

**Ochil View Housing Association Limited**

**Report and Financial Statements**

**For the year ended 31st March 2014**

**Registered Housing Association No.213**

**FCA Reference No. 2310R(S)**

**Scottish Charity No. SC033130**

# OCHIL VIEW HOUSING ASSOCIATION LIMITED

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**OCHIL VIEW HOUSING ASSOCIATION LIMITED**

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

**MANAGEMENT COMMITTEE**

Ewen Cameron	Chairperson
Teresa McNally	Vice Chairperson
Tom Brown	Treasurer
John Gallagher	Resigned 30/01/2014
Anna Forbes	
Frank Riggs	Resigned 28/11/2013
Aileen Crichton	Resigned 28/11/2013
Bob Dunbar	
Duncan Stirling	
Margaret Baxter	
Cllr Les Sharp	(Clackmannanshire Council Representative)
Lindsay Stother	
Andrew Grinly	Joined 30/01/2014
Andrew Campbell	Joined 30/01/2014
Helen Sullivan	Joined 15/08/2013, Resigned 27/03/2014

**EXECUTIVE OFFICERS**

George Tainsh	Director and Secretary
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**REGISTERED OFFICE**

Ochil House  
Marshall  
Alloa  
Clackmannanshire  
FK10 1AB

**AUDITORS**

Alexander Sloan  
Chartered Accountants  
38 Cadogan Street  
Glasgow  
G2 7HF

**BANKERS**

The Royal Bank of Scotland  
19 High Street  
Alloa  
FK10 1JF

**SOLICITORS**

Savage Law Practice  
1 Coalgate  
Alloa  
FK10 1EH

Harper MacLeod  
The Ca'd'oro  
45 Gordon Street  
Glasgow  
G1 3PE

J.R. Stevenson & Marshall  
East Port  
Dunfermline  
KY12 7LG

## OCHIL VIEW HOUSING ASSOCIATION LIMITED

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### 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 Industrial and Provident Societies Act 1965 No.2310R(S). The Association is constituted under its Rule Book. The Association is a registered Scottish Charity with the charity number SC033130.

#### **Principal Activities**

The principal activities of the Association are the provision, management and maintenance of quality rented accommodation throughout Clackmannanshire and West Fife.

#### **Review of Business and Future Developments**

The Committee of Management present their report and the audited financial statements for the year ended 31 March 2014.

#### **Principal activity**

The principal activity of the Association is the provision, management and maintenance of quality rented accommodation throughout Clackmannanshire and West Fife.

#### **Review of business and future business**

#### Development

During the year the Association completed its final planned 24 unit new build development at Millers Lade, Avenue in Sauchie. The Association also acquired one property in Alva through the Mortgage to Rent scheme.

However, as previously indicated the Association's strategy for the next 2 to 3 years will involve the protection of its existing assets, with a focus on providing enhanced services to existing tenants, rather than building new homes at considerable financial risk. However, the Management Committee will review this policy on an ongoing basis. As a result the Association no longer has a forward development programme and therefore growth will be restricted to the occasional mortgage to rent opportunity or as part of a wider strategic development opportunity promoted by the private sector, other RSL or the local authority where the opportunity to purchase properties "off the shelf" may be presented.

#### Planned Investment and Routine Maintenance

The Association continued to invest heavily in its housing properties during 2013/2014 spending around £271,000 on a range of component replacements such as new kitchens and boilers. Including expenditure on planned, cyclical and reactive maintenance total expenditure on direct maintenance accounted for almost £1.4m. With the introduction of a large programme of cavity wall insulation and the planned component replacement of other non SHQS compliant work the Association continues to be on track to achieve the Scottish Housing Quality Standard (SHQS) by 31<sup>st</sup> March 2015.

#### Financial Management

The budget for 2014/2015 was approved by the Management Committee at their meeting on 27<sup>th</sup> February 2014. Following consultation with our tenants, the Committee made a decision to restrict our increase on rents to 3%. Despite this, the budget shows substantial investment in our properties and services during the year with total maintenance expenditure anticipated of £1.9m.

