

Bield Housing & Care

# Annual Accounts

FOR THE YEAR ENDED 31 MARCH 2015

 **BIELD**  
FREE TO BE

# Contents

	Page
Board of Management, Directors and Advisers	3
Operating and Financial Review	4 - 13
Statement of the Board's responsibilities	14
Board Statement on Internal Financial Controls	15
Independent Auditor's Report	16
Independent Auditor's Report on Internal Financial Controls	17
Income and Expenditure Account	18
Statement of Total Recognised Surpluses and Deficits	19
Balance Sheet	20
Cash Flow Statement	21
Reconciliation of Net Cash Flow to Movement in Net Cash	22
Notes to the Accounts	23 - 45

# Board of Management, Directors and Advisers

## **Board of Management:**

Gerry O'Sullivan, BA (Chair)

Michael McFee, LLB, CA, ATII (Vice Chair)

Ingrid Deuling, Dip COT, COTSS-Housing,  
HCPC (Retired), BEM (Vice Chair)

Hugh Carr, BA (Hons), ACA, CPFA  
(Appointed 11 September 2014)

Charles Forrest\* (Deceased 9 May 2015)

Jim Jarvie, BA, CA

Helen P MacKay, BSc(Hons), MBChB  
(Retired 11 September 2014)

Michael S Mackinlay, FRICS  
(Retired 11 September 2014)

Margery McBain, BSc, MBA, FCIPD

Jacqueline McCormick, MA(Hons), FCIH

Alastair Mowat  
(Retired 11 September 2014)

Susan Napier, BSocSc, FRICS  
(Appointed 11 September 2014)

Bill Nicolson\*

David Scobie, FRICS

Mohanjit Singh, BSc

\* Tenant of Bield

## **Company Secretary:**

Scott M Smith, FCMA, CGMA

## **Directors:**

Chief Executive  
Brian J Logan, BCom (Hons), CPFA

Housing Services  
Amanda Miller, DipHS, FCIH

Asset Management  
Stuart Dow, MCIQB

Care Services  
Charlie Dickson, RMN, CSWM, CHM

Finance & ICT Services  
Scott M Smith, FCMA, CGMA

Human Resources  
Jayne Pashley, BSc (Hons), MSc,  
LLM, FCIPD

## **Bankers:**

The Royal Bank of Scotland plc  
36 St Andrew Square  
Edinburgh  
EH2 2YB

## **Auditors:**

Baker Tilly UK Audit LLP  
First Floor, Quay 2  
139 Fountainbridge  
Edinburgh  
EH3 9QG

## **Registered office:**

79 Hopetoun Street  
Edinburgh  
EH7 4QF

## **Solicitors:**

T C Young  
Melrose House  
69a George Street  
Edinburgh  
EH2 2JG

# Operating and Financial Review

The Board of Management presents its Operating and Financial Review and the audited accounts for the year ended 31 March 2015. The Operating and Financial Review has been prepared in accordance with the ASB's Reporting Statement issued in January 2006.

## Overview of Business

Bield Housing & Care is a charitable Registered Social Landlord (RSL) set up in 1971. Bield's primary objective is to improve the quality of life of older people by offering a diverse range of housing, care and other services. Bield has just over 5,400 properties in management located across Scotland.

The main areas of business are:

- supported housing for older people
- housing for general needs
- housing support services
- registered care housing
- home/flexi-care and day care services
- management services to owner occupiers in private retirement housing
- Bield Response 24, a community alarm service.

## Governance & Management

Bield is governed by a voluntary Board of Management. A full list of Board members is shown on page 1. The composition of the Board currently includes one Bield tenant. The Board brings a broad range of skills, experience and strengths to ensure the good governance of Bield's affairs. The Board's skill mix is reviewed on a regular basis and, where gaps are identified, Board members seek to identify individuals from within Bield's existing membership and the wider environment to strengthen the range of expertise within the Board's membership. New Board members are elected at Bield's Annual General Meeting. Bield carries out induction training for new Board members and a training needs assessment has been carried out for existing Board members from which a training programme has been drawn up. Training and development of Board members is, and will continue to be, a regular feature of Board meetings.

In 2013, Bield introduced a system of individual reviews of Board members, facilitated through a conversation with the Chair of the Board. These conversations assist in identifying learning and development needs, reviewing the contribution of individual members and aiding succession planning.

The Board controls Bield's strategic direction and reviews its operating and financial position. It is provided with timely and relevant information in order to discharge its duties. Bield has for a number of years been working through a programme of changes to strengthen its governance and constitutional arrangements. Bield's governance arrangements have been the subject of significant review over the last four years with the intention of achieving a more streamlined, efficient structure, with the aim of being fast, flexible, focused and future proof.

Bield is managed by the Senior Management Team of Directors. Details of the membership of the Senior Management Team are provided on page 1.

## Regulation

Bield is primarily regulated by the Scottish Housing Regulator. As part of the Regulator's new risk-based approach to inspection, Bield's regulatory assessment dated March 2015 indicated that the Scottish Housing Regulator would have 'medium engagement' with Bield during 2015/16. This level of engagement has remained unaltered from the previous year with the Regulator commenting that "Given Bield's turnover we consider it to be systemically important".

Bield's Board and staff will work through an engagement plan with the Regulator during 2015/16.

**Strategy and Objectives**

Bield’s objectives and strategy are set out in its Business Strategy. A comprehensive and fundamental review of the Business Strategy covering a five-year period to 2015/16 was undertaken during 2010/11 and approved by the Board of Management in March 2011. This included a thorough review of Bield’s Vision, Mission and Values. The Business Strategy has been reviewed and updated where necessary over the course of the last year.

The theme for the strategy is ‘Bielding the Future’. Bield is committed to continuously improving its services for older people, involving an on-going programme of review and improvement. In addition, innovation is at the heart of Bield’s strategy and the plan contains four strategic objectives where innovation will be required to achieve Bield’s objectives. The business planning process includes a series of consultation meetings with staff, staff representatives (office and development-based), senior management and Board members and has set a challenging programme of modernisation and continuous improvement to ensure that Bield is able to meet the many challenges ahead.

The Business Strategy recognises that Bield faces a fast-changing and dynamic external environment. Changes in government at a local and national level over the last four years have meant that policy direction has been subject to change. Key external policy drivers identified as impacting on Bield have been identified as follows:

- national strategy for housing older people;
- future of the social rented housing sector;
- investment strategy and performance and efficiency;
- future of sheltered housing; and
- reshaping care for older people.

In addition, the prevailing financial climate has had an impact on Bield with funding cuts and a need for ever-greater efficiency. This will continue to be a key challenge for Bield over the next few years. Long-term plans have been kept under constant review as a result.

The Business Strategy 2015-16 seeks to demonstrate how Bield will respond to these external drivers and their impact on Bield’s strategic direction. A fundamental review of the Business Strategy will take place during the course of 2015/16 in order to set strategic objectives for the five-year period 2016-2021.

Bield currently has four strategic objectives:

Strategic Objective	How we plan to achieve this
Service Development – Improving what we do	<ul style="list-style-type: none"> <li>• Meeting the changing aspirations of our customers</li> <li>• Developing flexible and innovative ways of delivering services</li> </ul>
Business Growth – Doing new things	<ul style="list-style-type: none"> <li>• Delivering cost effective models of housing, care and other services</li> <li>• Becoming commercially aware</li> <li>• Strengthening our marketing</li> </ul>
Business Efficiency – Achieving more with our limited resources	<ul style="list-style-type: none"> <li>• Fully identifying and assessing benefits and risks</li> <li>• Maximising and diversifying fundraising streams and controlling costs</li> </ul>
Organisational Development – Improving our internal structures and processes	<ul style="list-style-type: none"> <li>• Ensuring our governance and organisational structures are fit for purpose</li> <li>• Making more efficient and effective use of existing resources</li> <li>• Communicating effectively with internal and external stakeholders</li> </ul>

# Operating and Financial Review (continued)

From these strategic objectives, detailed action plans containing operational objectives and initiatives are set. These are underpinned by targets, timescales and defined staff responsibilities to ensure that the objectives are met and that all parts of the organisation take ownership of the Business Strategy. Any financial commitments arising from the Business Strategy are reflected in Bield's Annual Budget and long-term financial projections.

## Target Market & Products

Bield is focused on providing housing and support services to older people. All the various projections show Scotland's population ageing significantly over the next 25 years.

The fact that Scotland has an ageing population does not in itself imply any particular conclusions can be drawn about the accommodation and services that will be required in the future. The way in which services have been delivered in the past will not necessarily meet the expectations, aspirations and needs of older people in the future. Nevertheless, it would appear that it can be safely concluded that the number of older people who may be in need of services in the next 25 years is set to grow substantially.

As well as living longer, there is evidence that people are staying healthier longer, which allows moving into specialist accommodation or the need for care to be postponed to a later age.

Accommodation specifically designed for older people has ranged from specially designed housing, through sheltered and very sheltered housing to residential and nursing homes to geriatric hospital units. The trend over recent years has been to move away from the more institutional end of the spectrum towards housing and particularly home-based services. Bield has sought to respond accordingly and the home, flexi-care and supported living services being provided in conjunction with local authority partners have been areas of expansion.

Bield is a significant provider of housing support for older people. Many households benefit from this type of service from Bield, most of whom are Bield tenants. However, increasingly services are delivered to people who are not Bield tenants through floating support services.

