Financial Statements

For the year ended 31 March 2021

Company registration number: 04015633
Registered provider number: L4389
Registered charity number: 1108779
Registered office: 100 Hatherton Street, Walsall, WS1 1AB

Contents

Board, Executive Directors and Advisors

Board	Appointed	Left
Danielle Oum (Chair)		
Michael Hew (Deputy Chair)		23/09/2020
Gary Moreton (Deputy Chair)		
Gary Fulford		
Colin Ian Gardner		31/07/2020
Noel Maxwell		30/11/2020
Gregory Warner-Harris		
Paul O'Driscoll		
Guy Weston		
Daren Fradgley		
Akshay Parikh		
Elisabeth Downes		
Ian Shapiro	01/11/2020	
Natalia Hill	01/11/2020	

Company Secretary	Appointed	Left
Karen Marshall		30/04/2021
Dawn Hendon	01/05/2021	

Executive Directors	
Gary Fulford	Group Chief Executive
Adam Wagner	Corporate Director of Finance – to 06/06/2021
Sangita Surridge	Corporate Director of Finance – from 07/06/2021
Karen Marshall	Corporate Director of Governance and Compliance – to 25/04/2020
Dawn Hendon	Corporate Director of Governance and Compliance – from 26/04/2021
Theresa Huburn	Corporate Director of People and Learning
Robert Gilham	Corporate Director of Business Strategy and Assets
Fay Shanahan	Corporate Director of Operations
Rebecca Bennett Casserly	Corporate Director of Development

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

Chair's review

I am delighted to share our 2020/21 financial statement with stakeholders.

We are pleased to report another strong year of financial performance, as we saw our turnover increase to £120.8m, while we made £3.5m in value for money efficiencies, compared to our target of £3.0m.

We are also proud to have retained the highest rating for the assessment of our governance and financial viability from the Regulator of Social Housing. Our rating of G1/V1 affirms our position as a well-run and well-governed organisation, with strong foundations that will enable us to develop, improve and grow. Our strong operating performance is reflected in our credit rating of A3 with a stable outlook by Moody's.

As part of our commitment to helping to tackle the housing crisis, we aim to build more than 500 new and affordable homes each year. Despite the challenges posed by the pandemic, this ambitious development programme has continued apace and we are currently working on 15 sites, with 679 homes under construction.

The last year has been a year of innovation as the pandemic encouraged us to accelerate our Digital First programme and introduce new technologies to ensure business continuity.

The investment we had already made into technology paid off the day lockdown was announced. Over 350 office-based colleagues were working from home, on whg devices, within 48 hours of lockdown, while our new Unified Comms technology ensured we were able to develop a home working solution for our Customer Service team, who were still available to take calls from customers.

This momentous shift in the way we work has been a huge success, with 84% of colleagues saying whg was a very good or excellent place to work during the pandemic. Moving forwards, we aim to capitalise on the benefits that have been derived from being able to work in a more flexible and fluid way and will deploy new technology to allow even more colleagues to work from any location.

The challenges of the last year have emphasised how important it is for housing and health to work together to support the most vulnerable in society. Over the last 12 months, whg has joined forces with health partners on a number of initiatives to ensure the borough's response to the pandemic has had maximum impact. I am delighted at how this hugely successful partnership continues to develop and as we look to the future, we have begun supporting Walsall Healthcare NHS Trust with recruitment of our customers

We aim to build more than

500

new and affordable homes each year

> **"The services we offer beyond those of a landlord are vital as we look at ways we can best support our customers as they recover from the effects of the pandemic."**

into a number of support and healthcare roles.

The services we offer beyond those of a landlord are vital as we look at ways we can best support our customers as they recover from the effects of the pandemic. Through our Social Prescribing team, which was formed just over a year ago, we are working with customers on the H Factor (Health, Hope and Happiness) programme.

The programme provides a "more than medicine" approach to health and wellbeing by offering a safety net of social support that can help people to feel happier, more confident and less isolated. I am absolutely delighted that more than 100 customers have already benefitted from the approach.

Looking ahead to the future we will continue to work closely with our customers and we will play a key role in supporting communities as they overcome the impact of COVID-19.

Danielle

Danielle Oum
Chair

Group Chief Executive's review

I am delighted to introduce whg's financial statement for 2020/21.

The last year has been overshadowed by COVID-19. During these challenging times we have prioritised the health and wellbeing of both our customers and our colleagues, while continuing to keep our essential services running and supporting the most vulnerable in our communities.

We are hugely proud of the work we have done with our partners since the pandemic started to respond to the needs of the community. This includes making more than 8,000 calls to check on customers' welfare, delivering more than 7,000 food parcels, gifting 300 electronic devices to our most vulnerable customers to help them keep in touch with loved ones and access services online, and distributing 489 fuel vouchers to assist with energy costs.

We have also helped an unprecedented number of our customers experiencing severe financial hardship as a result of the pandemic. In the last 12 months our Money Advice Team has offered financial support to more than 1,300 households and achieved a total debt reduction of over £128k. We have also introduced a new automated service to identify those at risk of arrears. This has enabled us to support those under severe financial pressure and we have worked with them to ensure they are able to pay their rent.

During the year we have continued our Digital First journey and accelerated our adoption of new technologies to ensure business continuity while working remotely. We automated a wide range of manual processes which has changed the way we interact with our customers; thereby improving service levels and empowering customers by offering them self-service capabilities. This has been invaluable during COVID-19 and has enabled our customers to better manage their tenancies during lockdown. This shift has taken us from 26% of transactions completed online in 2018/19 to 45% of transactions completed online in 2020/21.

Despite the difficult operating environment, we have worked hard to keep our key services running and thanks to all colleagues pulling together, we have been able to maintain full compliance with our gas and electrical checks – achieving some of our best gas safety performance in recent years. In 2022 we will be moving from a ten to five year electrical inspection model, designed to provide further safety assurance to our customers.

Our ambitious development programme has also continued. In the last year, we completed 332 new homes across the Midlands, including properties in Walsall, the Black Country, Telford and Wrekin, Shropshire, Staffordshire, Worcestershire and Warwickshire. We had hoped to complete more homes but COVID-19 means that some completions have been delayed into the new financial year.

Housebuilding has now commenced at Lockside, on the former Caparo Engineering works in Walsall. The scheme, the first development for joint venture developer Anthem Lovell LLP will transform the land into a new 252-home community, with the first homes predicted to be ready in October 2021.

Work is also ongoing at Goscote Lane Corridor, the largest building scheme of its kind in Walsall, which is delivering more than 800 new, energy-efficient homes.

We are currently creating a carbon zero roadmap that will include the use of new technologies and an educational programme for our customers who can then support our task of achieving carbon neutrality. A lot of work has already been done to reduce carbon emissions. As we look to the future, we aim to be at the forefront in the adoption of green building technologies.

The impacts of the pandemic will be felt for a long time, but we face into this scenario from a position of considerable strength. Our risk management arrangements were recently assessed as "very good" by consultants Hargreaves, providing third line assurance that the arrangements we have in place for risk management are fit for purpose and help underpin our delivery of a strong business fit for today and prepared for tomorrow.

We are immensely proud of everything we have achieved in the last year and look forward to continuing our work to build safe and prosperous communities.

Gary Fulford
Group Chief Executive

The Group Board presents its report and the audited Financial Statements of Walsall Housing Group Limited ("the Company") and its subsidiary undertakings, together forming the Walsall Housing Group ("the Group", "whg"), for the year ended 31 March 2021.

Strategic report

Group profile

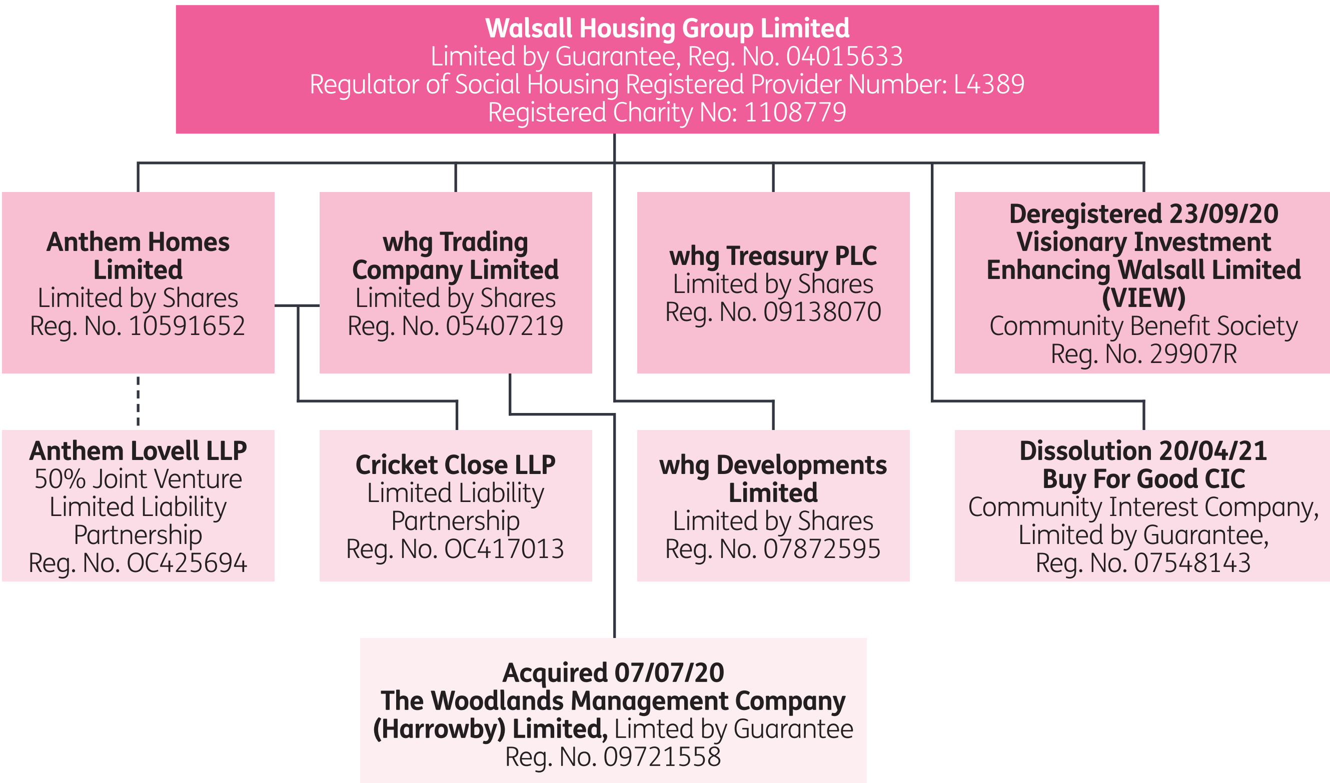
Principal activities

The Group is a not-for-profit organisation whose principal activities include the development and management of affordable housing across the Midlands. During 2020/21 we continued to expand outside of Walsall and whg owns and manages homes in 19 local authorities in the Midlands. The Group, as of 31 March 2021, owns and/or manages 21,518 homes.

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

The company, its subsidiaries and joint ventures are shown in the diagram below for the year ended 31 March 2021. This includes three changes of note:

- the addition of The Woodlands Management Company (Harrowby) Limited. whg acquired the company on 07/07/2020;
- on 23/09/2020 Visionary Investment Enhancing Walsall Limited (VIEW) was deregistered via a Company Act 2006 s126 order; and
- subsequent to year end on 20/04/2021 Buy for Good CIC was dissolved by voluntary strike off.



Our mission is

“Dedicated to the success of our people and places.”

Objectives and strategies

Our Corporate Plan was launched in April 2014 and was refreshed in April 2020 with new success measures that we use to evaluate our achievements.

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

- **Deliver high quality homes and services for our customers**
  Providing excellent services across our expanding geography, working with our customers, communities and stakeholders to sustain tenancies. We are an anchor organisation who invests in the provision of new affordable homes to help meet housing need.
- **Be an exceptional place to work that attracts, develops and retains talent**
  To ensure colleagues can truly shine and reach their full potential, we are committed to being a great employer that recognises the importance of a truly flexible and inclusive workplace and rewards excellence. All colleagues are given the opportunity to make a real difference and we encourage them to perform to the best of their ability. We recognise the need for excellent leaders across the organisation and will praise and celebrate great work whilst expecting every colleague to be accountable for their individual performance.
- **Grow and extend our services, our reach and our range**
  Being a community focussed organisation we understand the needs and challenges that our customers and communities face. We will therefore continue to work with partners and stakeholders to ensure that these needs are met, whether this is through the provision of in-house services or through our strategic partners. 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. We will continue to improve our environmental performance through appropriate use of modern methods of construction and the continued improvement of our existing homes. In support of delivery of the above we adopted a new development strategy in Autumn 2020.

- **Promote health and prosperity where we can make a difference**
  We want our customers to live healthy, prosperous lives but understand some may require additional support to achieve this. We do what we can, together with our partners, to find the right solution for each individual. This includes programmes geared towards promoting independence, improving health, building confidence, enhancing capability, reducing the digital divide and gaining the skills to secure employment.
- **Deliver a strong business, fit for today and prepared for tomorrow**
  We will develop a roadmap to take our activities to a carbon neutral footing. Recognising our ever more challenging operating environment, we will safeguard our income by focusing appropriate priority and resource on core services. This approach is supported by the careful financial management and good governance needed to fulfil our future aspirations. We are efficient, driving down costs and constantly seeking value for money. Building on our performance management culture, pursuing excellence and striving for continuous improvement will help achieve this.

Our Corporate Plan is underpinned by a range of success measures to ensure that we meet our strategic aims. These are then cascaded into Operational Plans delivered across the business. We have eight strategic performance indicators and performance to March 2021 is set out below. The strategic performance indicators are supported by 33 whg bespoke metrics, developed in support of success measures which are derived from the five strategic aims of the Corporate Plan. Progress is managed operationally, overseen by our Group Executive Team and reported to Board via a dashboard on a biannual basis. Progress against success measures is also included in the Group Chief Executive's monthly report and the performance dashboard is reviewed by the Executive Team.

As we progress our Corporate Plan the success achieved to date provides a strong platform to build from. We are particularly pleased to note the start of the Lockside development project which will deliver 252 homes through the Anthem Lovell LLP joint venture.

Strategic performance indicators

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.

Indicator	2018/19	2019/20	2020/21	Trend	Target
Current arrears %	2.16	2.84	3.18	Declined	<5.0
Void rent loss %	0.60	0.60	0.75	Declined	<2.0
Customer satisfaction with repairs %	83.0	84.0	83.0	Declined	>84
Customers recommending whg %	83.2	82.0	84.0	Improved	≥82
Compliance with gas regulations %	100	100	100	Same	100
New homes started	592	677	325	Declined	299
New homes completed	551	446	332	Declined	500
Customers with improved employment prospects	1,271	1,274	1,589	Improved	1,500

This has been an exceptionally challenging, ever changing and in many ways unique year with all areas of the business and our customers being impacted by COVID-19. A number of performance areas were directly hit, income collection and repairs primarily, but given the challenges faced, we are nevertheless pleased with the performance achieved. We are particularly pleased to report that despite COVID restrictions we maintained 100% gas safety compliance, customers recommending whg increased to 84% and we exceeded our target support for customers' employment prospects.

Performance is summarised below:

- Rent arrears ended the year at 3.18%. We finished the year just 0.34% above the 2.84% achieved in 2020. This is a phenomenal performance given the circumstances. We have worked hard to improve our processes and technology to create capacity for our colleagues so that they can support customers adversely affected by the pandemic.
- Void rent loss for the year is 0.75%, which is 1.25% better than target. As we move out of pandemic restrictions, we expect this performance to return to our long term target of 0.6%.
- 83% of our customers are satisfied with the repairs carried out on their homes, which is a little below target. During the first lockdown we stopped all but emergency repairs, which created a backlog of repairs that needed to be completed once the repairs service was able to re-open. This backlog, plus our normal repairs service, have been completed in a COVID secure way, but our normal response times were adversely impacted. We communicated frequently with customers to help manage expectations and we are pleased to see only a slight drop in our overall satisfaction results. We anticipate this will improve over the coming 12 months.
- 84% of our customers would recommend whg, which is ahead of target. This reflects our focus throughout the pandemic to support vulnerable customers. We immediately launched our Stay In Stay Safe project during the first lockdown. This saw us telephone over 8,000 customers, who then received the appropriate support they needed, whether from us or one of our strategic partners.
- Gas safety continues to be a key area of focus with the percentage of homes compliant with the gas regulations remaining at 100%.
- 325 new homes were started during the year which is a little above the target 299.
- 332 homes were completed in the year, comprising 231 homes for affordable/social rent and 101 for Shared Ownership sale. This was below the target of 500 and though disappointing it was the impact of the pandemic rather than other factors that caused the rescheduling.
- The Group has helped 1,589 customers to improve their employment prospects in various sectors including warehousing, care, construction and retail. This is above target and particularly pleasing in the current economic environment.

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332
homes were completed in the year

1,589
customers have been helped by the Group to improve their employment prospects

84%
of our customers would recommend whg, which is ahead of target

Customer Voice Strategy

In 2019 we launched our Customer Voice Strategy, setting out our commitment to putting customers at the heart of what we do.

We want to give our customers a strong voice that informs our governance arrangements, influences our decisions and impacts on the way we deliver our services. To ensure we hear feedback from a diverse range of customers we offer a range of ways to get involved.

Our menu of engagement includes being able to directly contribute to strategic discussions and decision making through becoming a member of our board, customer experience committee or customer scrutiny panel. Customers can also get involved more informally: around 3,000 customers take part in our surveys each year, while others join a focus group or our Spotlight Review Group.

During the pandemic we quickly adjusted the channels of communication moving from face to face to online and digital forms of engagement. We received over 6,000 responses to surveys covering areas such as customer satisfaction, repairs, completed major works, money advice service, new sales satisfaction and grounds maintenance. As we emerged from the pandemic, our customers worked with us to shape the way we rolled out switching our repairs service back on.

