



Combating Homelessness
Creating Opportunities
Promoting Change

Report of the Board and Consolidated Financial Statements



For the year ended
31 March 2013

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Non-Executive Directors' Details

The non-executive directors who served during the year, together with details of new appointees or resignations since the last annual report, are set out below.

◆ Non-Executive Directors

Name and Category of Membership	Date Of Appointment Or Resignation	Personal Details
Patrick Allen Independent Member	Resigned as Chair 23 September 2013	Retired civil servant Communities and Local Government
Joan Mortimer Independent Member	Appointed Chair 23 September 2013	Retired consultant International IT and business services company
Patrick Berry Independent Member		Retired executive of a large multi-national corporation
Roger Brocklehurst Independent Member		Retired banker Former Chief Executive, Local Investment Fund
Hugh Burnett OBE DL Independent Member		Deputy Lieutenant for East Sussex Chartered Accountant and business man
Anne Caborn Independent Member	Appointed 18 March 2013	Digital Communications Specialist
Maria Caulfield Independent Member	Appointed 26 November 2012	Nurse
Leona Daniel Independent Member	Appointed 26 November 2012	Retired Solicitor
Paul Dobson Independent Member	Resigned 23 July 2012	Retired solicitor
Peter Freeman Independent Member	Appointed 26 November 2012	Retired Senior Manager Public Services
Sumaya Gilmore Independent Member	Resigned 17 September 2012	Senior Clerk Barristers Chambers, London
David Hancock Independent Member		Retired local government officer Director of Community Services
Mark Perry Independent Member	Resigned 23 July 2012	Group Commercial Director Affinity Sutton Group Limited
Ian Sier Independent Member		Independent consultant
Rebecca Sycamore Independent Member		Director of Fundraising and Marketing Broadway
David Powell Tenant / Client Member	Resigned 23 July 2012	Brighton Housing Trust Tenant

◆ Company Secretary

Kate Thomas

Legal and Administrative Details

Registered Office

144 London Road
Brighton
East Sussex
BN1 4PH

Auditors

KPMG LLP
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Brighton Road
Crawley
West Sussex
RH11 9PT

Bankers

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PO Box 300
Brighton
East Sussex
BN1 9TE

Barclays Bank PLC
Hastings Branch
207-208 Queens Road
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Santander UK PLC
Bridle Road
Bootle
Merseyside
GIR 0AA

Principal Solicitors

DMH Stallard LLP
100 Queens Road
Brighton
East Sussex
BN1 3YB

Valuers

Jones Lang LaSalle
30 Warwick Street
London
W1B 5NH

The Trust is a charitable Registered Provider, a company limited by guarantee and is governed by its Memorandum and Articles of Association.

Registered with Companies House No. 1618610

Registered with the Charity Commission No. 284839

Registered with the Homes and Communities Agency No. H1696

Report of the Board

The Board presents its report, incorporating the Operating and Financial Review, and the consolidated financial statements of Brighton Housing Trust for the year ended 31 March 2013.

Group Structure

Brighton Housing Trust ('the Trust') is the primary asset holding and charitable operating company within the Group structure ('the Group'). It is the parent company of BHT Enterprises Limited ('BHTE'), a non-charitable operating company incorporated primarily for the purposes of insulating the Trust, and its charitable assets, from the risks associated with non-primary purpose or trading activities, to enable the Trust to undertake activities that would otherwise not be permissible within its charitable objects, to develop profitable social enterprises and to maximise the efficiency of its corporation tax affairs. Any profits generated by BHTE are recycled in furtherance of the Trust's charitable objects.

Business, Objectives and Strategy

Business

The Group is dedicated to combating homelessness, creating opportunities and promoting change. The Group aims to enable people to live independently, and believes that everybody needs appropriate housing, whether as a starting point or an end goal. The Group provides services to address the causes and effects of homelessness, poverty, vulnerability, discrimination, abuse, addiction, and poor mental and physical health.

The Trust is a charitable Registered Provider, a company limited by guarantee and is governed by its Memorandum and Articles of Association. The Trust is registered with both the Charity Commission and the Homes and Communities Agency, and as such is governed in addition to its Memorandum and Articles of Association by applicable Charities Act and Housing Act legislation.

Objectives

The objects of the Trust, as laid down in its Memorandum of Association, are:

- i. to relieve poverty by the provision of housing;
- ii. the relief of sickness;
- iii. the advancement of education and training of persons who are either homeless or in need or both, and the families of such persons;
- iv. to promote the study of and research into all aspects and methods of the relief and prevention of homelessness, relief of those persons in need and to make records and disseminate the useful results of such research at both a national and local level.

The Trust's '*Mission*', principal aims and objectives are:

- '*Combating homelessness*', its causes and effects
- '*Creating opportunities*', enabling individuals to overcome the barriers to independent living
- '*Promoting change*', ensuring awareness and furthering local and national strategic priorities

The Trust undertakes extensive project reviews, at least on an annual basis, in which the outcomes and achievements of the Trust's work are contrasted against its stated aims and objectives. The reviews look at the successes of each key activity and the benefits they have brought to those individuals and groups of people for which the Trust was set up to help. The reviews also help to ensure that the Trust's aims, objectives and activities remain focused upon its stated objects. The Trust refers to the Charity Commission's general guidance on public benefit whenever reviewing its Mission, aims and objectives and when planning future activities.

