Linstone Housing Association Limited

Report and Financial Statements

For the year ended 31st March 2014

Registered Housing Association No.HEP299

FCA Reference No. 2524R (S)

Scottish Charity No. SC027454

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## MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS YEAR ENDED 31st MARCH 2014

#### MANAGEMENT COMMITTEE

Nanette J. Reid

Chairperson

Elizabeth Arnott

Vice-chairperson

James Carmichael

Secretary

Toni Cassidy Councillor Stuart Clark

Corporate Representative of Renfrewshire Council

Ian Johnstone Lorraine McArthur Resigned May 2013

Lorraine McArthur Jean McQuarrie Resigned September 2013 Deceased January 2014

William Duncan

Resigned April 2013

Jamie Irvine Elizabeth McAlpine

Colin Turnbull

Isaac Nwokeabia

Resigned September 2013

Sandra Inrig

Appointed September 2013
Appointed September 2013

Audrey Simpson Joe Ferrie

Appointed September 2013 Appointed September 2013 Appointed September 2013

Elaine Hunter Sandy Hewitt

Appointed September 2013 Appointed September 2013

Bernard Singleton

**EXECUTIVE OFFICERS** 

Chief Executive

Adele Fraser David Adam Gary Dalziel

Director of Housing & Property Services Director of Finance & Corporate Services

## REGISTERED OFFICE

17 Bridge Street

Linwood Renfrewshire PA3 3DB

#### **AUDITORS**

Alexander Sloan Chartered Accountants 38 Cadogan Street Glasgow G2 7HF

#### BANKERS

Bank of Scotland Corporate Specialist Banking - RM (Not for Profit)
2nd Floor Pentland House
8 Lochside Avenue
Edinburgh Park
Edinburgh
EH12 9DJ

#### **SOLICITORS**

HBJ Gateley Wareing Exchange Tower 19 Canning Street Edinburgh EH3 8EH

## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2014

The Management Committee presents its report and the Financial Statements for the year ended 31st March 2014.

#### **Legal Status**

The Association is a registered non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014 No.2524R (S). The Association is constituted under its Rule Book. The Association is a registered Scottish Charity with the charity number SC027454.

#### **Principal Activities**

The principal activity of the Association is the provision of good quality, affordable rented accommodation for those in housing need.

#### Review of Business and Future Developments

The Association has now completed its fifteenth year of business and 2013/14 represented another significant year in our history.

The rent increase for the year was set at 3.7% which was marginally below the national average increase. Our major expenditure during the year was in relation to progressing the ECO programme. For these works the Association invested almost £1.3 million while at the same time attaining significant grant funding from the energy companies and government. This has allowed us to commence a major programme of investment in insulating our homes.

As well as this investment in our ECO programme expenditure in relation to other works including reactive maintenance, cyclical works and minor planned maintenance amounted to a further £1.3 million.

During January / February 2014, we undertook a large scale Customer Satisfaction Survey using an independent company and the results of this were published in draft format in March 2014. While there were a range of positives in relation to communication, neighbourhood and service provision this survey also identified areas we could potentially make improvements to our services and an action plan will be produced in 2014/15.

In winter 2012, the Scottish Housing Regulator carried out an inquiry on a number of aspects of the Association's work before production of a final report a few months later. Throughout 2013/14 Linstone took steps to remedy the areas which had been identified by the regulatory inquiry. Most were of a minor nature and were easy to implement and we were pleased that in March 2014 the Scottish Housing Regulator downgraded our current level of engagement to 'low'.

In autumn 2013, Tesco's contractors began constructing our new office premises with completion due May 2014. This meant that the organisation effectively worked within a construction site for the majority of 2013/14 which presented a range of difficulties, including maintaining operations, managing safety and ensuring customer service. There was extensive work for the Association in preparing to move, engaging with furniture contractors, interior designers and IT consultants to ensure that the new office (when completed) would meet our requirements. These premises will be wholly owned by the Association and represent a major asset.

## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2014

#### Review of Business and Future Developments (Contd)

One area Linstone continues to focus on is providing opportunities through placements and temporary positions for people often excluded or at the margins of the labour market. During the year we had a placement from Glasgow Centre from Inclusive Living (GCIL), two graduate trainees and temporary placements within our estates service.

