

**Langstane Housing Association Limited**

**Report and Financial Statements**

**For the year ended 31st March 2015**

**Registered Housing Association No. HAL145**

**FCA Reference No. 1916R(S)**

**Scottish Charity No. SC011754**

# LANGSTANE HOUSING ASSOCIATION LIMITED

## CONTENTS

	<b>Page</b>
MEMBERS OF THE COMMITTEE OF MANAGEMENT EXECUTIVES AND ADVISERS	1
REPORT OF THE COMMITTEE OF MANAGEMENT	2
REPORT BY THE AUDITORS ON CORPORATE GOVERNANCE MATTERS	5
REPORT OF THE AUDITORS	6
INCOME AND EXPENDITURE ACCOUNT	8
BALANCE SHEET	9
CASH FLOW STATEMENT	10
NOTES TO THE FINANCIAL STATEMENTS	11

**COMMITTEE OF MANAGEMENT, EXECUTIVES AND ADVISERS**  
**YEAR ENDED 31st MARCH 2015**

**COMMITTEE OF MANAGEMENT**

Mr F McCallum	
Mr K Hutchens	
Ms S Macdonald	
Ms J Felsinger	Resigned 11/08/14
Mr D Wood	Resigned 23/09/14
Mr R Tait	
Mr E Bjorkelund	
Mr J Knowles	
Mr C Lynch	
Mr J Fraser	
Mr G Saluja	
Dr Bhakti Majumder	Appointed 06/10/14
Mr S McLean	Appointed 06/10/14; resigned 04/02/15
Cllr N A Morrison	Co-optee until 02/06/14
Cllr J Morrison	Co-optee from 02/06/14
Cllr G Coull	Co-optee

**EXECUTIVE OFFICERS**

Helen Gauld	Chief Executive
David Hutcheson	Director of Finance & Corporate Services
Marcie Ballance	Director of Asset Management
Judith Sutherland	Director of Housing & Social Justice

**REGISTERED OFFICE**

680 King Street  
Aberdeen  
AB24 1SL

**AUDITORS**

Alexander Sloan  
Chartered Accountants  
38 Cadogan Street  
Glasgow  
G2 7HF

**BANKERS**

Royal Bank of Scotland  
Aberdeen Queen's Cross Branch  
40 Albyn Place  
Aberdeen  
AB10 1YN

Lloyds Banking Group  
25 Gresham Street  
London  
EC2V 7HN

Santander Business Banking  
Santander House  
100 Ludgate Hill  
London  
EC4M 7RE

**SOLICITORS**

Grant Smith Law Practice  
Amicable House  
252 Union Street  
Aberdeen  
AB10 1TN

---

**REPORT OF THE COMMITTEE OF MANAGEMENT  
FOR THE YEAR ENDED 31ST MARCH 2015**

The Committee of Management presents its report and the Financial Statements for the year ended 31st March 2015.

**Legal Status**

The Association is a registered non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014 No.1916R(S). The Association is governed under its Rule Book. The Association is a registered Scottish Charity with the charity number SC011754.

**Principal Activities**

The principal activities of the Association is the provision of rented accommodation.

**Review of Business and Future Developments**

The results for the year are set out in the income and expenditure account on page 8 as amplified in the various notes to the accounts. The Association's turnover for the year was £11,570,130 (2014 - £10,779,955) and the surplus for the year was £614,612 (2014 - £380,224).

The results for the year represent another satisfactory year of trading and the Committee of Management is of the opinion that the state of the Association's affairs is satisfactory.

During the year the association completed 32 units at the Stockethill development and also purchased one additional unit in Lhanbryde. Work continued with new developments at Old Church Road, Aberdeen and Law Hill, Macduff and a redevelopment at Marischal Street, Aberdeen. These three projects are scheduled to complete in mid 2015. Work also commenced at a new development in Garthdee, Aberdeen which is scheduled to be complete in early 2016.

The Association continues to pursue development opportunities and has put in place structures and funding to allow for a continuing development programme over the next few years. Sites in Portlethen and Peterhead were prepared for development and several other sites are at an early stage of development.

The Association also continues to invest in upgrading properties to ensure that its housing stock meets the quality standards set out in the Scottish Housing Quality Standard (SHQS), and energy efficiency standards which will be coming into effect over the next few years. Work continues on replacing heating systems, improving insulation and generally improving the quality of the accommodation provided.

The Association continues to manage stock on behalf of subsidiaries Next Step Homes Limited and Stockethill Homes limited. This stock comprises of 66 shared ownership units and 42 rented units in the case of Next Step Homes Limited, and 14 rented units in the case of Stockethill Homes Limited.

Langstane continues to work closely with the various communities in which it has property available for rent. The main onus of this work is on tenancy sustainment, both through helping tenants to maximise their income and avoid falling into arrears with their rent payments, and through helping develop sustainable communities through a wide range of community centred projects, both directly as Langstane and through partnerships with third party service providers.

---

**REPORT OF THE COMMITTEE OF MANAGEMENT  
FOR THE YEAR ENDED 31ST MARCH 2015**

**Committee of Management and Executive Officers**

The members of the Committee of Management and the Executive Officers are listed on Page 1.

Each member of the Committee of Management holds one fully paid share of £1 in the Association. The Executive Officers hold no interest in the Association's share capital and, although not having the legal status of Directors, they act as Executives within the authority delegated by the Committee of Management.