Report of the Board (continued)

Business, Objectives and Strategy (continued)

Strategy

The Trust employed the following strategies during 2012/13 in order to deliver its objectives:

- supporting individuals to overcome barriers to independent living and to sustain that independence
- providing services that address the causes and effects of homelessness, poverty, vulnerability, discrimination, abuse, addiction, and poor mental and physical health
- providing and developing services which will make a concrete and lasting difference to clients' quality of life
- developing initiatives to encourage and enable clients to take an active role in service delivery, taking the concepts of 'Co-Design' and 'Co-Production' to the level of 'Co-Delivery'
- challenging discrimination faced by homeless and vulnerable individuals
- maximising opportunities to develop the highest quality services and for working with the most complex issues
- maximising opportunities for clients to access learning, training and employment
- investing in and empowering employees, enabling them to better deliver the objectives of the Trust
- working closely with other providers and organisations to deliver solutions based firmly on need and on furthering local and national strategic priorities
- working in partnership to increase the provision of affordable and social housing
- strengthening financial performance
- investing in its subsidiary undertaking such that profitable social enterprises may continue to be developed and which, in turn, then generate much needed additional funds and resources for the Trust from which it can then further its charitable objects

Charitable activities

The Trust's objects and funding limit the availability of some of its services primarily to those individuals that are either resident within or have a local connection to one of the defined localities within which the Trust works. For example, the Trust's funding for a floating support outreach contract will likely define the maximum capacity of that service and, therefore, the number of clients that can benefit at any one time in that particular geographic locality. Furthermore, the finite supply of housing specifically limits the number of clients that the Trust is able to accommodate within its residential schemes at any one time.

Access to the Trust's services is allocated by giving priority to referrals from a number of specified sources, as agreed with funders and other stakeholders from time to time, and is also based upon an initial assessment of an individual's personal circumstances and commitment to seeking help. All of the Trust's services are provided free to its clients. The only exception to this is where a resident client might reasonably be expected to contribute towards those service charges that are ineligible for Housing Benefit, such as food, utilities and rates.

The Trust is committed to ensuring equal access to its services and sees equality and diversity as being of central importance to both its culture and operations. The Trust collects and analyses equality monitoring data for all those individuals that approach the Trust for help. The Trust explains clearly its reasons for collecting this information and how it is subsequently used and stored. The Trust is committed to taking positive action to facilitate the greater representation of any under represented groups, as permitted by law.

Specific charitable activities undertaken by the Trust during the year included the provision of:

- housing accommodation both to those most in need and at market rents
- grant funded specialist mental health support, primarily with clients in residence but also on an outreach basis
- grant funded specialist, residential drug and alcohol recovery projects
- grant funded floating support services providing support to clients on a daily basis both within their own homes and designated drop in centres
- state funded legal advice through centres providing specialist advice for housing, debt, welfare benefits and immigration matters
- a day centre for homeless, vulnerable or socially excluded individuals
- work, learning and involvement activities
- prison outreach services enabling the successful rehabilitation and reintegration of individuals within the community
- private sector leasing initiatives enhancing the range and availability of housing accommodation to those in need

**Report of the Board
(continued)**

Business, Objectives and Strategy (continued)

Charitable activities (continued)

Further details regarding the direct impact and benefits that these activities have upon clients' lives can be found within the relevant section of the Operating and Financial Review below.

The Trust's services are fully integrated within the local community and, for the most part, operate seamlessly without any detriment or harm to local residents. Notwithstanding this, the Trust is committed to identifying any such issues, should they exist, and to working with local residents, community groups and councillors in order to address them as effectively as possible.

In addition to helping its clients directly, the Trust's activities also provide significant wider reaching benefits to the local communities within which it works and to the general public at large. For example, the favourable social and economic benefits arising as a direct consequence of reductions in street homelessness, reduced levels of rough sleeping, reduced anti-social behaviour arising as a result of drug and alcohol abuse, reduced hospital admissions, reduced levels of crime, reduced demands made upon policing, ambulance and rescue services, together with the increased economic output in respect of those clients that are no longer reliant upon state benefits and are instead now successfully engaged in a work or learning capacity.

Operating and Financial Review

Results for the year

Overall financial performance for the Group has deteriorated from a surplus of £132k in 2011/12 to a surplus of £18k in 2012/13. This is due primarily to a £96k worsening in the financial performance of the Trust's Legal Advisory Services and a loss of £199k in private sector leasing, offset in part by £79k increased revenues following reviews of service charge in its supported housing services.

The underlying financial performance of the Trust, in isolation, has deteriorated from a retained surplus of £209k in 2011/12 to a Loss of £168k in 2012/13. This was in part due to the Trust agreeing to write off the Inter-Company loan to BHTE of £224k, before exceptional items and interest payable the Trust's operating surplus has actually deteriorated by £102k, from £297k to £195k.

As a consequence of poor performance of BHTE, a decision was made to cease trading with effect from 1st April 2013 with all on-going activities being transferred back to the Trust itself. Remedial action has been taken and the financial performance of the Trust is therefore anticipated to improve in 2013/14.

Operating segments

The table below summarises the turnover and operating results for each of the main operating segments within which the Group classifies its activities:

	Turnover		Operating Surplus / (Deficit)	
	2013 £k	2012 £k	2013 £k	2012 £k
Operating Segment:				
General Needs Housing	2,957	1,572	204	334
Supported Housing	4,847	4,543	395	345
Legal Advisory Services	1,714	1,873	(372)	(276)
Day Centre	496	345	(109)	(150)
Other activities (including Floating Support)	2,464	2,183	13	44
	12,478	10,516	131	297
BHT Enterprises Limited	71	75	(25)	(73)
	12,549	10,591	106	224

Report of the Board (continued)

Operating and Financial Review (continued)

General Needs Housing

General Needs Housing comprises 453 units (2012: 435 units) of accommodation in management, together with a further 158 units that are managed on the Trust's behalf under the terms of a long term lease. The 453 units of accommodation are distributed equally throughout Eastbourne, Hastings and other parts of East Sussex, in addition to Brighton and Hove.

The work undertaken by the Trust in this area directly combats homelessness and relieves poverty as a result of the provision of housing accommodation to those in need and at sub-market rents. Private sector leasing initiatives enhance both the range and availability of housing accommodation to the Trust's clients. The Trust is better able to support its clients to overcome any barriers to independent living, and to sustain that independence, once they have been appropriately housed. The Trust is acutely aware that increasing the supply of housing to those most in need will enable it to better deliver its charitable objectives in the future. It is therefore a key strategy of the Trust to work in partnership with other organisations, including landlords in the private rented sector, and individuals in order to increase the provision of housing.

