

# **THE HIGHLANDS SMALL COMMUNITIES HOUSING TRUST**

**(COMPANY LIMITED BY GUARANTEE AND NOT HAVING A SHARE CAPITAL)**

**REPORT OF DIRECTORS**

**AND FINANCIAL STATEMENTS**

**31 MARCH 2013**

**Company Number SC182862**

**Charity Number SCO 27544**

**The Highlands Small Communities Housing Trust**  
**(Company Limited by Guarantee and not having a Share Capital)**  
**Board of Trustees and Advisors**  
**for the year ended 31 March 2013**

## **Board of Trustees**

Bill Hall (Chairman)  
Vivian Roden (Vice-Chair)  
Hugh Donaldson (Treasurer)  
Blair Allan  
David Brookfield  
James Oag  
Brian MacKenzie  
Ian MacLean  
Derek Flyn  
Janet Lyn Forbes  
David Hannah  
Alasdair Christie  
Samantha Faircliff (Resigned September 2012)  
Alison MacLeod  
William MacRae (Resigned September 2012)  
Vikki Trefler (Resigned September 2012)  
David Goodall (Appointed September 2012)  
Alexander Sutherland (Appointed September 2012)

## **Secretary and Registered Office**

Ronald MacRae  
5 Ardross Terrace  
Inverness  
IV3 5NQ

## **Bankers**

Triodos Bank  
Brunel House  
11 The Promenade  
Bristol  
BS8 3NN

## **Solicitors**

Andrew A Murchison  
5 Ardross Terrace  
Inverness  
IV3 5NQ

## **Auditors**

Frame Kennedy  
Chartered Accountants and Statutory Auditors  
Metropolitan House  
31-33 High Street  
Inverness  
IV1 1HT

**The Highlands Small Communities Housing Trust**  
**(Company Limited by Guarantee and not having a Share Capital)**  
**The Report of the Trustees**  
**for the year ended 31 March 2013**

The Trustees present their report and the audited financial statements for the year to 31 March 2013. The Company is recognised by the Inland Revenue as a Scottish Charity (charity reference number SC027544).

### **Principal Activities**

The Trust's main purpose is to make a practical impact, where it can, by securing, on behalf of smaller communities in the Highlands, sites or properties – which are then used to help the communities realise locally appropriate solutions to their housing-related problems. To achieve this, the Trust works in partnership with the public sector, housing associations, the communities we seek to help and the private sector. The Outputs and Performance Report is enclosed within these papers on pages 5 to 11.

### **Reserves Policy**

The Trust has undertaken a review of its reserves policy during the year. The Trust has set up as a restricted reserve, the grants it has received for "the purchase of land for development purposes". This reserve, being restricted, can only be spent in the furtherance of affordable housing provision.

The Trust has also identified as a designated reserve the surpluses made on the sale of land over the past few years. This reserve is able to be utilised by the Board of Trustees to meet HSCHT's core objectives.

### **Risk Management**

The Trust's Board of Trustees and Advisers are fully committed to managing, and taking effective steps to deal with, all known risks to the Trust and its business operations.

### **State of Affairs**

The results for the year are set out in the attached accounts.

### **Board of Trustees**

In so far as the trustees are aware:

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

**The Highlands Small Communities Housing Trust**  
**(Company Limited by Guarantee and not having a Share Capital)**  
**The Report of the Trustees**  
**for the year ended 31 March 2013**

## **Board of Trustees**

The Board of Trustees are as follows:-

Bill Hall (Chairman)  
Hugh Donaldson (Treasurer)  
Vivian Roden (Vice-Chair)  
Blair Allan  
David Brookfield  
James Oag  
Brian MacKenzie  
Ian MacLean  
Derek Flyn  
Janet Lyn Forbes  
David Hannah  
Alasdair Christie  
Alison MacLeod  
David Goodall  
Alexander Sutherland

None of the trustees have an interest in the Trust as the Company is limited by Guarantee.

### **Recruitment and Appointment of Trustees**

Various organisations have the right to nominate Trustees to the Trust. These Organisations are the Highland Council, Albyn Housing Society Limited, Lochaber Housing Association Limited, Lochalsh and Skye Housing Association Limited, Pentland Housing Association Limited, the Scottish Crofting Foundation and Scottish Rural Property and Business Association. Community Councils may nominate members of Community Councils and vote for six Trustees to be appointed annually at the AGM. Up to an additional four independent Trustees can be appointed by the members at AGM.

### **Induction and Training of Trustees**

The Trust undertakes an induction process for all new Trustees and regularly reviews the skills and training requirements of the Trustees.

**The Highlands Small Communities Housing Trust  
(Company Limited by Guarantee and not having a Share Capital)  
The Report of the Trustees  
for the year ended 31 March 2013**

**Auditors**

Frame Kennedy have been reappointed in accordance with Section 487(2) of the Companies Act 2006.

**Small company provisions**

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

On Behalf of the Board

A handwritten signature in black ink, appearing to read 'R D MacRae', written in a cursive style.

Ronald MacRae  
Secretary

Date: 4 September 2013

**The Highlands Small Communities Housing Trust**  
**(Company Limited by Guarantee and not having a Share Capital)**  
**Output and Performance Report**  
**for the year ended 31 March 2013**

During 2012-13, HSCHT has continued to focus on its core functions of housing enabling and community support alongside developing innovative solutions to topical and current issues and demand for our services continues to increase. However, during 2012-13 the cultural change that had been worked on over the previous 2 – 3 years with the emphasis on moving towards a more self-sustaining model is now starting to bear fruit, as we can clearly demonstrate the value of using our services to our client group. We have been exploring and putting in place innovative ways to take projects forward, e.g. rent to buy options, leasing schemes, deferred payments and Greener homes, with applications for empty homes work and a co-operative build project at Rothiemurchus aiming for starts during 2013-14.

