

Walsall Housing Group

Financial Statements

For the year ended 31 March 2017

Company Registration 04015633

HCA L4389

Charity Commission Registration 1108779

**Registered office: 100 Hatherton Street
Walsall
WS1 1AB**

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Board, Executive Directors and Advisors

Board

Edmund Hughes (Chair)
Linda Cole
Amanze Ejiogu
Colin Ian Gardner
Lee Glover
Michael Hew
Noel Maxwell
Teresa Mingay
Jatinder Sharma OBE
Gary Fulford (Appointed 25 August 2016)
Gregory Warner-Harris (Appointed 5 April 2017)

Company Secretary

Karen Marshall

Executive Directors

Gary Fulford – Chief Executive
Martin Robertson – Corporate Director - Resources
Cliff Horrocks – Corporate Director - Asset Management
Robert Gilham – Corporate Director - Operations

Statutory Auditor

RSM UK Audit LLP
St Phillips Point
Temple Row
Birmingham
B25 AF

Internal Auditor

Mazars LLP
45 Church Street
Queensway
Birmingham
B3 2RT
(Resigned on
31 March 2017)

BDO LLP
Two Snowhill
Queensway
Birmingham
B4 6GA
(Appointed on 1
April 2017)

Principal Bankers

Lloyds Bank plc
The Bridge
Walsall
WS1 1LU

Group Chief Executive's Review

The last 12 months have been a very successful period for whg as we have continued to adapt and deal with the challenges posed by changes to government policy and direction on housing and welfare reform.

Our continual desire to improve our business performance has delivered some excellent results and at the year end, our outstanding rent arrears stood at 1.87% and rent loss due to properties being empty was 0.61%. Both of these figures are the lowest levels in our history and compare well with our peers. We also continue to experience high levels of customer satisfaction with our services.

Last year saw the launch of our 'My Home, My World' commitment. The initiative will help us maintain a one-to-one relationship with our customers and help us better understand their needs. This means that where support is needed, we can make sure it is provided and we can help to ensure that customers are looking after their home, themselves and their family responsibly. This project is already helping to transform the lives of some of our customers and we look forward to seeing the positive impact of this commitment in the coming years.

It has been another record year for development and we now have homes, built or under construction, in 12 different local authorities across the Midlands. We have continued to accelerate our development programme so that we can help and assist with tackling the housing crisis and by the end of the financial year, we had completed 377 new homes with 417 starts on site.

Over the coming years, we will continue to build high quality and affordable homes across the Midlands. In January, the Homes & Communities Agency announced that whg would receive £22.1m from the Government's Shared Ownership and Affordable Homes 2016-2021 programme. This funding will support the development of a further 751 new homes across a number of tenures including rent to buy and shared ownership homes. We are developing 614 new homes without grant funding and this is also across a number of tenures including rent, shared ownership, market rent and open market sale.

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.

It has been another award-winning year and in November, our flagship wellbeing scheme Cardan Pointe scooped West Midlands Development of the Year at the Chartered Institute of Housing's Midland Awards. In December, our Gas Services Team was accredited by the Housing Quality Network (HQN) following an in-depth review of their systems and processes. This not only demonstrates our competency and value for money, but also shows that we are offering a best-in-class service to our customers.

Through our hard work and our customer focused approach, we have successfully delivered the first three years of our Corporate Plan. I am delighted to say that we have not only achieved but have exceeded the targets that were set. We are now looking forward to the future with great enthusiasm and our updated plan sets out ambitions until 2024.



Gary Fulford
Group Chief Executive

25 July 2017

Chairman's Statement

Over the last year, we have continued to strengthen our Board and Committees through the appointment of members using a skills based approach. I am delighted to say that we now have a really strong Board that is highly-equipped to perform and is already offering effective support and challenge to the Executive Team.

The business has performed well and we are now in an improved financial position. The government had previously signaled their intention to increase low cost home ownership, including shared ownership. As a business, we have reshaped our development programme accordingly and we now have a presence in a wider geographical area. However, we still remain firmly rooted in Walsall and our contribution to the community means we are continuing to make a real difference to many people's lives.

Welfare benefits continue to affect our customers and as a business we have worked hard over the last 12 months to ensure that they are prepared for the changes ahead. We are aware that those on low wages or the unemployed are more likely to struggle with claiming benefits on-line and to respond to this, we have seen the launch of Black Country Click Start. This is a £3.6 million project to be delivered over three years, which has been launched in partnership with the Accord Group and funded through the European Social Fund and Big Lottery; it offers one-to-one tailored support to help customers get online.



Eddie Hughes
Chair of the Board

25 July 2017

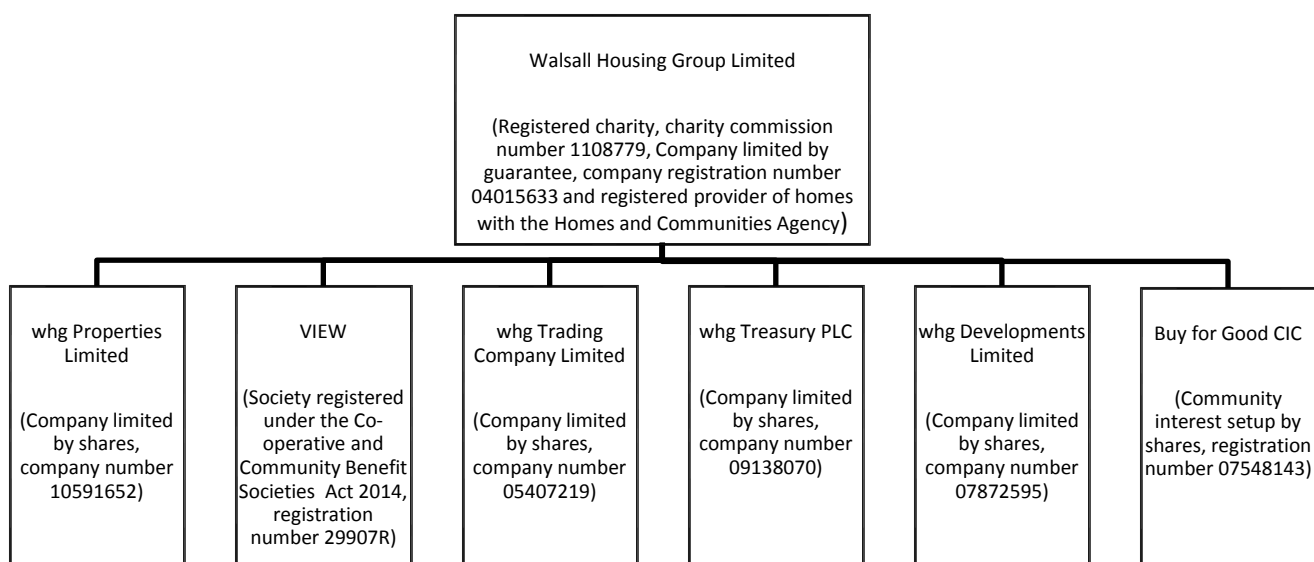
Group Profile

Principal Activities

Walsall Housing Group Limited (whg) has principal activities which include the development and management of affordable housing across the Midlands. During 2016/17 we continued to expand outside Walsall and whg now own and manage homes in 12 local authorities in the Midlands. The Group, as of 31 March, owns and manages 20,189 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. A small but 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 2017:



Objectives and Strategies

In 2014 we set out our 10-year Corporate Plan for improvement and growth. An early priority was to build the foundations necessary to fulfil our ambitions, including updating the governance structure, increasing our financial capacity and modernising our team structure.

In the last three years, we have achieved these expectations. We now have a governance model and organisational structure that is fit for purpose to support the evolution of the Group. In 2014, we issued our first public bond to boost the capital available for our development programme. Our development programme is now expanding, so we are providing more new homes, creating more jobs and boosting the economy in more local authorities than ever before.

Other notable successes over the last three years include:

- **Giving all of our customers access to services in a way that suits them.** The needs of our customers are changing, with more and more looking to engage with us through digital channels. Our Channel Shift Project has already resulted in the relaunch of our website, which is now more user friendly.
- **Establishing a new relationship with customers.** Our My Home, My World pledge gives customers 'something for something' – in return for a new home and excellent services, customers commit to being active and positive members of the community.
- **Supporting our managers to complete our Leadership Academy programme.** Through this initiative, we have supported 111 existing and aspiring managers to improve their skills.
- **Becoming an energy provider.** We have entered into a partnership with Co-operative Energy to provide customers with a more competitive energy tariff, called FuelGood, which will save them money on their energy bills.

The Corporate Plan was reviewed in April 2017 and sets new three year success measures.

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 – 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 will 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 people can truly shine and reach their full potential, we are committed to being a great employer which recognises and rewards excellence. All colleagues will be given the opportunity to make a real difference and we will encourage colleagues

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*
As a regional business, 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 our support to achieve this. We will do what we can, together with our partners, to find the right solution for each individual. This will include 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 will be supported by the careful financial management and good governance needed to fulfil our future aspirations. We will be 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 Homes and Communities Agency. Our financial plan demonstrates a strong financial performance in the years to come.

In 2017 we will continue to provide investment in the development of new homes at a budgeted gross cost of £87.9m. whg Treasury Plc is planning to issue up to £50m of its retained bond, which will be applied to deliver the Group's Corporate Plan and in particular the Group's growth aspirations.

