



**Accounts for the year ended**

**31 March 2013**

**Trust Housing Association Limited is a Registered Scottish Charity No. SC009086**

**Registered by The Scottish Housing Regulator HEP 143**

**Registered under the Industrial and Provident Societies Acts 1965 to 2003 No. 1778R(S)**

# **Trust Housing Association Limited**

*A Registered Scottish Charity*

## **Accounts for the year ended 31 March 2013**

<b>Contents</b>	<b>Page</b>
Board of Management Report	5 - 14
Auditors' Report	15 - 16
Auditors' Statement on Corporate Governance Matters	17
Income and Expenditure Account	18
Balance Sheet	19
Cash Flow Statement	20 - 21
Notes to the Accounts	22 - 40

## Trust Housing Association Limited

A Registered Scottish Charity

### Board of Management and Directors as at 31 March 2013

**Chair:** P Russell FCCA

**Vice-Chair:** H Pearson

#### Board Members:

W R Clarkson MCMI

E Davidson

A Flynn

J C Howie CPFA

B Irvine DPA

A Martin

K Vincent BA (Hons) (*resigned 15 May 2012*)

I R M Crawford MA (Hons) MHSM

L Dunlop MA (Hons) MSc MCIH

A P L Harper LLB (Hons) DipLP WS

D Inskip

P Kinloch AMRSH

J Sillars (*resigned 26 July 2012*)

#### Prospective Board Members from 8 November 2012 :

J R Burke FRICS

J Tod BSc Civil Engineering

K McDonald MA (Hons) MCIPR

W Wilkinson BSc Math Science, MBA (Dist)

#### Isle of Arran Homes Sub Committee Members:

**Chair:** A Martin

**Vice-Chair:** S Alison

T Barr (*resigned May 2012*)

B Cameron

J Hunter (*resigned May 2012*)

E McMaster

J Nichols

J Sillars (*resigned 26 July 2012*)

L Ross MA (Hons) (*resigned 25 October 2012*)

J Bruce (*appointed 27 June 2012*)

L Dunlop MA (Hons) MSc MCIH

J Le Masurier (*appointed 26 July 2012*)

P McNamara (*appointed 27 June 2012*)

P Russell FCCA

#### Directors:

R McDougall FCIH

G Veryan MCIH

D A McIndoe MRICS

J Marshall FMAAT, CPFA

K Nicholson MA (Hons), FCIPD

Chief Executive and Company Secretary

Deputy Chief Executive and Director of Customer Services

Director of Property and Development

Director of Financial Services

Director of Corporate Services

#### Company Secretary:

R McDougall FCIH

## **Trust Housing Association Limited**

A Registered Scottish Charity

### **Auditors:**

Mazars, Chartered Accountants and Registered Auditors, Donaldson House, 97 Haymarket Terrace, Edinburgh, EH12 5HD (External Auditor)

Scott Moncrieff, Chartered Accountants and Registered Auditors, Exchange Place, 3 Semple Street, Edinburgh EH3 8BL (Internal Auditor)

### **Bankers:**

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

Unity Trust Bank, Nine Brindleyplace, Birmingham, B1 2HB

### **Solicitors:**

Maclay Murray & Spens, Quatermile One, 15 Lauriston Place, Edinburgh EH3 9EP

T C Young, 7 West George Street, Glasgow G2 1BA

Registered under the Industrial and Provident Societies Act 1965 No. 1778R(S)

Registered by The Scottish Housing Regulator HEP 143

Trust Housing Association Limited is a Registered Scottish Charity No. SC009086

Registered Office: 12 New Mart Road, Edinburgh EH14 1RL

## **Board of Management Report**

### **1. The Association**

#### **1.1 Background**

Trust Housing Association (originally known as Kirk Care Housing Association) was formed in 1973 out of a desire to provide sheltered housing for older people in Scotland.

The Association is registered with the Financial Services Authority as a non-profit making company, is a registered charity under the Charity and Trustee Investment (Scotland) Act 2005 and is Registered by HM Revenue and Customs as having charitable status.

The Association is registered under Section 3 of the Housing Associations Act 1985 by The Scottish Housing Regulator.

#### **1.2 Charitable Objects**

The Association's mission is *"to provide quality homes and services that promote independent living"*. The future demographic increase forecast for the elderly population is likely to stimulate demands for the increasingly specialist nature of developing and managing housing and related services for older people from those with particular and special skills, expertise and experience.

The forms of provision required to meet today's needs can be grouped broadly into six categories:

- (i) **General Needs Housing** is mainly available on the Isle of Arran. As the name implies, general needs housing is family housing of varying designs and sizes.
- (ii) **Amenity Housing**, for the more active older person, is specially designed or adapted for ease and does not necessarily contain emergency alarm equipment although the Association now makes such provision and links the houses into a centralised alarm system.
- (iii) **Retirement Housing** was created in response to changes in demand and reductions in housing support funding for sheltered services. Staff provide enhanced housing management services for tenants who will continue to receive the benefits associated with sheltered housing, but without housing support.

- (iv) **Sheltered Housing**, for the less active, more dependent and vulnerable older people meets the same basic design requirement as amenity housing but includes a call system and co-ordinator service.
- (v) **Very Sheltered Housing** for frailer older people is designed to barrier free standards, and offers enhanced housing management support and meals provision. Staff cover provided is 24 hours a day, seven days a week.
- (vi) **Housing with Care** provides for the holistic delivery of landlord, housing support and personal care services by an on site staff team. It allows for all tenants to have access to two meals each day. This model is increasingly being supported by local authorities who regard the service as delivering a cost effective alternative to residential care.

The Association's remit also includes providing for those in other areas of need and Trust has completed projects for the elderly deaf and the severely disabled.

### **1.3 Plans for 2013/14**

We continue to face unprecedented financial challenges with the severest economic constraints experienced in a generation. In response to the very real and severe reductions in local authority funding, the Board has determined that in future, the housing support services within each Council area must at least break even financially. Councils will be asked to contract housing support services for three years at a time in order to provide continuity and certainty, at real/true cost funding level. Meetings will be held with each Council, with priority being given to those Councils in whose area we are experiencing the most severe losses.

Where Councils are unable or unwilling to fund services to the required levels, then sheltered services will be changed to retirement housing. Retirement housing will no longer deliver housing support services and will be deregistered with the Care Inspectorate.

As we enter year two of this new approach to housing support funding reductions, we find that the rate of change to Retirement Housing is actually slower than we anticipated. This is largely due to local authorities deciding at the last minute to maintain existing funding levels rather than cut funding, allowing us to maintain our existing service levels. It seems inevitable however the continued reduction in support funding will continue for the foreseeable future.