We have recognised we need to do more to engage as many customers, across a diverse range of demographics and locations, as possible. We have made significant progress this year in recruiting a new cohort of customers to get involved in a varied range of activities. We have also introduced a Customer Experience Manager, who is exploring how we can best work with our customers to shape our services, a new Customer Voice Co-ordinator and a Community Engagement and Inclusion Manager.

We continue to make progress in giving customers new and different ways to get involved ensuring customer voice is representative of the customers and communities we support. This includes engaging with more customers through digital channels and using technology to allow customers to get involved remotely.

Future prospects

whg is a well governed and financially viable organisation rated G1 and V1 by the RSH. Our Business Plan demonstrates strong financial performance in the years to come. Homes England has selected whg as a strategic partner under the Wave 2 funding programme. Total grant funding of £38.7m will help support the development of 1,000 new homes.

Looking forward whg aims to develop 550 homes per year, 50 of which will be for Outright Sale. In 2021/22, £73.9m is planned to be invested into new homes and land. We also plan to invest a further £53.3m on routine, major and planned repairs on our existing homes. This investment represents our continued desire to ensure that all of our homes are great places to live in.

Following a year when business continuity reflected a very high priority, we aim to make 2021/22 a year of significant progress against many of the 43 Corporate Plan success measures which directly support the five Strategic Aims.

We have already responded to the forthcoming changes in Fire Safety and Building Safety regulations by allocating funding within the Business Plan to meet expected standards. However, there is a strong focus on environmental sustainability coming through government consultations and proposals such as the Social Housing White Paper, Energy White Paper and Future Homes Standard. Banks and capital market investors are also now requiring

Environmental, Social and Governance (ESG) metrics for funding. Whilst whg has commenced its Energy and Carbon Reporting, there is further work to do to establish a roadmap for how we intend to prioritise assets for investment, fund the additional costs associated with future changes in regulation and maximise grant funding available. whg continues to have financial strength and flexibility within its Business Plan to address these priorities whilst balancing the need to contribute towards the national housing shortage. whg will continue to embrace new technologies as they emerge to help with this agenda and consider innovative ways of working with others to deliver new priorities.

Financial review

Statement of comprehensive income (SOCI)

Turnover: £120.8m

Social housing lettings contributed £101.3m to Group turnover for the year. This includes the impact of annual rent increase and new homes developed during the year. A further £16.0m derived from Shared Ownership first tranche sales and £3.5m from other activities take the total turnover to £120.8m, an increase of 7.7%.

Operating surplus: £37.7m

Operating performance continues to be strong with an Operating Surplus of £37.7m. This surplus will support investment in new and existing homes.

	2021	2020	2021	2020	2021
	Turnover (£m)		Surplus (£m)		Margin
Social housing	**101.3**	**96.3**	**36.2**	**31.3**	**35.7%**
Shared ownership sales	16.0	11.9	1.8	2.4	11.3%
Other activities & costs	3.5	4.0	(4.9)	(5.1)	
Total	120.8	112.2	33.1	28.6	27.4%
Gain on disposals			4.6	9.0	
Total	**120.8**	**112.2**	**37.7**	**37.6**	**31.2%**

The social housing margin was 35.7% for the year and operating margin before disposals was 27.4%. These are both good results for the Group and demonstrate that the core financial performance is complemented by, but not dependent on, asset sales. Further analysis of social housing operating costs is shown in the Notes to the accounts. The social housing operating margin of 35.7% is above the peer average of (similar sized RPs) 24.6%. An operating margin before gains on disposal of 27.4% is also above the peer average of 20.6%. The overall margin reflects the costs disclosed in Note 3, most significantly uncapitalised development costs of £1.3m and pension costs of £3.9m.

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

Gain on disposals comprises 83 Right to Buy/Right to Acquire sales.

Surplus for the year after tax: £27.3m

The net surplus includes net interest and financing costs of £20.7m (2020: £19.9m) and a £9.2m exceptional gain (see next page and Note 37 for details).

Total comprehensive income for the year: £37.1m

The net surplus for the year of £27.3m was significantly increased by a positive actuarial adjustment of £9.8m due to the year-end revaluation of pension assets and liabilities. The key changes are in the pensions financial assumptions with the discount rate reducing from 2.35% in 2019/20 to 2% in 2020/21; future salary increases reducing from 3.4% in 2019/20 to 2.6% in 2020/21; interest rates increasing from 0.8% in 2019/20 to 2.8% in 2020/21 and reducing mortality rates. (Note 27 provides further details).

Statement of Financial Position

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

Fixed assets: £564.4m

Capital expenditure is set out in Notes 12 to 14 to the Financial Statements. During the year we have invested a gross £50.0m in developing and acquiring new homes and have received approximately £9.7m from the Homes England Affordable Homes Programme towards the cost of our new build programme. We have also continued to invest in our existing housing stock in order to maintain homes above the Decent Homes Standard.

The capital cost of this investment during the year was approximately £11.7m. This combined investment can be seen in the movement in the net book value of housing assets to £538.9m from £490.6m in 2020. The year end balance includes £50m relating to schemes that are already on site and will contribute to future completed home targets.

Net current assets: £82.2m

Current assets have decreased by £39.7m. Significant movements include £4.8m reduction in properties held for sale and cash on hand reduced by £37.6m, which was mainly due to a £25m repayment of debt. Trade and other debtors increased by £1.1m with debtors due after one year and investments also increasing. Short term creditors have reduced by £20.7m reflecting repayment of £25m bank facilities in March 2021, a reduction in trade and other creditors of £1.9m and an increase of social housing grant received in advance of £7.1m.

Long term creditors: £470.2m

The net movement in long term creditors was a reduction of £3.4m. There was an increase of £7.7m in deferred grant income and a decrease in longer term debt of £11.2m. The most significant element of the reduction in debt was a deal to cancel the callable options on £20m of interest rate swaps with Lloyds Bank Plc. At the date of cancellation of the options, the fair value of £9.2m was released to the income statement as an exceptional gain.

Pensions provision: £8.7m

The pension provision has reduced from £14.2m to £8.7m, with an actuarial gain of £9.8m. The gain in the current year is mainly due to changes in financial assumptions as discussed above. The pensions plan assets value has increased from £202.4m to £238.7m, a total increase of £36.3m during the year with a significant return on asset. The pension liabilities have increased by £30.5m during the year from £216.6m to £247m, the overall liability being reduced by £8.7m due to changes in the demographic assumptions. (See Note 27 for more detail).

We also plan to invest a further

£53.3m

on routine, major and planned repairs on our existing homes.

Social housing lettings contributed

£101.3m

to Group turnover for the year.

Reserves: £166.8m

Reserves have increased by £37.1m reflecting the net comprehensive income for the year. Movement in the reserves balances is further shown in the Statement of Changes in Reserves on page 55.

Statement of cash flows

This statement shows that the cash inflow generated from operating activities of £50.4m provided cash cover 2.4 times over the interest payable of £20.9m.

During the year we funded investment in new and existing housing assets of £59.7m and also received grant income of £12.8m.

Cashflow from financing activities includes cash interest paid in the year of £21.7m with the difference being a movement in recognised accrued interest. There was a debt repayment of £25m made during the year. Overall, with the continued investment in our housing stock and repayment of debt and interest this year, after cash generated from operating activities, there has been a net cash out flow of £37.6m.

The impact of critical accounting estimates and areas of judgements

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

Business health: trend analysis, ratio analysis

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

	2020/21 £m	2019/20 £m	2018/19 £m	2017/18 £m	2016/17 £m
Turnover	120.8	112.2	108.6	105.6	99.1
Operating surplus**	33.1	28.6	31.6	37.4	34.2
Operating surplus*	**37.7**	**37.6**	**37.6**	**46.2**	**40.0**
Net surplus	27.3	17.5	18.8	34.4	22.0
*Including gains on disposal					
EBITDA**	46.1	41.0	43.1	47.8	44.4
EBITDA (MRI)**	34.4	29.2	31.3	38.7	36.7
**Excluding gains on disposal					
Total net assets	646.5	618.5	578.2	554.95	458.8
LT debt	401.1	402.5	396.1	396.5	335.8
Deferred grant	69.0	61.3	51.1	49.0	45.0
Derivatives	0.0	9.6	8.3	8.2	14.7
Other LT creditors	0.1	0.0	0.1	1.9	2.4
Pension provision	8.7	14.2	13.8	23.9	20.9
Other provisions	0.8	0.9	0.6	1.0	0.7
Income & expenditure reserve	**166.8**	**129.7**	**108.1**	**74.8**	**39.3**

Key financial and business ratios:

	2020/21	2019/20	2018/19	2017/18	2016/17
Operating margin social	35.7%	32.5%	35.7%	40.5%	37.3%
Operating margin (RSH)	**27.4%**	**25.5%**	**29.1%**	**35.4%**	**34.5%**
Operating margin	**31.2%**	**33.5%**	**34.6%**	**43.8%**	**40.4%**
Net margin	22.6%	14.7%	17.3%	32.5%	22.2%
ROCE	5.9%	6.1%	6.7%	8.1%	8.4%
EBITDA interest cover	2.14	1.94	2.07	2.39	2.26
EBITDA (MRI) interest cover	1.60	1.39	1.51	1.94	1.87
Covenant interest cover	2.11	2.12	2.10	2.68	2.40

	2020/21	2019/20	2018/19	2017/18	2016/17
Cost of funds	4.81%	4.84%	4.95%	5.06%	5.34%
Gearing ratio	59.7%	63.3%	65.1%	67.4%	70.2%
DPU £000	15.1	14.9	13.7	13.2	13.1
Net debt/turnover	2.57	2.77	2.61	2.44	2.55
Void rent loss	0.75%	0.59%	0.61%	0.68%	0.61%
Current arrears	3.18%	2.84%	2.16%	1.95%	1.95%

Business health: ratio analysis

The Group's operating margins are slightly higher than the benchmark median as shown in the VFM metrics on page 22.

Core operating margin on social housing activities remains strong at 35.7%, but Shared Ownership first tranche sales only generate a margin of 11.3%. As the proportion of Shared Ownership sales increases there will be a positive impact on operating surplus and cash flow, but the net operating margin could reduce due to the contribution of the lower relative margin.

The surplus after other activities and costs, which produce a net deficit due to non-capital development costs and pension adjustments is further reduced to 27.4%. However, the total operating margin including the surplus made on the sale of housing fixed assets is 31.2%, a small reduction on the prior year. Producing margins at these levels is a good outcome, particularly when considering the impact of increased costs and the pressure on income during the year due to COVID-19.

The Group repaid £25m of drawn debt during the year but increased undrawn Revolving Credit Facilities by £12.5m, partly reducing the interest cost going forwards. The Group has also taken advantage of the current low interest rate environment to secure £75m new funding from bLEND, deferred until October 2021. This has increased capitalised finance costs during the year and means that interest costs will increase in 2021/22. As a result of this activity interest cover ratios have improved from the prior year, and cost of funds, which is calculated on drawn funds, has also improved to 4.81%. The Group still has undrawn variable rate facilities and the cost of funds will further improve as these are drawn.

The cash holding of the Group has decreased this year as a result of investment activity and the maturity of loans. The Group still holds a significant cash balance, and coupled with the undrawn revolving credit facilities, offers a significant liquidity position. This can be seen as a useful buffer against any potential shocks to the operating environment, with both the implications of Brexit and the ongoing pandemic yet to be fully realised.

The Group has invested in the development of new social housing in the year, completing 332 new properties for rent and sale. This has resulted in an increase in asset values and a small reduction in gearing in the year. Whilst gearing appears high it is driven by the low asset values as a continuing effect of stock transfer. An alternative gearing measure more relevant to whg's funding agreements is the Net Debt per unit, which is £15.1k against a covenant of £25k.

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

Return on capital employed (ROCE) of 5.9% has reduced against the prior year figure of 6.1%. ROCE is calculated as operating surplus divided by net assets. As seen in the analysis above, surplus is higher than the prior year, and the asset base has increased with the addition of newly developed units, but not at the same rate.

There were 103 homes void at the end of the financial year, 20 of which were in the lettings process and 83 awaiting maintenance.

The percentage of current tenants' rent arrears has increased slightly in the year from 2.84% to 3.18%. Arrears are being proactively managed including support for the Group's tenants with managing the challenge of Universal Credit.

Treasury management

The Group has a formal Treasury Management Policy and Strategy which are reviewed annually by the Board. The Policy provides the framework within which the Group seeks to mitigate risk relating to the borrowings and cash holding it has at any one time. The Group maintains a risk-aware approach to its debt portfolio and seeks to ensure that sufficient liquidity is available to meet foreseeable needs. Treasury activities are also supported by independent professional advice from Link Treasury Advisors.

Liquidity and capital structure

The Group finances its activities using facilities of £450m, comprised of £200m loan facilities with Lloyds Banking Group and Santander, and the bond issue of £250m.

Current cash and facilities provide a high level of liquidity with £61.6m of available revolving credit facilities and £90.5m of cash and cash equivalents, including investments held as cash. In addition, the Group has an agreement to drawdown £75m of funding from bLEND in October 2021 (see below). The Group has a policy to maintain a minimum liquidity balance that covers 18 months of committed cash flows.

Loan facilities	Facility £m	Drawn £m	Available £m	Fixed £m	Variable £m
Bond finance	250.0	250.0	-	250.0	-
Bank finance	200.0	138.4	61.6	138.4	61.6
Total facilities	**450.0**	**388.4**	**61.6**	**388.4**	**61.6**
Funding mix				**86%**	**14%**

Interest rate management

The Group manages its interest rates through 86% of fixed rate funding and 14% of variable rate revolving credit facilities which are undrawn as at 31 March 2021. The fixed rate funding is comprised of the bond and drawn fixed rate loans from banks. In March 2021 the Group cancelled callable options on £20m of interest rate swaps at a cost of £104k, meaning that all debt is now basic financial instruments. This has allowed the Group to protect itself against the risks associated with future rises in interest rates and fair value accounting.

Investment policy

Cash balances are invested on competitive term rates until required. In accordance with the Treasury Management Policy, the Group maintains a list of investment limits for approved organisations with which it will deposit funds. The ratings of the approved organisations are checked to ensure investments are not at risk. Surplus cash is put in either fixed or floating deposit accounts. Fixed rates of interest attract rates of between 0.05% and 0.5% for investments of up to 125 days. Floating rates attract interest at rates that vary with bank rates.

Currency risk

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

Loan covenants

There are two corporate based covenants, Net Interest Cover and Net Debt per Unit. In addition, a minimum asset cover is required on each individual facility. The Group ensures that it operates with a prudent level of headroom and monitors covenants on a monthly basis. This is reported to the Board on a quarterly basis. The Business Plan is very resilient to these covenants with a degree of headroom. As at 31 March 2021 and throughout the year, the Group met both its covenant targets for the financial year.

Year-end corporate covenant performance	Covenant	Actual	Met
1. Net Interest Cover:	1.1	2.11	Yes
The ratio of Adjusted Operating Surplus to Net Interest Payable is greater than 1.1:1.0 for the financial year			
2. Net Debt per Unit:	£25k	£15.1k	Yes
The Net Debt per Unit must not exceed £25k throughout the duration of the facilities			

Capacity

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

The other limiting factor on future borrowing is how much spare capacity the Group has to provide security against future borrowing. The Group's assets are subject to regular revaluations to determine the portfolio value for the purpose of securing existing and new debt. Current valuations are estimated to be £811m against an asset cover requirement on existing facilities of circa £485m, leaving a healthy amount of headroom.

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

Bond

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

bLEND funding

On 13 October 2020 bLEND Funding plc tapped its benchmark 2054 bond for £75m on behalf of the Group, with drawdown deferred for a year. This funding had a price of 2.267% with a spread of 148bps over gilts. Given that the coupon rate for the bond was 2.922% the issue attracted significant levels of issue premium, meaning that when the funds are drawn down in October 2021 the Group will receive £84m. This provides certainty for the Group's liquidity position over the next 12 months, and the funds will be used to fund the ongoing development programme.

Credit rating

Moody's carried out their annual credit rating review for the Group in December 2020. The Group's rating is A3 with a stable outlook. The following assessment was provided:

'The credit profile of Walsall Housing Group Limited (A3 stable) reflects:

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

Value for money

Strategic approach

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

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

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

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

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

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

Effective governance

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

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

The Board keeps our governance structure under review to ensure that it remains fit for purpose and meets the requirements of the Standard. In 2020, following extensive consultation and negotiation with Walsall Council, we removed Visionary Investment Enhancing Walsall Limited (VIEW) from our Group structure after completion of the dissolution process and transfer of engagements to Walsall Housing Group Limited. Further review of our structure resulted in the dissolution of Buy For Good completed on 20 April 2021. We are currently working through actions to streamline our governance arrangements for development, which includes the Boards of Anthem Homes Limited, whg Developments Limited and the Development Committee (a Committee of the whg Board).

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

Building and acquiring more homes

We are continuing with our Corporate Plan to achieve growth by development, our Development Strategy being refreshed in Autumn 2020. We are now starting to form geographical clusters across the West Midlands in support of operational efficiency while bringing in more rental and sales income. In 2020/21 we completed 332 new homes. These new homes offer a mixture of rent and Shared Ownership opportunities to cater for the diverse housing needs of our customers.

Achieving an optimal benefit

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

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

Value for money performance

Value for money metrics

We report and compare our performance against the value for money metrics using the latest Global Accounts published by the RSH, which has reported sector performance outturns for 2019/20. This is a comprehensive data set for comparison purposes, and we have compared ourselves against other RPs using lower, median and higher quartiles. The table below shows our performance and our quartile position in relation to the median results of a benchmark peer group comprising all RPs. We also indicate the average performance for RPs operating between 20,000 and 29,999 homes. In reviewing our comparative performance, we need to consider the different operating environment created by the pandemic in 2020/21 that is not reflected in the 2019/20 global accounts. We have used the term 'Upper' to describe positive performance.