The funding of housing support services is met by local authorities through Housing Support Grant, first introduced in 2003. Budget reductions by the Scottish Government and local authorities have meant that, in common with many housing support providers, Bield faces substantial financial and operational challenges in its future delivery of housing support. This has led Bield to review the housing models that it offers in order to keep costs within the funding available. This review has led to a significant move away from a traditional Sheltered Housing model to a Retirement Housing model where there is no reliance on housing support funding. 2014/15 represented the final year of a three year transition programme, with only three developments being carried over into 2015-16.

## Key Risks Impacting on Future Performance

Like all businesses, Bield faces a wide variety of business-related risks. Bield's approach to risk management is to ensure that an awareness of risk is embedded at all levels within the organisation and that an effective system is in place for monitoring and recording identified risks. The overarching Risk Management Framework includes a Strategy, Policy and Procedure which outline the responsibilities of members and staff.

Functional risk maps were developed to match as far as possible the responsibilities at Board, Committees and senior management level. The Risk Maps were reviewed by management and Committees with risks re-assessed using a rating method as to the level of risk to the organisation. New risks identified were duly considered and added to risk maps where appropriate. Risks are regularly reviewed within the Senior Management Team, at departmental team meetings and through the Board and Committees, helping to reinforce the process of embedding a risk management culture across the organisation. Appropriate control procedures and monitoring arrangements have been included within the relevant Risk Maps to ensure that risks are managed appropriately. A full and comprehensive review of Bield's approach to managing risk was undertaken during 2013/14.

Bield continues to operate within a very dynamic and fast-changing external environment creating many challenges. The following risks have been identified as the risks most likely to affect Bield's future performance:

Key Risk	Background to Risk
Reduction in Public Expenditure	The reductions in public expenditure continue and are now starting to have a real impact on the ability of organisations like Bield to continue to deliver the same level of services as in the past. The Business Strategy seeks to ensure that Bield places less reliance on public sector funding and remains financially stable in the longer term.
Registered Care Home Funding	As a result of the move away from deficit funding arrangements to a national care home rate by local authorities, Bield has experienced significant funding deficits. The introduction of the Living Wage by Scottish public sector bodies and an expectation that those organisations that they contract with, such as Bield, will similarly implement the Living Wage merely adds to the financial risk.
Home Care and Day Care Funding	Bield has been successful in increasing business activity in this area over recent years. It is critically important that costs are contained within approved income levels to avoid Bield incurring financial loss.
Pension fund deficits	Successive pension valuations in recent times have resulted in a requirement for increased contributions due to on-going deficits. There is a risk that this trend will continue. Assisted by independent advisers, the Remuneration Committee will undertake a review of pension provision in the context of a wider review of Reward and Recognition during 2015/2016.
Impact of Strategic Change and the failure to effectively manage this	Bield is now well underway with its programme of change with the scale of change being unprecedented for the organisation. Accordingly, there is a risk to Bield's ability to deliver its services consistently and to the same standard. Individual change projects have been managed well to date, it is the cumulative effect of numerous change initiatives which presents the greatest risk to staff morale, stress and sickness levels and the failure of day-to-day operations. The focus for 2015/16 will be business critical initiatives only.
Inability to retain business due to lack of price competitiveness and cost pressures	Bield has experienced a loss of current contracts through a competitive tendering process. This represents a real challenge to ensure that quality is maintained whilst tendered prices are competitive.
Loss of income through void properties	Bield has experienced an increased level of voids and 'difficult-to-let' properties with a consequent loss of rental income. The adverse void position has been identified as a business priority for the final year of the current business strategy with a dedicated project manager overseeing the delivery of a full action plan which focuses on process improvements. In addition, Bield has completed the production of its Asset Management Strategy which will seek to ensure its properties are fit for purpose thereby reducing the likelihood of future voids.

# Operating and Financial Review (continued)

All risks will continue to be assessed, managed and controlled in accordance with the approved risk management strategy. Bield will continue to accept risks inherent in the achievement of its Mission and Strategic Objectives, as set out within the Business Strategy, provided these are properly assessed. Any risk which materially jeopardises Bield's ability to achieve its Mission or Strategic Objectives or to conduct its business will not be accepted.

## Operational Performance

A number of projects have been successfully completed during 2014/15. Notable projects during the year were:

- Continued public relations and government lobbying in partnership with Hanover (Scotland) and Trust Housing Associations
- The near completion of the introduction of a Retirement Housing service
- The near completion of new build projects for rent in Dumbarton (33 units) and Bearsden (12 units)
- Two new build shared ownership projects on-site at St Andrews and Bearsden
- Extended marketing of the organisation to raise our profile

- £11m spent on maintaining and improving the quality of Bield's housing stock
- Expansion of the multi-trades contract for reactive repairs in partnership with Hanover (Scotland) and Trust Housing Associations
- The completion of an Asset Management Strategy and a Development Strategy
- Successful expansion of owner services activities via the addition of Cowanes Housing Association and the owners' development at Homebriar House, Ayr
- Adopting the latest version of the SFHA model rules.

## Resources

### Housing Stock

Bield manages over 5,400 properties, of which just over 4,600 are owned, making it one of the largest RSLs in Scotland.

The aim of Bield is to have a common level of rents for all similar properties. The rent policy should be logical, consistent and easily applied. Bield's rent policy takes into account three objectives: affordability for the client group; financial viability for Bield and; marketability compared with its peer group.

**At 31st March 2015, Bield had the following stock in management:**

Amenity	324
Retirement	2,220
Sheltered	507
Very Sheltered	1,179
Care Homes	225
Shared Ownership / Equity	95
General Needs	104
Resident Staff	21
Owner Services	757
<b>Total</b>	<b>5,432</b>

At the end of 2014/15, 378 Bield properties did not meet the Scottish Housing Quality Standard. Specific action is being undertaken to address those properties which have not met the standard. The Board recognises the need to maintain and improve existing housing stock. Bield is expecting to spend around £71m on maintaining its properties over the next five years. This includes the preliminary outworkings from the strategic review of Bield's existing housing stock for redevelopment and re-provisioning. This level of expenditure will have a significant impact on the reserves balances that Bield currently holds and the cash requirements of the organisation.

In addition to investing in existing stock, the Board will, in accordance with the Development Strategy, seek to maximise development opportunities as they arise to further strengthen Bield's asset base.

### **Employees**

Bield is a people organisation – Bield relies on a highly-committed workforce in order to deliver a high quality service to our residents. During 2014/15, the average number of full-time equivalent staff employed by Bield was 814 (2013/14: 814).

Bield benchmarks staff turnover levels, sickness absence, ethnic mix, gender and age profile against available statistics on a regular basis. In addition, Bield has continued its practice of keeping employees informed of matters affecting them as employees and the financial and economic factors affecting Bield, its tenants and other service users. This is achieved through consultations with employee representatives at the Joint Information & Consultative Forum, distribution of the Business Strategy to staff and a range of communications including regular staff meetings, newsletters and the use of its Intranet, Grapevine.

The Investor in People standard was first awarded in 1997 and has been successfully maintained since, with the most recent review awarding silver status to the organisation. In 2014, Bield was awarded the national standard for Investors in Diversity Stage 1.

Bield seeks to recruit and retain quality staff by offering attractive employment packages. Following the triennial valuation of Bield's pension scheme at 30 September 2011, a review of its existing arrangements and extensive consultation took place with staff during Summer 2012. From 1 April 2013, Bield maintains a final salary scheme for staff in employment with Bield up to 31 March 2013 and has opened both a Career Average and Defined Contribution scheme which are available to all staff. Pension auto-enrolment became mandatory for Bield in September 2013 and as a result, there has been a rise in the number of employees participating in the pension offerings available. Following the results of the September 2014 pension valuation, 2015/16 will see a further review of pension arrangements and how they are positioned within Bield's wider reward and recognition offering.

As part of Bield's commitment to ensure it attracts and retains high quality staff, a salary comparability exercise was undertaken over Summer 2013. Bield's salary levels are considered generally competitive in the marketplace although increases were applied to some salary scales. As part of the wider review of reward and recognition, salary comparability will also be reviewed over Summer 2015.

# Operating and Financial Review (continued)

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities as are applications from other persons irrespective of gender, sexual orientation, marital status, age, religious belief, race or ethnic origin.

## Health and Safety

The Board is aware of its responsibilities on all matters relating to health and safety. Bield has prepared detailed health and safety policies and provides staff training and education on health and safety matters. Bield has a Health & Safety Management Group. This group, which comprises of Director level staff, meets to oversee activities and procedures related to health and safety. Employee consultation on health and safety matters is conducted through the Joint Information and Consultative Forums and the Board of Management receives six monthly reports on health and safety issues.

## Information & Communications Technology (ICT)

ICT is a powerful and ever-increasing business tool to enable communication, data processing, manipulation and retention, reporting, and improved organisational efficiency. In the year to 31 March 2015, £368,000 was spent on new ICT equipment and software. This included sums in respect of the Virtual Desktop Infrastructure (VDI), the care management software for all care services, Electronic Document and Records Management System (EDRMS) and the on-going replacement programme for PCs and printers. Training continues to be provided to ensure all development-based staff can maximise the use of PCs to improve communication and reduce administration.