A considerable amount of time has been spent in identifying sources of development finance for various potential developments as well as Ardgeal Phase 2, which is now under construction and due for completion in 2013 -14. During this year we have developed the rent-buy model which creatively uses loans from Scottish Government and Highland Council to deliver shared equity housing whilst allowing clients to receive a cash-back sum whilst they save for a mortgage at no cost to the principle lenders.

Over the year HSCHT has spent considerable time with businesses and Estates to cultivate working partnerships and maximising potential engagement through generating interest in potential housing procurement models.

We remain active in explaining to lenders the role of the RHB in support of plot purchasers struggling to secure a mortgage to allow them to purchase a plot and build their own homes. This year saw a significant withdrawal of self-build finance from the High St lenders, and we gave formal evidence to the Westminster Governments commission on banking standards during its only trip out-with Westminster. We have done considerable work on loan options to replace High St lending for self-builders and the Scottish Government have continued to show considerable interest in this work.

HSCHT is now the lead organisation in the newly formed Forest Croft Partnership which has taken on the role of leading on promotion of the forest croft agenda from FCS who still support the proposal but have stepped back from being the main promoter. The 3 partners are, The Scottish Crofting Federation, Community Woodlands Association and HSCHT. Work is progressing on the potential development of forest crofts with a number of new interested parties coming forward and knowledge share events taking place during this financial year. HSCHT and the Scottish Crofting Federation are making progress with their Crofting Guide which will encourage and explain the use of crofting, and in particular common grazing's land, for affordable housing.

HSCHT has been successful in drawing in financial support to aid communities to investigate affordable housing options and thereby enhance their community sustainability, as well as contribute to HSCHT's overheads. Fees earned from its charitable activities, where possible, are complementing revenue subsidy grants.

**The Highlands Small Communities Housing Trust  
(Company Limited by Guarantee and not having a Share Capital)  
Output and Performance Report  
for the year ended 31 March 2013**

What follows is an update on outputs and performance:

## 1. COMMUNITY ENGAGEMENT

HSCHT continues to work with the communities in the Highlands and there are now 51 Community Councils / Groups members of HSCHT.

Staff have attended Community Council meetings the length and breadth of the Highlands to outline the services we can offer and to give advice and guidance on measures they can take on their own behalf.

HSCHT is also working with communities in the Highlands who are in receipt of “community benefit” from wind farm developments and other incomes e.g. Rock Ness, into identifying methods of providing affordable housing for their community without public subsidy – an area we are investigating in greater detail through rent to purchase schemes, long term leasing schemes with a view to bringing empty properties back into use.

We will continue to work on projects with communities who can access grants through “Growing Community Assets” and to work on joint ventures with Community land owners in building capacity required to manage their projects and look at options through the Scottish Land Fund.

HSCHT continues to be involved in a small number of, what for HSCHT are, major projects which involve a considerable amount of time spent engaging with those specific communities such as:

- Dores CC to discuss the delivery of plots and/or houses using the Rural Housing Burden in partnership with the local landowner now that a more in depth feasibility study has been carried out using funds facilitated by HSCHT .
- Stratherrick & Foyers CC to keep them informed of the progress of the master plan work for Gorthleck
- Achtercairn Development Group discussing the implementation and role of HSCHT as facilitator in the master plan of the Gairloch site
- Kinlochshiel Shinty Club, Lochalsh CC working towards the provision of mixed tenure housing options alongside, shinty pitches, play areas and allotments
- Rothiemurchus: HSCHT is facilitating the provision of 4 affordable house plots for a self-build group unable to secure housing in their community, an area of high house prices and limited availability. The use of a cross-subsidy model and a landowner willing to engage and explore options has resulted in a proposal of which the CNPA has been broadly supportive.

## 2. HOUSING NEEDS SURVEYS/SURGERIES

Following the successful introduction of our on-line survey last year, we continue to use this facility in conjunction with our paper based surveys.

Surveys and follow up surgeries have been carried out in areas of pressured status as well as:

Completed: Ullapool, Applecross, Gorthleck, Boat of Garten, Blair Atholl, Kinlochbervie, Ballater, An Camus Mor, Rum

## 3. LANDBANKING

Land banking remains at the heart of the work of HSCHT. We completed the purchase, through the NFL, of land at Salen where 3 young families have started to build homes, with the Rural Housing Burden attached. The Old Schoolhouse and part of the old school at Acharacle, which was purchased from the Highland Council, has been completely renovated and provides 2 key worker houses for rent.

The Gairloch and Loch Ewe Action Forum (GALE) building has been completed and houses the Gairloch Tourist Information Centre and includes a gallery, exhibition area and office space. The GALE development at the site in Achtercairn is just part of the Gairloch Community Project Plan which is directed by the Achtercairn Development Group (ADG). Further land has been allocated to a local commercial enterprise on which to build trading premises, the Air Force Training Corps for their Cadets meeting place and land has been sold to the Highland Council to provide 8 two bedroom flats for rent. HSCHT chair the ADG and are the main landowner and lead facilitator in this project.

Six plots to provide housing in Lochaline have been secured as part of a s75 agreement with one of the plots being used to provide 2 two bedroomed houses for rent through the Achabeag Partnership; HSCHT and Ardtornish Estate. With support from SL&E long lease, i.e. over 20 years, templates and agreements have been developed for partnerships between private landowners and HSCHT or similar organisations.

Land has been purchased from the HC in Auldearn, Lochcarron and Fodderty for the Rent to Buy Pilot and successful Greener Homes application and agreement has been reached with Lochaber Housing Association to purchase and develop land in Arisaig.