Value for money metrics	whg 2018/19	whg 2019/20	whg 2020/21	Average of RP's 20,000 -29,999 homes	Sector median 2019/20	whg quartile position
Reinvestment	11.4%	13.8%	**11.6%**	**5.9%**	**7.2%**	Upper
New supply social	2.7%	2.1%	**1.6%**	**1.4%**	**1.5%**	Median
New supply non-social	0.0%	0.0%	**0.0%**	**0.3%**	**0.0%**	Median
Gearing	65.1%	63.3%	**59.7%**	**45.0%**	**44.0%**	Lower
EBITDA MRI interest cover	151%	138.6%	**159.9%**	**138.0%**	**170.0%**	Lower median
Headline Social Housing CPU	£3,340	£3,473	**£3,327**	**£3,540**	**£3,830**	Upper
Operating margin – social	35.7%	32.5%	**35.7%**	**24.6%**	**25.7%**	Upper
Operating margin – overall	29.1%	25.5%	**27.4%**	**20.6%**	**23.1%**	Upper median
Return on capital employed	6.7%	6.1%	**5.9%**	**3.1%**	**3.4%**	Upper

'Reinvestment %' looks at the scale of investment in our existing and new homes as a percentage of their value. We are upper quartile for this metric due to our approach to maintaining the quality of our homes, supported by the low historic asset values of our stock. The average for RPs of a comparable size to us is 5.9% making our comparative performance even stronger.

‘New supply social %’ expresses the number of new social homes delivered in 2020/21 as a proportion of all homes owned at 31 March 2021. In 2020/21 our performance is in line with the median industry performance. RPs of a comparable size delivered a slightly lower return of 1.4% in the benchmark year.

New supply non-social is 0% as expected. There were no plans to deliver either Market Rent or Outright Sale homes during the year although these are included in mixed development schemes in the future. RPs of our size delivered 0.3% non social properties in the benchmark year.

The ‘Gearing %’ shows the proportion of net borrowing in relation to the value of the asset base and indicates the degree of dependence on debt finance. Our lower quartile performance reflects our low asset values due to our stock transfer origin and valuation method. Similar size RPs sit at an average gearing of 45%. Our net debt per unit is only £15.1k and is a better measure of the proportion of debt to underlying asset value.

‘Earnings before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA MRI) Interest Cover %’ measures our level of cash surplus generated as a percentage of interest paid. It shows our headroom for meeting interest payments on existing debt. The interest cover percentage reflects a lower median comparison to the sector. This is partly explained by the carrying cost of the bond. Compared to the average for RPs of our size at 138%, this is still a relatively strong position. Liquidity has to be constantly managed in the short, medium and long term.

‘Headline social housing cost per unit’ combines several cost elements to provide our overall social housing cost per unit. Our costs in 2020/21 reflect an upper quartile performance however, our expenditure for 2020/21 reflects a more significant COVID impact than the comparator for 2019/20. RPs of our size are closer to us at £3,540 per home.

‘Operating Margin %’ shows the profitability of our assets and is an indicator of our operating efficiency. Our social housing operating margin reflects an upper quartile performance from our core activities when compared to the sector. Again this comparator is significantly impacted by COVID operations. RPs of a similar size to whg performed a little less well than the sector median at 24.6%.

Our overall operating margin reflected an upper median performance to the sector. Compared to RPs of our size at 20.6%, our relative performance is stronger still.

‘Return on Capital Employed’ shows how well we are using our capital and debt to generate a financial return. This indicator remains upper quartile. With low historic asset values, any increase in asset value due to development at current cost, has a proportionately bigger impact on this ratio. RPs of our size averaged 3.1% return in 2019/20.

Strategic Performance Indicators are included in the Strategic Report on page 8.

Bespoke whg VFM metrics

The table below shows performance against our bespoke VFM metrics. Broadly performance has been good across almost all of our indicators. This is particularly against the challenging operational context of the pandemic with government restrictions to be followed as part of service delivery, for example on repairs. Our approach to target setting during the year has been different to previous years, reflecting the changing situation we found ourselves in.

Aim	Performance indicators	VFM theme	Target 2020/21	Actual 2020/21
Deliver high quality homes and services for our customers	Customers who would recommend whg	Effectiveness	82%	84%
	Customer contact that is avoidable	Efficiency	<5%	3.9%
	First Point of Contact Resolution	Efficiency	70% by 2024	66%
	Properties with a valid gas safety certificate	Effectiveness	100%	99.98%
	Properties with an electrical condition report	Effectiveness	100%	99.99%
	Customer satisfaction with repairs	Effectiveness	>84%	83%
	Repairs appointments made and kept	Economy	>98%	90.71%
	ASB satisfaction with case handling	Effectiveness	100%	100%
	Planned asbestos inspections carried out in communal areas	Effectiveness	100%	100%.
	Planned water hygiene risk assessments completed	Effectiveness	100%	100%.
	Communal areas with a Fire Risk Assessments	Effectiveness	100%	99.74%
	Decent Homes Standard compliance	Effectiveness	100%	99.9%
	Customers satisfied with quality of home	Effectiveness	>81%	84%
	% of customers satisfied with rent as VFM	Effectiveness	87%	89%
Be an exceptional place to work that attracts, develops and retains talent	Colleagues who would recommend whg as a great place to work	Ethics	90%	92%
	Contracted hours lost due to sickness (short and long-term)	Efficiency	<3.5%	4.37%
	Annual Rolling Colleague Turnover	Effectiveness	<15%	10.21%
	Number of colleague accidents and near misses	Economy	Do not set a target.	41 accidents
Grow and extend our services, our reach and our range	Homes completed	Effectiveness	500	332
	Homes started on site	Effectiveness	299	325
	Shared Ownership Home Sales	Effectiveness	140	168
	Secure at least £5m of external funding by 2024	Ethics	£1.25m	£1.38m

Aim	Performance indicators	VFM theme	Target 2020/21	Actual 2020/21
Promote health and prosperity where we can make a difference	Number of customers supported to increase their confidence, skills, health and wellbeing by moving them into new opportunities	Equity	>2500 10,000 by 2024	4,240
	Generate social value each year equivalent to a third of our annual turnover	Equity	>£34.6m	£38m
Deliver a strong business, fit for today and prepared for tomorrow	Our operating margin will exceed 30%	Equity	>30%	31.4%
	Work towards achieving upper quartile performance for headline social housing cost per home	Economy	By 2024	Upper quartile
	Current Arrears	Economy	<5%	3.18%
	Void Rent Loss	Economy	<2%	0.75%
	VFM Gains	Economy	£3m	£3.5m
	Property Turnover	Effectiveness	<1,440	1,112
	Customers signed up to Clickstart	Equity	No Target	492
	Stakeholders rating on whg using strong social purpose to have a social impact	Equity	9 out of 10	8.4
	Stakeholders rating on making smart choices on using its assets to create more capacity and achieve VFM	Equity	9 out of 10	8.3

Our VFM Strategy outlines our aims to deliver value for customers and stakeholders. Performance on our customer safety measures, such as percentage of homes with a valid gas safety certification has been positive. Our customer satisfaction measures, such as a one percent increase in customers who would recommend our services, reflect the continued work to shape our services with our customers; delivering value for money. Ensuring we are delivering VFM services means we can use our income on a range of services, for example the strong work done during the pandemic to support customers into employment. Equally we continued our track record in building new homes supporting the increase of affordable housing supply which benefits customer and stakeholders such as Local Authorities and Homes England.

Value for money progress 2020/21

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

In 2020/21 we achieved £3.5m of value for money savings and other savings, working with partners and efficiencies, with the bulk of this reinvested in to works to improve homes and neighbourhoods. Summary of savings:

Area	Actual March 2021 £000's	Annual target £000's
Lever in ECO funding to support our programme of energy efficiency improvements to our homes.	55	64
Recover VAT through our development and maintenance programmes	1,344	1,644
Secure procurement savings	643	100
Asset Management savings relate to corporate social responsibility rebate, segregation savings on wastage, LEP and aids & adaptions funding and SMS Frameworks.	746	954
Securing Innovate UK grant funding for Advanced Method of Construction works	180	180
Margin interest uplift with less interest paid over to the bank	78	59
Insurance (Claims settled at lower than reserve)	280	0
Energy Redress Scheme (Fuel vouchers for customers)	50	0
Levered in funding from Barclays Bank PLC to provide 300 electronic devices to our most vulnerable customers	100	0
whg secured Warm Homes funding providing a 50% contribution to replacement heating system installations for four properties.	9	0
Total	**3,485**	**3,001**

Progress against value for money projects

Aim 1 – Delivering value for customers

Delivered:	Principles:
Over 8,000 customers now registered on My whg portal and using the service to review their rent statements, make payments and report a repair.	Efficiency/Effectiveness
The Customer Services Team has been fully operational throughout the pandemic from home.	Efficiency/Equity/Ethics Effectiveness
Predictive arrears functionality has now gone live.	Economy/Efficiency

Delivered:	Principles:
Use of technology: • Voicescape contacted large numbers of customers generating payments of £128k with a further customer promise of £419k. • 150 tablets delivered to digitally excluded customers • Progressing the digitalisation of processes. • Mobilised welcome visits and virtual document signing.	Economy/Efficiency/ Equity
We constantly strive to drive value through our procurement activity.	Economy
whg secured Warm Homes funding providing a 50% contribution to replacement heating system installations. Four properties will qualify providing a saving of over £9k.	Economy/Equity/ Effectiveness
whg has led on the strategic Walsall Fuel Poverty Steering Group. The group has a broad membership of key partners and focuses on reducing the impact of Fuel Poverty.	Economy/Equity/ Effectiveness
Project Uplift providing flexible part time employment for single parents with children in school.	Equity/Ethics
BIM/ Digital Twin modelling of our high-rise blocks to provide building information in one place. Can also be used by Fire Services in the event of any incident.	Equity/Ethics/ Effectiveness Efficiency
whg avoided consultancy cost of £149k by using in house resource to develop Choose and Move software.	Equity/Efficiency
£100k donation from Barclays COVID Grant Scheme secured and used to support the whg Christmas Kindness Campaign. Providing gifts, food hampers, energy saving vouchers and digital tablets to customers in hardship.	Equity/Ethics
Development: • New scripting process in preparing KPI reports for defects allowing focus on value engineering. • Repurposing of the small sites portfolio to focus on regeneration.	Efficiency/Effectiveness/ Economy/Ethics
The Health and Wellbeing Team, a part of the Social Prescribing team enhanced training to enable colleagues to work more effectively and efficiently with customers.	Equity/Ethics
whg has become the representative of housing on the Walsall Together Board.	Equity/Ethics
The fly tipping process has been streamlined.	Ethics/Economy/ Effectiveness
Implementation of Home Match CRM, linked with Sequel, creating better reports and improving the customer experience	Economy/Effectiveness
Introduction of lone working devices to all relevant colleagues	Ethics

Aim 2 – Delivering value to stakeholders

Delivered:	Principles:
COVID-19; whg Stay in Stay Well project, used resources from across the business to phone vulnerable customers and ensure they were properly supported. We made approximately 8,000 of these calls. The calls are a Safe and Well check and focus on reducing our customers' feelings of loneliness and isolation.	Equity/Ethics/ Effectiveness
As part of our ongoing Kindness Counts project, we identified customers who are impacted by Food Poverty. 600 customers were identified for a three-day meal pack over the Christmas period and we began a Clever Conversation with relevant customers to signpost them to longer term support.	Ethics/Effectiveness
COVID-19; Repair's operatives helped support food distribution and deliver approximately 6,000 food parcels to vulnerable families. We also helped to refurbish a local hospital.	Equity/Ethics/ Effectiveness
Phase 1 of the restructure/reorganisation of the Planning and Admin function within Homes Maintenance Service is complete. With further scoping taking the end to end repairs project into account in early 2022/23.	Economy
Development: • Electronic inspection tools supporting Quality managers to be more efficient. • Standard house types rolled out. • We are using a gateway process to capture best value from dispose/retain decisions.	Efficiency/Effectiveness/ Economy/Ethics
Our customer satisfaction measure has been at 86% for two years now. We have seen a 3% increase in the percentage of customers who would recommend our services to 85%.	Equity/Ethics
The colleague voice was launched enabling our people to be involved, listened to and invited to contribute their experiences, expertise and ideas.	Ethics/Efficiency
We had positive results in relation to our engagement survey in October 2020, with 92% of our colleagues saying they would recommend whg as a place to work and 93% saying they would recommend our services.	Ethics/Efficiency/ Effectiveness

Building more homes

In 2020/21 we invested a gross £38.6m in developing and acquiring 332 new homes.

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

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

Maintaining and improving existing homes

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

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

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

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

We aim to survey 20% of our stock each year (in 2020/21 we achieved a 15% survey due to COVID restrictions) to ensure we know our investment requirements and these feed into our Business Plan capital investment plans. We will be investing over £1.2bn in repairing, maintaining and improving our homes over the next 30 years. We invest in our existing housing stock in order to maintain homes to our 'Great Homes and Neighbourhoods Standard' and all of our properties meet the Government's Decent Homes Standard.

Our five-year investment plan represents a total investment of over £185m in maintaining our homes. This prioritises work to properties with the greatest maintenance needs. The Business Plan includes elemental replacements, health and safety works, neighbourhood improvements and energy efficiency works so all of our properties will have an energy rating of C or above by 2030. The legislation in respect of a minimum energy efficiency standard came into effect from April 2020. Properties will be required to be at a minimum Decent Home Standard energy rating of E or above.

We spent a combined total of £41.7m on our existing homes in 2020/21 on component replacements, routine repairs, major repairs and planned repairs.

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

In order to continue to deliver high quality homes for our customers we actively appraise the performance of our homes, not just those that become empty or difficult to let. We have assessed all our homes' return on assets using a number of financial and social indicators of performance. For example, financial indicators have included a consideration of the rental income stream, stock condition costs, management costs, maintenance costs, void rent loss, tenancy turnover, market values and economic assumptions that can affect future forecast costs. Social indicators of performance have helped us to assess fuel poverty, level of anti-social behaviour on estates, waiting list demand by local area, employment, health and geographical barriers, all of which help us understand our customers and their wellbeing. This financial and social data has been combined to help inform future investment decisions and neighbourhood planning and will link into whg's ESG roadmap.

Social impact

We are proud of the positive impact we make through our investment in improving the health and prosperity of our customers and regenerating the neighbourhoods in which they live. This includes the substantial social impact we make through our homes and services, the amount of social value we generate and the public money we save on an annual basis as described in our Social Impact Report. During 2020/21 we generated social value of £38.0m based on the HACT Wellbeing Valuation Model.

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

Value for money plans for 2021/22

We plan to make further value for money gains and have a minimum target of £1.9m for 2021/22.

Value for money targets	Target 2021/22 £000's
Recover VAT through our development and maintenance programme.	1,703.8
Secure procurement savings	100.0
Asset Management Budget savings	85.1
Margin interest uplift with less interest paid over to the bank	48.7
Total	**1,937.6**

Value for money projects

We will deliver the following initiatives and projects to secure additional value for money in 2021/22:

- Collect and review evidence of value for money progress, gains, and social value achievements through our 'virtual evidence pack', progress report and Social Impact Report to tell the wider story of the broader positive value and impact on customers from the homes and services provided by whg;
- Work towards reducing cost per unit outliers;
- Continue to challenge ourselves to identify digital solutions to business operations: through our digital action plan which supports the organisation's digital ambitions;
- Deliver a wide range of strategic change projects that will ensure we work as effectively as possible across the business.
- Re-procure contracts to generate Value for Money and efficiency savings and ensure customers are safe and well served in their homes;
- Deliver our Commercial Strategy and generate 'profit for purpose'.

Below is a list of projects in progress that will be completed in 2021/22.

Aim 1 – Delivering value for customers

In progress:	Principles
A Home Maintenance Services (HMS) review resulting in: • Project Magna, improving the first point of contact and delivering a 69% reduction in overdue tasks. • Asset review project to modernise remote working systems. • Redesign of out of hours operating model	Efficiency/Effectiveness/ Economy
New Health and Wellbeing Strategy delivered to customers from April 2021.	Equity/Ethics
We are setting up the HomeTrack intelligence database to provide sales reports to New Business and support a new sales website.	Economy/Efficiency
We are automating and enhancing our repairs service.	Effectiveness/Efficiency
The relaunch of our learning through complaints approach will improve knowledge sharing through the Mates to Managers training programme.	Efficiency/Effectiveness/ Economy
Polaris project forecasts savings on the replacement of Meraki £25.5k; Egress £22.5k; RSA solution £13k; and £20k cost avoidance through reducing the number of RSA tokens.	Efficiency/Effectiveness/ Economy

Aim 2 – Delivering value to stakeholders

In progress:	Principles
The Customer First project is underway to streamline processes, increase the quality of response, and the first point of contact resolution of more complex Housing enquiries. Customer and colleague satisfaction indicators will measure success.	Ethics/Equity/Efficiency
We are launching our new Community Housing Model, the whg approach to managing our homes and communities supporting and safeguarding our community ethos.	Economy
The People Strategy was launched in April 2021.	Ethics/Efficiency/ Effectiveness
DB Capture implemented in January, enabling supplier invoices to be scanned automatically into Open Accounts. Improving productivity.	Efficiency/Effectiveness
Digital delivery of customer facing platforms is continuing at pace with the acquisition of Mendix Low Code platform and the recruitment of an in-house development team. The first deliverables being Choose and Move software to simplify customer application process, followed by end to end online repairs.	Ethics/Efficiency/ Effectiveness

Principal risks and uncertainties

The housing sector is currently facing a changing landscape with legislative and regulatory reform coming through the Social Housing White Paper, Building Safety Bill and Fire Safety Act and large scale investment will be required to meet the carbon zero/neutral agenda. Therefore the environment in which we operate produces inherent risks that we face in our everyday operations including economic challenges, government policy and social change. The Board clearly sets out its appetite to risk, providing the setting for business operations. We are not averse to taking on measured risk to deliver our objectives, but when taking these decisions, the Board fully appraises the risk to understand the potential impact.

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

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

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

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

A summary of our Corporate Risk Register is set out below.

