

LINK HOUSING ASSOCIATON LIMITED



LINKHOUSING

REPORT AND ACCOUNTS

FOR THE YEAR ENDED

31 MARCH 2011

COMPANY NO. SC216300

LINK HOUSING ASSOCIATION LIMITED

LEGAL AND ADMINISTRATIVE INFORMATION

BOARD OF DIRECTORS

R Baxter
R Farrelly
Cathie Fancy
C Macneill
J Myerthall (vice-chairperson)
J O'Neill
A Welsh
A Currie (chairperson)
A Hyndman
J Lennon
R Laley
M Reid
C McGilvray

SECRETARY

Link Group Ltd

AUDITORS

Scott-Moncrieff
Chartered Accountants
Statutory Auditors
25 Bothwell Street
Glasgow

BANKERS

Bank of Scotland
PO Box 10
38 St Andrew Square
Edinburgh

SOLICITORS

Burness Solicitors
50 Lothian Road
Edinburgh

REGISTERED OFFICE

2C New Mart Road
Edinburgh

LINK HOUSING ASSOCIATION LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2011

The Board presents its report and audited financial statements for the year ended 31 March 2011.

Principal Activity

The company is wholly owned by Link Group Limited, and its principal activity is to provide a management and maintenance service to tenants, owner-occupiers, sharing owners and to Link Group Limited.

Review of Business

The company performed well in most areas in the year to 31 March 2011, and marginally increased the level of fees required from the Group, the Registered Social Landlord (RSL), to cover the cost of providing a comprehensive housing management and maintenance service.

There were some changes within the management team during the year:

- 3 year secondment of Service Improvement Manager to Private Sector Leasing scheme (PSL)
- Disestablishment of Housing Manager West post and creation of one Housing Services Manager
- Re-alignment of responsibilities within the management team

The changes within the team also recognised the planned structure changes within Link Group. What was not anticipated at the start of the financial year was the successful bid for the Edinburgh PSL contract, which was for the management of 1,600 homes from private landlords on behalf of the City of Edinburgh Council. This has been a huge opportunity for Link and has allowed several secondments from Link Housing into PSL, with corresponding development opportunities for other staff.

It has been an extremely challenging year with the collapse of Connaught, the award of the PSL contract in September, and the impact of the adverse weather.

A summary of our Key Performance Indicators (KPIs) for the year is shown below;

Arrears Performance	09/10	10/11	(Target)
• Total Arrears	3.7%	2.96%	2.97%
• Non technical arrears	2.6%	2.71%	2.71%
• Ex-tenant arrears	0.75%	0.70%	0.70%
• Evictions	26	22	
• Properties abandoned	63	39	
Voids			
• Lettings in the year	603	738	
• Average void days for all re-lets	25.3	33.3	20
• Average void days lettable	4.7	6.8	5
• % let within 4 weeks for all re-lets	71%	59.2%	
• Void Rent Loss	0.79%	1.02%	0.46%
• Let to Ethnic Minority Applicants	4.3%	3.79%	
• Let to Disabled applicants	3.4%	7.45%	

LINK HOUSING ASSOCIATION LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2011 (continued)

Repairs	2010/11	2009/10
• Overall Repair response times	86.83%	(89.4%)
• Satisfaction rating (reactive)	73.6%	(82.6%)
• Planned Maintenance spend	£5.19m	(£5.02m)
• Satisfaction rating (planned)	93.4%	(91.23%)

LHA manages 6,151 rented homes, garages and lock-ups, 12 sheltered housing developments, and 493 sharing owners, in 22 local authority areas on behalf of Link Group. In addition we provide services to 3,058 owners. The Mortgage to Rent scheme has expanded in the last year and Link has assisted 44 people to avoid losing their home via this scheme, with expansion set to continue in the coming year.

