

Ochil View Housing Association Limited

Report and Financial Statements

For the year ended 31st March 2015

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

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

MANAGEMENT COMMITTEE

Ewen Cameron	Chairperson
Margaret Baxter	Vice Chairperson
Bob Dunbar	Treasurer
Anna Forbes	Resigned 29/01/15
Tom Brown	
Duncan Stirling	Resigned 28/08/14
Teresa McNally	
Cllr Les Sharp	Resigned 28/08/14
Lindsay Stother	
Andrew Grinly	
Andrew Campbell	
Lynne Brierley	Joined 29/05/14
Bramley Eccles	Joined 26/03/15
Margaret McNeil	Joined 29/05/14
Patrick Muldoon	Joined 29/05/14
John Stewart	Joined 21/08/14 Resigned 25/09/14

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

Russel + Aitken
19 Mar Street
Alloa
FK10 1HR

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

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

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

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

Legal Status

The Association is a registered non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014 No.2310R(S). The Association is governed under its Rule Book. The Association is a registered Scottish Charity with the charity number SC033130.

Principal Activities

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 Developments

Corporate Performance

The Association continues to achieve a high level of performance against the targets and indicators established for the year with achievement levels at 71%. The Association also introduced a mechanism whereby it can measure compliance with its strategic objectives and the year-end evaluation of these showed the following:

High Compliance

Financial Management
Corporate Governance / Human Resources
Health & Safety
Tenancy Sustainment

Medium Compliance

Reactive Maintenance Service
Resident Participation
Corporate Sustainability

Low Compliance

Housing Management Service
Planned Maintenance & Investment

An evaluation of the Association's work plan for the year showed that over 91% of the planned activities were completed.

This represents continued excellence not only in terms of meeting the Association's strategic objectives but also in relation to performance and service delivery.

Corporate Governance

The Association reviewed the process of determining its objectives, plans and actions during 2014/2015 and the process now commences significantly earlier than previously with an Annual Strategic Planning Day in October. Thereafter, the key planning documents, which continue to be the Corporate Management Plan, individual Departmental Services Plans, the annual budget and 5 year financial projections are prepared as a way of actually delivering the strategic direction of the Association through a series of deliverable outcomes. The process is completed early in the new financial year with governing body approval to all such plans.

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

Review of Business and Future Developments (Contd)

Governing Body Appraisal

The Association reviewed the method for evaluating governing body "performance" during 2014/2015 and introduced a more fully developed system involving a more sophisticated development review and training needs analysis process. Not only does this provide the governing body with the comfort that it has the skills and knowledge required but it will also provides the evidence of continued competence required through new regulatory requirements introduced in April 2015.

Tenant Involvement

The Association successfully recruited a further 3 tenants onto its governing body during 2014/2015 and this brought the compliment of tenants up to 4.

Property Acquisitions

During the year the Association acquired two properties through the Mortgage to Rent scheme - one in Fishcross and one Tillicoultry.

Planned Investment and Routine Maintenance

The Association continued to invest heavily in its housing properties during 2014/2015 spending around £460,017 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 over £2.1m.

Financial Management

The budget for 2015/2016 was approved by the Management Committee at their meeting on 26th February 2015. Following consultation with our tenants, the Committee made a decision to restrict the rent increase to 2.6%. Despite this, the budget allows for substantial investment in our properties and services during the year with total maintenance expenditure anticipated of £2.7m.

The budget for 2015/2016 shows that a surplus of £267,338 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 and loan covenants are expected to be met.

Charitable Donations

During the year the Association made charitable donations of £1,052.

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 and this was independently evaluated during 2014/2015. With the exception of a few minor amendments the review concluded that the new structure was operating effectively.

Social Housing Charter

The Association submitted its first report on the Social Housing Charter (ARC) to the Scottish Housing Regulator in May 2014.

In terms of evaluating compliance the Association intends to make use of the Scottish Housing Best Value Network (which the Association re-joined in July 2014) compliance framework and this will be applied to determine the level of compliance relating to 2014/2015.

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

Review of Business and Future Developments (Contd)

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 ensure compliance with SHQS continued to be the key strategic risks currently facing the Association.

However, the risk of increased rent arrears has been reduced through the availability of discretionary housing payments made available through the Scottish Government and administered by local authorities but as this is a temporary measure concerns remains over this and the recent introduction of Universal Credit.