In accordance with Bield's ICT Strategy, further extensive ICT Projects are planned for future years including the further rollout of the Electronic Document and Records Management system, a strategy development and performance management tool, piloting of Wi-Fi in schemes, upgrading the telecoms system and the completion of virtual desktops within the ICT infrastructure. There is also an increasing need to enhance ICT security in order to ensure that data remains secure and stored appropriately. All of these significant projects form a key part of the Bield's continuous improvement programme.

## Continuous Improvement

Bield is committed to the principles of continuous improvement and the Business Strategy 2015-16 seeks to ensure services are reviewed and improved as required. A new Performance Management Framework has been introduced which will identify areas of the business for improvement.

## Financial Review

### Accounting Policies

The principal accounting policies of Bield are set out in Note 1 to the Financial Statements on pages 23-24.

### Financial Highlights

Turnover for the year was £42.6m, a decrease of 1.6% on the previous year. There was an increase in rent loss through void properties along with significant reductions in both Housing Support and Care Income either through the planned reconfiguration of services or an unplanned reduction in income which continues to put pressure on the wider organisation. These reductions were partially offset by an increase in rents and service charges and the full year effect of additional units which came into management during 2013/14.

The decrease in operating costs is greater than that of the decrease in turnover mainly as a result of the planned reconfiguration of services and decreased activity around staffing, marketing, promotion and business development initiatives during the year, resulting in an operating surplus of £0.9m in 2014/15 (2013/14: £0.3m). Further reductions in operating costs will be required in future years in order to maintain financial viability in the longer term. The surplus on ordinary activities is significantly higher compared to the previous year at £3.1m (2013/14: £0.2m) as a result of the profit from selling investments to fund the projected cash shortfall during the year.

Whilst in overall terms Bield made a surplus, a number of individual business areas made deficits which were anticipated as part of the Budget setting process for 2013/14.

Capital expenditure on properties amounted to £7.0m (expressed in cash terms in the Cash Flow Statement) which is a decrease from £11.4m in the previous financial year as a result of the new build development programme. Grant funding for new developments and site acquisitions continues to be difficult to secure.

However, where development opportunities arise, Bield will seek to exploit those to meet its overall strategic objective of continuing to provide high quality housing for older people. After a depreciation charge of £2.5m, Bield's housing properties increased from £50.8m to £52.7m.

Bield's investment portfolio, managed by Baillie Gifford & Co, is classified as a Fixed Asset in the Balance Sheet. Bield's portfolio had previously been subjected to turbulence in the global financial markets. However, the portfolio continued to recover during 2014/15 and consequently the valuation of the portfolio at the end of March had increased from its 2013/14 level. This was however offset by the planned sale of investments (£4.0m income) to meet the budgeted cash shortfall during 2014/15. Although the investment portfolio is primarily held for the long term, it is anticipated that Bield will realise some of these investments in the short term in order to invest in both the current and new housing stock with the Board approving the further sale of c£3m of investments to meet the projected cash shortfall in 2015/16. Bield's Performance & Audit Committee monitors the performance of the investment portfolio with an emphasis on the longer term performance trend over a three to five year period.

#### **Donations to Charitable organisations**

In order to further Bield's objectives, charitable donations totalling £1,000 (2013/14: £1,000) were made to the Lintel Trust.

#### **Capital Structure and Treasury Policy**

Total funds at the end of the year were £65.4m (2013/14: £63.6m) of which £59.5m (2013/14: £56.4m) comprised the general Revenue Reserve. Long term borrowings at the period end have fallen to £4.1m (2013/14: £5.5m) principally due to loan repayments made during the year. The gearing ratio of 6.2% (loans as a percentage of reserves) remains relatively low compared with other RSLs and well within Bield's ceiling of 50%. Bield has substantial unutilised security on its Balance Sheet. Whilst this means that Bield should be able to access additional borrowing to fund new development and stock investment, it should only do so if it has the ability to service capital repayments and annual interest charges. Cash balances increased during 2014/15 mainly as a result of increased capital expenditure being offset by the sale of investments. The cash balance of £0.8m at the end of the financial year (2013/14: -£0.4m) is as anticipated, below the minimum specified in the Treasury Management Policy. This variation was given prior approval by the Board.

Bield's Treasury Management Policy was reviewed in early 2009 and is scheduled for review during 2015/16. It seeks to ensure that sufficient liquidity is available to meet foreseeable needs, surplus cash is invested prudently and financial risk is minimised. Treasury management activity is the responsibility of the Director of Finance & ICT Services, operating under the policy direction of the Board. In the current economic conditions, closer scrutiny is rightly placed on this area of work.

The policy of Bield in the investing of surplus funds is to achieve a satisfactory return while minimising risk. In relation to borrowing, the policy is to ensure the stability of Bield's long-term financial position by borrowing on the most economically advantageous terms with a preference for a fixed rate once the money raised has been committed to long term projects.

Bield borrows at both fixed and variable rates of interest. At 31 March 2015, the percentage of fixed rate borrowing was 67% (2013: 73%) and the percentage of variable rate borrowing was 33% (2013: 27%), within the parameters set by the Board. No new borrowing facility was required in 2014/15 although there is the possibility that some additional funding may be required in the medium to longer term.

#### **Payment of Creditors**

Bield's policy concerning the payment of its trade creditors complies with the Confederation of British Industry guidelines. The average payment period is 29 days (2014: 23 days).

#### **Cash Flow**

The net cash increase in 2014/15 was £1.2m compared to a decrease of £7.3m in the previous year.

Bield ended the year with a positive reconciled cash balance of £0.8m which is more favourable than was budgeted.

#### **Fixed Assets**

The cost of Bield's housing properties after depreciation is £200m. These have been funded principally through a combination of Housing Association Grant and other grants (£148m), and private finance and internal resources (£52m). The market value of Bield's housing properties is substantially higher than the net book value and is sufficient to meet all asset value related loan covenants.

# Operating and Financial Review (continued)

## Reserves

Bield holds three principal reserves: a revaluation reserve, a restricted reserve and a revenue reserve.

The revaluation reserve represents the unrealised difference between the market value and the cost of Bield's investments. This has reduced over the course of 2014/15 as the sale of investments has taken place.

The restricted reserve mainly represents the restricted element of the Bield Housing Trust's assets transferred during 2009/10 along with the balance of monies received from a number of valued contributors. Specific reference is made to The Short Breaks Fund, The Bank of Scotland Foundation, The R S Macdonald Charitable Trust and Falkirk Change Fund: Partnership innovation Fund.

The revenue reserve represents the accumulated surpluses of Bield. The reserves have been invested primarily in property assets let to tenants. Each year, Bield's target is to increase its revenue reserve to ensure that adequate sums are held to minimise future financial risks. These reserves

have increased significantly since 2010 as a result of fundamental changes in accounting standards rather than an improvement in financial performance. Whilst it is understandable that readers of the financial statements interpret the level of reserves held as capacity to spend money, the reality is that the requirement to satisfy loan covenants restricts the amount of reserves that can be released.

Only 17% of Bield's total reserves are cash or near-cash backed. These sums were historically built up to fund future anticipated investment in Bield's ageing housing stock and as a buffer against unforeseen emergencies.

## Key Performance Indicators

The Board recognises the importance of monitoring performance against a range of internal targets as a means of measuring continuous improvement. A number of key performance indicators are included within the Business Strategy and are the subject of regular monitoring reports to the Board of Management and Committee.

The following summarises some of the key performance indicators for Bield:

Indicator	2014/15	2013/14	Internal Target
<b>Operational</b>			
Reactive repairs carried out and completed right first time	90%	90%	90% or better
Rent loss (Voids) due to empty properties during the year	3.3%	3.3%	Under 2.75%
Rent arrears as a % of rent due	2.1%	2.1%	Under 1.75%
Staff sickness absence	5.9%	5.2%	3.5% or less
<b>Financial</b>			
Quick ratio	41%	31%	Over 100%
Surplus as a proportion of turnover	7.4%	0.4%	Over 3%
Interest cover	545%	252%	110% (min)
Gearing	6.2%	8.7%	50% (max)

The Board considers Bield's performance to be satisfactory. In relation to operational performance, the indicators Rent loss (Voids), Rent arrears and staff sickness absence failed to meet the internal target. In relation to Rent loss (Voids), this is a business priority during 2015/16 with a number of short and longer term initiatives being put in place in order to address the situation. In relation to Rent arrears, this is slightly higher than target and although requiring close monitoring and management, the level of arrears is not currently a cause for concern. In relation to staff sickness absence, a higher level

of long-term absence due to serious illness has been experienced across Bield with the figures shown above including these long term absentees even although their eligible pay may have expired. In relation to financial performance, the approved budget for 2014/15 highlighted the quick ratio as being below the internal target. This reduction reflects both the planned increased capital expenditure and the delivery of the Business Strategy.

Bield's targets for 2015/16 remain broadly the same as listed in the table above.

## Equality & Diversity

Bield's Equality & Diversity Strategy commits Bield to providing equality of opportunity for all. An Equality Action Plan has been compiled and is included in the Business Strategy. Bield takes a positive approach to promoting its services to the Black and Minority Ethnic (BME) communities.

The achievement of Investors In Diversity Stage 1 demonstrates Bield's commitment to ensuring equality and diversity are embedded across Bield and within all services.