The members of the Committee of Management are also Trustees of the Charity. Members of the Committee of Management are appointed by the members at the Association's Annual General Meeting.

**Statement of Committee of Management's Responsibilities**

The Co-operative & Community Benefit Societies Act 2014 requires the Committee of Management to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for that period. In preparing those Financial Statements, the Committee of Management is required to:-

- select suitable accounting policies and then apply them consistently;
- make judgments 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;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business;
- prepare a statement on Internal Financial Control.

The Committee of Management is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the Financial Statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2012. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is also responsible for ensuring the Association's suppliers are paid promptly.

The Committee of Management must in determining how amounts are presented within items in the income and expenditure account and balance sheet, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting practices.

In so far as the Committee of Management are aware:

- There is no relevant audit information (information needed by the Housing Association's auditors in connection with preparing their report) of which the Association's auditors are unaware, and
- The Committee of Management have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Housing Association's auditors are aware of that information.

---

**REPORT OF THE COMMITTEE OF MANAGEMENT  
FOR THE YEAR ENDED 31ST MARCH 2015**

**Statement on Internal Financial Control**

The Committee of Management acknowledges its ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate for the business environment in which it operates. These controls are designed to give reasonable assurance with respect to:

- the reliability of financial information used within the Association, or for publication;
- the maintenance of proper accounting records;
- the safeguarding of assets against unauthorised use or disposition.

It is the Committee of Management's responsibility to establish and maintain systems of Internal Financial Control. Such systems can only provide reasonable and not absolute assurance against material financial mis-statement or loss. Key elements of the Association's systems include ensuring that:

- formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of Association's assets;
- experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared which allow the management team and the Committee of Management to monitor key business risks, financial objectives and the progress being made towards achieving the financial plans set for the year and for the medium term;
- Quarterly financial management reports are prepared promptly, providing relevant, reliable and up to date financial and other information, with significant variances from budget being investigated as appropriate;
- Regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Committee of Management;
- the Committee of Management receive reports from management and from the external and internal auditors to provide reasonable assurance that internal financial controls are in place and are effective and that a review of the major risks facing the Association is undertaken;
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

The Committee of Management has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2015. No weaknesses were found in internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

**Auditors**

A resolution to re-appoint the Auditors, Alexander Sloan, Chartered Accountants, will be proposed at the Annual General Meeting.

**By order of the Committee of Management**

**HELEN GAULD**

Secretary

31 August 2015

---

REPORT BY THE AUDITORS TO THE MEMBERS OF  
LANGSTANE HOUSING ASSOCIATION LIMITED  
ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 4 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes which are issued by the Scottish Housing Regulator.

**Basis of Opinion**

We carried out our review having regard to the requirements relating to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for non-compliance.

**Opinion**

In our opinion the Statement on Internal Financial Control on Page 4 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advice 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.

Through enquiry of certain members of the Management Committee and Officers of the Association, and examination of relevant documents, we have satisfied ourselves that the Management Committee's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls.

**ALEXANDER SLOAN**  
Chartered Accountants

GLASGOW

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LANGSTANE HOUSING ASSOCIATION LIMITED**

---

We have audited the financial statements of Langstane Housing Association Limited for the year ended 31st March 2015 which comprise an income and expenditure account, balance sheet, cash flow statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

### **Respective Responsibilities of Committee of Management and Auditors**

As explained more fully in the Statement of Committee of Management's Responsibilities the Association's Committee of Management, are responsible for the preparation of the Financial Statements that 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 on the Financial Statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Management Committee; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Management Committee's report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications of our report.

### **Opinion on the financial statements**

In our opinion the Financial Statements:

- give a true and fair view of the state of the Association's affairs as at 31st March 2015 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice: and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2012.

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

We are required to report to you if, in our opinion:

- the information given in the Management Committee's Report is inconsistent with the financial statements.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
LANGSTANE HOUSING ASSOCIATION LIMITED**

---

**Matters on which we are required to report by exception (contd.)**

- proper books of account have not been kept by the Association in accordance with the requirements of the legislation.
- a satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirements of the legislation.
- the Income and Expenditure Account to which our report relates, and the Balance Sheet are not in agreement with the books of the Association.
- we have not received all the information and explanations necessary for the purposes of our audit.

We have nothing to report in respect of these matters.

**ALEXANDER SLOAN**  
Chartered Accountants  
Statutory Auditors  
GLASGOW

## LANGSTANE HOUSING ASSOCIATION LIMITED

---

### INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2015

	Notes	£	2015 £	£	2014 £
<b>TURNOVER</b>	2.		11,570,130		10,779,955
Operating Costs	2.		(8,556,715)		(8,894,566)
<b>OPERATING SURPLUS</b>	9.		3,013,415		1,885,389
Gain On Sale Of Housing Stock	7.	-		77,492	
Interest Receivable and Other Income		85,370		26,989	
Interest Payable and Similar Charges	8.	(2,484,173)		(1,609,646)	
			(2,398,803)		(1,505,165)
<b>SURPLUS ON ORDINARY ACTIVITIES</b>			614,612		380,224

All amounts relate to continuing activities. All recognised surpluses and deficits have been included in the Income & Expenditure Account. Historical cost surpluses and deficits are identical to those shown in the accounts.