In order to keep the land bank fund revolving, the timing by which HSCHT purchases land is being dictated, to a degree, by the turnaround of onward sales, thereby reducing the length of time development resources are tied up and restricting the development of other sites. The HC and SG have been supportive in providing loans to secure land as required for specific projects.

HSCHT continues to make full use of its rolling land bank fund of over £1m, originally funded by NHP grants, but has also been successful in accessing short term loans from the Highland Council's own land bank fund.



#### 4. SITE SALES TO RSLs (this includes the Highland Council)

This remains a key role for HSCHT and significant additional sites currently held in HSCHT's landbank have been earmarked for transfer to local RSL's. As stated above, land at Gairloch has been sold to HC for 8 units. Unfortunately, RSL funding has been under pressure and funds have not been available for site purchase as yet. However the sites remain available and we are optimistic that at least two, Kishorn and Maryburgh, will be acquired during the next two financial years.

In the meantime HSCHT is examining alternative affordable housing solutions on those sites.

#### 5. HOUSE PLOT SALES

House plots sales have been adversely affected due to the lack of availability of self-build finance. The steps we have taken to support purchasers to overcome this barrier, i.e. plot income deferral and the self-build initiative fund, have resulted in 1 completed plot sale and 2 further plots allocated.

HSCHT continues to look at new models and innovative ways that plot sales can be moved forward. The staff provides active support and advice to all those allocated plots and follows up all new enquiries.

Serviced sites are advertised and promoted within the communities they are situated and through our website.

1 house has been sold on a shared equity basis with a RHB attached to a young couple returning to their community to live and set up a business.

#### 6. "STEPPING STONE" HOUSING FOR KEY INCOMING WORKERS

HSCHT continues to hold a number of key worker houses in remote communities which are all occupied. Two further houses have been added to our stock in Acharacle, as previously noted, and are being leased to the Highland Council to provide keyworker housing demonstrating partnership working with the Highland Council. One of our properties, 1 MacNaughton Crescent, Acharacle, has been leased to a local business to provide housing for their expanding workforce demonstrating partnership working with local businesses.

#### 7. LIAISING FULLY WITH KEY AGENCIES AND OTHER KEY PARTNERS

HSCHT staff attend various housing forums in their geographical area and actively contribute to the aims and objectives of the forums. We retain a close working relationship with the Housing Associations active in the area and work in partnership where it is to the advantage of providing a range of affordable housing options. HSCHT continues to work closely with the Highland Council, Scottish Government and the Highland Housing Alliance.

HSCHT is a member of Highland Housing Supply Group, among others concerned with the supply of affordable housing, which involved regular meetings with all the partners, Highland Council, Housing Associations, Highland Housing Alliance to look at how affordable housing could be moved forward in the future.

We have been working closely with Community Woodlands Association, Community Land Scotland, Forestry Commission Scotland, Scottish Land & Estates, Scottish Crofting Federation, CNPA, and Development Trusts Association Scotland among others. Encouraging businesses and Estates to be key partners in rural development.

We have also been working closely with the Carnegie Trust on the rural Housing Burden

Through retaining its independence HSCHT brings a degree of innovation to the table given the flexibility derived from that independence. Over the years we have been able to demonstrate that HSCHT is a vibrant and positive force that efficiently delivers positive outcomes and is of considerable assistance to partners in achieving their goals.

We continue to build positive partnership links with our key partners at the Rural Housing Service and Dumfries & Galloway SCHAT in order to work together to maximise our collective contributions on a national scale

## 8. WIDER INFORMATION AND ADVICE SERVICES

The new website was launched in 2010 and as well as providing up to date news and information on HSCHT, it lists all project work we have undertaken in communities throughout the Highlands and Islands. We are now actively involved in social media through Facebook (122 followers) and Twitter (333 followers).

Our Community Newsletter is sent out regularly to all rural Community Councils and Community Groups in the Highlands. The newsletter keeps communities up to date with HSCHT activities and informs Communities of relevant news and issues that may affect them.

We continue to update our Community presentations in order to provide consistent information to our CCs being supplied through all trust staff.

HSCHT hosted 5 Forest Croft Workshops throughout Highlands. The events promoted the work of HSCHT and brought together, where possible, interested parties wishing to live and work a croft, advisors and landowners. This has resulted in new working partnerships which may culminate in the creation of new crofts.

HSCHT led workshops RIHAF on keeping rural development moving in times of financial constraints.

We have dealt with enquiries and shared information with local authorities, RSLs and other interested parties, from Aberdeenshire, The Borders, Harris, Dundee among others, about our work on innovative housing solutions, e.g. Rent to Buy, long lease partnerships with private land owners, and provided advice and guidance on the Rural Housing Burden.

## 9. DEVELOPING AND DELIVERING INNOVATIVE HOUSING SOLUTIONS

Ardgeal Phase 2, a finance package was secured to allow this development of 2 detached and 4 semi-detached homes to proceed. The houses in Phase 2 reflect the character of the existing houses and will have a combination of solar panels, wood burning stoves, high levels of insulation and sustainable design to ensure that the homes are energy efficient and have a low carbon

footprint. All the trees on site will be utilised within the project on play equipment, wood sheds etc. The houses will be completed in 2013-14. An exemplar forest project where all the trees felled will be utilised on site.

#### Rent to Buy Phase 1 and 2

Rent to Buy is a model whereby the price and equity share of the houses is set at the beginning of the 5 year period. The purchasers/tenants pay rent for 5 years at Local Housing Allowance and at the end of year 5, if they proceed to purchase, they receive a cashback which can then be used as a deposit to access a mortgage. The Scottish Government and Highland Council have provided HSCHT with loan funding to provide 14 units in phase 1 and further loan funding is being made available for a second phase.