Risk	Steps taken to manage or mitigate
Information security breach.	We have a resilient security network and strong technical controls and arrangements to ensure that data is held securely. User access to systems is controlled and monitored using system access requests. Our IT estate is protected by firewalls and other systems security measures, which are subject to third party penetration testing. Cyber security is a constant threat, which is why we have our own in-house Cyber Security specialist, as well as retaining specialist third party support for cyber security. We are working towards Cyber Essentials Plus accreditation.
Customers do not/ are not able to pay their rent.	Arrangements are in place to identify and support customers affected by welfare reforms and financial exclusion. Income collection is maximised through rigorous escalation procedures to prevent arrears increasing. COVID-19 impacted on customers' ability to pay rent so we provided more colleague resource to support customers, for example to agree deferred payment plans and target money advice. We have stress tested the projected arrears increase against the Business Plan and arrears and rent collected are included in the suite of Key Performance Indicators (KPIs) reported to Board.
Business Plan income targets are not achieved.	Income from all streams is monitored and the Business Plan stress tested against a range of scenarios, including increased voids, under-performance of the development programme and conversion of new homes intended for sale to rental homes and potential Brexit or COVID-19 related issues. Potential mitigations have been identified in the Budget that, if required, could generate operating surplus savings and improve cash/liquidity. The KPIs reported to the Board include forecast surplus and cash position.
Exposing customers to health or safety risks.	COVID-19 increased the health and safety risks to customers as it was more difficult to carry out appointments to do essential safety work. Colleagues entering customers' homes also carried the risk that they might be spreading the virus. However strong performance was maintained and the Group has a robust Quality Assurance process in place with appropriate testing and inspection. All gas servicing is completed in-house with a programme to ensure gas servicing visits are planned appropriately. The KPIs reported to the Board include customer safety measures.
Failure to maintain assets in line with regulatory standards and customer expectations.	The Group has a dedicated team to maintain assets in line with the Asset Management Strategy which is underpinned with asset condition surveys. The Asset Management Strategy is a critical business tool used to align our property assets with business need; directly linked to the Corporate Plan and supported by the 30-year Business Plan. We have a recovery plan for addressing the backlog from COVID-19 and we have developed resilience plans for further restrictions.

Risk	Steps taken to manage or mitigate
Appropriate levels of funding are not available.	We have an effective Treasury Management Strategy in place that sets out a funding plan that meets the requirements of the annual Business Plan. In addition, the Board has set a liquidity Golden Rule that requires the business to have facilities in place to meet the next 18 months' development spend and debt repayments. Therefore the strategy must remain flexible and centred on the value for money principle. For example, in 2020/21 the Group took advantage of the low interest rates and secured £75m new long term funding with a drawdown deferred for a year. The Board reviews the Group's funding position and forecast on a quarterly basis.
Failure to meet regulatory/ and statutory requirements.	The Group has resources in place to identify requirements, assess compliance and progress any actions. Scrutiny arrangements and reviews of policies and procedures ensure any new requirements are complied with. We are closely monitoring compliance during the COVID-19 pandemic.
Failure to meet deadlines and successfully deliver the development/ build programme.	Performance targets are monitored, and robust scheme assessments and contractor due diligence is carried out. COVID-19 had a temporary impact on our completions and pipeline and our ability to let properties. The financial impact from the updated stress testing is that projected rental income from new build homes will reduce but there is no threat to covenant compliance or liquidity as a result of these re-forecasts. The Business Plan is supported by a robust golden rule framework that can withstand a multitude of stressors.
Failure to achieve desired Outright Sale/Shared Ownership sales goals.	Joint venture arrangements with developers reduce exposure to any market downturn relating to Outright Sale homes. Potential schemes are robustly assessed to meet financial criteria and quality standards. Shared Ownership homes are marketed, and sales proactively managed, by an experienced team to start to secure sales ahead of completion. COVID-19 was a positive impact in terms of 168 Shared Ownership and four Outright Sale homes sold, with £16.5m receipts, £3.2m ahead of target. Part of our mitigation strategy is to convert unsold homes to rental tenures, if necessary. We are currently experiencing high demand for Shared Ownership and the challenge is to develop homes quickly enough to meet demand. Unsold homes are included in the new suite of KPIs reported to Board.
Insufficient skilled colleague resource to meet operational and strategic needs.	The Group invests in training and developing colleagues and the annual budgeting process includes a review of the resources needed. It has processes in place to identify ongoing needs at team and individual level. The Group also places a strong focus on colleague engagement. Services have continued to be provided despite COVID-19 and all roles that could be performed remotely from home were enabled through the use of technology, with front line services being delivered digitally or scaled back to protect colleagues and customers.

Risk	Steps taken to manage or mitigate
Failure to deliver against whg's health and prosperity targets.	whg supports customers into employment or training, through with health and wellbeing initiatives and money advice. Performance targets are set and monitored and work with delivery partners is managed through Service Level Agreements. Services are being delivered remotely where possible in response to COVID-19 and we continue to work in partnership with other agencies.
Failure of strategic change projects.	There is a robust project management process in place with governance oversight of strategic projects. Resource planning and impact assessments are included as key features of the process. The project portfolio has been reprioritised due to COVID-19.

Energy and carbon reporting

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

whg has opted to use the Operational Control boundary definition to define its carbon footprint boundary. The reporting period for the compliance is 1 April 2020 to 31 March 2021. Included within that boundary are Scope 1 and 2 emissions, as well as Scope 3 emissions from gas, electricity, company fleet and grey fleet in the UK. The Green House Gas (GHG) Protocol Corporate Accounting & Reporting Standard and UK Government's GHG Conversion Factors for Company Reporting have been used as part of our carbon emissions calculation.

The results show that whg's total energy use and total gross GHG emissions amounted to 9,643,847 kWh and 2,063 tonnes of CO_2e respectively in the 2020/21 financial year in the UK. Within the financial year, whg purchased 100% green electricity and gas backed by Renewable Energy Guarantees of Origin (REGOs) and Renewable Gas Guarantees of Origin (RGGOs) respectively. whg's transition to green gas in all communal heating means that we moved around 693 homes to a carbon neutral heating system. Furthermore, whg generated 467,436 kWh of electricity through solar panels at 123 sites and 50% of the generated amount exported to the grid.

whg have chosen 'Tonnes of CO_2e per full time employee (FTE)' as an intensity metric as this is an appropriate metric for the business. The intensity metric for the financial year 2020/21 was 2.93 compared to 3.30 in 2019/20.

The results are presented in the following tables:

Table 1: Emissions

Type of emissions	Activity	kWh	tCO2e	% of total
Direct (Scope 1)	Natural Gas	2,984,853	549	27%
	Company Fleet	2,070,830	498	24%
	PV Generation	467,436	-	-
	Subtotal	**5,523,119**	**1,047**	**51%**
Indirect (Scope 2)	Electricity	3,743,439	873	42%
	Subtotal	**3,743,439**	**873**	**42%**
Indirect (Scope 3)	Grey Fleet	611,007	143	7%
	Subtotal	**611,007**	**143**	**7%**
	Total	**9,877,565**	**2,063**	**100%**
	PV Exported energy to the grid	233,718	(54)	-
	Total energy usage kWh	**9,643,847**	**2,009**	**-**

Table 2: Intensity metric

Measure	Output 2020/21	Output 2019/20	Annual change
Total energy use (kWh)	9,643,847	10,193,619	(5.4%)
Total gross emissions (tCO2e)	2,063	2,321	(11.1%)
Renewable electricity (tCO2e)	(873)	(1,005)	(13.1%)
Electricity exported to grid (tCO2e)	(54)	(52)	(5.4%)
Total net emissions	1,136	1,264	(10.2%)
Number of full time employees (FTE)	704	704	0.00%
Tonnes of gross CO2e per FTE	2.93	3.30	(11.1%)

Energy efficiency

The aim by 2024 is to have no property less than a D rating, and by 2030 no less than a C rating. whg is currently in the process of preparing its road map to decarbonisation ready for the next Corporate Plan. The roadmap will include the proposed investment approach which is likely to require funding from existing and new debt facilities as well as external grant funding from government sources.

Within the 2020/21 financial year, whg completed:

- 1,423 energy efficient measures of either thermal or heating improvements.
- 1,227 boiler or full heating replacements to new energy efficient central heating systems.

- 67 external wall insulation which included new roofs and windows on our properties.
- 128 window installations.

It is anticipated that 7,105,000 kWh energy is going to be saved across the five years to 2026 through these energy efficiency measures, which could lead to a potential saving of a further 1,600 tonnes of CO2e.

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

The Board of Directors of Walsall Housing Group Limited consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act) in the decisions taken during the year ended 31 March 2021. In particular, by reference to the approval of our 10-year Corporate Business Plan launched in 2014. We work within a regulated sector and are proud to hold the highest level accreditation of G1/V1 for our Governance activity and our Financial viability.

Long term consequences of our decisions

Our plan was designed to have a long-term beneficial impact on the company and to contribute to its success in delivering quality homes and service to our customers. We will continue to operate our business within tight budgetary controls and in line with our regulatory targets. Our plan was informed by engagement with customers, enabling us to gain an understanding of their views and priorities, communicating and listening. We have a strong commitment to quality.

Key decisions in the year to demonstrate that decision making has been supported by financial and non-financial information: The Board approved the annual Budget in March 2020 and then again a revised Budget part way through the year to accommodate the potential financial impacts of COVID-19. As part of this Budget approval, the Board assessed in depth financial information on all aspects of the business. In addition, the Board approved a long term Business Plan and all economic assumptions made within it. The Board assessed the financial impact of numerous scenarios on the Business Plan via a comprehensive set of stress tests and mitigating actions to ensure ongoing financial viability should the economic environment worsen. In terms of non-financial information, the Board has assessed performance information on a regular basis throughout the year and used this to determine investment decisions for the long term Business Plan. Key examples of this include investment in digitalisation, additional colleague posts to support delivery of the Corporate Plan and investment in community projects to deliver social returns.

Interests of our employees

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

Key decisions in the year that demonstrate protection of employees' interests: Colleagues were awarded salary uplifts in line with industry averages in recognition of the importance of paying people fairly for their services. To support this approach, regular salary benchmarking takes place to ensure colleagues' salaries are in line with industry norms. whg continues to invest in pension scheme arrangements to support its employees, offering a choice of schemes allowing colleagues to select the most appropriate for their circumstances. There are various employee groups in operation within the business ensuring that employees have a voice and training on ethnicity, diversity and inclusion has also been provided to support the culture of treating people fairly. A robust policy framework is in place, including policies for code of conduct and health and safety, which protects employees. In addition, an annual colleague engagement survey is carried out to monitor the ongoing wellbeing of teams across the business. The engagement scores are high, indicating that whg's approach to colleague management is in line with its ambition to be an employer of choice.

Business relationships with suppliers, customers and others

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

Key decisions in the year that demonstrate relationship management with stakeholders: whg actively engages with stakeholders during the year through various channels. In terms of suppliers, an effective procurement strategy is in place which enables opportunities for suppliers of all sizes to offer their services and ongoing contract management approaches ensure that suppliers receive the level of engagement expected from whg as determined by the contractual arrangements. In terms of customers, whg's Corporate Plan is heavily focused on delivering high quality services to customers and various activities take place during the year to engage with customers, seek feedback on our services and use customer survey data to inform future shaping of service delivery. There are various forums for customers to participate in decision making including customer representation at Board level.

Impact on the community and the environment

Our plan considered the impact of the company's operations on the community and environment and our wider societal responsibilities, and in particular how we impact the regions we serve throughout the Midlands. See pages 35-36 for more detail on the work whg does to improve the impact its activities have on the environment.

Key decisions in year to demonstrate our impact on the community and environment: the most significant decision made this year is to invest in improvement work to reduce the risk of fuel poverty for our customers whose homes are currently not a minimum EPC-C rating. The investment plan aims to make all homes a minimum of EPC-C by 2030. Alongside this decision, whg has also assessed the return on investment of all of its homes, considering financial returns and social returns and has used this data to work on a deep dive review of its poor performing homes with the aim of appraising various options to achieve the sustainability of these homes. whg has also commenced developing its ESG roadmap to articulate how current activities meet environmental and sustainability outcomes and develop new objectives to drive future investment decisions.

High standards of business conduct

As the Board of Directors, our intention is to behave responsibly and ensure that management operate the business in a responsible manner, operating within the high standards of business conduct and good governance expected for a business such as ours and in doing so, will contribute to the delivery of our plan. The intention is to nurture our reputation, through both the construction and delivery of our plan that reflects our responsible behaviour. whg is well run and has tight budgetary controls ensuring we achieve our budgeted targets each year. This provides assurance to our bank lenders and to our investors in the debt capital markets.

Key decisions in the year: whg carries out an annual assessment of compliance against regulatory standard and continues to achieve a G1/V1 regulatory grading, evidencing high standards of business conduct. In addition, the assurance framework and three lines of defence model continues to drive a strong internal control environment. There are numerous policies in place for code of conduct, standing orders and financial regulations, fraud and whistle-blowing, all of which provide a clearly defined framework for business conduct.

Act fairly between members

As a Registered Provider of social housing, a charity and not for profit organisation the focus of our activities is only to deliver housing and other support services to our customers.

Key decisions in the year: Terms of reference are in place for each company and Board within the group to ensure that the Board members adhere to acting in the best interests of each company. The adoption of the NHF Code of Governance 2015 and work ongoing to adopt the new Code of Governance 2020 support the efficacy of the Board acting fairly and supporting the interests of customers and employees.

Statement of compliance with the SORP

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

The Strategic Report of the Board was approved by the Board on 29 July 2021 and signed on its behalf by:

Danielle Oum, Chair of the Board
29 July 2021

The report of the Board

The Board presents its report and audited Financial Statements for the year ended 31 March 2021.

The Group

The Group is a not-for-profit organisation with properties throughout the Midlands. The Group as of 31 March 2021 owns and manages 21,619 homes.

Principal activities

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

Board statement of public benefit

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

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

As a registered charity, The Board Members of Walsall Housing Group Limited, who are considered Trustees's under Charity Law are responsible for ensuring compliance with all relevant charity law. We provide annual returns to the Charity Commission and have arrangements in place to obtain Trustees' consent before disposing of assets. Any non charitable activities are carried out in an appropriate subsidiary company.

Governance

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

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

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

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

Complying with the National Housing Federation (NHF) Code of Governance 2015

The Board has chosen to adopt the NHF Code of Governance 2015. The Board is working toward compliance with the NHF Code of Governance 2020, which will be in place for the 2022 report. This Code is designed to ensure that housing providers such as whg maintain the highest possible standards of corporate governance. The principle underpinning the Code is that organisations should either confirm that they comply with all the requirements or explain any areas of non-compliance.

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

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

Board statement on compliance with RSH's governance and financial viability standard

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

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

General data protection regulation

whg respects an individual's right to data privacy and data protection in line with the General Data Protection Regulation (GDPR).

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 2021.

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 business relationships. We have taken steps to ensure that adequate processes and controls are in place to ensure slavery and human trafficking is not taking place anywhere in our supply chains.

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

Colleagues

whg has a strategic aim 'Be an exceptional place to work that attracts, develops and retains talent'. Our People Strategy presents a clear picture of how we will achieve this Corporate Plan aim, focusing on three key themes (attract, develop, retain) that support our colleagues to make a difference to our customers, the communities we serve and to themselves.

We want the best people to work for us, people who are talented, committed and who share our vision, values and ambitions. It is also important to us that we have a diverse workforce, representative of the communities we serve.

Through our recruitment campaigns and selection processes we are becoming more innovative, aiming to increase applicants and appointments from under-represented groups. whg's People Services and Employment and Training Teams work closely to develop programmes which support the recruitment of customers, where possible

Our People Strategy is underpinned by our values and for each value we have a set of behaviours that we expect all colleagues to display.

We have worked hard to develop a strong, positive culture and have good levels of colleague engagement. We listen to our colleagues and in 2020 we launched a new colleague consultation forum, the Colleague Voice.

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

We promote the continued health, safety and wellbeing of all our colleagues through our 'Making a Difference to Health and Wellbeing' programme, which is aimed at raising the awareness of health of the body and mind, and ensure that a culture of health and safety is embedded across all areas of operation.

Equality, diversity and inclusion (EDI)

It is important to us that we have a diverse workforce, representative of the communities we serve. All colleagues should have a positive experience of working at whg. Protected characteristics such as age, disability, race, gender, and sexual orientation should not be a barrier to accessing benefits, development and career progression opportunities.

We believe in EDI in the broadest terms, we do not believe it should be a tick box exercise: all colleagues are expected to act in accordance with our values, dedicated to doing the right thing and exercising good judgement. This will encourage a culture where all can thrive, acknowledging that everyone is different; what matters to us is that everyone can come to work and feel comfortable to be themselves.

Equality, diversity and inclusion (EDI) to us means colleagues living our values, dedicated to doing the right thing and exercising good judgement.

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

Learning and development

Our investment in learning and development is demonstrated through our commitment to have at least 25 trainees, apprentice and graduate posts each year. Apprenticeships are central to recruiting, developing and growing a talent pool within the organisation, and we provide high quality, learner focused training and qualifications with approved training providers.

Annually, with support from the Learning and Development Team, senior leaders map the challenges ahead to ensure training and development interventions are aligned to business requirements. Training and development is tailored and targeted to roles or services as part of a blended learning offer integrating online learning.

Training is systematically planned and delivered to ensure whg meets regulatory and statutory requirements and to ensure that both our colleagues and customers are not exposed to any risks.

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

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

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

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

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

Employee relations

whg has a voluntary recognition agreement with three trade unions: GMB, Unison and Unite. It is committed to creating and maintaining positive employee relations and works closely with the trade unions to achieve this.

Local trade union representatives meet regularly with senior leaders via a Joint Negotiating Committee and the Health and Safety Committee.

Other information

Where information is not shown within the Report of the Board it is instead included within the Strategic Report starting on page 8 under S414c (11) Companies Act 2006.

Qualifying third party indemnity provisions

The Directors have third party indemnity insurance through the Company.

Energy and carbon report

See page 35 for whg Energy and Carbon Report.

Future prospects

See page 12 of the Strategic Report for a review of whg future developments.