• The Prevention of Homelessness and Tenancy Sustainability

There is increasing unemployment, mortgage re-possession and impending welfare benefits reform, all of which impact on the demand for rented housing. One of the major challenges facing Link is tenancy sustainability and how it responds to the Scottish Government's targets for combating homelessness by 2012, when there are mounting pressures for those on reduced incomes. It is increasingly important for RSLs, local authorities and advice agencies to work together on a shared agenda. Link has responded positively by developing its own Tenancy Sustainability Strategy during 2010 and also by participating with Horizon Housing Association (a subsidiary of the Link Group) and others in a pilot project with the Cyrenians. This aims to help, with crisis intervention, when arrears have escalated and the tenant is in danger of losing their tenancy.

Housing Options Advice will become increasingly important as there will be less traditional housing development in the foreseeable future. Link will signpost people appropriately and during 2011-16 will consider a Housing Options Advice service, applicable to all tenants, particularly those with Scottish Short Secure Tenancies in the Private Sector Leasing Scheme.

The impact of the proposed Welfare Reforms will undoubtedly have a detrimental effect on a range of tenants' incomes and the knock-on effect will almost certainly be an increase in arrears. We will strive to maintain the downward trend in evictions by further developing our links with other agencies and implementing initiatives to assist those at risk of losing their home.

• Partnerships

Link Group aims to increase the supply of housing through its development programme and also by buying individual properties that can be leased to local authorities. Working closely with our colleagues in Link Group and LinkLiving we aim to match the housing, community and support needs of people e.g. fleeing domestic violence, follow-on accommodation for those moving out of a supported environment, older people.

• Affordable Warmth

LHA has ensured that key staff have been trained to give advice and information to tenants. The aim is to encourage tenants to embrace lifestyle energy efficiency and to maximise incomes. This is linked to the Financial Inclusion and Sustainability strategies which are designed to maximise tenants' incomes by ensuring we specify heating solutions that are economical to run, both in new build and, retro-fit within the planned maintenance programme.

• Customer Satisfaction

Gathering constructive feedback by a range of methods helps us to monitor and improve our services. We send letters to all tenants who have had a repair carried out, and have recently carried out an e-mail survey of people registered on Homehunt. Small scale surveys, mystery shopping and tenant led inspections will continue and a comprehensive customer satisfaction survey is planned for 2011.

It is our intention to lay the foundations towards achieving recognition for Customer Excellence, in tandem with the self-assessment process being driven by Link Group.

LINK HOUSING ASSOCIATION LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2011 (continued)

- **Property Management**

The structure review undertaken by the Link Group recognised the benefits of merging the property management functions carried out by Linkwide and LHA. The new property management team will become operational from April 2011, under the management of the Customer Services Manager. The proposed Property Factors (Scotland) Bill will require landlords to comply with registration requirements and a new voluntary accreditation scheme is now in operation. Link will sponsor key staff to undertake the necessary qualification for accreditation with Landlords Accreditation Scotland.

- **Welfare Advice Services**

The structure review recognised that the Welfare Advice Services team has a close working relationship with the LHA officers and, following the disestablishment of Linkwide, it would be appropriate to transfer these services to LHA. The team will report to the Housing Services Manager.

- **Private Sector Leasing (PSL)**

The PSL scheme is for owners who want to commit their property to the local authority for a period of 3 to 5 years for a guaranteed rental income. The local authority contracts the management of the stock to an agent. Link successfully tendered for the Edinburgh Private Sector Leasing contract from City of Edinburgh Council (CEC) and the contract started in September 2010. PSL is dedicated to alleviating homelessness and Link currently manages 1,600 properties, on a commercial basis, on behalf of CEC.

This scheme has the potential to be replicated in other local authority areas and it is our intention to work with our colleagues in Link Group to promote the scheme, as part of our growth agenda.

- **Customer Service Centre (CSC)**

The CSC operates with 3 supervisors and, with the added responsibility for property management, 2 property services co-ordinators. The majority of the staff in the CSC are administrative officers and a number of those are studying for an SVQ in housing. In order to make this worthwhile and relevant it is proposed that we have a rolling programme of placements or secondments within the housing management teams. This will require posts to be backfilled and we have requested funding for this purpose.