Employee Pensions

Following two periods of consultation with staff the Association changed the pension options to be offered to staff from July 2015 with the final salary and CARE 60th options no longer being offered.

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 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.

This collaborative way of working will continue to be developed over the next few years and it is hoped that this forward-thinking approach will bring meaningful and tangible benefits for the Associations, their tenants and the communities they serve whilst maintaining constitutional independence of each Association.

Strategic Direction

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.

The following summarises the Association's current position:

- The Association is in a "Consolidation Phase" focusing on services to existing tenants (and other service users) and investment in existing homes. At the Management Committee Strategic Planning event, the committee agreed to specific actions and conclusions in connection with investment priorities which support such a position;
- New emphasis on the evidence used to determine its Future Strategic Direction to accord with SHR Recommended Practice in relation to Business Planning and the recent guidance consultation on Notifiable Events.

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

Review of Business and Future Developments (Contd)

- In order to assist the potential acquisition of individual properties the Association has recently approved a "Residential Property Acquisition Strategy" and has recently formally considered the options relating to 2 developments sites in the Association's ownership;

- In terms of alternative housing tenures an evaluation into the basis, justification and opportunities associated with establishing a non-charitable subsidiary scheduled for 2015/2016 will assist the Association decide whether to pursue mid-market rent opportunities or not.

However the Management Committee maintains that development remains a key objective and hopes that the financial viability of such activity can be improved through uplift in public subsidy levels.

Future Business Growth and Activities

The Association's Corporate Management Plan, approved in May 2015, sets out the primary themes it believes will be key to organisational stability and future prosperity as follows;

- Minimising the impact of Welfare Reform
- Concentrating on Core Activities
- Enhancing Value for Money
- Focussing on improving existing Services
- Increasing Tenant Satisfaction
- Increasing Tenant Involvement
- Maintaining Financial Strength
- Continuing to improve Governance Arrangements particularly around Committee evaluation and succession
- Increasing Joint Working

In addition to the above the Association will await, with interest, the impact (or otherwise) of the forthcoming political changes associated with the provisions outlined in the Smith Commission on new powers for the Scottish Government.

Operating Financial Review

Financial Review

The Association made a surplus of £928,791 during the year and this was greater than the budgeted surplus of £411,054. This was due to under-spends across all maintenance headings for a combination of reasons including lower tenders than budgeted costs, delays to works which will now fall into the next financial year and works no longer required to be carried out. The Association also benefited from additional income which wasn't anticipated when the budget was set.

A transfer from the designated reserves was made of £32,016.

Net assets have increased during the year from £5.4m to £6.4m and is largely due to an increase in cash balances.

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

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

Review of Business and Future Developments (Contd)

Internal Audit

During the year there internal audit focussed on the ARC Verification, SHQS compliance, Allocations and Lettings and a High Level Finance Review. Minor changes to procedures and practices were suggested and incorporated into our operations.

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

Voids & Re-lets

The Association re-let 101 properties during the year compared to 120 in 2014.

During 2014/15 the void rent loss was higher than in previous years at £27,586 or 0.52% of rents due. This was largely due to a change in partnership arrangements and a transitional period at Mar Street, Alloa. Excluding this void rent loss the voids rent loss would have been £16,584 or 0.31%. The properties have since been let from our choice based lettings system.

Rent Arrears

The Association's rent arrears position at the end of 2014/2015 for current (non - technical) arrears was 2.85% against a target of 3.3% for the year.

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

Management Committee and Executive Officers

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

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

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

Statement of Management Committee's Responsibilities

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business;
- prepare a statement on Internal Financial Control.

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

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

In so far as the Management Committee are aware:

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

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

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;
- Quarterly financial management reports are prepared promptly, providing relevant, reliable and up to date financial and other information, with significant variances from budget being investigated as appropriate;
- Regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Management Committee;
- the Management Committee receive reports from management and from the external and internal auditors to provide reasonable assurance that internal financial controls are in place and are effective and that a review of the major risks facing the Association is undertaken;
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

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

Auditors

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

By order of the Management Committee


GEORGE TAINSH
Secretary

25 June 2015

**REPORT BY THE AUDITORS TO THE MEMBERS
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 Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

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

Opinion

In our opinion the Statement on Internal Financial Control on page 8 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

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



ALEXANDER SLOAN
Chartered Accountants

GLASGOW
25 June 2015

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

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

This report is made solely to the Association's members, as a body, in accordance with Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of 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 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice: and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2012.