## Environmental, Social and Community Issues

Bield takes its environmental responsibilities seriously and strives, wherever possible and within financial constraints, to minimise the impact of its activities on the environment. Plans are being implemented to improve energy efficiency within developments and to control temperature levels within developments more effectively.

Bield actively engages in social and community activity at a local level. In particular, efforts are made by development managers to ensure developments and projects form an integral part of community life. As part of this commitment, Bield has an active programme of recruiting volunteers to assist residents with social activities, provide befriending support and tutor older people in the use of computers.

## Going Concern

Bield's business activities, together with the factors likely to affect its future development, performance and position are set out within this Operating and Financial Review. The Operating and Financial Review also includes a review of the financial position of Bield, its cash flows, liquidity position and borrowing facilities.

Whilst it may appear on the face of the Balance Sheet that Bield has an issue with liquidity due to its Net Current Liabilities position, this is masked by the fact that the considerable amount of investments held as Fixed Assets are fairly liquid and can be sold and turned into cash within approximately three days. This has been highlighted by the sale of £4m of investments during 2014/15 and a further £2m in the period April to June 2015.

Bield's financial projections demonstrate that Bield has the ability to meet its commitments in the short, medium and long-term. Therefore, the Board of Management believes that Bield is well

placed to manage its business risks successfully despite the current uncertain economic outlook. This may mean that difficult decisions will have to be made as part of the 2016-21 business strategy in order to ensure that this remains the case.

The Board has a reasonable expectation that Bield has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in these financial statements.

## Internal Control

The Board is responsible for Bield's system of internal control and its effectiveness and therefore demands a strong control environment. However, the system is designed to manage rather than eliminate risk and therefore can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board through the Performance & Audit Committee has reviewed the effectiveness of Bield's internal financial controls and risk management for the year ended 31 March 2015. No significant weakness in the internal controls has occurred resulting in material losses, contingencies or uncertainties which require disclosure in the financial statements. The Board's full Statement on Internal Financial Controls is set out on page 15.

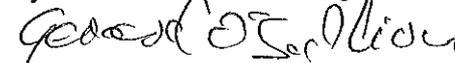
## Awareness of Audit Information

The Board members who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant information of which the auditors are unaware. Each of the Board Members has confirmed that they have taken all steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors.

## Auditors

Baker Tilly UK Audit LLP has indicated its willingness to continue in office. A resolution proposing their reappointment for 2015/2016 will be submitted at the Annual General Meeting.

By order of the Board of Management



GERRY O'SULLIVAN

Chair of the Board of Management

July 2015

# Statement of the Board's Responsibilities

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and 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; and
- Prepare the accounts on a going concern basis unless it is inappropriate to presume that Bield will continue in business.

The Board of Management is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of Bield and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, The Housing (Scotland) Act 2010 and the Accounting for Registered Social Landlords Statement of Recommended Practice 2010. It has general responsibility for taking reasonable steps to safeguard the assets of Bield and to prevent and detect fraud and other irregularities.

# Board Statement on Internal Financial Controls

The Board acknowledges its ultimate responsibility for ensuring that Bield has in place a system of controls that is appropriate to the various business environments in which it operates.

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

The key procedures which have been established and which are designed to provide effective internal financial control include:

- Comprehensive budgeting systems with an annual budget approved by the Board of Management.
- Regular consideration by the Board of Management of actual results compared with budgets, together with a forecast of the balance for the year. Significant variances from budgets are investigated, explained as appropriate and action taken as agreed.
- An internal audit programme which is designed to cover the main business activities of Bield. The scope and content of this programme are reviewed by the Performance & Audit Committee. The independent professional internal auditor, who works closely with the external auditor, has direct access to the Performance & Audit Committee which receives the reports and agrees appropriate action plans.
- Written scheme of delegation including details of delegated authority.
- An assessment of the risk areas faced by Bield, with details of the control mechanisms in place to counteract that risk. The Performance & Audit Committee reports annually to the Board of Management on the effectiveness of the Risk Management procedures.

The Performance & Audit Committee assists the Board in meeting its responsibility for ensuring that Bield's financial systems provide accurate and up to date information on its financial position and that the Annual Accounts represent a true and fair reflection of this position. The Committee also assists the Board by review of the accounting policies and internal financial controls. The internal and external auditors attend meetings of the Performance & Audit Committee at least once a year. The internal auditor has direct access to the Chair of the Performance & Audit Committee.

The Board has reviewed the effectiveness of the system of internal financial controls. No weaknesses have been found which resulted in material losses, contingencies or uncertainties which require disclosure in the Financial Statements. Where weaknesses in internal financial controls are identified, appropriate remedial action is taken.

These arrangements are considered appropriate to the scale and range of Bield's activities and comply with the requirements contained in the Scottish Housing Regulator's Guidance.

**By order of the Board of Management**



**GERRY O'SULLIVAN**

Chair of the Board of Management

**July 2015**

# Independent Auditor's Report

to the Members of Bield Housing & Care

We have audited the financial statements of Bield Housing & Care for the year ended 31 March 2015 on pages 18 to 45. 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 Bield'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 Bield's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Bield and Bield's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of the Board of Management and auditor

As explained more fully in the Board of Management's Responsibilities Statement set out on page 14, the Board of Management 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 <https://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 Bield Housing & Care's affairs as at 31 March 2015 and of its income and expenditure for the year then ended; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements April 2012.

## Matters on which we are required to report by exception

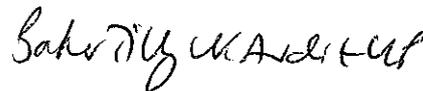
We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

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

## BAKER TILLY UK AUDIT LLP

Statutory Auditor  
Chartered Accountants  
139 Fountainbridge  
Edinburgh  
EH3 9QG

27 July 2015



# Independent Auditor's Report on Internal Financial Controls

to the Members of Bield Housing & Care

In addition to our audit of the Financial Statements, we have reviewed your statement on page 15 concerning Bield Housing & Care's compliance with the information required by the Regulatory Standards for systematically Important RSLs in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are Issued by the Scottish Housing Regulator.

## Basis of Opinion

We carried out our review having regard to the requirements to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council through enquiry of certain members of the Board of Management and Officers of Bield Housing & Care's and examination of relevant documents. The Bulletin does not require us to review the effectiveness of Bield Housing & Care's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for non-compliance.

## Opinion

In our opinion the Statement on Internal Financial Control on page 15 has provided the disclosures required by the relevant Regulatory Standards for systematically Important RSLs within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

**BAKER TILLY UK AUDIT LLP**  
Statutory Auditor  
Chartered Accountants  
139 Fountainbridge  
Edinburgh  
EH3 9QG

*Baker Tilly UK Audit LLP*

27 July 2015

# Income and Expenditure Account

for the Year Ended 31 March 2015

	Notes	2015 £'000	2014 £'000
Turnover	2	42,552	43,262
Operating costs	2	(41,618)	(43,003)
<b>Operating surplus</b>	2, 8	<b>934</b>	<b>259</b>
Investment Income and interest receivable	5	255	400
Interest payable and similar charges	6	(218)	(261)
Net gain / (loss) on sale of Fixed Assets	7	2,172	(206)
<b>Surplus on ordinary activities, before transfers to Reserves</b>	17	<b>3,143</b>	<b>192</b>

The results for the year relate wholly to continuing activities.

# Statement of Total Recognised Surpluses and Deficits

for the Year Ended 31 March 2015

	Notes	2015 £'000	2014 £'000
Surplus on ordinary activities, before transfers to Reserves		3,143	192
Realised gain in Revaluation Reserve	12, 17	(2,097)	–
Unrealised gain in Revaluation Reserve	12, 17	696	406
<b>Total recognised surplus since the last Financial Statements</b>		<b>1,742</b>	<b>598</b>

Total recognised surpluses and deficits relate wholly to continuing activities.

The Notes on pages 23 to 45 form an integral part of these Accounts.

# Balance Sheet

as at 31 March 2015

	Notes	2015 £'000	2014 £'000
<b>Fixed Assets:</b>			
Housing Properties – Gross Cost less Depreciation		200,410	198,601
Housing Association and Other Grants		(147,691)	(147,804)
Other Fixed Assets	10 11	52,719 7,605	50,797 7,913
		<b>60,324</b>	<b>58,710</b>
Investments	12	10,305	13,629
<b>Total Fixed Assets</b>		<b>70,629</b>	<b>72,339</b>
<b>Current Assets:</b>			
Stock		1,962	212
Debtors	13	1,800	2,150
Bank and short-term deposits		777	–
		<b>4,539</b>	<b>2,362</b>
<b>Creditors:</b>			
Amounts falling due within one year	14	(6,313)	(7,035)
<b>Net Current (Liabilities)</b>		<b>(1,774)</b>	<b>(4,673)</b>
<b>Total Assets Less Current Liabilities</b>		<b>68,855</b>	<b>67,666</b>
<b>Creditors:</b>			
Loans falling due after more than one year	15	(3,498)	(4,051)
		<b>65,357</b>	<b>63,615</b>
<b>Capital and Reserves:</b>			
Share Capital	16	–	–
Revaluation Reserve	17	5,667	7,068
Restricted Reserves	17	149	100
Revenue Reserve	17	59,541	56,447
	17	<b>65,357</b>	<b>63,615</b>

These Financial Statements were approved by the Board of Management and authorised for issue on 2 July 2015 and were signed on its behalf by:



**GERRY O'SULLIVAN**  
Chair of the Board of Management



**MICHAEL MCFEE**  
Member of the Board of Management



**SCOTT SMITH**  
Company Secretary

The Notes on pages 23 to 45 form an integral part of these Accounts.