## OCHIL VIEW HOUSING ASSOCIATION LIMITED

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

#### Review of business and future business (Contd.)

##### Financial Management (Contd.)

The budget for 2014/2015 shows that a surplus of £411,055 is expected to arise and net assets will be over £5m at the end of the financial year. Cash balances are expected to remain healthy during the year.

##### Charitable Donations

During the year the Association made charitable donations of £826.

##### Corporate Performance

The Association continues to achieve a high level of performance against its objectives and targets for the year with achievement of 77% of Key Performance Indicators (and 91% of those deemed as the most important). This represents continued excellence not only in terms of meeting the Association's strategic objectives but also in relation to performance and service delivery and shows an increase of 4% over the results for the previous year.

##### Governance and Compliance with Regulatory Standards

Between December 2013 and March 2014 the Association's Governing Body and senior staff undertook an assessment of the Association's compliance with the Regulatory Standards of Governance & Financial Management SHR publication, to evaluate to what extent these standards could be deemed to be being complied with and where further work was required.

Facilitated by an external governance specialist the exercise concluded that the Association was:

- more than 85% compliant with standards 3 (Financial Well-Being and Economic Effectiveness) and 5 (Standards of Behaviour, Probity and Integrity of Both Governing Body and Staff);
- between 65% and 85% compliant with standards 1 (Leadership, Direction and Good Outcomes for Tenants and other Service Users) and 4 (Effective Decision Making & Risk Management)
- less than 65% compliant with standards 2 (Openness, Accountability and Responsiveness to tenants and other service users) and 6 (Skills, Knowledge, Appraisal and Training).

Areas of action have already been approved and these will be progressed during 2014/2015.

##### Staffing Restructure

The Association implemented a new Staff Structure during 2013/2014 with the creation of a Customer Services department formed through the integration of housing and property services. Fully operational since September 2013 this new staff structure is already bringing tangible improvements in service delivery as shown in the results of the 2013 Customer Satisfaction Survey and will be subject to a formal independent review during 2014/2015.

##### Customer Satisfaction Survey

Increased expectations and demands in terms of levels of service and value for money from tenants is something which the Association requires to be aware of and responsive to in all its activities. The most recent Customer Satisfaction Survey undertaken in 2013 (and the regular feedback provided by tenants particularly in relation to the maintenance service) provides the Association with extremely valuable feedback from tenants across the full range of activities and is a key component in determining areas for improvement going forward.

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

Review of business and future business (Contd.)

Customer Satisfaction Survey (Contd.)

In summary this produced a pleasing set of results relating to overall satisfaction as a landlord (91%), satisfaction with the repairs service (87%) and the increase in satisfaction in terms of rent representing value for money (74%) although one of the key areas where improvements are required related to services to owner occupiers where less than 50% of owners were satisfied with the factoring service.

A major plan of action which is being developed in conjunction with service users will be implemented during 2014/2015 with a view to making further improvements in key service areas.

Risk Management

The Association's risk management process continues to quantify and compare the relative significance of a wide variety of risks facing the organisation and these are reviewed by the Management Committee each quarter. Risks associated with welfare reform, in particular the potential impact on rental income, Employee Pension Costs and the importance of having accurate property data on which to base future financial projections and be able to evidence compliance with SHQS emerged during the year as the key strategic risks currently facing the Association.

Management & Maintenance Agency Service

As part of the government's NHT 2 initiative the Association was appointed as Managing Agents to deliver a management and maintenance service to Coalsnaughton NHT 2012 LLP (a development vehicle involving Clackmannanshire Council, Hadden Construction and the Scottish Futures Trust) for the 24 unit affordable housing project at Nechtan Drive, Coalsnaughton.

Employee Pensions

The Association engaged professional independent pensions advice during 2013/14 to review the continuing affordability of existing employee pension arrangements and following the results decided to defer a decision on this until January 2015.

Regulatory Assessment

Following the latest round of assessments of RSLs by the Scottish Housing Regulator the Association continues to be assessed as Low Engagement.

Collaborative Working

In conjunction with our Strath For partners - Forth and Rural Stirling Housing Associations, the Association continued to develop closer collaboration, working on a range of activities in an effort to increase the efficiency and effectiveness of each organisation.

