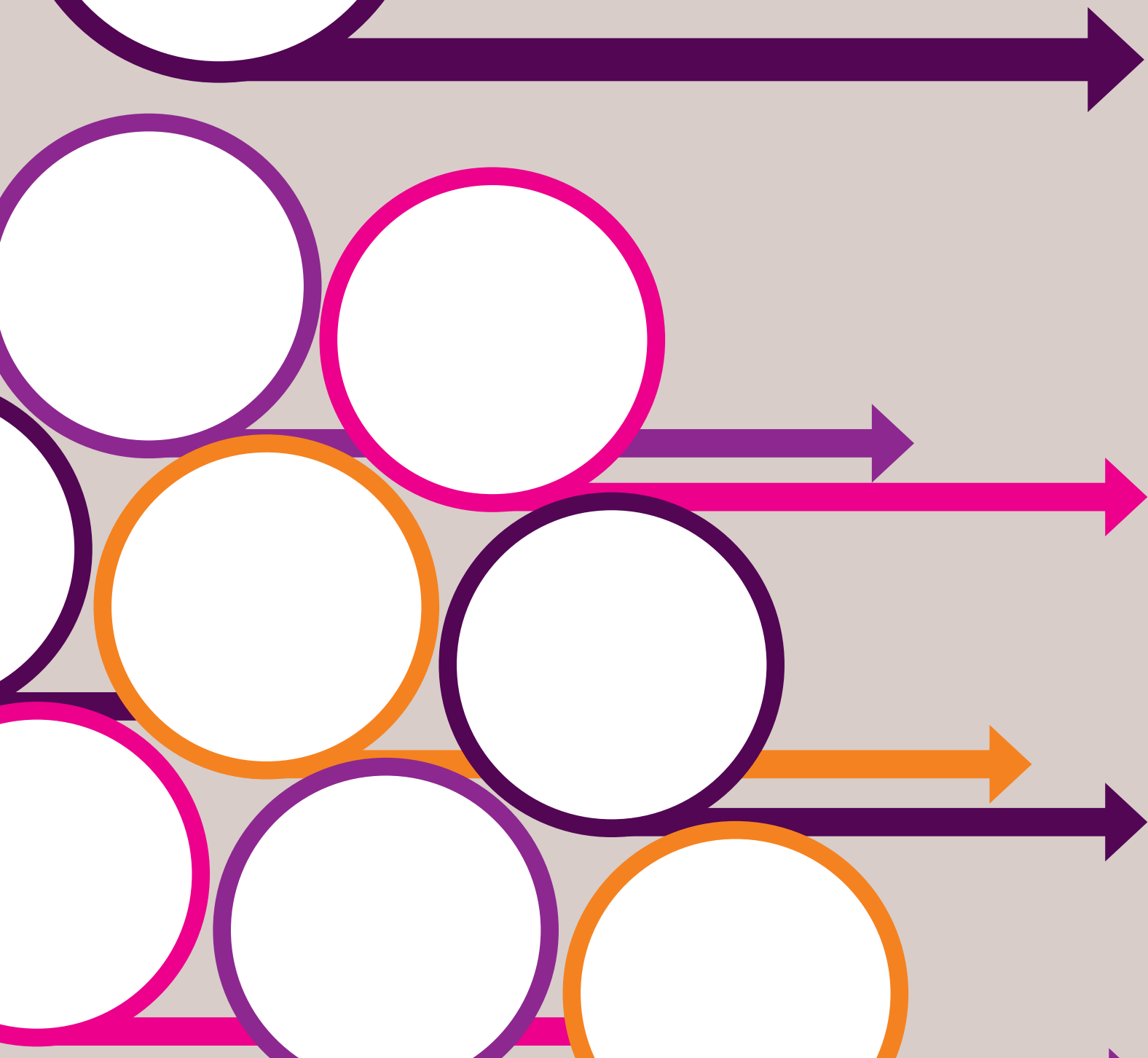




**Black Country
Housing Group**

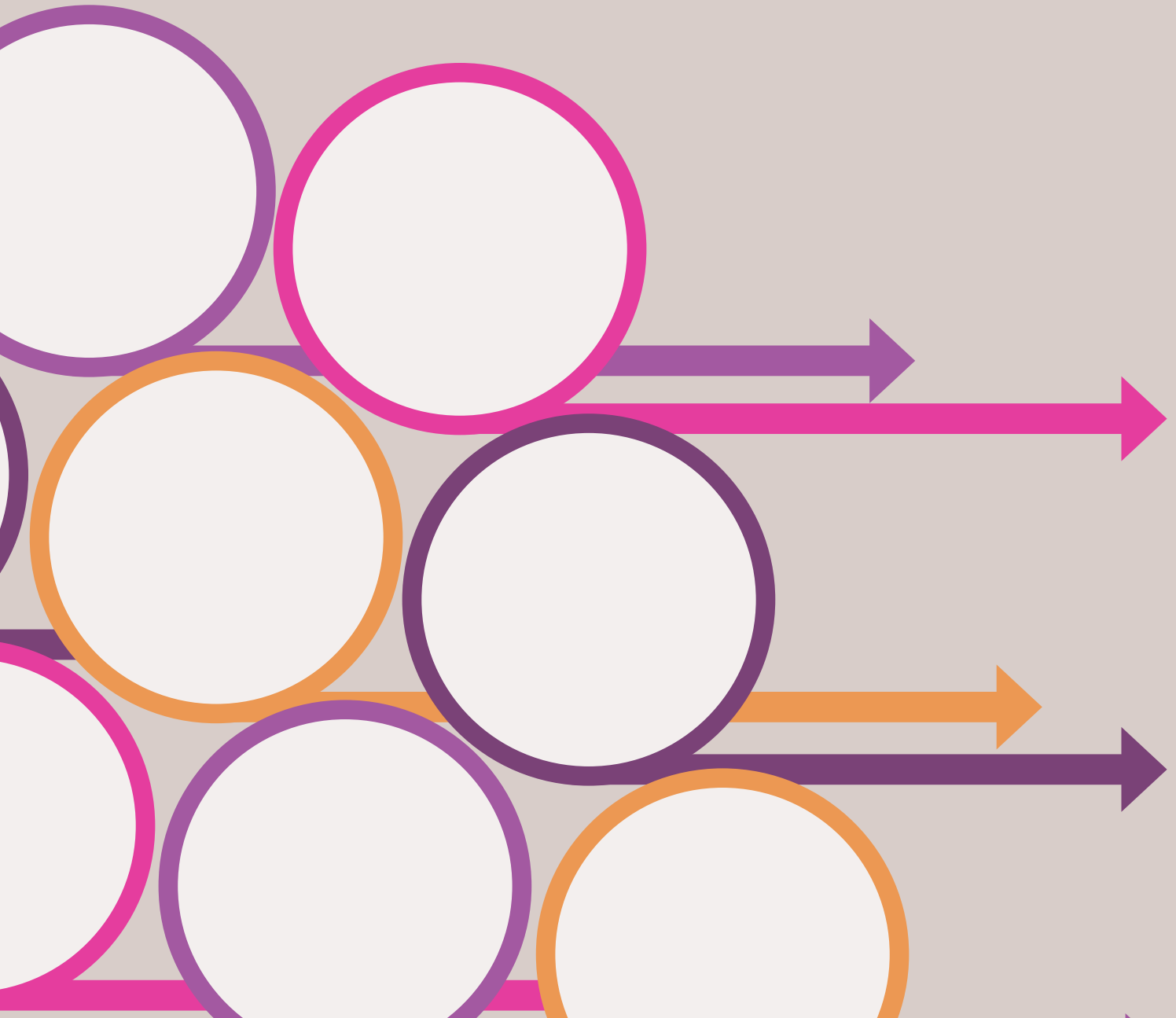
**40
&
Forwards**

**Financial Statements
Year Ended 31 March 2015**



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Information

Board

Mr P Bilson (Chair)
Mr K Wright (Deputy Chair)
Mr S Bains
Mrs K Battersby
Mr A Carey
Mr N Foster
Mr D Gutteridge
Mr D Sadler
Mr I Stinton
Mr F Takroui
Ms M Bradley (co-opted 11th December 2014)
Mrs A Tomlinson (Executive Director)

Executive

Mrs A Tomlinson – Chief Executive
Miss J Beckett – Director of Care and Social Business
Mr D Saunders – Director of Finance and Corporate Services
Mr I Stuart – Director of Operations

Secretary

Mr D Saunders

Registered Office

134 High Street
Blackheath
West Midlands
B65 0EE

Auditors

Baker Tilly UK Audit LLP
St. Philips Point, Temple Row
Birmingham
B2 5AF

Bankers

Lloyds Bank plc
153 High Street
Blackheath
West Midlands
B65 0EB

Registration

HCA Number: L1668
VAT Number: 705333170
Co-operative & Community Benefit Society: 21157R

Year at a Glance

(Previous Year in brackets)



New Homes
56 (71)



Operating Margin
23% (25%)



BME lettings
19% (14%)



Avg. letting time
19 days (17)



Homeswapper (vol)
17 (9)



Homes
2059 (2011)



Interest Cover (EBITDA-MRI)
173% (187%)



Rent Losses from Voids
1.2% (1.4%)



Operation Cash Flow
£5.1m (£3.4m)

Turnover £m Social Housing
10.5 (9.7)



First Tranche Sales
1.0 (0.7)

Other
3.0 (2.6)

Nomination & Referral
42% (53%)

Direct Application
35% (35%)



Source of tenants

Transfer
15% (6%)

Mutual Exchange
8% (6%)

1 bed £75.99 (£74.39)
2 bed £89.09 (£86.26)
3 bed £99.80 (£95.95)



4 bed £111.86 (£106.76)
5 bed £138.51 (£133.55)
6 bed £145.58 (£140.41)

Chair's Statement

I am very pleased to report that 2014/15 was a very positive year for Black Country Housing Group ("BCHG"). It was the first year of our Strategic Plan 2014-2017 which set out ambitious plans for growth and transformational change of our business. It was also our 40th anniversary year, a time for looking back at our achievements and celebrating these as we look forward to the future.

Growing our organisation has been a key objective for the Group, as we look to provide more much needed homes for individuals and families, as well as increase our surpluses to provide resources for further investment in our services and communities. We have seen strong growth in turnover, with a 11.7% increase over the previous year, and an increase in operating surplus of 4.3%, and forecast even greater increases in turnover during 2015/16.

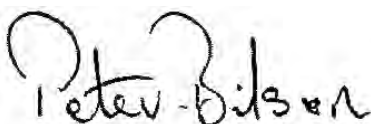
It is important to use the strength of our balance sheet to support our future growth. Early in the financial year we put in place a £12 million facility with Santander which will enable BCHG to be an active developer and participant of the Affordable Homes Programme 2015-2018, and we are pleased that this is fully securitised and available to drawdown.

A key achievement during the year was the transfer into BCHG management of Dudley MBC's last remaining residential care home. This is a key part of our new strategic direction, building upon our already very successful domiciliary care business, operated through our subsidiary BCS Associates Ltd. Our residents are very excited about this new phase of their home as we invest in the fabric of the property as well as ensuring high standards of care and quality of life for all.

BCHG strives to be an outstanding employer, and we are proud that we achieved Investors in People Gold during the year, as well as maintaining our Investors in Diversity accreditation. These awards together with our own reward and recognition strategy assist in ensuring that we recruit and retain highly motivated and engaged colleagues who are driven to provide excellent quality of services to all our customers. Customer satisfaction remains exceptionally high across our care and housing businesses, and we will seek to sustain and improve upon these in the coming year.

We will also continue to transform parts of our business to deliver more Value-for-Money as our colleagues Challenge the Status Quo through Project Q, our programme which embeds VFM across the business.

Finally our Board of experienced and committed professionals continue to support BCHG in its ambitions, continually challenging and managing emerging risk ensuring that BCHG remains a viable, sustainable and successful organisation into the future. I would like to thank them, the Executive and all our colleagues for all their hard work during the year.



Peter Bilson
Chair

Report of the Board

Principal Activities

Details of the Group's principal activities, its performance during the year and factors likely to affect its future development are set out in the Operating and Financial Review which follows this report.

Corporate Governance

The Board complies with the principal recommendations of the NHF Code of Governance.

The non-executive Board members and the Executive Directors are listed on page 2. The Group's Board comprises ten non-executive members, plus one co-opted member, plus the Chief Executive and meets at least seven times a year.

The Group's Board has ultimate responsibility for the Group's strategic plans and policy framework and is supported by an Audit & Risk Committee which meets at least four times a year. All members of this committee are members of the Board. BCS Associates' Board also meets at least four times a year.