In October 2013, the Association (on behalf of FLAIR and other partners) was successful in attaining over £300,000 from the Big Lottery for an 18 month project aimed at providing support to tenants suffering from financial exclusion. This involves the provision of a range of valuable services including financial literacy, energy advice, provision of furniture and support to tenants affected by mental health issues. This project complements our existing welfare rights service which is delivered across a range of partner Associations.

In 2013/14 we implemented a new policy which involved the Association purchasing small numbers of properties, where they met specified criteria, on the open market or through mortgage to rent. This was successful in off-setting any loss in our stock through right to buy.

We also commenced work on refurbishing 16 properties in Brown Street, Paisley with support through HAG which is due for completion in 2014/15.

Across almost all areas of core performance Linstone continued to see a positive trend with areas like void management, debt control and tenancy sustainment all improving on the previous year's performance.

## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2014

#### Management Committee and Executive Officers

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

Each member of the Management Committee 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 Management Committee.

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

#### Statement of Management Committee's Responsibilities

The Co-operative and Community Benefit Societies Act 2014 requires the Management Committee 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 Management Committee 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 Management Committee 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 Management Committee 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 Management Committee 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 Management Committee 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 MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2014

#### Statement on Internal Financial Control

The Management Committee 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 Management Committee'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 Management Committee 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;
- regular 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;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Management Committee;
- the Management Committee receive reports from management and from the external and internal auditors to provide reasonable assurance that control procedures are in place and are being followed and that a general 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.

#### **Auditors**

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

By order of the Management Committee

A Bassian

TONI CASSIDY Secretary 19 August 2014

# REPORT BY THE AUDITORS TO THE MANAGEMENT COMMITTEE OF LINSTONE HOUSING ASSOCIATION LIMITED ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 5 concerning the Association's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

## **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 Auditing Practices Board. 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 5 has provided the disclosures required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing" 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 the section on Internal Financial Control within SFHA's "Raising Standards in Housing".

ALEXANDER SLOAN
Chartered Accountants

GLASGOW 19 August 2014

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

We have audited the financial statements of Linstone Housing Association Limited for the year ended 31st March 2014 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 Section 87 of the Cooperative 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 Management Committee and Auditors

As explained more fully in the Statement of Management Committee's Responsibilities the Association's Management Committee, 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 knowlege 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 2014 and of its profit 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 LINSTONE 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** 

19 August 2014

## INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2014

	Notes	£	2014 £	£	2013 £
TURNOVER	2.		6,460,478		5,991,467
Operating Costs	2.		(5,828,893)		(4,255,264)
OPERATING SURPLUS	9.		631,585		1,736,203
Gain On Sale Of Housing Stock	7.	122,613		26,895	
Interest Receivable and Other Income		44,748		62,749	
Interest Payable and Similar Charges	8.	(346,541)		(354,890)	
Other Finance (Cost)/Income	23.	(6,000)		(2,000)	
			(185,180)		(267,246)
SURPLUS FOR YEAR			446,405		1,468,957

All amounts relate to continuing activities. Historical cost surpluses and deficits are identical to those shown in the accounts.

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

		2014 £	2013 £
Surplus for the financial year		446,405	1,468,957
Actuarial loss on pension scheme	23.	(44,000)	(70,000)
Total gains recognised since last annual rep	ort	402,405	1,398,957

BALANCE SHEET AS AT 31st MARCH	H 2014	4			
	Notes	£	2014 £	£	2013 £
TANGIBLE FIXED ASSETS Housing Properties - Depreciated Cost Less: Social Housing Grant	11.(a 11.(a	)	22,412,735 (4,766,701)	Ĺ	23,032,790 (4,674,022)
Other fixed assets	11.(b	)	17,646,034 9,092		18,358,768 38,616
			17,655,126		18,397,384
CURRENT ASSETS Debtors Investments Cash at bank and in hand	14. 22.	593,272 2,106,615 4,019,011		379,049 2,079,362 2,646,532	
CREDITORS: Amounts falling due within one year	15.	6,718,898		5,104,943 (1,278,071)	
NET CURRENT ASSETS			4,477,570		3,826,872
TOTAL ASSETS LESS CURRENT LIABILITIE	S		22,132,696		22,224,256
CREDITORS: Amounts falling due after more than one year	16.		(11,591,219)		(12,125,192)
PROVISIONS FOR LIABILITIES AND CHARG Pension Liability	i <b>ES</b> 23.	(360,000)		(320,000)	
			(360,000)		(320,000)
NET ASSETS			10,181,477		9,779,064
CAPITAL AND RESERVES Share Capital Revenue Reserves	18. 19.		172 10,181,305 10,181,477		9,778,900 9,779,064
			10, 101, 777		3,773,004

The Financial Statements were approved by the Management Committee and signed on their behalf on 19 August 2014.