Financial Review

Income and expenditure	2016/17	2015/16	2014/15	2013/14	2012/13
Turnover (£m)	99.1	97.3	92.6	86.5	80.7
Operating Surplus (£m)	34.2	30.6	21.1	17.4	16.9
Operating Margin (%)	34.5	31.5	22.8	20.1	20.9
Surplus /(Deficit) for the year before remeasurements (£m)	22.0	18.1	(1.6)	11.9	8.9
Total Margin (%)	22.2	18.6	(1.7)	13.8	11.0

*Results for the 2012/13-2013/14 are based on the old UK GAAP pre FRS 102

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 refinancing costs (£8.6m) in relation to the reissuing of the Group's loans and the issuing of a bond.

Turnover

The Group's turnover continues to increase and now stands at £99.1m.

Operating Surplus / Operating Margin

The operating surplus is £34.2m with an operating margin of 34.5% which is the Group's best ever performance.

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

The Board is pleased to report for the year a surplus before tax and pension adjustments of £22.0m (2016: £18.1m) with a total margin of 22.2%.

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

Financial review (continued)

Statement of Financial Position	2016/17	2015/16	2014/15	2013/14	2012/13
Fixed Assets (£m)	384.1	332.8	294.8	236.4	219.2
Net Current Assets (£m)	74.7	96.3	126.4	12.1	4.3
Loan Debt (£m)	350.5	368.9	368.6	220.6	208.6
Reserves (£m)	39.3	26.0	3.1	25.5	6.2

*Results for the 2012/13-2013/14 are based on the old UK GAAP pre FRS 102

Fixed Assets

Capital expenditure is set out in notes 12 to 15 to the Financial Statements. During the year we completed 334 new homes, and acquired 43 existing homes at a combined cost of £53.5m. Additionally we have received approximately £5.9m from the Homes and Communities Agency (HCA) affordable homes programme towards the cost of our new build programme.

We have continued to invest in our existing housing stock in order to maintain homes above the Decent Homes Standard. The cost of this investment during the year was approximately £15m.

Net Current Assets

Net current assets has reduced by £21.6m mainly reflecting the investment of our cash in our new homes.

Loan Debt

Outstanding loans have reduced this year to £351m with loan repayments of £18.5m.

Reserves

Reserves have increased by £13.3m 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);

Financial review (continued)

- 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 a £182m loan facility with Lloyds Banking Group and Santander, together with our bond issue of £175m.

Interest Rate Management

The Group manages its interest rates through 84% fixed rate loans, cancellable swaps of 11% and 5% variable rate undrawn revolving facility. 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 or investments are not at risk. Surplus cash is put in either fixed or floating deposit accounts. Fixed rates of interest attract rates of between 0.1% and 0.65% 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 2017 and throughout year, the Group met all of its covenant targets for the financial year. The headroom achieved for the year was £25.3m.

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 2.53.

The Net Debt per Unit must not exceed £25k throughout the duration of our bank facilities. The Net Debt per Unit at 31 March 2017 was £13.9k.

Financial review (continued)

Cash Flows

The consolidated Cash Flow Statement is shown on page 37 of the Financial Statements. During the year the Group's net cash increased by £7m. Investments have been reduced by £47m to fund the development of new homes.

Treasury Company

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.

Credit Rating

Moody's carried out their annual credit rating review for the Group in January 2017. The Group's rating remains at A2. The following assessment was provided; 'The A2 issuer rating assigned to Walsall Housing Group Limited (Walsall) reflects:

- (1) its low-risk business model focused on social housing lettings;
- (2) solid interest cover; and
- (3) simple group structure and strengthened financial policies. The rating also takes into account Walsall's high level of indebtedness'.

Strategic Performance Indicators

Indicator	Target	Performance
Current Rent arrears	2.50%	1.87%*
Void Rent Loss	1%	0.61%*
Average number of days to complete a repair	7 days	8 days*
Customer Satisfaction with Repairs	84%	82%
Percentage of Customers that would recommend whg	80%	81%
Compliance with Gas Regulations	100%	100%
New Homes started	570	417
Customers in to training	300	455
Customers in to employment	120	179
First Point of contact resolution	80%	88%

*Indicates top quartile performance benchmarked through HouseMark

This year has seen the Group deliver high levels of performance in a number of areas. This has been driven by strong performance reporting and a management approach that builds a clear picture of the efficiency, quality, speed and the cost of services. 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.

The highlights are as follows:

- Current rent arrears are the lowest ever in our history at 1.87% with the target outperformed by 0.63%.
- Void rent loss for the year is 0.61%, which is 0.39% below the target.
- A total of 82% of our customers are satisfied with the repairs carried out on their homes. The Group is working hard to identify areas of dissatisfaction and improve processes to increase the satisfaction levels further.

Strategic Performance Indicators (Continued)

- A total of 81% of our customers would recommend whg, which is 1% above our internal target.
- Gas safety continues to be a key area of focus across the Group with the percentage of homes compliant with the gas regulations remaining at 100%.
- During the year we provided training to 455 customers enhancing their skills in a variety of areas such as employability and construction.
- The Group has helped 179 customers in to employment in to various sectors including warehousing, care, construction and retail.
- We resolved 88% of enquires at the first point of contact during the year. The process has been improved through out the year, resulting in us surpassing the internal target of 80%.

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.

During the year, the Board has been working with the Group's new internal auditors to review its approach to risk management and to improve its effectiveness. The Group has adopted the risk management principles outlined by the National Housing Federation guidelines with the three lines of defence model being adopted. The model has been implemented and 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 good 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. The Corporate Risk Register is set out on the next page.

Risk	Steps Taken to Manage or Mitigate
Customers do not/are unable to pay their rent	Arrangements are in place to identify and support customers affected by welfare reforms. Resources have also been targeted to ensure we maximise collection rates.
Inability to address reductions in rental income	Cost reduction programmes and a value for money driven procurement strategy has been incorporated into the Business Plan. Regular monitoring of the financial environment and sensitivity testing provides for early pressure signals.
Business Plan income targets not achieved	The Business Plan is stress tested against scenarios which include underperformance of the development programme resulting in conversion of sales to rental assets.
Failure to deliver surpluses from Development Programme sales	The Board is reducing its exposure to the housing market by use of joint venture opportunities for the development of open market sale properties.
Appropriate levels of funding are not available	We have an effective Treasury Management Strategy in place that will ensure funding is in place for a minimum of three years and is linked to the Business Planning process.
Failure to develop on time and to budget	A new delivery structure is in place to focus on monitoring market demands. Schemes are only approved when funding is in place.
Insufficiently skilled resources to meet operational and strategic needs	The Group is investing in training and developing colleagues. It has processes in place to identify ongoing needs at team and individual level. The Group also places a strong focus on employee engagement.
Gas safety failure	The Group has a robust Quality Assurance process in place with independent inspection. All gas servicing is completed in-house.
Information security breach	We have a resilient security network and there is an access management policy in place to ensure that data is held securely. User access to systems is password protected and monitored using system access request. Preparation for the General Data Protection Regulation, which comes in from May 2018, is underway.
Failure to meet regulatory and statutory requirements	The Group has resources in place to identify compliance requirements and assesses compliance.

Risk	Steps Taken to Manage or Mitigate
Failure to support customer training and employment targets	whg has a team responsible for helping 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 standards	The Group has a dedicated Asset Management Team to maintain assets in line with the Asset Management Strategy and condition surveys. The Group operates a project management and standards programme approach of asset management.
Failure of strategic change projects	There is a robust project management process in place with a governance oversight of strategic projects. Resource planning and impact assessments are included as key features of the process.

Value for Money: Our Approach

This section offers an overview of our value for money achievements for the year 2016/17. Our full statement can be accessed at <https://www.whg.uk.com/about/corporate-information/value-for-money/>

We have a strong culture of performance management and have always been committed to pursuing excellence, challenging waste and delivering year on year efficiencies.

Achieving value for money is central to the work of our Board and its Committees, with a value for money assessment included within every report they consider. They regularly scrutinise value for money performance against targets.

Our Board is responsible for ensuring resources are invested in line with our objectives. Board and Committee Members understand the effects of their decisions and ensure business planning delivers the highest possible levels of efficiency. Members of the Board who are part of the Capital Development Appraisal Panel, for example, scrutinise the financial appraisal of all proposed new developments alongside thorough research into emerging demand within local communities.

At an operational level, each team undertakes a regular review of their operational plan and measures progress against value for money objectives. This ensures teams maintain a strong understanding of the factors influencing the costs of delivering their services and how these relate to outcomes. We also have an influential value for money working group which meets quarterly to review value for money objectives and monitor performance.

Value for Money Savings

Value for Money is used as a business improvement driver within whg, facilitating the alignment of resources to the Board's priorities. The table below sets out the actual performance for 2016/17 and the target for 2017/18. The position for 2016/17 is £6.8m of saving has been achieved which is £0.7m below the target. We are primarily below target due to the protracted contract negotiations in relation to ECO works which delayed the project and reduced the investment secured for this year.

This is still an excellent achievement following a challenging year with the results of Brexit and the uncertainty regarding ECO funding. The savings target for 2016/17 was part of the response for dealing with the -1% rent reductions policy from Government.

Value For Money Savings	2016/17 £m	2017/18 £m
Target	7.5	3.9
Achieved	6.8	-

Value for Money (Continued)

Unit costs

whg uses the Homes and Communities Agency Global Accounts to compare its costs and performance with the wider sector. The position for whg is set out below compared to sector level data.

For 2016/17 the social housing cost per home has reduced by £320 compared to 2015/16 as a result of our culture of continuous improvement and eliminating waste. This activity will continue into 2017/18 with the aim of reducing costs further. The headline cost per unit (CPU) of social housing managed is below the lower cost quartile for the sector for 2017.