Board Members and Executive Directors

In December 2014 Maureen Bradley was co-opted to the Board in line with our succession plan. Maureen has worked at Chief Executive Officer level and as a Non Executive Director at a number of social care and support providers and brings important additional skills to our Board.

The executive directors are the Chief Executive and other members of the Executive Team. The executive directors are members of the Social Housing Pension scheme. They participate in the scheme on the same basis as all other eligible staff.

For details of executive and non-executive directors remuneration packages refer to note 7.

Employees

It is BCHG's aim to be an outstanding employer. We recognise that we can only achieve our vision through recruiting, retaining and developing excellent colleagues and creating an outstanding place to work. In 2014 we were proud to have our commitment to our colleagues recognised through being reaccredited as an Investor in Diversity, being awarded Investors in People Gold and winning the Kaleidoscope Plus Group's inaugural Health & Wellbeing Employer of the Year award.

In 2014/15 we launched our new mission and vision for BCHG. To support these our colleagues collectively and collaboratively reviewed and re-launched our improved Values and developed a series of behaviours that clearly articulate how we demonstrate excellence, what we expect of our colleagues and what our colleagues and customers can expect from us.

BCHG's success and growth during 2014/15 is a testament to the quality and commitment of our colleagues; in 2014/15 we welcomed 84 new colleagues and we now employ 245 local people. During the year we committed over 1% of turnover to training and developing colleagues; we completed the final programme in our Delivering Excellence Leadership Programme, a 3 year project aimed at developing excellent leadership in our managers to build capabilities and capacity to support our colleagues and enable growth. Our commitment to developing talent continued with a further £45,000 investment in our graduate and apprenticeship programme in addition to building close relationships with local schools to promote careers in our sector and also developing employability skills amongst young people in our communities. We've continued to reward and recognise our colleagues, individually and collectively, who have delivered our Values and helped us to achieve our Mission through Q Rewards (team awards), Delivering Excellence Awards and GEM Awards (individual awards).

Donations

The Group made charitable donations of £9,187 (2014: £365) and made no political donations. 2014/15 was our 40th anniversary year and as part of our celebrations we organised a number of fund raising events culminating in our Gala Ball with proceeds donated to our charity of the year Loves 'n' Fishes based in Blackheath.

Internal Controls Assurance

The Board has overall responsibility for establishing the system of internal control and for ensuring it is effective and focussed on the key risks threatening the Group's ability to meet its objectives. The Board reviews the system of internal control annually.

The Board recognises the internal control system is designed to manage rather than eliminate the risk of failure to achieve Group objectives and can only provide it with reasonable but not absolute assurance.

The Audit & Risk Committee (A&R) received the annual report on internal control assurance and reviewed the Assurance Map in satisfying itself of the effectiveness of the control processes.

The key components of BCHG's internal control system and the assurance they provide are set out below.

Control System	Contribution to Assurance
Governance framework	Provides an overall structure for the Group's governance and facilitates oversight and scrutiny of the Group's activities.
Terms of Reference for BCS Associates and Audit & Risk Committee (A&R)	Provide for checking and scrutiny of management controls and processes and the Group's performance.
Financial Regulations	Annual approval by A&R controls the delegation of authority to make commitments for the Group. The Regulations specify the authority levels for Executives, Heads of Service and Managers including the authority to sign contracts, certify and approve payments, offer refunds or compensation. Cheque and on-line banking signatories are set out.
Strategic Plan and long-term Financial Plans	Board's triennial approval with detailed annual review ensures resources are in place to implement Board's long term vision.
Approval of Policies and Strategies	Approval by Board and A&R respectively confirms that policies and procedures remain aligned to objectives, are up to date and fit for purpose.
Appraisal of investment decisions	Appraisal by Non Executive Directors or Executive as appropriate ensures consistency with Strategic Plan.
Performance Monitoring I – non-financial	Regular KPI reports to the Executive Team and our Performance Dashboard monitored by A&R enable prompt review and corrective action if/when performance diverges from target.
Performance Monitoring II – financial	Annual budget approval and regular management accounts monitoring by A&R and Executive Team allows corrective measures to be put in place if financial goals at risk.
Treasury and Cash Flow management	Annual approval of Financial Plan and Treasury Strategy and quarterly review of 24 month cash-flow forecast enable A&R to assess liquidity and availability of secured funding. Quarterly forecasts of covenant performance facilitate testing of lenders expectations.
Whistle-blowing Policy	Board approved Policy enables direct contact to Executive or Chair of A&R.
Anti-fraud Policy	Board approved Policy sets clear response and reporting lines the effectiveness of which were shown when an incident was identified by management in 2014/15.
Health & Safety	An Annual Plan approved by Executive team ensures key risks are monitored effectively.

The Board is able to take further assurance from the following.

Risk Management

As detailed elsewhere in this Operating and Financial Review (page 21), BCHG has a Risk Management Strategy in place and maintains both strategic and operational risk registers. The Strategy is reviewed annually and requires quarterly reporting to Board and Executive Team.

Assurance Map

BCHG has developed an Assurance Map to clearly illustrate to Board the various sources of assurance and where that is internal or external to the organisation.

External Audit

The external audit provides assurance through the audit report and management letter that no matters have come to their attention that would give rise to significant instances of internal control weaknesses or irregularity. The Chair of Audit & Risk Committee meets the lead partner at least once per year and the Committee also meet the auditor without officers present at least annually.

Internal Audit

In 2014, BCHG decided to strengthen its internal audit by engaging an external provider. Service Matters were selected after a competitive process. In consultation with the Executive Team and Audit & Risk Committee they developed a risk based three-year audit plan. Service Matters reports, their recommendations and management's proposed actions are considered at each Audit & Risk Committee meeting. A recommendation tracker and follow-up audits ensure recommendations are implemented. Service Matters also prepare an Annual Report for Audit & Risk Committee providing an overview of their tests through the year and stating their opinion that the system of internal controls and risk management, for the scope and areas reviewed, is operating effectively to provide adequate levels of assurance.

Regulatory Engagement

BCHG embraces the HCA's ethos of co-regulation. All data submissions are completed accurately and on time having been reviewed by the Director of Finance & Corporate Services and/or Chief Executive and an open and transparent dialogue is maintained.

Going Concern

The Group's business activities, its current financial position and factors likely to affect its future development are set out within the Operating and Financial Review. The Group has in place long term debt facilities (including £15 million undrawn) which provide adequate resources to finance committed development and renewal programmes along with the group's day to day operations. The long term financial plan shows that the Group is able to service its debt facilities whilst continuing to comply with loan covenants.

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

Statement of Board Responsibilities

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

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Board to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the RSL and of the surplus or deficit for that period.

In preparing these financial statements the Board is required to:

- select suitable accounting policies and apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- prepare the financial statements on a going concern basis unless it is inappropriate to assume the Group and Association will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Association and enable it to ensure that the financial statements comply with the Co-operative and Community and Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012. It has general responsibility for taking reasonable steps to safeguard the assets of the RP and to prevent and detect fraud and other irregularities.

The Board are responsible for the maintenance and integrity of the corporate and financial information included on the Group and Association's website.

Disclosure of Information to Auditors

In the case of each of the persons who are directors of the company at the date when this report was approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the company's auditors are unaware; and
- each of the directors has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information (as defined) and to establish that the company's auditors are aware of that information.

Annual General Meeting

The annual general meeting will be held on 17th September 2015 at 134 High Street, Blackheath.

External Auditors

A resolution to re-appoint Baker Tilly will be proposed at the forthcoming annual general meeting.

The report of the board was approved on 9th July 2015 and signed on its behalf by:



Peter Bilson
Chair
Black County Housing Group Limited

Operating and Financial Review

Principal Activities

The Group comprises Black Country Housing Group (the Association), and its subsidiaries

- BCS Associates Ltd.
- Black Country Care Services Ltd. (dormant)

The Association is a registered provider of social housing and has charitable status. Key activities during the year included:

- managing and developing homes for rent
- providing supported housing
- providing care to residents in our schemes and in the community
- supplying low cost home ownership
- supporting people into work and training
- helping to create sustainable communities
- providing home improvements and adaptations.

BCS Associates Ltd., trading as Black Country Care, provides our domiciliary care service supporting the residents of Dudley and of our older persons' accommodation in the Black Country.

Objectives and Strategy

Our new Strategic Plan 2014-17 was launched at the end of the 2014 financial year setting our objectives for the next three years.

Looking back our performance in delivering our Strategic Priorities over the last year is tabled below.



- Providing high quality homes which are safe, secure and energy efficient;
- Increasing customer satisfaction with all our services.
- Transforming our services and ways of working to improve delivery;
- Maintaining highest viability and governance HCA ratings;
- Delivering personalised and individual support and services which meet the highest standards of regulatory excellence

Our Asset Management Strategy continues to deliver home improvements, and essentially lower running costs, to our residents. Our customers tell us that they are very satisfied with our services, with housing services achieving 86% and the repairs service achieving 98%; both higher than industry averages. Social Value is now being measured in over 80% of the business. Our V1 and G1 ratings are unchanged. Our care and support services achieved high satisfaction ratings too and are all CQC compliant. A range of activities have been enjoyed by support service users and older customers, all designed to support independence and increase community participation.

Growing our Social Business



- Providing more affordable homes;
- Developing our first residential care home;
- Providing units of specialist accommodation;
- Providing more care hours and expanding the service offer;
- Supporting more people with training and employment advice;
- Increasing Homeforce turnover;
- Enabling the creation of more social enterprises;
- Supporting our local community in creating a vibrant and prosperous Blackheath;
- Creating new services in the health and social care market.

We have built 24 properties this year. Our first residential care home, New Bradley Hall was transferred to BCHG's management in February and we have firm plans in place to develop a new home elsewhere in the Borough thorough 2015-16. Whitepoplars is providing new homes for 5 young people with learning disabilities. Our Highland Road project for young people has increased to 11 units. At the end of the year, we reached 84% of the target for care hours' delivery but our growth plans remain and a clear strategy to grow this business is in place. We helped 1,590 individual customers over the last year with education, employment or training advice and guidance. Of those 113 achieved sustained employment. Homeforce has been awarded a new contract in Birmingham, successfully retained a key existing contract and won a Major Adaptations contract in Sandwell; together worth almost £1.5m per year. Social investment in community functions and facilities, apprenticeships and job clubs and tenancy support services has been made.

Challenging the Status Quo



- Ensuring modern and future-proofed ICT infrastructure;
- Transforming service delivery of key business areas;
- Promoting Project Q in delivering service improvements and increased VFM;
- Ensuring equality and diversity is central to our activities;
- Leading and developing highly engaged colleagues;
- Ensuring high performing support teams.

We delivered our ICT strategy in 2014-15 with investment made in key improvements including a new telephone system and key business software upgrades and enhancements. Open Access, the residents self serve software, and texting service are live. WiFi has been installed in all sheltered schemes. Project Q is delivering lots of efficiencies and savings in our service delivery – all identified by colleagues. Progress, our lean review process completed a number of reviews and efficiencies identified are in place. We developed and launched our People Strategy and achieved iIP Gold.

Business and Financial Review

Our Strategic Plan and VFM Strategy are equally clear in setting out the Board’s intention that BCHG will be an excellent, growing organisation developing new homes and delivering social value and excellent services across the Black Country and Birmingham.

	2011 £000	2012 £000	2013 £000	2014 £000	2015 £000
Turnover	14,630	13,135	12,450	13,013	14,450
Operating Surplus	1,967	2,559	3,330	3,207	3,344
Surplus for the year	448	991	1,814	1,684	1,608
Operating Margin	13%	19%	27%	25%	23%
Interest Cover (Adj.Op. Surplus/ Interest)	131%	178%	215%	187%	173%

Group turnover from social housing has continued to increase reflecting the Group’s delivery of new homes both through the AHP 2011/15 and also from our own resources.

In 2014/15 we also completed the sale of 18 new homes developed for shared ownership.

Similarly the operating surplus achieved from our core social housing activity increased to £3.8M.

This was supported by an operating surplus of £50,000 for BCS Associates.

BCHG Turnover



BCHG Operating Surplus



Whilst clearly focussed on the importance of a positive operating margin, we continued to invest in activities delivering a real social return rather than purely financial gains. Notably our Social Business Team helped 1,590 people with education, employment and training advice and guided 113 people in to full time employment, whilst Compass helped 127 vulnerable customers and accessed over £117,000 of welfare benefits and charitable funds.

