud of our performance of bringing empty homes back into use. This work, as part of our drive to reduce homelessness, has seen the number of empty homes in our possession reduce to the lowest ever numbers of just 48 at the year end.

Working with Walsall Council and West Midlands Combined Authority, in 2018 we contributed to a new pilot; Housing First, which provides homes for people sleeping on the streets. Over the past 12 months we provided support and accommodation to a number of rough sleepers, who have all managed to sustain their tenancies and have now started to rebuild their lives. We will be continuing to support the initiative by making a number of properties available for Housing First in Walsall.

In order to take on an even bigger role in addressing the housing crisis and to build more homes, we know we will have to venture into new and different ways of working. Next year we will look at more opportunities to buy and develop our own sites as we move towards more of a land-led programme. Thanks to a grant from Innovate UK we will also be working with a number of industry partners to explore how Modern Methods of Construction can fit within our development programme.

At whg, our ambition is to be more than just a good landlord and we have continued to promote health and prosperity where we can make a difference. In 2018 more than 2,000 people accessed our health and wellbeing services, which help customers live a healthy lifestyle. An additional 1,271 people improved their employment prospects through the support of our employment and training programmes, while 682 customers developed their financial and digital skills through the Black Country Click Start programme. This programme has been so successful we have recently been awarded an additional £2.1m of funding from the European Social Fund and the National Lottery, through the Big Lottery Fund, to extend the programme until September 2022.

This year marked an exciting step forward in our Digital First journey, as we launched our brand new customer portal "My whg". The self-service channel allows customers to manage and take control of their relationship with us, allowing them to make rent payments and report repairs online. This is the first step in developing our online offering and we will be rolling out more self service options on the portal going forward.

We continue to grow as an organisation and this year we recruited 123 new colleagues. Our reputation as being a great place to work has seen us attract high calibre applicants from a variety of sectors for these roles. We had fantastic results from this year's colleague survey, in which 88% of colleagues said they would recommend whg as a place to work, while 91% of colleagues said they would recommend our services. Feedback from our 2018 stakeholder survey also reflected these results, with stakeholders highlighting our work culture as one of our biggest strengths.

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

We are delighted to welcome our new Chair, Danielle Oum. Danielle comes to whg with a great deal of experience in the housing sector, having served on a number of housing association boards. She also has an extensive background in the health, learning and skills and regeneration sectors. I have no doubt that she will be a tremendous asset as we look to build more homes and develop our services further.

Gary Fulford
Group Chief Executive

18 July 2019

Chair's Review

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

This year has been yet another successful year for whg as we saw our turnover increase to £108.6m, while we made £5.4m value for money savings, more than double our target of £2.1m. This has been achieved through a number of measures, including the disposal of high-cost vacant properties and improvements to the rent loss when properties are empty between tenancies.

At whg we have more than 21,000 homes and are well on the way to achieving our vision of owning or managing 30,000 homes by 2024. We are much more than just a landlord and in the last 12 months we have spearheaded a range of innovative initiatives to help transform the lives of some of the most vulnerable in our society. Nowhere is this more apparent than in Goscote, where we are working hard to transform the area. At the end of 2018 we were delighted to have commissioners from the Great Places programme visit this development, to learn more about how we are creating great places to live.

The commissioners, who included Kate Henderson, the Chief Executive of the National Housing Federation, found out how whg is investing in social regeneration projects aimed at improving the health of residents and their training and job prospects, in order to create neighbourhoods where people and communities can flourish.

The next year will see us build on this work as we forge closer links with health groups and organisations across the borough. Through new partnership working with Walsall Together, we hope to play our part in improving access to health and social care and ensure people receive care in the most appropriate setting.

It gives me great pleasure to welcome our new Corporate Director of Development, Rebecca Bennett Casserly, who brings with her more than 15 years experience in the housing sector. Work is also underway to strengthen our Development Team, with a number of new appointments that will enable us to accelerate our Development Strategy.

Our governance review has successfully concluded and we are now in the process of implementing the recommendations. In order to ensure we are in the best place to achieve the ambitious growth targets laid out in the Corporate Plan, we will be setting up a new Development Committee.

I would also like to welcome our new Board members, whose diverse backgrounds and experience will strengthen our skills set and ability to deliver against our ambitious agenda.

What has really stood out to me during my first few months as Chair is the positive culture of whg and the great work being done across the business. Our commitment to being an exceptional place to work permeates throughout the organisation. I look forward to seeing us grow as we continue to attract, employ and develop people with exceptional skills who share our values.

Danielle Oum
Chair of the Board
18 July 2019

Strategic Report

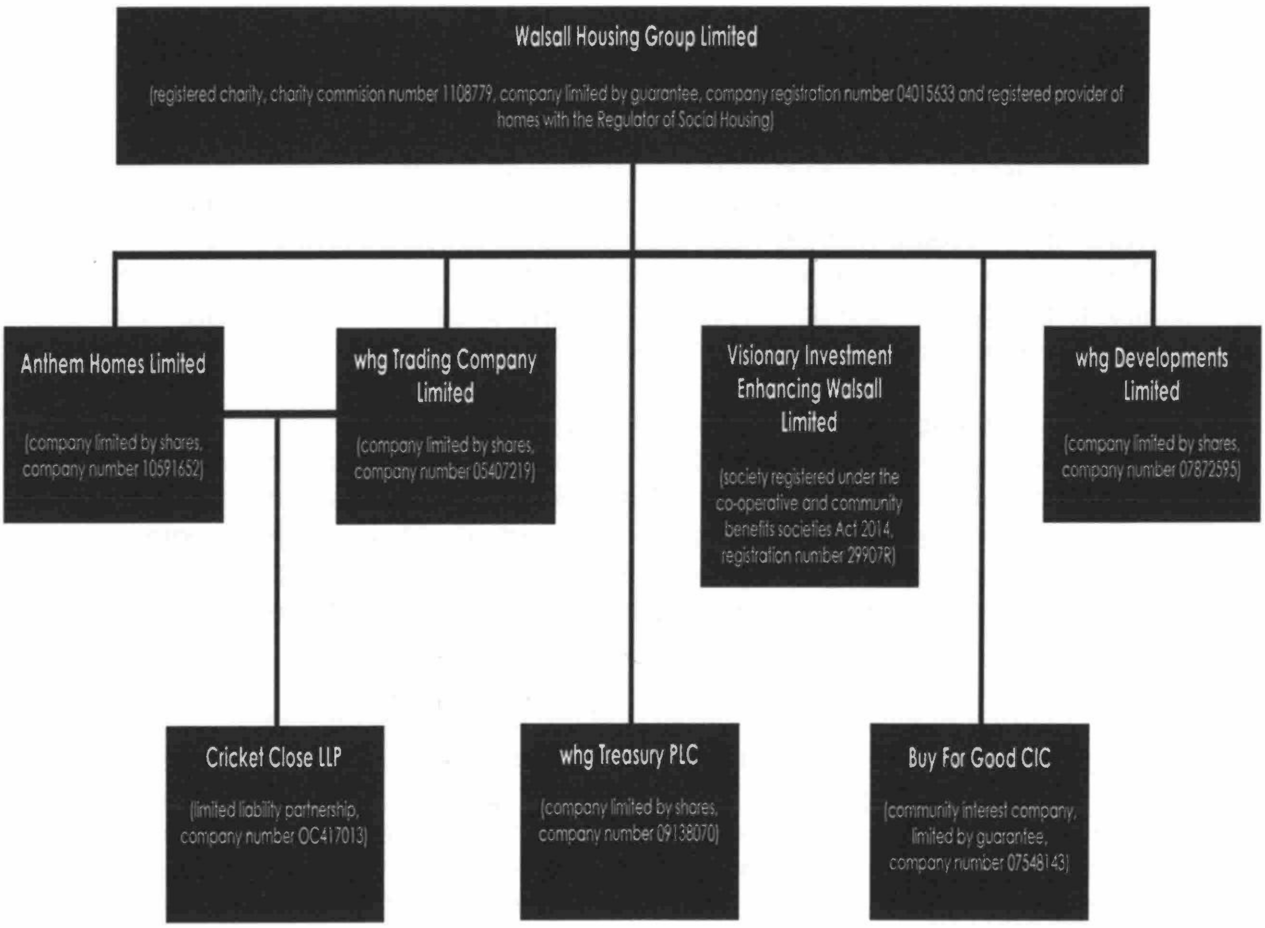
Group Profile

Principal Activities

Walsall Housing Group Limited (whg) has principal activities which include the development and management of affordable housing across the Midlands. During 2018/19 we continued to expand outside of Walsall and whg now owns and manages homes in 16 local authorities in the Midlands. The Group, as of 31 March, owns and/or manages 21,065 homes.

whg is a company limited by guarantee and a registered charity. Its core business activity is providing affordable homes for people. We are also a social business investing in people and communities. An increasing number of the people we house are in Shared Ownership properties.

The company and its subsidiaries are shown in the diagram below for the year ended 31 March 2019:



Objectives and Strategies

Our Corporate Plan was launched in April 2017 and sets out success measures for both 2020 and 2024.

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

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

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

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

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

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

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

These aims are delivered through key strategic initiatives and projects which are monitored by the Board and the Executive Team.

Future Prospects

whg is a well governed and financially viable organisation rated G1 and V1 by the Regulator of Social Housing. Our Business Plan demonstrates strong financial performance in the years to come.

In 2019/20, £53.1m will be invested into new homes and land, and we will accept the handover of over 426 properties. We will also invest a further £37m on routine, major and planned repairs on our existing homes. This investment represents our continued desire to ensure that all of our homes are great places to live in.

Homes England has selected whg as a strategic partner. Total grant funding of £38.7m will help support the development of 1,000 homes. Looking further forward whg aims to have 30,000 homes in ownership or management by 2024.

Financial Review

Income and Expenditure	2018/19	2017/18	2016/17	2015/16	2014/15
Turnover (£m)	108.6	105.6	99.1	97.3	92.6
Operating surplus (£m)	36.7	43.2	34.2	30.6	21.1
Operating margin (%)	33.8	40.1	34.5	31.5	22.8
Surplus/(Deficit) for the year before remeasurements (£m)	18.8	34.4	22.0	18.1	(1.6)
Total margin before remeasurements (%)	17.3	32.5	22.2	18.6	(1.7)
Total comprehensive income for the year (£m)	33.3	35.4	13.3	22.9	(12.8)
Total margin after remeasurements (%)	30.7	33.5	13.4	23.5	(13.8)

The table above demonstrates the Group's strong financial position and growth over the last five years. A deficit of £1.6m for the year before remeasurements is shown in the 2014/15 year. This was primarily due to the refinancing costs (£8.6m) in relation to the reissuing of the Group's loans and bond.

Turnover

The Group's turnover continues to increase and now stands at £108.6m.

Operating surplus / Operating margin

This represents strong performance with an operating margin of 33.8%, particularly in an environment where there has been a Government rent reduction of 1% on social housing for the last three years.

The 2017/18 operating surplus has been restated and includes the surplus on the disposal of housing properties in respect of the sale of property under the Right to Buy and Right to Acquire. Such income is received every year, is budgeted for and forms a normal part of our business, hence we have included it in our operating activities. During the three years 2014-17 such sales were treated as one offs and were included in the total surplus. Void sales and Voluntary Right to Buy sales remain classified below operating surplus as they do not necessarily recur similarly.

Surplus / (Deficit) for the year before remeasurements (£m) / Total margin before remeasurements

The Board is pleased to report for the year a surplus before tax and pension remeasurements of £18.8m (2018: £34.4m) with a total margin of 17.3%. Performance for the year also includes £6.8m surpluses from the disposal of properties by Right to Buy, Right to Acquire, Voluntary Right to Buy and the auction of a small number of empty homes.

The Group has retained its strong financial outlook and capacity to develop new properties in line with the Corporate Plan.

Total comprehensive income for the year / Total margin after remeasurements

The total comprehensive income for the year is £33.3m with a total margin of 30.7% and represents strong performance. The £14.6m pension actuarial gain in the main is in respect of changes in demographic assumptions of the West Midlands Pension Fund.

Statement of Financial Position	**2018/19**	**2017/18**	**2016/17**	**2015/16**	**2014/15**
Fixed Assets (£m)	462.2	423.7	384.1	332.8	294.8
Net Current Assets (£m)	116.0	131.2	74.7	96.3	126.4
Loan Debt (£m)	404.4	404.7	350.5	368.9	368.6
Reserves (£m)	108.1	74.8	39.3	26.0	3.1

Fixed Assets

Capital expenditure is set out in Notes 12 to 14 to the Financial Statements. During the year we have invested a gross £37.3m in developing and acquiring new homes. Additionally we have received approximately £2.4m from the Homes England Affordable Homes Programme towards the cost of our new build programme. We have also continued to invest in our existing housing stock in order to maintain homes above the Decent Home Standard. The capital cost of this investment during the year was approximately £11.8m.

Net Current Assets

Net current assets have reduced by £15.2m mainly due to a reduction in cash with key investment in the maintenance of our homes and development of new homes.

Loan Debt

Outstanding loans are broadly in line with last year.

Reserves

Reserves have increased by £33.3m reflecting the strong financial performance during the year.

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

Treasury Management

The Group has a formal Treasury Management Policy which is reviewed annually by the Board. 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 advisors to the Group.