Chairperson

Vice-Chairperson

Cooreton

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# CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2014

	Notes	£	2014 £	£	2013 £
Net Cash Inflow from Operating Activites	17.		2,477,206		2,801,246
Returns on Investment and Servicing of Finance Interest Received Interest Paid		44,748 (346,541)		62,749 (354,890)	
Net Cash Outflow from Investment and Servicing of Finance		,	(301,793)		(292,141)
Capital Expenditure and Financial Investment Acquisition and Construction of Properties Social Housing Grant Received Proceeds on Disposal of Properties		(202,863) (190,414) 145,270		(1,041,217) 141,583 35,060	
Net Cash Outflow from Capital Expenditure and Financial Investment			(248,007)		(864,574)
Net Cash Inflow before use of Liquid Resources and Financing			1,927,406		1,644,531
Management of Liquid Resources Change in short term deposits with banks			(27,253)		(48,980)
Financing Loan Principal Repayments Share Capital Issued		(527,697) 23		(592,202) 4	
Net Cash Outflow from Financing			(527,674)		(592,198)
Increase in Cash	17.		1,372,479	,	1,003,353

#### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

#### 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.

#### 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.

Component	Useful Economic Life
Land	Not depreciated
Structure	50 years
Kitchen	15 years
Bathroom	25 years
Central Heating	20 years
Windows	35 years
Door Entry System	16 years
Lifts	40 years

#### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

## 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. Only capital expenditure with a value greater than £20,000 is capitalised. Depreciation is charged on a straight line basis over the expected economic useful lives of the assets at the following annual rates:-

Leasehold Office Improvements6.67%Computer Equipment20.00%Furniture and Office Equipment10.00%

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 and loss on disposal accounted for in the Income and Expenditure Account.

Disposals under shared equity schemes are accounted for in the Income and Expenditure Account. The remaining equity in the property is treated as a fixed asset investment, which is matched with the grant received.

#### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

## 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.

#### 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.

#### Retirement Benefits

## Scottish Housing Association Defined Benefits Pension Scheme

The Association participates in the Scottish Housing Association Defined Benefits 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.

The Association has fully adopted accounting standard FRS 17 'Retirement Benefits' for the Local Government Superannuation Scheme. The impact of this standard has been reflected throughout the financial statements.

## Strathclyde Pension Fund Defined Benefits Pension Scheme

The Strathclyde Pension Fund is a defined benefit scheme which is externally funded and contracted out of the State Earnings Related Pension Scheme. The contributions are determined by qualified actuaries on basis of periodic valuations using the projected unit method.

For defined benefit schemes the amount charged to the income and expenditure account in respect of pension costs and other post retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The interest cost and expected return on assets are included within other finance costs.

Defined benefit schemes are funded, with the assets held separately from the Association in separate trustee administered funds. Full actuarial valuations, by a professionally qualified actuary, are obtained at least every three years, and updated to reflect current conditions at each balance sheet date. The pension scheme assets are measured at fair value. The pension scheme liabilities using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency. A pension scheme asset is recognised on the balance sheet only to the extent that the trustees have agreed a refund from the scheme at the balance sheet date. A pension scheme liability is recognised to the extent that the Association has a legal or constructive obligation to settle the liability.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

			2014		20	)13	
				Operating			Operating
			Operating	Surplus /		Operating	Surplus /
	Notes	Turnover	Costs	(Deficit)	Turnover	Costs	(Deficit)
		£	£	£	£	£	£
Social Lettings	3.	6,195,961	5,614,287	581,674	5,735,532	4,089,524	1,646,008
Other Activities	4.	264,517	214,606	49,911	255,935	165,740	90,195
Total		6,460,478	5,828,893	631,585	5,991,467	4,255,264	1,736,203