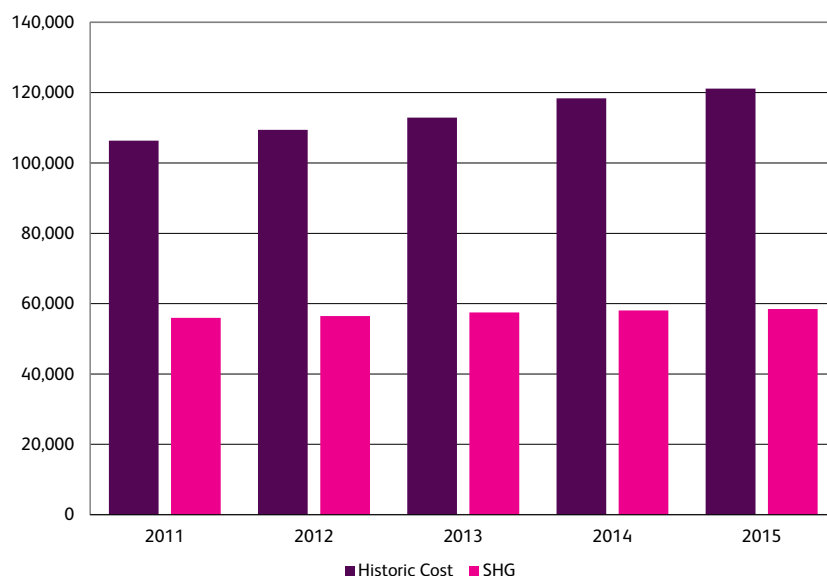
Balance Sheet (£000)	2011	2012	2013	2014	2015
Total Fixed Assets	48,988	50,052	51,919	56,430	58,119
Net Current Assets / (Liabilities)	(1,684)	(2,202)	(387)	(102)	1,987
Creditors	36,302	36,056	37,924	41,036	43,216
Reserves	11,002	11,794	13,608	15,292	16,890
Gearing I (Loans / SHG + Reserves)	57%	55%	54%	57%	61%
Gearing II (Loans / Housing assets)	36%	34%	34%	36%	38%

We invested £2.6M in developing new homes and a further £0.9M in capital works to existing homes. This work was supported by SHG of £0.7M and loans of £4.3M as we drew funds down before the end of the availability period.

In 2014/15 we completed the development of 24 new homes and acquired New Bradley Hall (residential care home) taking our total of homes owned to 2,059.

The Board and Executive Team exercise control of the Group's performance through the monitoring and approval of the Strategic Plan, annual targets and key performance indicators.

BCHG Fixed Assets



Throughout the year all managers complete quarterly reports through our innovative Project Q setting out their VFM achievements and the added social value they have delivered.

Key Performance Indicators	Target	2013	2014	2015	Yr on Yr Direction
Average re-let time (days)	20	25	17	19	↓
% Decent homes	100%	100%	100%	100%	-
Emergency repairs completed within time	100%	100%	100%	100%	-
Urgent repairs completed within time	975	100%	98.6%	100%	↑
Routine repairs completed within time	97%	97.7%	95.2%	98%	↑
% rent debt in arrears (General Needs)	5.5%	2.8%	3.1%	2.5%	↑
% rent loss due to voids	1.2%	1.2%	1.4%	1.2%	↑

Value for Money

Black Country Housing Group takes a strategic approach to delivering Value for Money in everything we do. We developed our VFM Strategy in November 2012 and in September 2013 we launched our innovative Project Q which has helped us to embed VFM and the ethos of “Challenge the Status Quo” across our organisation. Our VFM Self Assessment is published on our website: [BCHG Value for Money Statement Year Ending March 2015](#).

• Strategic Approach to VFM

At BCHG our focus is clearly on Value, we do not aim to be the cheapest but we do intend to deliver outcomes with social value in the most effective way. Specifically, we will aim to ensure that the cost of delivering our services will fall within the mid quartile when compared to the appropriate benchmark.

At BCHG, VFM means:

- Doing the right things – having clear business objectives and understanding the outcomes we want to achieve
- Investing in the right assets at the right price – economy – balancing quality, performance and cost
- Doing things right – efficiency and effectiveness
- Evaluating success – robustly assessing our own performance and making continuous improvements.

Where economies and efficiency gains deliver cash or additional capacity these resources will be re-invested to deliver our key objectives. In setting our Strategic Plan 2014-17 the Board and Executive were clear in ensuring that VFM is a common thread running through our strategic priorities:

- Delivering Excellence
- Growing our Social Business
- Challenging the Status Quo

• Ensuring we deliver VFM

The Board is clear in its commitment to leading the organisation’s drive to continuously improve economy, efficiency and effectiveness and monitors progress in delivering our VFM Strategy and scrutinises investment decisions in that context.

The Group’s Business Plan sets out our strategic objectives and these cascade through the organisation. Each Leader sets a three-year team vision supported by an annual plan with clear milestones. These flow down through team meetings, annual appraisals and 1:1s so that every colleague is clear what the organisation expects.

In setting our strategic direction the Board reflects upon the priorities of tenants, customers and stakeholders.

We capture and learn from the views of customers in a range of ways including:

- listening to members of our Resident Scrutiny Panel
- the complaints, comments and compliments link on our web-site
- formal feedback forms for all clients of our National Careers Service team (to September 2014)
- customer satisfaction questionnaires for our Homeforce team

BCHG sees clear benefits from working with our Resident Scrutiny Panel. The panel meet regularly and undertake service reviews. The Panel has increased in number to 6 members and in addition we have established a Tenant Liaison Committee (TLC) whose members are drawn from our sheltered schemes. The Panel have conducted a review of our approach to Anti-Social Behaviour and will report to the Audit & Risk Committee. The Panel have conducted a review of our approach to Anti-Social Behaviour and will report to the Audit & Risk Committee.

The Panel will review the accessibility and customer friendliness of our website in 2015. In the meantime TLC are supporting us in our strategic objective of providing vibrant desirable homes in our sheltered schemes.

The Strategic Plan is underpinned by our long-term Financial Plan which clearly demonstrates the long-term viability of the Association and the impact of investment and borrowing decisions. A detailed Budget is approved annually and is scrutinised by the Executive Team and Board.

Performance against the target budgets is measured when the Executive Team consider monthly management accounts setting out the financial performance of each service or activity whilst the Board, of course scrutinise management accounts at a strategic level.

BCHG is a now member of Housemark and we have been a member of Baker Tilly's back-office benchmarking club for some time.

• **Embedding VFM in BCHG**

BCHG developed Project Q to engage with colleagues across the Group and empower them to be innovative and creative, to Challenge the Status Quo and to help us embed VFM into every decision we make across our business.

Through Project Q we have created a mechanism to encourage new ideas about how we work and deliver services, to empower colleagues to put those ideas in practice and to capture and measure the impact of those ideas.

All our Leaders prepare three-year team plans linked to our Strategic Plan. These plans, underpinned by annual targets and milestones, send a clear signal that improved VFM and social value delivery is expected and required. Through the year Leaders complete quarterly Q Reports which set out the efficiencies actually achieved and the social value delivered by their teams and these reports are scrutinised by the Executive Team.

Alongside this, every colleague can individually submit a Q Idea, or "iQ", to an independent panel (including an executive and a Staff Forum representative) to ensure there is no unintended blockage in the flow of good ideas and challenge anywhere in the Group.

This approach to VFM and colleague engagement was recognised in the Sunday Times Best 100 not-for-profit Companies awards in 2013 when we were runners-up for innovative engagement.

• **VFM Achievements**

We have completed 24 new homes over the last year and now manage over 2,050 homes across the West Midlands conurbation. Working with the HCA (through the AHP 2015-18) we now expect to deliver 105 homes for affordable rent or shared ownership by March 2018 supported by Recycled Capital Grant and other grants.

In addition to the AHP programme, we completed one Mortgage Rescue purchase and converted a disused room at our Younger Persons' scheme, Highland Road, to increase capacity from 10 to 11 beds.

In February we completed the leasehold acquisition of New Bradley, Hall a 31 bed residential care home, from Dudley MBC. This home in the heart of the Black Country town of Kingswinford will be transformed by the significant investment BCHG is able to make.

2014/15 was the fifth and final year of our partnership with Wrekin Housing Trust who manage and deliver our Responsive Repairs service. By working in partnership our two organisations have achieved a synergy which is mutually beneficial. For BCHG the contract delivered savings against RPI of £22,000 in

the year and has delivered cumulative savings of £73,000 to March 2015. We have agreed an extension to this contract now linked to CPI and including direct investment of savings into an apprentice position.

Through partnership working with National Grid Affordable Warmth we secured a free gas main installation for 16 homes in Blackheath giving us a saving of £11,000 and providing more economical heating for our customers.

In 2014/15 we joined (by invitation) the National Housing Federation’s Existing Homes and Communities group where we negotiated eligibility for RP properties for Department of Energy and Climate Change’s new Central Heating Fund grant worth £3,125 per all-electric property.

By making dual use of Broadband connections at our older persons’ schemes our ICT team were able to facilitate resident Internet access for communal areas at no cost to residents.

Our Corporate Services team reviewed and re-tendered our office cleaning contract saving £4,077 per annum and saved a further £800 on franking machine usage with further savings to be realised plus ongoing savings on mail costs as we reduce paper communication and switch to more on-line engagement. In addition we continue to benefit from an earlier scrutiny of expenditure on office supplies delivering savings of £6,200 against previous levels.

As outlined elsewhere in the Operating Review, BCHG is committed to becoming a great employer. At BCHG we firmly believe our engaged and motivated colleagues are critical to delivering excellent services and during the year the we were proud to achieve Investors In People Gold.

Colleague attendance has continued to be excellent, with just 2.5% of working days lost last year, providing direct savings through avoided overtime and agency cover costs as well as the efficiency gains arising from improved staff morale.

During the year our HR team sourced a new recruitment aggregator at a significantly lower rate; it also posts on 2000 job boards. This has seen numbers of applications increase from an average of 8 applications per campaign to 30 on occasions.

• Delivery of strategic VFM Targets for 2014/15

Our performance in delivering our key 2014/15 VFM targets is summarised below.

Strategic Aim	Comment
Undertake a Lean Review of 5 services	✓ Q Reviews complete and efficiencies identified and in place
Research options for the cost effective management of our Responsive Repairs	✓ Options explored. Out-sourced contract extended with continued VFM guaranteed and added social value through funding an apprenticeship.
Develop our Older Persons Accommodation Strategy	• Research relating to the development of Older Persons Accommodation Strategy and the wider “BCHG Offer” for older people is underway with a view to strategy completion by January 2016.
Bring Legionella and PAT testing in house	✓ Legionella service now in place. ✗ PAT testing no longer being pursued for the time being as VFM could not be evidenced.
Work with partners to implement direct payments for care provision	• Work with local authority partners continues.
Reduce cash handling and improve use of online services by customers 10%	✓ Procurement cards rolled out and petty cash transactions have reduced. Ceased taking cash transactions for rent payments. Direct debits payments for rent have increased.

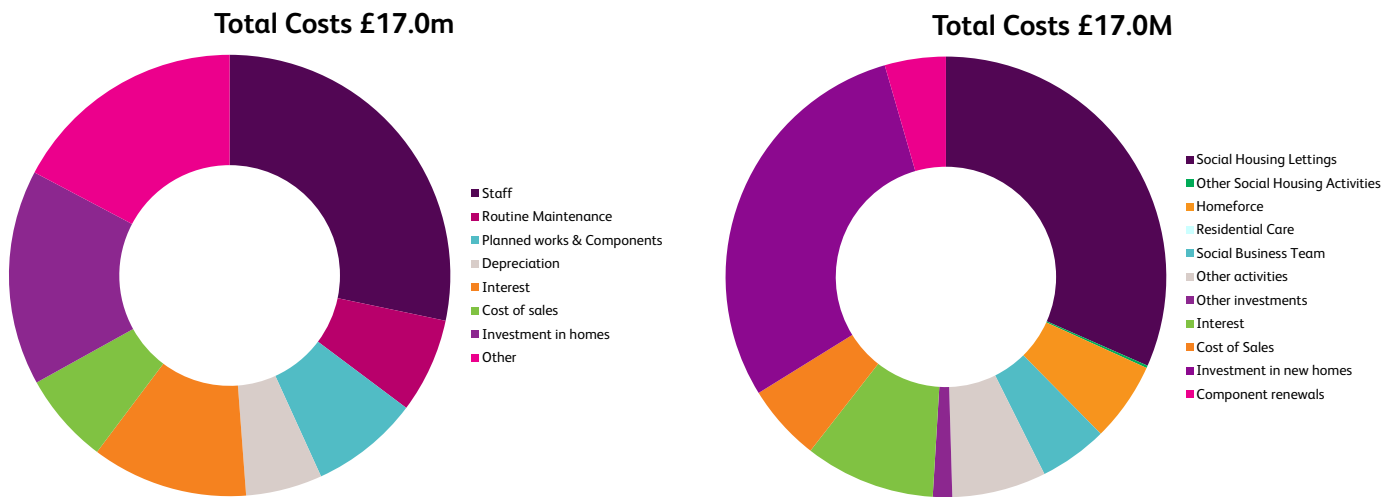
Reduce cash handling and improve use of on-line services by customers 10%	✓ Open Access and texting service now live. WiFi installed in all sheltered schemes and IT has held drop-in sessions for residents. 13% of customers online.
Reduce corporate water and fuel usage by 1%	✓ Metered water consumption was 5% lower than the previous year.
Deliver 1% year on year improvement in VFM	<ul style="list-style-type: none"> ✓ Staff costs increased 9% compared to 12% increase in Turnover ✓ Responsive Maintenance contract cost per home increased by 1.2% year-on-year ie -2% reduction in real term unit cost (£22,000 pa). ✓ All other operating costs increased by 4% in aggregate compared to 12% increase in Turnover.
Develop our approach to Return on Assets	<ul style="list-style-type: none"> • Our understanding of our Return on Assets flows from the close knowledge and understanding we develop as a local landlord. In the year ahead this will be supplemented by our Assets & Liabilities Register.