# LANGSTANE HOUSING ASSOCIATION LIMITED

## BALANCE SHEET AS AT 31st MARCH 2015

	Notes	£	2015 £	£	2014 £
<b>TANGIBLE FIXED ASSETS</b>					
Housing Properties - Depreciated Cost	11.(a)		164,426,994		160,843,649
<b>Less:</b> Social Housing Grant	11.(a)		(115,071,392)		(111,633,792)
: Other Public Grants	11.(a)		(3,851,207)		(3,851,207)
			<u>45,504,395</u>		<u>45,358,650</u>
Other fixed assets	11.(b)		3,740,504		3,807,642
			<u>49,244,899</u>		<u>49,166,292</u>
<b>FIXED ASSET INVESTMENTS</b>					
Investment in subsidiaries	22.		1		1
<b>CURRENT ASSETS</b>					
Stock of Maintenance Materials		11,290		10,667	
Debtors	14.	3,186,725		3,638,152	
Cash at bank and in hand		<u>4,733,820</u>		<u>5,699,576</u>	
		7,931,835		9,348,395	
<b>CREDITORS:</b> Amounts falling due within one year	15.	(4,774,278)		(4,612,808)	
<b>NET CURRENT ASSETS</b>			<u>3,157,557</u>		<u>4,735,587</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			52,402,457		53,901,880
<b>CREDITORS:</b> Amounts falling due after more than one year	16.		(42,512,764)		(44,626,800)
<b>NET ASSETS</b>			<u>9,889,693</u>		<u>9,275,080</u>
<b>CAPITAL AND RESERVES</b>					
Share Capital	18.		135		134
Designated Reserves	19.(a)		4,629,936		4,091,355
Revenue Reserves	19.(b)		4,536,034		4,449,362
Capital Reserves	19.(c)		<u>723,588</u>		<u>734,229</u>
			<u>9,889,693</u>		<u>9,275,080</u>

The Financial Statements were approved by the Committee of Management and signed on their behalf on 31 August 2015.

Sandra Macdonald

*Committee Member*

Robert Tait

*Committee Member*

Helen Gauld

*Secretary*

**LANGSTANE HOUSING ASSOCIATION LIMITED**

**CASH FLOW STATEMENT FOR THE YEAR ENDED  
31st MARCH 2015**

	Notes	2015 £	2014 £
<b>Net Cash Inflow from Operating Activities</b>	17.	4,989,753	1,916,107
<b>Returns on Investment and Servicing of Finance</b>			
Interest Received	72,818	26,989	
Interest Paid	(2,556,764)	(1,802,895)	
<b>Net Cash Outflow from Investment and Servicing of Finance</b>		(2,483,946)	(1,775,906)
<b>Capital Expenditure and Financial Investment</b>			
Acquisition and Construction of Properties	(4,828,299)	(8,943,142)	
Purchase of Other Fixed Assets	(164,988)	(137,008)	
Social Housing Grant Received	3,924,904	3,444,312	
Proceeds on Disposal of Properties	-	78,656	
Proceeds on Disposal of Other Fixed Assets	-	417	
<b>Net Cash Outflow from Capital Expenditure and Financial Investment</b>		(1,068,383)	(5,556,765)
<b>Net Cash Inflow / (Outflow) before use of Liquid Resources and Financing</b>		1,437,424	(5,416,564)
<b>Financing</b>			
Loan Advances Received	2,000,000	8,482,526	
Loan Principal Repayments	(4,403,181)	(1,212,099)	
Share Capital Issued	1	3	
<b>Net Cash (Outflow) / Inflow from Financing</b>		(2,403,180)	7,270,430
<b>(Decrease) / Increase in Cash</b>	17.	(965,756)	1,853,866

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

### NOTES TO THE FINANCIAL STATEMENTS

#### 1 PRINCIPAL ACCOUNTING POLICIES

##### **Basis Of Accounting**

The Financial Statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice - Accounting by Registered Social Landlords 2010, and on the historical cost basis. They also comply with the Determination of Accounting Requirements 2012. A summary of the more important accounting policies is set out below.

##### **Turnover**

Turnover represents rental and service charge income receivable, fees receivable and revenue grants receivable.

##### **Retirement Benefits**

The Association participates in the Scottish Housing Association Defined Benefit Pension Scheme and retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting Actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

##### **Valuation Of Housing Properties**

Housing Properties are stated at cost, less social housing and other public grants and less accumulated depreciation. Housing under construction and Land are not depreciated. The Association depreciates housing properties by major component on a straight line basis over the estimated useful economic lives of each identified component. All components are categorised as Housing Properties within note 11. Impairment reviews are carried out if events or circumstances indicate that the carrying value of the components listed below is higher than the recoverable amount.

<i>Component</i>	<i>Useful Economic Life</i>
Land	Not depreciated
Structure	80 years
Roof	60 years
Kitchen	15 years
Electrics	30 years
Bathroom	25 years
Heating System	20 years
Entry Systems	20 years
Windows	25 years
Lifts	30 years

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

##### **Depreciation And Impairment Of Other Fixed Assets**

Other Fixed Assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of the assets at the following annual rates:-

Commercial Properties	50 years
Association Office Buildings	50 years
Vehicles	5 years
Office Equipment	5 years
Computer Equipment	4 years

The carrying value of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

##### **Social Housing Grant And Other Grants In Advance/Arrears**

Where developments have been financed wholly or partly by Social Housing Grant or other capital grant, the cost of those developments has been reduced by the amount of the grant receivable. The amount of the grants receivable is shown separately on the Balance Sheet.