In Rothiemurchus HSCHT is facilitating the provision of 4 affordable house plots for a self-build group unable to secure housing in their community, an area of high house prices and limited availability. The use of a cross-subsidy model and a landowner willing to engage and explore options has resulted in a proposal of which the CNPA has been very supportive. The final development will consist of 6 houses; 2 open market houses and 4 shared equity houses with an attached Rural Housing Burden.

The Cairngorms Construction Skills Project (CCSP) project has secured continuing funding and continues to provide training in construction skills to long term unemployed young people in the Cairngorms National Park. In conjunction with Inverness College, the trainees are receiving an introduction to construction skills, covering all the trades, for three days a week and spend the other two days gaining practical work experience. They have the opportunity to work with local contractors and on community projects within the National Park. This gives them the added advantage of being able to showcase their skills and attributes to potential employers. We hope to roll out this scheme on any future construction projects.

Of the six plots secured through a section 75 agreement between The Highland Council, Ardtornish Estate and HSCHT one of the plots is being used to provide 2, two bedroomed houses for rent. Through working in partnership with Ardtornish Estate, HSCHT have entered into an agreement where for a minimal investment they will lease 2 houses to be built under an Innovation Investment Fund bid for a period of 21 years. These 2 houses will be rented at between affordable and mid-market rent levels to people who are key to the community's sustainability. The remaining plots will be released over the next three to four years for affordable self-build house plots or other tenures as may yet be identified.

HSCHT is in discussion with several local landowners with a view to forming partnerships to bring much needed housing to their communities using different models for financing the developments.

#### GOOD GOVERNANCE AND MANAGEMENT

As was reported in previous years, a suite of policies have been approved by the Board and are now in place. The board continues to be engaged and active in HSCHTs objectives.

Board Meetings took place at regular intervals (5 per year). Executive, Good Governance, Finance and CCSP Sub- groups have been formed and meet as required and our AGM is held in September.

	Target	Actual
Housing Need & Feasibility Studies	12	6 Community and Housing Needs surveys were carried out. (Applecross, Kinlochbervie, Ballater, An Camus Mor, Ullapool and Isle of Rum) Housing Demand work for Rent to Buy housing was carried in 9 communities.
Community Housing Surgeries and Advice to individuals	450	7 surgeries held: total attendance 225 Other enquiries: 500
Innovation Housing Projects developed	6	Achabeag Partnership: 2 houses nearing completion for long lease Acharacle: 2 Key worker houses Rent to Buy Pilot – 14 houses over 7 communities Greener Homes – 20 units over 8 communities Cross subsidy model with private landowner to provide 4 affordable units Woodland Crofts - private landowner
Self-Build Shared Equity Enquiries and support	29	50 Self-Build enquiries
Self-Build Shared Equity/Council Funded Grant	4	5 Self-Build Loan 1 <sup>st</sup> stage
Advice to Landowners and Developers including Grant Enquiry and Support	20	23
Support for approved grants including IIF	10	8
Advice and support to Community Land Trusts and other community groups	40	37
Partnership Working & Policy Development (RSLs, SG, Local Councils, NHS, CNPA, FCS, SL&E, SCF)	75	Regular meetings with HC, SG, Highland Liaison Group, Highland Housing Supply Group, 6 Housing Associations, DTAS, CWA, SCF, CNPA, FCS, RHP, SL&E, Inclusive Cairngorms, NHS Community Land Scotland, local businesses and Estates
Advice/ negotiations with private sector developers	15	Met with private sector developers involved in 20 different sites
Housing Land Identification and Release	120	Initial investigations of 6 sites with a combined capacity of 130 units
Site investigations/Feasibility Studies	60	80 units Site investigations and feasibility studies on 8 sites
Land Acquisition (Sites)	20	Land purchased in Lochcarron, Fodderty, Auldearn, Salen, Lochaline (16 units) Negotiations continue for further sites.
Land Sales to RSLs (capacity)	14	Land sold to HC with capacity for 8 units. Negotiations continue for further 2 sites with capacity of up to 20 units.
Low cost houses/plots sold	15	2 sales completed, 10 in progress
Annual Conference and Regional Seminars	1	Series of 5 woodland croft workshops throughout Highland Open Information Day for HSCHT members and invitees.

**The Highlands Small Communities Housing Trust**  
**(Company Limited by Guarantee and not having a Share Capital)**  
**Statement of Board of Directors' Responsibilities**  
**for the year ended 31 March 2013**

The trustees are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year. Under that law the trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charity and of the surplus or deficit of the charity for that year. In preparing these financial statements, the trustees are required to:

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

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charity's transactions and disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On order of the Directors



Ronald MacRae

Secretary

Date: 4 September 2013

**The Highlands Small Communities Housing Trust**  
**(A company limited by guarantee)**

**Independent auditor's report to the members of The Highlands Small Communities Housing Trust**

We have audited the financial statements of The Highlands Small Communities Housing Trust for the year ended 31 March 2013 which comprise the Statement of Financial Activities, the Balance Sheet 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).

This report is made solely to the company's members, as a body, in accordance with Section 495 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of the trustees and auditor**

As explained more fully in the Trustees' Responsibilities Statement set out on page 12, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts.

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 of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Trustees and the Output and Performance Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**The Highlands Small Communities Housing Trust  
(A company limited by guarantee)**

**Independent auditor's report to the members of The Highlands Small Communities Housing Trust**

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2013 and of its incoming resources and application of resources, including 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 prepared in accordance with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).


**Opinion on other matter prescribed by the Companies Act 2006**

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

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

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- the charitable company has not kept proper and adequate accounting records or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the Trustees' Annual Report.