# Cash Flow Statement

for the Year Ended 31 March 2015

	2015 £'000	2014 £'000
<b>Net cash inflow from operating activities (Note 23)</b>	<b>5,655</b>	<b>3,217</b>
<b>Returns on investments and servicing of finance:</b>		
Interest and investment income received	255	515
Interest and similar charges paid	(224)	(260)
<b>Net cash inflow from returns on investment and servicing of finance</b>	<b>31</b>	<b>255</b>
<b>Capital expenditure and financial investment:</b>		
Purchase of housing properties	(6,985)	(11,378)
Purchase of other tangible fixed assets	(437)	(763)
Housing Association Grant repaid	-	-
	<b>(7,422)</b>	<b>(12,141)</b>
Reduced by:		
Housing Association Grant and other capital grants received	273	1,739
Sale of other fixed assets	33	14
Sale of investments	3,896	-
Sale of housing properties	182	73
	<b>4,384</b>	<b>1,826</b>
<b>Net cash (outflow) from capital expenditure and financial investment</b>	<b>(3,038)</b>	<b>(10,315)</b>
<b>Financing:</b>		
Repayment of loans	(1,457)	(492)
<b>Net cash (outflow) from financing</b>	<b>(1,457)</b>	<b>(492)</b>
<b>Increase / (Decrease) in cash in year</b>	<b>1,191</b>	<b>(7,335)</b>

The Notes on pages 23 to 45 form an integral part of these Accounts.

## Reconciliation of Net Cash Flow to Movement in Net Cash

	2015 £'000	2014 £'000
Increase / (Decrease) in cash in year	1,191	(7,335)
Cash outflow from financing: Repayment of loans	1,457	492
Increase / (Decrease) in net cash in year (Note 24)	2,648	(6,843)
Net (debt) / cash at 1 April (Note 24)	(5,922)	921
<b>Net debt at 31 March (Note 24)</b>	<b>(3,274)</b>	<b>(5,922)</b>

The Notes on pages 23 to 45 form an integral part of these Accounts.

# Notes to the Accounts

These accounts are prepared in accordance with applicable Accounting Standards and the Statement of Recommended Practice – Accounting by Registered Social Landlords (2010). They also comply with the Determination of Accounting Requirements April 2012. A summary of the principal accounting policies is set out in paragraphs (A) to (M) below.

## 1. Principal Accounting Policies

### (A) Accounting basis

These accounts are prepared under the historical cost convention, modified to include the revaluation of investments.

### (B) Turnover

Turnover represents rental and service charge income receivable (net of voids), fees, revenue grants and donations. Tenant service charges are levied on a basis intended to cover appropriate service costs each year.

### (C) Fixed assets - housing properties

Housing Properties are stated at cost less social housing and other public grants less accumulated depreciation and impairment. A discount rate of 5% is applied when undertaking an impairment review.

Works to existing properties will generally be capitalised under the following circumstances:

- (i) Where a component of the housing property that has been treated separately for depreciation purposes and depreciated over its useful economic life is replaced or restored; or
- (ii) Where the subsequent expenditure provides an enhancement of the economic benefits of the tangible fixed assets in excess of the previously assessed standard of performance. Such enhancement can occur if the improvements result in an increase in rental income, a material reduction in future maintenance costs or a significant extension of the life of the property.

Works to existing properties which fail to meet the above criteria are charged to the Income and Expenditure account.

The major components are deemed to be Land, Structure, Kitchen, Bathroom, Windows & Doors, Heating, Lift, Fire Alarm, Warden Call and Communal Lighting. Each component has a substantially different economic life and is depreciated over this individual life. Depreciation rates are shown in Note 1(F)(i).

### (D) Sale of Housing Properties

Properties are disposed of under the appropriate legislation and guidance. All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale.

### (E) Housing Association Grant

Housing Association Grant (HAG) is payable by Scottish Ministers, City of Edinburgh Council and Glasgow City Council. The Grant is paid direct to Bield and is reflected in the accounts when due to be received. Where costs are not funded by HAG, the residual finance, is sought from other sources or is funded internally.

HAG is repayable under certain circumstances, primarily following the sale of a property but will normally be restricted to the net proceeds of sale.

HAG received in respect of revenue expenditure is credited to the Income and Expenditure Account in the same period as the expenditure to which it relates.

### (F) Depreciation

#### (i) Housing properties:

Depreciation is charged on a straight line basis over the expected economic useful lives of each major component that makes up the housing property as follows:

Structure	50 years
Kitchen	20 years
Bathroom	35 years
Windows & Doors	25 years
Heating	25 years
Lift	25 years
Fire Alarm	15 years
Warden Call	15 years
Communal Lighting	15 years
Land is not depreciated	

# Notes to the Accounts (continued)

Periodic reviews are undertaken to establish whether a charge needs to be made for any financial impairment that has arisen to reduce the value of any class of property to an amount less than historical cost (less Housing Association and Other Grants and accumulated depreciation). Any impairment would be recognised in the Income and Expenditure Account.

## **(II) Other fixed assets:**

Depreciation is charged on a straight line basis as follows:

Office Premises	50 years
Office Fixtures & Fittings	10 years
Furniture & ICT Equipment	3 years
ICT Software & Telecoms	5 years
Motor Vehicles	5 years
Community Alarm Units	5 years

Expenditure less than £1,000 is not capitalised. Any costs related to the employment of staff specifically to manage ICT capital projects are capitalised.

## **(G) Stock**

Stock of housing properties is stated at the lower of cost and net realisable value.

## **(H) Restricted Reserves**

A restricted reserve is held where funds are subject to conditions specified by a third party. Bield holds one restricted reserve in relation to donations received and where the use of those funds is limited to a specific purpose. Further restricted reserves will be created as required.

## **(I) Pension costs**

Bield participates in an industry wide, multi-employer defined benefit pension scheme and a defined contribution scheme, the costs of which are written off to the Income and Expenditure Account on an accruals basis. The assets of the schemes are held separately from those of Bield in an independently administered Fund.

As it is not possible in the normal course of events to identify Bield's share of underlying assets and liabilities, it is accounted for on the basis of contributions due for the year.

## **(J) Value Added Tax**

Bield is VAT registered but a large proportion of its income is exempt for VAT purposes. Consequently little VAT paid is recoverable and expenditure is therefore shown inclusive of VAT. Any VAT recovered is offset against operating costs.

## **(K) Investments**

Investment income is brought into account when due and receivable. Investments are stated at market value. Unrealised gains or losses on valuation are reflected through the Statement of Total Recognised Surpluses and Deficits and disclosed in the Revaluation Reserve in the Balance Sheet.

## **(L) Operating Lease Rentals**

Operating lease rentals are charged on a straight-line basis over the term of the lease.

## **(M) Shared Ownership**

Proceeds from first tranche disposals of shared ownership properties are accounted for in the Income and Expenditure Account of the period in which the disposal occurs and are recognised as Turnover. The cost of disposal of first tranche disposals is included within Operating Costs. The first tranche element of any unsold properties is shown as a current asset within stock.

## 2. Turnover, Operating Costs and Operating Surplus

	Notes	Turnover £'000	Operating Costs £'000	2015 Operating Surplus/ (Deficit) £'000	2014 Operating Surplus/ (Deficit) £'000
Social Lettings	3(a)	33,693	(31,764)	1,929	1,514
Other Activities	3(b)	8,859	(9,854)	(995)	(1,255)
<b>Total for 2015</b>		<b>42,552</b>	<b>(41,618)</b>	<b>934</b>	<b>259</b>
Total for 2014		43,262	(43,003)	259	

# Notes to the Accounts (continued)

## 3a. Particulars of Turnover, Operating Costs and Operating Surplus or Deficit from Social Letting Activities

	General Needs £'000	SUPPORTED HOUSING		Shared Ownership £'000	Total 2015 £'000	Total 2014 £'000
		Housing Accommodation £'000	Care Housing £'000			
Rent Receivable Net of Identifiable Service Charge	382	14,420	6,155	328	21,285	20,547
Service Charges	39	13,369	–	304	13,712	13,753
Gross Income from Rents and Service Charges	421	27,789	6,155	632	34,997	34,300
Less: Rent Losses from Voids	(16)	(1,026)	(281)	(23)	(1,346)	(1,202)
<b>Net Income from Rents and Service Charges</b>	<b>405</b>	<b>26,763</b>	<b>5,874</b>	<b>609</b>	<b>33,651</b>	<b>33,098</b>
Grants from Scottish Ministers	–	–	42	–	42	107
<b>Total Income from Lettings</b>	<b>405</b>	<b>26,763</b>	<b>5,916</b>	<b>609</b>	<b>33,693</b>	<b>33,205</b>
Management and Maintenance Admin Costs	(107)	(7,032)	(359)	(160)	(7,658)	(7,418)
Service Costs	–	(9,911)	(5,373)	(226)	(15,510)	(14,840)
Planned and Cyclical inc Major Repairs Costs	–	(2,944)	(97)	(67)	(3,108)	(4,588)
Reactive Maintenance Costs	–	(2,494)	(196)	(57)	(2,747)	(2,444)
Rent Losses from Bad Debts	–	(54)	5	–	(49)	(41)
Depreciation of Housing Properties	(32)	(2,375)	(38)	(54)	(2,499)	(2,360)
Impairment of Housing Properties	–	(193)	–	–	(193)	–
<b>Operating Costs for Letting Activities</b>	<b>(139)</b>	<b>(25,003)</b>	<b>(6,058)</b>	<b>(564)</b>	<b>(31,764)</b>	<b>(31,691)</b>
<b>Operating Surplus / (Deficit) for Letting Activities for 2015</b>	<b>266</b>	<b>1,760</b>	<b>(142)</b>	<b>45</b>	<b>1,929</b>	<b>1,514</b>
Operating Surplus / (Deficit) for Letting Activities for 2014	208	1,581	(314)	39	1,514	