Social Housing Grant attributed to individual components is written off to the Income and Expenditure Account when these components are replaced.

Social Housing Grant 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.

Although Social Housing Grant is treated as a grant for accounting purposes, it may nevertheless become repayable in certain circumstances, such as the disposal of certain assets. The amount repayable would be restricted to the net proceeds of sale.

##### **Sales Of Housing Properties**

First tranche Shared Ownership disposals are credited to turnover on completion. The cost of construction of these sales is taken to operating cost. In accordance with the Statement of Recommended Practice, disposals of subsequent tranches are treated as fixed asset disposals with the gain or loss on disposal shown in the Income and Expenditure Account.

Disposals of housing property under the Right to Buy scheme are treated as a fixed asset disposal and any gain or loss on disposal accounted for in the Income and Expenditure Account.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

##### **Leases/Leased Assets**

Costs in respect of operating leases are charged to the Income and Expenditure Account on a straight line basis over the lease term. Assets held under finance leases and hire purchase contracts are capitalised in the Balance Sheet and are depreciated over their useful lives.

##### **Works to Existing Properties**

The Association capitalises major repairs expenditure where these works result in an enhancement of economic benefits by increasing the net rental stream over the life of the property.

##### **Capitalisation Of Development Overheads**

Directly attributable development administration costs relating to development activities are capitalised in accordance with the Statement of Recommended Practice.

##### **Development Interest**

Interest incurred on financing a development is capitalised up to the date of practical completion of the scheme.

##### **Designated Reserves**

The Association has designated part of its reserves to meet its long term obligations.

The Major Repairs Reserve is based on the Association's liability to maintain housing properties in a state of repair which at least maintains their residual values in prices prevailing at the time of acquisition and construction.

The Replacement of furniture and service items reserve represents funds set aside to replace furniture and service items in the Association's housing properties.

##### **Taxation**

The Association is a Registered Scottish Charity and is not liable to taxation on its charitable activities.

##### **Stocks**

Stocks of Maintenance materials have been valued at the lower of cost and net realisable value. Cost is defined as the supplier's invoice price.

##### **VAT**

The Association is VAT registered but a large proportion of its income is exempt for VAT purposes. As a result most of the VAT paid is not recovered and therefore expenditure is shown inclusive of VAT.

# LANGSTANE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 2. PARTICULARS OF TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS

	Notes	2015			2014		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
<b>Social Lettings</b>	3.	10,775,306	7,723,456	3,051,850	10,250,604	8,491,547	1,759,057
<b>Other Activities</b>	4.	794,824	833,259	(38,435)	529,351	403,019	126,332
<b>Total</b>		<u>11,570,130</u>	<u>8,556,715</u>	<u>3,013,415</u>	<u>10,779,955</u>	<u>8,894,566</u>	<u>1,885,389</u>

#### 3. PARTICULARS OF INCOME & EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing £	Hostels £	Lead Tenancies £	2015 Total £	2014 Total £
<b>Income from Lettings</b>					
Rent Receivable Net of Identifiable Service Charges	9,577,471	724,768	125,536	10,427,775	9,899,530
Service Charges Receivable	500,847	-	27,195	528,042	502,285
<b>Gross Rents Receivable</b>	<u>10,078,318</u>	<u>724,768</u>	<u>152,731</u>	<u>10,955,817</u>	<u>10,401,815</u>
<b>Less:</b> Rent losses from voids	<u>177,066</u>	<u>-</u>	<u>3,445</u>	<u>180,511</u>	<u>151,211</u>
<b>Total Income From Social Letting</b>	<u>9,901,252</u>	<u>724,768</u>	<u>149,286</u>	<u>10,775,306</u>	<u>10,250,604</u>
<b>Expenditure on Social Letting Activities</b>					
Service Costs	396,297	-	27,646	423,943	567,476
Management and maintenance administration costs	3,215,912	13,585	73,901	3,303,398	3,019,069
Reactive Maintenance	1,506,464	31,664	22,796	1,560,924	1,543,512
Bad Debts - Rents and Service Charges	270,705	-	366	271,071	444,941
Planned and Cyclical Maintenance, including Major Repairs	904,587	27,594	9,413	941,594	1,741,557
Depreciation of Social Housing	1,222,526	-	-	1,222,526	1,174,992
<b>Operating Costs of Social Letting</b>	<u>7,516,491</u>	<u>72,843</u>	<u>134,122</u>	<u>7,723,456</u>	<u>8,491,547</u>
<b>Operating Surplus on Social Letting Activities</b>	<u>2,384,761</u>	<u>651,925</u>	<u>15,164</u>	<u>3,051,850</u>	<u>1,759,057</u>
<b>2014</b>	<u>1,457,960</u>	<u>503,224</u>	<u>(202,127)</u>		



# LANGSTANE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 4. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM OTHER ACTIVITIES