The £1,385k increase in turnover, from £1,572k to £2,957k, relates almost wholly to the continued growth in private rented sector leasing activities, with most of the new properties coming into management in the final quarter of 2011/12. The £130k reduction in operating surplus is due primarily to a £72k increase in repairs expenditure (including cyclical maintenance) undertaken in the year, offset in part by inflationary increases received upon rental incomes. The operating margin for General Needs Housing has deteriorated, from 21% to 10%, due almost wholly to excess voids and bad debts in the private rented sector leasing activities.

Supported Housing

Supported Housing (incorporating Temporary Social Housing) comprises 288 units (2012: 288 units) of residential accommodation that are available primarily to single homeless men and women, but also to families on a smaller, but no less important, scale. Support services, provided whilst clients are in residence, include specialist drug and alcohol recovery programmes, specialist mental health support, specialist resettlement support and opportunities for clients to engage with learning, training and employment activities.

117 (2012: 137) individuals accessed the Trust's drug and alcohol recovery programme in the year. 58% of individuals completed the programme compared to the national average of just 15%. Most importantly, 46% of those entering treatment will still be drug and alcohol free six months after treatment ends, enabling clients to live independently, to access safe and secure accommodation that would not otherwise have been the case and to access learning and employment opportunities. In addition, the public at large benefit from the favourable social and economic consequences of significantly reduced criminal activity, reduced drug and alcohol related violence, reduced rough sleeping and reduced hospital admissions.

51 (2012: 35) individuals accessed the Trust's Big Lottery funded Accommodation for Work project during the year. Of these, 26 (2012: 21) residents have since found paid work and have come off jobseekers allowance, 19 (2012: 13) have undertaken work placements or voluntary work, 19 (2012: 18) have accessed some form of education or training and 18 (2012: 13) have moved on to independent accommodation.

The Trust's Phase One, a high support hostel project, worked with 104 (2012: 90) of Brighton and Hove's most vulnerable and challenging individuals during the year, housing up to 52 clients at any one time. 24 (2012: 16) clients achieved positive move-on into independent accommodation or residential treatment. This positively impacts upon street homelessness, anti-social behaviour, reduced hospital admissions, reduced levels of crime and reduced demands made upon the policing, ambulance and rescue services.

62 (2012: 70) individuals accessed the Trust's Hastings based Young People's Service during the year, a residential scheme that provides accommodation and support for vulnerable young people aged between 16 and 25. More specifically, the service supports its residents in developing an increased self-confidence, in nurturing their skills and talents and in engaging in a significantly richer life experience than would otherwise have been the case.

Report of the Board (continued)

Operating and Financial Review (continued)

Supported Housing (continued)

Similar positive outcomes were also achieved in the Trust's other Supported Housing projects. 20 (2012: 13) clients moved on from the Route One project in a planned and positive manner during the year. The project houses up to 55 adults with mental health issues at any one time, simultaneously supporting them to successfully maintain their accommodation and improve their mental and physical wellbeing.

The £304k increase in turnover, from £4,543k to £4,847k, relates primarily to inflationary increases received upon rental incomes. The £50k increase in operating surplus arises largely as a result of inflationary increases received upon rental and service charge incomes.

Legal Advisory Services

Legal Advisory Services provided legal advice to approximately 4,500 client's per annum, covering housing and immigration law together with debt, welfare benefits and general accommodation advice. The work undertaken by the Trust in this area directly combats homelessness as a result of the legal advice and representation provided to clients, with 1,218 cases of homelessness prevented during the year.

Positive outcomes were achieved in the overwhelming majority of cases, such as a client being satisfactorily housed, avoiding eviction, having essential repairs carried out by their landlord, receiving some form of compensation, assistance with the payment of rental arrears, debts being written off, negotiation of revised payment terms, successfully contesting liability for debts and the maximisation of benefits entitlement. This enables clients to better manage their affairs, maintain their existing tenancies and avoid eviction.

The £159k reduction in turnover, from £1,873k to £1,714k, relates primarily to the 10% reduction in fee incomes that was imposed by the Legal Services Commission with effect from October 2011, together with a £50k reduction in the amount of discretionary funding available from the local authority. Unfortunately, this reduction in turnover impacts directly upon Legal Advisory Services overall financial performance and the operating deficit increased by £96k in 2012/13, from £276k to £372k, as a result.

2012/13 has continued to be challenging for Legal Advisory Services. The coalition government continued the enactment a number of reforms to the legal aid system that came into effect in April 2013, including the removal of debt and welfare benefits from the scope of legal aid funding entirely. This will inevitably impact upon the Trust's ability to deliver positive outcomes on behalf of its clients, will further reduce Legal Aid incomes by approximately 20% and would significantly increase the current operating deficit had not the Trust taken remedial action to reduce operating costs, including the planned redundancy of the equivalent of 12 full time members of staff.

The reduction in service levels will be a loss for the residents of Brighton and Hove, Eastbourne, Hastings and East Sussex. No other provider has levered in anywhere near as much Legal Aid funding as the Trust and there will be no immediate alternative available to those who would otherwise rely upon the Trust's service.

Day Centre

The First Base Day Centre, together with Legal Advisory Services, is a key 'first point of contact' gateway providing clients with onward access to the Trust's other services. In the first instance, it provides support to individuals who are either homeless or vulnerably housed in Brighton and Hove, enabling them to move-on from either the streets or insecure accommodation and supporting them to realise their aspirations. The Day Centre worked with 402 individual clients in 2012/13, receiving in excess of 20,000 visits, but is not income generating and instead relies largely upon grant funding and fundraising.

The Day Centre provided emergency shelter over many months during extreme winter weather at the recently refurbished St Stephens Hall, providing 1,130 emergency bed spaces for 129 different clients through the Severe Weather Emergency Protocols during the prolonged period of cold weather.