Currency Risk

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

Capital Structure

The Group finances its activities using £212.5m loan facilities with Lloyds Banking Group and Santander, together with our bond issue of £225m.

Interest Rate Management

The Group manages its interest rates through 89% of fixed rate funding and 11% of variable rate revolving credit facilities which are undrawn as at 31 March 2019. The fixed rate funding is comprised of the bond and drawn fixed rate loans from banks (of which 12% of fixed rate loans relates to a £20m loan with cancellable options). This has allowed the Group to protect itself against the risks associated with increasing interest rates.

Group Liquidity

Cash balances are invested on competitive term rates until required. In accordance with the Treasury Management Policy, the Group maintains a list of investment limits for approved organisations with which it will deposit funds. The rating of the approved organisations are checked on a daily basis to ensure investments are not at risk. Surplus cash is put in either fixed or floating deposit accounts. Fixed rates of interest attract rates of between 0.3% and 0.85% for a minimum of 95 days. Floating rates attract interest at rates that vary with bank rates.

Loan Covenants

The Group ensures that it operates with a prudent level of headroom and monitors covenants on a monthly basis. This is reported to the Board on a quarterly basis.

As at 31 March 2019 and throughout year, the Group met both its covenant targets for the financial year.

The Group needs to ensure that the ratio of Adjusted Operating Surplus to Net Interest Payable (Net Interest Cover) is greater than 1.1:1.0 for the financial year. The actual rate achieved was 2.16 providing a headroom of £20m on this covenant.

The Net Debt per Unit must not exceed £25k throughout the duration of our bank facilities. The Net Debt per Unit at 31 March 2019 was £14k.

Cash Flows

The consolidated Cash Flow Statement is shown on page 46 of the Financial Statements. During the year the Group's net cash reduced by £16m, while £37.3m has been invested to fund the development of new homes.

Bond

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

Credit Rating

Moody's carried out their annual credit rating review for the Group in January 2019. The Group's rating is A3 with a stable outlook. The following assessment was provided: 'The credit profile of Walsall Housing Group Limited (A3 stable) reflects:

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

Strategic Performance Indicators

Indicator	Target for the year	Performance for the year
Current rent arrears (%)	3.00	2.16
Void rent loss (%)	0.70	0.61
Customer satisfaction with repairs (%)	84.0	83.0
Customers that would recommend whg (%)	82.0	83.2
Compliance with gas regulations (%)	100	100
New homes started	881	592
Customers with improved employment prospects	996	1,271
First point of contact resolution (%)	90.0	88.0

Overall performance for the year has been good with the majority of our targets being exceeded. We will continue to work hard and strive to improve performance. Performance management is a routine part of operational and strategic discussions and is supported by a range of business insight reports. Through our governance model we have also ensured that business performance forms an integral part of our decision-making process.

Performance is summarised below:

- Current rent arrears are at 2.16% with the target outperformed by 0.84%.

- Void rent loss for the year is 0.61%, which is 0.09% better than the target and this is due to the work undertaken to improve productivity and a reduction in the number of empty properties awaiting repair. In addition the number of empty homes reduced to the lowest ever number of 48 homes at the year end.

- 83% of our customers are satisfied with the repairs carried out on their homes, which is slightly below the target of 84%. The Group is working hard to identify areas of dissatisfaction and improve processes to increase the satisfaction levels further.

- 83.2% of our customers would recommend whg, which is 1.2% above our target. Further service improvement opportunities will be identified in 2019/20.

- Gas safety continues to be a key area of focus with the percentage of homes compliant with the gas regulations remaining at 100%.

- 592 new homes were started during the year which is 289 below the target. This is due a combination of opportunities falling through prior to contract and timing delays with such homes being completed in 2019/20.

- The Group has helped 1,271 customers in to employment in various sectors including warehousing, care, construction and retail.

- We resolved 88% of enquires at the first point of contact during the year. This is 2.0% below the target.

Principal Risks and Uncertainties

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

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

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

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

The Board, as part of its review of risk management, has identified its most significant corporate risks and uncertainties, together with the mitigating actions taken in order to ensure that the risks are appropriately monitored and controlled. A summary of our Corporate Risk Register is set out below.

Risk	Steps taken to manage or mitigate
Tenants do not / are not able to pay their rent.	Arrangements are in place to identify and support customers affected by welfare reforms. Income collection is maximised through rigorous escalation procedures to prevent arrears increasing.
Business Plan income targets are not achieved.	Income from all streams is monitored and the Business Plan stress tested against a range of scenarios, including increased voids, under-performance of the development programme and conversion of new homes intended for sale to rental homes and potential Brexit related issues.
Failure to deliver surpluses from Development Programme sales.	Joint venture arrangements with developers reduce exposure to any market downturn. Potential schemes are robustly assessed to meet financial criteria and quality standards. Shared Ownership homes are marketed and sales proactively managed by an experienced team to start to secure sales ahead of completion.
Appropriate levels of funding are not	We have an effective Treasury Management

available.	Strategy in place that will ensure funding is in place for a minimum of three years and is linked to the Business Planning process.
Failure to meet deadlines and successfully deliver the development build programme.	Performance targets are monitored and robust scheme assessments and contractor due diligence is carried out.
Insufficiently skilled colleague resource to meet operational and strategic needs.	The Group invests in training and developing colleagues and the annual budgeting process includes a review of the resources needed. It has processes in place to identify ongoing needs at team and individual level. The Group also places a strong focus on colleague engagement.
Customer safety failure (gas, electrical, water, asbestos, fire, mechanical equipment).	The Group has a robust Quality Assurance process in place with appropriate testing and inspection. All gas servicing is completed in-house with a programme to ensure gas servicing visits are planned appropriately.
Information security breach.	We have a resilient security network and strong technical controls and arrangements to ensure that data is held securely. User access to systems is controlled and monitored using system access request. A team of data champions work with the Data Protection Officer to ensure compliance with the General Data Protection Regulation that came into effect in May 2018.
Failure to meet regulatory and statutory Requirements.	The Group has resources in place to identify requirements and assess compliance. Scrutiny arrangements and reviews of policies and procedures ensure any new requirements are complied with.
Failure to deliver whg's health and prosperity targets.	whg has a team responsible for supporting customers into employment or training. Performance targets are set and monitored and work with delivery partners is managed through Service Level Agreements.
Failure to maintain assets in line with regulatory standards and customer expectations.	The Group has a dedicated Asset Management Team to maintain assets in line with the Asset Management Strategy which is underpinned with asset condition surveys. The Group Asset Management Strategy is a critical business tool for us to align our property assets with business need; directly linked to the Corporate Plan and supported by the 30 year Business Plan.
Failure of strategic change projects.	There is a robust project management process in place with governance oversight of strategic projects. Resource planning and impact assessments are included as key features of the process.

The business does not have the technical resources to deliver the Corporate Plan.	The Group maintains a high level of technical expertise and relevant skills. The IT infrastructure is managed so as to ensure appropriate systems are in place and are used effectively.

Value for Money

STRATEGIC APPROACH

The overall approach to value for money has been developed from the Corporate Plan 2017 - 2024 and is based on what is required to deliver our mission.

Our new Value for Money Strategy 2019 - 2024 sets out the detail of our strategic approach to achieving value for money, which is to ensure our money is spent well and we optimise the use of our resources. The Strategy sets out our two main strategic aims, which are:

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

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

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

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

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

Effective governance

Our strategic approach to delivering value for money is embedded throughout our governance structures across the Group and key business strategies.

Our Board sets the strategic approach to value for money and checks it is being delivered. It is a skills-based Board with knowledgeable Members who ensure our growth and non-housing commercial activity is well managed. We have a Board Champion to establish a clear link between the value for money work and the Board.

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

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

Building and acquiring more homes

We continue to accelerate our development programme in geographical clusters across the Midlands to secure operational efficiencies while bringing in more rental and sales income. In 2018/19 we completed 551 new homes. These included Section 106 acquisitions for social/affordable rent and shared ownership, most of which have been acquired at open market discounts of between 20%-30%. These new homes offer a mixture of tenures to cater for the housing needs of our customers and fit with our objective to be a 'landlord for life'.

Achieving an optimal benefit

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

We demonstrate our efficiency by generating a strong operating margin and having a keen appetite to invest in growing and expanding our services, our reach and our range. We deliver significant social value to the communities we operate within. We demonstrate our effectiveness by building many more new homes that people need. Our aim is to own and manage 30,000 homes by 2024. We demonstrate our economy by tight budgetary control, ensuring costs are in line or below our peers. These are measured through our performance against the value for money metrics set by the Regulator and delivery against our own value for money targets.

VALUE FOR MONEY PERFORMANCE

Value for money metrics

We report and compare our performance against the value for money metrics using the Global Accounts, published by the Regulator in December 2018, that reports sector performance outturns for 2017/18. This is the most comprehensive data set for comparison purposes and we have broken it down so we can compare against registered providers similar to us. The tables below show our performance and our quartile position in relation to an appropriate peer group.

Table 1 – whg performance in 2018/19 against the value for money metrics benchmarked against those for 2017/18 with origins of stock transfer

Value for money metrics	whg 2017/18	whg 2018/19	Stock transfer RPs Upper Quartile	whg 2018/19 Quartile Position
Reinvestment	12.5%	11.4%	10.4%	Upper
Gearing	67.4%	65.1%	63.6%	Upper
EBITDA MRI interest cover	194%	151%	275%	Lower
Operating margin – social	40.5%	35.7%	37.4%	Upper
Operating margin	35.4%	29.1%	35.6%	Lower
Return on capital employed	8.1%	6.7%	6.4%	Upper
New supply social	2.4%	2.7%	2.4%	Upper
New supply non-social	0%	0%	0.1%	Median
Headline Social Housing CPU	£3,025	£3,340	£3,470	Upper

'Reinvestment %' looks at the investment in all of our properties as a percentage of their value shown in the table. We are upper quartile for this metric.

The 'Gearing %' shows the proportion of borrowing in relation to our asset base and the degree of dependence on debt finance. The calculation is based on net debt. It is a key indicator of our appetite for growth as this borrowing is used to build more homes. Our stock transfer origin has a significant effect on this measurement. We are only 1.5% above other registered providers who originate from Large Stock Voluntary Transfer. This is upper quartile performance.

'Earnings before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA MRI) Interest Cover %' measures our level of surplus generated compared to the interest we pay. This approximation of cash generated as a percentage of interest shows our headroom for meeting interest payments on outstanding debt. The EBITDA MRI percentage is at 151% and other similar LSVTs average is 275%. This in the main due to the high carrying cost of the bond.

'Operating Margin %' shows our profitability and is an indicator of our operating efficiency. The social housing lettings operating margin is 35.7% and demonstrates strong performance from our core activities. An operating margin (overall) of 29.1% is healthy, but below the peer average of 35.6%. This is mainly due to a combination of increased IT costs in particular licences fees and maintenance, an increase in colleague numbers to support future growth and maintaining our stock to the high standards agreed with our customers.

'Return on Capital Employed' shows how well we are using our capital and debt to generate a financial return. This indicator, increasing only marginally to 6.7%, shows that whilst our asset base is increasing, our returns on capital are not moving at the same pace due primarily to the rent reduction regime. However we are still upper quartile.

'New supply delivered %' sets out the number of new social and non-social housing units that we have acquired or developed in 2018/19 as a proportion of all homes owned at 31 March 2019. The picture in 2018/19 is very positive, reflects our strong development ambitions and 0.3% above upper quartile.

New supply non social housing is 0% compared to a target of 0.1%. This is due to no suitable market rent schemes presenting themselves in the year and no homes being built for outright sale.

'Headline social housing cost per unit' combines a number of cost elements to provide our overall social housing cost per unit. At £3,340 we are upper quartile.

Further internal strategic performance indicators are listed on pages 14-15.

Value for money targets 2018/19

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

In 2018/19 we achieved £5.4m of value for money savings. The table below provides a summary.

Goal	Planned £m	Outturn £m
Levered in £0.6m of ECO funding to support our £3.6m programme of energy efficiency improvements to our homes during the year.	0.6	0.5
Reduced void rent loss further and meet our target of 0.7%. This was achieved and we had our lowest number of voids.	0.1	0.1
Recovered £100k more VAT through our development and maintenance programmes target.	1.3	1.4
Exceeded target on procurement savings.	0.1	0.4
Asset management saving a result of a retendering exercise.	-	2.3
Insurance saving with claims settled at a lower than reserve value.	-	0.4
Value for money saving on repairs costs of high cost voids.	-	0.3
Total	**2.1**	**5.4**

PROGRESS AGAINST VALUE FOR MONEY PROJECTS

Our progress against our projects to deliver value for money is set out below.