Over the past year or so, this has primarily involved joint maintenance contracts where it is hoped that savings can be made in contract administration, if not in tender prices themselves.

Issues on which the three organisations collaborated during 2013/2014 can be summarised as follows;

- Compliance with Social Housing Charter
- Benchmarking of Management Costs
- External painterwork joint maintenance contract
- Information sharing and sharing experiences

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

Review of business and future business (Contd.)

Future Business Growth and Activities

The Association's Corporate Management Plan, approved in May 2014, sets out the primary themes it believes will be key to organisational stability and future prosperity as follows; minimising the impact of welfare reform, compliance with the Scottish Housing Charter, meeting SHQS (and thereafter the new emergency efficiency standard (ESSH), enhanced value for money for service users, concentration on core activities, continuous improvement of key services, increased tenant satisfaction, maintaining or improving financial strength, the affordability of existing employee pension arrangements and the impact (or otherwise) of the forthcoming referendum on Scottish independence.

**Operating Financial Review**

Financial Review

The Association made a surplus of £857,313 (2013 - £1,013,955) during the year and was higher than the budgeted surplus of £402,111, mainly due to under spends on other planned maintenance and lower interest rates which resulted in lower interest paid.

A transfer from the designated reserves was made of £47,392 (2013 - £10,146).

Net assets have increased during the year from £4.5m to £5.4m, largely due to an increase in cash balances.

The Management Committee have expressed their satisfaction with the financial results for the year.

Internal Audit

During the year internal audit focussed on planned maintenance and major repairs and rents. Minor changes to procedures and practices were suggested and incorporated into our operations.

The reports were considered by the Association's Finance, Audit & Corporate Governance Committee which regularly monitors progress against agreed action plans.

Voids & Re-lets

The Association re-let 120 properties during the year, the same number as 2013.

During 2013/14 the void rent loss was £21,121 or 0.39% of rents.

Rent Arrears

The Association's rent arrears position at the end of 2013/2014 for current (non - technical) arrears was 3.32% against a target of 3.2% for the year.

Full Stock Valuation Exercise

During the year the Association engaged Jones Lang LaSalle to undertake a full stock valuation exercise. This resulted in the housing stock being valued (with sales valuation) at a total of £57.9m which is split between secured to The Royal Bank of Scotland, £35.8m and unsecured £22.1m. The Association will undertake another valuation in 5 years' time to comply with the loan agreement.

OCHIL VIEW HOUSING ASSOCIATION LIMITED

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

Operating Financial Review (Contd.)

Treasury Management

During the year the Association cancelled its existing £7.75m fixed rate loan with The Royal Bank of Scotland and put in place a new £10m fixed rate loan at an rate of 3.63% (before margin). The Association also placed any excess cash sums on fixed term deposit or notice account to maximise interest receivable during the year. Finally the Association agreed a revised loan covenant Interest Cover with The Royal Bank of Scotland.



## OCHIL VIEW HOUSING ASSOCIATION LIMITED

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### 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 Industrial and Provident Societies Acts 1965 to 2002 require 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 accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on 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 Industrial and Provident Societies Act 1965 to 2002, 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.

OCHIL VIEW HOUSING ASSOCIATION LIMITED

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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.

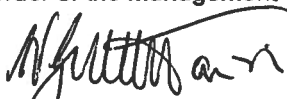
It is the Management Committee's responsibility to establish and maintain systems of Internal Financial Control. Such systems can only provide reasonable and not absolute assurance against material financial mis-statement or loss. Key elements of the Association's systems include ensuring that:

- 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



GEORGE TAINSH  
Secretary  
26 June 2014

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**REPORT BY THE AUDITORS TO THE MANAGEMENT COMMITTEE OF  
OCHIL VIEW HOUSING ASSOCIATION LIMITED  
ON CORPORATE GOVERNANCE MATTERS**

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 8 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 8 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  
26 June 2014

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

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We have audited the financial statements of Ochil View 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 9 of the Friendly and Industrial and Provident Societies Act 1968. 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 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 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 Industrial and Provident Societies Acts 1965 to 2002, 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  
OCHIL VIEW HOUSING ASSOCIATION LIMITED**

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**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  
27 June 2014