The work undertaken by the Trust in this area combats homelessness, creates opportunities and promotes change – in particular challenging discrimination faced by homeless and vulnerable individuals. 274 individuals, who would otherwise be street homeless, found accommodation as a result of using services at the First Base Day Centre during the year. This both directly and favourably impacted upon street homelessness, rough sleeping and hospital admissions. A 5-year Big Lottery Funded Healthy Lifestyles project was completed successfully during the year. Over the lifetime of the project 1,293 different clients improved their physical health, psychological health and their

Report of the Board (continued)

Operating and Financial Review (continued)

social well-being. In March 2013 the Big Lottery confirmed First Base was successful in its application for a further 4-years' worth of continuation funding to transform the Healthy Lifestyles Project into a new service, "First Impressions" supporting clients to access work and learning opportunities in the community. Furthermore 1,523 visits were made to health care services, including nursing, dentistry and optometry that operate from First Base.

There has been an upturn in the turnover of the Daycentre of £151k and the operating deficit was reduced from £150k loss in 2011/12 to a loss of £109k in 2012/13.

Other activities (including Floating Support)

Other activities primarily represent the Trust's non-residential Floating Support services, together with work, learning and involvement initiatives, non-residential Mental Health services and prison outreach work.

The £281k increase in turnover, from £2,183k to £2,464k, relates primarily to increased Big Lottery, Crisis and other grant funding secured during the year. This additional funding has enabled the Trust to continue operating both the Threshold women only counselling service and its Finding Futures training initiatives in Hastings when enforced closure was a distinct and alternative possibility.

There has been an increase of £33k in operating surplus from £44k to £77k in line with the increases in funding.

BHT Enterprises Limited

BHTE has operated three primary trades during the year, BHT IT Solutions providing IT hosting and infrastructure services, BHT Design providing graphic and web design services, and the Tenancy Centre, providing housing and reactive maintenance management services. The Tenancy Centre failed to meet its financial performance targets and losses were incurred in the provision of the services due to excess voids bad debts and other losses. BHTE made an operational loss of £21k (2012: £73k)

As a consequence of this poor performance, a decision was made to cease trading with effect from 1st April 2013 with all on-going activities being transferred back to the Trust itself.

Key Performance Indicators

The Group Board received quarterly reports to monitor performance within the organisation. The performance measures included the following financial and operational performance indicators:

- Compliance with loan covenants – all loan covenants complied with
- Cash management – cash flows and balances deteriorated during the year primarily due to an increase in arrears in rents for general needs and private leased properties, and an increase in Work in Progress at the Legal Advisory Services
- Void loss – voids as a % of gross rents of 7.0% (target: 4.5%) (2012: 5.1%)
- Rent received – rent received as a % of amounts due 93.4% (target: 98.3%) (2011: 96.6%)
- Bad debts – bad debts as a % of rents receivable of 3% (target: 1.7%) (2012: 1.3 %)
- Arrears management – gross arrears as a % of annual rent roll of 7.7% (target: 5.8%) (2012: 7.7%)
- Gas safety certificates – units with a valid safety certificate 100% (target: 100%) (2012: 100%)
- Staff sickness – working days lost per FTE employee 8.15 (target: 8 days) (2012: 9.0 days)
- Staff turnover – staff leaving per annum 18.4% (target: 15%) (2012: 20.6%)
- IT Support – users experiencing good or better service 92.0% (target: 75%) (2012: 94.5%)
- Consolidated action plan – 67% of all improvement actions completed (target: 85%) (2012: 88%)

Report of the Board (continued)

Operating and Financial Review (continued)

Value for Money

Value for money reviews have been undertaken since 2010, both internally and with the assistance of external consultants, resulting in savings of £375k in 2012/13. The areas reviewed include:

Service remodelling

A review led to the merger of two projects with staff savings of £35k being achieved. It has also allowed for the standardising of approach, a more streamlined referral process and, in due course, the planned co-location of these two projects.

Review of Terms and Conditions

The review of Terms and Conditions undertaken in 2009 has continued to achieve savings, in 2012/13 savings of increments estimated to be in the region of £100k together with additional accumulated savings from previous years.

Central Support Staff

A review of central support staff was undertaken resulting in an increase in spending of £30k from 2012/13 in the fundraising activity. This additional capacity has allowed further income generation activities to be undertaken which would not otherwise have been possible and which have already secured additional funding of £300k.

Management Review

A review of the senior management tier was undertaken which resulted in the deletion of one post with net savings of around £40k. These savings will be recycled into an enhanced second management tier in order to allow additional delegation of responsibilities so that there is an increase in capacity to develop new business.

Telephony and Photocopying

Savings of around £12k per annum continue to be achieved from an earlier review of these. The use of VOIP technology is underway which, early indicators suggest, will achieve further savings.

Information Technology

The provision of IT services to Sussex Central YMCA has resulted in additional income to BHT of £55k per annum. In order to have the capacity to service this client, a help desk was established at a cost of £25k per annum which has resulted in an improvement in responsiveness to BHT staff. The use of improved voice recognition software by solicitors has allowed a reduction in back office staff at the Brighton Advice Centre with a saving of £10k per annum.

Training

The continuing provision of training to external agencies has continued to result in income of £25k per annum to BHT which has been invested in providing yet further training opportunities for our staff at no extra cost to the organisation.

Recruitment

The use of job boards, social media and BHT's own website (promoted through a mailing list of some 2,000 registered individuals) has resulted in a reduction in expenditure of around £35k by no longer placing job adverts in expensive newspapers, with no identifiable negative impact on our ability to recruit quality staff. Advertising still takes place in newspapers and specialist magazines, where appropriate.

Energy Procurement

BHT engaged an external consultant, Expense Reduction Analysis, to review and negotiate on our behalf revised pricing for gas and electricity, resulting in net savings of £16k per annum.

Service Charge

A review undertaken by an external consultant has resulted in an increase in service charge receivable of £60k at a cost of 15% of the increase. The additional charges to tenants are eligible for housing benefit.

A revised Value for Money strategy has been prepared, including a further programme of reviews for the years 2013 to 2016 to identify other areas where greater value for money might be achieved.