- **Property Services Co-ordinator**

The post of Service Improvement Manager was created in 2010. This was a dual role which also encompassed the management of the property management service and the tenant liaison function. When the post holder was seconded to manage the PSL scheme and, in recognition of the structure changes this post has been suspended and a post of property services co-ordinator has been introduced. This post holder will report to the CSC manager and this post is within the existing budget.

LINK HOUSING ASSOCIATION LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2011 (continued)

Statement of Directors' Responsibilities

Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that year. In preparing these accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the members of the Board are aware, at the time the report is approved:

- there is no relevant audit information of which the auditors are unaware;
- the members of the Board have taken all the steps they ought to have taken to make themselves aware of any relevant information and to establish that the auditors are aware of that information.

Directors

The members of the board who served during the year are as set out below:

R Baxter
C Fancy
R Farrelly
C McGilvray (Appointed May 2010)
C Macneill
J Myerthall (vice-chairperson)
M Reid
J O'Neill
A Welsh
A Currie (chairperson)
A McMillan (resigned May 2011)
A Hyndham
J Lennon
R Laley

None of the directors held any beneficial interest in the share capital of the company at 31 March 2011.

LINK HOUSING ASSOCIATION LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2011 (continued)

Auditors

A resolution to re-appoint Scott-Moncrieff Chartered Accountants as auditors will be proposed at the Link Group Annual General Meeting to be held on 30 August 2011.

BY ORDER OF THE BOARD:

A handwritten signature in black ink, appearing to be 'P. M. A.', written over a horizontal line.

Link Group Limited
Secretary

27 June 2011

LINK HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDERS OF LINK HOUSING ASSOCIATION LIMITED

Independent auditors' report to the Members and Directors of Link Housing Association Limited

We have audited the financial statements of Link Housing Association Limited for the year ended 31 March 2011 which comprise the profit and loss account, balance sheet 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 company's members as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors 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 the financial statements in accordance with the applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of 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 company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its results for the year then ended;
- have been prepared in accordance with the United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

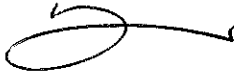
LINK HOUSING ASSOCIATON LIMITED

**INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDERS OF LINK HOUSING
ASSOCIATON LIMITED (continued)**

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept; or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



**Iain D Lee (Senior Statutory Auditor)
For and on behalf of Scott-Moncrieff
Chartered Accountants
25 Bothwell Street
Glasgow
G2 6NL**

27 June 2011

LINK HOUSING ASSOCIATON LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2011

	Notes	2011 £	2010 £
Turnover	2	14,545,894	12,567,692
Operating costs		(14,004,986)	(11,821,374)
Gross Profit		329,752	746,318
Administrative Costs		(329,752)	(746,321)
Gift Aid		(211,156)	-
Operating Loss	3	-	(3)
Interest Receivable		-	3
Results on ordinary activities before taxation		-	-
Tax on results on ordinary activities	5	-	-
Results for the year		-	-

There are no other recognised gains or losses other than those included in the above Profit and Loss Account. The result for the year relates wholly to continuing activities.

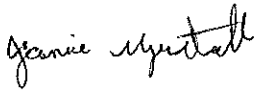
The accompanying notes form an integral part of these financial statements.

LINK HOUSING ASSOCIATION LIMITED

BALANCE SHEET AS AT 31 MARCH 2011

	Notes	2011 £	2010 £
Current Assets			
Debtors	6	1,806,417	523,351
Cash at Bank		2,188,324	811,785
		<u>3,994,741</u>	<u>1,335,136</u>
Creditors: amounts falling due within one year	7	(3,994,740)	(1,335,135)
		<u>1</u>	<u>1</u>
Net Current Assets			
Capital and Reserves			
Called up Share Capital	8	1	1
Profit and Loss Account		-	-
		<u>1</u>	<u>1</u>
Shareholders' Funds	9		

The financial statements were authorised for issue by the Board of Directors on 27 June 2011 and signed on its behalf by:


 Director **JANICE MYERTHALL**

The accompanying notes form an integral part of these financial statements.