	Grants From Scottish Ministers £	Other Revenue Grants £	Supporting People Income £	Other Income £	Total Turnover £	Operating Costs Bad Debts £	Operating Costs Other £	Operating Surplus / (Deficit) 2015 £	Operating Surplus / (Deficit) 2014 £
Wider Role Activities	108,400	-	-	-	108,400	-	177,813	(69,413)	-
Development Administration	-	-	-	-	-	-	506,484	(506,484)	(137,445)
Commercial Leases	-	-	-	126,830	126,830	-	39,801	87,029	44,570
Managed Associations	-	-	-	71,239	71,239	-	61,944	9,295	12,692
Charitable Donations	-	-	-	398,208	398,208	-	-	398,208	170,000
Abortive Costs	-	-	-	-	-	-	-	-	(2,000)
Other Activities	-	-	-	90,147	90,147	-	47,217	42,930	38,515
<b>Total From Other Activities</b>	<u>108,400</u>	<u>-</u>	<u>-</u>	<u>686,424</u>	<u>794,824</u>	<u>-</u>	<u>833,259</u>	<u>(38,435)</u>	<u>126,332</u>
<b>2014</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>529,351</u>	<u>529,351</u>	<u>-</u>	<u>403,019</u>	<u>126,332</u>	

# LANGSTANE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 5. OFFICERS' EMOLUMENTS

The Officers are defined in s149 of the Co-operative and Community Benefit Societies Act 2014 as the members of the Management Committee, managers or servants of the Association.

	2015	2014
	£	£
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	<u>66,930</u>	<u>142,056</u>
Pension contributions made on behalf on Officers with emoluments greater than £60,000	<u>8,321</u>	<u>13,502</u>
Emoluments payable to Chief Executive (excluding pension contributions)	<u>16,532</u>	<u>78,615</u>

The number of Officers, including the highest paid Officer, who received emoluments (excluding pension contributions) over £60,000 was in the following ranges:-

	Number	Number
£60,001 to £70,000	1	1
£70,001 to £80,000	<u>-</u>	<u>1</u>

#### 6. EMPLOYEE INFORMATION

	2015	2014
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	<u>76</u>	<u>70</u>
The average total number of Employees employed during the year was	<u>85</u>	<u>82</u>
Staff Costs were:	£	£
Wages and Salaries	2,127,441	1,993,242
Social Security Costs	173,703	165,377
Other Pension Costs	668,527	260,443
Temporary, Agency and Seconded Staff	26,904	-
	<u>2,996,575</u>	<u>2,419,062</u>

# LANGSTANE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 7. GAIN ON SALE OF HOUSING STOCK

	2015	2014
	£	£
Sales Proceeds	-	78,656
Cost of Sales	-	1,164
Gain On Sale Of Housing Stock	<u>-</u>	<u>77,492</u>

#### 8. INTEREST PAYABLE

	2015	2014
	£	£
On Bank Loans & Overdrafts	2,542,281	1,651,240
Interest Paid to Subsidiary	-	15,166
Scottish Government Loan	<u>14,483</u>	<u>6,911</u>
	2,556,764	1,673,317
<b>Less:</b> Interest Capitalised	<u>72,591</u>	<u>63,671</u>
	<u>2,484,173</u>	<u>1,609,646</u>

Interest capitalised was incurred at varying rates of interest.

#### 9. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2015	2014
	£	£
Surplus on Ordinary Activities before Taxation is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	1,449,311	1,395,340
Auditors' Remuneration - Audit Services	16,800	31,800
- Other Services	3,000	-
Operating Lease Rentals - Other	9,619	-
Gain on sale of fixed assets	-	8,710
Repairs - Cyclical, Major and Day to Day	<u>2,502,518</u>	<u>3,285,069</u>

#### 10. TAX ON SURPLUS ON ORDINARY ACTIVITIES

The Association is a Registered Scottish Charity and is not liable to United Kingdom Corporation Tax on its charitable activities.

# LANGSTANE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 11. TANGIBLE FIXED ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Completed Shared Ownership Properties £	Total £
<b>COST</b>				
As at 1st April 2014	161,744,612	8,045,539	1,098,000	170,888,151
Additions	754,691	4,146,199	-	4,900,890
Disposals	(139,926)	-	-	(139,926)
Schemes Completed	3,728,582	(3,728,582)	-	-
As at 31st March 2015	166,087,959	8,463,156	1,098,000	175,649,115
<b>DEPRECIATION</b>				
As at 1st April 2014	10,044,502	-	-	10,044,502
Charge for Year	1,206,966	-	-	1,206,966
Disposals	(29,347)	-	-	(29,347)
As at 31st March 2015	11,222,121	-	-	11,222,121
<b>SOCIAL HOUSING GRANT</b>				
As at 1st April 2014	106,081,006	4,456,273	1,096,513	111,633,792
Additions	-	3,537,960	-	3,537,960
Disposals	(100,360)	-	-	(100,360)
Schemes Completed	1,349,521	(1,349,521)	-	-
As at 31st March 2015	107,330,167	6,644,712	1,096,513	115,071,392
<b>OTHER CAPITAL GRANTS</b>				
As at 1st April 2014	3,752,032	99,175	-	3,851,207
As at 31st March 2015	3,752,032	99,175	-	3,851,207
<b>NET BOOK VALUE</b>				
As at 31st March 2015	43,783,639	1,719,269	1,487	45,504,395
As at 31st March 2014	41,867,072	3,490,091	1,487	45,358,650

Additions to housing properties includes capitalised development administration costs of £129,420 (2014 - £145,487) and capitalised major repair costs to existing properties of £nil (2014 £nil).

All land and housing properties are heritable.