## OCHIL VIEW HOUSING ASSOCIATION LIMITED

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

	Notes	2014 £	2013 £
<b>TURNOVER</b>	2.	5,135,892	5,057,592
Operating Costs	2.	<u>(3,903,587)</u>	<u>(3,495,850)</u>
<b>OPERATING SURPLUS</b>	9.	1,232,305	1,561,742
Gain / (Loss) On Sale Of Housing Stock	7.	3,583	(4,226)
Interest Receivable and Other Income		54,763	63,096
Interest Payable and Similar Charges	8.	<u>(433,338)</u>	<u>(606,657)</u>
		<u>(374,992)</u>	<u>(547,787)</u>
<b>SURPLUS FOR THE YEAR</b>		<u>857,313</u>	<u>1,013,955</u>

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.



OCHIL VIEW HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED  
31st MARCH 2014

	Notes	2014 £	2013 £
<b>Net Cash Inflow from Operating Activities</b>	17.	2,146,015	2,107,471
<b>Returns on Investment and Servicing of Finance</b>			
Interest Received		44,177	51,315
Interest Paid		(433,338)	(566,346)
<b>Net Cash Outflow from Investment and Servicing of Finance</b>		(389,161)	(515,031)
<b>Capital Expenditure and Financial Investment</b>			
Acquisition and Construction of Properties		(466,545)	(789,148)
Purchase of Other Fixed Assets		(17,799)	(13,968)
Social Housing Grant Received		39,182	(133,151)
Social Housing Grant Repaid		(41,715)	(17,194)
Proceeds on Disposal of Properties		67,182	24,637
Proceeds on Disposal of Other Fixed Assets		-	663
<b>Net Cash Outflow from Capital Expenditure and Financial Investment</b>		(419,695)	(928,161)
<b>Net Cash Inflow before use of Liquid Resources and Financing</b>		1,337,159	664,279
<b>Financing</b>			
Share Capital Issued		3	-
<b>Net Cash Inflow from Financing</b>		3	-
<b>Increase in Cash</b>	17.	<u>1,337,162</u>	<u>664,279</u>



# OCHIL VIEW HOUSING ASSOCIATION LIMITED

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## 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.

##### **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
Main Structure	60 years
Roofs	50 years
Kitchen	15 years
Bathroom	30 years
Heating	15 years
Windows & Doors	30 years
Lifts	30 years

# OCHIL VIEW HOUSING ASSOCIATION LIMITED

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## 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. Depreciation is charged on a straight line basis over the expected economic useful lives of the assets at the following annual rates:-

Office Premises	80 years
Furniture, fittings & equipment	20 - 25% straight line basis
Computer equipment	25% straight line basis

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.

# OCHIL VIEW HOUSING ASSOCIATION LIMITED

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## 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.

##### **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 Furniture and White Goods Reserve has been designated for future purchases of furniture and white goods for the Association's properties. Transfers to the Income and Expenditure account are made to offset actual expenditure on furniture and white goods which is charged to the Income and Expenditure account.

# OCHIL VIEW HOUSING ASSOCIATION LIMITED

## 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

	Notes	2014			2013		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Social Lettings	3.	5,113,332	3,677,124	1,436,208	4,850,118	3,251,251	1,598,867
Other Activities	4.	22,560	226,463	(203,903)	207,474	244,599	(37,125)
<b>Total</b>		<b>5,135,892</b>	<b>3,903,587</b>	<b>1,232,305</b>	<b>5,057,592</b>	<b>3,495,850</b>	<b>1,561,742</b>