The Homes and Communities Agency has challenged providers to deliver better value for money and understand the differences in unit costs between providers. The table below shows the performance of whg compared to our CPU for last year and the sector average for 2016/17.

	whg		Global Accounts Average		
	2016/17 £	2015/16 £	Upper quartile £	Median £	Lower quartile £
Headline social housing cost per unit	2,960	3,280	4,300	3,550	3,190
Management CPU	620	720	1,270	950	700
Service charge CPU	220	220	610	360	230
Maintenance CPU	1,230	1,110	1,180	980	810
Major works CPU	740	1,070	1,130	800	530
Other social housing costs CPU	150	160	410	200	80

*Lower quartile represents leading performance for the indicator

The above table shows the majority of the Group's cost per unit measures are in the lower quartile. The Maintenance cost per unit is an outlier and the Board has agreed an action plan to reduce expenditure in this area.

Benchmarking

We benchmark against our peers in the sector through a number of clubs and forums. Our main core services are benchmarked through HouseMark. As part of our close relationship with West Midlands registered providers we also carry out key financial comparisons with a local peer group.

HouseMark

Our latest HouseMark benchmarking results show most areas within top and middle quartile. Our HouseMark Peer Group includes both traditional and LSVT housing associations with more than 10,000 properties. This gives a healthy cross section of 61 peers, although it does use different definitions from those in the HCA global accounts referred to on the previous page.

HouseMark Comparisons	whg	whg	Average Peer Group >10,000 homes	Quartile
	2016/17	2015/16	2015/16	
Management Cost Per Home (£)	£227	£240	£281	Upper
Response Repair and Void Works Cost Per Home (£)	£616	£668	£715	Upper
Major and Cyclical Works Cost Per Home ¹ (£)	£1,528	£1,796	£1,319	Lower Median
Estate Cost Per Home (£)	£189	£190	£153	Lower
Average Void Re-let Time (Days)	21	22	28	Median
Rent Lost Due to Empty Properties (Voids) (%)	0.61%	0.70%	0.96%	Middle Upper
Operating Margin (%)	34.51%	31.45%	28.50%	Upper

¹ Major and cyclical works costs reflect the amount of investment particularly in our warm homes programme.

Benchmarking (continued)

Return on Assets

Asset management

We have an active Asset Management Strategy that we use to appraise assets that might not be financially viable or sustainable. Through this approach we have disposed of 23 properties this year. In addition to this, we carry out a simple return on assets calculation year on year to demonstrate a summary indication of asset performance as follows:

Return on Assets	2016/17	2015/16	2014/15	2013/14
Total Assets Net Book Value (£m)	384	333	295	264
Operating Surplus (including surplus on disposals) (£m)	40	37	26	22
Return on Assets (%)	10.42%	11.01%	8.88%	8.15%

The year on year return on assets has been reduced by 0.59%. This is primarily due to the Government's decision to reduce social housing rents by 1% over the period from 2016 to 2020 which has therefore significantly reduced the income in our Financial Plan.

Governance

Walsall Housing Group Limited is registered with the Homes and Communities Agency 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 six subsidiaries, none of which are registered providers.

The Executive and Non-Executive members, are listed on page 1. The whg Board, made up of 10 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 day to day management of the Group's activities. The Group's Board complies with the National Housing Federation Code of Governance and has a maximum of 12 members.

The whg Board is supported by Committees which are responsible for Audit and Assurance, Governance and Remuneration and Customer Services. Committee members are appointed by the Board and each Committee is chaired by a Board Member, strengthening accountability to the Board.

Complying with the National Housing Federation Code of Governance

We have chosen to adopt the NHF Code of Governance. This Code is designed to ensure that housing providers such as whg aim for 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.

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 NHF Code in all areas.

Board Statement on compliance with NHF Code and Homes and Communities Governance and Financial Viability Standard

The subsidiaries have also adopted the sections of the NHF Code of Governance where it is relevant. whg has assessed its compliance with the Homes and Communities Agency's Governance and Financial Viability Standard and is fully compliant. We use 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 servicing. 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.

Statement of compliance

This Strategic Report has been prepared in accordance with the guidelines set out in paragraph 4.7 of the Housing SORP 2014.

The Strategic Report was approved on 25 July 2017 and signed on its behalf by:



Edmund Hughes
Chairman

The Report of the Board

The Board presents its report and audited financial statements for the year ended 31 March 2017.

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 20,189 homes.

Governance

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

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 2017.

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 targeted exercises during the year.

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

The Executive 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 targets for health and safety, data protection, fraud prevention and detection and environmental performance information and reporting systems.

Financial reporting procedures include setting detailed budgets for the year ahead and 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 collection of rents, 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 the specific issues arising. These policies are reviewed regularly.

Employees

We have a strategic aim of being an exceptional place to work that attracts, develops and retains talent. The majority of our 630 colleagues live in the local area and we offer an expansive range of personal development opportunities at every level. We ensure that our colleagues reflect the diversity of the thriving multi-racial communities they serve and our evolving flexible employment practices respond to work and family demands in today's climate. We operate through simple management structures, delegate responsibility and

aim for a culture of fairness, integrity and trust, where people are allowed to learn from mistakes and to challenge conventional thinking. We listen to colleagues and communicate through a range of channels, including face-to-face meetings and events, printed material, digital platforms and an open door policy. We believe that all colleagues and customers have the right to be treated with dignity and respect and oppose unfair discrimination and harassment on the grounds of sex, race, colour, nationality or ethnic origin, HIV status, marital status, disability, sexual orientation, age, trade union activity or political views. We offer additional support and assistance to colleagues through a number of sources including a final salary pension scheme, contribution to private health scheme, free eye tests, child care vouchers, colleague assistance programme, counselling services, flexi-time, occupational health, public duties, travel loans and other benefits in excess of statutory minimums. 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 on-going promotion of healthy living.

Disabled Employee Policy

whg does not have a 'disabled employees policy', although we refer to and adhere to the Equality Act throughout all our policies and procedures where applicable.

whg's Recruitment Policy states 'Applicants who have declared a disability and meet the essential criteria will be automatically shortlisted for interview'.

If colleagues become disabled persons while employed, we would make reasonable adjustments and training where appropriate.

Managers are supported and coached on a 121 basis throughout the recruitment and selection process by a member of the HR Team to ensure that our recruitment methods are not subject to discrimination or bias.

A core module for all colleagues is Equality in the Workplace. This module addresses Equality and Diversity to increase awareness in the workplace taking into account the 2010 Equality Act. We also have e-learning modules available that cover Learning Disability, Mental Health and Dementia Awareness.

Employee Relations

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

Qualifying Third Party Indemnity Provisions

The Directors have third party indemnity insurance through the Company.

Future Prospects

See page 7 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 Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose

with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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 25 July 2017 and signed on its behalf by:



Edmund Hughes
25 July 2017

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

Opinion on financial statements

We have audited the parent and Group financial statements of Walsall Housing Group Limited for the year ended 31 March 2017 (the "financial statements") on pages 31 to 84. 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 2017 and of the Group's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been 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 2015.

Scope of the audit of the financial statements

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Report of the Board for the financial year for which the financial statements are prepared is consistent with the financial statements and, based on the work undertaken in the course of our audit, 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 parent company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Report of the Board.

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

- 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 the Board's 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 and auditor

As explained more fully in the Statement of Board Responsibilities set out on pages 27 to 28, 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.

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

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

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

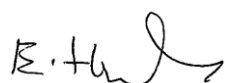
KEITH WARD (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
St Philips Point
Temple Row
Birmingham
B2 5AF

Date: 25 July 2017

Consolidated Statement of Total Comprehensive Income for the year ended 31 March 2017

	Note	2017 £000	2016 £000
Turnover	3	99,056	97,256
Operating expenditure		(64,833)	(66,617)
Operating surplus	5	34,223	30,639
Movement in fair value of investment properties	15	20	75
Surplus on disposal of property, plant and equipment	6	5,800	5,985
Interest receivable and other income	7	706	809
Interest and financing costs	8	(18,717)	(19,181)
Movement in fair value of financial instruments	25 ,35	(30)	(179)
Surplus for the year before tax		22,002	18,148
Taxation	11	(10)	(12)
Surplus for the year after tax		21,992	18,136
Other comprehensive (expenditure) / income:			
Remeasurements – Actuarial (loss) / gain in respect of pension schemes	27	(8,682)	4,773
Total comprehensive income for the year		13,310	22,909

The consolidated Financial Statements were approved by the Board on 25 July 2017.



Edmund Hughes
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 2017

	Note	2017 £000	2016 £000
Turnover	3	99,578	97,360
Operating expenditure		(64,600)	(66,391)
Operating surplus	5	34,978	30,969
Movement in fair value of investment properties	15	20	75
Surplus on disposal of property, plant and equipment	6	5,801	5,985
Interest receivable and other income	7	706	806
Interest and financing costs	8	(11,211)	(11,677)
Interest and financing costs to Group undertakings	8	(7,506)	(7,504)
Movement in fair value of financial instruments	25,35	(30)	(179)
Gift Aid		362	320
Surplus for the year		23,120	18,795
Other comprehensive (expenditure) / income:			
Remeasurements – Actuarial (loss)/gain in respect of pension schemes	27	(8,682)	4,773
Total comprehensive income for the year		14,438	23,568

The Financial Statements were approved by the Board on 25 July 2017.