Matters on which we are required to report by exception

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

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

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

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

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

We have nothing to report in respect of these matters.



ALEXANDER SLOAN
Chartered Accountants
Statutory Auditors
GLASGOW
25 June 2015

OCHIL VIEW HOUSING ASSOCIATION LIMITED

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

	Notes	2015	2014
		£	£
TURNOVER	2.	5,435,708	5,135,892
Operating Costs	2.	<u>(4,055,785)</u>	<u>(3,903,587)</u>
OPERATING SURPLUS	9.	1,379,923	1,232,305
Gain On Sale Of Housing Stock	7.	48,236	3,583
Interest Receivable and Other Income		49,241	54,763
Interest Payable and Similar Charges	8.	<u>(548,609)</u>	<u>(433,338)</u>
		<u>(451,132)</u>	<u>(374,992)</u>
SURPLUS FOR THE YEAR		<u>928,791</u>	<u>857,313</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

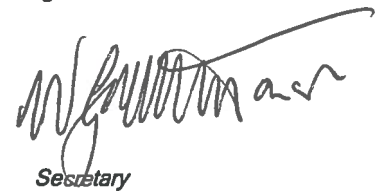
BALANCE SHEET AS AT 31st MARCH 2015

	Notes	£	2015 £	£	2014 £
TANGIBLE FIXED ASSETS					
Housing Properties - Depreciated Cost	11.(a)		70,564,252		71,130,098
Less: Social Housing Grant	11.(a)		(43,457,808)		(43,552,229)
: Other Public Grants	11.(a)		(1,223,407)		(1,235,443)
			<u>25,883,037</u>		<u>26,342,426</u>
Other fixed assets	11.(b)		458,451		471,310
			<u>26,341,488</u>		<u>26,813,736</u>
FIXED ASSET INVESTMENTS					
Shared Equity Cost	22.	1,162,587		1,219,958	
Shared Equity Grant	22.	(1,162,587)		(1,219,958)	
			<u>-</u>	<u>-</u>	<u>-</u>
CURRENT ASSETS					
Debtors	14.	407,250		603,762	
Cash at bank and in hand		7,544,317		6,038,741	
			<u>7,951,567</u>	<u>6,642,503</u>	
CREDITORS: Amounts falling due within one year	15.	(1,378,175)		(1,128,228)	
			<u>6,573,392</u>	<u>5,514,275</u>	
NET CURRENT ASSETS					
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>32,914,880</u>	<u>32,328,011</u>	
CREDITORS: Amounts falling due after more than one year	16.	(26,559,905)		(26,901,818)	
			<u>6,354,975</u>	<u>5,426,193</u>	
NET ASSETS					
CAPITAL AND RESERVES					
Share Capital	18.		53		62
Designated Reserves	19.(a)		31,191		63,207
Revenue Reserves	19.(b)		6,323,731		5,362,924
			<u>6,354,975</u>		<u>5,426,193</u>

The Financial Statements were approved by the Management Committee and signed on their behalf on 25 June 2015.


Chairperson


Vice-Chairperson


Secretary

OCHIL VIEW HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED
31st MARCH 2015

	Notes	2015	2014
		£	£
Net Cash Inflow from Operating Activities	17.	2,445,977	2,146,015
Returns on Investment and Servicing of Finance			
Interest Received		49,241	44,177
Interest Paid		(548,609)	(433,338)
Net Cash Outflow from Investment and Servicing of Finance		(499,368)	(389,161)
Capital Expenditure and Financial Investment			
Acquisition and Construction of Properties		(664,166)	(466,545)
Purchase of Other Fixed Assets		(7,436)	(17,799)
Social Housing Grant Received		54,227	39,182
Social Housing Grant Repaid		-	(41,715)
Proceeds on Disposal of Properties		176,340	67,182
Net Cash Outflow from Capital Expenditure and Financial Investment		(441,035)	(419,695)
Net Cash Inflow before use of Liquid Resources and Financing		1,505,574	1,337,159
Share Capital Issued		2	3
Net Cash Inflow from Financing		2	3
Increase in Cash	17.	1,505,576	1,337,162

OCHIL VIEW HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES

Basis Of Accounting

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

Turnover

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

Retirement Benefits

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

Valuation Of Housing Properties

Housing Properties are stated at cost, less social housing and other public grants and less accumulated depreciation. Housing under construction and Land are not depreciated. The Association depreciates housing properties by major component on a straight line basis over the estimated useful economic lives of each identified component. Components are not depreciated in the year of acquisition. 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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