Projects Identified	Progress on Projects during 2018/19
The Board is to review our Value for Money Strategy so that it aligns to the Regulator's new Value for Money Standard.	✓ **Completed** – The Board established a steering group to review our strategic approach to delivering value for money, which resulted in our new Value for Money Strategy that was approved by the Board.
Re-launch our internal Value for Money Working Group to support the review of our Value for Money Strategy and drive its delivery.	✓ **Completed**– We established an internal working group to support the Board to review the Value for Money Strategy. Following its approval in March 2019, we will be launching a business-wide working group to drive the delivery of the actions in the new Strategy.
Align our performance monitoring and management to incorporate the Regulator's value for money metrics.	✓ **Completed** – Performance against the VFM metrics is now regularly reported through our Management Accounts.
Strengthen the approach to recording cost and efficiency savings throughout the business, which will include commencing actions to address our cost per unit outliers in routine and planned maintenance and major repairs.	**In Progress** – We use a 'notional account' approach to compare costs of delivering repairs through our in-house Home Maintenance Services against market costs, which allows us to continually challenge our costs.
Develop an Acquisition and Merger Strategy.	**In Progress** – We have devised a merger process. We will now be incorporating the strategic approach to merger and acquisition within our review of the Corporate Plan during 2019/20.
Develop a Digital First Strategy.	✓ **Completed** – Our new Digital First Strategy was approved by the Board.
Run a 'Digital First' campaign to ensure customers use digital channels for the majority of their contact with us.	✓ **Completed** – We launched and delivered our 'Digital First' behavioural change campaign during 2018/19.

Building more homes

In 2018/19 we invested a gross amount of £37.3m in developing and acquiring 551 new homes.

Our refreshed Development Strategy 2017-2021 sets out plans to build or acquire 1,538 new homes across the Midlands region with an expected cost of £205m which is aligned to our Business Plan. This includes 751 homes funded through Homes England Affordable Homes Programme. In early 2019, we were successful in bidding to be a strategic partner of Homes England and will access another £38.7m to help us build an additional 1,000 new homes.

These new homes are being delivered by procuring private developers to build schemes for us, as well as acquiring homes through Section 106 agreements. We also have a land buying function within our Development Team, which enables us to acquire land on the open market. A detailed and comprehensive assessment of each scheme is undertaken to ensure it is viable. All schemes are expected to achieve a benchmark return on assets and value engineering is used to reduce build costs.

Anthem Homes is the company we have set up to build homes for outright sale. We will work with private development partners through joint venture partnerships to deliver what we call 'profit for purpose'; investing profits we make in providing more affordable homes that meet local housing need. The programme balances investment in areas where rental or sales yields are high, generating additional income to support our social purpose. Our development programme is supported by the reinvestment of proceeds from the disposal of poorly performing assets.

In 2018/19 we disposed of 16 empty homes, which released £0.9m for investment in our development programme.

Maintaining and improving existing homes

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

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

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

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

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

Standard.

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

We spent a combined total of £42.1m on our existing homes in 2018/19 on component replacements, routine repairs, major repairs and planned repairs. We use a 'notional account' approach to compare costs of delivering repairs through our in-house Home Maintenance Services against market costs. This allows us to continually challenge our costs.

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

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

Plan for improvement

A result of the investment required to bring homes to a reasonable standard our maintenance cost per unit is higher than some of our peers. Over the next year a service review in this area will be carried out and in addition external consultants have been engaged to review our Asset Management Strategy, our plans and our expenditure. This should help identify where we can make improvements and reduce our expenditure in future years.

In the last 12 months we have undertaken a thorough review of our stock condition data. Working with Savills we carried out an additional 3,000 property surveys and have adopted the Savills Social Housing Asset Performance Evaluation tool (SHAPE tool).

During this year we will be using the SHAPE tool to refine our stock investment needs, and plan our work in an efficient way, ensuring that we achieve value for money from the investment we make.

Our investment modelling will also be able to inform our decisions on stock retention, providing more accurate net present values we are able to see outliers in our portfolio and make informed decisions about their future based on both financial and social impact.

Social impact

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

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

VALUE FOR MONEY PLANS FOR 2019/20 AND BEYOND

Value for money targets

We plan to make further value for money gains of at least £1.9m in 2019/20.

Goal	**Target 2019/20 £m**
Lever in £0.2m of ECO funding to support our £1.4m programme of energy efficiency improvements to our homes.	0.2
Repairs saving on disposal of ten high cost voids.	0.2
Recover VAT through our development and maintenance programmes.	1.2
Secure procurement and value for money savings.	0.3
Total	**1.9**

whg assesses void properties as they arise with a view to potentially disposing of those where the value for money impact indicates that a sale is more beneficial than continued ownership. The target repairs saving will be around £0.2m and a disposal proceeds target of around £0.9m.

Value for money projects

We will deliver the following initiatives and projects to secure additional value for money in 2019/20 and beyond:

- Collect and review evidence of value for money progress, gains, and social value achievements through a 'virtual evidence pack', progress report and Social Impact Report to tell the wider story of the broader positive value and impact on customers from the homes and services provided by whg;

- Launch our internal Value for Money Working Group made up of the Senior Leadership Team to support the delivery of our Value for Money Strategy;

- Strengthen the approach to recording cost and efficiency savings throughout the business with a focus on reducing any cost per unit outliers;

- Develop a Merger and Acquisition Strategy that establishes a robust approach to achieving our Corporate Plan success measure of '30,000 homes will be in ownership or management' by 2024;

- Develop and start delivering an Innovation Strategy to explore more innovative ways to improve efficiency and reduce costs;

- Continue to run a 'Digital First' behavioural change campaign to ensure more customers use digital channels to contact with us and no one is left behind and this is supported by the Black Country Click Start programme that we run to train customers to use digital technology to access services and welfare benefits;

- Deliver a wide range of strategic change projects that will ensure we work as effectively as possible across the business, such as:
    - IT projects are helping to deliver an enhanced mobile technology solutions to support colleagues delivering services on the go;
    - Improve our asset data and Asset Register, and better understand the net present value of our homes;
    - Improving our online customer portal so customers can undertake more self-service actions at a time that suits them.

- Deliver a community capacity building programme to customers who are furthest away from the labour market and provide an employment ready support programme to help customers back into work, which ultimately helps them afford their home;

- Continue to modernise our customer services offer to drive down avoidable contact, release capacity in specialist teams by shifting non-specialist work to more cost effective solutions such as automation, proactively support customers to go digital through 'clever conversations', improve telephony and web chat facilities and revamp the reception areas so customers are greeted by 'digital champions' and directed to self-service terminals;

- Pilot new methods of construction within our development programme to reduce costs and speed up the build time;

- Re-procure maintenance contracts to generate cost and efficiency savings and renew contracts for fire alarms and communal aerials to deliver VFM gains and ensure customers are safe;

- Implement the Asset Performance Evaluation Tool to better understand and address poorer performing assets;

- Deliver our Commercial Strategy and generate 'profit for purpose';
- Re-procure our fleet light and heavy commercial vehicles and stores to secure cost and efficiency savings;

Danielle Oum
Chair of the Board
18 July 2019

The Report of the Board

The Board presents its report and audited Financial Statements for the year ended 31 March 2019.

The Group

The Group is a not-for-profit organisation with properties through out the Midlands. The Group as of 31 March owns and manages 21,065 homes.

Governance

The Non-Executive Directors and the Executive Directors are listed on page 3.

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

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

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

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

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

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

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

Board Statement on compliance with Regulator of Social Housing's Governance and Financial Viability Standard

The Board has assessed compliance with the Regulator of Social Housing's Governance and Financial Viability Standard and is fully compliant. This includes using all reasonable endeavours to ensure compliance with all relevant law. An assessment has been carried out across the business of how whg identifies and complies with relevant legislation and keeps abreast of any new areas requiring compliance. Our procedures ensure that we comply with statutory guidance in areas such as health and safety, for example, legionella testing and gas safety. whg has effective and robust governance arrangements in place that enable us to successfully deliver our Corporate Plan and improve our services to customers. Tight procedures are in place to ensure that we remain viable and that our assets are not put at risk.

General Data Protection Regulation

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

Principal Activities

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

Board Statement on Modern Slavery

This statement is made under Section 54(1) of the Modern Slavery Act 2015. It constitutes whg's Anti-Slavery and Human Trafficking Statement for the financial year ending 31 March 2019.

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

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

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

Board Statement of Public Benefit

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

- Provision of housing at rents below market levels for those in housing need;
- Related home repair, improvement and tenancy management services;
- Support services that tackle social exclusion, money management and fuel poverty on the basis of identified needs;

- Community interest activity aimed at helping residents into work or training; promoting new enterprise and health and wellbeing in the communities we work in;

- Environmental initiatives that reduce our impact on the areas we work in and increase fuel efficiency for our customers.

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

Board Statement on the Effectiveness of Internal Control

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

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

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

The process for identifying, evaluating and managing the significant risks faced by the Group is ongoing. This is reflected in every report considered by each Board, as well as being the subject of regular review by the Audit and Assurance Committee.

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

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

Identifying and Evaluating Key Risks

The Audit and Assurance Committee oversees the Risk Management Framework and the work of internal and external auditors. The Group's Risk Management Framework approved by the Board, sets out the Group's attitude to risk in the achievement of its objectives, and underpins risk management, business planning and control arrangements. These arrangements clearly define management responsibility for the identification, evaluation and control of significant risks.

The Executive Team regularly considers reports on these risks and the Group Chief

Executive is responsible for reporting any significant change affecting key risks to the Committee.

Control environment and internal controls

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

Financial reporting procedures include setting detailed budgets for the year ahead and Business Plan forecasts for subsequent years. These are approved by the Board. Budgets are monitored throughout the year by the Board. In addition, regular reports cover performance in key areas such as rent collection, managing voids, major works and responsive repairs.

Monitoring arrangements to check the effectiveness of internal controls

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

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

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

Fraud Assurance

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

Colleagues

whg has a strategic aim to be an exceptional place to work that attracts, develops and retains talent. whg encourages recruitment from the local area and its customer base and offers a range of supportive programs through its Employment and Training Team to encourage customers into work.

We aim to ensure that our colleagues reflect the diversity of the thriving multi-racial communities we serve and our evolving flexible and agile working practices encourage colleagues to achieve a healthy work life balance.

We operate through simple management structures, which empower colleagues 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 through a range of channels, including face-to-face meetings and events, having an open door policy and a growing range of digital platforms.

We offer competitive pay and a range of benefits including a defined benefit pension scheme, a health care cash plan, confidential counselling services, time off for public duties, and other benefits in excess of statutory minimums.

We promote the continued safety and welfare of all our colleagues and work 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 ongoing promotion of healthy living.

Equality, Diversity and Inclusion

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

Our approach to equality and diversity are outlined in whg's Single Equality Scheme (SES). An action plan translates the SES commitments into actions that will help us achieve the aim to 'to be an exceptional place to work that attracts, develop and retains talent.

Learning and Development

A strategic training needs analysis is undertaken annually with senior leaders to map the challenges ahead and ensure learning is aligned to business requirements. This determines the content of learning and development interventions for all colleagues and a targeted programme for managers; these are made available on a quarterly basis as part of a blended learning offer integrating online learning.

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

Individual training needs are identified in real time through performance check-ins and responded to as necessary. Colleague's individual needs are met by attendance at external conferences, seminars or workshops to maintain service specific knowledge currency or through best practice network meetings. The mentoring scheme also provides a route for individual's development to support colleagues' aspirations.

The Learning and Development Team deliver service specific workshops and team development events; these are tailored to support service improvements, change management and promote One Team working.

The Team also works with project sponsors and teams to plan, design and deliver the learning necessary to underpin the successful implementation and embedding of projects, be it new technology, customer-focused campaigns or outcomes from service reviews.

Professional qualifications are supported to ensure colleagues' specialist and technical competence, as well as upskilling for progression and succession planning. The Apprenticeship Levy is used where appropriate to maximise opportunities for on-the-job development.

whg manages and develops its talent through Dare to Lead (D2L) programmes. These offer aspiring and operational leaders a 12 month programme of workshops, coaching, learning circles and the requirement to work on an Executive Team sponsored project.

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

Employee Relations

To foster good workplace communications, a Joint Negotiating Committee (JNC) meets regularly. The purpose of the JNC is to enable trade union representatives to meet with senior leaders to discuss and exchange views on matters of mutual concern and interest

Other Information

Where information is not shown within the Report of the Board it is instead included within the Strategic Report starting on page 7 under S414c(11) Companies Act 2006.

Qualifying Third Party Indemnity Provisions

The Directors have third party indemnity insurance through the Company.

Future Prospects

See page 9 of the Strategic Report for a review of whg future developments.

Going Concern

The Group's business activities, together with the factors that are likely to affect its future developments, performance and position are set out within the Strategic Report. The Group has long-term debt facilities in place which provide adequate resources to finance committed reinvestment and development programmes, along with the Group's day to day operations. The Group also has a long-term Business Plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

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

Statement of Board Responsibilities

The Board is responsible for preparing the Report of the Board, the Strategic Report and the Financial Statements in accordance with applicable law and regulations.

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

Under company law, the directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the income and expenditure of the Group and the Company for that period. In preparing those Financial Statements, the directors are required to:

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

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

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

Disclosure of Information to the Auditor

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

Auditor

A resolution to appoint RSM UK Audit LLP, as the external auditor will be proposed at the forthcoming annual general meeting.