Report of the Board (continued)

Operating and Financial Review (continued)

Investment for the future

The Group is continually looking to improve the services that it provides. The Group has a designated Client Involvement representative whose role it is to process all client comments and improvement suggestions with a view to continuous improvement and enhanced client involvement in the future. The scope of this role has recently been increased in order to better facilitate and promote those clients willing to take a more active role in service delivery, effectively taking the concepts of 'Co-Design' and 'Co-Production' to the level of 'Co-Delivery'.

It was the Group's objective that, by the end of 2013, at least 15% of staff would be ex-clients. This was achieved. The launch of the BHT Intern Programme, which provides on the job training and experience for those ex-clients and others that are interested in working in the community and voluntary sector in the longer term, helped the Group to achieve this target.

Being a people centric organisation, the Group continues to invest in its staff and their development. The Group has a significant internal training operation that has benefited and will continue to benefit both existing and new members of staff. The majority of the training events has, for several years, been offered externally to organisations in the Not for Profit and related sectors.

The Group also continues to invest in and develop its information systems and related infrastructure, with a view to making further efficiency savings and improvements for clients. The Group believes that this is an area where it demonstrates significant strength and which, in particular, could be utilised to strengthen partnering arrangements with other Not for Profit or similar organisations. The Group continues to sell IT hosting and infrastructure services as part of its social enterprise operations.

The Group was successful in attracting new investment in its charitable activities, not least from the Big Lottery's Reaching Communities programme, where £590k was secured during the year to be applied to delivering services from April 2013 to March 2017. A further £440k was secured post year end (although the work was undertaken during the year) to be applied to service delivery until March 2018. The Group was also selected during the year to lead a consortium of providers to deliver a £9.2 million programme of services from April 2014 to March 2022.

The Trust is launching a new initiative in 2013/14, *Striving for Excellence*, which seeks to ensure that quality, outcomes and impacts are maximised in all that we do, that the Trust retains and increases the confidence of clients and attracts and retains quality staff, and that commissioners and funders continue to invest in services.

Capital structure – Group

Fixed assets are included at depreciated historic cost of £5,675k (2012: £5,642k) and net current assets included at £1,518k (2012: £1,608k). These are financed by long term housing loans of £866k (2012: £940k) and reserves of £6,328k (2012: £6,310k).

a. Fixed Assets

Housing properties are included in the balance sheet at historic cost net of depreciation of £21,005k (2012: £21,091k), less Social Housing and other public grants totalling £16,221k (2012: £16,221k). The Group has other fixed assets, based upon historic cost net of depreciation, of £1,189k (2012: £1,070k). These relate to freehold non-housing properties, fixtures, fittings and equipment and IT equipment and software.

b. Working Capital

At 31 March 2013, the Group had cash balances of £1,001k (2012: £1,042k), debtors of £2,486k (2012: £2,561k) and creditors due within one year of £1,969k (2012: £1,996k). The £90k overall reduction in net working capital, from £1,608k to £1,518k, relates primarily to an increase in tenant arrears associated with the operation of the Tenancy Centre.

Debtors and creditors have decreased slightly by £75k and £27k respectively (excluding long term creditors).

**Report of the Board
(continued)**

Operating and Financial Review (continued)

Cash balances have reduced by £41k, primarily as a result of an increase in tenant arrears and in the value of legal aid work.

c. Housing Loans

At 31 March 2013, the Group had housing loans due after more than one year of £866k (2012: £940k). The reduction in the year relates to repayments made.

d. Reserves

At 31 March 2013 the Group had reserves totalling £6,328k (2012: £6,310k). Overall reserves have increased by £18k, designated reserves have increased by £33k and restricted reserves by £50k following transfers from the income and expenditure account. Please see the following section, together with note 17 of the financial statements, for further details.

Reserves policy

The primary purpose of the Group's reserves policy is to ensure that adequate funds exist in order to ensure its long term viability, to avoid erosion of its asset base and to manage short term volatility in income or liquidity.

The policy is designed to ensure that the Group:

- Can continue to meet its financial commitments;
- Can deploy funds promptly, in a planned way and react to new opportunities;
- Can balance sound investment with good liquidity management; and
- Is not forced into short term decisions to the detriment of its long term vision.

To achieve this, the Group has adopted target measures for key reserves indicators. The Group's policy aims to:

- Specifically designate reserves in relation to fixed assets and future major repairs commitments, in order to avoid the erosion of its asset base over longer periods of time;
- Hold a minimum of between 2 and 2.5 months of direct operating costs in free reserves, in order to protect its charitable work from the risk of disruption; and
- Hold a minimum of 1.3 months of operating cash outflow requirements in cash or short term investments, in order to manage short term volatility in income or liquidity.

The table that follows summarises the Group's performance against its policy aims:

	Target	31 March 2013	31 March 2012
Free reserves cover (months)	2 to 2.5	0.6	0.6
Cash and short term investments cover (months)	1.3	1.0	1.2
Designated reserves (% of required actually designated)	100%	100%	100%

Report of the Board (continued)

Reserves Policy (continued)

Having assessed its financial projections, future charitable need, opportunities, contingencies and risks the current free reserves cover, of just 0.6 months, remains insufficient for the purposes that the Group reasonably requires. The Group will therefore seek to build its reserves by:

- Running further targeted fundraising campaigns;
- Maximising the financial return that can be achieved upon all of its current and future activities, without compromising the charitable aims and objectives of its work;
- Minimising expenditure in areas where there is little or no direct impact upon charitable activities;
- Strategically planning for growth so that central overheads become more efficiently allocated and affordable.

The Group's cash and short term investments cover, of 1.0 months, was only marginally below the stated target of 1.3 months as at 31 March 2013. Notwithstanding this, the Group anticipates that cash reserves headroom will remain at or around target levels in the foreseeable future. The shortfall from 1.2 to 1.0 was due to the increase in rent debtors, which we will be looking to rectify in the following year.

The adequacy of the Group's cash reserves is monitored as part of the monthly reporting cycle. The Group also reviews the overall status of its reserves position, in line with policy aims, as part of its strategic planning processes on at least an annual basis.