LINK HOUSING ASSOCIATION LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

1. ACCOUNTING POLICIES

a) *Accounting Convention*

The financial statements have been prepared under the historical cost convention. The principal accounting policies of the company are set out below.

b) *Pension Costs*

Link Housing Association Limited participates in two pension schemes, a defined benefit scheme, and a group personal pension scheme. Link Housing Association's contributions for 2010/2011 under the schemes have been fully charged to the Profit and Loss Account.

Defined Contribution Schemes

The pension costs charged to the Profit and Loss Account represent the amount of the contributions payable to the scheme in respect of the accounting period.

Defined Benefit Scheme

The pension costs charged to the Profit and Loss Account are based on actuarial methods and assumptions designed to spread the anticipated pension costs over the service lives of the employees in the scheme, so as to ensure that the regular pension cost represents a substantially level percentage of the current and expected future pensionable payroll.

c) *VAT*

Link Housing Association Limited is a member of Link Group's VAT Group registration. A large proportion of the Group's income, rents, is exempt for VAT purposes and therefore gives rise to a partial exemption calculation. For 2010/2011, only a small proportion of VAT paid was recoverable. Expenditure is therefore shown inclusive of VAT and any input VAT recovered is included in other income.

d) *Cashflow statement*

Link housing Association is a fully owned subsidiary of Link Group Limited. A fully consolidated cashflow will be performed within the Link Group financial statements.

2. TURNOVER

Turnover which is stated net of value added tax represents the value of services rendered.

Turnover is attributable to the activities of management and maintenance services on behalf of Link Group Ltd and service rents charged to tenants and services provided to owner occupiers.

3. OPERATING PROFIT

This is stated after charging:

Auditors' remuneration:

Audit fee

Tax fee

Total 2011	Total 2010
£	£
11,500	11,500
1,500	1,500
<u>13,000</u>	<u>13,000</u>

4. DIRECTORS AND EMPLOYEES

Staff costs during the period were as follows:

	2011 £	2010 £
Wages and salaries	2,568,270	2,471,469
Social Security Costs	278,726	234,436
Other Pension Costs	210,518	204,210
	<u>3,057,514</u>	<u>2,910,115</u>

Eleven directors received travel expenses totalling £2,576
(2010: £2,793)

	2011	2010
The average number of employees during the year was	133	112
Average full time equivalent posts filled during the period.	<u>120</u>	<u>99</u>

No remuneration or pension contributions were paid in respect of directors in the year.

5. CORPORATION TAX

No charge to corporation tax as the Association has neither a profit or a loss.

6. DEBTORS

	2011 £	2010 £
Arrears of service charges	29,402	21,366
Other debtors	1,689,782	409,174
Prepayments and accrued income	69,025	91,211
Amounts owed by fellow subsidiaries	18,208	1,600
	<u>1,806,417</u>	<u>523,351</u>

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 £	2010 £
Other Creditors	541,858	141,108
Accruals	1,515,469	383,440
Service charges in advance	89,530	43,501
Sundry Creditors	143,922	193,032
Amounts due to parent company	1,661,761	574,054
Amounts owed to fellow subsidiaries	42,200	-
	<u>3,994,740</u>	<u>1,335,135</u>

8. SHARE CAPITAL

	Authorised 2010 & 2011	Allotted, called up and fully paid 2010 & 2011
	No.	£
Ordinary Shares of £1 each	100	1

9. SHAREHOLDERS' FUNDS

	Share Capital	Profit & Loss Account	2011 Total	2010 Total
	£	£	£	£
As at 1 April 2010	1	-	1	1
Profit for the year	-	-	-	-
As at 31 March 2011	1	-	1	1

10. CAPITAL COMMITMENTS

The company had no capital commitments at 31 March 2011.