• Understanding our Costs

BCHG's financial system allows costs to be accurately allocated and the running costs of activities identified. An annual budget is produced, driven by service managers in the context of the Board's overall strategy and the financial plan flexed accordingly.

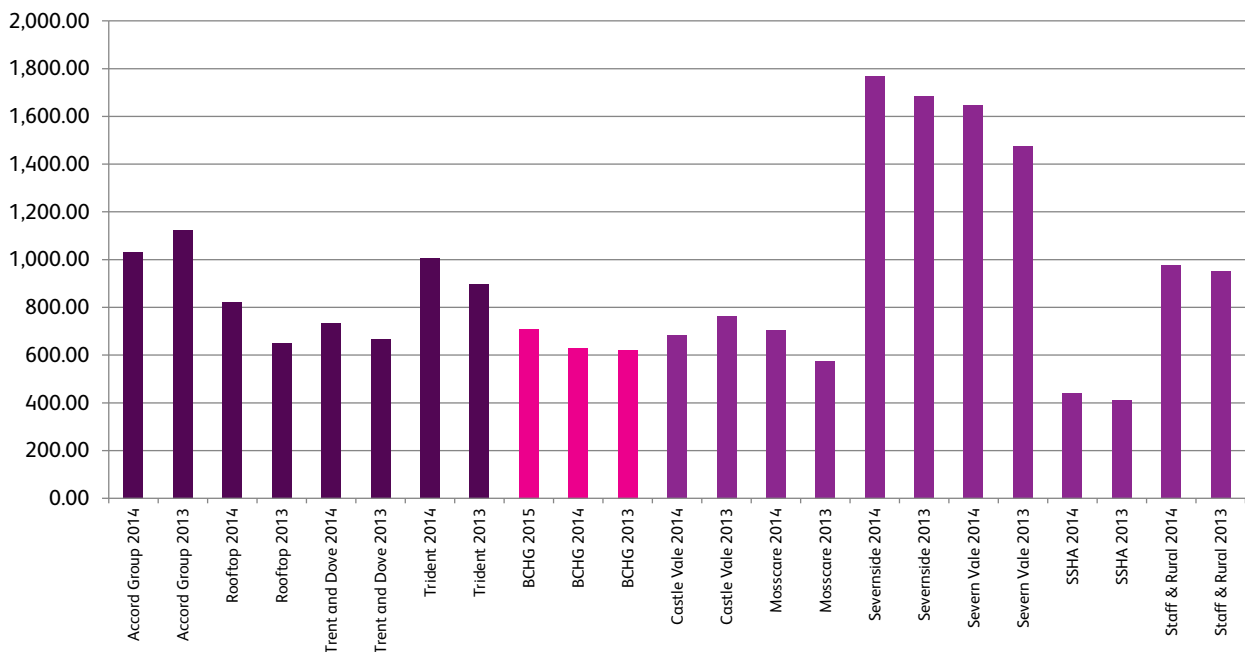
The table and charts below give a high level "snapshot" of our main areas of spend.

Total Costs	2012/13 £000	2013/14 £000	2014/15 £000	How do we aim for VFM
1 Staff	4,172	4,423	4,830	Well managed sickness and staff turnover. Annual pay award sub RPI. New Assisted Living scheme at Whitepoplars £203,000, New Bradley Hall TUPE staff £72,000.
2 Routine Maintenance	1,103	1,154	1,186	Wrekin contract in place indexed at RPI – 2%
3 Planned works & components	1,139	1,254	1,360	Asset Management Strategy in place. Strong negotiations over costs with suppliers. Partnership working with suppliers and Central Housing Investment Consortium (CHIC)
4 Sub contractors & materials	354	439	663	Reflects increased Turnover of our Homeforce business
5 Consultancy & Professional Fees	125	74	317	2014/15 reflects acquisition of New Bradley Hall and external business reviews of Homeforce and Black Country Care
6 Depreciation	859	901	957	Non-cash entry, amortising historic cost of fixed assets
7 Net Interest	1,635	1,798	1,955	Treasury policy in place. Not a profit centre
8 Cost of sales	628	1,057	1,141	Non-cash entry, reflecting cost of homes sold
9 New Homes	3,495	5,772	2,635	Costs are negotiated on a site by site basis.
10 Other	1,943	1,890	1,968	Includes utility costs which are actively managed and service costs which are regularly tested.



We have benchmarked our housing management function against other members of the Matrix partnership and a range of similar sized organisations who are members of Baker Tilly’s back-office benchmarking club BOB. It is our intention to be at medium quartile.

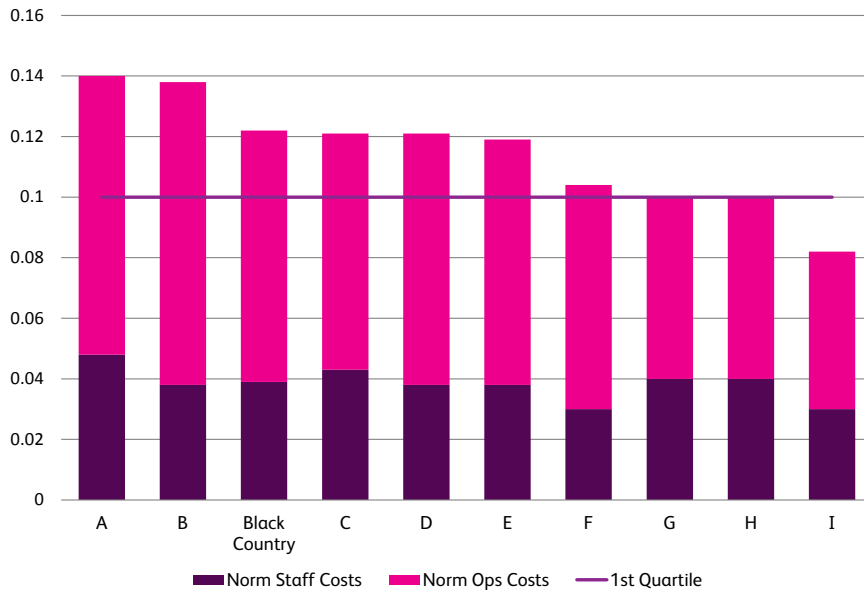
Management Costs per unit General Needs [Published Accounts 2014]



Notwithstanding our aim to be at median quartile for cost, we have achieved high levels of performance and service delivery with rent arrears and void levels better than and at target respectively.

BCHG has been an active member of Baker Tilly’s back-office benchmarking club, BOB, for some time and this has helped us to identify opportunities to drive out inefficient processes and begin re-engineering support systems to focus on adding value. For example, during 2014/15 we were able to redeploy a colleague in the finance team to focus more effectively on credit control for Black Country Care as a result of automating some finance processes.

Overall Summary by Turnover



The benchmarking on the left (which shows comparative back-office costs normalised per £ of turnover) illustrates that our corporate support costs are above first quartile but broadly consistent with our peers and our target to be mid quartile.

Nevertheless we recognise that our support teams may be overly reliant on manual processes or stand-alone IT systems which can cause some duplication and loss of efficiency as borne out by the BOB analysis below.

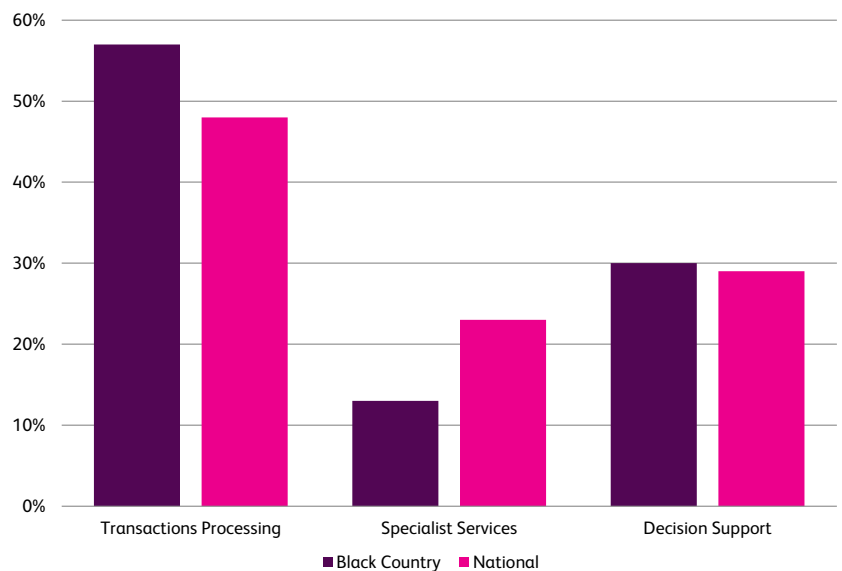
In order to tackle this we completed a major investment in our IT server infrastructure in 2013/14, continued to upgrade systems through 2014/15 (including for example telephony) and have further business system improvements scheduled for 2015/16.

All expenditure over £500 is published on our website.

• Return on Assets

As a local, community based landlord we have a strong understanding of our stock of 2059 properties and the tenants who have made them their homes. Whilst the analytical data we have available means that our understanding of Return on Assets is less sophisticated than in some larger RPs we believe our “hands-on” knowledge more than makes up for this.

Staff Costs



All of our stock is within the West Midlands conurbation and accessible from our office base in Blackheath although we utilise work-from-home options and provide pool cars where it is more effective for colleagues to visit tenants from home or out-of-hours.

The majority of the stock has been purpose built since 1980 of which some 170 properties have been built since the year 2010. The balance of the stock, around 500 properties, falls into the period from the late 19th century to the immediate post Second World War time. All of the properties are located in urban settings and a range of local housing markets.

The stock includes a range of 2, 3, 4, 5, and 6 bedroom houses; 1 and 2 bedroom bungalows; studio flats and 1 and 2 bedroom apartments. The Group owns and manages six Sheltered schemes which provide over 200 individual apartments and complimentary communal facilities. In addition to this, the Group owns and manages specialist accommodation for young people at risk, for people with learning disabilities and for those with significant physical disability.

In February 2015 the Group leased a 31 bed residential care home in Dudley following a detailed due diligence process supported by external specialists and validation. The home will require significant investment in the short to medium term but our modelling indicates a positive return will be achieved over time.

Through partnership working with five managing agents, specialist accommodation for women fleeing domestic violence and for service users with a physical or learning disability is also provided.