This report was approved by the Board and authorised for issue on 18 July 2019 and signed on its behalf by:

Danielle Oum
Chair of the Board
18 July 2019

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

Opinion

We have audited the Financial Statements of Walsall Housing Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2019 which comprise the Consolidated and Company Statements of Total Comprehensive Income, Consolidated and Company Statements of Changes in Reserves, Consolidated and Company Statements of Financial Position, Consolidated Statement of Cash Flows and notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the Financial Statements:

- give a true and fair view of the state of the Group's and the parent company's affairs as at 31 March 2019 and of the Group's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been properly prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered providers of Social Housing 2019.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Respective responsibilities of the Board

As explained more fully in the Statement of Board Responsibilities set out on page 35, the Board (who are also the directors of the company for the purposes of company law) are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the Financial Statements
We have been appointed auditors under the Companies Act 2006 and section 151 of the Charities Act 2011 and report in accordance with those Acts.

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

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

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

RSM UK Audit LLP

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

Date 19/7/19

Consolidated Statement of Total Comprehensive Income for the year ended 31 March 2019

	Note	2019 £000	2018 £000
Turnover	3	108,635	105,635
Operating expenditure	3	(76,968)	(68,215)
Surplus on disposal of housing property	3	5,068	5,794
Operating surplus	5	36,735	43,214
Movement in fair value of investment properties	15	(48)	271
Surplus on disposal of property, plant and equipment	6	1,696	2,963
Interest receivable and other income	7	611	412
Interest and financing costs	8	(20,057)	(19,044)
Movement in fair value of financial instruments	26,36	(141)	2,099
Exceptional Item	37	-	4,436
Surplus for the year before tax		18,796	34,351
Taxation	11	(8)	(42)
Surplus for the year after tax		18,788	34,309
Other comprehensive income / (expenditure):			
Initial Recognition of SHPs multi- employer defined benefit scheme	28	(113)	-
Remeasurements – Actuarial gain in respect of pension schemes	28	14,623	1,137
Total comprehensive income for the year		33,298	35,446

The consolidated Financial Statements were approved by the Board on 18 July 2019.

Danielle Oum
Chair

Gary Fulford
Group Chief Executive

The consolidated results relate wholly to continuing activities.

The accompanying notes form part of these Financial Statements.

Company Statement of Total Comprehensive Income for the year ended 31 March 2019

	Note	2019 £000	2018 £000
Turnover	3	109,288	105,419
Operating expenditure	3	(76,388)	(67,873)
Surplus on disposal of housing property	3	5,068	5,794
Operating surplus	5	37,968	43,440
Movement in fair value of investment properties	15	(48)	271
Surplus on disposal of property, plant and equipment	6	1,628	2,963
Interest receivable and other income	7	642	412
Interest and financing costs	8	(10,543)	(10,293)
Interest and financing costs to Group undertakings	8	(9,414)	(8,751)
Movement in fair value of financial instruments	26,36	(141)	2,099
Exceptional Item	37	-	4,436
Gift Aid		-	287
Surplus for the year before tax		20,092	34,764
Taxation	11	-	(14)
Surplus for the year after tax		20,092	34,750
Other comprehensive income/(expenditure):			
Initial Recognition of SHPs multi- employer defined benefit scheme	28	(113)	-
Remeasurements – Actuarial gain in respect of pension schemes	28	14,623	1,137
Total comprehensive income for the year		34,602	35,887

The Financial Statements were approved by the Board on 18 July 2019.

Danielle Oum
Chair

Gary Fulford
Group Chief Executive

The Company's results relate wholly to continuing activities.

The accompanying notes form part of these Financial Statements.

Consolidated Statement of Changes in Reserves for the year ended 31 March 2019

	Note	Income and expenditure reserve £000	Total £000
Balance as at 1 April 2017		39,339	39,339
Surplus for the year		34,309	34,309
Other comprehensive income for the year		1,137	1,137
Balance at 31 March 2018		74,785	74,785
Acquisition of a subsidiary reserves b/fwd		(16)	(16)
Balance at 1 April 2018 adjusted		74,769	74,769
Total comprehensive income for the year		18,788	18,788
Other comprehensive expenditure for the year		(113)	(113)
Other comprehensive income for the year		14,623	14,623
Balance at 31 March 2019		108,067	108,067

The opening reserves as at 1 April 2018 were adjusted for Cricket Close LLP becoming a subsidiary of Anthem Homes. Cricket Close accounts are now consolidated in the Group Financial Statements.

Company Statement of Changes in Reserves for the year ended 31 March 2019

	Note	Income and expenditure reserve £000	Total £000
Balance as at 1 April 2017		53,342	53,342
Surplus for the year		34,750	34,750
Other comprehensive income for the year		1,137	1,137
Balance at 31 March 2018		89,229	89,229
Total comprehensive income for the year		20,092	20,092
Other comprehensive expenditure for the year		(113)	(113)
Other comprehensive income for the year		14,623	14,623
Balance at 31 March 2019		123,831	123,831

Consolidated Statement of Financial Position

At 31 March 2019 **Company No. 4015633**

	Note	2019 £000	2018 £000
Fixed Assets			
Intangible assets	12	2,629	2,647
Tangible fixed assets - Housing Properties	13	435,682	397,317
Tangible fixed assets - Other Fixed Assets	14	15,147	15,000
Investment properties	15	8,581	8,629
Other Investments		20	-
Homebuy loans receivable	16	137	137
		462,196	423,730
Current Assets			
Properties held for sale	18	10,983	5,976
Stocks	19	-	127
Trade and other debtors	20	9,290	9,385
Debtors due in more than one year	21	-	835
Investments	36	10,155	10,084
Cash and cash equivalents	36	112,502	128,515
		142,930	154,922
Creditors: Amounts falling due within one year	22	(26,907)	(23,702)
Net current assets		116,023	131,220
Total assets less current liabilities		578,219	554,950
Creditors: Amounts falling due after more than one year	23	455,659	455,190
Provisions for liabilities			
Defined Benefit Pension provision	28	13,847	23,946
Other provision	29	646	1,029
Total net assets		108,067	74,785
Reserves			
Income and expenditure reserves		108,067	74,785
Total Reserves		108,067	74,785

The accompanying notes form part of these Financial Statements.

The Financial Statements on pages 40 to 98 were approved by the Board and authorised for issue on 18 July 2019 and are signed on its behalf by:

Danielle Oum
Chair

Gary Fulford
Group Chief Executive

Company Statement of Financial Position

At 31 March 2019 **Company No. 04015633**

	Note	2019 £000	2018 £000
Fixed Assets			
Intangible assets	12	2,629	2,647
Tangible fixed assets – Housing properties	13	453,860	415,514
Tangible fixed assets – other fixed assets	14	15,147	15,000
Investment properties	15	8,581	8,629
Homebuy loans receivable	16	137	137
Investment in subsidiaries	17	100	100
Other Investments		20	-
		480,474	442,027
Current Assets			
Properties for sale	18	9,330	5,976
Stocks	19	-	127
Trade and other debtors	20	9,842	10,035
Debtors due in more than one year	21	2,480	1,335
Investments	36	10,155	10,084
Cash and cash equivalents	36	108,553	123,855
		140,360	151,412
Creditors: Amounts falling due within one year	22	(26,851)	(24,045)
Net current assets		113,509	127,367
Total assets less current liabilities		593,983	569,394
Creditors: Amounts falling due after more than one year	23	455,659	455,190
Provisions for liabilities			
Defined benefit Pension provision	28	13,847	23,946
Other provision	29	646	1,029
Total net assets		123,831	89,229
Reserves			
Income and expenditure reserve		123,831	89,229
Total Reserves		123,831	89,229

The accompanying notes form part of these Financial Statements.

The Financial Statements on pages 40 to 98 were approved by the Board and authorised for issue on 18 July 2019 and are signed on its behalf by:

Danielle Oum
Chair

Gary Fulford
Group Chief Executive

Consolidated Statement of Cash Flows

	Note	2019 £000	2018 £000
Net cash generated from operating activities	31	45,457	45,817
Cash flow from investing activities			
Purchase of tangible fixed assets		(52,607)	(51,994)
Purchase of investment assets		(20)	-
Proceeds from sale of tangible fixed assets		8,137	10,488
Grants received		2,822	9,190
Interest received		564	413
		(41,104)	(31,903)
Cash flow from financing activities			
Interest paid		(20,295)	(19,935)
Withdrawal from deposits		(71)	57,048
Retained bond sale		-	61,021
		(20,366)	98,134
Net change in cash and cash equivalents		(16,013)	112,048
Cash and cash equivalents at beginning of the year		128,515	16,467
Cash and cash equivalents at end of the year		112,502	128,515

The accompanying notes form part of these Financial Statements.

Notes to the Financial Statements

1. Legal Status

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

Walsall Housing Group's principal activities and the nature of the Company's operations can be found in the Group profile on page 7.

2. Accounting policies

Basis of Accounting

The consolidated Financial Statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice (SORP): "Accounting by Registered Social Landlords" updated in 2014, and comply with the Accounting Direction for Private Registered providers of Social Housing 2019 (the Accounting Direction). They have been prepared under the historical cost convention, modified to include certain financial instruments and investment properties at fair value.

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

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

Basis of Consolidation
The consolidated Financial Statements incorporate those of the Company and all of its subsidiaries (i.e. entities that the Group controls though its power to govern the financial and operating policies so as to obtain economic benefits). All Financial Statements are made up to 31 March 2019.
All intra-Group transactions and balances between Group companies are eliminated on consolidation.
The wholly owned subsidiaries which are consolidated are:

- Visionary Investment Enhancing Walsall Limited (VIEW)
- whg Trading Company Limited
- whg Developments Limited
- whg Treasury PLC
- Buy For Good CIC
- Anthem Homes Limited
- Cricket Close LLP

Business Combinations
The cost of a business combination is the fair value at the acquisition date, of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination.

The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

Accounting Policies (Continued)

Provisional fair values
Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date.

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

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

Going Concern
The Group's business activities, its current financial position and factors likely to affect its future development are set out within the Strategic Report. The Group has in place long-term debt facilities, which provide adequate resources to finance committed reinvestment and development programmes, along with the Group's day to day operations. The Group also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

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

Turnover and Revenue Recognition
Turnover represents rental income receivable in the year, grant income, service charges, first tranche Shared Ownership sales and other goods and services supplied in the year (excluding VAT) and the amortisation of Deferred Capital Grant.

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

See page 50 for the policies on grant income.

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

Investment income is recognised on an accruals basis.

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

Accounting Policies (Continued)

Tangible Fixed Assets – Housing Properties
Housing properties are properties for the provision of social housing and are principally properties available for rent and shared ownership.
Completed housing and Shared Ownership properties are stated at cost less accumulated depreciation and impairment losses.

Cost includes the cost of acquiring land and buildings, and expenditure incurred during the development period. Only the direct overhead costs including interest associated with new developments or improvements are capitalised.

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

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

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

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

Under Shared Ownership arrangements, the Group disposes of a long lease of Shared Ownership housing units to persons who occupy them, at a premium of between 25% and 75% of value. The occupier has the right to purchase further proportions at the current valuation up to 100%, except over 55's where you can only purchase up to 75%

Property disposals
The 2017/18 Statement of Comprehensive Income has been restated with property disposals now be being included as part of the operating surplus. The income is regular, budgeted for and forms a normal part of our business. The change was made in consideration with the FRS 102 triennal review in respect of revenue recognition.

Disposal Proceeds Fund
Net proceeds of Right to Acquire sales that took place prior to 6 April 2017 were 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.

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

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

Accounting Policies (Continued)

Investment Properties
Investment properties consist of market rent housing properties. These properties are initially measured at cost and subsequently measured at fair value whilst a reliable measure of fair value is available without undue cost or effort. Changes in fair value are recognised in the Statement of Comprehensive Income.

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

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

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

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

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

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

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

Depreciation of Housing Properties
Freehold land or assets under construction are not depreciated.

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

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

Building Components	Years
Structure	100 or 125

Accounting Policies (Continued)

Windows and doors	27-30
Kitchen	18-20
Bathroom	27-30
Central Heating	27-30
Boilers	10
Wiring	22-25
External Wraps	35-40

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

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

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

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

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

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

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

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

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

Bond discount costs are accrued on an amortised cost basis so as to build up the total discount payable in proportion to the outstanding capital over the life of the bond.

Loan and bond issue costs are deducted from the capital owed and amortised using the amortised cost basis so

Accounting Policies (Continued)

as to charge them to income in proportion to the outstanding capital.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies (Continued)

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

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

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

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

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

Interest Payable

Interest is capitalised on borrowings to finance the development of qualifying assets to the extent that it accrues in respect of the period of development if it represents:

- interest on borrowings specifically financing the development programme after deduction of related grants received in advance; or
- a fair amount of interest on borrowings of the Group as a whole after deduction of social housing grant received in advance to the extent that they can be deemed to be financing the development programme.

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

Leases

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

Colleague Benefits

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

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

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

Retirement Benefits

Defined benefit plans

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

Accounting Policies (Continued)

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

The assets and liabilities of whg's share of the pension are now included on the Statement of Financial Position, where as in the prior year a provision was included linked to the stream of deficit contributions. Thereby adopting the amendment to FRS102 "Multi-employer defined benefit plans", issued in May 2019, early.

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

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

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

LGPS

The scheme is administered by trustees and is independent of the Group finances. Contributions are paid to the scheme in accordance with the recommendations of an independent actuary to enable the trustees to meet from the scheme the benefits accruing in respect of current and future service. The cost of providing benefits is determined using the projected unit credit method.