Colin Gray B.Com. C.A. (Senior statutory auditor)  
for and on behalf of Frame Kennedy,  
Statutory Auditor  
Frame Kennedy is eligible to act as auditor  
in terms of section 1212 of the Companies Act 2006

Metropolitan House  
31-33 High Street  
Inverness  
IV1 1HT  
Date: 4 September 2013

**The Highlands Small Communities Housing Trust**  
**Statement of Financial Activities incorporating Income and Expenditure Account and Statement of Total Recognised Gains and Losses**  
**For the Year ended 31 March 2013**

Notes	2012 / 13		2011/12									
	Unrestricted Funds		Restricted Funds		Total		Unrestricted Funds		Restricted Funds		Total	
	Operational Activity	Rental Properties	Sale of Land	CCSP	Restricted Reserves	Total	Operational Activity	Rental Properties	Sale of Land	CCSP	Restricted Reserves	Total
	£	£	£	£	£	£	£	£	£	£	£	£
<b>Income Resources</b>												
Incoming resources from generated funds												
Interest Receivable	9	505	-	-	-	505	396	-	-	-	-	396
Incoming resources from charitable activities												
Revenue Grants	3	117,686	-	83,755	100,000	301,441	82,000	-	91,649	-	-	173,649
Rental Income	4	-	60,367	-	-	60,367	-	46,775	-	-	-	46,775
Sale Proceeds on Land Disposals	5	-	-	282,149	-	282,149	-	-	154,859	-	-	154,859
Surplus on Sale of Properties												
Fee Income	3	19,715	-	-	-	19,715	13,611	-	-	-	-	13,611
<b>Total Incoming Resources</b>		<b>137,906</b>	<b>60,367</b>	<b>282,149</b>	<b>83,755</b>	<b>664,177</b>	<b>96,007</b>	<b>46,775</b>	<b>154,859</b>	<b>91,649</b>	<b>-</b>	<b>389,290</b>
<b>Resources Expended</b>												
<b>Charitable Activities</b>												
Administration and Management	6	109,373	6,543	79,311	105,584	300,811	97,268	3,434	74,356	86,083	-	261,141
Rental Expenditure	4	-	14,404	-	-	14,404	-	10,575	-	-	-	10,575
Cost of sale of Land Disposals	5	-	-	196,522	-	196,522	-	-	116,549	-	-	116,549
Bank and Loan Interest Payable	10	648	24	506	-	1,178	920	33	719	-	-	1,672
Governance costs												
Administration and Management	6	6,626	-	-	-	6,626	7,569	-	-	-	-	7,569
Loss on Disposal of Assets												
<b>Total Resources Expended</b>		<b>116,647</b>	<b>20,971</b>	<b>276,339</b>	<b>105,584</b>	<b>519,541</b>	<b>105,757</b>	<b>14,042</b>	<b>191,624</b>	<b>86,083</b>	<b>-</b>	<b>397,506</b>
<b>Net (Outgoing)/Incoming Resources for the Year</b>		<b>21,259</b>	<b>39,396</b>	<b>5,810</b>	<b>(21,829)</b>	<b>144,636</b>	<b>(9,750)</b>	<b>32,733</b>	<b>(36,765)</b>	<b>5,566</b>	<b>-</b>	<b>(8,216)</b>
<b>Funds at 31 March 2012</b>												
<b>Funds at 31 March 2013</b>												



**The Highlands Small Communities Housing Trust**  
**(A company limited by guarantee)**

**Balance Sheet**  
**As at 31 March 2013**

	Notes	2013	2012
		£	£
<b>Tangible fixed assets</b>	12	412,308	379,900
<b>Current assets</b>			
Land banking properties	13	934,115	917,408
Debtors	14	113,685	109,639
Cash in hand		<u>1,523,113</u>	<u>183,615</u>
		2,570,913	1,210,662
<b>Current liabilities</b>			
Creditors due within one year	15	<u>(80,446)</u>	<u>(253,615)</u>
<b>Net current assets</b>		2,490,467	957,047
Total assets less current liabilities		<u>2,902,771</u>	<u>1,336,947</u>
<b>Creditors:</b>	16		
amounts falling due after more than one year		(1,470,051)	(48,863)
<b>Net assets</b>		<u>1,432,720</u>	<u>1,288,084</u>
<b>Capital and reserves</b>			
<b>Restricted Reserves- Development</b>	17	971,050	971,050
- Landbank		100,000	-
- CCSP		33,341	55,170
<b>Designated reserves - land banking fund</b>	17	215,015	209,205
<b>Revenue reserves</b>	17	113,314	52,659
		<u>1,432,720</u>	<u>1,288,084</u>

These financial statements are prepared in accordance with the special provisions of Part VII of the Companies Act 2006 relating to small companies and the Financial Reporting Standard for Smaller Entities (effective January 2005)

These financial statements were approved by the Board of Directors on 4 September 2013

Bill Hall - Chair



## **The Highlands Small Communities Housing Trust (A company limited by guarantee)**

### **1 Principal Accounting Policies**

The Trust is a company limited by guarantee and does not have a share capital. On winding up of the Trust every member has undertaken to contribute to the assets of the Trust for the payments of the debts and liabilities and of the cost of winding up the trust, such amount as may be required not exceeding one pound. If winding up occurs within one year of a member ceasing to be a member then the above applies for debts and liabilities of the company contracted for before he/she ceased to be a member. The company has had charitable status since its inception on 10 February 1998.

#### **a Accounting Convention**

The financial statements are prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008), the Statement of Recommended Practice 'Accounting and Reporting by Charities' issued in March 2005 (SORP 2005) and the Companies Act 2006

#### **b Statement of Financial Activities**

This statement, produced to comply with the Statement of Recommended Practice, is effectively a restatement of the income and expenditure account in a different format, incorporating information on movement in capital resources to form a single statement of all movements between opening and closing fund balances.