Depreciation And Impairment Of Other Fixed Assets

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

Office Premises	80 years
Furniture and Fittings	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

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

Leases/Leased Assets

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

Works to Existing Properties

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

Capitalisation Of Development Overheads

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

Development Interest

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

Designated Reserves

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

The 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 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Notes	2015			2014		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Social Lettings	3.	5,265,005	3,972,399	1,292,606	5,113,332	3,677,124	1,436,208
Other Activities	4.	170,703	83,386	87,317	22,560	226,463	(203,903)
Total		5,435,708	4,055,785	1,379,923	5,135,892	3,903,587	1,232,305

3. PARTICULARS OF INCOME & EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing £	Shared ownership £	2015 Total £	2014 Total £
Income from Lettings				
Rent Receivable Net of Identifiable Service Charges	5,237,008	55,583	5,292,591	5,133,500
Gross Rents Receivable	5,237,008	55,583	5,292,591	5,133,500
Less: Rent losses from voids	27,586	-	27,586	20,168
Net Rents Receivable	5,209,422	55,583	5,265,005	5,113,332
Revenue Grants from Scottish Ministers	-	-	-	-
Revenue Grants From Local Authorities and Other Agencies	-	-	-	-
Total Income From Social Letting	5,209,422	55,583	5,265,005	5,113,332
Expenditure on Social Letting Activities				
Service Costs	123,578	8,591	132,169	182,656
Management and maintenance administration costs	1,581,048	29,701	1,610,749	1,497,159
Reactive Maintenance	539,494	-	539,494	597,878
Bad Debts - Rents and Service Charges	24,148	-	24,148	36,610
Planned and Cyclical Maintenance, including Major Repairs	759,528	-	759,528	505,840
Depreciation of Social Housing	906,311	-	906,311	856,981
Operating Costs of Social Letting	3,934,107	38,292	3,972,399	3,677,124
Operating Surplus on Social Letting Activities	1,275,315	17,291	1,292,606	1,436,208
2014	1,432,301	3,907		

OCHIL VIEW HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Grants From Scottish Ministers £	Other Revenue Grants £	Supporting People Income £	Other Income £	Total Turnover £	Operating Costs Bad Debts £	Operating Costs Other £	Operating Surplus / (Deficit) 2015 £	Operating Surplus / (Deficit) 2014 £
Factoring	-	-	-	14,341	14,341	-	14,154	187	(1,329)
Development and construction of property activities	-	-	-	-	-	24,787	-	(24,787)	(177,431)
Other Agency or Management Services	-	-	-	18,010	18,010	-	4,769	13,241	-
Other Income	-	-	-	-	-	-	-	-	(25,143)
Other Activities	-	-	-	138,352	138,352	39,676	-	98,676	-
Total From Other Activities	-	-	-	170,703	170,703	64,463	18,923	87,317	(203,903)
2014	-	-	-	22,560	22,560	218,971	7,492	(203,903)	

OCHIL VIEW HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. OFFICERS' EMOLUMENTS

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

	2015	2014
	£	£
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	<u>68,634</u>	<u>67,008</u>
Pension contributions made on behalf on Officers with emoluments greater than £60,000	<u>8,019</u>	<u>6,590</u>
Emoluments payable to The Director (excluding pension contributions)	<u>70,368</u>	<u>68,657</u>

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

	Number	Number
£60,001 to £70,000	1	1

6. EMPLOYEE INFORMATION

	2015	2014
	No.	No.
The average total number of Employees employed during the year was	<u>25</u>	<u>24</u>
Staff Costs were:	£	£
Wages and Salaries	811,417	749,282
Social Security Costs	68,728	63,077
Other Pension Costs	224,458	141,028
Temporary, Agency and Seconded Staff	6,563	38,809
	<u>1,111,166</u>	<u>992,196</u>

OCHIL VIEW HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. GAIN ON SALE OF HOUSING STOCK

	2015	2014
	£	£
Sales Proceeds	176,340	67,182
Cost of Sales	128,104	63,599
Gain On Sale Of Housing Stock	<u>48,236</u>	<u>3,583</u>

8. INTEREST PAYABLE

	2015	2014
	£	£
On Bank Loans & Overdrafts	548,609	433,338
	<u>548,609</u>	<u>433,338</u>

Interest incurred in the development period of housing properties which has been written off to the income and expenditure account amounted to £nil (2014 £nil).