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

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

Surpluses or deficits recognised in other comprehensive income:

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

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

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

Accounting Policies (Continued)

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

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

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

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

Financial Assets
Debtors
Debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade Debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

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

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

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

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

Investments policy
Cash balances are invested on competitive term rates until required. In accordance with the Treasury Management Policy, the Group maintains a list of investment limits for approved organisations with which it will deposit funds. The ratings of the approved organisations are checked on a daily basis to ensure investments are not at risk.

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

Derecognition of financial assets and liabilities
A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks

Accounting Policies (Continued)

and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

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

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

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

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

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

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

Defined Benefit Obligation (DBO) – WMMAPF
whg's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses (as analysed in Note 28). The liability at 31 March 2019 was £13.2m.

Defined Benefit Obligation (DBO) – SHPS
whg's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate anticipation of future salary increases and the roll forward of actuarial information to 31 March 2019. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses (as analysed in Note 28). The liability at 31 March 2019 was £0.7m

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

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

Fair value measurements were applied to the one remaining cancellable fixed rate loan which had options in the year. The total value of these instruments was £8.3m at 31 March 2019 (Note 26).

Accounting Policies (Continued)

Fair value measurements were applied to investment properties. The total value of these investments was £8.6m at 31 March 2019 (Note 15).

Useful lives of depreciable assets
whg reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes to decent homes standards which may require more frequent replacement of key components. Accumulated depreciation and amortisation at 31 March 2019 was £112.4m.

Critical areas of judgement
Impairment
From 1 April 2016, Walsall Housing Group has reduced social housing rents by one per cent per annum and will continue to do up until 2019/20 in accordance with the Housing and Planning Act 2016.

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

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

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

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

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

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

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

GROUP – continuing activities	Turnover	Cost of sales	Operating expenditure	2019 Disposal of housing properties	Operating Surplus
	£000	£000	£000	£000	£000
Social housing lettings	95,139	-	61,202	-	33,937
Other social housing activities					
First tranche low cost home ownership sales	9,574	7,473	-	-	2,101
Disposal of properties RTB/RTA	-	-	-	(5,068)	5,068
Charges for support services	-	-	652	-	(652)
Development costs	-	-	1,377	-	(1,377)
Other social housing grants	198	-	189	-	9
VAT recoverable	184	-	-	-	184
Other social housing	852	-	191	-	661
Defined benefit pension costs	-		3,511	-	(3,511)
	105,947	**7,473**	**67,122**	**(5,068)**	**36,420**
Activities other than Social Housing					
Non social housing lettings	1,061	-	236	-	825
Non social housing grants	500	-	1,191	-	(691)
Other non social housing	1,127	-	946	-	181
	108,635	**7,473**	**69,495**	**(5,068)**	**36,735**

	Turnover	Cost of sales	Operating expenditure	2018 Disposal of housing properties	Operating Surplus
	£000	£000	£000	£000	£000
Social housing lettings	94,554	-	56,251	-	38,303
Other social housing activities					
First tranche low cost home ownership sales	6,910	4,861	-	-	2,049
Disposal of properties RTB/RTA	-	-	-	(5,794)	5,794
Charges for support services	-	-	577	-	(577)
Development costs	-	-	843	-	(843)
Other social housing grants	297	-	172	-	125
VAT recoverable	13	-	-	-	13
Other social housing	991	-	151	-	840
Defined benefit pension costs	-	-	3,594	-	(3,594)
	102,765	**4,861**	**61,588**	**(5,794)**	**42,110**
Activities other than Social Housing					
Non social housing lettings	1,085	-	195	-	890
Non social housing grants	502	-	1,005	-	(503)
Other non social housing	1,283	-	566	-	717
	105,635	**4,861**	**63,354**	**(5,794)**	**43,214**

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

COMPANY – continuing activities

2019

	Turnover £000	Cost of sales £000	Operating expenditure £000	Disposal of housing properties £000	Operating Surplus £000
Social housing lettings	95,944	-	61,352	-	34,592
Other social housing activities					
First tranche low cost home ownership sales	9,574	7,473	-	-	2,101
Disposal of properties RTB/RTA				(5,068)	5,068
Charges for support services			652		(652)
Development costs	-	-	1,373		(1,373)
Other social housing grants	504	-	189		315
VAT recoverable	184	-	-		184
Other social housing	893		191		702
Defined benefit pension costs	-	-	3,511		(3,511)
	107,099	**7,473**	**67,268**	**(5,068)**	**37,426**
Activities other than Social Housing					
Non social housing lettings	1,061	-	236	-	825
Non social housing grants	822	-	1,191	-	(369)
Other non social housing	306		220	-	86
	109,288	**7,473**	**68,915**	**(5,068)**	**37,968**

2018

	Turnover £000	Cost of sales £000	Operating expenditure £000	Disposal of housing properties £000	Operating Surplus £000
Social housing lettings	94,554	-	56,402	-	38,152
Other social housing activities					
First tranche low cost home ownership sales	6,910	4,861	-	-	2,049
Disposal of properties RTB/RTA				(5,794)	5,794
Charges for support services	-	-	577		(577)
Development costs	-	-	843		(843)
Other social housing grants	567	-	172		395
VAT recoverable	13	-	-		13
Other social housing	1,195	-	147		1,048
Defined benefit pension costs		-	3,594		(3,594)
	103,239	**4,861**	**61,735**	**(5,794)**	**42,437**
Activities other than Social Housing					
Non social housing lettings	1,085	-	195		890
Non social housing grants	704	-	1,005		(301)
Other non social housing	391	-	77		314
	105,419	**4,861**	**63,012**	**(5,794)**	**43,340**

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

GROUP	2019 General needs housing	2019 Supported housing and housing for older people	2019 Low cost home ownership	2019 Total	2018 Total
	£000	£000	£000	£000	£000
Rent receivable net of identifiable service charges	88,472	1,204	388	90,064	89,396
Service charge income	3,587	266	356	4,209	4,271
Amortised government grants	866	-	-	866	887
Turnover from social housing lettings	**92,925**	**1,470**	**744**	**95,139**	**94,554**
Management	14,088	195	132	14,415	13,115
Service charge costs	4,663	72	329	5,064	4,833
Routine maintenance	10,234	140	-	10,374	10,008
Planned maintenance	13,895	190	-	14,085	14,680
Major repairs expenditure	6,241	85	-	6,326	3,313
Bad debts	838	10	(128)	720	802
Depreciation of housing properties	9,991	138	89	10,218	9,500
Operating expenditure on social housing lettings	**59,950**	**830**	**422**	**61,202**	**56,251**
Operating surplus on social housing lettings	**32,975**	**640**	**322**	**33,937**	**38,303**
Void losses	**(523)**	**(63)**	**-**	**(586)**	**(639)**

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

COMPANY	2019 General needs housing £000	2019 Supported housing and housing for older people £000	2019 Low cost home ownership £000	2019 Total £000	2018 Total £000
Rent receivable net of identifiable service charges	88,472	1,204	388	90,064	89,396
Service charge income	3,587	266	356	4,209	4,271
Amortised government grants	866	-	-	866	887
Non government grant	805	-	-	805	-
Turnover from social housing lettings	**93,730**	**1,470**	**744**	**95,944**	**94,554**
Management	14,088	195	132	14,415	13,115
Service charge costs	4,663	72	329	5,064	4,833
Routine maintenance	10,234	140	-	10,374	10,008
Planned maintenance	13,895	190	-	14,085	14,680
Major repairs expenditure	6,241	85	-	6,326	3,313
Bad debts	838	10	(128)	720	802
Depreciation of housing properties	10,140	139	89	10,368	9,651
Operating expenditure on social housing lettings	**60,099**	**831**	**422**	**61,352**	**56,402**
Operating surplus on social housing lettings	**33,631**	**639**	**322**	**34,592**	**38,152**
Void losses	**(523)**	**(63)**	**-**	**(586)**	**(639)**

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

	Group and Company 2019 £000	Group and Company 2018 £000
Market rented housing properties	592	570
Garage rents	469	515
	1,061	1,085

4. Accommodation in management and development

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

GROUP AND COMPANY	2019 Number	2018 Number
Social housing		
General housing:		
- social rent	18,146	18,106
- affordable rent	1,592	1,472
Supported housing	270	214
Low cost home ownership	342	146
Total owned	**20,350**	**19,938**
Leasehold properties	614	605
Total managed	**20,964**	**20,543**
Non-social housing		
Market rented housing properties	101	101
Total owned and managed	**101**	**101**
Accommodation in development at the year end	**579**	**1,038**

The Group owns 34 commercial properties (2018:34) that are managed on its behalf, under management agreements, by Walsall Council.

5. Operating Surplus

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

	Group		Company	
	2019 **£000**	**2018** **£000**	**2019** **£000**	**2018** **£000**
Amortisation of deferred capital grant	(876)	(883)	(876)	(883)
Non government grant	-	-	(805)	-
Amortisation of intangible fixed assets	401	316	401	316
Depreciation of housing properties	10,218	9,500	10,368	9,651
Inventories recognised as an expense	385	396	385	396
Depreciation of other tangible fixed assets	1,071	1,002	1,071	1,002
Operating lease rentals:				
- land and buildings	69	69	69	69
- vehicles and equipment	1,503	1,494	1,503	1,494
Auditor's remuneration (excluding VAT)				
- Fees payable to the Company's auditor for the audit of the Financial Statements	79	70	59	58
- Fees payable to the Company's auditor for other services:	2	6	2	6
Total audit services	81	76	61	64
- Tax compliance services	-	-	-	-
Total non-audit services	-	-	-	-

6. Surplus on disposal of property, plant and equipment

	Group		Company	
	2019 £000	**2018** £000	**2019** £000	**2018** £000
Disposal proceeds	8,286	10,390	8,286	10,390
Carrying value of fixed assets	(1,385)	(1,451)	(1,453)	(1,451)
Other costs of sale	(137)	(182)	(137)	(182)
Surplus on disposal	**6,764**	**8,757**	**6,696**	**8,757**

As included in our Accounting Policies in Note 2, the classification of the disposal for housing properties through Right to Buy and Right to Acquire has been amended to include them within the Operating Surplus. This follows consideration of the clarification being made under the triennial review of FRS102. The first table below shows the amounts included in the Operating Surplus in note 3 and the second table shows the asset disposals not included. The prior year has been restated for comparative purposes.

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

	Group		Company	
Surplus on disposal of housing properties included in Operating Surplus (Note 3)	**2019** £000	**2018** £000	**2019** £000	**2018** £000
Disposal proceeds	6,249	7,158	6,249	7,158
Carrying value of fixed assets	(1,100)	(1,292)	(1,100)	(1,292)
Other costs of sale	(81)	(72)	(81)	(72)
	5,068	**5,794**	**5,068**	**5,794**

	Group		Company	
Surplus on disposal of other property, plant and equipment	**2019** £000	**2018** £000	**2019** £000	**2018** £000
Disposal proceeds	2,037	3,232	2,037	3,232
Carrying value of fixed assets	(285)	(159)	(353)	(159)
Other costs of sale	(56)	(110)	(56)	(110)
	1,696	**2,963**	**1,628**	**2,963**

7. Interest receivable and similar income

	Group		Company	
	2019 £000	**2018** £000	**2019** £000	**2018** £000
Interest receivable and similar income	**611**	**412**	**642**	**412**

8. Interest and financing costs

	Group		Company	
	2019 £000	**2018** £000	**2019** £000	**2018** £000
Net interest payable West Midlands Pension Fund	589	563	589	563
Net interest payable SHPS	12	6	12	6
Bank interest	10,750	10,638	10,674	10,638
Bond Interest and finance costs	9,325	8,690	9,356	8,719
Interest payable to JV partners	25	-	-	-
Amortisation of issue costs	58	32	58	32
Bond coupon discount	30	29	-	-
	20,789	**19,958**	**20,689**	**19,958**
Interest payable capitalised on housing properties under construction	(732)	(914)	(732)	(914)
	20,057	**19,044**	**19,957**	**19,044**
Capitalisation rate used to determine the finance costs capitalised during the period	4.96%	5.06%	4.96%	5.06%

8. Interest and financing costs (continued)

On 6 October 2014, Walsall Housing Group Limited borrowed £175m from the capital markets through its subsidiary whg Treasury PLC, via a 31 year, 4.25% coupon bond issue. On 3 August 2017 Walsall Housing Group Limited sold £50m of retained bonds at a coupon of 4.25% through the subsidiary whg Treasury PLC. The sale attracted an £11m premium resulting in a net interest rate to the Group of 3.075% for the bond.

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	£000	£000	£000	£000
Payable to external funders	19,945	19,044	10,530	10,293
Payable to Group undertakings	-	-	9,414	8,751
	19,945	**19,044**	**19,945**	**19,044**

9. Employees

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

	2019	**2018**
GROUP AND COMPANY	No.	No.
Administration	157	137
Development	23	18
Housing, support and care	507	498
	687	653

Average monthly headcount

	2019	**2018**
GROUP AND COMPANY	No.	No.
Administration	168	145
Development	23	19
Housing, support and care	531	520
	722	684

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

	2019	**2018**
	No	No
£60,000 - £70,000	1	1
£70,001 - £80,000	4	5
£80,001 - £90,000	2	2
£90,001 - £ 100,000	-	2
£100,001 - £110,000	3	3
£110,001 - £120,000	2	-
£120,001 - £130,000	-	1
£130,001 - £140,000	1	1
£140,001 -£150,000	1	-
£180,001 - £190,000	-	1
£200,001 - £210,000	1	-

9. Employees (continued)

Employee Costs:	**2019** £000	**2018** £000
Wages and salaries	22,392	20,915
Social security costs	2,250	2,095
Other pension costs	5,478	5,491
	30,120	28,501
Restructuring costs	247	215
	30,367	28,716

The Company's employees are members of the West Midlands Pension Scheme (WMPS) or of the Social Housing Pension Scheme (SHPS). Further information on each scheme is given in note 28.