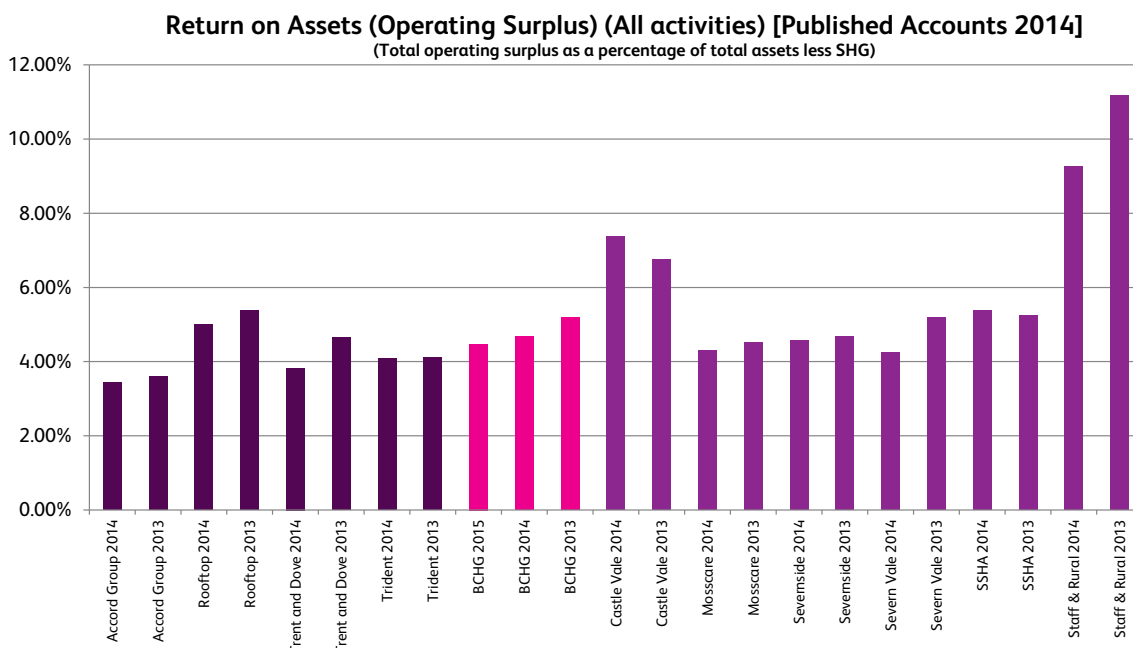
The Group comfortably met the requirements of ‘decent homes’ and annually over £2m is invested in the stock. The Group’s financial plans are modelled to ensure that going forward the stock is maintained to the highest standard.

Ongoing investment in the stock takes account of a number of issues such as:

- The ongoing lettable of the property
- The physical layout of the property (steep stairs, small rooms, etc.)
- The thermal efficiency of the property
- The open market value of the property before and after investment
- The locality in which the property is located
- Demand for the area in which the property is located
- The proximity of the property to other stock in the Group’s ownership
- The condition of adjoining property when owned by others

The Group’s asset management strategy has highlighted that the stock of two bedroomed terraced houses in Blackheath and Old Hill (Sandwell) and in Brierley Hill and Lye (Dudley) which were acquired in the 1980’s and early 1990’s have higher maintenance costs and going forward represents one of the Group’s major maintenance liabilities. This stock has a lower letting value due to the internal layout of the properties which very often have steep staircases which are off putting to some potential tenants. As a consequence the Group’s Board of Management has agreed that we should dispose of voids in these areas that do not satisfy the tests set out above. To add to the case for disposal these properties were generally fully grant funded at the time of acquisition and refurbishment and have little or no debt outstanding, so in terms of investment in the Affordable Homes Programme, the Group’s Asset Management Strategy and Value for Money there is a compelling case.

We plan to dispose of four such properties each year to support the funding of replacement affordable housing and three such homes were sold in 2014/15.



BCHG is committed to developing new homes. Over the last three years, in addition to participating in the AHP 2011-15, we have completed more than 20 homes without SHG.

At the same time we recognise that we do not achieve the same headline Return on Assets as some of our peers which, in part, reflects our focus on smaller, local, community based growth as well as our investment in social value activities. However, as members of the successful Matrix Housing Partnership we expect to lever in cost efficiencies on or future developments.

During the year we undertook a detailed review of the sustainability of one of our Older Persons' sheltered schemes and have begun discussions with partner organisations who may be better placed to secure the long-term viability of this asset.

• Social Value

As a social business we have always aimed to deliver social value through all our activities, it is inherent in the nature of the services we deliver. Intrinsically the provision of safe, secure homes for people and the building and strengthening of communities has wide ranging social value across a number of themes and is essential to the health, wellbeing and economic security of our residents. Our other services too; the provision of care and repairs services to enable people to remain independent at home; supporting people into employment and training and our varied support and advice projects all have far reaching positive social impacts on our customers.

Implementation of the Public Services (Social Value Act) that came into force on 31st January 2013, requiring commissioners to think about how they can secure wider social, economic and environmental benefits when procuring services and the wider environment and reduction in the resources and funding available to us emphasised the need to ensure that we achieve value for money in delivering our activities and that we concentrate our resources on services that achieve the maximum social value return to investment. As such, during 2013/14 we produced our first Social Value Report, assessing five services across the business.

In 2014/15 we continued to measure Social Value across the business, developing a measurement tool and rolling measurement out to other business areas, adapting our methodology to developments in the Social Valuation field and to the changes and challenges in our internal and external environment.

Housing – Tenant Engagement

The team's function is to encourage tenants to become engaged thereby influencing decisions that influence their tenancy and BCHG. This is achieved through the organisation and support of regular tenant meetings and engagement events tailored to specific issues across the communities we serve. We estimate that for each £1 spent £5.23 social value is generated.

Social Business Team – Employment Services

This service provides personalised support for claimants who need more help looking for and staying in work. This is achieved through regular interventions including training & jobsearch and has helped 113 more individuals into employment this year. For each £1 spent we estimate £21.84 of social value is generated including substantial savings to the Exchequer.

Social Business Team - Training

This activity helps people who are unemployed to gain experience and skills in a workplace by finding volunteering placements for people. 53 individuals participated in regular volunteering. At this stage we are unable to measure the influence this participation has on future employment.

Savoy Centre – Training Provision

The Savoy Centre organises and facilitates courses, training & learning opportunities for members of the

local community in Netherton. This is achieved by a wide variety of vocational training opportunities and 455 local people attended courses through the year.

Compass

The team provides advice and guidance to older people regarding their home, finances and care to improve their quality of life. This is a free advice service available to people aged over 55 in the Sandwell and Dudley area which assisted 127 people last year who received benefits checks, budgeting advice and support. We estimate that each £1 spent generates £18.65 of social value.

Young Persons Supported Housing

Highland Road provides accommodation and support to vulnerable young people aged 16 to 25 who are at risk of homelessness. This is done by supporting vulnerable young people to gain skills to live independently, set their own goals and engage in education, employment and training. We estimate the value to the individual and saving to the Exchequer to be £5.22 for each £1 spent.

A full report and evaluation of the Social Value of these projects can be accessed on our website.

• Environmental Returns

In 2014/5 we spent 5% more on gas and electricity because we used 3.7% more fuel and some older low-price contracts came to an end. When the colder winter is taken into account we show a 3.7% reduction in weather-compensated fuel use. Fuel use was 17% lower than the previous year when we had an unusually long winter. Metered water consumption was 5% lower than the previous year.

• VFM Targets for 2015/16

Our over-arching strategic targets for delivering excellence, growing our social business and challenging the status quo are clearly set out in the Strategic Plan 2014-17.

In particular, in the year ahead we will:

- Undertake a Q Review (i.e. lean review) of five services and deliver improved efficiency and effectiveness
- Deliver a profitable Legionella testing service to external clients
- Substantially reduce cash handling to 25% of base line
- Improve use of online services by customers by 50% from base position
- Reduce corporate water and fuel usage by 3%
- Deliver 1% year-on-year improvement in VFM

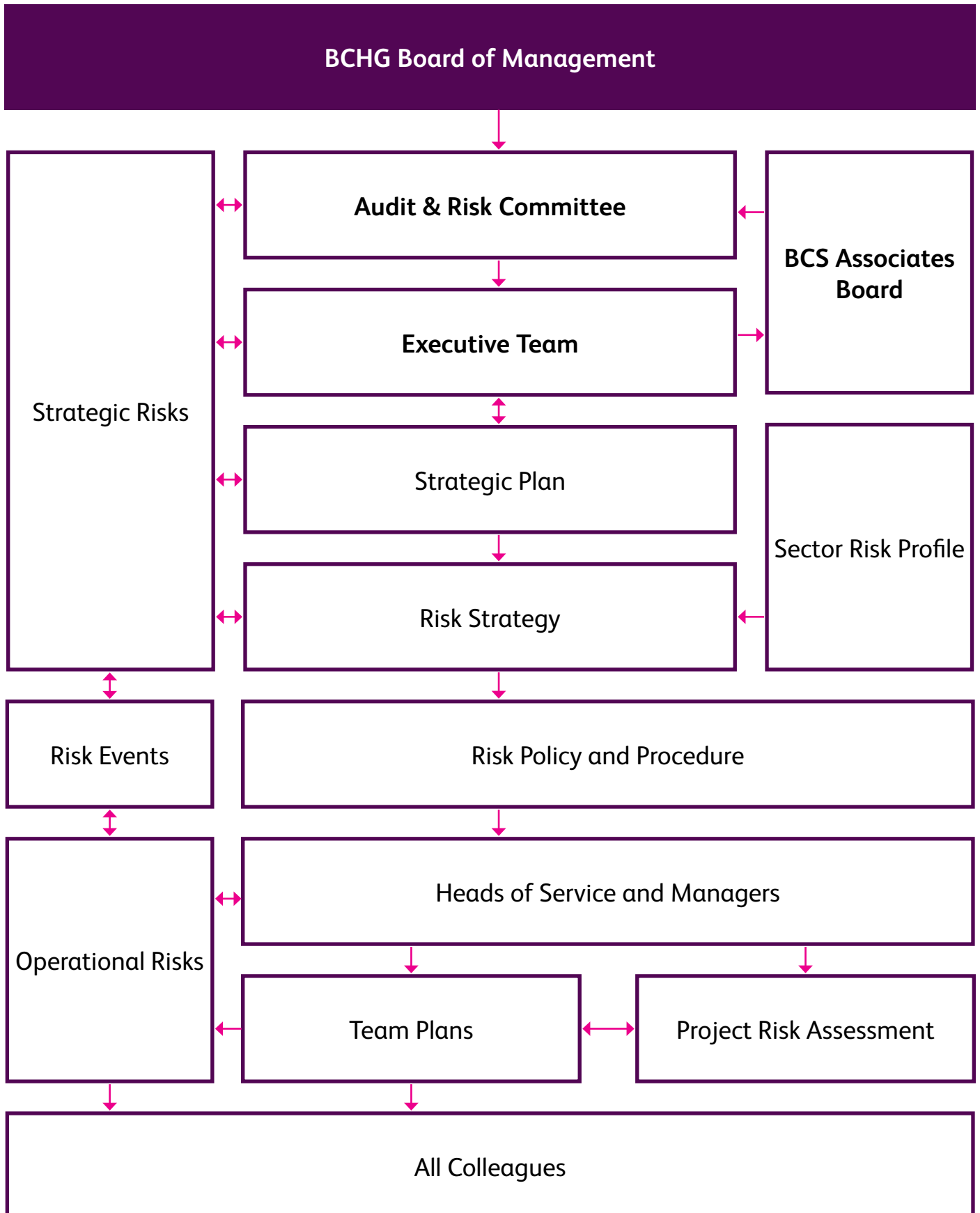
Risks and Uncertainties

Black Country Housing Group understands the value and importance of a strategic approach to risk management strategy and recognises that any strategy must align with its Strategic Plan. With that in mind the Audit & Risk Committee have adopted a strategy which is designed to:

- Ensure awareness of risk management is present throughout the Group
- Embed risk management into the culture and existing processes and activities of the Group
- Ensure that all major risks are identified and approved by the Board
- Underpin corporate governance
- Ensure that the evaluation of risk is set in the context of the overall activities of the Group
- Minimise and manage risk and maximise opportunity
- Make use of risk management as an operational tool to assist all in meeting new demands and challenges
- Protect the public image of the Group
- Provide a framework, procedures and guidance to enable everyone to manage risk in the best way

Overall responsibility for risk management rests ultimately with the Board as illustrated in the Risk Framework diagram below.

However the Board has delegated responsibility for overseeing the effective management of risk to the Audit and Risk Committee, who in turn have assigned the organisation's Executive Team with responsibility for day to day management of risk to the Group. Colleagues at all levels are responsible for the management of risk in their area.



The Group’s risk appetite is the level of uncertainty it is willing to assume given the corresponding reward associated with the risk. BCHG’s Board considers itself “Open” to risk, that is to say willing to consider all options and choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward.