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

	General Needs Housing £	Shared ownership £	2014 Total £	restated 2013 Total £
<b>Income from Lettings</b>				
Rent Receivable Net of Identifiable Service Charges	5,078,021	55,479	5,133,500	4,871,239
<b>Gross Rents Receivable</b>	5,078,021	55,479	5,133,500	4,871,239
Less: Rent losses from voids	20,168	-	20,168	21,121
<b>Net Rents Receivable</b>	5,057,853	55,479	5,113,332	4,850,118
Revenue Grants from Scottish Ministers	-	-	-	-
Revenue Grants From Local Authorities and Other Agencies	-	-	-	-
<b>Total Income From Social Letting</b>	5,057,853	55,479	5,113,332	4,850,118
<b>Expenditure on Social Letting Activities</b>				
Service Costs	173,724	8,932	182,656	176,717
Management and maintenance administration costs	1,454,519	42,640	1,497,159	1,270,983
Reactive Maintenance	597,878	-	597,878	507,392
Bad Debts - Rents and Service Charges	36,610	-	36,610	128,212
Planned and Cyclical Maintenance, including Major Repairs	505,840	-	505,840	277,168
Depreciation of Social Housing	856,981	-	856,981	890,779
Impairment of Housing	-	-	-	-
<b>Operating Costs of Social Letting</b>	3,625,552	51,572	3,677,124	3,251,251
<b>Operating Surplus on Social Letting Activities</b>	1,432,301	3,907	1,436,208	1,598,867
<b>2013</b>	<b>1,589,839</b>	<b>9,028</b>		

# OCHIL VIEW 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 From Scottish Ministers	Other Revenue Grants	Supporting People Income	Other Income	Total Turnover	Operating Costs Bad Debts	Operating Costs Other	Operating Surplus / (Deficit) 2014	Operating Surplus / (Deficit) 2013
	£	£	£	£	£	£	£	£	£
Factoring	-	-	-	14,007	14,007	-	15,336	(1,329)	(22)
Development and construction of property activities	-	-	-	-	-	185,348	(7,917)	(177,431)	(47,950)
Other Income	-	-	-	8,553	8,553	33,623	73	(25,143)	10,847
<b>Total From Other Activities</b>	-	-	-	22,560	22,560	218,971	7,492	(203,903)	(37,125)
<b>2013</b>	-	93,256	-	114,218	207,474	89,015	155,584	(37,125)	

# OCHIL VIEW HOUSING ASSOCIATION LIMITED

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

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 5. OFFICERS' EMOLUMENTS

The Officers are defined in s74 of the Industrial and Provident Societies Act 1965 as the members of the Management Committee, managers or servants of the Association.

	2014	2013
	£	£
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	67,008	127,995
Compensation payable to Officers for loss of Office	-	23,386
Pension contributions made on behalf on Officers with emoluments greater than £60,000	6,590	23,120
Emoluments payable to Chief Executive (excluding pension contributions)	68,657	66,934

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
	1	2
£60,001 to £70,000		

#### 6. EMPLOYEE INFORMATION

	2014	2013
	No.	No.
The average total number of Employees employed during the year was	24	25
Staff Costs were:	£	£
Wages and Salaries	749,282	794,707
Social Security Costs	63,077	61,497
Other Pension Costs	141,028	143,439
Temporary, Agency and Seconded Staff	38,809	50,014
	992,196	1,049,657

# OCHIL VIEW HOUSING ASSOCIATION LIMITED

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

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 7. GAIN / (LOSS) ON SALE OF HOUSING STOCK

	2014	2013
	£	£
Sales Proceeds	67,182	24,637
Cost of Sales	<u>63,599</u>	<u>28,863</u>
Gain / (Loss) On Sale Of Housing Stock	<u>3,583</u>	<u>(4,226)</u>

#### 8. INTEREST PAYABLE

	2014	2013
	£	£
On Bank Loans	<u>433,338</u>	<u>606,657</u>
	<u>433,338</u>	<u>606,657</u>

Interest incurred in the development period of housing properties which has been written off to the income and expenditure account amounted to £nil (2013 £nil).

#### 9. SURPLUS FOR THE YEAR

	2014	2013
	£	£
Surplus on Ordinary Activities before Taxation is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	878,969	908,899
Auditors' Remuneration - Audit Services	9,660	8,101
Operating Lease Rentals - Other	28,614	28,958
Loss on sale of fixed assets	<u>84</u>	<u>(379)</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.