10. Key management personnel

The Directors are defined for the purpose of this note as the Members of the Board and Executive Directors of the Group, the latter having executive responsibility. This satisfies the definition included in the Accounting Direction for Private Registered providers of Social Housing 2019. .

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

GROUP AND COMPANY	**2019** £000	**2018** £000
Basic salary	718	652
Benefits in kind	89	70
National Insurance	101	92
Pension contributions	84	81
	992	895

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

The number of Directors to whom retirement benefits are accruing under defined benefit schemes was 6 (2018: 6).

During the year, the aggregate compensation for loss of office of key management personnel was £nil (2018: £nil).

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

Highest Paid Director	**2019** £000	**2018** £000
Remuneration	201	185
National Insurance	26	24
Accrued pension at year end	21	19
	248	228

10. Key management personnel (continued)

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

	Attendance				Emoluments	
Current members	**Board**	**Audit and Assurance**	**Customer Services Committee**	**Governance and Remuneration**	**2019**	**2018**
Non Executive Board Members						
					£	£
Danielle Oum (Chair) (Appointed to the Board 26 October 26 October 2019, Appointed Chair 1 Feb 2019)	5/5	-	-	1/2	6,491	-
Linda Cole *	10/10	-	4/4	2/2	6,846	6,578
Edmund Hughes (Chair) (resigned 8 June 2018)	1/1	-	-	1/1	2,830	14,350
Jatinder Sharma	5/10	-	-	2/3	5,827	4,632
Ian Gardner **	10/10	4/4	-	-	5,468	4,719
Lee Glover **	5/7	3/3	-	-	5,287	6,664
Michael Hew***	9/10	1/1	-	4/4	12,436	6,268
Noel Maxwell	10/10	-	4/4	-	4,808	4,600
Teresa Mingay	4/4	-	-	0/1	2,330	5,343
Amanze Ejiogu	7/9	2/3	-	-	4,865	4,848
Gregory Warner-Harris – Board member renuermation	10/10	-	-	-	7,124	5,977
Gregory Warner-Harris – expenses					1,209	
Paul O'Driscoll Board member pay	3/4	-	-	-	1,698	-
Paul O'Driscoll Board member expenses					48	
					67,267	**63,979**
Executive Board Member Gary Fulford****	10/10	4/4	-	4/4	-	-

* Chair of the Customer Services Committee
** Chair of the Audit and Assurance Committee
*** Chair of the Governance and Remuneration Committee
**** Chief Executive

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

11. Taxation

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

Group

	2019 £000	2018 £000
Current tax		
UK corporation tax	-	14
Total current tax		14
Deferred tax		
Origination and reversal of timing differences	8	28
Total deferred tax	8	28
Total tax on surplus on ordinary activities	8	42

	2019 £000	2018 £000
Surplus on ordinary activities before tax	18,796	34,351
Surplus on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom of 19% (2018: 19%)	3,571	6,527
Exempt charitable activities	(3,571)	(6,513)
Current tax charge for the year	-	**14**
Capital allowances in excess of depreciation	22	10
Adjustment to opening deferred tax rate	(14)	18
Deferred Tax	**8**	**28**

11. Taxation (continued)

Company

	2019	2018
Current tax	£000	£000
UK corporation tax	-	14
Total current tax	-	14
Deferred tax		
Origination and reversal of timing differences	-	-
Total deferred tax	-	-
Total tax on surplus on ordinary activities	-	14

	2019	2018
	£000	£000
Surplus on ordinary activities before tax	20,092	34,764
Surplus on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom of 19% (2018: 19%)	3,817	6,605
Exempt charitable activities	(3,817)	(6,591)
Capital allowances in excess of depreciation	-	-
Adjustment to opening deferred tax rate	-	-
Current tax charge for the year	**-**	**14**

12. Intangible Fixed Assets

Group and Company	IT Software	IT Software work in progress	**Total Intangible assets**
	£000	**£000**	**£000**
Cost			
At 1 April 2018	3,375	1,215	**4,590**
Additions	-	492	**492**
Projects completed	1,027	(1,027)	-
Disposals	(1,129)	-	**(1,129)**
At 31 March 2019	**3,273**	**680**	**3,953**
Depreciation			
At 1 April 2018	1,943	-	**1,943**
Charged in the year	401	-	**401**
Released on disposal	(1,020)	-	**(1,020)**
At 31 March 2019	**1,324**	-	**1,324**
Net book value			
At 31 March 2019	**1,949**	**680**	**2,629**
At 31 March 2018	**1,432**	**1,215**	**2,647**

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

13. Fixed Assets – housing properties

Group – housing properties	Social housing properties held for letting	Housing properties for letting under construction	Completed shared ownership housing properties	Shared ownership housing properties under construction	**Total housing properties**
	£000	£000	£000	£000	**£000**
Cost					
At 1 April 2018	446,614	29,792	7,066	6,859	**490,331**
Additions	-	26,805	-	9,513	**36,318**
Acquisitions	-	-	958	-	**958**
Component additions	10,979	799	-	-	**11,778**
Components completed	5,442	(5,442)	-	-	**-**
Interest capitalised	-	486	-	246	**732**
Schemes completed	38,199	(38,199)	14,864	(14,864)	**-**
Property disposals	(1,912)	-	-	-	**(1,912)**
Costs written off		15	-	(3)	**12**
Component disposals	(473)	-	-	-	**(473)**
At 31 March 2019	**498,849**	**14,256**	**22,888**	**1,751**	**537,744**
Depreciation					
At 1 April 2018	92,895	-	119	-	**93,014**
Depreciation charged in year	10,129	-	89	-	**10,218**
Released on disposal – properties	(697)	-	-	-	**(697)**
Released on disposal – components	(473)	-	-	-	**(473)**
At 31 March 2019	**101,854**	**-**	**208**	**-**	**102,062**
Net book value					
At 31 March 2019	**396,995**	**14,256**	**22,680**	**1,751**	**435,682**
At 31 March 2018	**353,719**	**29,792**	**6,947**	**6,859**	**397,317**

Included in the depreciation charge for the year is £269k of accelerated depreciation on components disposed before the end of their useful economic lives (2018: £499k).

13. Fixed Assets – housing properties (continued)

Company – housing properties	Social housing properties held for letting	Housing properties for letting under construction	Completed shared ownership housing properties	Shared ownership housing properties under construction	Total housing properties
	£000	£000	£000	£000	**£000**
Cost					
At 1 April 2018	465,858	30,196	7,066	6,859	**509,979**
Additions	-	27,008	-	9,513	**36,521**
Acquisitions	-	-	958	-	**958**
Component additions	10,911	799	-	-	**11,710**
Components completed	5,442	(5,442)	-	-	**-**
Interest capitalised	-	486	-	246	**732**
Schemes completed	38,749	(38,749)	14,864	(14,864)	**-**
Property disposals	(1,912)	-	-	-	**(1,912)**
Costs written off		10	-	(3)	**7**
Component disposals	(473)	-	-	-	**(473)**
At 31 March 2019	**518,575**	**14,308**	**22,888**	**1,751**	**557,522**
Depreciation					
At 1 April 2018	94,346	-	119	-	**94,465**
Depreciation charged in year	10,279	-	89	-	**10,368**
Released on disposal – properties	(698)	-	-	-	**(698)**
Released on disposal - components	(473)	-	-	-	**(473)**
At 31 March 2019	**103,454**	-	**208**	-	**103,662**
Net book value At 31 March 2019	**415,121**	**14,308**	**22,680**	**1,751**	**453,860**
At 31 March 2018	**371,512**	**30,196**	**6,947**	**6,859**	**415,514**

Housing properties book value net of depreciation comprises

	Group		Company	
	2019	**2018**	**2019**	**2018**
	£000	£000	**£000**	£000
Freehold land and buildings	409,919	382,180	428,097	400,377
Leasehold buildings	1,332	1,332	1,332	1,332
Shared ownership	24,431	13,805	24,431	13,805
	435,682	**397,317**	**453,860**	**415,514**

13. Fixed Assets – housing properties (continued)

Expenditure on works to existing properties

	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
Components capitalised	11,778	9,035	11,710	9,035
Amounts charged to Statement of Comprehensive Income	6,320	3,313	6,320	3,313
	18,098	**12,348**	**18,030**	**12,348**

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

Social housing assistance

	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
Total accumulated social housing grant received or receivable at 31 March:	56,374	53,622	58,318	55,567
Recognised in the Statement of Comprehensive Income	(5,380)	(4,525)	(7,325)	(6,469)
Held as deferred Income	50,993	49,097	50,993	49,098

Finance costs

	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
Aggregate amount of finance costs included in the cost of housing properties	4,747	4,014	4,747	4,015

Impairment

The Group considers individual schemes to be separate Cash Generating Units (CGU) when assessed for impairment, in accordance with the requirements of Financial Reporting Standard 102 and SORP 2014. Where this is not possible, individual homes are considered as separate CGUs for the assessment of impairment.

The Group recognised the introduction of the Welfare Reform and Work Act 2017 to be an impairment trigger and accordingly undertook an impairment assessment to compare the carrying value of the CGUs to their estimated recoverable amounts. The Group determined that no impairment has occurred.

14. Tangible Fixed Assets – Other

Group and Company	Offices	Furniture Fixtures and Fittings	Computers & Office Equipment	Computers & Office Equipment WIP	Motor Vehicles	**Total**
	£000	£000	£000	£000	£000	**£000**
Cost						
At 1 April 2018	14,836	2,359	5,189	700	62	**23,146**
Additions	611	152	-	515	-	**1,278**
Projects completed	-		993	(993)	-	-
Disposals	-	(128)	(149)	-	-	**(277)**
At 31 March 2019	**15,447**	**2,383**	**6,033**	**222**	**62**	**24,147**
Depreciation						
At 1 April 2018	3,343	1,153	3,588	-	62	**8,146**
Charged in the year	351	228	492	-	-	**1,071**
Released on disposal	-	(89)	(128)	-	-	**(217)**
At 31 March 2019	**3,694**	**1,292**	**3,952**	-	**62**	**9,000**
Net book value						
At 31 March 2019	**11,753**	**1,091**	**2,081**	**222**	-	**15,147**
At 31 March 2018	**11,493**	**1,206**	**1,601**	**700**	-	**15,000**

15. Investment properties

	Group and Company	
	Non social housing properties held for letting	Non social housing properties held for letting
	2019	2018
	£000	£000
At 1 April	8,629	8,154
Additions	-	204
Revaluation	(48)	271
At 31 March	**8,581**	**8,629**

The Company owns a portfolio of market rented properties. These properties are accounted for at fair value. The Company undertook a desktop review which established the current worth of the properties using the Mouseprice website commonly used by Estate Agents. The current worth was then adjusted for movements in the property market using the median property price trends for the Walsall area. The methodology produced an estimated valuation of £8.6m at March 2018 and £8.6m at March 2019. The movements in fair value (£48k) (2018: £271k) have been recognised in the Statement of Total Comprehensive Income. The historic cost of the properties is £8m (2018: £8m)

16. Homebuy loans receivable

	Group and Company	
	2019	2018
	£000	£000
At 1 April	137	137
At 31 March	**137**	**137**

17. Investments in subsidiaries

As required by statute, the Financial Statements consolidate the results of Visionary Investment Enhancing Walsall Limited (VIEW), whg Trading Company Limited, whg Developments Limited, whg Treasury PLC, Buy For Good CIC and Anthem Homes Limited, which were 100% subsidiaries of the Company throughout the year. VIEW is an entity registered under the Co-operative and Community Benefit Societies Act 2014 and the other subsidiaries are non-regulated companies, registered under the Companies Act 2006 in England. It is a Society limited by shares and is regulated by the Financial Services Authority. All inter company balances recognised through the normal course of business are settled in cash and attract no interest.

Walsall Housing Group Limited (whg) is the immediate and ultimate parent undertaking of all the subsidiaries. All subsidiaries registered addresses are the same as whg registered address disclosed on the front cover.

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

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

17. Investments in subsidiaries (continued)

are with the parent company.

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

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

Anthem Homes Limited was created on 30 January 2017. The principal activity is the development of homes for sale. The parent company Walsall Housing Group Limited owns all of the 50,000 £1 shares, which were issued at par on incorporation. The Company has the right to appoint members to the Boards of the subsidiary and thereby exercises control over it.

The Company has the right to appoint members to the Boards of the seven subsidiaries and thereby exercises control over them. None of the subsidiaries are registered providers.