Below we provide an outline of our responses to the main strategic challenges facing Trust as an organisation. These are our priorities for 2013/14;

- **Defining Quality**

We believe as an organisation we should attempt to lay down a marker now for the future quality of homes and services we provide. We believe that,

should we, for any reason, be unable to achieve that fundamental level of service quality due to financial constraints, we would rather withdraw from delivering that service as it would be preferable to us delivering sub-standard, sub-quality services. The Quality Outcomes Framework being developed will establish just exactly what we mean when we talk about “*Quality Services*”.

- **Redesigning Services**

As stated earlier, we are embarking on a journey which will see us reconfigure services across many of our developments. The move from Sheltered Services to Retirement Housing will not be easily achieved. Residents may perceive a reduction in service and at the same time no obvious advantages in cost. For staff, they may see their terms and conditions diminish as the services provided locally, reduce.

Regrettably however the need for change is vital. We cannot continue to lose money by providing services which are not sufficiently funded, to do so would be merely to ignore the realities all around us. We need to cut our cloth accordingly and ensure we operate within financial parameters where income covers our costs.

- **Asset Management**

Our Asset Management Strategy aims to prioritise our housing stock by helping us determine those properties requiring the greatest resources. The Asset Management Strategy not only classifies the physical condition of the stock, but superimposes the demand side of the equation to provide an overall assessment of the relative popularity of each of our developments. Work that has already been started will continue and intensify to deal head on with issues of demand. This may include:

- Redesign of our existing properties to make these more attractive to our customers.
- Redesign of our services to make these flexible, personalised and sustainable.
- Continuing to review the potential for acquiring additional housing stock through stock transfer where such proposals would offer advantages to Trust in the future.
- Continuing to review the potential for disposal of housing stock where the economic, social and management grounds justified such an approach.

- **Trust Enterprises Limited (TEL)**

In tandem with the move away from our traditional role with Sheltered Housing, we are developing opportunities for Trust Enterprise Limited to help provide additional services to our clients.

As the availability of public funding makes some services increasingly difficult to deliver, it is possible that TEL might be able to provide those services on a rechargeable costs basis. It is our hope that not only can we provide quality services to customers who might otherwise lose familiar local support, but can also offer staff the option of alternative employment where service cuts threaten possible cuts in employment terms and conditions. The key difference between the services provided by TEL and Trust are that those from TEL should be non charitable and generate sufficient profit to cover its' costs.

- **Public Relations and Marketing**

The number of people aged 75 and over is projected to increase by 84% between 2008 and 2033. This huge demographic shift in the population profile will have enormous implications for society in future and the nature of the services we provide. With our experience and expertise, we believe we are well placed to advise and lobby both central and local government on the necessity to adapt and review the range and type of housing support and personal care services provided to people in the future.

As well as lobbying actively for appropriate policies at national level, we will continue to develop our brand identity and aim to promote and enhance the Trust name at all levels. Our aim is to be much more active in this role.

- **Lobbying Health and Social Care**

Central Government has now moved to formally link Health and Social Care Integration centre stage but regrettably has still to formally involve housing in the integration debate.

We believe that the services we provide are uniquely designed to ideally contribute to exactly the type of holistic and comprehensive approach being envisioned and need to work hard to get our message across and inform our Health and Social care colleagues about what exactly is available.

- **Customer Demand and Expectations**

As stated earlier, the demographic projections suggest many more older people will be living longer and be available to access the type of services we provide. But just how sure are we that the services we offer are tailored to the needs and aspirations of older people in future?

We intend doing much more to survey our client group to establish more accurately just what type of accommodation and support older people aspire to for the future.



- **Business Review**

The world is changing like never before and it behoves us to adapt and evolve in response. Traditional working practices are constantly being challenged and amended and the very structure and nature of the housing sector in Scotland is under greater scrutiny than ever before.

The Board of Trust have always considered change to be a constant factor which we should factor in to our business strategy, not reluctantly, but by embracing the opportunities it provides. The Business Strategy review is but another step on the road to future planning and business assessment to ensure we have the most appropriate business model for the 21st century challenges facing us.

#### **1.4 Results**

Trust Housing Association is pleased to report the results for the year ended 31 March 2013. The Association has delivered a strong performance in the year with growth in revenue and with financial stability, in difficult trading conditions, remaining sound, the Income and Expenditure Account shows a surplus for the year of £1,032k.

#### **1.5 Membership**

Membership of the Association is open to all who are interested in the work of Trust Housing Association Limited. Every member, on payment of £1.00 is entitled to one share in the Association. Trust Housing Association Limited has a membership which now stands at 500 members (2012 – 533).

#### **1.6 Relations with our Membership**

All Association members are invited to attend our Annual General Meeting, held in September each year; this is the formal method by which the Chair and Chief Executive, on behalf of the organisation, report to our membership on an annual basis. The meeting is attended by Board Members and the Strategic Management Group representing the Association. Association members are invited to ask questions during the meeting and to meet with Board Members and the Staff over refreshments after the meeting. In addition, Board members will continue their scheduled visits to several different developments each year, seeking their views on the work of Trust and any specific issues and queries they may have.

#### **1.7 Staff**

The key to our success is a high quality and dedicated work force. The Association recognises that staff need to understand and share the objectives of the Association and seeks to foster good relations with our employees via regular communications and consultation. Selection for employment and promotion is based on the objective

assessment of ability and experience. As Scotland's first housing association to be recognised as an Investor in Diversity (IiD) and a long standing Investor in People (IiP) organisation, Trust is committed to delivering the highest level of training and development and for ensuring that our workplaces is free from unlawful discrimination of any sort.

We were assessed in November 2012 against the IiP standard and given a very positive report from our assessor who advised us that Trust exceeded the standard. We are firmly committed to the development of our staff through providing a comprehensive range of training and development opportunities. We delivered over 960 training days during 2012-13 in various subjects. These included Mental Health & Depression in Older People and a six part Management Programme for line managers and supervisors to find out their personal management style and how to interact and improve communication with their staff team, as well as numerous regulatory courses. We embarked on a training programme on our new Complaints Handling Process to coincide with the complaints policy developed by the Scottish Public Services Ombudsmen (SPSO). We continue to progress well with our SVQ qualification programme to meet SSSC Registration requirements. At present we have 63% of staff who have achieved their SVQ award and a further 8% currently studying. We also have several staff undertaking professional qualifications relating to their job roles, these include an MSc in Property Development and a Post Graduate Diploma in Housing Studies. E-Learning continues to be a popular option and we have added Food Hygiene to our current options list.