Treasury management

The Group operates a treasury policy that adheres to the regulatory framework laid down within the CIPFA 'Treasury Management in the Public Services: Code of Practice'. Responsibility for ensuring compliance with targets, limits and other parameters contained within the policy lies with the Group Board. The Finance Director is responsible for the preparation of appropriate reports to enable the Group Board and designated sub-committees to fulfil their responsibilities.

Risk Factors

The Group may be affected by a number of risks, not all of which can be wholly mitigated against or controlled. The principal risks presently facing the Group, together with the various mitigating strategies and controls in place for managing them, are described further below.

Political and economic environment

A degree of uncertainty still remains as to precisely the timing of and how the government's benefit reforms, incorporating changes to Housing Benefit, services charges and the introduction of Universal Credit, will impact upon both the Group and its clients. The possibility of increased bad debts as a result of the housing element of benefits being paid directly to tenants is both well-known and publicised. However, the finer details, the extent to which the new rules will be introduced and distinctions to be made between General Needs housing and Supported Housing schemes are all still yet to be finalised.

This is of particular importance to the Group given its extensive work in this area and given the vulnerable and challenging nature of certain of its client groups. The Group therefore awaits further clarification in this area with a high degree of interest and is actively engaging with specialists in order to plan for and mitigate against any potential negative consequences of the reforms.

Cash flow and liquidity management continues to remain of high importance. The move towards direct payments, personalised social care budgets and payment by results will almost certainly place additional strains upon the Group's cash flow performance over the next few years. In mitigation, the Group is able to demonstrate a starting position of relative strength in terms of the cash reserves that it holds and retains the option of putting an overdraft facility in place.

Report of the Board (continued)

Regulation

The Group's activities are subject to a variety of regulatory regimes, in part reflecting the diversity and complexity of the services it provides. The key regulators are the Charity Commission and the Homes and Communities Agency, in respect of whom compliance with its Regulatory Code is mandatory. Equally important is compliance with Care Standards, Supporting People regulations, the Legal Aid Agency and Law Society rules. By employing appropriate governance and management structures, regulation risk is adequately managed.

Risk management

The Board accepts its responsibilities for ensuring that major risks, to which the Group is exposed, are identified and that there are systems in place to mitigate against them. The Group has embedded systems in place for the specific purpose of the continuous identification, evaluation and management of significant risks faced by the Group. Procedures are also in place to assist the Group in identifying and controlling risks arising from new investment and business acquisitions. The Group views risk management as integral to good business practice and the process is designed to support management decisions and improve the reliability of business performance.

Corporate Responsibility

The Group has a strong tradition of corporate responsibility. Its work is underpinned by a commitment to quality of service with particular emphasis on valuing its clients, tenants and employees. This allows the Group to manage its operations responsibly, to identify risks and to distinguish itself from other organisations.

Code of Ethics

The Group operates a Code of Ethics which, with the exception of minor drafting amendments, remains largely unaltered since 1988. The Code lies at the heart of the Group's culture and operations. Its purpose is to establish and maintain standards of work practice consistent with the main aims of the Group as set out within the Trust's Mission Statement. Ethical standards, which all staff and Board members are bound by, comprise such values as integrity, competence, confidentiality and responsibility. The Group is committed to equal opportunities in the provision of all its services and in the employment of staff. The Group seeks to ensure equal opportunities for all individuals with whom it comes into contact. There are codes of conduct in place for all staff and Board members.

Employees

The Group had an average of 293 employees on its payroll during the year ended 31 March 2013 (2012: 277). There are well established and effective communication arrangements for any significant issues for employees of the Group. This includes weekly briefings from the Chief Executive to all staff, other communications from senior staff and staff consultations. Where appropriate, consultation with staff and their union representatives also takes place. The Group's Safety Working Group met regularly during the year in order to promote standards and awareness of health and safety issues throughout the Group.

Retirement benefits

The Group operates a stakeholder retirement benefit scheme provided by Scottish Widows. This new scheme was introduced in the summer of 2011 in preparation for automatic enrolment and the various other reforms that will be phased in shortly. The previous stakeholder retirement benefit arrangements, with Standard Life and Norwich Union Life & Pensions respectively, were withdrawn at this time. The Scottish Widows scheme is open to all employees on the same terms. The Group contributed 6% of the pensionable salaries of members during the year (2012: 6%).

Environment

An Environmental Working Group has been created with the primary objective of minimising the environmental impact of the Group, including its staff and clients, upon the environment. Current initiatives include environmentally friendly procurement, increased recycling and an environmental awareness campaign.

Creditor payment policy

The Group believes in fair practices in the way it deals with its suppliers. Individual payment terms are agreed with suppliers when entering binding contracts.

Report of the Board (continued)

Corporate Governance

The Board's role and composition

The Group Board consists of a minimum of seven and up to fifteen non-executive directors, who can only be elected by the members, together with up to five directors who may be co-opted by the Board. The Board currently has twelve non-executive directors, two of whom stand down as of the date of approval of these financial statements. All come from a variety of backgrounds with professional, technical and business skills relevant to the wide range of activities that the organisation undertakes. The names and backgrounds of all non-executive directors as at 31 March 2013, together with any changes during the year and up to the date of signing these financial statements, are provided on page 3.

The Group co-opted four new Board members during 2012/13 and it is the Trust's intention to recruit to and further strengthen its Board during 2013/14, in order to adequately manage succession risk and in anticipation of the fact that a number of Board members are coming toward the end of their maximum term in the next three years.

A new Chair is due to be elected in September 2013 with the planned retirement of the current Chair.

The Board's role is to govern the Group, provide accountability, resolve tensions between stakeholders, direct, control and provide strategic direction. In order to strengthen the governance arrangements, the Board has two standing committees:

- Personnel and Governance Committee
- Audit and Risk Committee

Executive Management Team

The delegated authority of the Board is granted to the Chief Executive and the Executive Management Team to implement strategy and to lead and manage the Group. The Executive Management Team acting as executives within the delegated authority of the Group Board perform, amongst other things, the detailed scrutiny of performance, the development of policy and procedure and expenditure approvals within budget. The Executive Management Team meets at least once a month for these purposes. Senior managers supply the Board with appropriate and timely information and are available to provide advice.