Investments

	2019 £000	**2018** £000
At the 1 April	100	100
Additions	-	-
At 31 March	100	100

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

whg to VIEW

Intra-Group transactions	**Allocation basis**	**2019** £000	**2018** £000
Contribution in respect of VAT recovered under the parent VAT shelter scheme	25% of VAT recovered on whg partnering works	(252)	(277)
Management services	Percentage of payroll costs	111	107
		(141)	(170)

VIEW to whg

Intra-Group transactions	**Allocation basis**	**2019** £000	**2018** £000
Regeneration grants	Grant funding project expenditure	(1,347)	(368)

There is a £548k net intra-group creditor owed by VIEW at the year end made up of £132k owed to VIEW and £680k owed by VIEW. (2018: debtor £85k).

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

17. Investments in subsidiaries (continued)

whg to whg Trading Company Limited

Intra-Group transactions	Allocation basis	2019 £000	2018 £000
Management services	Percentage of payroll costs	110	163

whg Trading Company Limited to whg

Intra-Group transactions	Allocation basis	2019 £000	2018 £000
Gift aid	Not applicable	-	(56)

There is a £28k intra-group creditor owed by whg Trading Company Limited at the year end (2018: £76k). During the year the Company had the following intra-Group transactions and year end balances with whg Developments Limited.

whg to whg Developments Limited

Intra-Group transactions	Allocation basis	2019 £000	2018 £000
Interest payable	Interest charge on loan	13	13
Management services	Percentage of development costs	101	203
		114	216

whg Developments Limited to whg

Intra-Group transactions	Allocation basis	2019 £000	2018 £000
Recharge of cost of sales	Design & Build	10,317	21,258
Gift aid	Not applicable	-	(199)
		10,317	21,059

There is a £18k net intra-group creditor owed by whg Developments Ltd at the year end made up of £596k owed to whg Developments Ltd and £614k owed by whg Developments Limited. (2018: net creditor £665k). Included in the £614k debt owed by whg Developments Limited is a £500k loan made by Walsall Housing Group in the 2012/13 year. Interest is charged at a market rate at the time of issue, which was LIBOR assumed at 1% plus a margin of 1.5% (2017: LIBOR at 1% plus a margin of 1.5%). Interest amounted to £13k for the year (2018: £13k).

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

whg Treasury PLC to whg

Intra-Group transactions	Allocation basis	2019 £000	2018 £000
Interest payable	Bond interest charge payable	9,356	8,664
Custodian fees	Custodian fees payable	11	15
		9,367	8,679

There is a £233.4m long term intra-group creditor payable to whg Treasury PLC at the year end (2018: £233.7m).
During the year the Company had the following intra-Group transactions and year end balances with Buy for Good CIC.

17. Investments in subsidiaries (continued)

whg to Buy For Good CIC

Intra-Group transactions	**Allocation basis**	**2019** £000	**2018** £000
Management services	Percentage of payroll / admin costs	6	5

Buy for Good CIC to whg

Intra-Group transactions	**Allocation basis**	**2019** £000	**2018** £000
Gift aid	Not applicable	-	(32)

There is a nil intra-group creditor owed by Buy for Good CIC at the year end (2018: £32k).

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

Intra-Group transactions	**Allocation basis**	**2019** £000	**2018** £000
Interest payable	Interest charge payable	44	39

There is a £42k intra-group creditor owed by Anthem Homes Limited at the year end. (2018: £923k). The £2m debt owed by Anthem Homes Limited is a loan made by Walsall Housing Group. The £2m creditor is a loan made to Cricket Close LLP.

Cricket Close LLP to Anthem Homes Limited

There is a £2m intra-group creditor owed by Cricket Close LLP at the year end against a loan made by Anthem Homes Limited. (2018: nil).

Intra-Group transactions	**Allocation basis**	**2019** £000	**2018** £000
Interest payable	Interest charge payable	61	-

Anthem Homes Limited to Cricket Close LLP

There is a £2m intra-group debtor due from Cricket Close LLP at the year end against a loan made by Anthem Homes Limited. (2018: nil).

Intra-Group transactions	**Allocation basis**	**2019** £000	**2018** £000
Interest receivable	Interest received	61	-

18. Properties held for sale

	Group		Company	
	2019	**2018**	**2019**	**2018**
	£000	£000	**£000**	£000
Shared Ownership properties:				
Completed properties	7,960	1,307	7,960	1,307
Work in progress	3,023	4,669	1,370	4,669
	10,983	5,976	9,330	5,976

19. Stocks

	Group		Company	
	2019	**2018**	**2019**	**2018**
	£000	£000	£000	£000
Van stocks	-	127	-	127

20. Debtors

	Group		Company	
	2019	**2018**	**2019**	**2018**
	£000	£000	£000	£000
Due within one year				
Rent and service charges receivable	3,839	3,995	3,839	3,995
Less: provision for bad and doubtful debts	(1,841)	(1,773)	(1,841)	(1,773)
	1,998	2,222	1,998	2,222
Deferred tax asset	91	99	-	-
Other debtors	772	726	748	673
Prepayments and accrued income	6,429	6,338	6,219	6,267
Amounts owed by Group undertakings	-	-	877	873
	9,290	**9,385**	**9,842**	**10,035**

21. Debtors due in more than one year

	Group		Company	
	2019	**2018**	**2019**	**2018**
	£000	£000	£000	£000
Due after one year				
Loan to Cricket Close LLP	-	835	-	-
Loan to Anthem Homes Limited	-	-	1,980	835
Loan to whg Developments Limited	-	-	500	500
	-	**835**	**2,480**	**1,335**

22. Creditors: amounts falling due within one year

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Bank loans (note 26)	-	-	-	-
Trade creditors	7,021	5,468	6,371	3,939
Rent and service charges received in advance	3,538	3,031	3,538	3,031
Social housing grant received in advance*		-		-
Other grants received in advance	7,700	7,765	7,700	7,765
Amounts owed to Group undertakings	-	-	885	2,071
Deferred grant income (note 24)	813	713	813	713
Corporation Tax	-	14	-	14
Other taxation and social security	724	539	719	552
Unpaid contributions for retirement benefits	295	265	295	265
Disposal Proceeds (note 25)	1,932	498	1,932	498
Other creditors*	1,792	1,269	1,668	1,094
Accruals and deferred income	3,092	4,140	2,930	4,103
	26,907	**23,702**	**26,851**	**24,045**

*Other creditors includes the Big Lottery funding for the Click Start Programme. A creditor of £31.6k is still outstanding at 31 March 2019 (2018: £nil). The total funding received for the year was £1,112k, with £740k being paid to our partners and whg recognising £372k through the Statement of Comprehensive Income.

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

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Recycled Capital Funds Grant (note 27)	43	48	43	48
Debt (note 26)	404,413	404,676	404,413	404,676
Disposal proceeds fund (note 25)	63	1,483	63	1,483
Deferred grant income (note 24)	51,140	48,983	51,140	48,983
	455,659	**455,190**	**455,659**	**455,190**

24. Deferred grant income

	Group		Company	
	2019	**2018**	**2019**	**2018**
	£000	£000	£000	£000
At 1 April 2017	49,696	45,573	49,696	45,573
Grant received in the year	3,246	5,547	3,246	5,547
Transfer to RCGF	(38)	-	(38)	-
Grants paid to partners	(32)	(490)	(32)	(490)
Grants recognised as income	(43)	(51)	(43)	(51)
Released to income in the year	(876)	(883)	(876)	(883)
At 31 March 2018	**51,953**	**49,696**	**51,953**	**49,696**
Amounts to be released within one year (note 22)	813	713	813	713
Amounts to be released in more than one year (note 23)	51,140	48,983	51,140	48,983
	51,953	**49,696**	**51,953**	**49,696**

Deferred Grant includes £431k (2018: £441k) relating to office buildings and £529k (2018: £158k) component accounting grant.

25. Disposal proceeds fund

	Group		Company	
	2019	**2018**	**2019**	**2018**
	£000	£000	£000	£000
At 1 April 2018	1,981	1,913	1,981	1,913
Net sale proceeds recycled	-	61	-	61
Interest accrued	14	7	14	7
Withdrawals		-		-
At 31 March 2019	**1,995**	**1,981**	**1,995**	**1,981**
Repayment Due				
Amounts due within one year (note 23)	1,932	498	1,932	498
Between one and two years (note 24)	63	1,422	63	1,422
Between two and three years (note 24)	-	61	-	61
	1,995	**1,981**	**1,995**	**1,981**

As at 31 March 2019, there are no amounts due for repayment.

26. Debt analysis

Borrowings

	Group		Company	
Due within one year	**2019** £000	**2018** £000	**2019** £000	**2018** £000
Bank loans	-	-	-	-
	-	-	-	-
Due after more than one year				
Bank loans	171,733	171,592	171,733	171,592
Bond	234,747	234,985	234,747	234,985
	406,480	406,577	406,480	406,577
Less: issue costs	(2,067)	(1,901)	(2,067)	(1,901)
	404,413	**404,676**	**404,413**	**404,676**
Total loans	**404,413**	**404,676**	**404,413**	**404,676**

	Group		Company	
	2019 £000	**2018** £000	**2019** £000	**2018** £000
Payable to external funders	404,413	404,676	171,148	171,203
Payable to Group undertakings	-	-	233,265	233,473
	404,413	**404,676**	**404,413**	**404,676**

Bank loans and derivatives

At 31 March 2019 the Group had one fixed rate loan with a callable option to the value of £20m (2018: £20m), the derivative element of which had a mark to market valuation at that date of £8.3m (2018: £8.2m).

The mark to market liability is included within bank loans. The loss of £0.1m (2018: £2.1m gain) in the fair value of the callable fixed rate loan derivatives has been taken through the Statements of Total Comprehensive Income.

Bond

In 2014/15, Walsall Housing Group Limited borrowed £175m from the capital markets through its newly incorporated subsidiary whg Treasury PLC, via a 31 year 4.25% coupon bond issue at a discount of 0.529%.

On 3 August 2017 the Group sold £50m of the retained bond at a coupon of 4.25% through whg Treasury PLC. The retained bond was sold at a premium of £11m with a spread of 1.2% above the yield of 1.875%, resulting in an overall rate of 3.075%. At 31 March 2019 the Company has the capability to issue a retained bond of up to £25m. On 18 July 2019 the Board authorised the issue of the full amount subject to market conditions.

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

The market value of the bond as at 31 March 2019 was £271.2m (2018: £270.4m).

Facilities and security

At 31 March 2019 the Group had £49m of agreed but undrawn borrowing facilities available (in the form of revolving credit facilities), and the ability to issue a retained bond of up to £25m.

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

Terms of repayment, interest rates and issue costs

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

The £163m of bank loans accrue interest at an average rate of approximately 6.38%. As above, the £225m bond has been issued at a coupon rate of 4.25%.

Gross issue costs for both the bank loans and the bond were £2.1m and were capitalised in the years in which they were incurred. Amortisation charged in the year was £88k (2018: £60k) leaving issue costs of £2,067k (2018: £1,902k) to be carried forward.

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

	Group		Company	
	2019 £000	**2018** £000	**2019** £000	**2018** £000
Within one year or on demand	-	-	-	-
Two years or more but less than five years	105,867	50,000	105,867	50,000
Five years or more	300,614	356,577	300,614	356,577
	406,481	**406,577**	**406,481**	**406,577**
Less: unamortised issue costs	(2,068)	(1,901)	(2,068)	(1,901)
	404,413	**404,676**	**404,413**	**404,676**

27. Recycled Regulator Capital Grant Fund

	Group		Company	
	2019	**2018**	**2019**	**2018**
	£000	£000	£000	£000
Opening Balance as at 1 April 2018	48	48	48	48
Inputs to RCGF:				
Grant recycled from property disposals	44	-	44	-
Interest accrued	1	-	1	-
Transfers from other PRP's	-	-	-	-
Recycling of grant				
New Build	(50)	-	(50)	-
Closing Balance	**43**	**48**	**43**	**48**

28. Pension obligations

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

West Midlands Pension Fund

The West Midlands Pension Fund (WMPF) is a multi-employer scheme with more than one participating employer and is administered under the regulations governing the Local Government Pension Scheme (LGPS), a defined benefit scheme. Triennial actuarial valuations of the pension scheme are performed by an independent, professionally qualified actuary using the projected unit method. The most recent formal actuarial valuation was completed as at 31 March 2016.

The fair value of the scheme assets at that date was £161.4m.

Key Results

The estimated position at 31 March 2019 shows a deficit of £13.2m compared with a £23.9m deficit last year. The key reasons for this change are:

- Discount rate has decreased
- Future expected inflation has increased.
- Adoption of the CMI 2018 model for mortality.

The employer's contributions to the WMPF by the Company and Group for the year ended 31 March 2019 were £1.7m (2018: £1.7m) and the employer's contribution rate has been fixed as 18.6% of pensionable salaries until 31 March 2020.
Early retirements over the year, have resulted in a past service cost of £nil in the year to 31 March 2019 (2018: £nil). There were £nil (2018: £nil) of other settlements, curtailments, discretionary practices, constructive obligations or other material events during the year.

28. Pension obligations (continued)

Calculation Method

The figures at 31 March 2019 are based on projecting forward the results of the last formal actuarial valuation of the Fund as at 31 March 2016.