### **1.8 Equal Opportunities programme – Funding (2012-13)**

The **Equal Opportunities Programme** has been successful in attracting funding to continue the following projects:

**Older People Services Development Project** – has been developed to help and support Black and Minority Ethnic older people gain access to pension benefits and services.

- The project is funded by the **Big Lottery Fund** with restricted grant funding totalling £476,796 agreed until June 2016. The project, which started in July 2011, has received £91,876 in the financial year 2012-13.

**Memories Project** – to capture memories of people who arrived in Scotland in the 1950's and 1960's

- Funded by the **Heritage Lottery Fund** for an amount of £48,700 for two years to complete the project starting from September 2011. We anticipate the remaining fifty per cent of the grant (£24,350) being received in the 2013-14 financial year to complete the project.

## **2 Governance**

### **2.1 Board of Management**

We have had a number of Board Member resignations during the year but have also been fortunate to have new members join the Board. As a result we are currently in the happy position of having a full Board Member compliment, including two tenants of the Association, with 13 full time and 4 prospective members on the Board.

We have very recently completely overhauled our Board Members Information Pack and as part of that process are reviewing our new Board Member Appraisal process carried out by the Chair and Vice Chair of the association.

We are also pleased to have been informed that we have been reclassified from medium risk to low risk by the Scottish Housing Regulator as a result of their engagement with us over the last year. The Board will continue to work closely with the Regulator to ensure we comply with all aspects of the regulatory requirements expected of us.

The Board has overall authority and accountability for the operation of the business. Board meetings are conducted in a way which allows open discussion and enables Board members to challenge and test the strategy, policy and proposals put forward by the Strategic Management Group and staff.

The Board's responsibilities include:

- Responsibility for the overall leadership of Trust
- Approval of the corporate/business strategy, annual budget and plans to achieve the Association's objectives
- Determining policy and the overall direction of the Association
- Approving the Annual Report and Accounts
- Establishing effective systems of governance and internal control and the annual review of their effectiveness
- Authorising material acquisitions, disposals, investments, capital projects and other significant transactions
- Monitoring the Association's overall performance in relation to its strategies, plans, budgets and decisions
- Providing support and guidance to the Chief Executive and through him/her ensure staff deliver procedures and services on the ground which reflect the corporate plan.

The Board met 7 times during the year.

## **2.2 Statement of Responsibilities of the Board of Management**

The Industrial and Provident Societies Acts 1965 to 2003 require the Board of Management to prepare accounts for each financial year which give a true and fair view of the Association's state of affairs and of the surplus or deficit of the Association for that period. In preparing those accounts, the Board of Management are required to:

- (i) Select suitable Accounting Policies and apply them consistently;
- (ii) Make judgements and estimates that are reasonable and prudent;
- (iii) Follow applicable Accounting Standards; and
- (iv) Prepare the accounts on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board of Management are 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 accounts comply with the Industrial and Provident Societies Acts 1965 to 2003, the Housing (Scotland) Act 2010, the Accounting Determination in terms of section 68(1) Housing Act 2010 ("Accounting Determination") and the Statement of Recommended Practice (SORP) 2010. 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.

## **2.3 Related Parties**

During the year there were 2 (2012 – 2) members of the Management Committee (including former members and co-opted members) who were also tenants of the Association. All tenancies are on normal secure tenancy terms and their position as a committee member cannot be used to their advantage.

During the year North Ayrshire Council continued to be ably represented by Councillors John Bruce and Peter McNamara, who sat on the Isle of Arran Sub Committee and made a valuable contribution to the work of the Sub Committee. Once again, all transactions with North Ayrshire Council are made on normal terms, and the Council representatives are unable to use their position to any advantage.

## **3. Statement of Internal Financial Controls**

The Board of Management acknowledge their ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate to the various business environments in which it operates.

## **Trust Housing Association Limited**

*A Registered Scottish Charity*

The systems of internal financial controls are designed to manage risks that may impede the achievement of the business objectives rather than to eliminate those risks entirely. The systems of internal financial control therefore provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board of Management has established the following key procedures to provide effective internal financial control.

- (i) A comprehensive budget is prepared annually and is approved by the Board.
- (ii) The Strategy Sub-Committee meet regularly to review actual results and investigate any significant variance from the Association's budget.
- (iii) A Corporate Strategy that forecasts 5 years ahead is updated annually, and is approved by the Board.
- (iv) Written standing orders including details of any delegated authority and a Financial Control Framework.
- (v) The Association's external auditors have attended all meetings of the Audit Committee, as well as attending the AGM.
- (vi) The Audit Committee reviews the system of internal controls and reports to the Board thereon. It receives reports from the internal and external auditors and Senior Management Team which assess the efficiency of internal control and make recommendations for any improvements. The Convenor of the Audit Committee reports the outcome of committee meetings to the Board and provides minutes of the meetings.

Internal Audit Services have been provided to Trust by Scott Moncreiff, Chartered Accountants and Registered Auditors during 2012/13. During the year Scott Moncreiff reviewed the following key areas of the Association's work; Core Financial Systems Health-Check (Budget setting and Monitoring, Expenditure and Creditor payments, Income and Debtors), Risk Assurance, Risk Management Arrangements, IT Strategy and Component Accounting review. A number of recommendations have been accepted and if not already done so, will be implemented during 2013/14. We are pleased to report that the audits highlighted no major weaknesses in controls.

The Board of Management has reviewed the effectiveness of the system of internal financial controls for the year ended 31 March 2013, and are satisfied that the existing controls and the resources in place to improve these controls are sufficient to safeguard the assets and prevent material loss. If weaknesses are found in the system of internal financial control, appropriate action is put in place.

#### **4. Going Concern**

After making enquiries, the Strategic Management Group have a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.


#### **5. Auditors and audit information**

Each person who is a Board Member at the date of approval of this report confirms that:

- so far as the Board Member is aware, there is no relevant audit information of which the Association's auditor are unaware; and
- each Board Member has taken all the steps that he ought to have taken as a Board Member to make himself aware of any relevant audit information and to establish that the Association's auditors are aware of that information.

The External Auditors Mazars LLP wish to offer themselves for re-election, resolutions concerning their re-appointment will be placed before the Annual General Meeting.

**By order of the Board of Management**

  
**P Russell**  
**Chair**

**25 July 2013**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRUST HOUSING ASSOCIATION LIMITED**

We have audited the financial statements of Trust Housing Association Limited for the year ended 31 March 2013 which comprise the Income and Expenditure Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement and the 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).