11. CONTINGENT LIABILITIES

The company had no contingent liabilities at 31 March 2011.

12. PENSIONS**Defined Contribution Scheme**

54 members of Link Housing Association staff were members of Link Group Limited's Group Personal Pension Scheme at 31 March 2011. The assets of the scheme are administered by trustees in a fund independent of the Link Group. The total employer contributions for the year ended 31 March 2011 amounted to £210,518.

Defined Benefit scheme

Link Housing Association Limited participates in the Scottish Housing Associations' Pension Scheme (formerly known as the SFHA Pension Scheme), (the "Scheme"). The scheme is a multi-employer defined benefit scheme. The scheme is funded and is contracted out of the State Pension 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; a 1/70th accrual rate; a 1/80th accrual rate; and a 1/120th accrual rate, contracted in.

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. The Association has elected to operate the Final salary with 1/60th accrual rate benefit option for active members and new entrants from 1 April 2011.

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 so that the Scheme can meet its pension obligations as they fall due.

Link Housing Association paid contributions at the rate of 17.5%, amounting to £30,329 (2010: £35,785), during the accounting period for 8 members of staff (2010: 8). Member contributions were 7.0%.

As at the balance sheet date there were 6 (2010: 7) active members of the Scheme employed by Link Housing Association Limited. The annual pensionable payroll in respect of those members was £157,054. Link Housing Association Limited has closed the scheme to new entrants.

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.

Valuation Results

The last formal valuation of the Scheme was performed as at 30 September 2009 by a professionally qualified actuary using the "projected unit credit" method. The market value of the Scheme's assets at the valuation date was £295 million. The valuation revealed a shortfall of assets compared to liabilities of £160 million, equivalent to a past service funding level of 64.8%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2010. 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 £335 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £162 million, equivalent to a past service funding level of 67.4%.

Since the contribution rates payable to the Scheme have been determined by reference to the last full actuarial valuation the following notes relate to the formal actuarial valuation as at 30 September 2006.

The key valuation assumptions used to determine the assets and liabilities of the Scheme as at 30th September 2009 were as follows: -

	% pa
- Investment return pre retirement	7.40
- Investment return post retirement – Non-pensioners	4.60
- Investment return post retirement – Pensioners	4.80
- Rate of salary increases	4.50
- Rate of pension increases:	
Pension accrued pre 6 April 2005	2.90
Pension accrued from 6 April 2005	2.20
(for leavers before 1 October 1993 pension increases are 5.0% pa)	
- Rate of price inflation	3.00

The valuation was carried out using the SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% minimum improvement mortality tables for pensioners and non-pensioners. The joint contribution rates required from employers and members to meet the cost of future benefit accrual for the final salary 60ths benefit structure was assessed as 19.2%.

This is split equally between employers and members. Accordingly the contribution rates for the Final salary 60ths benefit structure from 1 April 2011 is 9.6% employer contributions and 9.6% member contributions.

There is an additional employer rate for deficit contributions of 10.4% expressed in nominal pound terms for each employer increasing each 1 April in line with the rate of salary increases assumption. Earnings as at 30 September 2009 are used as the reference point for calculating the additional contributions.

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 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 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.

LINK HOUSING ASSOCIATION LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011 (continued)

The Association 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 2010. As of this date the estimated employer debt for the Association was £3,655,705.

13. RELATED PARTIES

As a wholly owned subsidiary of Link Group Limited, the company is exempt from the requirements of FRS 8 to disclose transactions with other members of the group headed by Link Group Limited.

14. CONTROLLING RELATED PARTY

The directors consider the ultimate parent undertaking of this company is Link Group Limited. Consolidated accounts can be found at 2C New Mart Road, Edinburgh.