Our Strategic Risks have been identified as follows:

Risk	Control
Lack of strong Leadership and Governance skills	Governance framework reviewed periodically and Board members skills mix appraised
Failure to respond to changes in the external environment	Board regularly review Group Strategy and Risk management framework and ensure resources and infrastructure support the business
Welfare reform has greater impact than anticipated	Regular engagement with all affected customers. Key Performance Indicators are monitored for early warning of emerging trends
Inability to secure new finance	£12M Santander facility agreed April 2014. Specialist advice received by Board
Lack of ability or willingness to diversify into other activities	Board risk appetite is “Open.” Board and Exec Team recruitment strategies reflect diverse activities
Failure to deliver the Affordable Homes Programme	Where homes could not be delivered in 2011-15 these were absorbed by members of Matrix Partnership. 2015-18 programme sites all identified and regularly reported to A&R Committee
Failure to deliver business transformation	Clear Strategic Plan milestones, regularly reviewed and cascade through the organisation
Inability to offer sufficient assets for security for future borrowing	> 2 years forward cash flow requirement is secured. Quarterly monitoring by A&R Committee of secured funds availability
Serious detriment to tenant or customer	Board review of performance, Risk Strategy in place, external validation of critical activities

Capital Structure and Treasury Policy

The Group has a formal Treasury Policy which is reviewed annually by the Audit & Risk Committee. This is supported by an annual Treasury Strategy which was subject to an external review in May 2014.

The Group’s total debt at 31 March 2015 was £46 million. Of this 41% was at fixed rates the Board having decided to adopt a predominantly variable rate strategy pending refinancing of our THFC facility in 2016 recognising the opportunity this may present to discuss terms with other existing funders. The average cost of borrowing was 4.1% (2013/14 4.2%).The Board approved a new £12 million Facility Agreement with Santander plc on 24th April 2014 and this is now fully secured and available to drawdown.

The Association complied with all lenders’ covenants at the year end and our financial plan demonstrates continuing compliance going forward.

Cashflows

The Group’s Cash Flow Statement is shown on page 30. During the year the Group’s operating activities generated a positive cash flow of £5.1M. Loans of £4.3M were drawn down as the Association opted to draw funding before the expiration of an availability period and the Association’s cash balance increased by £3.8M to £4.9M. Capital investments of £3.7M were made during the year.

Future developments

The Group is moving into year two of our three-year Strategic Plan which sets out BCHG's priorities for 2014-17.

In Delivering Excellence we will be providing properties which provide safe, secure and energy efficient homes and delivering personalised care and support which meet the highest regulatory standards.

We will be Growing our Social Business by completing the development of 105 new homes through the Matrix Partnership in the AHP 2015-18 programme.

In February 2015 we completed the transfer of the New Bradley Hall residential care home to our management. This enables us to work closely with Dudley MBC and the local community to ensure this essential facility remained open and can receive the investment it needs. We have submitted a planning application through our preferred developer to develop a new-build residential care home with completion anticipated in the summer of 2016.

Through Challenging the Status Quo we will transform our business, deliver VFM and be an outstanding employer. Having undertaken external business reviews of both Homeforce and Black Country Care we expect these businesses to make a healthy contribution to our Group in future years. Our innovative Project Q continues to deliver service improvements and VFM.

Statement of Compliance

In preparing this Operating and Financial Review and Board Report, the Board has followed the principles set out in the Statement of Recommended Practice: Accounting by Registered Social Housing Providers Update 2010.



David Saunders
Director of Finance and Corporate Services
9th July 2015

Report of the Auditors

We have audited the group and parent association financial statements of Black Country Housing Group Limited for the year ended 31 March 2015 (the “financial statements”) on pages 26 to 52. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association’s members as a body, in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association’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 Association and the Association’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board and auditor

As explained more fully in the Board’s Responsibilities Statement set out on page 7, the Board are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s (APB’s) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

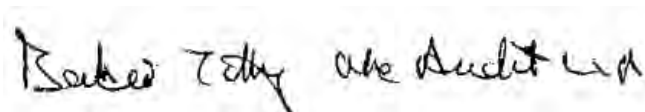
In our opinion the financial statements:

- give a true and fair view of the state of the Group’s and Association’s affairs as at 31 March 2015 and of the income and expenditure of the Group and the income and expenditure of the Association for the year then ended;
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account of the Association; or
- we have not received all the information and explanations we require for our audit.



Date: 9th July 2015

BAKER TILLY UK AUDIT LLP
Statutory Auditor
Chartered Accountants
St Philips Point
Temple Row
Birmingham
B2 5AF

Consolidated Income and Expenditure Account

	Notes	Group	
		2015 £000	2014 £000
Turnover	2	14,540	13,013
Operating Costs	2	<u>(11,196)</u>	<u>(9,806)</u>
Operating Surplus	2	3,344	3,207
Surplus on sale of properties	23	189	210
Interest receivable and similar income		6	3
Interest payable and similar charges	5	<u>(1,931)</u>	<u>(1,736)</u>
Surplus on ordinary activities before taxation	4	1,608	1,684
Taxation	8	<u>(10)</u>	-
Surplus after taxation and for the year	18	<u>1,598</u>	<u>1,684</u>

The Group's turnover and expenses all relate to continuing operations. There are no recognised surpluses or deficits other than the results for the year as stated above and consequently this represents the only movement in net funds.

Association Income and Expenditure Account

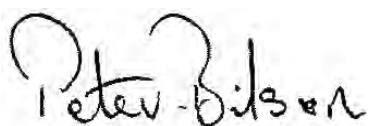
		Parent	
	Notes	2015 £000	2014 £000
Turnover	2	13,643	12,160
Operating Costs	2	<u>(10,349)</u>	<u>(8,953)</u>
Operating Surplus	2	3,294	3,207
Surplus on sale of properties	23	189	210
Interest receivable and similar income		6	3
Interest payable and similar charges	5	<u>(1,931)</u>	<u>(1,736)</u>
Surplus on ordinary activities before taxation	4	1,558	1,684
Taxation	8	<u>-</u>	<u>-</u>
Surplus for the year	18	<u>1,558</u>	<u>1,684</u>

The Association's turnover and expenses all relate to continuing operations. There are no recognised surpluses or deficits other than the results for the year as stated above and consequently this represents the only movement in net funds.

Consolidated Balance Sheet

	Notes	2015 £000	2014 £000
Fixed Assets			
Housing Properties - Cost	9	121,127	118,378
Housing Properties - SHG and other Grants		(58,494)	(58,050)
Housing Properties - Depreciation		(7,539)	(6,999)
		<u>55,094</u>	<u>53,329</u>
Other Fixed Assets	10	3,025	3,101
		<u>58,119</u>	<u>56,430</u>
Current Assets			
Stock	12	488	943
Debtors	13	1,587	1,273
Cash at bank and in hand		4,899	1,120
		<u>6,974</u>	<u>3,336</u>
Creditors: Amounts falling due within one year	14	<u>(4,987)</u>	<u>(3,438)</u>
Net Current Assets / (Liabilities)		<u>1,987</u>	<u>(102)</u>
Total Assets Less Current Liabilities		<u>60,106</u>	<u>56,328</u>
Creditors: Amounts falling due after more than one year	15	43,209	41,021
Accruals and Deferred Income	16	7	15
		<u>43,216</u>	<u>41,036</u>
Capitals and Reserves			
Called up share capital	17	-	-
Income and expenditure account	18	16,890	15,292
		<u>60,106</u>	<u>56,328</u>

The financial statements on pages 26 to 52 were approved by the Board of Management on 9th July 2015 and were signed on its behalf by:



Member of the
Board of Management



Member of the
Board of Management

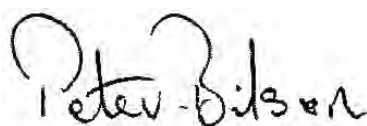


Secretary

Association Balance Sheet

	Notes	2015 £000	2014 £000
Fixed Assets			
Housing Properties - Cost	9	121,151	118,402
Housing Properties - SHG and other Grants		(58,494)	(58,050)
Housing Properties - Depreciation		(7,539)	(6,999)
		<u>55,118</u>	<u>53,353</u>
Other Fixed Assets	10	3,025	3,101
		<u>58,143</u>	<u>56,454</u>
Current Assets			
Stock	12	488	943
Debtors	13	1,519	1,206
Cash at bank and in hand		4,892	1,115
		<u>6,899</u>	<u>3,264</u>
Creditors: Amounts falling due within one year	14	<u>(4,993)</u>	<u>(3,407)</u>
Net Current Assets / (Liabilities)		<u>1,906</u>	<u>(143)</u>
Total Assets Less Current Liabilities		<u>60,049</u>	<u>56,311</u>
Creditors: Amounts falling due after more than one year	15	43,209	41,021
Accruals and Deferred Income	16	<u>7</u>	<u>15</u>
		<u>43,216</u>	<u>41,036</u>
Capitals and Reserves			
Called up share capital	17	-	-
Income and expenditure account	18	16,833	15,275
		<u>60,049</u>	<u>56,311</u>


The financial statements on pages 26 to 52 were approved by the Board of Management on 9th July 2015 and were signed on its behalf by:



Member of the
Board of Management



Member of the
Board of Management



Secretary

Consolidated Cash Flow Statement

	Notes	2015 £000	2014 £000	2014 £000
Net cash flow from operating activities	19		5,125	3,432
Return on investments and servicing of finance				
Interest received		6	3	
Interest paid		(1,913)	(1,787)	
			(1,907)	(1,784)
Capital expenditure				
Acquisition and construction of housing properties		(3,828)	(6,226)	
Social housing grants received	22	476	1,016	
Sale of housing properties		546	672	
Purchase of other tangible & fixed assets		(61)	(266)	
			(2,867)	(4,804)
			351	(3,156)
Financing				
Loans received		4,345	3,969	
Loan repayments		(917)	(849)	
	21		3,428	3,120
Increase / (Decrease) in cash	20		3,779	(36)

Notes to the Financial Statements

1. Accounting Policies

The financial statements have been prepared in accordance with applicable financial reporting standards and comply with the Statement of Recommended Practice Accounting by Registered Social Housing Providers Update 2010 and comply with the Accounting Requirements for Registered Social Landlords Accounting Direction for Social Housing in England from April 2012.

Accounting convention

The financial statements are prepared under the historical cost convention.

Basis of preparation of group financial statements

The group financial statements consolidate the financial statements of the Association and its subsidiary undertaking on a line by line basis.

(a) Turnover

Turnover represents rents and revenue grants receivable in respect of tenanted properties, special needs accommodation and residential homes, amounts invoiced in respect of the provision of services and the sale of first tranches of shared ownership properties.

Services Charges on properties are recognised in the financial statements when the weekly rent debit is raised.

(b) Depreciation

Depreciation is calculated to write off the cost or re-valued amount less estimated residual value of fixed assets over their estimated useful lives as follows:

(i) Housing properties

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

Social housing grant has been allocated to the structure of the building and therefore excluded from the components depreciation calculations.

The group depreciates the major components of its housing properties over the following number of years:

Roofs	70
Windows and doors	30
Gas Boilers	15
Kitchens	20
Bathrooms	30
Lifts	20
Structure	100 / 150

Freehold land is not depreciated.

Properties held on leases are amortised over the life of the lease.

(ii) Other fixed assets

Freehold offices are depreciated at 2% per annum on cost from the date of handover.

Office furniture and equipment is depreciated at 12½% per annum on costs.

Motor vehicles are depreciated at 25% per annum on cost.

Computer equipment is depreciated at 25% per annum on cost.

Residential homes furniture and fittings are depreciated between 5% and 12.5% per annum on cost depending on the asset type.

(c) Impairment

Housing properties, including those with individual components, which are depreciated over a period in excess of 50 years' are subject to impairment reviews annually, in accordance with FRS 11. Where there is evidence of impairment, fixed assets are written down to their recoverable amount, being the higher of the net realisable value or the value in use to the group. Any such write down is charged to operating surplus.

(d) Social Housing Grant (SHG) and other grants

Grants for capital expenditure are deducted from the cost of the fixed asset to which they relate as they become receivable. SHG is repayable under certain circumstances, primarily following sale of a property but will normally be restricted to net proceeds of sale. Grants received in advance of the relevant expenditure are included in short-term creditors and represent amounts to be utilised in the accounting period. Grants for revenue expenditure are credited to the income and expenditure account as they become receivable.

A grant from a public body may take the form of money or money's worth including the provision of land. Where the grant is the provision of land, the cost that would have been paid is shown as an addition to the cost of fixed assets with a corresponding addition to SHG.

(e) Housing properties

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

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that result in an increase in net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements.

Shared ownership properties are split proportionally between current and fixed 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 included in turnover, and the remaining element is classed as fixed assets and included in housing properties at cost, less any provisions needed for depreciation or impairment.