### **Respective responsibilities of the board and the auditor**

As explained more fully in the Statement of the Responsibilities of the Board of Management set out on page 12, the Board is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body for our audit work, for this report, or for the opinions we have formed.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements;

- give a true and fair view of the state of the Association's affairs as at 31 March 2013 and of its income and expenditure 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 2003, the Housing (Scotland) Act 2010, the Accounting Determination in terms of section 68(1) Housing Act 2010 ("Accounting Determination") and the Charities and Trustee Investment (Scotland) Act 2005.

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

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts, 1965 to 2003 require us to report to you if, in our opinion;

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

Mazars LLP

**Mazars LLP**

Chartered Accountants  
Statutory Auditor  
Donaldson House  
97 Haymarket Terrace  
Edinburgh  
EH12 5HD

Date 25 July 2013



## **Independent Auditors' Report to the Members of Trust Housing Association Limited on Corporate Governance Matters**

In addition to our audit of the financial statements, we have reviewed the Board's statement on internal controls set out on pages 12 and 13. The object of our review is to draw attention to any non-compliance with reference to the SFHA "Raising Standards".

We carried out our review in accordance with guidance issued by the Auditing Practices Board. The guidance does not require us to perform the additional work necessary to, and we do not express any opinion on the effectiveness of either the Association's system of internal financial control or its corporate governance procedures.

With respect to the Board's statements on internal control on pages 12 and 13, in our opinion the Board has provided the disclosures required under the SFHA "Raising Standards" referred to above and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain Board members and officers of the Association and examination of relevant documents, in our opinion the Board's statement on pages 12 and 13 appropriately reflects the Association's compliance with the SFHA "Raising Standards" specified for our review.

*Mazars LLP*

**Mazars LLP**  
Chartered Accountants  
Statutory Auditors  
Donaldson House  
97 Haymarket Terrace  
Edinburgh  
EH12 5HD

Date *25 July 2013*

# Trust Housing Association Limited

A Registered Scottish Charity

## Income and Expenditure Account for the year ended 31 March 2013

		2013	2012
	Notes	£'000	£'000
Turnover	2	18,471	17,537
Less: operating costs		(16,830)	(15,853)
<b>Operating surplus</b>	7	<b>1,641</b>	<b>1,684</b>
Profit on sale of fixed assets		82	19
Interest receivable and other income		25	12
Interest payable and other charges	8	(716)	(423)
<b>Surplus for the year</b>		<b>1,032</b>	<b>1,292</b>

All operations are continuing

## Statement of Total Recognised Gains and Losses for the year ended 31 March 2013

	2013	2012
	£'000	£'000
Surplus for the year	1,032	1,292
Prior year adjustment	-	701
<b>Total recognised gains and losses</b>	<b>1,032</b>	<b>1,993</b>

The notes on pages 22 to 40 form part of these Financial Statements.

**Balance Sheet**  
**as at 31 March 2013**

	Notes	2013		2012	
		£'000	£'000	£'000	£'000
<b>Tangible fixed assets</b>					
Housing properties	9		126,572		118,338
Less: HAG	9		(98,308)		(95,898)
Less: Other public grants	9		(5,870)		(5,905)
			<u>22,394</u>		<u>16,535</u>
Other	9		3,384		3,376
<i>Total fixed assets</i>			<u>25,778</u>		<u>19,911</u>
<b>Current assets</b>					
Debtors	10	1,035		744	
Cash at bank and in hand		2,423		3,178	
		<u>3,458</u>		<u>3,922</u>	
<b>Creditors: amounts falling due within one year</b>					
	11	7,555		4,479	
<b>Net current liabilities</b>			<u>(4,097)</u>		<u>(557)</u>
<i>Total assets less current liabilities</i>			<u>21,681</u>		<u>19,354</u>
<b>Creditors: amounts falling due after more than one year</b>					
	12		(14,110)		(12,815)
<b>Net assets</b>			<u>7,571</u>		<u>6,539</u>
<b>Capital and reserves</b>					
Share capital	14		1		1
Restricted reserves	15		104		107
Revenue Reserve	16		7,466		6,431
Balance as at 31 March 2013			<u>7,571</u>		<u>6,539</u>

The Financial Statements were approved and authorised for issue by the Board of Management on 25<sup>th</sup> July 2013 and were signed on its behalf:



**P Russell, Chair**  
25 July 2013



**R McDougall, Secretary**

The notes on pages 22 to 40 form part of these Financial Statements.

# Trust Housing Association Limited

A Registered Scottish Charity

## Cash Flow Statement for the year ended 31 March 2013

		2013		2012	
	Notes	£'000	£'000	£'000	£'000
<b>Reconciliation of operating surplus to net cash inflow from operating activities</b>					
Operating surplus		1,641			1,684
Depreciation charges		1,065			1,370
Provision for Bad Debts		16			-
Service and Heating Equalisation Accounts		1,053			958
(Increase)/Decrease in debtors		(291)			88
Increase in creditors		2,893			705
<b>Net cash inflow from operating activities</b>			<b>6,377</b>		<b>4,805</b>
<b>Returns on investments and Servicing of finance</b>					
Capital expenditure	(i)		(691)		(411)
Financing	(i)		(7,919)		(4,219)
			(2,233)		(175)
<b>(Decrease)/Increase in cash</b>			<b>1,478</b>		<b>679</b>
			(755)		854
<i>(Cash is defined as cash in hand and deposits repayable on demand)</i>					
<b>Reconciliation of net cash flow to Movement in net debt</b>					
<b>(Decrease)/Increase in cash in the period</b>	(ii)		(755)		854
Cash to repay housing loans		868		821	
Cash acquired as housing loan		(2,346)	(1,478)	(1,500)	(679)
<b>Change in net debt</b>			<b>(2,233)</b>		<b>175</b>
<b>Net debt at 1 April 2012</b>			<b>(10,458)</b>		<b>(10,633)</b>
<b>Net debt at 31 March 2013</b>			<b>(12,691)</b>		<b>(10,458)</b>