**3b. Particulars of Turnover, Operating Costs and Operating Surplus or Deficit from Other Activities**

	Grants from Scottish Ministers £'000	Other Revenue Grants £'000	Supporting People Income £'000	Other Income £'000	Total Turnover £'000	Operating Costs: Bad Debts £'000	Other Operating Costs £'000	2015 Operating (Deficit)/ Surplus £'000	2014 Operating (Deficit)/ Surplus £'000
Development Activities	–	–	–	–	–	–	(23)	(23)	(291)
Support Activities	–	–	2,134	–	2,134	–	(2,351)	(217)	(147)
Care Activities	–	3,536	105	394	4,035	–	(4,420)	(385)	12
Other Agency/Management Services	–	–	88	1,772	1,860	(1)	(1,774)	85	55
Letting of Communal Facilities, Community Alarm	–	–	–	830	830	–	(425)	405	295
First tranche shared ownership sales	–	–	–	–	–	–	–	–	(4)
Business Development Activities	–	–	–	–	–	–	(860)	(860)	(1,175)
<b>Total from other activities for 2015</b>	<b>–</b>	<b>3,536</b>	<b>2,327</b>	<b>2,196</b>	<b>8,859</b>	<b>(1)</b>	<b>(9,853)</b>	<b>(995)</b>	<b>(1,255)</b>
<b>Total from other activities for 2014</b>	<b>–</b>	<b>3,739</b>	<b>3,105</b>	<b>3,213</b>	<b>10,057</b>	<b>1</b>	<b>(11,313)</b>	<b>(1,255)</b>	

Included within letting of communal facilities and community alarm is income of £435k (2014: £451k) in respect of Bield Response 24. Included within business development activities are marketing costs of £288k (2014: £408k).

The Accounting Determination includes additional information lines to that shown in notes 3a and 3b above. The Board do not feel that any additional information is required with regard to these notes.

# Notes to the Accounts (continued)

## 4. Directors' and employees' emoluments

	Total 2015 £'000	Total 2014 £'000
<p><b>(a) The Directors are defined as the members of the Board of Management, the Chief Executive and any other person reporting directly to the Chief Executive or the Board of Management whose total emoluments exceed £60,000 per annum. No emoluments were paid to any member of the Board of Management during the year.</b></p>		
Aggregate emoluments payable to Directors (excluding pension contributions and including benefits in kind)	463	374
Emoluments payable to highest paid Director (excluding pension contributions and including benefits in kind)	99	93
<p>The number of Directors (including the highest paid Director) who received emoluments in excess of £60,000 (excluding pension contributions) in the following ranges were:</p>		
	Number	Number
£60,001 to £70,000	–	2
£70,001 to £80,000	5	2
£80,001 to £90,000	–	–
£90,001 to £100,000	1	1
	6	5
<p>Total expenses reimbursed to Directors and to Board of Management members insofar as not chargeable to Income Tax were £8,391 (2013/14: £10,649).</p>		
<p>During the year 6 Directors (2013/14: 5 Directors) including the Chief Executive participated in Bield's defined benefit pension scheme described in Note 18. Bield's contributions for the Chief Executive in the year amounted to £20,370 (2013/14: £19,168). Bield's contributions for the Directors in the year who received emoluments in excess of £60,000 amounted to £74,382 (2013/14: £63,419).</p>		
<p>No loans were made to Board members, officers or employees during the year and none were outstanding at 31 March 2015.</p>		
<p><b>(b) The average weekly number of full time equivalent persons employed by Bield during the year was:</b></p>		
Scheme based staff	626	630
Office staff (including Directors but excluding Board of Management members)	188	184
	814	814
<p>Staff costs of the persons at (b) above during the year were:</p>		
	£'000	£'000
Wages and salaries	18,842	18,891
Redundancy payments	208	197
Social Security costs	1,183	1,228
Pension costs	1,626	1,425
	21,859	21,741

**5. Investment income and interest receivable**

	2015 £'000	2014 £'000
Investment Income	250	348
Bank and Building Society Interest	5	52
	<b>255</b>	<b>400</b>

**6. Interest payable and similar charges**

	2015 £'000	2014 £'000
Interest on loans repayable:		
Fixed rate interest	191	239
Variable rate interest	27	22
	<b>218</b>	<b>261</b>

**7. Net gain / (loss) on disposal of Fixed Assets**

	2015 £'000	2015 £'000	2014 £'000	2014 £'000
Motor Vehicles: gain on disposal		33		11
Housing Properties: disposal proceeds	182		73	
Less: HAG repayable	(26)		(34)	
Less: Net Book Value	<u>(17)</u>		<u>(8)</u>	
Housing Properties: gain / (loss) on disposal		139		31
Disposal of Housing property components		(97)		(248)
Disposal of Fixed Asset Investments		2,097		—
		<b>2,172</b>		<b>(206)</b>

The components disposal arose due to the earlier than scheduled replacement of some items.

## Notes to the Accounts (continued)

### 8. Surplus on ordinary activities, before transfers to Reserves, is stated after charging

	2015 £'000	2014 £'000
<b>Auditors' remuneration:</b>		
Audit services	22	21
Non-Audit services	–	–
	<b>22</b>	<b>21</b>
<b>Internal Audit fees</b>	<b>30</b>	<b>18</b>
<b>Depreciation</b>	<b>3,243</b>	<b>2,996</b>
<b>Impairment of Housing Stock</b>	<b>193</b>	<b>–</b>
<b>Operating Lease Payments – Plant &amp; Machinery</b>	<b>137</b>	<b>154</b>

### 9. Legislative Provisions

Bield is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Scottish Housing Regulator (Registration No. HEP 71). Bield has charitable status with HM Revenue & Customs (Charity Number SC006878) and is eligible for exemptions from Corporation Tax.

## 10. Tangible Fixed Assets: Housing Properties

	Housing Properties Held for Letting £'000	Housing Properties Under Construction £'000	Completed Shared Ownership Schemes £'000	Total £'000
<b>Cost</b>				
At 1 April 2014	213,072	8,217	2,383	223,672
Additions during year	3,742	1,571	44	5,357
Disposals during year	(1,517)	–	(67)	(1,584)
Transfers	5,020	(5,020)	–	–
At 31 March 2015	<b>220,317</b>	<b>4,768</b>	<b>2,360</b>	<b>227,445</b>
<b>Depreciation</b>				
At 1 April 2014	(24,856)	–	(215)	(25,071)
Charge during year	(2,481)	–	(17)	(2,498)
Disposals during year	705	–	22	727
Impairments	(193)	–	–	(193)
Transfers	–	–	–	–
At 31 March 2015	<b>(26,825)</b>	<b>–</b>	<b>(210)</b>	<b>(27,035)</b>
<b>Housing Association Grant</b>				
At 1 April 2014	(144,508)	(1,761)	(1,535)	(147,804)
Additions during year	(382)	(248)	–	(630)
Disposals during year	716	–	27	743
Transfers	(2,009)	2,009	–	–
At 31 March 2015	<b>(146,183)</b>	<b>–</b>	<b>(1,508)</b>	<b>(147,691)</b>
<b>Net Book Values:</b>				
As at 31 March 2015	<b>47,309</b>	<b>4,768</b>	<b>642</b>	<b>52,719</b>
As at 31 March 2014	43,708	6,456	633	50,797

During the year £3,725k (2014: £3,685k) out of a total planned, cyclical and major repairs spend of £6,833k (2014: £8,273k) was capitalised. Out of the amount capitalised, £3,725k (2014: £3,685k) related to replacement of components and £nil (2014: £nil) related to improvements.