Remuneration

The Personnel and Governance Committee is charged with reviewing the pay and other terms of employment of the Chief Executive and other members of the Executive Management Team. In considering its remuneration policy, the Committee is guided by evidence of pay rates within the charitable, social housing and comparable sectors.

The Group Board is responsible for reviewing the pay and other terms of employment for all other employees (including the Executive Management Team). In considering its remuneration policy, the Board is guided by evidence of pay rates within the charitable, social housing and comparable sectors. This enables the Board to set and review salaries at levels that will attract and retain those individuals with the necessary skills, knowledge and experience required by the organisation.

All of the non-executive directors give their time voluntarily and received no remuneration or benefits from the Group during the year (2012: £nil).

The annual increase in pay, for both the Chief Executive and all other employees of the Group, is set with reference to a number of factors including recommendations of the National Joint Council ('NJC'), the consumer price index, the retail price index, affordability and the impact upon the Group's competitiveness.

A flat rate increase of 1% was awarded with effect from 1 April 2013 (1 April 2012: 1%) in line with the public sector pay restraint currently being enforced by government.

Report of the Board (continued)

Statement of Directors' Responsibilities in Respect of the Directors' Report and the Financial Statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors 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 Group and the Trust and of the surplus or deficit for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Trust will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Trust's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Trust and enable them to ensure that the financial statements comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the Group's various websites. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of Information to Auditors

The directors who held office at the date of approval of this Board Report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditors are unaware; and each director has taken all the steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Statement of Internal Control Assurance

In accordance with the Homes and Communities Agency's (formerly the Tenant Services Authority and, before that, the Housing Corporation) regulatory requirements and in accordance with Housing Corporation Circular 07/07 (*Internal Controls Assurance*) the Board is required to conduct an annual review of the effectiveness of the systems of internal control, of both the Trust and of its subsidiary, and to issue a formal statement within the annual report and accounts on the outcome of this review.

The Board acknowledges its ultimate responsibility for the system of internal controls, for reviewing the effectiveness of those controls and for managing the risk of fraud within both the Trust and its subsidiary. The Board also acknowledges that risk management and control processes should operate continuously and should be embedded within and across all activities. It should be recognised that no system of internal control can provide absolute assurance or eliminate all risk. The system of internal control is designed to manage risk and provide reasonable assurance that key business objectives will be achieved and to give reasonable assurance about the preparation and reliability of financial information and the safeguarding of the assets of both the Trust and of its subsidiary.

The processes for identifying, evaluating and managing the significant risks faced by both the Trust and its subsidiary are on-going, have been in place for the year under review and up to the date of approval of the annual report and accounts and are regularly reviewed by the Board. The elements of the control framework, incorporating the key sources of evidence utilised by the Board in reviewing the effectiveness of the system of internal control, include:

Report of the Board (continued)

Statement of Internal Control Assurance (Continued)

Identification and evaluation of key risks

A comprehensive strategy and processes are in place to identify, evaluate and manage risk and which apply equally to both the Trust and its subsidiary. New projects are subject to risk assessment and financial appraisal both prior to and post any implementation. Approval to proceed is provided by sub-committee or the Board, as appropriate.

NHF Code of Governance

We are pleased to report that the group has adopted and complies with the principal recommendations of the National Housing Federation (NHF) Code of Governance (revised 2010) and Code of Conduct (2012) and reviews on each section have been undertaken.

Control environment and control procedures

The Board has put in place an organisational structure with clearly defined lines of responsibility and delegation of authority. These are set out in the Trust's standing orders and financial regulations. Strategy and policy are subject to Board review and approval. The Trust's Code of Ethics sets out standards of professionalism and integrity. The Code of Ethics is supported by a framework of policies and procedures, with which employees must comply, covering such issues as business continuity, business performance, clients charter, client involvement, confidentiality, continuous improvement, data protection, delegated authority, environment, equality and diversity, financial procedures, fraud, health and safety, anti-money laundering, treasury management, value for money and whistleblowing. The Trust's subsidiary, incorporating its Board of directors, are directly accountable to the Trust's Board and apply the same standing orders, financial regulations, Code of Ethics, policies and procedures as that of the Trust.

The policy and procedures in relation to fraud specifically cover prevention, detection, reporting and the recovery of any assets lost to fraudulent activities. Whilst the Trust maintains a fraud register, there have been no actual instances of fraudulent activity identified. The Board is fully aware of this, and would be informed accordingly should any fraudulent activity be identified.

Monitoring and corrective action

The Board has approved the use of an integrated plan for the implementation of all the key strategies and tasks within the Trust. A Programme of Continuous Improvement (PCI), incorporating the Development Plan, Consolidated Action Plan and Key Performance Indicator (KPI) reporting, is reviewed by the Board on a quarterly basis. The Trust's subsidiary adopts similar measures to those of the Trust.

The Board, through its Audit & Risk sub-committee, has approved the Trust's three year strategic audit plan and has considered all internal audit reports produced during the year. Action plans arising from these audits have been included in the PCI and good progress has been made in adopting and implementing agreed actions. The work of the Audit & Risk sub-committee and, in particular, the strategic audit plan and internal audit extends equally to the Trust's subsidiary.

In addition to the arrangements for internal audit, the Trust is also subject to regular and on-going audit reviews by a number of its funders and commissioning bodies.

Information and financial reporting systems

The annual budget and five year business plan, for both the Trust and its subsidiary, are reviewed and approved by the Board. Actual financial results, financial forecasts, KPI's and the new business development plan are reported, on a quarterly basis, to the Trust Board and subsidiary Board respectively.

Status

The Board's review of the effectiveness of the Trust's system of internal control has identified no significant failings, weaknesses or instances of fraudulent activity which have resulted in material misstatement or loss that require disclosure within the financial statements for the year ended 31 March 2013, and up to the date of signing these financial statements.