	General			
	Needs	Supported	2014	2013
	Housing	Housing	Total	Total
	£	£	£	£
Income from Lettings				
Rent Receivable Net of Identifiable Service Charges	5,437,836	387,644	5,825,480	5,621,736
Service Charges Receivable	18,408	215,221	233,629	235,772
Gross Rents Receivable	5,456,244	602,865	6,059,109	5,857,508
Less: Rent losses from voids	162,894	11,160	174,054	161,464
Net Rents Receivable	5,293,350	591,705	5,885,055	5,696,044
Revenue Grants from Scottish Ministers	310,906		310,906	39,488
Total Income From Social Letting	5,604,256	591,705	6,195,961	5,735,532
Expenditure on Social Letting Activities				
Service Costs	20,443	239,010	259,453	255,761
Management and maintenance administration costs	1,762,770	126,374	1,889,144	1,787,712
Reactive Maintenance	891,088	63,523	954,611	766,505
Bad Debts - Rents and Service Charges	60,285	4,298	64,583	55,607
Planned and Cyclical Maintenance, including Major Repairs	1,537,488	109,602	1,647,090	389,465
Depreciation of Social Housing	746,211	53,195	799,406	834,474
Operating Costs of Social Letting	5,018,285	596,002	5,614,287	4,089,524
Operating Surplus on Social Letting Activities	585,971	(4,297)	581,674	1,646,008
2013	1,551,965	94,043		

LINSTONE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Grants							Operating	Operating
	From	Other	Supporting			Operating	Operating	Surplus	Surplus
	Scottish	Revenue	People	Other	Total	Costs	Costs	/ (Deficit)	/ (Deficit)
	Ministers	Grants	Income	Income	Turnover	Bad Debts	Other	2014	2013
	લ	લ	લ	લ	લ	ц	ધ	લ	4
Wider Role Activities	п	ı	II:	140,747	140,747	•	150,115	(8)368)	(36,128)
Factoring	ı	Ē	r	93,678	93,678	1	28,284	65,394	53,841
Support Activities		ī	30,092	•	30,092	1	36,207	(6,115)	(2,518)
Other Income	'	1	'		'	1	1	1	75,000
Total From Other Activities	1	1	30,092	234,425	264,517	1	214,606	49,911	90,195
2013	۱.	. [	30,965	224,970	255,935	18,488	147,252	90,195	

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. OFFICERS' EMOLUMENTS			
J. OFFICERS ENOCUMENTS			
The Officers are defined in s149 of the Co-operat Societies Act 2014 as the members of the managers or servants of the Association.	ive and Community Benefit Management Committee,	2014	2013
managers or servants of the Association.		£	£
Aggregate Emoluments payable to Officers with	Emoluments greater than		
£60,000 (excluding Pension Contributions)		67,349	65,918
Pension contributions made on behalf on Officers £60,000	with emoluments greater than	5,792	5,623
Emoluments payable to Chief Executive (excluding	g pension contributions)	67,349	65,918
The number of Officers, including the highest paid contributions) over £60,000 was in the following ra		nts (excluding	pension
£60,001 to £70,000		Number 1	Number 1
6. EMPLOYEE INFORMATION			
		2014	2013
		2014 No.	2013 No.
The average monthly number of full time equivaler the year was	nt persons employed during	1000 B	
·		No.	No.
the year was		No.	No.
the year was  The average total number of Employees employees		No. 42 48	No. 43 46
the year was  The average total number of Employees employees  Staff Costs were:  Wages and Salaries Social Security Costs		No.  42  48  £ 1,247,477 107,796	No.  43  46  £ 1,209,417 100,468
the year was  The average total number of Employees employees  Staff Costs were:  Wages and Salaries Social Security Costs Other Pension Costs		No.  42  48  £ 1,247,477 107,796 183,008	No.  43  46  £ 1,209,417 100,468 177,493
the year was  The average total number of Employees employees  Staff Costs were:  Wages and Salaries Social Security Costs		No.  42  48  £ 1,247,477 107,796	No.  43  46  £ 1,209,417 100,468
the year was  The average total number of Employees employees  Staff Costs were:  Wages and Salaries Social Security Costs Other Pension Costs		No.  42  48  £ 1,247,477 107,796 183,008	No.  43  46  £ 1,209,417 100,468 177,493 32,324