Key Assumptions

The key financial assumptions have been based on market assumptions as at 31 March 2019 and have been derived in a consistent manner to last year. This has resulted in the following assumptions:

	Group and Company	
Principal actuarial assumptions **Financial assumptions**	**31 March 2019 % per annum**	**31 March 2018 % per annum**
Discount rate	2.40	2.55
Future salary increases	3.90	3.80
Future pension increases	2.40	2.30
Inflation assumption	2.40	2.30

Mortality assumptions

The post-retirement mortality assumptions adopted to value the benefit obligation at March 2019 and March 2018 are based on the PA92 series.
The assumed life expectations on retirement at age 65 are:

	Group and Company	
	2019 No. of years	**2018 No. of years**
Retiring today:		
Males	20.9	21.9
Females	23.2	24.3
Retiring in 20 years:		
Males	22.6	24.0
Females	25.0	26.6

28. Pension obligations (continued)

Amounts recognised in surplus or deficit

	Group and Company	
	2019	2018
	£000	£000
Current service cost	5,132	5,188
Admin charges	86	86
Amounts charged to operating costs	5,218	5,274

	2019	2018
	£000	£000
Net interest payable	589	563
Amounts within interest and financing costs	589	563

Amounts Recognised in the Statement of Total Comprehensive Income

	2019	2018
	£000	£000
Re measurements	14,830	1,137
Actuarial gain in respect of pension scheme	**14,830**	**1,137**

Amounts recognised in Statement of Financial Position

	Group and Company		
	2019	2018	2017
	£000	£000	£000
Present value of funded obligations	221,909	218,745	216,732
Fair value of plan assets	208,717	194,799	195,806
Net pension liability	(13,192)	(23,946)	(20,926)

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

	Group and Company
	2019
	£000
Opening scheme liabilities	218,745
Current service cost	5,132
Interest cost	5,537
Change in financial assumptions	8,263
Change in demographic assumptions	(12,516)
Benefits paid	(4,289)
Member Contributions	1,037
Closing scheme liabilities	**221,909**

28. Pension obligations (continued)

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

	Group and Company
	2019
	£000
Opening fair value of plan assets	194,799
Interest income	4,948
Return on plan assets (in excess of interest income)	10,577
Contributions by employer	1,731
Benefits paid	(4,289)
Administration expenses	(86)
Member contributions	1,037
Closing fair value of plan assets	**208,717**

	2019	**2018**
	£000	£000
Actual return on scheme assets	15,525	126

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

	2019	**2018**
	%	**%**
Equities	58.0	64.0
Government Bonds	8.0	7.0
Other Bonds	4.0	4.0
Properties	9.0	8.0
Cash	5.0	2.0
Other	17.0	15.0

Sensitivity analysis

Adjustment to mortality age rating assumption	**+ 1 year**	**None**	**- 1 year**
	£000	**£000**	**£000**
Present value of total obligation	229,914	221,909	214,191
Projected service cost	5,271	5,108	4,950

Adjustment to discount rate	**+0.1%**	**0.0%**	**-0.1%**
	£000	**£000**	**£000**
Present value of total obligation	217,586	221,909	226,322
Projected service cost	4,994	5,108	5,225

The current valuation does not reflect the expected increase in benefits and therefore liability as a result of Guaranteed Minimum Pension ('GMP') equalisation between men and women which is required as a result of the removal of the Additional State Pension. Methodologies for a long-term solution are still being investigated by the Government as set out in the published (January 2018) outcome of the Government Consultation 'Indexation and Equalisation of GMP in Public Sector Pensions Schemes' and therefore the expected impact cannot be reliably estimated and consequently no provision/liability has been recognised.

In addition, recently the Supreme Court has refused the government permission to appeal against an earlier court judgement (the McCloud judgement) surrounding age discrimination, which again may result in equalising benefits and therefore increase pension obligations. It is currently unclear how this judgement may affect LGPS members' past or future service benefits, and therefore we have not made any adjustments to their actuarial valuation in respect of any potential impacts of this.

28. Pension obligations (continued)

Social Housing Pension Scheme

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

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

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

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

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

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

Key Results

The estimated position at 31 March 2019 shows a deficit of £655k

The number of scheme members employed by the Group at 31 March 2019 was 2 (2018: 3). The charge to the Group for the year was £98k (2018: £91k).

Calculation Method

The figures at 31 March 2019 are based on projecting forward the results of the last formal actuarial valuation of the Fund as at 30 September 2017.

Key Assumptions

The key financial assumptions have been based on market assumptions as at 31 March 2018 and have been derived in a consistent manner to last year. This has resulted in the following assumptions:

28. Pension obligations (continued)

Principal actuarial assumptions Financial assumptions	Group and Company 31 March 2019 % per annum	 31 March 2019 % per annum
Discount rate	2.30	2.55
Future salary increases	3.30	3.20
Inflation assumption (RPI)	3.30	3.20
Inflation assumption (CPI)	2.30	2.20

Mortality assumptions

The post-retirement mortality assumptions adopted to value the benefit obligation at March 2019 imply the assumed life expectations on retirement at age 65 are:

	Group and Company 2019 No. of years
Retiring today:	
Males	21.8
Females	23.5
Retiring in 20 years:	
Males	23.2
Females	24.7

Amounts recognised in surplus or deficit

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

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

Amounts Recognised in the Statement of Total Comprehensive Income

	2019 £000
Re measurements	(207)
Actuarial (loss) in respect of pension scheme	**(207)**

28. Pension obligations (continued)

Other Comprehensive Expenditure

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

Amounts recognised in Statement of Financial Position

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

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

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

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

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

28. Pension obligations (continued)

	2019
	£000
Actual return on scheme assets	284

Categories of plan assets:

	2019
	£000
Absolute Return	182
Alternative Risk Premia	121
Corporate Bond Fund	98
Credit Relative Value	38
Distressed Opportunities	38
Emerging Markets Debt	72
Fund of Hedge Funds	9
Global Equity	353
Infrastructure	110
Insurance-Linked Securities	60
Liability Driven Investment	768
Long Lease Property	31
Net Current Assets	4
Private Debt	28
Property	47
Risk Sharing	63
Secured Income	75
Total Assets	**2,097**

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

Sensitivity analysis

	Change in assumptions	**Change in liabilities**
Discount Rate	Increase of 0.1% pa	Decrease by 1.8%
Rate of inflation	Increase of 0.1% pa	Increase by 1.9%
Rate of salary growth	Increase of 0.1% pa	Increase by 0.2%
Rate of Mortality	Probability of surviving each year increased by 10%	Increase by 2.2%

The sensitivities shown above are approximate. Each sensitivity considers one change in isolation. The inflation sensitivity includes the impact of changes to the assumptions for revaluation, pension increases and salary growth where appropriate. The average duration of the defined benefit obligation at the period ended 31 March 2019 is 19 years.

29. Provisions for liabilities and charges

Group and Company	SHPS Obligation £000	Insurance claims £000	Restructuring costs £000	Leave pay £000	Total £000
At 1 April 2018	374	444	44	167	1,029
Additions	-	267	-	37	304
Utilised		(269)	(44)	-	(313)
Reversals	(374)	-	-	-	(374)
At 31 March 2019	**-**	**442**	**-**	**204**	**646**

The SHPS obligation is referred to in note 28. The accounting treatment for this has changed to a defined benefit scheme where the assets and liabilities have been identified separately and therefore the opening provision has been de-recognised.

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

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

30. Share Capital

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

31. Cash flow from operating activities

	2019 £000	2018 £000
Surplus for the year	18,796	34,351
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	11,289	10,502
Amortisation of intangible assets	401	316
Pension costs less contributions payable	3,493	3,589
Government grants amortised in the year	(919)	(934)
Movement in fair value of financial instruments	141	(6,535)
Adjustments for investing of financing activities:		
Surplus on disposal of property, plant & equipment	(6,764)	(8,757)
Movement in fair value of investment properties	48	(271)
Interest payable	20,057	19,044
Interest received	(611)	(412)
Operating cash flows before movements in working capital	**45,931**	**50,893**
(Increase)/decrease in stock	127	(2)
(Increase)in properties held for sale	(5,007)	(2,233)
Decrease/(Increase) in trade and other debtors	374	(1,169)
Increase/(decrease) in trade and other creditors	3,386	(1,664)
Increase/(Decrease) in provisions (excluding SHPS obligation)	646	(8)
Cash generated from operating activities	**45,457**	**45,817**

32. Capital Commitments

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Expenditure contracted for but not provided for	68,348	50,119	68,348	50,119
Expenditure authorised by the Board, but not contracted	27,144	40,317	27,144	40,317
	95,492	**90,436**	**95,492**	**90,436**

The above commitments will be financed primarily through borrowings (£95.5m), which are already drawn or are available for draw-down under existing loan arrangements, with the balance (£0.2m) funded through Homes England social housing grant.

32. Capital Commitments (continued)

	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
Loan financing	95,258	82,942	95,258	82,942
Affordable housing grant	234	2,443	234	2,443
Other government grant	-	5,051	-	5,051
	95,492	**90,436**	**95,492**	**90,436**

Visionary Investment Enhancing Walsall Limited (VIEW) has commitments of £410k (2018: £935k) in respect of grant payables to external agencies.

33. Contingent assets/liabilities

The Group and Company had no contingent assets at 31 March 2019 (2018: £nil).

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

At 31 March 2019, the Group has disposed of components, which had received £46k (2018: £48k) of grant funding. Although the disposal of these components has not given rise to a relevant event for the purposes of recycling grant (as the Group retains the property asset) it does have a future obligation to recycle this grant once the property is disposed of.

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

The Company is party to a Group VAT registration. At the year end, the other parties' VAT asset was £10.5 k (2018: VAT asset £13.1k).

34. Leasing commitments

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

	2019	2018
	£000	£000
Within one year	786	1,583
Between two and five years	284	494
Over five years	77	152
	1,147	**2,229**

35. Related parties

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

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

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

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

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

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

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

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

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

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

- Cricket Close LLP is Limited Liability Partnership and a non-charitable company registered with Companies House. It is a fully owned subsidiary of Anthem Homes which has a £2 member interest.

All entities are incorporated in England and Wales.

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

During the year there were two tenant members of the Board of whg, Noel Maxwell and Linda Cole. Their tenancies are on normal commercial terms and they are not able to use their position to their advantage. The rent charged in 2019 was £13k (2018: £13k). Total arrears were nil (2018: £nil).

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

36. Financial assets and liabilities

The Board policy on financial instruments is explained in the Strategic Report pages 11 -13, as are references to financial risks. The Group's principal financial instruments comprise bank loans and other borrowings and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and payables, which arise directly from its operations

Categories of financial assets and financial liabilities

FINANCIAL ASSETS

Financial assets measured at amortised cost

	Group		Company	
	2019 £000	**2018** £000	**2019** £000	**2018** £000
Net Rent Debtor	1,998	2,222	1,998	2,222
Other Debtors	772	726	748	673
Accrued Income	3,567	4,464	3,567	4,464
Amounts owing by Group undertakings	-	-	3,357	2,208
Loan to Cricket Close LLP	-	835	-	-
Cash and cash equivalents*	112,502	128,515	108,553	123,855
Current Investments	10,155	10,084	10,155	10,084
Total Financial Assets	**128,994**	**146,846**	**128,378**	**143,506**

*whg held cash and cash equivalents of £112.5m (2018: £128.5m) at March 2019 with a further £10.2m in current investments (2018: £10.1m).

FINANCIAL LIABILITES

Financial liabilities measured at amortised cost

	Group		Company	
	2019 £000	**2018** £000	**2019** £000	**2018** £000
Bank Loans and bond	396,087	396,491	396,087	396,491
Trade Creditors	7,021	5,468	6,371	3,939
Accruals	3,092	3,863	2,930	3,826
Amounts owing to Group undertakings	-	-	885	2,071
Other Creditors	1,792	1,269	1,668	1,094
Total	**407,992**	**407,091**	**407,941**	**407,421**

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

	Group		Company	
	2019 £000	**2018** £000	**2019** £000	**2018** £000
Derivatives (Note 26,37)	**8,326**	**8,185**	**8,326**	**8,185**
Total Financial Liabilities	**416,318**	**415,276**	**416,267**	**415,606**

Interest rate profile

The Group's debt has a weighted average interest rate of 4.96% (2018: 5.06%) and the weighted average for which it is fixed is the lifetime of the loan.
The debt maturity profile is shown in note 26.

Borrowing facilities

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

	2019 £000	**2018** £000
Expiring between one and two years – revolving credit facility	-	12,268
Expiring in more than two years – revolving credit facility	49,133	19,133
	49,133	**31,401**

37. Exceptional item

On 22 December 2017 the callable option on £20m of our funding from Santander UK Plc was cancelled, and the loans were converted to vanilla fixed rate loans with the same maturity dates. This was due to ring-fencing arrangements at the bank. As the callable option had been deemed a non-basic financial instrument in the accounts this tranche of funding had been valued at fair value. At the date of the cancellation of the options the fair value of the loan included a mark to market of £4,436k which was released to the income statement as an exceptional item. The £20m of vanilla fixed rate loans that replaced the callables is now deemed a basic financial instrument and therefore valued at cost; the Group continues to retain one callable option which is held at valuation in note 26.

38. Reserves

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

	Group		Company	
	General Reserves £000	Designated Reserves £000	General Reserves £000	Designated Reserves £000
Reserves per Statement of Reserves	108,067		123,831	
Transfer to designated reserve	(648)	648	(648)	648
	107,419	**648**	**123,183**	**648**