# Trust Housing Association Limited

A Registered Scottish Charity

## Notes to the Cash Flow Statement for the year ended 31 March 2013

(i)	Gross cash flows	2013		2012	
		£'000	£'000	£'000	£'000
	<b>Returns on investments and servicing of finance</b>				
	Interest received	25		14	
	Interest paid	(716)		(423)	
			<u>(691)</u>		<u>(411)</u>
	<b>Capital expenditure</b>				
	Payments to acquire tangible fixed assets	(8,093)		(4,292)	
	Receipt of HAG and other grants	51		24	
	Receipts from sales of shared ownership properties	59		46	
	Receipts from sale of right to buy	64		-	
	Receipts from sales of other fixed assets	-		4	
			<u>(7,919)</u>		<u>(4,219)</u>
	<b>Financing</b>				
	Loans acquired	2,346		1,500	
	Loans repaid	(868)		(821)	
			<u>1,478</u>		<u>679</u>
(ii)	<b>Analysis of changes in net debt</b>				
		<b>At</b>		<b>At</b>	
		<b>1 April</b>	<b>Cash</b>	<b>Other</b>	<b>31 March</b>
		<b>2012</b>	<b>Flows</b>	<b>Changes</b>	<b>2013</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	Bank and short term deposits	3,178	(754)	-	2,423
	Debt due within 1 year	(821)	(183)	-	(1,004)
	Debt due after 1 year	(12,815)	(1,295)	-	(14,110)
	<b>Total</b>	<u>(10,458)</u>	<u>(2,233)</u>	<u>-</u>	<u>(12,691)</u>

# Trust Housing Association Limited

A Registered Scottish Charity

## Notes to the Accounts

### 1. Accounting Policies

#### 1.1 Basis of Accounting

The accounts have been prepared under the historical cost convention in accordance with applicable accounting standards and with the Accounting Determination in terms of 68(a) Housing Act 2010 ("Accounting Determination") and with the Statement of Recommended Practice 2010: Accounting by Registered Social Housing Providers.

#### 1.2 Turnover

Turnover represents rental and service charge income receivable from tenants and owner occupiers, fees and revenue based grants receivable from local authorities and the Scottish Government's Housing and Investment Division.

#### 1.3 Housing Properties

Housing properties are stated at cost, are split by component category and include the cost of acquiring the land, site clearance costs and construction. In addition to this the costs also include replacement components and medical adaptations.

#### 1.4 Housing Association Grant

For developments under the 1988 Housing Act, Housing Association Grant is paid directly to the Association as required to meet liabilities during the development process. Housing Association Grant is repayable under certain circumstances, primarily following the sale of property, but will normally be restricted to net proceeds of sale.

When a component is replaced the grant associated with a component is written off. This becomes a contingent liability where the grant is repayable.

#### 1.5 Depreciation

##### (i) Housing Properties

Depreciation is charged on the original cost of properties (after deducting land costs, Housing Association Grant and other grants) on a straight line basis over the expected useful life of the property.

Housing properties held for letting;

Structure	50 years
Kitchens	20 years
Central heating systems	20 to 30 years
Roofs	50 years
Windows	30 years
Lifts	30 years

## **Notes to the Accounts (continued)**

Electrics	30 years
Doors	30 years
Common facilities	15 to 30 years
Bathrooms	30 years
External fabric	35 years
Shared Ownership	50 years

Periodic reviews are undertaken to confirm that no financial impairment has arisen to reduce the value of any class of property to an amount less than the carrying value in the accounts.

### **(ii) Other Fixed Assets**

Other Fixed Assets include office properties, office equipment, furniture and computer hardware and software. Depreciation is charged from the date of purchase to the date of disposal.

Office properties	50 years
Office equipment	5 years
Computer hardware & software	5 years
Motor vehicles	4 years
Furniture & equipment	10 years

These Other Fixed Assets are depreciated on a straight line basis over the expected useful life of the asset.

### **1.6 Contribution to Pension**

The Association participates in a multi-employer defined benefit pension scheme. Pension costs are recognised on a systematic basis so that the costs of providing retirement benefits to employees are evenly matched, so far as possible, to the service lives of the employees concerned.

Actuarial valuations are carried out on a triennial basis, any surplus or deficiency in valuation which may arise from time to time is corrected by adjusting the rate of contributions over the average remaining service lives of current employees.

Trust Housing Association will be transferring from the current defined benefit pension scheme to a defined contribution scheme with effect from 1<sup>st</sup> July 2013.

### **1.7 Restricted Reserves**

The Restricted Reserve has been created mainly from charitable donations and bequests and is used for development specific projects.

### **1.8 Service Charge and Heating Charge Equalisation Accounts**

**Notes to the Accounts (continued)**

Charges for landlord services and heating are charged to tenants at a level that is expected to recover expenditure on services for the year. Any over or under charges which are carried forward in these equalisation accounts are taken into account when the landlord service and heating charge is calculated for the following year.

**1.9 Interest Payable**

All interest payable in the year in connection with the development, construction or acquisition of housing properties is charged to the income and expenditure account in the period in which it falls due for payment. The basis of the interest payable is the Schedule of Interest Charges agreed with the financing institution during the establishment of the loans.

**1.10 Shared Ownership Properties**

All properties are split between fixed and current assets in line with the expectation relating to the first tranche sale percentage. The expected first tranche proportion is classified as a current asset until the point of the first tranche sale. The current asset is then transferred to cost of sales and matched against sales proceeds within the operating surplus in the Income and Expenditure Account. Any operating surplus is restricted to the overall surplus which takes account of the Existing Use Value – Social Housing (EUV-SH) of the remaining fixed asset element.

The remaining element of the asset is classified as a fixed asset and included in housing properties at cost less any provision for depreciation or impairment.

**1.11 Contingent Liability**

Where grant is allocated to components that are then replaced, the grant will be written off and a contingent liability created to recognise the potential repayment of the grant, where the grant may be repayable.

**2. Particulars of turnover, operating costs and operating surplus or deficit**

	Turnover	Operating Costs	Operating Surplus or Deficit	Operating surplus or Deficit for Previous Period of Account Restated
	£'000	£'000	£'000	£'000
Social letting	<b>15,866</b>	<b>14,180</b>	<b>1,686</b>	1,856
Other activities	<b>2,605</b>	<b>2,650</b>	<b>(45)</b>	(167)
<b>Total</b>	<b>18,471</b>	<b>16,830</b>	<b>1,641</b>	1,690



# Trust Housing Association Limited

A Registered Scottish Charity

## Notes to the Accounts (continued)

### 3. Lettings and Other Related Information

Particulars of turnover, operating costs and surplus before taxation.