Edmund Hughes
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 2017

	Note	Income and expenditure reserve £000	Total £000
Balance as at 1 April 2015		3,120	3,120
Surplus for the year		18,136	18,136
Other comprehensive income for the year		4,773	4,773
Balance at 31 March 2016		26,029	26,029
Total comprehensive income for the year		21,992	21,992
Other comprehensive (expenditure) for the year		(8,682)	(8,682)
Balance at 31 March 2017		39,339	39,339

Company Statement of Changes in Reserves for the year ended 31 March 2017

	Note	Income and expenditure reserve £000	Total £000
Balance as at 1 April 2015		15,336	15,336
Surplus for the year		18,795	18,795
Other comprehensive income for the year		4,773	4,773
Balance at 31 March 2016		38,904	38,904
Total comprehensive income for the year		23,120	23,120
Other comprehensive (expenditure) for the year		(8,682)	(8,682)
Balance at 31 March 2017		53,342	53,342

Consolidated Statement of Financial Position

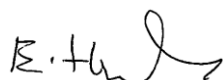
At 31 March 2017

Company No. 4015633

	Note	2017 £000	2016 £000
Fixed Assets			
Intangible assets	12	1,787	1,485
Tangible fixed assets - Housing Properties	13	359,108	310,790
Tangible fixed assets - Other Fixed Assets	14	14,896	15,594
Investment properties	15	8,154	4,834
Homebuy loans receivable	16	137	137
		<u>384,082</u>	<u>332,840</u>
Current Assets			
Properties held for sale	18	3,743	1,222
Stocks	19	125	124
Trade and other debtors	20	10,127	8,627
Investments	35	67,132	114,153
Cash and cash equivalents	35	16,467	9,423
		<u>97,594</u>	<u>133,549</u>
Creditors: Amounts falling due within one year	21	<u>(22,890)</u>	<u>(37,271)</u>
Net current assets		<u>74,704</u>	<u>96,278</u>
Total assets less current liabilities		<u>458,786</u>	<u>429,118</u>
Creditors: Amounts falling due after more than one year	22	397,436	390,577
Provisions for liabilities			
Defined Benefit Pension provision	27	20,926	10,438
Other provision	28	1,085	2,074
Total net assets		<u>39,339</u>	<u>26,029</u>
Reserves			
Income and expenditure reserve		<u>39,339</u>	<u>26,029</u>
Total Reserves		<u>39,339</u>	<u>26,029</u>

The accompanying notes form part of these Financial Statements.

The Financial Statements on pages 31 to 84 were approved by the Board and authorised for issue on 25 July 2017 and are signed on its behalf by:



Edmund Hughes
Chair



Gary Fulford
Group Chief Executive

Company Statement of Financial Position

At 31 March 2017

Company No. 04015633

	Note	2017 £000	2016 £000
Fixed Assets			
Intangible assets	12	1,787	1,485
Tangible fixed assets – Housing properties	13	377,038	328,380
Tangible fixed assets – other fixed assets	14	14,896	15,588
Investment properties	15	8,154	4,834
Homebuy loans receivable	16	137	137
Investment in subsidiaries	17	100	50
		<u>402,112</u>	<u>350,474</u>
Current Assets			
Properties for sale	18	3,743	1,222
Stocks	19	125	124
Trade and other debtors	20	11,149	9,019
Investments	35	63,581	110,614
Cash and cash equivalents	35	15,587	7,909
		<u>94,185</u>	<u>128,888</u>
Creditors: Amounts falling due within one year	21	<u>(23,508)</u>	<u>(37,369)</u>
Net current assets		<u>70,677</u>	<u>91,519</u>
Total assets less current liabilities		<u>472,789</u>	<u>441,993</u>
Creditors: Amounts falling due after more than one year	22	397,436	390,577
Provisions for liabilities			
Defined benefit Pension provision	27	20,926	10,438
Other provision	28	1,085	2,074
Total net assets		<u>53,342</u>	<u>38,904</u>
Reserves			
Income and expenditure reserve		<u>53,342</u>	<u>38,904</u>
Total Reserves		<u>53,342</u>	<u>38,904</u>

The accompanying notes form part of these Financial Statements.

The Financial Statements on pages 31 to 84 were approved by the Board and authorised for issue on 25 July 2017 and are signed on its behalf by:



Edmund Hughes
Chair



Gary Fulford
Group Chief Executive

Consolidated Statement of Cash Flows

	Note	2017 £000	2016 £000
Net cash generated from operating activities	30	46,787	42,440
Cash flow from investing activities			
Purchase of tangible fixed assets		(63,249)	(52,746)
Proceeds from sale of tangible fixed assets		7,345	7,653
Grants received		5,889	3,038
Interest received		702	829
		<u>(49,313)</u>	<u>(41,226)</u>
Cashflow from financing activities			
Interest paid		(18,962)	(19,383)
Refinancing costs paid		(18,489)	-
Withdrawal from deposits		47,021	4,489
		<u>9,570</u>	<u>(14,894)</u>
Net change in cash and cash equivalents		7,044	(13,680)
Cash and cash equivalents at beginning of the year		<u>9,423</u>	<u>23,103</u>
Cash and cash equivalents at end of the year		<u>16,467</u>	<u>9,423</u>

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 social housing provider.

The address of the Company's registered office and principal place of business is:

100 Hatherton Street

Walsall

WS1 1AB

Walsall Housing Group's principal activities and the nature of the Company's operations can be found in the Group profile on page 5.

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 2015 (the Accounting Direction). They have been prepared under the historical cost convention, modified to include certain financial instruments 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 through its power to govern the financial and operating policies so as to obtain economic benefits). All Financial Statements are made up to 31 March 2017.

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
- whg Properties Limited.

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.

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

Other Income

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

Investment income is recognised on an accruals basis.

Intangible Fixed Assets

Intangible fixed assets are stated at cost less accumulated amortisation.

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%.

Disposal Proceeds Fund

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

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.

Accounting Policies (Continued)

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 and Communities Agency (HCA), 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 HCA. 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 SHG 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.

Accounting Policies (Continued)

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

Building Components	Years
Structure	100
Windows	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	between 4 – 15 years depending on the asset type
Furniture & Office Equipment	10
Motor Vehicles	4
Office Improvements	between 4 – 8 years depending on the asset type

Accounting Policies (Continued)

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

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

Cash and cash equivalents

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

Borrowing Costs

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

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

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

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 (No. 29907R), and has charitable status for tax purposes.

whg Trading Company Limited, whg Developments Limited, whg Treasury PLC, whg Properties Ltd and Buy For Good CIC are not registered as charities and therefore corporation tax would be provided on tax 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.

Accounting Policies (Continued)

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

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

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

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if:

:

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

Value Added Tax (VAT)

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

Accounting Policies (Continued)

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. Rent free periods or other incentives received for entering into an operating lease are accounted for as a reduction to the expense and are recognised, on a straight-line basis over the lease term.

Employee Benefits

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

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

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

Retirement Benefits

Defined benefit plans

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

SHPS

For the SHPS, retirement benefits to employees 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.

Contributions are recognised in the Statement of Comprehensive Income in the period to which they relate as there is insufficient information available to use defined benefit accounting. A liability is recognised for contributions arising from an agreement with the multi-employer plan that determines how the Group will fund a deficit. Contributions are discounted when they are not expected to be settled wholly within 12 months of the period end.

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 employee service during the year is recognised as an employee cost

Accounting Policies (Continued)

- The cost of plan introductions, benefit changes, settlements and curtailments are recognised as incurred.
- Net interest on the defined benefit asset/liability comprises the interest cost on the defined benefit obligation and interest income on plan assets, calculated by multiplying the fair value of the plan assets at the beginning of the period by the rate to discount the benefit obligations.

Surpluses or deficits recognised in other comprehensive income:

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

Homebuy

The Group operates the Homebuy scheme, lending a percentage of the cost to home purchasers, secured on the property. Homebuy loans are treated within these Financial Statements as concessionary loans. The loans are interest free and repayable only on the sale of the property. No Homebuy grant has been received by the Company. On a sale, the fixed percentage of the proceeds is repaid. Therefore, no impairment exists at the reporting date.

Financial Instruments

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

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

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

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

Financial Assets

Debtors

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

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

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

Financial Liabilities

Creditors

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

Accounting Policies (Continued)

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 rating of the approved organisations are checked on a daily basis to ensure or investments are not at risk.

Borrowings

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

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Derivatives

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

Provisions

The Group recognises provisions where it has an obligation at the reporting date as a result of a past event, which it is probable will result in the transfer of economic benefits and that obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

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

Critical Accounting Estimates And Areas Of Judgement

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

Critical accounting estimates and assumptions

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

Accounting Policies (Continued)

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 and 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 27). The liability at 31 March 2017 was £20.9m.

Pension Deficit Payment Provision – SHPS

For SHPS, the rate used to discount the schedule of pension deficit payments to their present value is based upon market yields for high quality corporate bonds with terms consistent with those of the benefit obligations. Our commitment to the SHPS of £461k for the next 10 years has been discounted at a rate of 1.33% amounting to a net present value of £438k at 31 March 2017 (Note 27).

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 five cancellable fixed rate loans which had options in the year. The total value of these instruments was £14.7m at 31 March 2017 (Note 25).

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 2017 was £94m.