Going concern

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

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

The 2021/22 Budget was approved by the board on 25 March 2021. The Budget has been based on a year of consolidation with a catch-up exercise on asset management maintenance and repair works due to the backlog COVID-19 has created. This Budget, together with assumptions on the impact on subsequent years, was included in the update of the Business Plan, which was approved by the Board in June 2021.

The impact of COVID-19 has been assessed and we have performed stress tests on the approved Business Plan. The scenario assumed that the effect of the pandemic not only grew substantially but was world-wide and highly punitive for the Group, aiming to cause the business to break its covenants and long-term financial viability. At the same time the modelling applied various mitigation actions to help the forecast recover, and ensure the business was still a going concern. This was reviewed by the Board. Although there is still a degree of uncertainty in the operating environment, the current forecasts and projections show that the Group remains financially viable against this stress test. The stress scenario assumed:

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

- development and Asset Management activity will change; and
- a credit crunch will make raising new finance harder to achieve.

The result was an unmitigated Business Plan where peak debt grew to £1.8bn in Year 40 (and kept climbing), and where the funding covenants were breached by Year 7. We had an array of mitigating actions to employ to address this stressed plan, including stopping all planned but uncommitted development activity, selling some stock, reducing some discretionary asset management spend and reducing plans to increase debt. This resulted in a mitigated Business Plan where peak debt remained at £413m (Year 1) and the business was compliant with its funders covenants.

The approved Budget for 2021/22 has a total surplus £18.86m and a capital Budget of £62.6m. The revised Budget projects that the Group will continue to report a healthy surplus, safeguarding the future viability of the organisation and meeting the expectations of our customers, investors and the RSH.

The budgeted financial position will show total assets less current liabilities of £786m including cash and investments of £137.9m. Our net asset position is anticipated to be £166.5m.

The Budget anticipates exceeding our interest cover covenant with significant headroom of £11.8m. Likewise, the proposed budget net debt per unit at £15.2k is substantially less than the banks' limit of £25k. The budgeted operating margin remains above 30.0% meeting our Corporate Plan aim.

The Group has a very strong liquidity position with £90.5m cash holding at 31 March 2021 and with undrawn revolving facilities of £61.6m, and surety over the deferred drawdown of £84m expected in October 2021, so the Board is of the opinion that the Group has more than sufficient resources to meet its liabilities as they fall due.

The 2021 Business Plan has been prepared using the assumptions and forecasts within the Budget and includes higher asset management costs as a result of the safety standards and environmental work. The Plan, which was approved by the Board in June 2021, showed that forecast performance remained strong and that all covenants continue to be comfortably met.

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

Board statement on the effectiveness of internal control

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

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

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

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

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

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

Identifying and evaluating key risks

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

The Executive Team regularly considers reports on these risks and the Group Chief Executive is responsible for reporting any significant change affecting key risks to the Committee.

Control environment and internal controls

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

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

Monitoring arrangements to check the effectiveness of internal controls

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

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

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

Fraud assurance

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

Statement of Board responsibilities

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

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

Under Charity and company law and the Housing Act 1996, the directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the income and expenditure of the Group and the Company for that period. In preparing those Financial Statements, the directors are required to:

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

The Board and the Executive Team are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Disclosure of information to the auditor

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

Auditor

This is the final year of RSM audit services contract. whg has retendered the external audit services contract and at the forthcoming annual general meeting Beever and Struthers LLP will be proposed to act as auditor for the 2021/22 financial year.

This report was approved by the Board and authorised for issue on 29 July 2021 and signed on its behalf by:

Danielle

Danielle Oum, Chair of the Board
29 July 2021

Independent auditor's report to the members of Walsall Housing Group Limited

Opinion

We have audited the financial statements of Walsall Housing Group (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2021 which comprise the Consolidated and Company Statements of Total Comprehensive Income, Consolidated and Company Statements of Changes in Reserves, Consolidated and Company Statements of Financial Position, Consolidated Statement of Cash Flows and Notes to the Financial Statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2021 and of the group's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been properly prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

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

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustees with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Trustees are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Trustees' 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 Trustees

As explained more fully in the Trustee Responsibilities Statement set out on page 47, the Trustees (who are also the directors of the company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the sector, including the legal and regulatory framework that the group and parent company operates in and how the group and parent company are complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;

- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006, Charities Act 2011, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2019 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, inspecting correspondence with local tax authorities and evaluating advice received from internal/external tax advisors.

The most significant laws and regulations that have an indirect impact on the financial statements are Health and Safety at Work Act 1974, Regulator of Social Housing Regulatory Standards (both Economic and Consumer standards) and the General Data Protection Act as set in the Data Protection Act 2018. We performed audit procedures to inquire of management and those charged with governance whether the group is in compliance with these law and regulations and inspected correspondence with licensing or regulatory authorities.

The group audit engagement team identified the risk of management override of controls and as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments, evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, and challenging judgments and estimates.

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

Use of our report

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

RSM UK Audit LLP

Keith Ward (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants

St Philips Point

Temple Row

Birmingham

B2 5AF

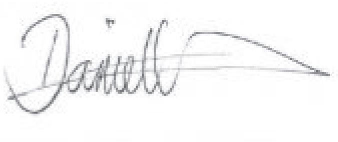
Date 2.8.2021

Consolidated Statement of Total Comprehensive Income

for the year ended 31 March 2021

	Note	2021 £000	2020 £000
Turnover	**3**	**120,808**	**112,183**
Operating expenditure	3	(87,763)	(83,592)
Surplus on disposal of housing property	3	4,605	8,993
Operating surplus	**5**	**37,650**	**37,584**
Movement in fair value of investment properties	15	145	969
Surplus on disposal of property, plant and equipment	6	605	107
Interest receivable and other income	7	238	867
Interest and financing costs	8	(20,927)	(20,784)
Movement in fair value of financial instruments	35	452	(1,293)
Exceptional gain	37	9,166	-
Surplus for the year before tax		**27,329**	**17,450**
Taxation	11	(6)	16
Surplus for the year after tax		**27,323**	**17,466**
Other comprehensive income/(expenditure):			
Remeasurements – actuarial gain in respect of pension schemes	27	9,780	4,176
Total comprehensive income for the year		**37,103**	**21,642**

The consolidated Financial Statements on pages 53 to 110 were approved by the Board on 29 July 2021.



Danielle Oum
Chair

Gary Fulford
Group Chief Executive

The consolidated results relate wholly to continuing activities.

The accompanying Notes form part of these Financial Statements.

Company Statement of Total Comprehensive Income

for the year ended 31 March 2021

	Note	2021 £000	2020 £000
Turnover	**3**	**121,862**	**112,017**
Operating expenditure	3	(87,858)	(83,470)
Surplus on disposal of housing property	3	4,605	8,993
Operating surplus	**5**	**38,609**	**37,540**
Movement in fair value of investment properties	15	145	969
Surplus on disposal of property, plant and equipment	6	605	107
Interest receivable and other income	7	448	1,024
Interest and financing costs	8	(20,927)	(20,784)
Movement in fair value of financial instruments	35	452	(1,293)
Exceptional gain	37	9,166	-
Gift aid		892	257
Surplus for the year before tax		**29,390**	**17,820**
Taxation	11	-	-
Surplus for the year after tax		**29,390**	**17,820**
Other comprehensive income/(expenditure):			
Remeasurements – actuarial gain in respect of pension schemes	27	9,780	4,176
Total comprehensive income for the year		**39,170**	**21,996**

The Financial Statements on pages 53 to 110 were approved by the Board on 29 July 2021.

Danielle Oum
Chair

Gary Fulford
Group Chief Executive

The Company's results relate wholly to continuing activities.

The accompanying Notes form part of these Financial Statements.

Consolidated Statement of Changes in Reserves

for the year ended 31 March 2021

	Income and expenditure reserve £000
Balance as at 1 April 2019	108,067
Surplus for the year	17,466
Other comprehensive expenditure for the year	-
Actuarial gain in respect of the pension scheme	4,176
Balance at 31 March 2020	**129,709**
Surplus for the year	27,323
Other comprehensive expenditure for the year	-
Actuarial gain in respect of the pension scheme	9,780
Balance at 31 March 2021	**166,812**

Company Statement of Changes in Reserves

for the year ended 31 March 2021

	Income and expenditure reserve £000
Balance as at 1 April 2019	123,831
Surplus for the year	17,820
Other comprehensive expenditure for the year	-
Actuarial gain in respect of the pension scheme	4,176
Balance at 31 March 2020	**145,827**
Surplus for the year	29,390
Other comprehensive expenditure for the year	-
Actuarial gain in respect of the pension scheme	9,780
Balance at 31 March 2021	**184,997**

Consolidated Statement of Financial Position

At 31 March 2021

Company No. 4015633

	Note	2021 £000	2020 £000
Fixed assets			
Intangible assets	12	2,056	2,430
Tangible fixed assets – housing properties	13	538,893	490,644
Tangible fixed assets – other fixed assets	14	13,552	14,476
Investment properties	15	9,695	9,550
Other investments		20	20
HomeBuy loans receivable	16	137	137
		564,353	**517,257**
Current assets			
Properties held for sale	18	8,986	13,805
Trade and other debtors	19	10,956	9,823
Debtors due in more than one year	20	8,590	7,730
Investments	35	10,967	10,242
Cash and cash equivalents	35	79,518	117,154
		119,017	**158,754**
Creditors: amounts falling due within one year	21	(36,838)	(57,549)
Net current assets		82,179	101,205
Total assets less current liabilities		**646,532**	**618,462**
Creditors: amounts falling due after more than one year	22	(470,221)	(473,653)
Provisions for liabilities			
Defined benefit pension provision	27	(8,665)	(14,242)
Other provision	28	(834)	(858)
Total net assets		**166,812**	**129,709**
Reserves			
Income and expenditure reserves		166,812	129,709
Total reserves		**166,812**	**129,709**

The accompanying Notes form part of these Financial Statements.

The Financial Statements on pages 53 to 110 were approved by the Board and authorised for issue on 29 July 2021 and are signed on its behalf by:

Danielle Oum
Chair

Gary Fulford
Group Chief Executive

Company Statement of Financial Position

At 31 March 2021

Company No. 4015633

	Note	2021 £000	2020 £000
Fixed assets			
Intangible assets	12	2,056	2,430
Tangible fixed assets – housing properties	13	557,113	508,774
Tangible fixed assets – other fixed assets	14	13,552	14,476
Investment properties	15	9,695	9,550
HomeBuy loans receivable	16	137	137
Investment in subsidiaries	17	100	100
Other investments		20	20
		582,673	**535,487**
Current assets			
Properties for sale	18	7,218	12,137
Trade and other debtors	19	11,211	10,119
Debtors due in more than one year	20	11,175	10,211
Investments	35	10,967	10,242
Cash and cash equivalents	35	78,390	113,900
		118,961	**156,609**
Creditors: amounts falling due within one year	21	(36,917)	(57,516)
Net current assets		82,044	99,093
Total assets less current liabilities		**664,717**	**634,580**
Creditors: amounts falling due after more than one year	22	(470,221)	(473,653)
Provisions for liabilities			
Defined benefit pension provision	27	(8,665)	(14,242)
Other provision	28	(834)	(858)
Total net assets		**184,997**	**145,827**
Reserves			
Income and expenditure reserves		184,997	145,827
Total reserves		**184,997**	**145,827**

The accompanying Notes form part of these Financial Statements.

The Financial Statements on pages 53 to 110 were approved by the Board and authorised for issue on 29 July 2021 and are signed on its behalf by:

Danielle Oum
Chair

Gary Fulford
Group Chief Executive

Consolidated Statement of Cash Flows

for the year end 31 March 2021

	Note	2021 £000	2020 £000
Net cash generated from operating activities	**30**	**50,428**	**44,710**
Cash flow from investing activities			
Purchase of tangible fixed assets – housing properties		(59,637)	(68,587)
Purchase of tangible fixed assets – other		(259)	(845)
Loan to non-group entity		(860)	(7,730)
Proceeds from sale of tangible assets		6,864	10,784
Grants received		12,819	9,601
Interest received		437	630
		(40,636)	**(56,147)**
Cash flow from financing activities			
Interest paid		(21,703)	(16,008)
Repayment of a loan		(25,000)	-
Retained bond issue		-	32,184
Withdrawal from deposits		(725)	(87)
		(47,428)	**16,089**
Net change in cash and cash equivalents		**(37,636)**	**4,652**
Cash and cash equivalents at beginning of the year		**117,154**	**112,502**
Cash and cash equivalents at end of the year		**79,518**	**117,154**

The accompanying Notes form part of these Financial Statements.

A reconciliation of net debt is shown in Note 30A.

Notes to the Financial Statements

1. Legal status

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

Walsall Housing Group's principal activities and the nature of the Company's operations can be found in the Group profile on page 8. Walsall Housing Group (the Group) comprises the following entities:

Name	Incorporation	Registration
Walsall Housing Group Limited*	Limited by Guarantee	Reg. No. 04015633
	Registered Provider	Reg. No. L4389
	Registered Charity	Reg. No. 1108779
whg Treasury PLC	Limited by Shares	Reg. No. 09138070
whg Developments Limited	Limited by Shares	Reg. No. 07872595
whg Trading Company Limited	Limited by Shares	Reg. No. 05407219
Anthem Homes Limited	Limited by Shares	Reg. No. 10591652
Cricket Close LLP	Limited Liability Partnership	Reg. No. OC417013
Buy For Good CIC**	Limited by Guarantee Community Interest Company	Reg. No. 07548143
The Woodlands Management Company (Harrowby) Limited	Limited by Guarantee	Reg No. 097211558

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

**Buy For Good was dissolved on 20 April 2021 and is no longer part of the Group.

2. Accounting policies

Basis of accounting

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

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

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

Basis of consolidation

The consolidated Financial Statements incorporate those of the Company and all of its subsidiaries (i.e. entities that the Group controls though its power to govern the financial and operating policies so as to obtain economic benefits). All Financial Statements are made up to 31 March 2021.

All intra-Group transactions and balances between Group companies are eliminated on consolidation.

The wholly owned subsidiaries which are consolidated are listed at 1 above with the exception of Buy For Good which as noted above has been dissolved.

Joint ventures

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

Reduced disclosures

The individual accounts of Walsall Housing Group Limited have adopted the following disclosure exemptions:

- the requirement to present a statement of cash flows and related Notes
- financial instrument disclosures, including:
  - categories of financial instruments,
  - items of income, expenses, gains or losses relating to financial instruments, and
  - exposure to and management of financial risks.

Going concern

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

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

The 2021/22 Budget was approved by the Board on 25 March 2021. The Budget has been based on a year of consolidation with a catch-up exercise on asset management maintenance and repair works due to the backlog COVID-19 has created. This Budget, together with assumptions on the impact on subsequent years, was included in the update of the Business Plan, which was approved by the Board in June 2021.

The impact of COVID-19 has been assessed and we have performed stress tests on the approved 2020 Business Plan. The scenario assumed that the effect of the pandemic not only grew substantially but was world-wide and highly punitive for the Group, aiming to cause the business to break its covenants and long-term financial viability. At the same time the modelling applied various mitigation actions to help the forecast recover, and ensure the business was still a going concern. This was reviewed by the Board on 14 August 2020.

The 2021 Business Plan has been prepared using the assumptions and forecasts within the Budget and includes higher asset management costs as a result of the safety standards and environmental work. The Plan, which was approved by the Board in June 2021, showed that forecasted performance remained strong and that all covenants continue to be comfortably met.

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

Turnover and revenue recognition

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

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

Other income

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

Investment income is recognised on an accruals basis.

Intangible fixed assets

Intangible fixed assets are stated at cost less accumulated amortisation.

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

Tangible fixed assets – housing properties

Housing properties are properties for the provision of social housing and are principally properties available for rent and Shared Ownership.

Completed housing and Shared Ownership properties are stated at cost less accumulated depreciation and impairment losses.

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

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

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

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

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

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

Right to buy and right to acquire disposals

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

Voluntary right to buy disposals

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

This policy was reviewed in 2019/20, following the clarification in the 2018 update to the 2014 Housing SORP about what should be included within operating surplus, and these sales are now included as part of our operating surplus.

Investment properties

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

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

Government grants

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

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

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

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

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

Other grants

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

Depreciation of housing properties

Freehold land or assets under construction are not depreciated.

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

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

Building components	Years
Structure	100 or 125
Windows and doors	27-30
Kitchen	18-20
Bathroom	27-30
Central heating	10-15
Boilers	27-30
Wiring	22-25
External wraps	35-40

Impairments of fixed assets

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

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

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

Other tangible fixed assets

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

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

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

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

Cash and cash equivalents

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

Borrowing costs

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

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

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

Taxation

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

whg Trading Company Limited, whg Developments Limited, whg Treasury PLC, Anthem Homes Limited, Buy For Good CIC and Cricket Close LLP are not registered as charities and therefore corporation tax would be provided on taxable surpluses should they arise. Buy For Good CIC was dissolved on 20 April 2021.

Deferred taxation

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

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

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

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

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

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

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

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

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

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

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

Value added tax (VAT)

The Company and the Group are included in a Group VAT registration, which covers Walsall Housing Group Limited and whg Trading Company Limited. VIEW was deregistered on 23 September 2020 and is no longer part of the VAT group.

whg Developments Limited, Cricket Close LLP and Buy For Good CIC each have separate registrations. whg Treasury PLC, Anthem Homes Limited and The Woodlands Management Company (Harrowby) Limited are not registered for VAT. Buy For Good CIC was dissolved on 20 April 2021.

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

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

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

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

Interest payable

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

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

Capitalised interest is amortised over the life of the underlying asset.

Other interest payable is charged to the Statement of Comprehensive Income in the year.

Leases

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

Colleague benefits

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

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

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

Retirement benefits

Defined benefit plans

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

SHPS

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

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

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

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

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

LGPS

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

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

Surpluses or deficits recognised in the Statement of Comprehensive Income:

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

Surpluses or deficits recognised in other comprehensive income:

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

HomeBuy

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

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

Financial instruments

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

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

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

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

Financial assets

Debtors

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

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

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

Financial liabilities

Creditors

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

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

Investments policy

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

Borrowings

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

Derecognition of financial assets and liabilities

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

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

Derivatives

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

Provisions

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

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

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

Critical accounting estimates and areas of judgement

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

Critical accounting estimates and assumptions

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

Defined benefit obligation (DBO) – WMMAPF

whg's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses (as analysed in Note 27). The liability at 31 March 2021 was £8.3m.