	Grants from Scottish Ministers £'000	Other revenue grants £'000	Supporting People income £'000	Other income £'000	Total Turnover £'000	Operating costs – bad debts £'000	Other operating costs £'000	Operating surplus or deficit £'000	Operating surplus or deficit for previous period of account £'000
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	-	-	-	-	-	-	-	-	-
Care and repair of property	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	-	-	-	-	-	-
Development and construction of property activities	-	-	-	-	-	-	-	-	-
Support activities	-	-	2,369	-	2,369	-	2,381	(12)	62
Care activities	-	-	-	-	-	-	-	-	-
Agency/management services for registered social landlords	-	-	-	-	-	-	-	-	-
Other agency/management services	-	-	-	-	-	-	-	-	-

# Trust Housing Association Limited

A Registered Scottish Charity

## Notes to the Accounts (continued)

	Grants from Scottish Ministers £'000	Other revenue grants £'000	Supporting People income £'000	Other income £'000	Total Turnover £'000	Operating costs – bad debts £'000	Other operating costs £'000	Operating surplus or deficit £'000	Operating surplus or deficit for previous period of account £'000
Development for sale to registered social landlords	-	-	-	-	-	-	-	-	-
Developments and improvements for sale to non registered social landlords	-	-	-	-	-	-	-	-	-
<b>Other activities</b>									
Other activities : Equal Opportunities	-	193	-	-	193	-	209	(16)	(237)
Other activities : Overhead charges on housing support and floating support	-	-	-	-	-	-	-	-	-
Other activities : Recoverable VAT	-	-	-	-	-	-	(9)	9	20
Other activities : Arran Care and Repair	-	41	-	-	41	-	69	(28)	(24)
Other activities : Donations	-	-	-	2	2	-	-	2	12
<b>Total from other activities</b>	-	<b>234</b>	<b>2,369</b>	<b>2</b>	<b>2,605</b>	-	<b>2,650</b>	<b>(45)</b>	<b>(168)</b>
<b>Total from other activities for the previous period of account</b>	-	<b>191</b>	<b>2,536</b>	<b>12</b>	<b>2,739</b>	-	<b>2,907</b>	<b>(168)</b>	

**Notes to the Accounts (*continued*)**

**4. Income from Lettings**

	General Needs Housing £'000	Supported Housing Accommodation £'000	Shared Ownership £'000	2013 Total £'000	2012 Total £'000
Rent receivable net of identifiable Services charges	995	7,121	84	<b>8,200</b>	7,516
Service charges receivable (eligible for housing benefit)	32	4,883	1	<b>4,916</b>	4,624
Service charges receivable (not eligible for housing benefit)	12	3,169	-	<b>3,181</b>	2,910
	<b>1,039</b>	<b>15,173</b>	<b>85</b>	<b>16,297</b>	15,050
<b>Gross rents receivable</b>					
Less: Rent losses from voids	(14)	(523)	-	<b>(537)</b>	(360)
<b>Net rents receivable</b>	<b>1,025</b>	<b>14,650</b>	<b>85</b>	<b>15,760</b>	14,690
Revenue grants from local authorities & other agencies	-	106	-	<b>106</b>	107
<b>Total turnover from social letting activities</b>	<b>1,025</b>	<b>14,756</b>	<b>85</b>	<b>15,866</b>	14,797
<b>Expenditure on letting activities</b>					
Service costs	21	6,726	1	<b>6,748</b>	6,128
Planned and cyclical maintenance including major repairs costs	42	391	4	<b>437</b>	422
Management	154	4,096	4	<b>4,254</b>	4,259
Reactive maintenance	96	1,363	14	<b>1,473</b>	1,366
Bad debts – rents and service charges	-	-	-	-	-
Depreciation of social housing	67	563	14	<b>644</b>	808
Impairment of social housing	-	-	-	-	-
Major repairs expenditure	-	302	-	<b>302</b>	(316)
Stock condition surveys	-	37	-	<b>37</b>	5
Miscellaneous costs	-	285	-	<b>285</b>	275
<b>Operating costs for social letting activities</b>	<b>380</b>	<b>13,763</b>	<b>37</b>	<b>14,180</b>	12,946
<b>Operating surplus for social lettings</b>	<b>645</b>	<b>993</b>	<b>48</b>	<b>1,686</b>	1,851

**Notes to the Accounts (*continued*)**

**5. Officers' Emoluments**

	2013 £'000	2012 £'000
Aggregate emoluments payable to Officers (excluding pension contributions and benefits in kind).		
Total emoluments (including pension contributions and benefits in kind)	442	437
Payments as compensation for loss of office	-	-
	442	437

	2013 £'000	2012 £'000
Emoluments (excluding pension contribution) of the Chief Executive Officer amounted to:	77	76
Pension Contributions of the highest paid Officer amounted to:	3	5

	No. of Officers	No. of Officers
The number of Officers, including the highest paid Officer, who received emoluments (excluding pension contributions) in the following ranges were:		
£60,001 to £70,000	2	2
£70,001 to £80,000	1	1

The Officers are ordinary members of the pension scheme described in Note 22. No enhanced or special terms apply to membership and they have no other pension arrangements to which the Association contributes. The Association's pension contributions for the Officers in the year amounted to £24,249 (2012 £24,745).

No emoluments were paid to the Board of Management during the year.

	£'000	£'000
Total expenses reimbursed to the Board of Management in so far as not chargeable to United Kingdom income tax.	4	5
	4	5

# Trust Housing Association Limited

A Registered Scottish Charity

## Notes to the Accounts (continued)

### 6. Employee Information

The average number of full-time equivalent persons employed during the year was:

	2013 Number of staff	2012 Number of staff
Office staff	83	81
Development based staff	216	200
	<u>299</u>	<u>281</u>

The average number of staff employed during the year was:

	Number of staff	Number of staff
Office staff	93	90
Development based staff	405	324
	<u>498</u>	<u>414</u>

	£'000	£'000
Staff costs (including directors emoluments):		
Wages and salaries	7,590	7,590
Social Security costs	460	450
Pension costs	573	564
	<u>8,623</u>	<u>8,604</u>

### 7. Operating Surplus

	£'000	£'000
Operating surplus is stated after charging:		
Depreciation	1,065	1,370
Impairment	-	-
Repairs: cyclical, planned and day to day	2,201	1,467
Auditors' remuneration – audit services	29	18
Auditors' remuneration – non-audit services	-	-
	<u>-</u>	<u>-</u>

### 8. Interest Payable and Other Charges

	£'000	£'000
On loans payable wholly or partly in more than 5 years:		
Amounts payable to Banks and Building Societies	<u>662</u>	<u>423</u>