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 so in each year 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

Accounting Policies (Continued)

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	2017	
			Operating expenditure	Operating Surplus
			£000	£000
Social housing lettings	92,979	-	58,286	34,693
Other social housing activities				
First tranche low cost home ownership sales	2,496	1,696	-	800
Charges for support services	-	-	571	(571)
Development costs	-	-	646	(646)
Other social housing grants	171	-	154	17
VAT recoverable	195	-	-	195
Other social housing	798	-	125	673
Defined benefit pension costs	-	-	1,446	(1,446)
	96,639	1,696	61,228	33,715
Activities other than Social Housing				
Non social housing lettings	1,051	-	94	957
Non social housing grants	389	-	913	(524)
Other non social housing	977	-	902	75
	99,056	1,696	63,137	34,223
GROUP – continuing activities	Turnover	Cost of sales	2016	
			Operating expenditure	Operating Surplus
			£000	£000
Social housing lettings	92,657	-	61,197	31,460
Other social housing activities				
First tranche low cost home ownership sales	413	275	-	138
Charges for support services	-	-	380	(380)
Development costs	-	-	505	(505)
Other social housing grants	207	-	186	21
VAT recoverable	986	-	-	986
Other social housing	792	-	264	528
Defined benefit pension costs	-	-	1,791	(1,791)
	95,055	275	64,323	30,457
Activities other than Social Housing				
Non social housing lettings	796	-	135	661
Non social housing grants	307	-	1,402	(1,095)
Other non social housing	1,098	-	482	616
	97,256	275	66,342	30,639

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

COMPANY – continuing activities	Turnover	Cost of sales	2017 Operating expenditure	Operating Surplus
	£000	£000	£000	£000
	Social housing lettings	93,545	-	58,433
Other social housing activities				
First tranche low cost home ownership sales	2,496	1,696	-	800
Charges for support services	-	-	571	(571)
Development costs	-	-	646	(646)
Other social housing grants	349	-	154	195
VAT recoverable	195	-	-	195
Other social housing	1,011	-	120	891
Defined benefit pension costs	-	-	1,446	(1,446)
	97,596	1,696	61,370	34,530
Activities other than Social Housing				
Non social housing lettings	1,051	-	94	957
Non social housing grants	704	-	913	(209)
Other non social housing	227	-	527	(300)
	99,578	1,696	62,904	34,978
	Turnover	Cost of sales	2016 Operating expenditure	Operating Surplus
	£000	£000	£000	£000
Social housing lettings	92,957	-	61,347	31,610
Other social housing activities				
First tranche low cost home ownership sales	413	275	-	138
Charges for support services	-	-	380	(380)
Development costs	-	-	505	(505)
Other social housing grants	207	-	186	21
VAT recoverable	986	-	-	986
Other social housing	1,013	-	260	753
Defined benefit pension costs	-	-	1,791	(1,791)
	95,576	275	64,469	30,832
Activities other than Social Housing				
Non social housing lettings	796	-	135	661
Non social housing grants	699	-	1,402	(703)
Other non social housing	289	-	110	179
	97,360	275	66,116	30,969

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

GROUP	2017			Total £000	2016 Total £000
	General needs housing £000	Supported housing and housing for older people £000	Low cost home ownership £000		
Rent receivable net of identifiable service charges	87,752	530	57	88,339	88,183
Service charge income	3,314	139	582	4,035	3,938
Amortised government grants	605	-	-	605	536
Turnover from social housing lettings	91,671	669	639	92,979	92,657
Management	12,247	74	94	12,415	14,461
Service charge costs	4,107	28	287	4,422	4,452
Routine maintenance	9,876	60	-	9,936	7,902
Planned maintenance	14,737	89	-	14,826	14,168
Major repairs expenditure	7,180	43	-	7,223	9,176
Bad debts	619	4	(25)	598	839
Depreciation of housing properties	8,799	53	14	8,866	10,199
Operating expenditure on social housing lettings	57,565	351	370	58,286	61,197
Operating surplus on social housing lettings	34,106	318	269	34,693	31,460
Void losses	(560)	-	(5)	(565)	(663)

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

COMPANY	2017			Total £000	2016 Total £000
	General needs housing £000	Supported housing and housing for older people £000	Low cost home ownership £000		
Rent receivable net of identifiable service charges	87,752	530	57	88,339	88,183
Service charge income	3,314	139	582	4,035	3,938
Amortised government grants	605	-	-	605	536
Non government grant	566	-	-	566	300
Turnover from social housing lettings	92,237	669	639	93,545	92,957
Management	12,247	74	94	12,415	14,461
Service charge costs	4,107	28	287	4,422	4,452
Routine maintenance	9,876	60	-	9,936	7,902
Planned maintenance	14,737	89	-	14,826	14,168
Major repairs expenditure	7,180	43	-	7,223	9,176
Bad debts	619	4	(25)	598	839
Depreciation of housing properties	8,945	54	14	9,013	10,349
Operating expenditure on social housing lettings	57,711	352	370	58,433	61,347
Operating surplus on social housing lettings	34,526	317	269	35,112	31,610
Void losses	(560)	-	(5)	(565)	(663)

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

	Group and Company	
	2017 £000	2016 £000
Market rented housing properties	472	311
Garage rents	579	485
	<u>1,051</u>	<u>796</u>

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	2017 Number	2016 Number
Social housing		
General housing:		
- social rent	18,184	18,343
- affordable rent	1,230	917
Supported housing	117	110
Low cost home ownership	60	17
Total owned	19,591	19,387
Leasehold properties	598	577
Total managed	20,189	19,964
Non-social housing		
Market rented housing properties	100	56
Total owned and managed	100	56
Accommodation in development at the year end	923	868

The Group owns nine general needs homes (2016:9) that are managed on its behalf, under management agreements, by Heantun Housing Association.

The Group owns 36 commercial properties (2016:45) 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	
	2017 £000	2016 £000	2017 £000	2016 £000
Amortisation of deferred capital grant	(615)	(545)	(615)	(545)
Non government grant	-	-	(566)	(300)
Amortisation of intangible fixed assets	240	270	240	270
Depreciation of housing properties	8,871	10,199	9,020	10,349
Inventories recognised as an expense	400	298	400	298
Depreciation of other tangible fixed assets	1,005	1,285	1,005	1,285
Operating lease rentals:				
- land and buildings	84	69	69	49
- vehicles and equipment	1,467	1,475	1,467	1,475
Auditor's remuneration (excluding VAT)				
- Fees payable to the Company's auditor for the audit of the Financial Statements	101	77	101	77
- Fees payable to the Company's auditor for other services:				
Audit of the Financial Statements of subsidiaries	11	10	-	-
Transition to FRS 102	-	10	-	10
Total audit services	112	97	101	87
- Tax compliance services	9	6	9	6
Total non-audit services	9	6	9	6

The tax compliance remuneration relates to services provided for the 31 March 2016 financial statements tax compliance.

6. Surplus on disposal of property, plant and equipment

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Disposal proceeds	7,269	6,917	7,269	6,917
Carrying value of fixed assets	(1,308)	(888)	(1,308)	(888)
Other costs of sale	(161)	(44)	(160)	(44)
Surplus on disposal	5,800	5,985	5,801	5,985

7. Interest receivable and similar income

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Interest receivable and similar income	706	809	706	806

8. Interest and financing costs

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Net interest payable West Midlands Pension Fund	360	395	360	395
Net interest payable SHPS	9	7	9	7
Bank interest	11,755	11,835	11,755	11,835
Bond Interest and finance costs	7,438	7,438	7,454	7,453
Amortisation of issue costs	52	51	52	51
Bond coupon discount	16	15	-	-
	19,630	19,741	19,630	19,741
Interest payable capitalised on housing properties under construction	(913)	(560)	(913)	(560)
	18,717	19,181	18,717	19,181
Capitalisation rate used to determine the finance costs capitalised during the period	5.35%	5.35%	5.35%	5.35%

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. The Company bond interest and finance costs and Amortisation of issue costs relate to amounts owing to whg Treasury PLC.

9. Employees

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

GROUP AND COMPANY	2017	2016
	No.	No.
Administration	129	132
Development	13	10
Housing, support and care	488	510
	630	652

9. Employees (continued)

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

	2017	2016
	No	No
£60,000 - £70,000	4	13
£70,001 - £80,000	6	14
£80,001 - £90,000	3	3
£100,001 - £110,000	1	1
£110,001 - £120,000	2	3
£120,001 - £130,000	0	0
£130,001 - £140,000	1	1
£150,001 - £160,000	0	1
£160,001 - £170,000	0	0
£170,001 - £180,000	0	0
£180,001 - £190,000	1	1

The increased figures for the prior year ended 2016 include redundancy payments, along with salary payments made to a number of colleagues that have left the business as a result of organisational restructure.

Employee Costs:	2017	2016
	£000	£000
Wages and salaries	19,994	20,600
Social security costs	2,019	1,654
Other pension costs	3,598	4,207
	<u>25,611</u>	<u>26,461</u>
Restructuring costs	164	1,792
	<u>25,775</u>	<u>28,253</u>

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

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 2015.

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

GROUP AND COMPANY	2017	2016
	£000	£000
Basic salary	489	608
Benefits in kind	56	72
National Insurance	69	81
Pension contributions	67	83
	<u>681</u>	<u>844</u>

10. Key management personnel (continued)

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 4 (2016: 5).

During the year, the aggregate compensation for loss of office of key management personnel was £nil (2016: £40k).