#### **c Resources Expended**

Resources expended are included on an accruals basis, inclusive of VAT which cannot be recovered. Certain expenditure is directly attributable to specific activities and has been included under these cost categories.

#### **d Funds**

With the adoption of the Statement of Recommended Practice, all income and expenditure is dealt with through the Statement of Financial Activities with the exception of capital grants explained in note I below. Funds are now classified as restricted or unrestricted as defined below.

- Restricted Funds are funds for specific purposes, which may be declared by the donor or with their authority.
- Unrestricted Funds are those which can be expended at the discretion of the board for the furtherance of their objects.

Within designated reserves the Board has designated a reserve for the purpose of providing funds for investing for land banking opportunities.

#### **e Tangible Fixed Assets – Housing Properties (Note 12)**

Housing properties are stated at cost. The capitalised costs of housing properties include the following:

- i. Cost of acquiring land and buildings less grants received to date

**The Highlands Small Communities Housing Trust**  
**(A company limited by guarantee)**

**1 Principal Accounting Policies (Continued)**

**f Tangible Fixed Assets – Depreciation**

Depreciation is charged so as to write off the cost, net of grants, of fixed assets over their estimated useful economic lives at the following rates

Land and buildings	-	cost (less grants) straight line over 50 years
Furnishings and fittings	-	15% straight line
Equipment	-	20% straight line

**g Capital Grants**

**Housing Properties**

Capital Grants are receivable from Communities Scotland and the Highland Council for the provision of housing properties for rent. These grants are utilised to reduce the capital costs of housing properties.

**Landbanking Grants**

Grants are receivable from Communities Scotland and the Highland Council for the acquisition of land for future sale and development for affordable housing. These grants are included as Restricted Reserves.

**h Stocks**

Land banking stocks are valued at the lower of cost and net realisable value.

Feasibility studies are included at cost unless they are not to be developed into projects. The cost of a study is written off to the Statement of Financial Activities as soon as it is recognised that this is the case.

**i Revenue Grants**

Revenue grants received relating to the current year costs are credited directly to the Statement of Financial Activities.

**j Taxation**

The Trust is a registered charity and therefore is not liable to tax on its charitable activities.

**k Pension Schemes**

The Trust operates participates in the SFHA pension scheme as stated in Note 22.

The regular cost of providing retirement pensions and related benefits is charged to the Statement of Financial Activities annually on the basis of a constant percentage of earnings.

**The Highlands Small Communities Housing Trust**  
**(A company limited by guarantee)**

**1 Principal Accounting Policies (Continued)**

**I True and Fair Over-ride**

Heritable property held as fixed assets is stated in the balance sheet net of capital grants received.

This does not comply with the Statement of Recommended Practice (2005). As this treatment does not affect the Surplus or the net asset position of the company the directors do not consider that it affects the truth and fairness of the financial statements.

In addition heritable property is rented out and the property should be treated as investment property in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008). However, as the properties are not held for capital appreciation but to provide in rural areas accommodation which might not otherwise be available the directors have decided to comply with the Companies Act 2006 treatment and depreciate these properties annually. The directors consider that this treatment is more relevant to showing a true and fair view.

**2 Income**

The total income of the Trust for the year has been derived from its principal activity wholly undertaken in the UK.

<b>3 Revenue Grants</b>	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Scottish Executive - Voluntary Organisation Grant	65,000	52,000
LEADER	33,976	36,893
Westminster Foundation	15,000	15,000
Henry Smith Trust	13,000	13,000
The Highland Council	20,779	4,156
Scottish Government – “Shovel Ready”	100,000	-
Wider Role	-	30,000
SBIF	10,000	-
HIE	2,686	-
FCS	10,000	-
CNPA	31,000	22,600
	<u>301,441</u>	<u>173,649</u>
<b>Fee Income</b>		
Other Fees	<u>19,715</u>	<u>13,611</u>
	<u>19,715</u>	<u>13,611</u>

**The Highlands Small Communities Housing Trust**  
**(A company limited by guarantee)**

<b>4 Particulars of income and expenditure from lettings</b>	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Income from lettings		
Rents received	60,367	46,775
	<hr/>	<hr/>
Expenditure on lettings activities		
Maintenance Costs	3,777	1,850
Depreciation	8,565	6,611
Insurance	2,063	2,114
	<hr/>	<hr/>
Total expenditure on lettings	14,404	10,575
	<hr/>	<hr/>
Operating surplus on lettings activities	45,963	36,200
	<hr/>	<hr/>
 <b>5 Sale of Land</b>		
Sale proceeds	282,149	154,859
Cost of sales	(196,522)	(116,549)
	<hr/>	<hr/>
Surplus on disposal	85,627	38,310
	<hr/>	<hr/>

**The Highlands Small Communities Housing Trust**  
**(A company limited by guarantee)**

**6 Administration and Management**

	Community Engagement	Rental Activity	Landbanking Activities	CCSP	Total
<b>2013</b>					
Staff Costs (see notes 7 & 8)	77,292	2,811	60,428	36,512	177,043
Rent	6,145	223	4,804	1,525	12,698
Travel Costs	4,727	172	3,696	15,984	24,579
Recruitment Costs	-	-	-	1,217	1,217
Publicity	647	24	506	294	1,470
Post Stationary and Office Costs	4,019	146	3,142	1,827	9,133
Telephone	1,621	59	1,267	987	3,934
Consultancy - Innovative Projects	12,444	67	1,431	4,167	18,109
Insurance	756	28	591	1,403	2,778
Meetings, Training ,Venues	-	-	-	39,898	39,898
Sundry Expenses	-	-	-	1,341	1,341
Unrecoverable VAT	1,723	3,014	3445	431	8,613
	<b>109,373</b>	<b>6,543</b>	<b>79,311</b>	<b>105,584</b>	<b>300,811</b>