## Notes to the Accounts (continued)

The number of units of housing and care accommodation under development and in management at 31 March were:

	Units Under Development		Units In Management	
	2015	2014	2015	2014
<b>Housing accommodation for letting</b>				
General Needs	–	–	104	77
Supported Housing				
– Sheltered/Very Sheltered/Amenity/Retirement	–	45	4,266	4,249
– Care	–	–	183	184
	–	45	4,553	4,510
<b>Shared Ownership</b>	<b>98</b>	<b>98</b>	<b>95</b>	<b>99</b>
<b>Private housing under management:</b>				
Wholly owned	–	–	719	679
Agency	–	–	65	27
	–	–	784	706
<b>Total units</b>	<b>98</b>	<b>143</b>	<b>5,432</b>	<b>5,315</b>

## 11. Tangible Fixed Assets: Other Fixed Assets

	Office Premises £'000	Office Equipment and Furniture £'000	Motor Vehicles £'000	Total £'000
<b>Cost:</b>				
At 1 April 2014	7,612	4,687	499	12,798
Additions during year	–	437	–	437
Disposals during year	–	–	(97)	(97)
At 31 March 2015	<b>7,612</b>	<b>5,124</b>	<b>402</b>	<b>13,138</b>
<b>Depreciation:</b>				
At 1 April 2014	(1,083)	(3,306)	(496)	(4,885)
Charge during year	(144)	(598)	(3)	(745)
Disposals during year	–	–	97	97
At 31 March 2015	<b>(1,227)</b>	<b>(3,904)</b>	<b>(402)</b>	<b>(5,533)</b>
<b>Net Book Values:</b>				
As at 31 March 2015	<b>6,385</b>	<b>1,220</b>	<b>–</b>	<b>7,605</b>
As at 31 March 2014	6,529	1,381	3	7,913

# Notes to the Accounts (continued)

## 12. Investments

			2015 £'000	2014 £'000
<b>Valuation at beginning of year</b>			13,182	12,736
Disposal proceeds in year			(1,799)	–
Additions in year at cost			2	40
Net realised gain in year			(2,097)	–
Unrealised gain in year			696	406
<b>Valuation at end of year</b>			<b>9,984</b>	<b>13,182</b>
Cash			321	447
<b>Valuation at end of year</b>			<b>10,305</b>	<b>13,629</b>
Representing:				
	Valuation 2015 £'000	Valuation 2014 £'000	Cost 2015 £'000	Cost 2014 £'000
<b>UK Listed Investments:</b>				
Fixed interest stocks redeemable after 1 year:				
Other loan stocks	2,031	2,713	1,692	2,391
Unit and Investment trusts	7,953	10,469	2,625	3,723
Cash	321	447	321	446
<b>Total UK Listed Investments</b>	<b>10,305</b>	<b>13,629</b>	<b>4,638</b>	<b>6,560</b>
<b>Investment Holdings which are over 5% of the Portfolio Value are:</b>				
No. of Shares Held	Description			Market Value £'000
1,519,008	Baillie Gifford Managed Fund B Income			7,953
2,380,308	Baillie Gifford Corporate Bond Fund B Income			2,031
				<b>9,984</b>
All investments held are listed UK Securities				

**13. Debtors: Amounts receivable within one year**

	2015 £'000	2014 £'000
Arrears of rent and service charges	1,105	898
Less: Provision for doubtful debts	(213)	(183)
	<u>892</u>	<u>715</u>
Other debtors	645	1,172
Prepayments and accrued income	263	238
Capital grants receivable	—	25
	<u><b>1,800</b></u>	<u><b>2,150</b></u>

**14. Creditors: Amounts falling due within one year**

	2015 £'000	2014 £'000
Bank overdraft	—	414
Trade creditors	3,371	2,691
Other creditors and accruals	1,262	1,243
Deferred income	225	269
Prepayment of rent and service charges	370	369
Income Tax and Social Security costs	337	363
Contract creditors	113	214
Other housing benefits	82	15
	<u>5,760</u>	<u>5,578</u>
Lending authorities for instalments of loan principal not currently due but due within one year (Note 15)	553	1,457
	<u><b>6,313</b></u>	<u><b>7,035</b></u>

# Notes to the Accounts (continued)

## 15. Creditors: Loans falling due after more than one year

	2015 £'000	2014 £'000
All loans are advanced by banks, are repayable by instalments and are secured by way of standard securities or other charges on Bield's housing land and buildings.		
(a) Fixed rate	2,721	4,008
(b) Variable rate	1,330	1,500
	<b>4,051</b>	<b>5,508</b>
Analysis of duration of loans and interest rates:		
	Interest rates in range (%)	
	1.0-8.1 £'000	
	2015 £'000	2014 £'000
Repayable in one year or less	553	1,457
Repayable in more than one year but less than two years	590	553
Repayable in more than two years but less than five years	1,886	1,275
Repayable in more than five years	1,022	2,223
	<b>4,051</b>	<b>4,051</b>
		<b>5,508</b>
Being loans falling due		
- within one year (Note 14)	553	1,457
- after more than one year	3,498	4,051
	<b>4,051</b>	<b>5,508</b>
Average interest rates at 31 March		
- fixed	7.04%	5.96%
- variable	2.01%	1.48%
- overall	5.39%	4.74%

## 16. Share Capital

	2015 £	2014 £
<b>Shares of £1 each issued and fully paid:</b>		
At beginning of year	134	129
Additions	6	12
Cancelled	(30)	(7)
<b>At end of year</b>	<b>110</b>	<b>134</b>

Each member of Bield holds one share of £1 in Bield. These shares carry no rights to dividend or distributions on a winding up. When a shareholder ceases to be a member, that person's share is cancelled and the amount paid thereon becomes the property of Bield. Each member has a right to vote at members' meetings.

## 17. Reserves

	Revaluation Reserve £'000	Restricted Reserve £'000	Revenue Reserve £'000	Total Reserve £'000
At beginning of year	<b>7,068</b>	<b>100</b>	<b>56,447</b>	<b>63,615</b>
Surplus for year	–	–	3,143	3,143
Realised gain for year	(2,097)	–	–	(2,097)
Unrealised gain for year	696	–	–	696
Transfers from/(to) Income and Expenditure Account	–	108	(108)	–
Transfers (to)/from Income and Expenditure Account	–	(59)	59	–
<b>At 31 March 2015</b>	<b>5,667</b>	<b>149</b>	<b>59,541</b>	<b>65,357</b>

# Notes to the Accounts (continued)

## 18. Pension Commitment – SHPS Scheme

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

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

### (A) Benefits & Contributions

The Scheme operated a single benefit structure, final salary with a 1/60th accrual rate, up to 31 March 2007.

From April 2007, there are three benefit structures available, namely:

- (1) Final salary with a 1/60th accrual rate.
- (2) Final salary with a 1/70th accrual rate.
- (3) Career average revalued earnings (CARE) with a 1/60th accrual rate.

From April 2010, there are a further two benefit structures available, namely:

- (4) Final salary with a 1/80th accrual rate.
- (5) Career average revalued earnings (CARE) with a 1/80th accrual rate.

A defined contribution benefit structure was made available from 1 October 2010.

A Career average revalued earnings (CARE) structure with a 1/120th accrual rate was made available from 1 April 2013. This structure is contracted-in to the State Second Pension scheme.

An employer can elect to operate different benefit structures for their active members and their new entrants. An employer can operate one open defined benefit structure plus CARE 1/120th, plus the defined contribution benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

Bield currently operates the career average revalued earnings (CARE) with a 1/80th accrual open to active members and new entrants; the final salary with a 1/60th accrual for active members and closed to new entrants; and a defined contribution structure open to active members and new entrants.

During the accounting period, Bield paid contributions in the range 6.0% to 6.4% (excluding pensions deficit contributions). Member contributions were in the range 3% to 13%.

As at the Balance Sheet date, there were 749 active members of the Scheme employed by Bield. The annual pensionable payroll in respect of these members was £11,799,000. Bield continues to offer membership of the Scheme to its employees.

The budgeted contribution payable by Bield in respect of all pension offerings within SHPS for 2015/16 is £730,000 (excluding deficit contribution, see below).

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

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

It is not possible in the normal course of events to identify, on a reasonable and consistent basis, the share of underlying assets and liabilities belonging to individual participating employers. The Scheme is a multi-employer scheme, where the 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 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 67.0%. If an actuarial valuation reveals a shortfall of assets compared to liabilities, the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

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%. If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a Recovery Plan setting out the steps to be taken to make up the shortfall.

The financial assumptions underlying the valuation as at 30 September 2011 were as follows:

<b>Valuation Discount Rates</b>	<b>%pa</b>
Pre retirement	7.0
Non Pensioner post retirement	4.2
Pensioner post retirement	4.2
<b>Pensionable earnings growth</b>	2.5 per annum for 3 years, then 4.4
<b>Price Inflation (RPI)</b>	2.9
<b>Pension increases</b>	
Pre 88 GMP	0.0
Post 88 GMP	2.0
Excess over GMP	2.4

Expenses for death-in-service insurance, administration and Pension Protection Fund (PPF) levy are included in the contribution rate.

The valuation was carried out using the following demographic assumptions:

Mortality pre-retirement – 41% SAPS S1 Male/ Female All Pensioners (amounts), Year of Birth, CMI\_2009 projections with long term improvement rates of 1.5% p.a. for Males and 1.25% p.a. for Females.

Mortality post-retirement – 97% SAPS S1 Male/ Female All Pensioners (amounts), Year of Birth, CMI\_2009 projections with long term improvement rates of 1.5% p.a. for Males and 1.25% p.a. for Females.