9. SURPLUS FOR THE YEAR

	2015	2014
	£	£
Surplus on Ordinary Activities before Taxation is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	937,726	878,969
Auditors' Remuneration - Audit Services	9,621	9,660
Operating Lease Rentals - Other	9,209	28,614
Loss on sale of fixed assets	<u>-</u>	<u>84</u>

10. TAXATION

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 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. TANGIBLE FIXED ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Completed Shared Ownership Properties £	Total £
COST				
As at 1st April 2014	76,761,122	527,648	1,138,851	78,427,621
Additions	664,166	-	-	664,166
Disposals	(432,529)	-	(29,316)	(461,845)
As at 31st March 2015	<u>76,992,759</u>	<u>527,648</u>	<u>1,109,535</u>	<u>78,629,942</u>
DEPRECIATION				
As at 1st April 2014	7,297,523	-	-	7,297,523
Charge for Year	886,411	-	-	886,411
Disposals	(118,244)	-	-	(118,244)
As at 31st March 2015	<u>8,065,690</u>	<u>-</u>	<u>-</u>	<u>8,065,690</u>
SOCIAL HOUSING GRANT				
As at 1st April 2014	42,134,487	526,896	890,846	43,552,229
Additions	87,424	-	11,446	98,870
Disposals	(172,441)	-	(20,850)	(193,291)
As at 31st March 2015	<u>42,049,470</u>	<u>526,896</u>	<u>881,442</u>	<u>43,457,808</u>
OTHER CAPITAL GRANTS				
As at 1st April 2014	1,195,803	-	39,640	1,235,443
Disposals	(12,036)	-	-	(12,036)
As at 31st March 2015	<u>1,183,767</u>	<u>-</u>	<u>39,640</u>	<u>1,223,407</u>
NET BOOK VALUE				
As at 31st March 2015	<u>25,693,832</u>	<u>752</u>	<u>188,453</u>	<u>25,883,037</u>
As at 31st March 2014	<u>26,133,309</u>	<u>752</u>	<u>208,365</u>	<u>26,342,426</u>

Additions to housing properties includes capitalised development administration costs of £nil (2014 - £nil) and capitalised major repair costs to existing properties of £460,017 (2014 £271,233)

All land and housing properties are freehold.

OCHIL VIEW HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. TANGIBLE FIXED ASSETS (Continued)

b) Other Tangible Assets

	Computer Equipment £	Office Premises £	Office Furniture & Equipment £	Total £
COST				
As at 1st April 2014	54,049	902,230	12,750	969,029
Additions	4,614	-	2,822	7,436
Eliminated on Disposals	(10,355)	-	(4,057)	(14,412)
As at 31st March 2015	<u>48,308</u>	<u>902,230</u>	<u>11,515</u>	<u>962,053</u>
AGGREGATE DEPRECIATION				
As at 1st April 2014	31,868	456,916	8,935	497,719
Charge for year	12,077	5,937	2,281	20,295
Eliminated on disposal	(10,355)	-	(4,057)	(14,412)
As at 31st March 2015	<u>33,590</u>	<u>462,853</u>	<u>7,159</u>	<u>503,602</u>
NET BOOK VALUE				
As at 31st March 2015	<u>14,718</u>	<u>439,377</u>	<u>4,356</u>	<u>458,451</u>
As at 31st March 2014	<u>22,181</u>	<u>445,314</u>	<u>3,815</u>	<u>471,310</u>

12. CAPITAL COMMITMENTS

	2015 £	2014 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	<u>120,626</u>	<u>109,977</u>

The above commitments will be financed by the Association's own resources.

13. COMMITMENTS UNDER OPERATING LEASES

At the year end, the annual commitments under operating leases were as follows:-	2015 £	2014 £
Other		
Expiring within one year	4,737	16,132
Expiring between two and five years	<u>1,977</u>	<u>-</u>

OCHIL VIEW HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. DEBTORS

	2015 £	2014 £
Arrears of Rent & Service Charges	224,768	238,490
Less: Provision for Doubtful Debts	<u>(165,744)</u>	<u>(165,744)</u>
	59,024	72,746
Social Housing Grant Receivable	215,899	123,075
Other Debtors	<u>132,327</u>	<u>407,941</u>
	<u>407,250</u>	<u>603,762</u>