	Community Engagement	Rental Activity	Landbanking Activities	CCSP	Total
<b>2012</b>					
Staff Costs (see notes 7 and 8)	75,522	2,746	59,045	40,901	178,214
Rent	5,290	235	3,879	2,351	11,755
Travel Costs	4,422	(76)	3,458	9,000	16,804
Recruitment Costs	-	-	-	928	928
Publicity	2,020	90	1,481	898	4,489
Post Stationary and Office Costs	4,334	193	3,178	1,926	9,631
Telephone	997	53	878	732	2,660
Consultancy - Innovative Projects	1,155	42	903	-	2,100
Insurance	776	28	606	1,440	2,850
Meetings, Training Venues	-	-	-	24,097	24,097
Sundry Expenses	-	-	-	1,496	1,496
Irrecoverable VAT	2,752	123	928	2,314	6,117
	<b>97,268</b>	<b>3,434</b>	<b>74,356</b>	<b>86,083</b>	<b>261,141</b>

**The Highlands Small Communities Housing Trust**  
(A company limited by guarantee)

<b>6 Administration and Management (continued)</b>	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
GOVERNANCE COSTS		
Board and Members Expenses	626	793
Audit Fees	2500	3,530
Consultancy - Business Plan	3500	3,246
	<u>6,626</u>	<u>7,569</u>

**7 Operating surplus**

Operating surplus is stated after charging

Staff costs [see note 8]	177,043	178,214
Auditors' fees	2,500	3,530
Depreciation	<u>8,566</u>	<u>6,611</u>

**8 Directors and employees**

Staff costs (see note 6 and 7)

Wages	141,621	142,461
Social security	10,043	9,618
Other pension costs	25,379	26,135
	<u>177,043</u>	<u>178,215</u>

	No	No
Average number of persons employed	<u>5</u>	<u>5</u>

Expenses paid to Community Elected Directors on the Trust Board totalled £234 (2012 - £793).

Other than reimbursement of their legitimately incurred expenses, Board Directors are not entitled to receive any other payment for the services they give to the Trust.

Pension Scheme

The staff are able to become members of the SFHA Pension Scheme details of which are given in Note 21

The Pension Charge represents contributions paid by the Trust during the year which amounted to £25,379 (2012: £26,135).

**The Highlands Small Communities Housing Trust**  
**(A company limited by guarantee)**

<b>9</b>	<b>Interest receivable and other income</b>	<b>2013</b>	<b>2012</b>
		<b>£</b>	<b>£</b>
	Interest receivable from banks	<u>505</u>	<u>396</u>
<b>10</b>	<b>Interest payable and other charges</b>		
	Bank Interest and charges	<u>1,178</u>	<u>1,672</u>
<b>11</b>	<b>Corporation Tax</b>		

The Trust was recognised by the Inland Revenue as a Scottish Charity on 10 February 1998. All income is applicable and applied to charitable purposes and relief is given to the Trust under Section 505 Income and Corporation Taxes Act 1988.



**The Highlands Small Communities Housing Trust**  
**(A company limited by guarantee)**

**12 Fixed Assets**

	Heritable Property £	Equipment £	Furniture & Fittings £	Total £
<b>Cost</b>				
Cost 31 March 2012	1,282,879	6,849	4,157	1,293,885
Additions	65,730	-	-	65,730
Disposals	(54,511)	-	-	(54,511)
Cost 31 March 2013	1,294,098	6,849	4,157	1,305,104
<b>Depreciation</b>				
Depreciation 31 March 2012	73,512	6,849	4,157	84,518
Charge for year	8,566	-	-	8,566
Disposals	(4,275)	-	-	(4,275)
Depreciation 31 March 2013	77,803	6,849	4,157	88,809
<b>Grants</b>				
Other Grants 31 March 2012	829,467	-	-	829,467
Disposals	(25,480)	-	-	(25,480)
Other Grants 31 March 2013	803,987	-	-	803,987
<b>Net Book Value</b>				
31 March 2013	412,308	-	-	412,308
31 March 2012	379,900	-	-	379,900

**The Highlands Small Communities Housing Trust**  
**(A company limited by guarantee)**

**12 Fixed Assets (continued)**

All assets are held for charitable purposes

All of these properties have been valued as at 31 March 2013 by the District Valuer. The valuation was based on the open market value and was undertaken in accordance with the RICS Statement of Assets Practice and Guidance Notes.

Most of the properties are on long term lease to Housing Associations based in the Highlands

The valuation has not been incorporated in the financial statements.

	Valuation	Cost	Increase in Value
	£	£	£
As at 31 March 2013	1,988,000	1,294,098	693,902

**13 Land Banking Properties**

	Land Banking	Feasibility Studies	Total
<b>Cost</b>	£	£	£
31 March 2012	868,792	48,616	917,408
Additions	213,229	-	213,229
Transfers	50	(50)	-
Disposals/Written Off	(196,522)	-	(196,522)
31 March 2013	885,549	48,566	934,115

**14 Debtors**

	<b>2013</b>	<b>2012</b>
	£	£
Money held by the Trust's Solicitor	-	30,000
Other debtors	113,685	79,639
	<u>113,685</u>	<u>109,639</u>

**15 Creditors due within one year**

Bank loans [see note 16]	8,649	8,649
Trade Creditors	14,911	87,007
Other taxation and social security	6,362	2,602
Other creditors	47,150	150,635
Accruals	3,378	4,722
	<u>80,450</u>	<u>253,615</u>

**The Highlands Small Communities Housing Trust**  
**(A company limited by guarantee)**

**16 Creditors:**

**Amounts falling due after more than one year**

	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Bank loans	40,209	48,863
Scottish Government Loan – Rent to Buy	1,369,842	-
SBIF	60,000	-
	<u>1,470,051</u>	<u>48,863</u>

The bank loans are secured by specific charges on the Trust's properties and the capital instalments are repayable over periods as indicated at 1.25% over base.