Defined benefit obligation (DBO) – SHPS

whg's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate anticipation of future salary increases and the roll forward of actuarial information to 31 March 2021. 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 2021 was £332k.

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 investment properties. The total value of these investments was £9.7m at 31 March 2021 (Note 15).

Useful lives of depreciable assets

whg reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utilisation of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utilisation 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 2021 was £133.7m.

Critical areas of judgement

Impairment

- On an annual basis we review for potential impairment. An impairment review was carried out which included the impact of the coronavirus pandemic.

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

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

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

Capitalisation of property development costs

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

Leases

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

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

Group – continuing activities	2021				
	Turnover £000	Cost of sales £000	Operating expenditure £000	Disposal of housing properties £000	Operating surplus £000
Social housing lettings	101,294	-	(65,112)	-	36,182
Other social housing activities					
First tranche low cost home ownership sales	15,967	(14,152)	-	-	1,815
Disposal of properties RTB/RTA	-	-	-	4,605	4,605
Charges for support services	-	-	(669)	-	(669)
Development costs	-	-	(1,269)	-	(1,269)
Other social housing grants	216	-	(139)	-	77
VAT recoverable	35	-	-	-	35
Other social housing	851	-	(118)	-	733
Defined benefit pension costs	-	-	(3,884)	-	(3,884)
	118,363	**(14,152)**	**(71,191)**	**4,605**	**37,625**
Activities other than social housing					
Non social housing lettings	992	-	(187)	-	805
Non social housing grants	469	-	(1,471)	-	(1,002)
Outright property sale	558	(576)	-	-	(18)
Other non social housing	426	-	(186)	-	240
	120,808	**(14,728)**	**(73,035)**	**4,605**	**37,650**

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

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

Company – continuing activities	2021				
	Turnover £000	Cost of sales £000	Operating expenditure £000	Disposal of housing properties £000	Operating surplus £000
Social housing lettings	101,300	-	(65,260)	-	36,040
Other social housing activities					
First tranche low cost home ownership sales	15,967	(14,152)	-	-	1,815
Disposal of properties RTB/RTA	-	-	-	4,605	4,605
Charges for support services	-	-	(669)	-	(669)
Development costs	-	-	(1,265)	-	(1,265)
Other social housing grants	216	-	(139)	-	77
VAT recoverable	35	-	-	-	35
Other social housing	1,124	-	(118)	-	1,006
Defined benefit pension costs	-	-	(3,884)	-	(3,884)
	118,642	**(14,152)**	**(71,335)**	**4,605**	**37,760**

Company – continuing activities	2021				
	Turnover £000	Cost of sales £000	Operating expenditure £000	Disposal of housing properties £000	Operating surplus £000
Activities other than social housing					
Non social housing lettings	992	-	(187)	-	805
Non social housing grants	1,393	-	(1,471)	-	(78)
Outright property	558	(576)	-	-	(18)
Other non social housing	277	-	(137)	-	140
	121,862	**(14,728)**	**(73,130)**	**4,605**	**38,609**

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

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

Group	General needs housing £000	Supported housing and housing for older people £000	Low cost home ownership £000	2021 Total £000	2020 Total £000
Rent receivable net of identifiable service charges	92,094	1,526	1,100	94,720	90,635
Service charge income	4,060	342	467	4,869	4,516
Amortised government grants	1,161	-	-	1,161	1,116
Other grants	544	-	-	544	-
Turnover from social housing lettings	**97,859**	**1,868**	**1,567**	**101,294**	**96,267**
Management	15,783	272	130	16,185	15,710
Service charge costs	5,069	115	360	5,544	5,219
Routine maintenance	10,086	173	-	10,259	10,910
Planned maintenance	14,873	254	-	15,127	15,653
Major repairs expenditure	4,488	77	-	4,565	4,991
Bad debts	999	17	(33)	983	1,215
Depreciation of housing properties	12,053	209	187	12,449	11,243
Operating expenditure on social housing lettings	**63,351**	**1,117**	**644**	**65,112**	**64,941**
Operating surplus on social housing lettings	**34,508**	**751**	**923**	**36,182**	**31,326**
Void losses	**(697)**	**(39)**	**(4)**	**(740)**	**(562)**

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

Company	General needs housing £000	Supported housing and housing for older people £000	Low cost home ownership £000	2021 Total £000	2020 Total £000
Rent receivable net of identifiable service charges	92,094	1,526	1,100	94,720	90,635
Service charge income	4,060	342	467	4,869	4,516
Amortised government grants	1,161	-	-	1,161	1,116
Non government grant	550	-	-	550	252
Turnover from social housing lettings	**97,865**	**1,868**	**1,567**	**101,300**	**96,519**
Management	15,783	272	130	16,185	15,710
Service charge costs	5,069	115	360	5,544	5,219
Routine maintenance	10,086	173	-	10,259	10,910
Planned maintenance	14,873	254	-	15,127	15,653
Major repairs expenditure	4,488	77	-	4,565	4,991
Bad debts	999	17	(33)	983	1,215
Depreciation of housing properties	12,198	212	187	12,597	11,392
Operating expenditure on social housing lettings	**63,496**	**1,120**	**644**	**65,260**	**65,090**
Operating surplus on social housing lettings	**34,369**	**748**	**923**	**36,040**	**31,429**
Void losses	**(697)**	**(39)**	**(4)**	**(740)**	**(562)**

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

	Group and Company 2021 £000	Group and Company 2020 £000
Market rented housing properties	605	592
Garage rents	387	418
	992	**1,010**

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	2021 number	2020 number
Social housing		
General housing:		
- social rent	18,048	18,077
- affordable rent	1,945	1,788
Supported housing	342	327
Low cost home ownership	545	447
Total owned	**20,880**	**20,639**
Leasehold properties	638	624
Total managed	**21,518**	**21,263**
Non-social housing		
Market rented housing properties	101	101
Total owned and managed	**101**	**101**
Accommodation in development at the year end	**679**	**818**

The Group owns 32 commercial properties (2020:32) 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	
	2021 £000	2020 £000	2021 £000	2020 £000
Amortisation of deferred capital grant	(1,169)	(1,126)	(1,169)	(1,126)
Non government grant	(544)	-	(550)	(252)
Amortisation of intangible fixed assets	462	435	462	435
Depreciation of housing properties	12,449	11,243	12,597	11,392
Depreciation of other tangible fixed assets	1,031	1,006	1,031	1,066
Operating lease rentals:				
- land and buildings	78	69	78	69
- vehicles and equipment	322	1,515	322	1,515
Auditor's remuneration (including VAT)				
- fees payable to the Company's auditor for the audit of the Financial Statements	82	72	64	54
- fees payable to the Company's auditor for other services	13	27	13	27
Total audit services	**95**	**99**	**77**	**81**

6. Surplus on disposal of property, plant and equipment

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Disposal proceeds	6,864	10,755	6,864	10,755
Carrying value of fixed assets	(1,595)	(1,586)	(1,595)	(1,586)
Other costs of sale	(59)	(69)	(59)	(69)
Surplus on disposal	**5,210**	**9,100**	**5,210**	**9,100**

The first table below shows the amounts included in the Operating Surplus in Note 3, and the second table shows the asset disposals not included.

Surplus on disposal of housing properties included in Operating Surplus (Note 3) Right To Buy & Voluntary Right To Buy Sales	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Disposal proceeds	5,772	10,266	5,772	10,266
Carrying value of fixed assets	(1,132)	(1,221)	(1,132)	(1,221)
Other costs of sale	(35)	(52)	(35)	(52)
	4,605	**8,993**	**4,605**	**8,993**

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

Surplus on disposal of other property, plant and equipment	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Disposal proceeds	1,093	488	1,093	488
Carrying value of fixed assets	(463)	(363)	(463)	(363)
Other costs of sale	(25)	(18)	(25)	(18)
	605	**107**	**605**	**107**

7. Interest receivable and similar income

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Interest receivable and similar income	**238**	**867**	**448**	**1,024**

8. Interest and financing costs

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Net interest payable West Midlands Pension Fund	317	295	317	295
Net interest payable SHPS	2	15	2	15
Bank interest	10,837	10,753	10,837	10,753
Bond interest and finance costs	10,189	9,906	-	-
Interest payable to the Group	-	-	10,329	10,036
Amortisation of issue costs	105	97	-	-
Bond coupon discount	35	33	-	-
	21,485	**21,099**	**21,485**	**21,099**
Interest payable capitalised on housing properties under construction	(558)	(315)	(558)	(315)
	20,927	**20,784**	**20,927**	**20,784**

Capitalisation rate used to determine the finance costs capitalised during the period	**4.81%**	**4.84%**	**4.81%**	**4.84%**

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	2021 No.	2020 No.
Administration	182	172
Development	22	22
Housing, support and care	496	510
	700	**704**

Average monthly headcount

Group and Company	2021 No.	2020 No.
Administration	192	183
Development	23	22
Housing, support and care	512	531
	727	**736**

Employee costs:	2021 £000	2020 £000
Wages and salaries*	25,167	24,282
Social security costs	2,557	2,419
Other pension costs	5,626	6,482
	33,350	**33,183**

*Includes redundancy costs of £373k (2020: £465k).

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.

The full time equivalent number of colleagues who received remuneration (which includes basic, pension contributions and benefits in kind expenditure and the note includes the Directors) in excess of £59,999:

	2021 No.	2020 No.
£60,000 – £70,000	10	9
£70,001 – £80,000	6	3
£80,001 – £90,000	3	6
£90,001 – £100,000	2	2
£100,001 – £110,000	2	1
£110,001 – £120,000	-	2
£120,001 – £130,000	2	1
£130,001 – £140,000	1	1
£140,001 – £150,000	1	-
£150,001 – £160,000	1	1
£160,001 – £170,000	1	1
£180.001 – £190,000	-	1
£200,001 – £210,000	1	1
£250,001 – £260,000	1	-

10. Key management personnel

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

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

Group and Company	2021 £000	2020 £000
Basic salary	1,032	889
Benefits in kind	92	109
National Insurance	144	126
Pension contributions	89	104
	1,357	**1,228**

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 7 (2020: 6).

During the year, the aggregate compensation for loss of office of key management personnel was £nil (2020: £nil).

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

Highest paid Director	2021 £000	2020 £000
Remuneration	235	206
National Insurance	31	27
Pension contribution	19	22
	285	**255**

Board members attendance and emoluments

Board members are paid as follows:

	Attendance			Remuneration	
	Board	Committee		2021 £000	2020 £000
Non-executive Board members					
Danielle Oum (Chair)	11/11	GRC	7/7	15.6	15.4
Michael Hew (GRC Chair) to 23/09/2020	7/7	GRC	3/3	3.5	7.0
	-	AAC	3/3	-	-
Ian Gardner (AAC Chair) to 31/07/2020	5/5	AAC	2/2	2.3	7.0
Noel Maxwell (CEC Chair) to 30/11/2020	9/9	CEC	3/3	4.7	6.0
Gregory Warner-Harris (CCB Chair)	11/11	CCB	4/4	7.1	7.0
Paul O'Driscoll	9/11	DC	7/7	5.0	4.9
Elisabeth Downes (GRC Chair)	9/11	GRC	7/7	-	2.1
Daren Fradgley	8/11	CEC	3/4	5.0	2.1
Gary Moreton (AAC Chair)	11/11	AAC	6/6	6.4	3.3
Akshay Parikh (DC Chair)	11/11	DC	7/7	7.1	2.9
Guy Weston	11/11	DC	7/7	5.0	2.1
	-	GRC	4/4	-	3.5
Natalia Hill (CEC Chair) from 1/11/2020	3/3	CEC	4/4	4.4	1.9
Ian Shapiro from 1/11/2020	3/3	-	-	1.9	-
Total	-	-	-	**68.0**	**65.2**
Board expenses	-	-	-	0.2	3.4
Committee members remuneration	-	-	-	32.2	14.3
Total	-	-	-	**100.4**	**82.9**

	Attendance			Remuneration	
	Board	Committee		2021 £000	2020 £000
Executive Board member					
Gary Fulford (CEO)	11/11	-	-	-	-
Committee					
Audit and assurance	-	AAC	-	-	-
Customer experience	-	CEC	-	-	-
Governance and remuneration	-	GRC	-	-	-
Development	-	DC	-	-	-
Commercial coterminous board	-	CCB	-	-	-

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

11. Taxation

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

Group	2021 £000	2020 £000
Current tax		
UK corporation tax	-	-
Total current tax	**-**	**-**
Deferred tax		
Origination and reversal of timing differences	6	(16)
Total deferred tax	6	(16)
Total tax on surplus on ordinary activities	**6**	**(16)**

	2021 £000	2020 £000
Surplus on ordinary activities before tax	**27,329**	**17,450**
Surplus on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom of 19% (2020: 19%)	5,193	3,316
- Exempt charitable activities	(5,193)	(3,316)
Current tax charge for the year		
Capital allowances in excess of depreciation	6	7
Adjustment to opening deferred tax rate	-	(23)
Deferred tax	**6**	**(16)**

Company	2021 £000	2020 £000
Current tax		
UK corporation tax	-	-
Total current tax	**-**	**-**
Deferred tax		
Origination and reversal of timing differences	-	-
Total deferred tax	-	-
Total tax on surplus on ordinary activities	**-**	**-**

	2021 £000	2020 £000
Surplus on ordinary activities before tax	**29,390**	**17,820**
Surplus on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom of 19% (2020: 19%)	5,584	3,386
Exempt charitable activities	(5,584)	(3,386)
Capital allowances in excess of depreciation	-	-
Adjustment to opening deferred tax rate	-	-
Current tax charge for the year	**-**	**-**

12. Intangible fixed assets

Group and Company	IT Software £000	IT Software work in progress £000	Total Intangible assets £000
Cost			
At 1 April 2020	3,333	583	**3,916**
Additions	38	112	**150**
Projects completed	512	(512)	**-**
Disposals	(466)	-	**(466)**
At 31 March 2021	**3,417**	**183**	**3,600**
Amortisation			
At 1 April 2020	1,486	-	**1,486**
Charged in the year	462	-	**462**
Released on disposal	(404)	-	**(404)**
At 31 March 2021	**1,544**	**-**	**1,544**
Net book value			
At 31 March 2021	**1,873**	**183**	**2,056**
At 31 March 2020	**1,847**	**583**	**2,430**

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

13. Fixed assets – housing properties

Fixed assets – housing properties

Group – housing properties	Social housing properties held for letting **£000**	Housing properties for letting under construction **£000**	Completed Shared Ownership housing properties **£000**	Shared Ownership housing properties under construction **£000**	**Total housing properties £000**
Cost					
At 1 April 2020	541,563	24,147	33,798	2,892	**602,400**
Additions	-	38,893	-	11,151	**50,044**
Component additions	6,809	4,905	-	-	**11,714**
Components completed	2,705	(2,705)	-	-	**-**
Interest capitalised	-	454	-	104	**558**
Schemes completed	28,830	(28,830)	9,774	(9,774)	**-**
Property disposals	(1,828)	-	(286)	-	**(2,114)**
Costs written off	-	(86)	-	-	**(86)**
Component disposals	(631)	-	-	-	**(631)**
At 31 March 2021	**577,448**	**36,778**	**43,286**	**4,373**	**661,885**
Depreciation					
At 1 April 2020	111,413	-	343	-	**111,756**
Depreciation charged in year	12,262	-	187	-	**12,449**
Released on disposal – properties	(573)	-	(9)	-	**(582)**
Released on disposal – components	(631)	-	-	-	**(631)**
At 31 March 2021	**122,471**	**-**	**521**	**-**	**122,992**
Net book value					
At 31 March 2021	**454,977**	**36,778**	**42,765**	**4,373**	**538,893**
At 31 March 2020	**430,150**	**24,147**	**33,455**	**2,892**	**490,644**

Included in the depreciation charge for the year is £209k of accelerated depreciation on components disposed before the end of their useful economic lives (2020: £397k).