# LANGSTANE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 11. TANGIBLE FIXED ASSETS (Continued)

##### b) Other Tangible Assets

	Commercial property £	Office land and buildings £	Furniture, equipment & vehicles £	Total £
<b>COST</b>				
As at 1st April 2014	1,279,705	3,465,711	1,777,756	6,523,172
Additions	-	14,724	150,264	164,988
Eliminated on Disposals	-	-	-	-
As at 31st March 2015	1,279,705	3,480,435	1,928,020	6,688,160
<b>SOCIAL HOUSING GRANT</b>				
As at 1st April 2014	25,250	-	-	25,250
As at 31st March 2015	25,250	-	-	25,250
<b>OTHER CAPITAL GRANT</b>				
As at 1st April 2014	150,000	-	-	150,000
As at 31st March 2015	150,000	-	-	150,000
<b>AGGREGATE DEPRECIATION</b>				
As at 1st April 2014	533,555	455,791	1,550,934	2,540,280
Charge for year	14,273	61,852	156,001	232,126
Eliminated on disposal	-	-	-	-
As at 31st March 2015	547,828	517,643	1,706,935	2,772,406
<b>NET BOOK VALUE</b>				
As at 31st March 2015	556,627	2,962,792	221,085	3,740,504
As at 31st March 2014	570,900	3,009,920	226,822	3,807,642

#### 12. CAPITAL COMMITMENTS

	2015 £	2014 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	4,060,793	39,264

The above commitments will be financed by a mixture of public grant, private finance and the Association's own resources.

#### 13. COMMITMENTS UNDER OPERATING LEASES

At the year end, the annual commitments under operating leases were as follows:-	2015 £	2014 £
<b>Other</b>		
Expiring between two and five years	7,608	7,832

# LANGSTANE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 14. DEBTORS

	2015 £	2014 £
Arrears of Rent & Service Charges	1,525,873	1,630,566
<b>Less:</b> Provision for Doubtful Debts	<u>(1,188,483)</u>	<u>(1,352,805)</u>
	337,390	277,761
Social Housing Grant Receivable	160,943	547,887
Other Debtors	593,369	628,027
Amounts Due from Group Undertakings	<u>224,734</u>	<u>164,564</u>
	<u>1,316,436</u>	<u>1,618,239</u>
Amounts falling due after one year:		
Amounts Due from Group Undertakings	<u>1,870,289</u>	<u>2,019,913</u>
 Total Debtors	 <u>3,186,725</u>	 <u>3,638,152</u>

#### 15. CREDITORS: Amounts falling due within one year

	2015 £	2014 £
Housing Loans	1,645,436	1,934,581
Trade Creditors	712,814	562,747
Rent in Advance	165,714	158,046
Other Taxation and Social Security	47,886	56,713
Amounts Due to Group Undertakings	-	5,500
Other Creditors	82,366	35,709
Accruals and Deferred Income	<u>2,120,062</u>	<u>1,859,512</u>
	<u>4,774,278</u>	<u>4,612,808</u>

At the balance sheet date there were pension contributions outstanding of £73,949 (2014 - £33,092).

#### 16. CREDITORS: Amounts falling due after more than one year

	2015 £	2014 £
Housing Loans	<u>42,512,764</u>	<u>44,626,800</u>
Housing Loans are secured by specific charges on the Association's housing properties and are repayable at varying rates of interest in instalments, due as follows:-		
Within one year	1,645,436	1,934,581
Between one and two years	1,645,497	1,934,636
Between two and five years	13,365,496	11,804,298
In five years or more	<u>27,501,771</u>	<u>30,887,866</u>
	44,158,200	46,561,381
Less: Amount shown in Current Liabilities	<u>1,645,436</u>	<u>1,934,581</u>
	<u>42,512,764</u>	<u>44,626,800</u>

# LANGSTANE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 17. CASH FLOW STATEMENT

<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>	2015 £	2014 £
Operating Surplus	3,013,415	1,885,389
Depreciation	1,449,311	1,395,340
Change in Debtors	(12,419)	(92,810)
Change in Creditors	450,615	889,341
Change in Stock	(623)	(326)
Gain on sale of fixed assets	-	8,710
(Increase)/Decrease in Loan to Subsidiary	89,454	(2,169,537)
Net Cash Inflow from Operating Activities	<u>4,989,753</u>	<u>1,916,107</u>

<i>Reconciliation of net cash flow to movement in net debt</i>	2015 £	£	2014 £	£
(Decrease) / Increase in Cash	(965,756)		1,853,866	
Cash flow from change in debt	<u>2,403,181</u>		<u>(7,270,427)</u>	
Movement in net debt during year		1,437,425		(5,416,561)
Net debt at 1st April 2014		(40,861,805)		(35,445,216)
Net debt at 31st March 2015		<u>(39,424,380)</u>		<u>(40,861,777)</u>

<i>Analysis of changes in net debt</i>	At 01.04.14 £	Cash Flows £	Other Changes £	At 31.03.15 £
Cash at bank and in hand	<u>5,699,576</u>	<u>(965,756)</u>		<u>4,733,820</u>
	5,699,576	(965,756)		4,733,820
Debt: Due within one year	(1,934,581)	2,403,181	(2,114,036)	(1,645,436)
Due after more than one year	<u>(44,626,800)</u>	<u>-</u>	<u>2,114,036</u>	<u>(42,512,764)</u>
Net Debt	<u>(40,861,805)</u>	<u>1,437,425</u>	<u>-</u>	<u>(39,424,380)</u>

# LANGSTANE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 18. SHARE CAPITAL

<b>Shares of £1 each Issued and Fully Paid</b>	<b>£</b>
At 1st April 2014	134
Issued in year	1
Cancelled in year	-
At 31st March 2015	<u>135</u>

Each member of the Association holds one share of £1 in the Association. 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 the Association. Each member has a right to vote at members' meetings.