# OCHIL VIEW HOUSING ASSOCIATION LIMITED

## 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 £	Completed Shared Ownership Properties £	Total £
<b>COST</b>				
As at 1st April 2013	74,220,383	2,754,046	1,218,047	78,192,476
Additions	403,223	63,322	-	466,545
Disposals	(152,204)	-	(79,196)	(231,400)
Schemes Completed	2,289,720	(2,289,720)	-	-
As at 31st March 2014	76,761,122	527,648	1,138,851	78,427,621
<b>DEPRECIATION</b>				
As at 1st April 2013	6,506,559	-	-	6,506,559
Charge for Year	839,534	-	-	839,534
Disposals	(48,570)	-	-	(48,570)
As at 31st March 2014	7,297,523	-	-	7,297,523
<b>COST LESS DEPRECIATION</b>	<u>69,463,599</u>	<u>527,648</u>	<u>1,138,851</u>	<u>71,130,098</u>
<b>SOCIAL HOUSING GRANT</b>				
As at 1st April 2013	40,676,387	1,990,008	948,158	43,614,553
Additions	77,065	-	-	77,065
Disposals	(82,077)	-	(57,312)	(139,389)
Schemes Completed	1,463,112	(1,463,112)	-	-
As at 31st March 2014	42,134,487	526,896	890,846	43,552,229
<b>OTHER CAPITAL GRANTS</b>				
As at 1st April 2013	1,199,913	-	39,640	1,239,553
Additions	-	-	-	-
Disposals	(4,110)	-	-	(4,110)
Schemes Completed	-	-	-	-
As at 31st March 2014	1,195,803	-	39,640	1,235,443
<b>NET BOOK VALUE</b>				
As at 31st March 2014	<u>26,133,309</u>	<u>752</u>	<u>208,365</u>	<u>26,342,426</u>
As at 31st March 2013	<u>25,837,524</u>	<u>764,038</u>	<u>230,249</u>	<u>26,831,811</u>

Additions to housing properties includes capitalised development administration costs of £nil (2013 - £4,966) and capitalised major repair costs to existing properties of £271,233 (2013- £412,211)

All land and housing properties are freehold.



# OCHIL VIEW HOUSING ASSOCIATION LIMITED

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

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

##### b) Other Tangible Assets

	Computer Equipment £	Office Premises £	Office Furniture & Equipment £	Total £
<b>COST</b>				
As at 1st April 2013	93,801	902,230	94,207	1,090,238
Additions	16,413	-	1,386	17,799
Eliminated on Disposals	(56,165)	-	(82,843)	(139,008)
As at 31st March 2014	<u>54,049</u>	<u>902,230</u>	<u>12,750</u>	<u>969,029</u>
<b>AGGREGATE DEPRECIATION</b>				
As at 1st April 2013	74,521	450,979	89,155	614,655
Charge for year	13,512	5,937	2,539	21,988
Eliminated on disposal	(56,165)	-	(82,759)	(138,924)
As at 31st March 2014	<u>31,868</u>	<u>456,916</u>	<u>8,935</u>	<u>497,719</u>
<b>NET BOOK VALUE</b>				
As at 31st March 2014	<u>22,181</u>	<u>445,314</u>	<u>3,815</u>	<u>471,310</u>
As at 31st March 2013	<u>19,280</u>	<u>451,251</u>	<u>5,052</u>	<u>475,583</u>

#### 12. CAPITAL COMMITMENTS

	2014 £	2013 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	<u>109,977</u>	<u>323,263</u>

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:-	2014 £	2013 £
<b>Other</b>		
Expiring within one year	16,132	22,493
Expiring between two and five years	<u>-</u>	<u>17,124</u>

# OCHIL VIEW HOUSING ASSOCIATION LIMITED

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

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 14. DEBTORS

	2014	2013
	£	£
Arrears of Rent & Service Charges	238,490	218,244
Less: Provision for Doubtful Debts	(165,744)	(151,845)
	<u>72,746</u>	<u>66,399</u>
Social Housing Grant Receivable	123,075	120,598
Other Debtors	407,941	338,225
	<u>603,762</u>	<u>525,222</u>

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

	2014	2013
	£	£
Trade Creditors	358,712	338,736
Rent in Advance	77,414	50,006
Social Housing Grant in Advance	362,492	397,898
Other Creditors	329,610	276,859
Accruals and Deferred Income	-	-
	<u>1,128,228</u>	<u>1,063,499</u>

At the balance sheet date there were pension contributions outstanding of £16,032 (2013 £48,038)