Company – housing properties	Social housing properties held for letting £000	Housing properties for letting under construction £000	Completed Shared Ownership housing properties £000	Shared Ownership housing properties under construction £000	**Total housing properties £000**
Cost					
At 1 April 2020	561,379	24,209	33,798	2,892	**622,278**
Additions	-	39,131	-	11,151	**50,282**
Works to existing properties	6,809	4,905	-	-	**11,714**
Components completed	2,705	(2,705)	-	-	**-**
Interest capitalised	-	454	-	104	**558**
Schemes completed	28,843	(28,843)	9,774	(9,774)	**-**
Property disposals	(1,828)	-	(286)	-	**(2,114)**
Costs written off	-	(86)	-	-	**(86)**
Component disposals	(631)	-	-	-	**(631)**
At 31 March 2021	**597,277**	**37,065**	**43,286**	**4,373**	**682,001**
Depreciation					
At 1 April 2020	113,161	-	343	-	**113,504**
Depreciation charged in year	12,410	-	187	-	**12,597**
Released on disposal – properties	(573)	-	(9)	-	**(582)**
Released on disposal – components	(631)	-	-	-	**(631)**
At 31 March 2021	**124,367**	**-**	**521**	**-**	**124,888**
Net book value					
At 31 March 2021	**472,910**	**37,065**	**42,765**	**4,373**	**557,113**
At 31 March 2020	**448,218**	**24,209**	**33,455**	**2,892**	**508,774**

Housing properties book value net of depreciation comprises

	Group		**Company**	
	2021 £000	**2020 £000**	**2021 £000**	**2020 £000**
Freehold land and buildings	490,466	452,995	508,686	471,125
Leasehold buildings	1,289	1,302	1,289	1,302
Shared Ownership	47,138	36,347	47,138	36,347
	538,893	**490,644**	**557,113**	**508,774**

Expenditure on works to existing properties

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Components capitalised	11,714	11,782	11,714	11,782
Amounts charged to Statement of Comprehensive Income	4,565	4,991	4,565	4,991
	16,279	**16,773**	**16,279**	**16,773**

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	
	2021 £000	2020 £000	2021 £000	2020 £000
Total accumulated social housing grant received or receivable at 31 March:	83,786	67,838	83,786	69,783
Recognised in the Statement of Comprehensive income	(7,600)	(6,486)	(7,600)	(8,431)
Held as deferred income	**76,186**	**61,352**	**76,186**	**61,352**

Finance costs

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Aggregate amount of finance costs included in the cost of housing properties	**5,621**	**5,062**	**5,621**	**5,062**

14. Tangible fixed assets – other

Group and Company	Offices £000	Furniture Fixtures and Fittings £000	Computers & Office Equipment £000	Computers & Office Equipment WIP £000	Motor Vehicles £000	**Total £000**
Cost						
At 1 April 2020	15,521	2,452	5,712	49	62	**23,796**
Additions	-	26	77	6	-	**109**
Projects completed	-	-	36	(36)	-	**-**
Disposals	-	(8)	(1,138)	-	-	**(1,146)**
At 31 March 2021	**15,521**	**2,470**	**4,687**	**19**	**62**	**22,759**
Depreciation						
At 1 April 2020	4,028	1,443	3,787	-	62	**9,320**
Charged in the year	369	232	430	-	-	**1,031**
Released on disposal	-	(5)	(1,139)	-	-	**(1,144)**
At 31 March 2021	**4,397**	**1,670**	**3,078**	**-**	**62**	**9,207**
Net book value						
At 31 March 2021	**11,124**	**800**	**1,609**	**19**	**-**	**13,552**
At 31 March 2020	**11,493**	**1,009**	**1,925**	**49**	**-**	**14,476**

15. Investment properties

Group and Company	2021 £000	2020 £000
Non social housing properties held for letting		
At 1 April	9,550	8,581
Revaluation	145	969
At 31 March	**9,695**	**9,550**

The Company owns a portfolio of market rented properties. These properties are accounted for at fair value. The Company used Bridgehouse Professional Valuation Services who undertook a desktop review to establish the current fair value of the properties. The current worth was then adjusted for movements in the property market using the median property price trends for the Walsall area. The methodology produced an estimated valuation of £9.6m at March 2020 and £9.7m at March 2021. The movements in fair value £145k (2020:£969k) have been recognised in the Statement of Total Comprehensive Income. The historic cost of the properties is £8m (2020: £8m).

16. HomeBuy loans receivable

Group and Company	2021 £000	2020 £000
At 1 April	137	137
At 31 March	**137**	**137**

17. Investments in subsidiaries

	2021 £000	2020 £000
At the 1 April	100	100
Additions	-	-
At 31 March	**100**	**100**

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

Walsall Housing Group Limited (whg) is the immediate and ultimate parent undertaking of all the subsidiaries, which were 100% subsidiaries throughout the year with the exception of The Woodlands Management Company (Harrowby) Limited. This was acquired on the 7 July 2020. whg has the right to appoint members to the Boards of the subsidiaries and thereby exercises control over them. All subsidiaries' registered addresses are the same as whg registered address disclosed on the front cover.

whg Treasury PLC's (No.09138070) principal activity is to act as a group funding vehicle and an onward lender of bond monies to its immediate parent company, Walsall Housing Group Limited. whg owns all the 50,000 £1 shares, which were issued at par on incorporation.

whg Developments Limited is a private company registered in England and Wales under the Companies Act 2006 (No.07872595) and limited by shares. The principal activities of the Company comprise the provision of a design and build service to Walsall Housing Group Limited. The company has one £1 ordinary share in issue.

whg Trading Company Limited is a private company registered under the Companies Act 2006 (No.05407219) and limited by shares. The principal activities of the company are providing housing related project management and professional services. The company also receives feed in tariff from solar panels, commission from our energy partner, government grants for research and innovation and overage on the sale of land. The company has one £1 ordinary share in issue. The voting rights of one vote per share are with the parent company. On 3 May 2019 whg Trading Company Limited became a designated member of Cricket Close LLP owning 1% of the shareholding in the LLP. On 7 July 2020 whg Trading Company Limited acquired The Woodlands Management Company (Harrowby) Limited.

Anthem Homes Limited is a private company registered in England and Wales under the Companies Act 2006 (No.10591652) and limited by shares. The principal activities of the Company are to build and sell homes outright to the open market, and to enter into joint ventures and partnerships with developers for that purpose. The parent company Walsall

Housing Group Limited owns all of the 50,000 £1 shares, which were issued at par on incorporation.

Cricket Close is a Limited Liability Partnership and was previously a wholly owned subsidiary of Anthem Homes. (No. OC417013). The principal activity of the LLP is the development of homes for sale. On 3 May 2019 whg Trading Limited obtained a 1% shareholding in Cricket Close LLP, meaning that the LLP is no longer a fully owned subsidiary of Anthem Homes Limited, which now has a 99% shareholding in the LLP. Anthem Homes Limited continues to supply 100% of the LLP's funding at an interest rate of 5%.

Visionary Investment Enhancing Walsall Limited (VIEW) is an entity registered under the Co-operative and Community Benefit Societies Act 2014, registered under the Companies Act 2006 in England. (No. 29907R). It is a Society limited by shares and is regulated by the Financial Services Authority. All intercompany balances recognised through the normal course of business are settled in cash and attract no interest. VIEW resolved to transfer its assets and liabilities to whg by Special resolutions approved by the VIEW Members on the 22 June and 16 July 2020. The entity is no longer a going concern and has been dissolved. No material adjustments arose as a result of ceasing to apply the going concern basis. A transfer of engagement has been completed and the assets were transferred to Walsall Housing Group Limited on 18 August 2020. VIEW was deregistered on 23 September 2020.

Buy For Good CIC is a private company limited by guarantee, incorporated in England and Wales and registered under the Companies Act 2006 (No.07548143). The company was set up to deliver social value through innovative and collaborate procurement initiatives. It is a Community Interest Company. The company was dissolved on 20 April 2021.

The Woodlands Management Company (Harrowby) Limited is a private company registered in England and Wales under the Companies Act 2006 (No.09721558) and was acquired on 7 July 2020. The company is a wholly owned subsidiary of whg Trading Company Limited. The liability of whg trading Company Limited (being the only Member) is £1. The company is a Company Limited by Guarantee without share capital.

Anthem Lovell LLP is a Limited Liability Partnership and non charitable company registered with Companies House (No. OC425694). It was created on 18 January 2019. Anthem Homes is in partnership with Lovell Homes and each partner has a 50% share of the company. The initial capital of the LLP is £2.00 (two pounds) which was contributed in cash to the LLP by each Member in the sum of £1.00 (one pound) by way of its Capital Contribution and the LLP credited such amounts against the relevant Member's Capital Account. This is an associate company. It is accounted for by using the equity method of accounting. We recognise our share of the profit or loss through the Statement of Comprehensive Income. The company only commenced construction in the last quarter of the year, so no profit or loss has been incurred and there is no impact on this year's financial statements. Anthem Homes Limited has agreed a revolving loan facility secured by debenture with Anthem Lovell LLP which is limited to site specific Business Plans approved by Board. At present only one such facility has been agreed on the Caparo scheme which has an agreed interest rate of 5% on 30% of the drawn funds (effective annual rate of 1.875%). As at 31 March 2021 Anthem Lovell LLP had drawn down £8,590k of the facility (2020: £7,730k).

Investments

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

whg Treasury PLC to whg			
Intra-Group transactions	**Allocation basis**	**2021 £000**	**2020 £000**
Interest payable	Bond interest charge payable	10,224	9,906
Custodian fees	Custodian fees payable	10	24
		10,234	**9,930**

There is a £269.5m long term intra-group creditor owed to whg Treasury PLC at the year end (2020: £269.9m).

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

whg to whg Developments Limited			
Intra-Group transactions	**Allocation basis**	**2021 £000**	**2020 £000**
Interest payable	Interest charge on loan	25	25
Management services	Percentage of development costs	118	50
		143	**75**

whg Developments Limited to whg			
Intra-Group transactions	**Allocation basis**	**2021 £000**	**2020 £000**
Recharge of cost of sales	Design & Build	12,127	5,102
Gift aid	Not applicable	(27)	(87)
		12,100	**5,015**

There is a £893k net intra-group creditor owed to whg Developments Ltd at the year end made up of £1,536k owed to whg Developments Ltd and £643k owed by whg Developments Limited. (2020: net creditor £278k). Included in the £643k debt owed by whg Developments Limited is a £500k loan made by Walsall Housing Group on 20 December 2012. Interest is charged at 5% (2020: 5%). Interest amounted to £25k for the year (2020: £25k).

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

whg to whg Trading Company Limited			
Intra-Group transactions	**Allocation basis**	**2021 £000**	**2020 £000**
Management services	Percentage of payroll costs	**250**	**203**

whg Trading Company Limited to whg			
Intra-Group transactions	**Allocation basis**	**2021 £000**	**2020 £000**
Gift aid	Not applicable	**(865)**	**(136)**

There is a £94k intra-group debtor owed by whg Trading Company Limited at the year end (2020: £21k).

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

There is a £9m intra-group debtor owed by Anthem Homes Limited at the year end made up of £11.2m owed by Anthem Homes Limited to whg and £2.2m owed to Anthem Homes Limited by Cricket Close LLP (2020: net debtor £7.9m). The £11.2m debt owed by Anthem Homes Limited includes a loan made by Walsall Housing Group at LIBOR (0.7% for the year) plus 3% interest. The £2.2m debtor includes a loan made to Cricket Close LLP at a 5% market rate.

Anthem Homes Limited to whg			
Intra-Group transactions	**Allocation basis**	**2021 £000**	**2020 £000**
Interest payable	Interest charge payable	**314**	**212**

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

whg to VIEW			
Intra-Group transactions	**Allocation basis**	**2021 £000**	**2020 £000**
Contribution in respect of VAT recovered under the parent VAT shelter scheme	25% of VAT recovered on whg partnering works	-	(332)
Management services	Percentage of payroll costs	-	108
		-	**(224)**

VIEW to whg			
Intra-Group transactions	**Allocation basis**	**2021 £000**	**2020 £000**
Regeneration grants	Grant funding project expenditure	**(1,181)**	**(1,009)**

VIEW has been deregistered. A transfer of engagement has been completed and the assets were transferred to Walsall Housing Group Limited on 18 August 2020. There is a nil intra-group balance at the year end (2020: debtor £412k).

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

Buy for Good CIC to whg			
Intra-Group transactions	Allocation basis	2021 £000	2020 £000
Gift aid	Not applicable	(24)	(34)

Buy for Good CIC was dissolved on 20 April 2021. There is a nil intra-group balance at the year end (2020: £nil).

g) During the year the Company had the following intra-Group transactions and year end balances with The Woodlands Management Company (Harrowby) Limited.

whg to The Woodlands Management Company (Harrowby) Limited			
Intra-Group transactions	Allocation basis	2021 £000	2020 £000
Management services	Percentage of payroll costs	6	-

There is a £6k intra-group debtor owed by The Woodlands Management Company (Harrowby) Limited at the year end (2020: £nil).

18. Properties held for sale

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Shared Ownership Properties				
Completed properties	2,427	7,892	2,427	7,892
Work in progress	4,455	3,350	2,687	1,683
	6,882	11,242	5,114	9,575
Properties developed for outright sale	2,104	2,563	2,104	2,563
	8,986	**13,805**	**7,218**	**12,137**

19. Debtors

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Due within one year				
Rent and service charges receivable	4,464	4,262	4,464	4,262
Less: provision for bad and doubtful debts	(2,838)	(2,168)	(2,838)	(2,168)
	1,626	2,094	1,626	2,094
Deferred tax asset	100	107	-	-
Other debtors	381	408	348	387
Prepayments and accrued income	8,849	7,214	8,469	6,910
Amounts owed by Group undertakings	-	-	768	728
	10,956	**9,823**	**11,211**	**10,119**

20. Debtors due in more than one year

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Due after one year				
Loan to Anthem Lovell LLP	8,590	7,730	-	-
Loan to Anthem Homes Limited	-	-	10,675	9,711
Loan to whg Developments Limited	-	-	500	500
	8,590	**7,730**	**11,175**	**10,211**

21. Creditors: amounts falling due within one year

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Bank loans (Note 25)	-	25,000	-	25,000
Trade creditors	7,768	8,282	6,345	7,468
Rent and service charges received in advance	3,131	3,709	3,131	3,709
Social housing grant received in advance	7,310	165	7,310	165
Other grants received in advance	6,867	7,658	6,867	7,658
Amounts owed to Group undertakings	-	-	6,675	5,992
Deferred grant income (Note 23)	963	880	963	880
Corporation tax	-	-	-	-
Other taxation and social security	778	676	772	675
Unpaid contributions for retirement benefits	222	309	222	309
Other creditors*	1,003	2,362	991	2,323
Accruals and deferred income	8,796	8,508	3,641	3,337
	36,838	**57,549**	**36,917**	**57,516**

* Other creditors include the Big Lottery funding for the Click Start Programme. A creditor of £nil is still outstanding at 31 March 2021 (2020: £nil). The total funding received for the year was £990k, with £708k being paid to our partners and whg recognising £282k through the Statement of Comprehensive Income.

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

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Recycled capital funds grant (Note 26)	124	45	124	45
Debt (Note 25)	401,099	412,290	401,099	412,290
Deferred grant income (Note 23)	68,998	61,318	68,998	61,318
	470,221	**473,653**	**470,221**	**473,653**

23. Deferred grant income

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
At 1 April 2020	62,197	51,953	62,197	51,953
Grant received in the year	16,691	11,453	16,691	11,453
Transfer to RCGF	(69)	(39)	(69)	(39)
Grants paid to partners	(6,876)	-	(6,876)	-
Grants recognised as income	(813)	(43)	(813)	(43)
Released to income in the year	(1,169)	(1,126)	(1,169)	(1,126)
At 31 March 2021	**69,961**	**62,198**	**69,961**	**62,198**
Amounts to be released within one year (Note 21)	963	880	963	880
Amounts to be released in more than one year (Note 22)	68,998	61,318	68,998	61,318
	69,961	**62,198**	**69,961**	**62,198**

Deferred Grant includes £412k (2020: £422k) relating to office buildings and £674k (2020: £584k) component accounting grant.

24. Disposal proceeds fund

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
At 1 April 2020	-	1,995	-	1,995
Net sale proceeds recycled	-	-	-	-
Interest accrued	-	12	-	12
Withdrawals	-	(2,007)	-	(2,007)
At 31 March 2021	**0**	**0**	**0**	**0**

As at 31 March 2021, there are no amounts due for repayment.

25. Debt analysis

Borrowings	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Due within one year	-	25,000	-	25,000
Bank loans	**-**	**25,000**	**-**	**25,000**
Due after more than one year				
Bank loans	138,407	148,025	138,407	148,025
Bond	265,871	266,307	265,871	266,307
	404,278	414,332	404,278	414,332
Less: issue costs	(3,179)	(2,042)	(3,179)	(2,042)
	401,099	**412,290**	**401,099**	**412,290**
Total loans	**401,099**	**437,290**	**401,099**	**437,290**
Payable to external funders	401,099	437,290	136,747	172,538
Payable to Group undertakings	-	-	264,352	264,752
	401,099	**437,290**	**401,099**	**437,290**

Bank loans and derivatives

On 17 March 2021 the Group executed a deal to cancel the callable option on four fixed rate loans with a value of £20m and convert them to vanilla fixed rate loans to the date of maturity (25 March 2033). This tranche of loans will now be accounted for as a basic financial instrument and the related mark to market liability of £9.2m has been recognised in the Statement of Total Comprehensive Income. The fair value movement on the mark to market value in the year was £0.4m

Bond

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

The market value of the bond as at 31 March 2021 was £332.13m (2020: £320.7m).

Facilities and security

At 31 March 2021 the Group had £61.6m of agreed but undrawn borrowing facilities available in the form of revolving credit facilities.

The bank loans and the bond are secured by specific charges based on the net book value on the housing properties of the Group in favour of the lenders.

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 £138m of bank loans accrue interest at an average rate of approximately 6.43%. As above, the £250m bond has been issued at a coupon rate of 4.25%.

Gross issue costs for both the bank loans and the bond were £3.7m (2020: £2.6m) and were capitalised in the years in which they were incurred. Amortisation charged in the year was £137k (2020: £130k).

bLEND plc

In October 2020 the Group secured £75m of new funding with an effective rate of 2.267% through the bLEND aggregator with a draw down date of October 2021. The price was based on a gilt of 0.787%, a spread of 1.48% and will also be subject to further annualised bLEND costs of 0.2% The deal will attract a premium of £11.2m when the funds are drawn with the Group due to receive net proceeds of £84m. The upfront fees associated with this deal totalled £1m and these have been capitalised.

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

	Group		Company	
	2021 £000	**2020 £000**	**2021 £000**	**2020 £000**
Within one year or on demand	-	25,000	-	25,000
One year or more but less than two years	25,000	-	25,000	-
Two years or more but less than five years	55,867	80,867	55,867	80,867
Five years or more	323,411	333,465	323,411	333,465
	404,278	**439,332**	**404,278**	**439,332**
Less: unamortised issue costs	(3,179)	(2,042)	(3,179)	(2,042)
	401,099	**437,290**	**401,099**	**437,290**

Interest rate profile

The Group's debt has a weighted average interest rate of 4.81% (2020: 4.85%) and the weighted average for which it is fixed is the lifetime of the loan.

26. Recycled capital grant fund

	Group		Company	
	2021 £000	**2020 £000**	**2021 £000**	**2020 £000**
Opening Balance as at 1 April	45	43	45	43
Inputs to RCGF:				
Grant recycled from property disposals	79	45	79	2
Interest accrued	-	-	-	-
Transfers from other PRP's	-	-	-	-
Recycling of grant				
New build	-	(43)	-	-
Closing balance as at 31 March	**124**	**45**	**124**	**45**

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.