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

. GAIN ON SALE OF HOUSING STOCK		
	2014	2013
	£	£
Sales Proceeds	145,420	35,060
Cost of Sales	22,807	8,165
Gain On Sale Of Housing Stock	122,613	26,895
. INTEREST PAYABLE		
	2014	2013
	£	£
On Bank Loans & Overdrafts	346,541	354,890
. SURPLUS FOR YEAR		
	2014	2013
Surplus on Ordinary Activities before Taxation is stated after charging:-	£	£
Depreciation - Tangible Owned Fixed Assets	819,785	863,998
Auditors' Remuneration - Audit Services	9,000	9,000
Operating Lease Rentals - Land & Buildings	-	11,400
Operating Lease Rentals - Other	1,307	1,307
0. 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.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 11. TANGIBLE FIXED ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Total £
COST As at 1st April 2013 Additions Disposals	30,572,369 82,180 (32,657)	120,683	30,572,369 202,863 (32,657)
As at 31st March 2014	30,621,892	120,683	30,742,575
DEPRECIATION As at 1st April 2013 Charge for Year	7,539,579 790,261		7,539,579 790,261
As at 31st March 2014	8,329,840	* <u>-</u> 1	8,329,840
SOCIAL HOUSING GRANT As at 1st April 2013 Additions	4,674,022 26,304	66,375	4,674,022 92,679
As at 31st March 2014	4,700,326	66,375	4,766,701
NET BOOK VALUE As at 31st March 2014	17,591,726	54,308	17,646,034
As at 31st March 2013	18,358,768	-	18,358,768

Additions to housing properties includes capitalised development administration costs of £nil (2013 - £nil) and capitalised major repair costs to existing properties of £82,180 (2013 £1,041,217)

All land and housing properties are freehold.

#### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 11. TANGIBLE FIXED ASSETS (Continued)

## b) Other Tangible Assets

COST	Leasehold Improvements £	Office Computers £	Furniture & Equipment £	Total £
As at 1st April 2013	269,969	343,628	115,261	728,858
As at 31st March 2014	269,969	343,628	115,261	728,858
AGGREGATE DEPRECIATION As at 1st April 2013 Charge for year	248,007 17,998	343,628	98,607 11,526	690,242 29,524
As at 31st March 2014	266,005	343,628	110,133	719,766
NET BOOK VALUE As at 31st March 2014	3,964	-	5,128	9,092
As at 31st March 2013	21,962	-	16,654	38,616

## 12. CAPITAL COMMITMENTS

The Association has entered into a legal contract, dated 5 April 2012, to purchase new office premises which are currently being developed by a third party. The agreed price is £500,000 and shall fall due for payment upon the sectional completion of the part of development to be purchased by the Association.

	2014 £	2013 £
Including the above, the total Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements is	686,229	500,000
13. COMMITMENTS UNDER OPERATING LEASES		
At the year end, the annual commitments under operating leases were as follows:-  Other	2014 £	2013 £
Expiring within one year Expiring between two and five years	2,439	1,307

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2014	2013
	£	£
Arrears of Rent & Service Charges	322,569	302,000
Less: Provision for Doubtful Debts	(143,303)	(143,303
	179,266	158,697
Social Housing Grant Receivable	283,093	
Other Debtors	130,913	220,352
	593,272	379,049
CREDITORS: Amounts falling due within one year		
	2014	201
	£	£
Housing Loans	539,589	· · · · · · · · · · · · · · · · · · ·
Housing Loans Trade Creditors	<del></del> 3	533,313
The second secon	539,589	533,313 431,095
Trade Creditors Rent in Advance	539,589 1,335,046 148,144	533,313 431,095 137,439
Trade Creditors Rent in Advance Other Taxation and Social Security	539,589 1,335,046	533,313 431,095 137,439 33,399
Trade Creditors	539,589 1,335,046 148,144 33,891	533,313 431,095

At the balance sheet date there were pension contributions outstanding of £21,307 (2013 £58,598)

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

	2014 £	2013 £
Housing Loans	11,591,219	12,125,192
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	539,589	533,313
Between one and two years	551,995	545,695
Between two and five years	1,736,031	1,717,102
In five years or more	9,303,193	9,862,395
	12,130,808	12,658,505
Less: Amount shown in Current Liabilities	539,589	533,313
	11,591,219	12,125,192

#### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

17.	CASH FLOW STATEMENT				
	Reconciliation of operating surplus to net cash into operating activites	flow from		2014 £	2013 £
	Operating Surplus Depreciation Change in Debtors Change in Creditors Share Capital Written Off Defined Benefit Pension Contributions Paid (Strate Service Cost on defined Benefit Scheme (Strather			631,585 819,785 68,870 956,981 (15) 24,000 14,000	1,736,203 863,998 115,797 98,252 (4) (24,000) 11,000
	Net Cash Inflow from Operating Activites			2,477,206	2,801,246
	Reconciliation of net cash flow to movement in net debt	2014 £	£	2013 £	£
	Increase in Cash Cash flow from management of liquid resources Cash flow from change in debt	1,372,479 27,253 527,697		1,003,353 48,980 592,202	
	Movement in net debt during year Net debt at 1st April 2013		1,927,429 (7,932,611)		1,644,535 (9,577,146)
	Net debt at 31st March 2014		(6,005,182)		(7,932,611)
	Analysis of changes in net debt	At 01.04.13 £	Cash Flows £	Other Changes £	At 31.03.14 £
	Cash at bank and in hand	2,646,532	1,372,479		4,019,011
	Liquid Resources  Debt: Due within one year  Due after more than one year	2,646,532 2,079,362 (533,313) (12,125,192)	1,372,479 (27,253) 527,697	(533,973) 533,973	4,019,011 2,106,615 (539,589) (11,591,219)
	Net Debt	(7,932,611)	1,872,923		(6,005,182)
18	. SHARE CAPITAL				
	Shares of £1 each Issued and Fully Paid At 1st April 2013 Issued in year Cancelled in year				164 23 (15)
	At 31st March 2014				172

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.

#### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 19. RESERVES

Revenue Reserves	Revenue Reserves £	Pension Reserve £	Total £
At 1st April 2013	10,098,900	(320,000)	9,778,900
Actuarial loss in the year	-	(44,000)	(44,000)
Surplus for the year	446,405	_	446,405
Transfer to / from Revenue Reserves	(4,000)	4,000	
At 31st March 2014	10,545,305	(364,000)	10,181,305

#### 20. HOUSING STOCK

The number of units of accommodation in management at the year end was:- General Needs - New Build Supported Housing	2014 No. 1,465 101	2013 No. 1,467 101
	1,566	1,568

#### 21. RELATED PARTY TRANSACTIONS

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

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

- 2 members are tenants of the Association
- 1 member is a relevant local councillor

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. CURRENT ASSET INVESTMENTS

	2014	2013
	£	£
Short Term Deposits	2,106,615	2,079,362

#### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

#### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 23. RETIREMENT BENEFIT OBLIGATIONS

#### General

Linstone 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 six 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.

Linstone Housing Association Limited has elected to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 1st April 2009 and the final salary with a 1/60th accrual rate benefit structure for new entrants from 1st April 2009.

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 Linstone Housing Association Limited paid contributions at the rate of 9.6% of pensionable salaries. Member contributions were 9.6%.

As at the balance sheet date there were 24 active members of the Scheme employed by Linstone Housing Association Limited. The annual pensionable payroll in respect of these members was £770,702. Linstone 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 2014

#### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 23. 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 2013. 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 £470 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £272 million, equivalent to a past service funding level of 63%.

#### **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  CPI	2.6 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.

#### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 23. 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:

Benefit Structure	Long-term joint contribution rate (% of pensionable
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 Linstone Housing Association Limited with an updated contribution figure to the past service deficit. From 1 April 2014, Linstone Housing Association Limited will be required to pay £192,729 per annum as a contribution to the past service deficit. This will represent an increase of 122% in Linstone 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 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 23. RETIREMENT BENEFIT OBLIGATIONS

#### Strathclyde Pension Fund Defined Benefit Scheme

The Association operates a defined benefit scheme as an admitted body under the Strathclyde Pension Fund, the assets of which are held in a separate trustee administered fund.

The administering authority has responsibility for the management of the Fund. As most of the Fund's investments are equity based, there is an inherent risk of volatility in the investment market having a significant effect on the value of the fund's assets. In order to mitigate this risk, the Fund holds a diverse investment portfolio with a range of investment managers.

At the balance sheet date, there were 2 active members of the scheme employed by the Association. Total pension contributions made by the Association for the year were £24,000. This includes £2,258 of outstanding contributions at the balance sheet date. Gross pensionable salaries for the year were £43,000

The following figures are prepared by the Actuaries in accordance with their understanding of Financial Reporting Standard 17 - 'Retirement Benefits' (FRS 17) and Guidance Note 36: Accounting for Retirement Benefits under Financial Reporting Standard 17 issued by the Institute and Faculty of Actuaries.