The long-term joint contribution rates required from April 2013 from employers and members to meet the cost of future benefit accrual were assessed at:

<b>Benefit Structure</b>	<b>Long Term Joint Contribution Rate (% of pensionable salaries)</b>
Final salary with a 1/60th accrual rate	19.4
Final salary with a 1/70th accrual rate	16.9
Career average revalued earnings (CARE) with a 1/60th accrual rate	18.1
Final salary with a 1/80th accrual rate	14.8
Career average revalued earnings (CARE) with a 1/80th accrual rate	14.0
Career average revalued earnings (CARE) with a 1/120th accrual rate	9.7

## Notes to the Accounts (continued)

Following consideration of the results of the actuarial valuation it was agreed that the shortfall of £1,035 million would be dealt with by the payment of deficit contributions as shown in the table below:

A) From 1 April 2013 to 30 September 2020	A cash amount(*) equivalent to 7.5% of Members' Earnings per annum (payable monthly and increasing by 4.7% per annum each 1 April)
B) From 1 October 2020 to 30 September 2023	A cash amount(*) equivalent to 3.1% of Members' Earnings per annum (payable monthly and increasing by 4.7% per annum each 1 April)
C) From 1 April 2013 to 30 September 2026	£30,640,000 per annum (payable monthly and increasing by 3% per annum each 1 April; first increase on 1 April 2014)

(\*) The contributions of 7.5% will be expressed in nominal pound terms, increasing each year in line with the earnings growth assumption used in the 30 September 2008 valuation (ie 4.7% per annum). The contributions of 3.1% will be calculated by proportioning the nominal pound payment at the time of the change. Earnings at 30 September 2008 will be used as the reference point for calculating these contributions. These deficit contributions are in addition to the long-term joint contribution rates set out in the table above.

Bield's contribution for the year from 1 April 2015 in respect of (A) and (B) above is £550,525 (2014: £525,812). Bield's contribution for the year from 1 April 2015 in respect of (C) is £369,917 (2014: £359,143). The total contribution to the deficit from Bield is £9.3m (Net Present Value is £10.2m), payable over the 12 years up to and including 2026.

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

Employers that have closed the defined benefit section of the Scheme to new entrants are required to pay an additional employer contribution loading of 2.5% to reflect the higher costs of a closed arrangement.

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

New employers that do not transfer any past service liabilities to the Scheme pay contributions at the ongoing future service contribution rate. This rate is reviewed at each valuation and new employers joining the Scheme between valuations up until 1 April 2010 do not contribute towards the deficit until two valuations have been completed after their date of joining. New employers joining the Scheme after 1 April 2010 will be liable for past service deficit contributions from the valuation following joining. Contribution rates are changed on the 1 April that falls 18 months after the valuation date.

A copy of the Recovery Plan, setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to The Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or Recovery Plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the Scheme liabilities and hence impact on the Recovery Plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the Recovery Plan).

**B) Contingent Liability if Bield ceases to participate in SHPS Scheme**

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

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

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

Bield has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Scheme, based on the financial position of the Scheme as at 30 September 2014. As of this date, the estimated potential employer debt for Bield was £50.6m. It is emphasised that this potential debt only crystallises if, at some time in the future, Bield ceases to participate in the Scheme or the Scheme is winding up.

**19. Pension Commitment – Growth Plan**

Bield participates in the Pensions Trust's Growth Plan. The Plan is funded and is not contracted out of the state scheme. The Growth Plan is a multi-employer pension plan.

**(A) Benefits & Contributions**

As at the Balance Sheet date, there were only three active members of the Plan employed by Bield. The Association continues to offer membership of the Plan to its employees.

Bield paid no contributions during the accounting period (excluding deficit contributions). Members paid contributions at the rate of 3.0% to 5.0% during the accounting period.

Contributions paid into the Growth Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Growth Plan or by the purchase of an annuity.

The rules of the Growth Plan allow for the declaration of bonuses and / or investment credits if this is within the financial capacity of the Plan assessed on a prudent basis. Bonuses / investment credits are not guaranteed and are declared at the discretion of the Plan's Trustee.

The rules of the Growth Plan give the Trustee the power to require employers to pay additional contributions in order to ensure that the statutory funding objective under the Pensions Act 2004 is met. The statutory funding objective is that a pension scheme should have sufficient assets to meet its past service liabilities, known as Technical Provisions.

The Trustee commissions an actuarial valuation of the Growth Plan every 3 years. The purpose of the actuarial valuation is to determine the funding position of the Plan by comparing the assets with the past service liabilities as at the valuation date. Asset values are calculated by reference to market levels. Accrued past service liabilities are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

# Notes to the Accounts (continued)

If the actuarial valuation reveals a deficit, the Trustee will agree a recovery plan to eliminate the deficit over a specified period of time either by way of additional contributions from employers, investment returns or a combination of these.

The rules of the Growth Plan state that the proportion of obligatory contributions to be borne by the Member and the Member's Employer shall be determined by agreement between them. Such agreement shall require the Employer to pay part of such contributions and may provide that the Employer shall pay the whole of them.

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

The valuation results at 30 September 2011 were completed in 2012 and have been formalised. The valuation of the Scheme was performed by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £780 million and the Plan's Technical Provisions (i.e. past service liabilities) were £928 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £148 million, equivalent to a past service funding level of 84%.

The financial assumptions underlying the valuation as at 30 September 2011 were as follows:

	% per annum
Rate of return pre retirement	4.9
Rate of return post retirement:	
– Active/Deferred	4.2
– Pensioners	4.2
Bonuses on accrued benefits	0.0
Inflation: Retail Prices Index (RPI)	2.9
Inflation: Consumer Prices Index (CPI)	2.4

In determining the investment return assumptions the Trustee considered advice from the Scheme Actuary relating to the probability of achieving particular levels of investment return. The Trustee has incorporated an element of prudence into the pre and post retirement investment return assumptions; such that there is a 60% expectation that the return will be in excess of that assumed and a 40% chance that the return will be lower than that assumed over the next 10 years.

The Scheme Actuary is currently finalising the 2014 valuation and results will be communicated in due course. At 30 September 2013, the market value of the Plan's assets was £772 million and the Plan's Technical Provisions (i.e. past service liabilities) were £927 million. The update therefore revealed a shortfall of assets compared with the value of liabilities of £155 million, equivalent to funding level of 83%.

If an actuarial valuation reveals a shortfall of assets compared to liabilities, the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

The Pensions Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and / or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the recovery plan). A copy of the recovery plan in respect of the September 2011 valuation was forwarded to the Pensions Regulator on 2 October 2012, as is required by legislation.

Bield has been notified by the Pensions Trust that additional Contributions of £16,202 per annum were required from 1 April 2015, increasing annually by 3%.

## **(B) Contingent Liability if Bield ceases to participate in the Growth Plan**

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Plan and The Pensions Act 2011 has more recently altered the definition of Series 3 of the Growth Plan so that a liability arises to employers from membership of any Series except Series 4. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

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

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

When an employer withdraws from a multi-employer defined benefit pension scheme which is in deficit, the employer is required by law to pay its share of the deficit, calculated on a statutory basis (known as the buy-out basis). Due to a change in the definition of money purchase contained in the Pensions Act 2011 the calculation basis that applies to the Growth Plan will be amended to include Series 3 liabilities in the calculation of an employer's debt on withdrawal.

The Growth Plan is a "last man standing" multi-employer scheme. This means that if a withdrawing employer is unable to pay its debt on withdrawal the liability is shared amongst the remaining employers. The participating employers are therefore, jointly and severally liable for the deficit in the Growth Plan.

Bield has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 30 September 2014. As of this date the estimated employer debt for Bield was £0.2m.

# Notes to the Accounts (continued)

## 20. Capital and Other Commitments

	2015 £'000	2014 £'000
Capital Expenditure (before HAG) that has been contracted for but has not been provided for in the Accounts	10,856	14,161

## 21. Operating Leases

	2015 £'000	2014 £'000
Plant & Machinery		
Payments on leases expiring within 1 year	16	–
Payments on leases expiring within 2 to 5 years inclusive	126	171
	<b>142</b>	<b>171</b>

## 22. Contingent Liabilities

At 31 March 2015, the Board of Management was not aware of any contingent liabilities (2014: £nil) with the exception of those referred to in the pension notes 18 and 19 (b) and none have emerged since.

## 23. Net cash inflow from operating activities

	2015 £'000	2014 £'000
Operating surplus	934	259
Depreciation of tangible fixed assets	3,243	2,996
Impairment of tangible fixed assets	193	–
Decrease / (Increase) in debtors	326	(570)
Increase in creditors (excluding repayment of loans)	959	532
Net cash inflow from operating activities	<b>5,655</b>	<b>3,217</b>

## 24. Analysis of Net Debt

	2014 £'000	Cash flow £'000	2015 £'000
Debt due after 1 year	(4,051)	553	(3,498)
Debt due within 1 year	(1,457)	904	(553)
	(5,508)	1,457	(4,051)
Bank and short-term deposits	(414)	1,191	777
	<b>(5,922)</b>	<b>2,648</b>	<b>(3,274)</b>

Net debt does not include listed investments and cash which are valued at £10.3m (2014: £13.6m).

## 25. Related Party Transactions

- (i) Two members of the Board of Management, Mr Charles Forrest (deceased 9 May 2015) and Mr Bill Nicolson held a tenancy with Bield during the year. All tenancies were Scottish secure tenancies and were granted under Bield's allocations policy, with rent under normal terms.
- (ii) Bield holds £913,609 (2014: £964,340) in trust for developments relating to owner occupiers.

## 26. Post Balance Sheet Events

In the period April 2015 to June 2015, the gross value of £2m of investments was sold. This generated a £1.1m gain on sale.

# Notes

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## Bield Housing & Care

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