**Trust Housing Association Limited**  
A Registered Scottish Charity

**Notes to the Accounts (continued)**

**9. Tangible Fixed Assets**

	Housing Properties held for letting £'000	Shared Ownership Housing Properties £'000	Housing properties in the course of construction £'000	Total Housing Properties £'000	2013 Total £'000	2012 Total £'000
<b>Cost</b>						
At beginning of year	124,749	478	3,671	<b>128,898</b>	<b>128,898</b>	126,024
Additions	-	-	1,594	<b>1,594</b>	<b>1,594</b>	1,848
Additions: New Properties	4,263	-	-	<b>4,263</b>	<b>4,263</b>	669
Additions: Existing Properties	-	-	-	-	-	308
Additions: Components	3,767	-	-	<b>3,767</b>	<b>3,767</b>	1,558
Additions: Adaptations	-	-	-	-	-	526
Disposals during year	(543)	(37)	-	<b>(580)</b>	<b>(580)</b>	(532)
Transfers	-	(29)	(355)	<b>(384)</b>	<b>(384)</b>	(1,503)
At end of year	<u>132,236</u>	<u>412</u>	<u>4,910</u>	<u><b>137,558</b></u>	<u><b>137,558</b></u>	<u>128,898</u>
<b>Depreciation</b>						
At beginning of year	10,550	10	-	<b>10,560</b>	<b>10,560</b>	10,146
Charge for year	765	1	-	<b>766</b>	<b>766</b>	835
Transfers	1	(1)	-	-	-	-
Disposals during year	(338)	(2)	-	<b>(340)</b>	<b>(340)</b>	(421)
At end of year	<u>10,978</u>	<u>8</u>	<u>-</u>	<u><b>10,986</b></u>	<u><b>10,986</b></u>	<u>10,560</u>
<b>Net Book Value</b>						
At beginning of year	114,199	468	3,671	<b>118,338</b>	<b>118,338</b>	115,876
At end of year	<u>121,258</u>	<u>404</u>	<u>4,910</u>	<u><b>126,572</b></u>	<u><b>126,572</b></u>	<u>118,338</u>
Housing Association and other grants						
At beginning of year	97,675	442	3,686	<b>101,803</b>	<b>101,803</b>	101,349
Additions during year	2,595	-	7	<b>2,602</b>	<b>2,602</b>	558
Disposals during year	(128)	(23)	-	<b>(151)</b>	<b>(151)</b>	(104)
Transfers	(43)	(33)	-	<b>(76)</b>	<b>(76)</b>	-
At end of year	<u>100,099</u>	<u>386</u>	<u>3,693</u>	<u><b>104,178</b></u>	<u><b>104,178</b></u>	<u>101,803</u>

**Trust Housing Association Limited**  
A Registered Scottish Charity

**Notes to the Accounts (continued)**

	Office Properties £'000	Motor Vehicles £'000	Office Equipment £'000	Development Furniture £'000	Total Other Assets £'000	2013 Total £'000	2012 Total £'000
<b>Cost</b>							
At beginning of year	3,955	63	1,685	566	6,269	6,269	5,836
Additions during year	-	-	124	184	308	308	445
Disposals during year	-	-	-	-	-	-	(12)
Transfers	-	-	-	-	-	-	-
At end of year	3,955	63	1,809	750	6,577	6,577	6,269
<b>Depreciation</b>							
At beginning of year	1,489	60	1,284	60	2,893	2,893	2,369
Charge for year	56	3	183	58	300	300	536
Disposals during year	-	-	-	-	-	-	(12)
At end of year	1,545	63	1,467	118	3,193	3,193	2,893
<b>Net Book Value</b>							
At beginning of year	2,466	3	401	506	3,376	3,376	3,467
At end of year	2,410	0	342	632	3,384	3,384	3,376

Development allowances received in the year amounted to £47,181 (2012: £76,193).

# Trust Housing Association Limited

A Registered Scottish Charity

## Notes to the Accounts (*continued*)

### 10. Debtors

	2013 £'000	2012 £'000
Amounts falling due within one year:		
Rental debtors	464	246
Other debtors	435	358
Heating equalisation a/c	-	-
Prepayments and accrued income	136	140
	<u>1,035</u>	<u>744</u>

### 11. Creditors due within one year

	2013 £'000	2012 £'000
Rent in advance	111	166
Housing loans	1,004	821
Other taxation and social security	165	140
Creditors and accruals	3,754	1,885
Service Equalisation Account	2,521	1,467
	<u>7,555</u>	<u>4,479</u>

### 12. Creditors due after more than one year

	2013 £'000	2012 £'000
Housing loans	<u>14,110</u>	<u>12,815</u>

#### Housing loans:

	2013 £'000	2012 £'000
In one year or less	1,004	821
Between one and two years	1,004	821
Between two and five years	3,012	2,946
In five years or more	10,094	9,048
	<u>15,114</u>	<u>13,636</u>

Housing loans are secured by legal charges against certain housing properties.

Our loan debt at 31 March 2013 comprised:

- Loans from Dunfermline Building Society (now part of Nationwide) with a balance of £6.2m, with repayments concluding from 2019 to 2035. This is now all at fixed interest rates for the duration of the loans.
- Loans from The Royal Bank of Scotland, with a total balance of £5.1m, with repayments concluding from 2019 to 2031, all now at fixed rates for the duration of the loans.
- A loan with Unity Trust Bank of £3.8m which is at a variable interest rate.



**Notes to the Accounts (continued)**

**13. Rent Arrears and Rent**

	2013	2012
Rent arrears	<b>£529,312</b>	£289,885
Average monthly rent	<b>£270</b>	£251
Average rental increase	<b>8.0%</b>	3.5%

**14. Called Up Share Capital**

	£	£
Shares of £1 each issued and fully paid:		
At beginning of year	<b>999</b>	975
Movement during year	<b>45</b>	24
At end of year	<b><u>1,044</u></b>	<u>999</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.

**15. Restricted Reserves**

	£,000
Reserves as at 1 April 2012	107
Transfer to revenue reserve	(3)
Closing balance as at 31 March 2013	<b><u>104</u></b>

**16. Reconciliation of Movement in Accumulated Surplus**

	£,000	£,000
Revenue reserve as at 1 April 2012		6,431
Surplus	1,032	
Transfer from restricted reserves	<u>3</u>	
		1,035
Revenue reserve carried forward		<b><u>7,466</u></b>

**Notes to the Accounts (*continued*)**

**17. Units in Management**

	2013	2012
	No. of Units	No. of Units
Housing accommodation	351	347
Supported accommodation	2,201	2,142
Shared ownership	10	12
Total number of units	<u>2,562</u>	<u>2,501</u>

**18. Accommodation Managed by Others**

Name of Managing Body	2013	2012
Leonard Cheshire Foundation	16	16
Glasgow (Pollock) Bield	15	15
Stirling (awaiting conversion – not let)	12	12
Total number of units	<u>43</u>	<u>43</u>

**19. Investments in Subsidiary**

Trust Housing Association Limited has set up a wholly-owned trading subsidiary named Trust Enterprises Limited; the subsidiary will be used to separate our core charitable activities from those likely to generate commercial trading income and incur related expenditure. Any surpluses generated through the subsidiary will be gift-aided back to Trust Housing Association Limited.