#### **Principal Actuarial Assumptions**

Assumptions as at	2014	2013	2012
	%p.a.	%p.a.	%p.a.
Price increases	-	-	2.8
Salary increases	5.1	5.1	4.8
Pension increases	2.8	2.8	2.5
Discount rate	4.3	4.5	4.8
The defined benefit obligation is estimated to comprise of the following:			
Continue Deconomical property and the Continue Deconomical Continue Deco	2014	2013	
	£'000	£'000	
Employee members	486	429	
	568		
Deferred pensioners		513	
Pensioners	530	537	
	1,584	1,479	
Net Pension Liability	2014	2013	
	£'000	£'000	
Fair value of employer's assets	1,224	1,159	
Present value of scheme liabilities	(1,584)	(1,479)	
	(360)	(320)	

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 23. RETIREMENT BENEFIT OBLIGATIONS

#### Analysis of amount charged to the Income and Expenditure Account

	<b>2014</b> £'000	<b>2013</b> £'000
Charged to operating costs: Service cost	14	11
	14	11
Charged to Other Finance Costs / (Income)		
Expected Return on employer assets Interest on pension scheme liabilities	(60) 66	(59) 61
	6	2
Net Charge to the Income and Expenditure		
Account	20	13
Actual Return on Plan Assets	78	151

## **Expected Return on Assets**

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period as follows:

Asset Class	<b>2014</b> % p.a.	<b>2013</b> % p.a.
Equities	6.6	5.7
Bonds	3.7	3.4
Property	4.8	3.9
Cash	3.7	3.0

## Other Assumptions

## **Mortality Rates**

Life expectancy is based on the PFA92 and PMA92 tables, with mortality improvements projected based on members' individual year of birth. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
	(Years)	(Years)
<b>Current Pensioners</b>	21.0	23.4
Future Pensioners	23.3	25.3

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 23. RETIREMENT BENEFIT OBLIGATIONS

Employer membership statistics	<b>2014</b> (Number)	2013 (Number)
Actives	2	2
Deferreds	4	4
Pensioners	8	9
Fair Value of employer assets		
Tall Value of employer assess	2014	2013
	£'000	£'000
Opening fair value of employer assets	1,159	1,020
Expected Return on Assets	60	59
Contributions by Members	3	3
Contributions by the Employer	24	24
Actuarial Gains / (Losses)	17	92
Estimated Benefits Paid	(39)	(39)
Closing fair value of employer assets	1,224	1,159
Greening ram variables empreyer accord		
Fair value of scheme assets by category		
rail value of scheme assets by category	2014	2013
	£'000	£'000
Equities	930	881
Bonds	147	162
Property	86	81
Cash	61	35
	4.004	
	1,224	1,159
Reconciliation of defined benefit obligations		
	2014	2013
	£'000	£'000
Opening defined benefit obligation	1,479	1,281
Current Service Cost	14	11
Interest Cost	66	61
Contributions by members	3	3
Actuarial Gains	61	162
Estimated Benefits Paid	(39)	(39)
	1,584	1,479

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 23. RETIREMENT BENEFIT OBLIGATIONS

	Analysis of projected	amount to be	charged to the Inc	come & Expenditure	Account for the vear
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	£'000	% of pay
Projected current service cost	16	35.8%
Interest on obligation	68	158.1%
Expected return on plan assets	(73)	-169.8%
	11	24.1%

Contributions made by the Association for the year ended 31 March 2014 are estimated to be approximately £24,000.

## Amounts for the current and previous accounting periods:

	2014	2013	2012	2011	2010
	£'000	£'000	£'000	£'000	£'000
Fair value of employer assets	1,224	1,159	1,020	1,004	957
Present value of defined benefit					
obligations	(1,584)	(1,479)	(1,281)	(1,134)	(1,307)
Deficit	(360)	(320)	(261)	(130)	(350)
Experience (losses) on assets	17	92	(23)	7	220
Experience gains on liabilities	1	3	(45)	-	-

## Actuarial Gain / (Loss) recognised in the Statement of Recognised Gains and Losses

	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	2010
	£'000	£'000	£'000	£'000	£'000
Actuarial gain/(loss) recognised in year	(44)	(70)	(136)	94	(216)
Cumulative actuarial gains	(429)	(385)	(315)	(179)	(273)