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

	2017	2016
	£000	£000
Highest Paid Director		
Remuneration	182	182
National Insurance	24	23
Accrued pension at year end	22	22
	<u>228</u>	<u>227</u>

Board members Attendance and Emoluments

From 1 October a remuneration scheme was introduced for Board members. Board members are paid as follows:

	Attendance				Emoluments	
	Board	Audit and Assurance	Customer Services Committee	Governance and Remuneration	2017	2016
Current members					£	£
Linda Cole *	11/11	-	4/4	4/4	3,275	-
Edmund Hughes (Chair)	11/11	-	-	-	6,800	-
Jatinder Sharma	10/11	-	-	-	2,300	-
Ian Gardener	10/11	4/4	-	-	2,300	-
Lee Glover **	11/11	4/4	-	-	3,275	-
Mike Hew	11/11	4/4	-	4/4	2,300	-
Noel Maxwell	11/11	-	4/4	-	2,300	-
Teresa Mingay***	11/11	-	-	4/4	3,275	-
Amaze Ejiogu	8/11	-	-	-	2,300	-
					28,125	-

* Chair of the Customer Services Committee

** Chair of the Audit and Assurance Committee

*** Chair of the Governance and Remuneration Committee

No members of the Board participate in the Social Housing Pension Scheme or the Local Government Pension Scheme.

11. Taxation

All active Group companies except whg Trading Company Limited, whg Developments Limited, whg Treasury PLC and Buy for Good CIC are registered as charitable with HMRC and as such benefit from charitable tax exemptions.

	2017 £000	2016 £000
Current tax		
UK corporation tax	-	-
Total current tax	<u>-</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	10	12
Total deferred tax	<u>10</u>	<u>12</u>
Total tax on surplus on ordinary activities	<u>10</u>	<u>12</u>
	2017 £000	2016 £000
Surplus on ordinary activities before tax	<u>22,002</u>	<u>18,148</u>
Surplus on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom of 20% (2016: 20%)	4,400	3,630
Exempt charitable activities	(4,390)	(3,615)
Capital allowances in excess of depreciation	(10)	(12)
Utilisation of tax losses	-	(3)
Current tax charge for the year	<u>-</u>	<u>-</u>

12. Intangible Fixed Assets

Group and Company	IT Software
	£000
Cost	
At 1 April 2016	3,293
Additions	582
Disposals	(449)
At 31 March 2017	3,426
Depreciation	
At 1 April 2016	1,808
Charged in the year	240
Released on disposal	(409)
At 31 March 2017	1,639
Net book value	
At 31 March 2017	1,787
At 31 March 2016	1,485

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 2016	368,185	17,897	1,014	763	387,859
Additions	-	38,816	-	3,986	42,802
Properties acquired	6,940	-	-	-	6,940
Component additions	5,719	2,038	-	-	7,757
Components completed	2,790	(2,790)	-	-	-
Interest capitalised	-	893	-	20	913
Schemes completed	23,374	(23,374)	1,163	(1,163)	-
Property disposals	(1,742)	-	-	-	(1,742)
Costs written off	-	(2)	-	-	(2)
Component disposals	(214)	-	-	-	(214)
At 31 March 2017	405,052	33,478	2,177	3,606	444,313
Depreciation					
At 1 April 2016	76,977	-	92	-	77,069
Depreciation charged in year	8,857	-	14	-	8,871
Released on disposal – components	(190)	-	-	-	(190)
Released on disposal – properties	(545)	-	-	-	(545)
At 31 March 2017	85,099	-	106	-	85,205
Net book value					
At 31 March 2017	319,953	33,478	2,071	3,606	359,108
At 31 March 2016	291,208	17,897	922	763	310,790

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 2016	386,547	18,276	1,014	763	406,600
Additions	-	39,305	-	3,986	43,291
Properties acquired	6,940	-	-	-	6,940
Component additions	5,719	2,038	-	-	7,757
Components completed	2,790	(2,790)	-	-	-
Interest capitalised	-	893	-	20	913
Schemes completed	23,839	(23,839)	1,163	(1,163)	-
Property disposals	(1,742)	-	-	-	(1,742)
Costs written off	-	(2)	-	-	(2)
Component disposals	(214)	-	-	-	(214)
At 31 March 2017	423,879	33,881	2,177	3,606	463,543
Depreciation					
At 1 April 2016	78,128	-	92	-	78,220
Depreciation charged in year	9,006	-	14	-	9,020
Released on disposal properties	(545)	-	-	-	(545)
Released on disposal components	(190)	-	-	-	(190)
At 31 March 2017	86,399	-	106	-	86,505
Net book value	337,480	33,881	2,071	3,606	377,038
At 31 March 2017					
At 31 March 2016	308,419	18,276	922	763	328,380

Housing properties book value net of depreciation comprises

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Freehold land and buildings	352,082	307,759	370,011	325,349
Leasehold buildings	1,350	1,346	1,350	1,346
Shared ownership	5,676	1,685	5,677	1,685
	359,108	310,790	377,038	328,380

13. Fixed Assets – housing properties (continued)**Expenditure on works to existing properties**

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Components capitalised	7,757	12,106	7,757	12,106
Amounts charged to Statement of Comprehensive Income	7,223	9,176	7,223	9,176
	14,980	21,282	14,980	21,282

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	
	2017 £000	2016 £000	2017 £000	2016 £000
Total accumulated social housing grant received or receivable at 31 March:	48,652	41,587	50,596	43,527
Recognised in the Statement of Comprehensive Income	(3,710)	(3,050)	(5,654)	(4,425)
Held as deferred Income	44,942	38,537	44,942	39,102

Finance costs

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Aggregate amount of finance costs included in the cost of housing properties	3,100	2,186	3,100	2,186

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 2016 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	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 2016	15,015	2,296	5,657	56	62	23,086
Additions	28	40	-	323	-	391
Projects completed	-	-	68	(68)	-	-
Costs written off	-	-	(2)	(13)	-	(15)
Disposals	(357)	(33)	(1,032)	-	-	(1,422)
At 31 March 2017	14,686	2,303	4,691	298	62	22,040
Depreciation						
At 1 April 2016	3,011	770	3,655	-	56	7,492
Charged in the year	342	206	453	-	4	1,005
Released on disposal	(357)	(32)	(964)	-	-	(1,353)
At 31 March 2017	2,996	944	3,144	-	60	7,144
Net book value						
At 31 March 2017	11,690	1,359	1,547	298	2	14,896
At 31 March 2016	12,004	1,526	2,002	56	6	15,594

14. Tangible Fixed Assets – Other (continued)

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 2016	15,016	2,290	5,656	56	62	23,080
Additions	28	43	-	323	-	394
Projects completed	-	-	68	(68)	-	-
Costs written off	-	-	-	(13)	-	(13)
Disposals	(357)	(32)	(1,032)	-	-	(1,421)
At 31 March 2017	14,687	2,301	4,692	298	62	22,040
Depreciation						
At 1 April 2016	3,012	770	3,654	-	56	7,492
Charged in the year	342	206	453	-	4	1,005
Released on disposal	(357)	(32)	(964)	-	-	(1,353)
At 31 March 2017	2,997	944	3,143	-	60	7,144
Net book value						
At 31 March 2017	11,690	1,357	1,549	298	2	14,896
At 31 March 2016	12,004	1,520	2,002	56	6	15,588

15. Investment properties

	Group and Company	
	Non social housing properties held for letting	Non social housing properties held for letting
	2017	2016
	£000	£000
At 1 April	4,834	4,439
Additions	3,300	320
Revaluation	20	75
At 31 March	8,154	4,834

The Company owns a small 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 £4.8m at March 2016 and £8.2m at March 2017. The movements in fair value £20k (2016: £75k) have been recognised in the Statement of Total Comprehensive Income. During the year a total of £3.3m additions have been made to investment properties.

16. Homebuy loans receivable

	Group and Company	
	2017	2016
	£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 whg Properties Limited, which were 100% subsidiaries of the Company throughout the year. The Company has the right to appoint members to the Boards of the five subsidiaries and thereby exercises control over them. None of the subsidiaries are registered providers. 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.

Walsall Housing Group Limited (whg) is the immediate and ultimate parent undertaking of all the subsidiaries.

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 Properties 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 subsidiary has no trading activities for the 2016/17 year.

17. Investments in subsidiaries (continued)

Investments	2017 £000	2016 £000
At the 1 April	50	50
Additions	50	-
At 31 March	<u>100</u>	<u>50</u>

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	2017 £000	2016 £000
Contribution in respect of VAT recovered under the parent VAT shelter scheme	25% of VAT recovered on whg partnering works	(472)	(460)
Management services	Percentage of payroll costs	107	130
		<u>(365)</u>	<u>(330)</u>

VIEW to whg

Intra-Group transactions	Allocation basis	2017 £000	2016 £000
Regeneration grants	Grant funding project expenditure	(362)	(261)
Development grant	Grant subsidy for new developments	-	(583)
		<u>(362)</u>	<u>(844)</u>

There is a £119k intra-group debtor owed by VIEW at the year end (2016: £50k).

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

whg to whg Trading Company Limited

Intra-Group transactions	Allocation basis	2017 £000	2016 £000
Management services	Percentage of payroll costs	56	109
		<u>56</u>	<u>109</u>

whg Trading Company Limited to whg

Intra-Group transactions	Allocation basis	2017 £000	2016 £000
Gift aid	Not applicable	(117)	(96)
		<u>(117)</u>	<u>(96)</u>

17. Investments in subsidiaries (continued)

There is a net £100k intra-group debtor owed by whg Trading Company Limited at the year end made up of £100k owed by whg Trading Company Limited and £17k owed to whg Trading Company Limited. (2016: net debtor £136k). This includes gift aid payable of £117k (2016: £96k).