The SBIF loan is unsecured, is repayable in full on 31 March 2018 and no interest is chargeable on this loan.

The Rent to Buy loan is secured by specific charges on land owned by HSCHT and is repayable in full on 31 March 2019. Interest is chargeable on this loan from 1 April 2013 at 2.25% per annum.

Analysis of loan repayments:

In the next year	8,649	8,649
In the second year	8,600	8,800
In the third to fifth year	85,800	27,336
In more than five years	1,375,651	12,727
	<u>1,470,051</u>	<u>48,863</u>
Total	<u>1,478,700</u>	<u>57,512</u>

**17 Analysis of Net Assets between funds**

	Unrestricted Funds £	Restricted Funds £	Total £
Tangible Fixed Assets	412,308	-	412,308
Net Current Assets	1,386,072	1,104,391	2,490,463
Creditors falling due after more than one year	(1,470,051)	-	(1,470,051)
	<u>328,329</u>	<u>1,104,391</u>	<u>1,432,720</u>

**The Highlands Small Communities Housing Trust**  
**(A company limited by guarantee)**

<b>18 Reserves</b>	Restricted Development	Reserves Land-bank	CCSP	Designated Reserve Land-bank	Revenue Reserve	Total
	£	£	£	£	£	£
31 March 2012	971,050	-	55,170	209,205	52,659	1,288,084
Result for the year	-	100,000	(21,829)	5,810	60,655	44,636
31 March 2013	971,050	100,000	33,341	215,015	113,314	1,432,720

<b>19 Capital Commitments</b>	2013	2012
	£	£
Land Purchase commitments		
Approved and Contracted for but not yet incurred	-	-
Approved but not contracted for or incurred	-	100,000

These capital commitments are subject to certain legally binding conditions being fulfilled

**20 Related Party Transactions**

The Trust has various transactions with parties who have the right to nominate directors. These parties are the Highland Council, Albyn Housing Society Limited, Lochaber Housing Association Limited, Lochalsh & Skye Housing Association Limited and Pentland Housing Association Limited.

All transactions between the Trust and the organisations noted are at normal commercial rates.

	<u>Transactions</u>	<u>Balances at 31 March 2013</u>		
	Sold to	Purchased from	Due to the Trust	Due from the Trust
Highland Council	12,569	986		46,473
Albyn Housing Society Ltd	12,101	322	-	-
Lochaber Housing Association Ltd	2,174	14,032	-	-
Lochalsh & Skye Ltd	3,539	-	-	-
Pentland Housing Association Ltd	3,964	-	-	-

All transactions between the Trust and the organisations noted are at normal commercial rates.

**The Highlands Small Communities Housing Trust**  
**(A company limited by guarantee)**

**21 Disclosure of Control**

The Highlands Small Communities Housing Trust is a charitable company limited by guarantee

not having a share capital. The liability of members is limited, and is not to exceed £1 per member. As a result no single party has control of the Trust.

**22 Scottish Housing Associations' Pension Scheme**

The Highlands Small Communities Housing Trust participates in the Scottish Housing Associations' Pension Scheme ('the Scheme'). The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted-out of the State Pension scheme.

The Scheme offers five benefit structures to employers, namely:

- Final salary with a 1/60th accrual rate.
- Career average revalued earnings with a 1/60th accrual rate.
- 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.

The Highlands Small Communities Housing Trust has elected to operate the final salary with a 1/60th accrual rate benefit option for active members as at 1 April 2011 and the final salary with a 1/60th accrual rate benefit option for new entrants from 1 April 2011.

During the accounting period The Highlands Small Communities Housing Trust paid contributions at the rate of 9.6% of pensionable salaries. Member contributions were 9.6%.

As at the balance sheet date there were 4 active members of the Scheme employed by The Highlands Small Communities Housing Trust. The annual pensionable payroll in respect of these members was £127,043.

The Highlands Small Communities Housing Trust continues to offer membership of the Scheme to its employees.

**The Highlands Small Communities Housing Trust  
(A company limited by guarantee)**

**22 Scottish Housing Associations' Pension Scheme (cont'd)**

The key valuation assumptions used to determine the assets and liabilities of the Scottish Housing Associations' Pension Scheme are:

<b>2009 Valuation Assumptions</b>	<b>% p.a.</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
<b>Rate of pension increases</b>	
- Pension accrued pre 6 April 2005 in excess of GMP	2.9
- Pension accrued post 6 April 2005 (for leavers before 1 October 1993 pension increases are 5.0%)	2.2
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

<b>Contribution Rates for Future Service (payable from 1 April 2011)</b>	<b>%</b>
Final salary 1/60ths	19.2
Career average revalued earnings 1/60ths	17.1
Career average revalued earnings 1/70ths	14.9
Career average revalued earnings 1/80ths	13.2
Career average revalued earnings 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.)

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to an 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 Highlands Small Communities Housing Trust**  
**(A company limited by guarantee)**

**22 Scottish Housing Associations' Pension Scheme (cont'd)**

The last formal valuation of the Scheme was performed as at 30 September 2009 by a professionally qualified Actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £295 million. The valuation revealed a shortfall of assets compared 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%.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a 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 Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

The Highlands Small Communities Housing Trust has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Scottish Housing Associations' Pension Scheme based on the financial position of the Scheme as at 30 September 2012. As of this date the estimated employer debt for The Highland Small Communities Housing Trust was £207,092.