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

	2014	2013
	£	£
Housing Loans	<u>26,901,818</u>	<u>26,901,818</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	-	-
Between one and two years	-	-
Between two and five years	1,234,381	498,177
In five years or more	25,667,437	26,403,641
	<u>26,901,818</u>	<u>26,901,818</u>
Less: Amount shown in Current Liabilities	-	-
	<u>26,901,818</u>	<u>26,901,818</u>

# OCHIL VIEW HOUSING ASSOCIATION LIMITED

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

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 17. CASH FLOW STATEMENT

<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>	2014 £	2013 £
Operating Surplus	1,232,305	1,561,742
Depreciation	878,969	918,249
Change in stock	-	1,249
Change in Debtors	(65,477)	84,703
Change in Creditors	100,135	(458,089)
Loss on sale of fixed assets	84	(379)
Share Capital Written Off	(1)	(4)
<b>Net Cash Inflow from Operating Activities</b>	<b>2,146,015</b>	<b>2,107,471</b>

<i>Reconciliation of net cash flow to movement in net debt</i>	2014 £	£	2013 £	£
Increase in Cash	1,337,162		664,279	
Movement in net debt during year		1,337,162		664,279
Net debt at 1st April 2013		(22,200,239)		(22,864,518)
Net debt at 31st March 2014		<u>(20,863,077)</u>		<u>(22,200,239)</u>

<i>Analysis of changes in net debt</i>	At 01.04.13 £	Cash Flows £	Other Changes £	At 31.03.14 £
Cash at bank and in hand	4,701,579	1,337,162	-	6,038,741
Debt: Due after more than one year	4,701,579 (26,901,818)	1,337,162 -	- -	6,038,741 (26,901,818)
Net Debt	<u>(22,200,239)</u>	<u>1,337,162</u>	<u>-</u>	<u>(20,863,077)</u>

# OCHIL VIEW HOUSING ASSOCIATION LIMITED

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

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 18. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2013	60
Issued in year	3
Cancelled in year	(1)
At 31st March 2014	<u>62</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

(a) Designated Reserves	Furniture and White Goods £	Total £
At 1st April 2013	110,599	110,599
Transfer (from) Revenue Reserves	(47,392)	(47,392)
At 31st March 2014	<u>63,207</u>	<u>63,207</u>
 (b) Revenue Reserves		
		Total £
At 1st April 2013		4,458,219
Surplus for the year		857,313
Transfer from Designated Reserves		47,392
At 31st March 2014		<u>5,362,924</u>

#### 20. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2014 No.	2013 No.
General Needs - New Build	1,361	1,340
Shared Ownership	26	28
	<u>1,387</u>	<u>1,368</u>

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

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

**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:

- 1 member is a tenant of the Association
- 1 member is a relevant local councillor
- 2 members are employees of a relevant local authority

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**

	2014 £	2013 £
<b>Shared Equity Properties</b>		
Development Cost of Shared Equity Property	1,219,958	1,219,958
Less: Grants Receivable	1,219,958	1,219,958
	<u>                    </u>	<u>                    </u>
	-	-
	<u>                    </u>	<u>                    </u>

# OCHIL VIEW HOUSING ASSOCIATION LIMITED

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

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### **23. RETIREMENT BENEFIT OBLIGATIONS**

##### **General**

Ochil View 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 (DC) Option

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.

Ochil View Housing Association Limited has elected to operate the Final Salary 1/60th scheme and CARE 1/60th for both new entrants and existing members.

The Trustees 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 Ochil View 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 16 active members of the Scheme employed by Ochil View Housing Association Limited. The annual pensionable payroll in respect of these members was £535,824. Ochil View 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.

# OCHIL VIEW HOUSING ASSOCIATION LIMITED

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## 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 30<sup>th</sup> 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	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.

## OCHIL VIEW HOUSING ASSOCIATION LIMITED

### 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:

<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 Trustees must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

The Trustees have recently supplied Ochil View Housing Association Limited with an updated contribution figure to the past service deficit. From 1 April 2014 Ochil View Housing Association Limited will be required to pay £153,530 per annum as a contribution to the past service deficit. This will represent an increase of 63.67% in Ochil View 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.