(f) Sales of Housing Properties

The surplus or deficit on the disposal of housing properties, including second or subsequent tranches of shared ownership properties, is accounted for in the income and expenditure account in the period in which the disposal occurs as the difference between the net sale proceeds and the net carrying value. First tranche sales proceeds are recognised in the income and expenditure account as turnover with the appropriate proportion of the cost of the properties as cost of sales. All shared ownership properties, including those under construction, are proportionally split between fixed assets and current assets, the

split determined by the percentage of the property to be sold under the first tranche sale, which is shown as a current asset, with the remainder classified as a fixed asset.

(g) Stocks

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

(h) Investments

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value.

(i) Interest charges

Interest charges incurred on the financing of housing properties are capitalised up to the date of practical completion. Interest charges arising after that date are charged to the income and expenditure account.

Costs directly connected with the raising of finance are deducted from loans and written off evenly over the life of the loan in the income and expenditure account.

Interest on low-start finance is charged at a constant percentage of the remaining balance of the capital sum outstanding to the extent that the total interest charges over the term of the loan are known.

(j) Schemes managed by agents

In respect of schemes owned by the Association where the managing agent suffers the risks and has control of benefits, only the net income receivable by the Association is included in the financial statements.

(k) Pensions

The Company is a contributing member of the Social Housing Pension Scheme (SHPS). The scheme is a multi-employer defined benefit scheme and therefore the amount charged to the income and expenditure account represents the contributions payable to the scheme for the year. The assets of these schemes are held separately from those of the Company in independently administered funds. The Company is also a member of the West Midlands Local Government Pension Scheme (LGPS) relating to New Bradley Hall. Whilst this is a defined benefit scheme, the company accounts for its membership on a defined contribution basis for the reasons set out in Note 26.

(l) Operating leases

Rentals payable under operating leases are charged on a straight line basis over the term of the leases.

(m) Taxation

The Company has charitable status and is therefore not subject to Corporation Tax on its results for the year. Other members of the group are subject to taxation at the usual rates applicable to any taxable profits after any gift aid payment to the parent entity.

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

	2015			2014		
	Turnover £000	Operating Costs £000	Operating surplus / (deficit) £000	Turnover £000	Operating Costs £000	Operating surplus / (deficit) £000
Social Housing Lettings						
Housing accommodation	7,724	(4,026)	3,698	7,283	(3,795)	3,488
Supported & Housing for Older People	2,372	(2,279)	93	1,993	(1,964)	29
Shared Ownership	302	(248)	54	281	(170)	111
	10,398	(6,553)	3,845	9,557	(5,929)	3,628
Other social housing activities						
Supporting people block gross income	139	(93)	46	132	(34)	98
Shared ownership first tranche sales	1,005	(855)	150	657	(511)	146
Other activities						
Homeforce	1,098	(1,267)	(169)	968	(1,093)	(125)
Residential Care	114	(187)	(73)	-	-	-
Social Business Team	516	(785)	(269)	599	(942)	(343)
BCS Associates	1,032	(982)	50	1,042	(1,042)	-
Other	238	(374)	(136)	58	(124)	(66)
Development costs	-	(100)	(100)	-	(131)	(131)
Total Operating Surplus	14,540	(11,196)	3,344	13,013	(9,806)	3,207

The analysis of Social Housing lettings has been reviewed and amended for improved clarity. The 2014 comparatives have been amended accordingly.

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

	2015		2014			
	Turnover £000	Operating Costs £000	Operating surplus / (deficit) £000	Turnover £000	Operating Costs £000	Operating surplus / (deficit) £000
Social Housing Lettings						
Housing accommodation	7,724	(4,026)	3,698	7,283	(3,795)	3,488
Supported & Housing for Older People	2,372	(2,279)	93	1,993	(1,964)	29
Shared Ownership	302	(248)	54	281	(170)	111
	10,398	(6,553)	3,845	9,557	(5,929)	3,628
Other social housing activities						
Supporting people block gross income	139	(93)	46	132	(34)	98
Shared ownership first tranche sales	1,005	(855)	150	657	(511)	146
Other activities						
Homeforce	1,233	(1,402)	(169)	968	(1,093)	(125)
Residential Care	114	(187)	(73)	-	-	-
Social Business Team	516	(785)	(269)	599	(942)	(343)
Other	238	(374)	(136)	185	(313)	(128)
Development costs	-	(100)	(100)	-	(131)	(131)
Gift Aid	-	-	-	62	-	62
Total Operating Surplus	13,643	(10,349)	3,294	12,160	(8,953)	3,207

The analysis of Social Housing lettings has been reviewed and amended for improved clarity. The 2014 comparatives have been amended accordingly.

3. Income and Expenditure from Social Housing Lettings - Group & Parent

	2015			2014	
	Housing Accommodation £000	Supported Housing for Older People £000	Shared Ownership £000	Total £000	Total £000
Rents receivable (net of voids)	7,500	1,046	276	8,822	8,351
Service charges receivable (net of voids)	224	648	26	898	812
Supporting people block subsidy charges	-	-	-	-	5
Net rents receivable	7,724	1,694	302	9,720	9,168
Other revenue income	-	678	-	678	389
Total income from lettings	7,724	2,372	302	10,398	9,557
Expenditure on letting activities:					
Services (inc. Care & Support costs)	(234)	(782)	(30)	(1,046)	(976)
Management	(1,083)	(1,008)	(196)	(2,287)	(1,893)
Routine maintenance	(1,576)	(224)	-	(1,800)	(1,699)
Planned maintenance	(332)	(127)	-	(459)	(448)
Rent losses from bad debts	(27)	(2)	-	(29)	(58)
Depreciation of housing properties	(774)	(136)	(22)	(932)	(855)
Total expenditure on lettings	(4,026)	(2,279)	(248)	(6,553)	(5,929)
Operating surplus/(deficit) on letting activities	3,698	93	54	3,845	3,628
Rents, service charges and supporting people block subsidy charges receivable above are stated after deducting the following:					
Rent losses from voids	43	58	18	119	128

4. Surplus on ordinary activities before taxation

	Group		Parent	
	2015	2014	2015	2014
	£000	£000	£000	£000
Surplus on ordinary activities before taxation is stated after charging:				
Depreciation:				
Tangible owned fixed assets	957	902	957	902
Operating leases	33	30	33	30
Auditors' remuneration:				
In their capacity as external auditors (inc. VAT)	20	18	18	16
In a non audit capacity (inc. VAT)	12	6	11	5

5. Interest payable and similar charges

	Group		Parent	
	2015	2014	2015	2014
	£000	£000	£000	£000
Payable in year	1,961	1,801	1,961	1,801
Less: capitalised	(30)	(65)	(30)	(65)
	1,931	1,736	1,931	1,736

6. Staff Costs

	Group		Parent	
	2015	2014	2015	2014
	£000	£000	£000	£000
Staff costs including officers and senior executives				
Wages and salaries	4,176	3,838	3,325	2,997
Social security costs	309	295	265	248
Other pension costs	345	290	338	288
	4,830	4,423	3,928	3,533
Average number of employees in full time equivalents was:				
Administration (Office)	28	27	28	27
Care & Support	94	78	53	35
Housing, Maintenance & Development	22	22	22	22
Other	37	32	37	32
	181	159	140	116

7. Directors' Emoluments

	2015 £000	2014 £000
Total emoluments (excluding NI)	<u>427</u>	<u>439</u>
The emoluments of directors disclosed above (including pension contributions) include amounts paid to:		
Executive directors	383	395
Non-executive directors	44	44
The highest paid director:		
Salary	112	105
Pension contributions	<u>8</u>	<u>7</u>
	<u>120</u>	<u>112</u>

In 2014 the highest director included nine months as CEO and three months as Assistant CEO.

The full time equivalent number of staff who received emoluments	2015 No.	2014 No.
£60,001 - £70,000	-	-
£70,001 - £80,000	1	-
£80,001 - £90,000	1	1
£90,001 - £100,000	1	1
£100,001 - £110,000	-	-
£110,001 - £120,000	-	1
£120,001 - £130,000	1	-

For the purpose of this note, executive directors are defined as the Chief Executive and any other member of the senior management team. The Chief Executive is a standard member of the Social Housing Pension Scheme (SHPS) with no special arrangements or terms in place.

Non-executive directors are defined as members of the board of management as set out on page 2.

Individual Emoluments Paid to Non-Executive Directors

Current Members	Board	Audit & Risk Committee	BCS Board	2015 £	2014 £
		Ex - Officio Member			
P Bilson (Board - Chair)	8/8		5/5	8,000	8,000
K Wright (Board - Deputy Chair)	6/8	4/6	-	5,000	5,000
S Bains	5/8	-	-	3,000	1,500
K Battersby	6/8	-	-	3,000	1,500
A Carey (A & R from 28/10/14)	6/8	2/2	-	3,375	3,000
N Foster (BCS Associates - Chair)	6/8	5/6	4/5	5,000	3,375
D Gutteridge (A & R Committee Chair)	8/8	6/6	-	5,000	5,000
D Sadler	8/8	5/6	-	3,750	3,750
I Stinton (A & R until 11/09/2014)	8/8	4/4	-	3,375	3,750
F Takroui	4/8	-	-	3,000	3,000
M Bradley (Co-opted)	2/3	-	2/4	-	-
Former Members and other adjustments	-	-	-	1,667	6,448
				44,167	44,323

8. Taxation

The Association has been accepted as having charitable status by H M Revenue and Customs with effect from 8 October 1997 and accordingly no tax is payable on income arising from Group's charitable activities.

Other members of the group are subject to taxation at the usual rates. In the subsidiary taxable profit is £49,849 with a Tax Liability of £9,970 (20% corporation tax).

9. Tangible Fixed Assets - Group

	Housing Properties £000	Housing Properties in the course of construction £000	Shared Ownership Properties £000	Shared Ownership Properties in the course of construction £000	Total £000
Cost					
At 1 April 2014	108,311	576	9,237	254	118,378
Transfers	1,530	(1,646)	567	(451)	-
Additions	350	1,781	259	245	2,635
Works to existing properties	936	-	4	-	940
Property disposals	(280)	-	(176)	(4)	(460)
Component disposals	(366)	-	-	-	(366)
At 31 March 2015	110,481	711	9,891	44	121,127
Social Housing and Other Grants					
At 1 April 2014	54,590	-	3,460	-	58,050
Transfers	(72)	-	72	-	-
Received during year	291	192	185	-	668
Eliminated in respect of disposals	(127)	-	(97)	-	(224)
At 31 March 2015	54,682	192	3,620	-	58,494
Depreciation					
At 1 April 2014	6,889	-	110	-	6,999
Charge for the year	810	-	23	-	833
Disposal	(285)	-	(8)	-	(293)
At 31 March 2015	7,414	-	125	-	7,539
Net Book Value					
At 31 March 2014	46,832	576	5,667	254	53,329
At 31 March 2015	48,385	519	6,146	44	55,094

Social Housing Grant accounts for £56,108,000 (2014: £55,664,000) and Other Grants amount to £2,386,000 (2014: £2,386,000) of total grants received.

9. Tangible Fixed Assets - Parent

	Housing Properties £000	Housing Properties in the course of construction £000	Shared Ownership Properties £000	Shared Ownership Properties in the course of construction £000	Total £000
Cost					
At 1 April 2014	108,335	576	9,237	254	118,402
Transfers	1,530	(1,646)	567	(451)	-
Additions	350	1,781	259	245	2,635
Works to existing properties	936	-	4	-	940
Property disposals	(280)	-	(176)	(4)	(460)
Component disposals	(366)	-	-	-	(366)
At 31 March 2015	110,505	711	9,891	44	121,151
Social Housing and Other Grants					
At 1 April 2014	54,590	-	3,460	-	58,050
Transfers	(72)	-	72	-	-
Received during year	291	192	185	-	668
Eliminated in respect of disposals	(127)	-	(97)	-	(224)
At 31 March 2015	54,682	192	3,620	-	58,494
Depreciation					
At 1 April 2014	6,889	-	110	-	6,999
Charge for the year	810	-	23	-	833
Disposal	(285)	-	(8)	-	(293)
At 31 March 2015	7,414	-	125	-	7,539
Net Book Value					
At 31 March 2014	46,856	576	5,667	254	53,352
At 31 March 2015	48,409	519	6,146	44	55,118

Social Housing Grant accounts for £56,108,000 (2014: £55,664,000) and Other Grants amount to £2,386,000 (2014: £2,386,000) of total grants received.