#### 19. RESERVES

<b>(a) Designated Reserves</b>	<b>Furniture Replacement and Service Items £</b>	<b>Major Repairs £</b>	<b>Total £</b>
At 1st April 2014	969,393	3,121,962	4,091,355
Transfer (to) / from Revenue Reserves	54,509	484,072	538,581
At 31st March 2015	<u>1,023,902</u>	<u>3,606,034</u>	<u>4,629,936</u>
<b>(b) Revenue Reserves</b>			<b>Total £</b>
At 1st April 2014			4,449,362
Surplus for the year			614,612
Transfer (to) / from Designated Reserves			(538,581)
Transfer (to) / from Capital Reserves			10,641
At 31st March 2015			<u>4,536,034</u>
<b>(c) Capital Reserves</b>			<b>Total £</b>
At 1st April 2014			734,229
Transfer (to) / from Revenue Reserves			(10,641)
At 31st March 2015			<u>723,588</u>

#### 20. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	<b>2015 No.</b>	<b>2014 No.</b>
General Needs - New Build	2,697	2,648
Hostels (Bed spaces)	76	103
Lead Tenancies	42	42
	<u>2,815</u>	<u>2,793</u>

Housing Units managed by the Association but owned by another body:

<b>Name of Provider</b>	<b>2015 No. £</b>	<b>2014 No. £</b>
Next Step Homes Limited	108	111
	<u>108</u>	<u>111</u>



FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**21. RELATED PARTY TRANSACTIONS**

Members of the Committee of Management are related parties of the Association as defined by Financial Reporting Standard 8.

The related party relationships of the members of the Committee of Management is summarised as follows:

3 members are tenants of the Association

2 members are relevant local councillors

Those members that are tenants of the Association have tenancies that are on the Association's normal tenancy terms and they cannot use their positions to their advantage.

Governing Body Members cannot use their position to their advantage. Any transactions between the Association and any entity with which a Governing Body Member has a connection with is made at arm's length and is under normal commercial terms.

**22. FIXED ASSET INVESTMENT**

	2015 £	2014 £
<b>Investments in Subsidiaries</b>		
As at 31st March 2015 & 31st March 2014	1	1

In the opinion of the Committee of Management the aggregate value of the assets of the subsidiary is not less than the aggregate of the amounts at which those assets are stated in the Association's balance sheet.

The Association has a 100% owned subsidiary Next Step Homes Limited. The relationship between the Association and its subsidiary is set out in an independence agreement between both parties.

During the year, Langstane Housing Association provided development, management, maintenance and financial services to Next Step Homes Limited for which a charge of £91,223 (2014 - £115,789) was made of which £37,712 (2014 - £nil) was outstanding at the year end. A donation of £390,000 (2014 - £170,000) was also received from Next Step Homes Limited during the year.

In December 2013, Langstane Housing Association provided a loan to Next Step Homes Limited. During the year, the Association charged interest of £52,211 (2014 - £14,620) in respect of the loan. The Association also paid interest to Next Step Homes Ltd amounting to £nil (2014 - £6,911). At the year end, the balance outstanding was £2,019,914 (2014 - £2,169,537). The loan is repayable in equal quarterly installements with the final installment due on 29 September 2028. The loan carries interest at a rate of 2% above LIBOR, payable quarterly.

The aggregate amount of capital and reserves and the results of Next Step Homes Limited for the year ended 31st March 2015 were as follows:

	2015 £	2014 £
Capital & Reserves	2,126,917	2,101,941
Surplus/(deficit) for the year	24,986	(21,871)

During the year, Next Step Homes opened a wholly owned subsidiary. Stockethill Homes Limited. There were no transactions between Langstane Housing Association and Stockethill Homes Limited.

During the year Langstane Housing Association provided leased premises to Stockethill Homes Limited for which a charge of £51,893 (2014 - £nil) was made of which £30,772 (2014 - £nil) was outstanding at the year end. A donation of £8,208 (2014 - £nil) was also received from Stockethill Homes Limited During the year.

The Capital and Reserves for Stockethill at the Balance Sheet date are shown below:

	2015 £	2104 £
Capital & Reserves	(72)	-
Loss for the year	(73)	-

**23 Contingent Liabilities**

Under component accounting HAG totalling £3,871,255 (2014 - £3,770,895) has been released to the Income and Expenditure Account on disposal of components. If circumstances arise which result in the sale of the associated properties the HAG would have to be repaid. The Association has no current plans to dispose of these properties.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 24. RETIREMENT BENEFIT OBLIGATIONS

##### General

Langstane Housing Association Limited participates in the Scottish Housing Association Pension Scheme (the scheme).

The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme.

The Scheme offers five benefit structures to employers, namely:

- Final salary with a 1/60th accrual rate.
- Career average revalued earnings with a 1/60th accrual rate
- Career average revalued earnings with a 1/70th accrual rate
- Career average revalued earnings with a 1/80th accrual rate
- Career average revalued earnings with a 1/120th accrual rate, contracted in
- Defined contribution

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

Langstane Housing Association has elected to operate the Defined contribution, Final salary with a 1/60th accrual rate, and Career average revalued earnings with a 1/70th accrual rate for new and existing employees.