Pension liability summary note	2021 £000	2020 £000
WMPF	8,333	14,150
SHPS	332	92
Total liabilities	**8,665**	**14,242**

West Midlands Pension Fund

The West Midlands Pension Fund (WMPF) is a multi-employer scheme with more than one participating employer and is administered under the regulations governing the Local Government Pension Scheme (LGPS), a defined benefit scheme. Triennial actuarial valuations of the pension scheme are performed by an independent, professionally qualified actuary using the projected unit method. The most recent formal actuarial valuation was completed as at 31 March 2019.

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

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

The results in this note include an allowance to reflect the Court of Appeal judgement in respect of the McCloud and Sargeant cases which relate to age discrimination within the Judicial and Fire Pension schemes, respectively. This allowance was described in the previous accounting report and incorporated into the accounting results as at 31 March 2020. These results, including the allowance, have been rolled forward and remeasured to obtain the accounting results as at 31 March 2021.

On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits in response to the McCloud and Sargeant cases. The consultation closed on 8 October 2020 and the final remedy will only be known after the consultation responses have been reviewed and a final set of remedial Regulations are published. We do not believe there are any material differences between the approach underlying our estimated allowance and the proposed remedy. A more detailed analysis at this stage would require a significant volume of member data which is not yet available. Therefore, the results do not include any further adjustment in light of the ongoing consultation.

Key results

The estimated position at 31 March 2021 shows a deficit of £8.3m compared with a £14.2m deficit last year. The key reasons for this change are:

- The discount rate has decreased
- Pension increases
- Salary increases
- Inflation increases

The employer's contributions to the WMPF by the Company and Group for the year ended 31 March 2021 were £1.3m (2020: £1.8m). whg received a rebate for the year of £1,823k due to an improved funding position which resulted in the actual rate being 8.2% for the year. The employer's contribution rate has been fixed as 20.4% of pensionable salaries until 31 March 2023 with a discount of 12.2%.

Early retirements over the year, have resulted in nil past service cost in the year to 31 March 2021 (2020: £0.7m). There were £nil (2020: £nil) of other settlements, curtailments, discretionary practices, constructive obligations or other material events during the year.

Calculation method

The figures at 31 March 2021 are based on projecting forward the results of the last formal actuarial valuation of the Fund as at 31 March 2020.

Key assumptions

The key financial assumptions have been based on market assumptions as at 31 March 2021 and have been derived in a consistent manner to last year. This has resulted in the following assumptions:

Principal actuarial assumptions financial assumptions	Group and Company	
	31 March 2021 % per annum	31 March 2020 % per annum
Discount rate	2.10	2.35
Future salary increases	2.60	3.40
Future pension increases	2.60	1.90
Inflation assumption	2.80	0.80

Mortality assumptions

The post-retirement mortality assumptions adopted to value the benefit obligation at March 2021 and March 2020 are based on the PA92 series. The assumed life expectations on retirement at age 65 are:

		Group and Company	
		2021 Years	**2020 Years**
Retiring today:	Males	21.0	21.9
	Females	23.4	24.1
Retiring in 20 years:	Males	22.4	23.8
	Females	24.9	26.0

Amounts recognised in surplus or deficit

	Group and Company	
	2021 £000	**2020 £000**
Current service cost	5,123	5,287
Admin charges	144	133
Amounts charged to operating costs	**5,267**	**5,420**

	2021 Years	**2020 Years**
Net interest payable	317	295
Amounts within interest and financing costs	**317**	**295**

Amounts recognised in the statement of total comprehensive income

	2021 Years	**2020 Years**
Re-measurements	10,081	3,664
Actuarial gain in respect of pension scheme	**10,081**	**3,664**

Amounts recognised in statement of financial position

Group and Company	**2021 £000**	**2020 £000**	**2019 £000**
Present value of funded obligations	247,008	216,551	221,909
Fair value of plan assets	238,675	202,401	208,717
Net pension liability	**(8,333)**	**(14,150)**	**(13,192)**

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

	Group and Company	
	2021 £000	2020 £000
Opening scheme liabilities	216,551	221,909
Current service cost	5,089	5,287
Interest cost	5,046	5,305
Change in financial assumptions	35,125	(22,330)
Experience (loss)/gain on defined benefit obligation	(2,327)	2,590
Change in demographic assumptions	(8,814)	4,855
Benefits paid	(4,760)	(2,862)
Past service costs including curtailments	34	707
Member contributions	1,064	1,090
Closing scheme liabilities	**247,008**	**216,551**

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

	Group and Company	
	2021 £000	2020 £000
Opening fair value of plan assets	202,401	208,717
Interest income	4,729	5,010
Return on plan assets (in excess of interest income)	34,065	(13,610)
Other actuarial gains/(losses)	-	2,389
Contributions by employer	1,320	1,800
Benefits paid	(4,760)	(2,862)
Administration expenses	(144)	(133)
Member contributions	1,064	1,090
Closing fair value of plan assets	**238,675**	**202,401**

	2021 £000	2020 £000
Actual return on scheme assets	**38,794**	**8,600**

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

	2021 %	2020 %
Equities	59.0	57.0
Government bonds	10.0	12.0
Other bonds	4.0	4.0
Properties	7.0	9.0
Cash	6.0	4.0
Other	14.0	15.0

Social housing pension scheme

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

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

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

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

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

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

The estimated position at 31 March 2021 shows a deficit of £332k (2020: £92k)

The number of scheme members employed by the Group at 31 March 2021 was nil (2020: nil). The charge to the Group for the year was £65k. (2020: £64k).

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

Calculation method

The figures at 31 March 2021 are based on projecting forward the results of the last formal actuarial valuation of the Fund as at 30 September 2017.

Key assumptions

The key financial assumptions have been based on market assumptions as at 31 March 2021 and have been derived in a consistent manner to last year. This has resulted in the following assumptions:

Financial assumptions	Group and Company	
	31 March 2021 % per annum	31 March 2020 % per annum
Discount rate	2.10	2.38
Future salary increases	3.86	2.62
Inflation assumption (RPI)	3.10	2.62
Inflation assumption (CPI)	2.60	1.62

Mortality assumptions

The post-retirement mortality assumptions adopted to value the benefit obligation at March 2021 imply the assumed life expectations on retirement at age 65 are:

		Group and Company	
		2021 Years	2020 Years
Retiring today:	Males	21.0	21.5
	Females	23.4	23.3
Retiring in 20 years:	Males	22.4	22.9
	Females	24.9	24.5

Amounts recognised in surplus or deficit

	Group and Company	
	2021 Years	2020 Years
Admin charges	2	2
Amounts charged to operating costs	**2**	**2**

	2021 Years	2020 Years
Net interest payable	2	15
Amounts within interest and financing costs	**2**	**15**

Amounts recognised in the statement of total comprehensive income

	Group and Company	
	2021 Years	2020 Years
Remeasurements	(301)	512
Actuarial (loss)/gain in respect of pension scheme	**(301)**	**512**

Amounts recognised in statement of financial position

	Group and Company	
	2021 Years	2020 Years
Present value of funded obligations	2,179	1,736
Fair value of plan assets	1,847	1,644
Net pension liability	**(332)**	**(92)**

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

	Group and Company	
	2021 Years	2020 Years
Opening scheme liabilities	1,736	2,752
Current service cost	2	2
Interest cost	41	57
Change in scheme experience	67	(209)
Change in financial assumptions	388	(243)
Change in demographic assumptions	(6)	(18)
Benefits paid	(49)	(605)
Closing scheme liabilities	**2,179**	**1,736**

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

	Group and Company	
	2021 Years	2020 Years
Opening fair value of plan assets	1,644	2,097
Interest income	39	42
Return on plan assets (in excess of interest income)	148	42
Contributions by employer	65	68
Benefits paid	(49)	(605)
Closing fair value of plan assets	**1,847**	**1,644**

	2021 Years	2020 Years
Actual return on scheme assets	**187**	**84**

Categories of plan assets:

	2021 £000	2020 £000
Absolute return	102	115
Alternative risk premia	70	86
Corporate bond fund	109	94
Credit relative value	58	45
Distressed opportunities	53	32
Emerging markets debt	75	50
Fund of hedge funds	-	1
Global equity	295	240
Infrastructure	123	122
Opportunistic illiquid credit	47	40
High yield	55	-
Opportunistic credit	51	-
Insurance-linked securities	44	50
Liquid credit	22	1
Liability driven investment	470	546
Long lease property	36	28
Net current assets	11	7
Private debt	44	33
Property	38	36
Risk sharing	67	56
Secured income	77	62
Total assets	**1,847**	**1,644**

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

Sensitivity analysis

	Change in assumptions	Change in liabilities
Discount rate	Increase of 0.1% pa	Decrease by 2.0%
Rate of inflation	Increase of 0.1% pa	Increase by 1.9%
Rate of salary growth	Increase of 0.1% pa	Increase by 0%
Rate of mortality	Probability of surviving each year increased by 10%	Increase by 3.0%

The sensitivities shown above are approximate. Each sensitivity considers one change in isolation. The inflation sensitivity includes the impact of changes to the assumptions for revaluation, pension increases and salary growth where appropriate. The average duration of the defined benefit obligation at the period ended 31 March 2021 is 20 years.

28. Provisions for liabilities and charges

Group and Company	Insurance claims £000	Restructuring costs £000	Leave pay £000	Total £000
At 1 April 2020	466	163	229	858
Additions	281	-	58	339
Utilised	(200)	(163)	-	(363)
Reversals	-	-	-	-
At 31 March 2021	**547**	**-**	**287**	**834**

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

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

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

29. Share capital

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

30. Cash flow from operating activities

	2021 £000	2020 £000
Surplus for the year	27,329	17,450
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	13,480	12,249
Amortisation of intangible assets	462	435
Pension costs less contributions payable	3,859	3,620
Government grants amortised in the year	(1,969)	(1,170)
Movement in fair value of financial instruments	(9,618)	1,293
Adjustments for investing of financing activities:		
Surplus on disposal of property, plant & equipment	(5,210)	(9,100)
Movement in fair value of investment properties	(145)	(969)
Interest payable	20,927	20,784
Interest received	(238)	(867)
Operating cash flows before movements in working capital	**48,877**	**43,725**
(Increase)/decrease in stock	-	-
(Increase) in properties held for sale	4,819	(2,822)
Decrease/(increase) in trade and other debtors	494	249
Increase/(decrease) in trade and other creditors	(3,738)	3,346
Increase/(decrease) in provisions	(24)	212
Cash generated from operating activities	**50,428**	**44,710**

30A. Analysis of changes in net debt

	At 1 April 2020 £000	Cash flows £000	Fair-Value movement £000	Other non-cash movement £000	At 31 March 2021 £000
Cash	117,154	(37,636)	-	-	79,518
Investments	10,242	725	-	-	10,967
Bank loans due within one year	(25,000)	25,000	-	-	-
Bonds due greater than one year	(264,265)	-	-	1,573	(262,692)
Bank loans due greater than one year	(148,025)	-	-	9,166	(138,859)
Total	**(309,894)**	**(11,911)**	**-**	**10,739**	**(311,066)**

The bank cash flow represents the repayment of two loan tranches to Lloyds & Santander.

The most significant non-cash movement is the release of the MtM liability following the cancellation of the callable options on £20m of funding with Lloyds (see Note 37 Exceptional Item).

31. Capital commitments

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Expenditure contracted for but not provided for	74,598	92,120	74,598	92,120
Expenditure authorised by the Board, but not contracted	47,474	1,426	47,474	1,426
	122,072	**93,546**	**122,072**	**93,546**

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

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Loan financing	97,875	82,964	97,875	82,964
Affordable housing grant	19,913	6,298	19,913	6,298
Other government grant	4,284	4,284	4,284	4,284
	122,072	**93,546**	**122,072**	**93,546**

During the year Visionary Investment Enhancing Walsall Limited (VIEW) deregistered. There are no commitments in respect of grant payables to external agencies. (2020: £255k).

32. Contingent assets/liabilities

The Group and Company had no contingent assets at 31 March 2021 (2020: £nil).

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

At 31 March 2021, the Group has disposed of components, which had received £2k (2020: £20k) 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 £3.5k (2020: VAT asset £33.7k).

33. Leasing commitments

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

	2021 £000	2020 £000
Within one year	78	429
Between two and five years	157	292
Over five years	88	-
	323	**721**

34. Related parties

Walsall Housing Group Limited is the parent company of the Group. It is registered with Companies House, the Charity Commission and the RSH and is a company limited by guarantee. Its wholly owned subsidiaries are set out below. Buy For Good has been dissolved and VIEW deregistered during the year as detailed below.

- whg Treasury PLC is a non-charitable company registered with Companies House. Its principal activity is to act as an onward moneylender of bond monies to its immediate parent company Walsall Housing Group Limited. The Group owns all of the Company's 50,000 £1 shares which were issued at par on incorporation.
- whg Developments Limited is a non-charitable company registered with Companies House whose principal activity is to provide a design and build service to Walsall Housing Group Limited. The Group owns the £1 share which was issued at par on incorporation.
- whg Trading Company Limited is a non-charitable company registered with Companies House whose principal activity is providing housing related project management and professional services. The Company also receives feed in tariff from solar panels. The Group owns the £1 share which was issued at par on incorporation.

- Anthem Homes Limited is a non-charitable company registered with Companies House. Its principal activity is to develop homes for outright sale. The Group owns all of the Company's 50,000 £1 shares which were issued at par on incorporation. Anthem Homes Limited has agreed a revolving loan facility secured by debenture with Anthem Lovell LLP which is limited to site specific Business Plans approved by Board. At present only one such facility has been agreed on the Caparo scheme which has an agreed interest rate of 5% on 30% of the drawn funds (effective annual rate of 1.875%). As at 31 March 2021 Anthem Lovell LLP had drawn down £8,590k of the facility (2020: £7,730k).
- Cricket Close LLP is a Limited Liability Partnership and a non-charitable company registered with Companies House. It is a subsidiary of Anthem Homes which owns 99% of the LLP with a £2 member interest and the remaining 1% is owned by whg Trading Limited.
- Visionary Investment Enhancing Walsall Limited (VIEW) was deregistered on 23 September 2020 during the financial year. It was an entity registered under the Co-operative and Community Benefit Societies Act 2014, which had charitable tax status. A Transfer of Engagements from VIEW to the parent company was registered with the Financial Conduct Authority on 18 August 2020. It has met its objectives which were to benefit the community by:
  - Improving 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.
  - Assisting in 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 objective carried out from time to time by a registered charity.
- Buy For Good CIC is a Community Interest Company registered with Companies House whose principal activity is to deliver social value through innovative and collaborate procurement initiatives. The company was dissolved on 20 April 2021.
- The Woodlands Management Company (Harrowby) Limited was acquired on 7 July 2020. The principle activity is residential property management. As part of that management service charges are collected from lessees to meet the cost managing and maintaining the property.

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

All entities are incorporated in England and Wales.

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

During the year there was a tenant, Noel Maxwell, who was a member of the Board of whg, and a tenant, Natalia Hill, who was a member of the Board of whg and Chair of the Customer Experience Committee. Their tenancies are on normal commercial terms and they are not able to use their position to their advantage. The rent charged in 2021 was £9.5k (2020: £9k). Total arrears were nil (2020: £nil). Disclosures in relation to key management personnel are included in Note 10.

35. Financial assets and liabilities

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

Categories of financial assets and financial liabilities

Financial assets measured at amortised cost

Financial assets	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Net rent debtor	1,626	2,094	1,626	2,094
Other debtors	381	408	348	387
Accrued income	6,235	4,507	3,589	4,507
Amounts owing by Group undertakings	-	-	11,944	10,931
Cash and cash equivalents	79,518	117,154	78,390	113,900
Current investments	10,967	10,242	10,967	10,242
Total financial assets	**98,727**	**134,405**	**106,864**	**142,061**

Financial liabilities measured at amortised cost

Financial liabilities	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Bank loans and bond	401,099	427,671	401,099	427,671
Trade creditors	7,768	8,282	6,345	7,468
Accruals	8,799	8,508	3,642	3,337
Amounts owing to Group undertakings	-	-	6,675	5,992
Other creditors	1,003	2,362	991	2,323
Total	**418,669**	**446,823**	**418,752**	**446,791**

Financial liabilities measured at fair value through the statement of comprehensive income

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Opening Derivatives balance	9,618	8,325	9,618	8,325
Fair value movement	(452)	1,293	(452)	1,293
Cancellation of callable option	(9,166)	-	(9,166)	-
Closing derivatives (Note 25) balance	**-**	**9,618**	**-**	**9,618**
Total financial liabilities	**418,669**	**456,441**	**418,752**	**456,409**

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:

	2021 £000	2020 £000
Expiring between one and two years – revolving credit facility	-	-
Expiring in more than two years – revolving credit facility	61,633	49,133
	61,633	**49,133**

36. Reserves

The Group has taken part in the Midlands pilot of a Voluntary Right to Buy scheme. No properties were sold in the year to 31 March 2021 (2020: 34). The Group has created a designated reserve for the net proceeds plus discount reclaimed from Homes England less the amount of debt repaid. This designated reserve will be used to fund the one for one replacement of housing property.

	Group		Company	
	General reserves £000	Designated reserves £000	General reserves £000	Designated reserves £000
As at 31 March 2020	126,553	3,156	142,671	3,156
Total comprehensive income for the year	37,103	-	39,170	-
Transfer to designated reserve	(4)	4	(4)	4
	163,652	**3,160**	**181,837**	**3,160**

37. Exceptional gain

On 17 March 2021 the Group executed a deal to cancel the callable option on £20m of funding with Lloyds Bank Plc and convert them to vanilla fixed rate loans with the same maturity date. As the callable option had been deemed a non-basic financial instrument in the accounts this tranche of funding had been valued at fair value. At the date of cancellation of the options the fair value of the loan included a mark to market of £9.2m which was released to the income statement as an exceptional gain. The £20m of vanilla fixed rate loans that replaced the callables is now deemed a basic financial instrument and therefore valued at amortised cost.

Notes

/walsallwhg

/yourwhg

/wearewhg

www.whg.uk.com

Company registration number: 04015633
Registered provider number: L4389
Registered charity number: 1108779
Registered office: 100 Hatherton Street, Walsall, WS1 1AB