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	2017 £000	2016 £000
Interest payable	Interest charge on loan	13	13
Management services	Percentage of development costs	238	221
		<u>251</u>	<u>234</u>

whg Developments Limited to whg

Intra-Group transactions	Allocation basis	2017 £000	2016 £000
Recharge of cost of sales	Design & Build	24,846	22,584
Gift aid	Not applicable	(232)	(204)
		<u>24,614</u>	<u>22,380</u>

There is a net £2.13m intra-group creditor payable to whg Developments Ltd at the year end made up of £3.1m owed to whg Developments Ltd and £0.97m owed by whg Developments Ltd. (2016: net debtor £860k). This includes gift aid payable of £232k (2016 : £204k). Included in the £0.97m debt owed by whg Developments is a £500k loan made by Walsall Housing in the 2012/13 year.

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	2017 £000	2016 £000
Interest payable	Bond interest charge payable	7,479	7,477
Custodian fees	Custodian fees payable	13	-
		<u>7,492</u>	<u>7,477</u>

There is a £172.7m long term intra-group creditor payable to whg Treasury PLC at the year end (2016: £172.7m).

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

whg to Buy For Good CIC

Intra-Group transactions	Allocation basis	2017 £000	2016 £000
Management services	Percentage of payroll / admin costs	8	10
		<u>8</u>	<u>10</u>

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17. Investments in subsidiaries (continued)**Buy for Good CIC to whg**

Intra-Group transactions	Allocation basis	2017 £000	2016 £000
Gift aid	Not applicable	(12)	(19)

There is a £13k intra-group debtor owed by Buy for Good CIC at the year end (2016: £20k). This includes gift aid payable of £12k (2016: £19k).

18. Properties held for sale

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Shared ownership properties:				
Completed properties	1,098	458	1,098	458
Work in progress	2,645	764	2,645	764
	<u>3,743</u>	<u>1,222</u>	<u>3,743</u>	<u>1,222</u>

19. Stocks

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Van stocks	125	124	125	124

20. Debtors

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Due within one year				
Rent and service charges receivable	4,045	4,269	4,045	4,269
Less: provision for bad and doubtful debts	<u>(1,724)</u>	<u>(1,882)</u>	<u>(1,724)</u>	<u>(1,882)</u>
	2,321	2,387	2,321	2,387
Deferred tax asset	127	137	-	-
Other debtors	561	699	535	666
Prepayments and accrued income	7,118	5,404	7,060	4,700
Amounts owed by Group undertakings	-	-	1,233	1,266
	<u>10,127</u>	<u>8,627</u>	<u>11,149</u>	<u>9,019</u>

21. Creditors: amounts falling due within one year

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Bank loans (note 25)	-	18,489	-	18,489
Trade creditors	5,617	2,141	3,103	1,972
Rent and service charges received in advance	2,575	2,252	2,575	2,252
Social housing grant received in advance*	437	571	437	571
Other grants received in advance	3,965	1,200	3,965	1,200
Amounts owed to Group undertakings	-	-	3,119	240
Deferred grant income (note 23)	597	534	597	1,099
Other taxation and social security	489	440	519	449
Unpaid contributions for retirement benefits	253	288	253	288
Other creditors**	1,372	1,586	1,294	1,487
Accruals and deferred income	7,585	9,770	7,646	9,322
	22,890	37,271	23,508	37,369

*Social housing grants received in advance will be utilised against capital expenditure in 2017-18.

**Other creditors includes the Big Lottery funding for the Click Start Programme. A creditor of £14k is still outstanding at 31 March 2017 and has been paid to the partner in the new financial year. The total funding received for the year was £485k, with £292k being paid to our partners and whg recognising £179k through the Statement Of Comprehensive Income.

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

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Recycled Capital Funds Grant (note 26)	48	-	48	-
Debt (note 25)	350,499	350,402	350,499	350,402
Disposal proceeds fund (note 24)	1,913	1,714	1,913	1,714
Deferred grant income (note 23)	44,976	38,461	44,976	38,461
	397,436	390,577	397,436	390,577

23. Deferred grant income

	Group		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
At 1 April 2016	38,995	34,312	39,560	34,312
Grant received in the year	7,727	5,228	7,727	6,093
Transfer to RCGF	(48)	-	(48)	-
Grants paid to partners	(410)	-	(410)	-
Grants recognised as income	(76)	-	(76)	-
Released to income in the year	(615)	(545)	(1,180)	(845)
At 31 March 2017	45,573	38,995	45,573	39,560
Amounts to be released within one year (note 21)	597	534	597	1,099
Amounts to be released in more than one year	44,976	38,461	44,976	38,461
	45,573	38,995	45,573	39,560

Deferred Grant includes £451k (2016: £458k) relating to office buildings and £180k component accounting grant.

24. Disposal proceeds fund

	Group		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
At 1 April 2016	1,714	927	1,714	927
Net sale proceeds recycled	1,414	780	1,414	780
Interest accrued	6	7	6	7
Withdrawals	(1,221)	-	(1,221)	-
At 31 March 2017	1,913	1,714	1,913	1,714
Repayment Due				
Between one and two years	496	181	496	181
Between two and three years	1,417	1,533	1,417	1,533
	1,913	1,714	1,913	1,714

Withdrawals from the disposal proceeds fund in the current year were used for approved works to existing housing properties.

As at 31 March 2017, there are no amounts due for repayment.

25. Debt analysis

Borrowings

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Due within one year				
Bank loans	-	18,489	-	18,489
	-	18,489	-	18,489
Due after more than one year				
Bank loans	178,125	178,097	178,125	178,097
Bond	174,113	174,096	174,113	174,096
	352,238	352,193	352,238	352,193
Less: issue costs	(1,739)	(1,791)	(1,739)	(1,791)
	350,499	350,402	350,499	350,402
Total loans	350,499	368,891	350,499	368,891

Bank loans and derivatives

At 31 March 2017 the Group had five cancellable fixed rate loans the derivative element of which had a mark to market valuation at that date of £14.72m (2016: £14.69m). These liabilities are included within Bank loans. The reduction of £30k (2016: £179k) in the fair value of the cancellable 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%. The bond monies were subsequently lent 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 2017 was £218.6m (2016: £189.7m).

Facilities and security

At 31 March 2017 the Group had £18m of agreed borrowing facilities available to draw down and the ability to issue a retained bond of up to £75m.

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 bank loans accrue interest at an average rate of approximately 6.402%. As above, the bond was issued at a 4.25% coupon.

Gross issue costs for both the bank loans and the bond were £1,876k and were capitalised in the year in which

25. Debt analysis (continued)

they were incurred. Amortisation charged in the year was £52k (2016: £51k) leaving issue costs of £1,739k (2016: £1,791k) to be carried forward.

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

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Within one year or on demand	-	18,489	-	18,489
Two years or more but less than five years	25,000	25,000	25,000	25,000
Five years or more	327,238	327,193	327,238	327,193
	352,238	370,682	352,238	370,682
Less: unamortised issue costs	(1,739)	(1,791)	(1,739)	(1,791)
	350,499	368,891	350,499	368,891

26. Recycled Capital Grant Fund

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Opening Balance as at 1 April 2016	-	-	-	-
Inputs to RCGF:				
Grant recycled from property disposals	48	-	48	-
Released to income in the year	-	-	-	-
Recycling of grant:				
New build	-	-	-	-
Closing Balance	48	-	48	-

27. Pension obligations

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

West Midlands Pension Fund

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

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

27. Pension obligations (Continued)

Key Results

The estimated position at 31 March 2017 shows a deficit of £20.9m compared with a £10.4m deficit last year. The key reasons for this change are:

- Bond yields lower than the start of the year
- Discount rate has decreased
- Future expected inflation has increased.

The employer's contributions to the WMPF by the Company and Group for the year ended 31 March 2017 were £2.1m (2016: £2.3m) and the employer's contribution rate has been fixed as 18.6% of pensionable salaries until 31 March 2018.

Early retirements over the year, have resulted in a past service cost of £nil in the year to 31 March 2017 (2016: £nil). There were £0.2m (2016: £nil) of other settlements, curtailments, discretionary practices, constructive obligations or other material events during the year.

Calculation Method

The figures at 31 March 2017 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 2017 and have been derived in a consistent manner to last year. This has resulted in the following assumptions:

27. Pension obligations (continued)

	Group and Company	
	31 March 2017	31 March 2016
Principal actuarial assumptions	% per annum	% per annum
Financial assumptions		
Discount rate	2.80	3.80
Future salary increases	4.20	3.95
Future pension increases	2.70	2.20
Inflation assumption	2.70	2.20

Mortality assumptions

The post-retirement mortality assumptions adopted to value the benefit obligation at March 2017 and March 2016 are based on the PA92 series.