On 13 June 2008, Trust Housing Association Limited purchased 1 Ordinary Share of £1 at par.

The subsidiary has not been consolidated in these results. In accordance with section 13 of the Friendly and Industrial and Provident Societies Act 1968 the consent of the regulator has been obtained on the basis that it would be of no real value to members of the society in view of the insignificant amounts involved.

The revenue of the subsidiary was £86,070, operating costs were £125,605 gross assets are £84,379 and the net assets are (£39,535). A related party transaction exists in the form of an intercompany loan. The value outstanding at 31<sup>st</sup> March 2013 is £25k (2012 £25k).

Accounts in compliance with the Companies Act 2006 will be prepared and submitted to Companies House.

**20. Capital and Other Commitments**

	£'000	£'000
Capital Expenditure that has been contracted for but has not been provided for in the accounts	<u>8,180</u>	<u>1,489</u>

## **Notes to the Accounts (*continued*)**

### **21. Pensions – SHAPS**

Trust participates in the Scottish Housing Associations' Pension Scheme.

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

The Scheme now offers five benefit structures to employers, namely:

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

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

Trust has elected to operate the career average revalued earnings with 1/80<sup>th</sup> accrual rate (from 1 April 2011) benefit option for active members as at 31<sup>st</sup> March 2013.

During the accounting period Trust paid contributions at the rate of 17% of pensionable salaries. Member contributions were 6.6%.

As at the balance sheet date there were 126 active members of the Scheme employed by Trust. Trust 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 employer 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.

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 last formal valuation of the Scheme was performed as at 30 September 2009 by a professionally qualified Actuary using the Projected Unit Credit method. The

**Notes to the Accounts (*continued*)**

market value of the Scheme's assets at the valuation date was £295 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £160 million (equivalent to a past service funding level of 64.8%).

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2011. 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 £341 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £207 million, equivalent to a past service funding level of 62.2%.

**22. Pensions - Financial Assumptions**

The key valuation assumptions used to determine the assets and liabilities of the Scheme are:

	<b>% pa</b>
- Investment return pre retirement	7.4
- Investment return post retirement - Non-pensioners	4.6
- Investment return post retirement – Pensioners	4.8
- Rate of salary increases	4.5

**Rate of pension increases**

pension accrued pre 6 April 2005	2.9
pension accrued from 6 April 2005	2.2
(for leavers before 1 October 1993 pension increases are 5.0%)	
Rate of price inflation	3.0

<b>Mortality Tables</b>	
Non- pensioners	SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement.
Pensioners	SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement.

**Notes to the Accounts (continued)****Contribution rates for Future Service (payable from 1 April 2011)**

Final salary 60ths	19.2
Career average 1/60ths	17.1
Career average 1/70ths	14.9
Career average 1/80ths	13.2
Career average 1/120ths	9.4
Additional rate for deficit contributions*	10.4

(\*Expressed in nominal pound terms (for each employer) increasing each 1 April in line with the rate of salary increases assumption. Earnings as at 30 September 2009 are used as the reference point for calculating the additional contributions.)

**23. Pensions – Growth Plan**

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

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

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

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

The rules of the Plan give the Trustee the power to require employers to pay additional contributions in order to ensure that the statutory funding objective under

**Notes to the Accounts (*continued*)**

the Pensions Act 2004 is met. The statutory funding objective is that a pension scheme should have sufficient assets to meet its past service liabilities, known as Technical Provisions.

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

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

Trust paid contributions at the rate of 17% during the accounting period. Members paid contributions at the rate of 6.6% during the accounting period.

As at the balance sheet date there were 126 active members of the Plan employed by Trust. Trust continues to offer membership of the Plan to its employees.

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

The valuation results at 30 September 2008 were completed in 2009 and have been formalised. The valuation of the Plan was performed by a professionally qualified actuary using the Projected Unit Method. The market value of the Plan's assets at the valuation date was £742 million and the Plan's Technical Provisions (i.e. past service liabilities) were £771 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £29 million, equivalent to a funding level of 96%.

The financial assumptions underlying the valuation as at 30 September 2008 were as follows:

	%
	per annum
- Rate of return pre retirement	7.6
- Rate of return post retirement	
Actives/Deferred	5.1
Pensioners	5.6
- Bonuses on accrued benefits	0.0
- Rate of price inflation	3.2

## **Notes to the Accounts (*continued*)**

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

The preliminary triennial valuation results as at 30 September 2011 were received in March 2012 but, as the valuation will not be finalised until later this year, this disclosure note must still refer to the 2008 valuation results as the last completed valuation.

The Scheme Actuary's preliminary results for 30 September 2011 show that the Plan's assets at that date were £780 million and the Plan's Technical Provisions (i.e. past service liabilities) were £928 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £148 million, equivalent to a funding level of 84%.

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

The Pensions Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and / or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Plan (which would effectively amend the terms of the recovery plan). A copy of the recovery plan in respect of the September 2008 valuation was forwarded to the Pensions Regulator on 18 December 2009, as is required by legislation.

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

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

The leaving employer's share of the buy-out debt is the proportion of the Plan's liability attributable to employment with the leaving employer compared to the total

## **Notes to the Accounts (*continued*)**

amount of the Plan'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 Plan liabilities, Plan investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

### **24. Contingent Liabilities**

Trust has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the SFHA Pension Scheme based on the financial position of the Scheme as at 30 September 2012. As of this date the estimated employer debt for Trust was £22.52m for the main scheme and £0.082m for the Growth Plan. At this time the intention is to leave the Growth Plan scheme with effect from 30<sup>th</sup> June 2013.

The contingent liability from component replacements is £304,130 as at 31<sup>st</sup> March 2012. The liability as at 31<sup>st</sup> March 2012 is £186,914.

### **25. Post Balance Sheet Events**

The SHAPS pension committee has confirmed its proposed recovery plan for the scheme. The impact of this for Trust HA is a requirement to pay a deficit contribution of £893,000 per annum, from 1<sup>st</sup> April 2014, rising by 3% per annum. This represents an increase of £498,000 pa on the payments due in 2013/14 under the previous recovery plan. Trust's Board approved a revised 5 year financial plan that incorporates this ongoing payment at their meeting on 25<sup>th</sup> July 2013..





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