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

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 values. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period Langstane Housing Association Limited paid contributions at the rate of 9.6%-12.3% of pensionable salaries. Member contributions were 4% - 12.3%.

As at the balance sheet date there were 70 active members of the Scheme employed by Langstane Housing Association Limited. The annual pensionable payroll in respect of these members was £1,916,858. Langstane Housing Association Limited continues to offer membership of the Scheme to its employees.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers as the scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 24 RETIREMENT BENEFIT OBLIGATIONS (Continued)

The last formal valuation of the Scheme was performed as at 30th September 2012 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £394m. The valuation revealed a shortfall of assets compared with the value of liabilities of £304m (equivalent to a past service funding level of 56.4%).

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30th September 2014. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £539 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £281 million, equivalent to a past service funding level of 66%.

#### Financial Assumptions

The key financial assumptions underlying the valuation as at 30th September 2012 were as follows:

	% p.a.
- Investment return pre-retirement	5.3
- Investment return post-retirement - non pensioners	3.4
- Investment return post-retirement - pensioners	3.4
- Rate of Salary increases	4.1
- Rate of price inflation:	
RPI	2.6
CPI	2.0

The valuation was carried out using the SAPS (S1PA) All pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement for non-pensioners and pensioners.

# LANGSTANE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 24 RETIREMENT BENEFIT OBLIGATIONS (Continued)

##### Valuation Results

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

<i>Benefit Structure</i>	<i>Long-term joint contribution rate (% of pensionable salaries)</i>
Final salary - 60ths	24.6
Career average 60ths	22.4
Career average 70ths	19.2
Career average 80ths	16.9
Career average 120ths	11.4

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 Trustees have recently supplied Langstane Housing Association Limited with an updated contribution figure to the past service deficit. From 1 April 2015 Langstane Housing Association Limited will be required to pay £459,629 per annum as a contribution to the past service deficit. This will represent an increase/decrease of 3% in Langstane Housing Association Limited's contribution to the past service deficit. The deficit contribution will increase each April by 3%.

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.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### **24 RETIREMENT BENEFIT OBLIGATIONS (Continued)**

##### **Growth Plan**

Langstane Housing Association Limited participates in the Pension Trust's Growth Plan (the Plan). The Plan is funded and is not contracted-out of the State scheme. The Plan is a multi-employer pension plan.

Contributions paid into the Growth 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 or by the purchase of an annuity.

The rules of the 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 Trustee commissions an actuarial valuation of the Plan every three years. The purpose of the actuarial valuation is to determine the financial 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.

The rules of the 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.

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 Plan state that the proportion of obligatory contributions to be borne by the Member and the Member's Employer shall be determined by way of 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.

Langstane Housing Association Limited paid contributions at a rate of 9.6%-12.3% during the accounting period. Members paid contributions at a rate of 4% - 12.3% during the accounting period.

As at the Balance Sheet date there were 70 active members of the Plan employed by Langstane Housing Association Limited. Langstane Housing Association Limited continues to offer membership of the plan to its employees.

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 Plan is a multi-employer scheme, where the assets are co-mingled for investment purposes, and benefits are paid out of the Plan's total assets. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 24 RETIREMENT BENEFIT OBLIGATIONS (continued)

##### Growth Plan (Contd.)

The valuation results at 30 September 2011 were completed in 2012 and have been formalised. The valuation of the Plan was performed by a professionally qualified Actuary using the Projected Unit Method. The market value of the Plan'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 Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the scheme as at the 30th of September 2014. Such a report is required by legislation for the years in which a full actuarial valuation is not carried out. The funding update revealed an decrease in the assets of the Scheme to £772 million a decrease in liabilities to £927 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £155 million, equivalent to a past service funding level of 83%.

##### Financial Assumptions

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

	% p.a
Rate of return pre retirement	4.9
Rate of return post retirement - Active/Deferred	4.2
Rate of return post retirement - 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.

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.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 24 RETIREMENT BENEFIT OBLIGATIONS

##### Growth Plan (Continued)

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). A copy of the recovery plan in respect of the September 2008 valuation was forwarded to The Pensions Regulator on 18 December 2009, as is required by legislation.

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 Plan so that a liability arises to employers from membership for 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 cost 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.

The leaving employer's share of the buy-out debt is the proportion of the Plan's pre October 2001 liability attributable to employment with the leaving employer compared to the total amount of the Plan's pre October 2001 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 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.) The calculation basis that applies to the Growth Plan was amended due to a change in the definition of money purchase contained in the Pensions Act 2011 but the regulations that will determine exactly how the change will apply in practice are still awaited. As the law stands, it is not yet clear whether the statutory calculation should include or exclude Series 3 liabilities. However, based upon current advice, the most likely interpretation is that Series 3 liabilities will have to be included in the calculation of an employer's debt on withdrawal.

Owing to this situation, we have performed 2 figures/calculations, namely:

- The cost of withdrawal if we include Series 3 liabilities in the calculation
- The cost of withdrawal if we exclude Series 3 liabilities from the calculation

If an employer withdraws from the Growth Plan prior to the implementation of the regulations, the debt will be calculated on both bases and we would request payment of the higher amount with any adjustment being made when the regulations are implemented.