9. Tangible Fixed Assets - Continued

	Group		Parent	
	2015 £000	2014 £000	2015 £000	2014 £000
Expenditure on works to existing properties				
Improvement works capitalised	61	13	61	13
Components capitalised	879	828	879	828
Amounts charged to income & expenditure account	459	454	459	454
	1,399	1,295	1,399	1,295
Housing properties book value, net of depreciation and grants				
Freehold land and buildings	43,527	41,915	43,551	41,939
Long leasehold land and buildings	4,858	4,917	4,858	4,917
Short leasehold land buildings	-	-	-	-
	48,385	46,832	48,409	46,856

Interest capitalised in the year is £26,000. The aggregate amount of capitalised interest included in the cost of housing properties is £694,000 (2014: £668,000)

10. Other Fixed Assets - Group

	Freehold offices £000	Residential homes, furniture and fixtures £000	Office computer furniture fixtures and vehicles £000	Total £000
Cost				
Brought forward 1 April 2014	3,424	447	1,191	5,062
Additions	13	55	55	123
Disposal	(75)	-	(7)	(82)
Carried forward at 31 March 2015	3,362	502	1,239	5,103
Depreciation				
Brought forward 1 April 2014	513	399	1,049	1,961
Charge for period	50	11	63	124
Disposal	-	-	(7)	(7)
Carried forward 31 March 2015	563	410	1,105	2,078
Net Book Value				
1 April 2014	2,911	48	142	3,101
31 March 2015	2,799	92	134	3,025

10. Other Fixed Assets - Parent

	Freehold offices £000	Residential homes, furniture and fixtures £000	Office computer furniture fixtures and vehicles £000	Total £000
Cost				
Brought forward 1 April 2014	3,424	441	1,177	5,042
Additions	13	55	55	123
Disposal	(75)	-	(7)	(82)
Carried forward at 31 March 2015	3,362	496	1,225	5,083
Depreciation				
Brought forward 1 April 2014	513	393	1,035	1,941
Charge for period	50	11	63	124
Disposal	-	-	(7)	(7)
Carried forward 31 March 2015	563	404	1,091	2,058
Net Book Value				
1 April 2014	2,911	48	142	3,101
31 March 2015	2,799	92	134	3,025

11. Fixed Assets Investments - Group Undertakings - Parent

	2015	2014
	£	£
Cost		
At 1 April 2014 and 31 March 2015	<u>1</u>	<u>1</u>

Details of the Associations' subsidiaries at 31 March 2015:

Name	Nature of business
BCS Associates Limited	Provision of personal care and development of community support
Black Country Care Services Limited	Non Trading

BCS Associates Limited and Black Country Care Services Limited are considered to be subsidiaries by virtue of the fact that the parent controls the composition of the boards. The Group has taken the exemption under FRS 8 Related Party Transaction not to disclose transactions with other group companies.

Black Country Housing Group is one of six members of Energy Extra Limited. Energy Extra works to relieve fuel poverty and promote and facilitate energy savings and efficiency. By virtue of no significant influence this has been accounted for as an investment. Black Country Housing Group Limited provides administrative services for Energy Extra for which a management charge of £14,122 (2014: £14,796) was received in the year.

Black Country Housing Group Limited is one of four members providing administrative services for Health For Living Limited. Health For Living delivers a range of services which promote and support public health and well being. By virtue of no beneficial ownership this has been accounted for as an investment. Black Country Housing Group provides administrative services to Health For Living for which a management charge of £10,000 (2014: £NIL) was received in the year.

12. Stocks

	Group		Parent	
	2015	2014	2015	2014
	£000	£000	£000	£000
Shared ownership	471	937	471	937
Homeforce materials	17	6	17	6
	<u>488</u>	<u>943</u>	<u>488</u>	<u>943</u>

Shared ownership stock comprises both properties for resale and work in progress. Shared ownership stock includes capitalised interest of £7,000 (2014: £15,000).

13. Debtors

	Group		Parent	
	2015	2014	2015	2014
	£000	£000	£000	£000
Amounts falling due within one year:				
Rental debtors	359	380	359	380
Less: provision for bad debts	(59)	(87)	(59)	(87)
	300	293	300	293
Prepayments and other debtors	1,287	980	1,180	789
Amounts owed by group undertakings	-	-	39	124
	1,587	1,273	1,519	1,206

Included within Prepayments and Other Debtors is an amount of £199,000 relating to Housing Benefit payment (2014: £185,000).

14. Creditors (amounts falling due within one year)

	Group		Parent	
	2015	2014	2015	2014
	£000	£000	£000	£000
Housing loans	2,210	917	2,210	917
Rents received in advance	218	162	218	162
Trade creditors	468	508	468	508
Recycled Capital Grant Fund	131	165	131	165
Other taxation and social security payable	152	123	142	123
Accruals and other creditors	1,808	1,563	1,824	1,532
	4,987	3,438	4,993	3,407

Recycled Capital Grant Fund – Analysis of movements:

	2015	2014
	£000	£000
At 1 April 2014	464	438
Disposals during the year	211	165
Interest applied	-	-
Utilisation of fund	(192)	(139)
At 31 March 2015 (Note 14 & 15)	483	464

An amount of £352,000, in respect of recycled capital grant fund is included in creditors greater than one year.

15. Creditors (Amounts falling due after more than one year)

	Group and Parent	
	2015	2014
	£000	£000
Housing loans repayable by instalments:		
Between one and two years	8,312	1,122
Between two and five years	4,438	11,750
Repayable after five years	29,898	27,529
	42,648	40,401
Non-housing loans repayable between two and five years	720	720
	43,368	41,121
Less: net finance costs	(511)	(399)
	42,857	40,722
Recycled Capital Grant Fund	352	299
	43,209	41,021

Housing loans

Housing loans from THFC and banks are secured by specific charges on the Group's housing properties and are repayable at varying rates of interest from 0.8% to 11.5%. £6.28m of the amount shown as Housing loans is additionally charged by way of a floating charge, and bears interest at a fixed rate of 11.5%.

Non Housing loan

The Non Housing loan is secured by a floating charge on the assets of the Association and bears interest at a fixed rate of 11½%.

16. Accruals and Deferred Income

	Group and Parent	
	2015	2014
	£000	£000
Premium on issue of the Housing Finance Corporation debenture stock		
At 1 April 2014	15	23
Transfer to income and expenditure account	(8)	(8)
At 31 March 2015	7	15

17. Called up share capital - Parent

	2015	2014
	£	£
Allotted, issued and fully paid:		
At 1 April 2014	25	25
Issued during the year	1	2
Cancelled	(6)	(2)
	<u>20</u>	<u>(2)</u>
At 31 March 2015	<u>20</u>	<u>25</u>

Each member of the Board holds one share of Black Country Housing Group Limited. The shares do not have a right to any dividend or distribution in a winding up, and are not redeemable. Each share has full voting rights.

18. Movement in reserves

	Income and expenditure account	Total
	£000	£000
Group		
At 1st April 2014	15,292	15,292
Surplus for the year	1,598	1,598
	<u>16,890</u>	<u>16,890</u>
At 31 March 2015	<u>16,890</u>	<u>16,890</u>
Parent		
At 1st April 2014	15,275	15,275
Surplus for the year	1,558	1,558
	<u>16,833</u>	<u>16,833</u>
At 31 March 2015	<u>16,833</u>	<u>16,833</u>

19. Reconciliation of operating surplus to net Cash inflow from operating activities

	2015 £000	2014 £000
Operating surplus	3,344	3,207
Depreciation charges	1,056	959
(Increase) in debtors	(314)	(69)
Decrease / (Increase) in stocks	455	(359)
Increase / (Decrease) in creditors	592	(298)
Deferred income	(8)	(8)
Net cash inflow from operating activities	5,125	3,432

20. Reconciliation of net cash flow to movement in net debt

	2015 £000	2014 £000
Increase / (decrease) in cash	3,779	(36)
Cash (inflow) from (increase) in debt financing	(3,428)	(3,120)
Movement in net debt in the year	351	(3,156)
Net debt at 1 April 2014	(40,519)	(37,363)
Net debt at 31 March 2015	(40,168)	(40,519)

21. Analysis of Changes in Net Debt

	At 1 April 2014 £000	Cash flows £000	Other non-cash movements £000	At 31 March 2015 £000
Cash at bank and in hand	1,120	3,779	-	4,899
Housing loans due within 12 months	(917)	917	(2,210)	(2,210)
Housing loans due greater than 12 months	(40,722)	(4,345)	2,210	42,857
	(40,519)	351	-	(40,168)

22. Statement of Grant Movements

	2015	2014
	£000	£000
Balance at 1 April 2014	58,050	57,482
Capital grants received	476	1,016
Capital grants recycled	(20)	(25)
Movements in creditors	-	132
Movements in debtors	-	(284)
Capital grant abated	(12)	(71)
(Disposal) / Receipt of donated land	-	(200)
Balance at 31 March 2015	58,494	58,050

23. Sales of Properties Group and Parent

	2015	2014
	£000	£000
Right to buy / Shared Ownership / Disposals		
Proceeds of sales	494	777
Less: cost of sales	(286)	(546)
Less: operating costs	(19)	(21)
	189	210

24. Units of Accommodation

	2015	2014
General Needs	1,526	1,483
Supported housing and housing for older people	253	252
Low cost home ownership	162	155
Intermediate rent	11	45
Total properties owned and managed	1,952	1,935
Residential Care Homes	31	-
	1,983	1,935
Properties owned, managed by others	61	61
RTB Leaseholders	15	15
Total housing stock	2,059	2,011

25. Agency managed schemes

Name of managing body	2015		2014	
	No. of units	Gross grants receivable	No. of units	Gross grants receivable
		£		£
SENSE	7	-	7	-
Sandwell Women's Refuge	28	-	28	-
The Royal National Institute for Deaf People (RNID)	8	-	8	-
Langstone Society Limited	6	-	6	-
Midland Heart	12	-	12	-
	61	-	61	-

26. Pension Obligations

SHPS Pension

The Association participates in the Social Housing Pension Scheme (SHPS). The Scheme is funded and is contracted-out of the State Pension scheme.

It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the Scheme is a multi-employer scheme where the Scheme assets are co-mingled for investment purposes, and benefits are paid from total Scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to address the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

The last formal valuation of the Scheme was performed as at 30 September 2011 by a professionally qualified Actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £2,062 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £1,035 million, equivalent to a past service funding level of 67%.

The Scheme Actuary is currently finalising the 2014 valuation but key provisional results have been confirmed. As at 30 September 2014, the market value of the Scheme's assets was £3,123 million. There was a shortfall of assets compared with the value of liabilities of £1,323 million, equivalent to a past service funding level of 70%.

Local Government Pension Scheme (LGPS)

The Association became a member of the West Midlands' Local Government Pension Scheme (LGPS) in February 2015 when 40 staff at New Bradley Hall transferred from Dudley MBC.

For the purposes of these accounts, membership of this Defined Benefit scheme has been treated as a Defined Contribution scheme because the Association's liability to the scheme is capped at a contribution rate of 20.2%

This capped rate remains in place unless changes wholly within the Association's control are implemented, for example redundancy or ill health retirement, however these are not anticipated.

In 2014/15 the Association contributed £10,378 to the fund. Contributions in the year ahead have been estimated at £102,000.

27. Capital Commitments Group and Parent

	2015	2014
Capital expenditure contracted for but not provided for in the financial statements	<u>14,124</u>	<u>2,639</u>
Capital expenditure authorised but not yet contracted for	<u>-</u>	<u>4,444</u>

The capital commitments will be financed by a mixture of bank finance facilities that the Association has available, Social Housing Grant from the Homes and Communities Agency, receipts from shared ownership sales and other third party commitments.

28. Other Financial Commitments Group and Parent

At 1 April 2015 the Association and Group were committed to making the following payments under non-cancellable operating leases in year to 31 March 2016.

	2015	2014
	£000	£000
	Other	Other
Operating leases which expire:		
Within one year	6	-
Within 2 to 5 years	<u>14</u>	<u>16</u>
	<u>20</u>	<u>16</u>

29. Legislative Provisions

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014 which has superseded the Industrial and Provident Societies Legislation.

If you are deaf or hard of hearing, all of our of Offices have hearing loops – please ask our receptionists. These help you hear more clearly and reduce background noise if you use a hearing aid or loop listener. If you would like a hearing loop for a meeting, let us know beforehand.

If you are blind or partially sighted we can give you information in large print, on audio tape or in Braille.

Please phone 0121 561 1969 to discuss your needs with us. If your first language isn't English, we can provide an interpreter either to help you over the phone or in person.

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