The assumed life expectations on retirement at age 65 are:

	Group and Company	
	2017 No. of years	2016 No. of years
Retiring today:		
Males	21.8	23.0
Females	24.2	25.7
Retiring in 20 years:		
Males	23.9	25.3
Females	26.5	28.0

Amounts recognised in surplus or deficit

	Group and Company	
	2017 £000	2016 £000
Current service cost	3,311	3,898
Loss on settlements	-	-
Admin charges	83	69
Curtailements	165	-
Amounts charged to operating costs	3,559	3,967
	2017	2016
	£000	£000
Net interest received	-	-
Amounts within interest receivable and similar income	-	-
	2017	2016
	£000	£000
Net interest payable	360	395
Amounts within interest and financing costs	360	395

27. Pension obligations (continued)**Amounts Recognised in the Statement of Total Comprehensive Income**

	2017	2016
	£000	£000
Re measurements	(8,682)	4,773
Actuarial (loss)/gain in respect of pension scheme	(8,682)	4,773

Amounts recognised in Statement of Financial Position

	Group and Company		
	2017	2016	2015
	£000	£000	£000
Present value of funded obligations	216,732	171,842	174,443
Fair value of plan assets	195,806	161,404	161,418
Net pension liability	(20,926)	(10,438)	(13,025)

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

	2017
	£000
Opening scheme liabilities	171,842
Current service cost	3,311
Interest cost	6,467
Change in financial assumptions	49,759
Benefits paid	(4,507)
Member Contributions	1,018
Change in demographic assumptions	(2,561)
Experience loss/(gain) on defined benefit obligation	(8,762)
Past service costs, including curtailments	165
Closing scheme liabilities	216,732

27. Pension obligations (continued)**Reconciliation of opening and closing balances of the fair value of plan assets**

	Group and Company	
	2017	
	£000	
Opening fair value of plan assets	161,404	
Interest income	6,107	
Return on plan assets (in excess of interest income)	28,490	
Other actuarial gains/ (losses)	1,264	
Contributions by employer	2,113	
Benefits paid	(4,507)	
Administration expenses	(83)	
Member contributions	1,018	
Closing fair value of plan assets	195,806	
	2017	2016
	£000	£000
Actual return on scheme assets	34,597	(531)

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

	2017	2016
	%	%
Equities	64.0	61.0
Government Bonds	8.0	8.0
Other Bonds	4.0	5.0
Properties	8.0	8.0
Cash	3.0	5.0

Sensitivity analysis**Adjustment to mortality age rating assumption**

	+ 1 year	None	- 1 year
	£000	£000	£000
Present value of total obligation	224,499	216,732	209,242
Projected service cost	5,469	5,300	5,136

Adjustment to discount rate

	+0.1%	0.0%	-0.1%
	£000	£000	£000
Present value of total obligation	212,526	216,732	221,025
Projected service cost	5,182	5,300	5,421

27. Pension obligations (continued)

Social Housing Pension Scheme

Walsall Housing Group Limited participates in the Social Housing Pension Scheme (SHPS) and provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the Company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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 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. A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows:

Tier 1 From 1 April 2016 to 30 September 2020:	£40.6m per annum (payable monthly and increasing by 4.7% each year on 1st April)
Tier 2 From 1 April 2016 to 30 September 2023:	£28.6m per annum (payable monthly and increasing by 4.7% each year on 1st April)
Tier 3 From 1 April 2016 to 30 September 2026:	£32.7m per annum (payable monthly and increasing by 3.0% each year on 1st April)
Tier 4 From 1 April 2016 to 30 September 2026:	£31.7m per annum (payable monthly and increasing by 3.0% each year on 1st April)

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2011; this valuation was certified on 17 December 2012 and showed assets of £2,062m, liabilities of £3,097m and a deficit of £1,035m. To eliminate this funding shortfall, payments consisted of the Tier 1, 2 & 3 deficit contributions.

Where the scheme is in deficit and where the Company has agreed to a deficit funding arrangement, the Company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed below. The unwinding of the discount rate is recognised as a finance cost.

	31 March 2017 % per annum	31 March 2016 % per annum	31 March 2014 % per annum
Rate of discount	1.33	2.06	1.92

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve

27. Pension obligations (continued)

to discount the same recovery plan contributions.

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

Final salary with a 1/60th accrual rate

Final salary with a 1/70th accrual rate

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

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

Walsall Housing Group Limited paid contributions at the rate of 11.3% during the accounting period. Member contributions vary between 7.5% and 8.5% depending on their age.

The number of scheme members employed by the Group at 31 March 2017 was 3 (2016: 3). The charge to the Group for the year was £85k (2016: £82.7k).

Social Housing Pension Scheme Contributions

The employer expects to contribute £85.6k in the year to 31 March 2018.

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

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

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

Walsall Housing Group Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Social Housing Pension Scheme based on the financial position of the Scheme as at 30 September 2016. As of this date the estimated employer debt for Walsall Housing Group Limited was £2,793,022 (2016: £2,125,364).

The Group has agreed to make additional deficit payments to SHPS at the rate of £48k per year for 10 years. Using the discount rate based on an AA corporate bond for the same period a liability with a net present value of £438k is recognised within provisions for this contractual obligation. (Note 28).

27. Pension obligations (continued)

	£000
At 1 April 2016	480
Increase in provision due to new deficit agreement	12
Released in the year	(63)
Unwinding of discount included in finance costs	9
At 31 March 2017	438

28. Provisions for liabilities and charges

Group and Company	SHPS Obligation £000	Insurance claims £000	Office closure costs £000	Restructuring costs £000	Leave pay £000	Total £000
At 1 April 2016	480	402	215	810	167	2,074
Additions	21	229	0	41	0	291
Utilised	(63)	(223)	(70)	(773)	0	(1,129)
Reversals	0	0	(145)	0	(6)	(151)
At 31 March 2017	438	408	0	78	161	1,085

The SHPS obligation is referred to in note 27. The provision is based on the net present value of payments agreed at the year end. The provision will be adjusted following the triennial valuations in the pension scheme, either increasing or decreasing the provision with the opposite entry being shown as operating costs within income and expenditure. The unwinding of the discount is shown as a finance cost.

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 office closure costs provision represented expected dilapidation works to existing offices and rent charges to the end of the lease for offices which have been closed.

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.

29. Share Capital

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

30. Cash flow from operating activities

	2017 £000	2016 £000
Surplus for the year	22,002	18,148
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	9,876	11,481
Amortisation of intangible assets	240	270
Pension costs less contributions payable	1,458	1,904
Surplus on disposal of property, plant & equipment	(5,800)	(5,985)
Movement in fair value of investment properties	(20)	(75)
Government grants amortised in the year	(605)	(536)
Interest payable	18,717	19,181
Interest received	(706)	(809)
Movement in fair value of financial instruments	30	179
Operating cash flows before movements in working capital	45,192	43,758
(Increase)/decrease in stock	(1)	(16)
(Increase)in properties held for sale	(2,521)	(1,033)
Decrease/(Increase) in trade and other debtors	2,330	1,894
Increase/(decrease) in trade and other creditors	2,734	(2,490)
Increase/(decrease) in provisions (excluding SHPS obligation)	(947)	327
Cash generated from operating activities	46,787	42,440

31. Capital Commitments

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Expenditure contracted for but not provided for	59,005	75,037	59,005	75,037
Expenditure authorised by the board, but not contracted	17,794	3,958	17,794	3,958
	76,799	78,995	76,799	78,995

The above commitments will be financed primarily through borrowings (£66.2m), which are already drawn or are available for draw-down under existing loan arrangements, with the balance (£10.6m) funded through social housing grant (£5.5m) and Black Country LEP Funding (£5.1m).

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Loan financing	66,195	71,567	66,195	71,567
Affordable housing grant	5,553	7,428	5,553	7,428
Other government grant	5,051	-	5,051	-
	76,799	78,995	76,799	78,995

32. Contingent assets/liabilities

The Group and Company had no contingent assets at 31 March 2017 (2016: £nil).

The Group receives capital grant from the Homes and Communities Agency, 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 2017, the Group has disposed of components, which had received £48k (2016: £nil) 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 £25.2k (2016: VAT liability £7.1k).

As stated within Note 27, the estimated payment required by Walsall Housing Group Limited if it were to withdraw from the Social Housing Pension Scheme would be £2.79m (2016: £2.13m).

33. Leasing commitments

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

	2017 £000	2016 £000
Within one year	1,588	1,555
Between two and five years	1,959	3,324
Over five years	218	289
	<u>3,765</u>	<u>5,168</u>

34. Related parties

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

34. Related parties (continued)

- 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.
- 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.
- 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.
- whg Properties Limited is a non-charitable company registered with Companies House and was incorporated 30 January 2017. 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. There has been no trading activity for the period from incorporation to 31 March 2017.

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 2017 was £13.1k. Total arrears were £nil.

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

35. Financial assets and liabilities

The Board policy on financial instruments is explained in the Report of The Board, as are references to financial risks.

Categories of financial assets and financial liabilities

FINANCIAL ASSETS

Financial assets measured at unamortised cost

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Net Rent Debtor	2,321	2,387	2,321	2,387
Other Debtors	561	699	535	666
Accrued Income	3,965	1,200	3,965	1,200
Amounts owing by Group undertakings	-	-	1,233	1,266
Cash and cash equivalents	16,467	9,423	15,587	7,909
Current Investments	67,132	114,153	63,581	110,614
Total Financial Assets	90,446	127,862	87,222	124,042

35. Financial assets and liabilities (continued)**FINANCIAL LIABILITIES****Financial liabilities measured at amortised cost**

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Bank Loans and Bond	335,779	354,201	335,779	354,201
Trade Creditors	5,617	2,141	3,103	1,972
Accruals	7,036	8,978	7,097	8,530
Amounts owing to Group undertakings	-	-	3,119	240
Other Creditors	1,372	1,586	1,294	1,487
Total	349,804	366,906	350,392	366,430

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

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Derivatives	14,720	14,690	14,720	14,690
Total Financial Liabilities	364,524	381,596	365,112	381,120

Interest rate profile

The Group's debt has a weighted average interest rate of 5.35% (2016: 5.35%) and the weighted average for which it is fixed is the lifetime of the loan..

The debt maturity profile is shown in note 25.

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:

	2017 £000	2016 £000
Expiring in more than two years – revolving credit facility	18,104	18,104
	18,104	18,104