15. CREDITORS: Amounts falling due within one year

	2015 £	2014 £
Housing Loans	341,913	-
Trade Creditors	332,260	358,712
Rent in Advance	90,630	77,414
Social Housing Grant in Advance	410,673	362,492
Other Creditors	<u>202,699</u>	<u>329,610</u>
	<u>1,378,175</u>	<u>1,128,228</u>

At the balance sheet date there were pension contributions outstanding of £nil (2014 £48,038)

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

	2015 £	2014 £
Housing Loans	<u>26,559,905</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	341,913	-
Between one and two years	911,768	-
Between two and five years	2,740,428	1,234,381
In five years or more	<u>22,907,709</u>	<u>25,667,437</u>
	26,901,818	26,901,818
Less: Amount shown in Current Liabilities	<u>341,913</u>	-
	<u>26,559,905</u>	<u>26,901,818</u>

OCHIL VIEW HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. CASH FLOW STATEMENT

<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>	2015 £	2014 £
Operating Surplus	1,379,923	1,232,305
Depreciation	937,726	878,969
Change in Debtors	289,336	(65,477)
Change in Creditors	(160,997)	100,135
Loss on sale of fixed assets	-	84
Share Capital Written Off	(11)	(1)
Net Cash Inflow from Operating Activities	2,445,977	2,146,015

<i>Reconciliation of net cash flow to movement in net debt</i>	2015 £	2014 £
Increase in Cash	1,505,576	1,337,162
Movement in net debt during year	1,505,576	1,337,162
Net debt at 1st April 2014	(20,863,077)	(22,200,239)
Net debt at 31st March 2015	(19,357,501)	(20,863,077)

<i>Analysis of changes in net debt</i>	At 01.04.14 £	Cash Flows £	Other Changes £	At 31.03.15 £
Cash at bank and in hand	6,038,741	1,505,576	-	7,544,317
Bank Overdrafts	-	-	-	-
	6,038,741	1,505,576	-	7,544,317
Liquid Resources	-	-	-	-
Debt: Due within one year	-	-	(341,913)	(341,913)
Due after more than one year	(26,901,818)	-	341,913	(26,559,905)
Net Debt	(20,863,077)	1,505,576	-	(19,357,501)

OCHIL VIEW HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2014	62
Issued in year	2
Cancelled in year	(11)
At 31st March 2015	<u>53</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 2014	63,207	63,207
Transfer to / (from) Revenue Reserves	(32,016)	(32,016)
At 31st March 2015	<u>31,191</u>	<u>31,191</u>
 (b) Revenue Reserves		Total £
At 1st April 2014		5,362,924
Surplus for the year		928,791
Transfer (to) / from Designated Reserves		32,016
At 31st March 2015		<u>6,323,731</u>

20. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2015 No.	2014 No.
General Needs - New Build	1,359	1,361
Shared Ownership	25	26
	<u>1,384</u>	<u>1,387</u>

OCHIL VIEW HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

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:

4 members are tenants of the Association

1 member is an employee 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

	2015 £	2014 £
Shared Equity Properties		
Development Cost of Shared Equity Property	1,162,587	1,219,958
Less: Grants Receivable	1,162,587	1,219,958
	<u> </u>	<u> </u>
	-	-
	<u> </u>	<u> </u>

OCHIL VIEW HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

32. 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 five benefit structures to employers, namely:

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

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.

However during 2014/15 further staff consultation was carried out and the Management Committee agreed to amend staff pension benefits from 1 July 2015. The options available to all existing staff and new staff are CARE 1/70th, CARE 1/80th, CARE 120th and the Defined Contribution Pensions Quality Mark plus.

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

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market values. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period Ochil View Housing Association Limited paid contributions at the rate of 12.3% of pensionable salaries. Member contributions were 12.3%.

As at the balance sheet date there were 17 active members of the Scheme employed by Ochil View Housing Association Limited. The annual pensionable payroll in respect of these members was £579,428. 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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

32. 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%).

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 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

32. 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)</i>
Final salary - 60ths	24.6
Career average 60ths	22.4
Career average 70ths	19.2
Career average 80ths	16.9
Career average 120ths	11.4

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

The Trustees have recently supplied Ochil View Housing Association Limited with an updated contribution figure to the past service deficit. From 1 April 2015 Ochil View Housing Association Limited will be required to pay £157,979 per annum as a contribution to the past service deficit. This will represent an increase of 2.9% 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.