**Report of the Board
(continued)**

Statement of Internal Control Assurance (continued)

Charitable Donations

The Group did not make any charitable donations during the year (2012: £nil).

Going Concern

After reviewing the Group's budget for 2013/14 and the business plan going forward, and based on normal business planning and control procedures, the Board has a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. For this reason the going concern basis in preparing the financial statements has been adopted.

Auditors

KPMG LLP has expressed their willingness to continue in office. Accordingly, a resolution to re-appoint them as auditors will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board



**Joan Mortimer
Chair**

30 September 2013

Report of the independent auditors to the members of Brighton Housing Trust

Independent auditor's report to the members of Brighton Housing Trust

We have audited the financial statements of Brighton Housing Trust ("the Trust") for the year ended 31st March 2013 set out on pages 22 to 48. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Trust's members, as a body, in accordance with Schedule 1 paragraph 16 to the Housing Act 1996 and Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Trust'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 Trust and the Trust's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 17, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council (FRC) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of affairs of the Group and the Trust as at 31st March 2013 and of the Group surplus and Trust deficit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012.

Opinion on other matter prescribed by the Companies Act 2006

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

**Report of the independent auditor
to the members of Brighton Housing
Trust (continued)**

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 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, 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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Harry Mears (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Forest Gate
Brighton Road
Crawley
West Sussex
RH11 9PT

30 September 2013

**Group and Trust Income and Expenditure Accounts
for the year ended 31 March 2013**

	Notes	Group		Trust	
		2013	2012	2013	2012
		£	£	£	£
Turnover	2(a)				
Continuing operations		12,548,819	10,563,807	12,477,791	10,540,771
Discontinued operations		-	27,475	-	-
		<u>12,548,819</u>	<u>10,591,282</u>	<u>12,477,791</u>	<u>10,540,771</u>
Less: Operating costs	2(a)				
Continuing operations		(12,374,354)	(10,283,081)	(12,282,552)	(10,243,559)
Exceptional items	24	(68,585)	-	(287,585)	-
Discontinued operations		-	(84,204)	-	-
		<u>(12,442,939)</u>	<u>(10,367,285)</u>	<u>(12,570,137)</u>	<u>(10,243,559)</u>
Operating surplus / (loss)	2(a),				
Continuing operations		105,880	280,726	(92,346)	297,212
Discontinued operations		-	(56,729)	-	-
		<u>105,880</u>	<u>223,997</u>	<u>(92,346)</u>	<u>297,212</u>
Interest receivable & other income	7	92	198	11,789	3,831
Interest payable & similar charges	8	<u>(87,626)</u>	<u>(92,084)</u>	<u>(87,433)</u>	<u>(92,084)</u>
Surplus/ (Loss) on ordinary activities before taxation		18,346	132,111	(167,990)	208,959
Tax on surplus on ordinary activities	9	-	-	-	-
Surplus/ (Loss) for the year	17	<u><u>18,346</u></u>	<u><u>132,111</u></u>	<u><u>(167,990)</u></u>	<u><u>208,959</u></u>

The historical cost surpluses for the year are identical to those reported in the financial statements above.

The financial statements were approved by the Board on 23 September 2013 and were signed on the Board's behalf by:



J MORTIMER
Chair of the Board



R SYCAMORE
Chair of Audit & Risk Committee

Brighton Housing Trust

**Group Statement of Total Recognised Surpluses and Deficits
for the year ended 31 March 2013**

	Notes	2013 £	2012 £
Surplus for the year	17	<u>18,346</u>	<u>132,111</u>
Total recognised surpluses and deficits for the year		18,346	132,111
Prior year adjustment	18	<u>-</u>	<u>(8,500,729)</u>
Total surpluses and deficits recognised since last annual report		<u>18,346</u>	<u>(8,368,618)</u>

Brighton Housing Trust
Group and Trust Balance Sheets
as at 31 March 2013

	Notes	Group		Trust	
		2013	2012	2013	2012
		£	£	£	£
Fixed assets					
Housing properties					
- depreciated cost	10	21,004,502	21,090,775	21,004,502	21,090,775
Less: Social Housing Grant	10	(15,815,224)	(15,815,224)	(15,815,224)	(15,815,224)
Less: Other public grants	10	(703,244)	(703,244)	(703,244)	(703,244)
		4,486,034	4,572,307	4,486,034	4,572,307
Investments	11	-	-	77,500	77,500
Other fixed assets	12	1,189,104	1,069,594	1,184,335	1,060,536
Total fixed assets		5,675,138	5,641,901	5,747,869	5,710,343
Current assets					
Debtors – amounts falling due:					
- within one year	13	2,486,521	2,561,305	2,480,869	2,564,612
- after more than one year	13	-	-	-	174,000
Cash at bank and in hand		1,000,939	1,042,109	786,535	940,756
		3,487,460	3,603,414	3,267,404	3,679,368
Creditors: amounts falling due within one year	14	(1,968,985)	(1,995,678)	(1,823,968)	(1,956,046)
Net current assets		1,518,475	1,607,736	1,443,436	1,723,322
Total assets less current liabilities		7,193,613	7,249,637	7,191,305	7,433,665
Creditors: amounts falling due after more than one year	15	865,703	940,073	865,703	940,073
Reserves					
Capital reserve	17	102,833	102,833	102,833	102,833
Designated reserves	17	5,675,138	5,641,901	5,743,580	5,710,343
Restricted Reserves	17	120,501	70,768	120,501	70,768
Income and expenditure account	17	429,438	494,062	358,688	609,648
		7,193,613	7,249,637	7,191,305	7,433,665

The financial statements were approved by the Board at a meeting held on 23 September and were signed on the Board's behalf by:



J MORTIMER
Chair of the Board



R SYCAMORE
Chair of Audit & Risk Committee

Brighton Housing Trust
Group Cash Flow Statement
for the year ended 31 March 2013

	Notes	2013		2012	
		£	£	£	£
Net cash flow from operating activities	22(a)		484,201		202,718
Returns on investments and servicing of finance					
Interest received		-		198	
Interest paid and similar charges		<u>(87,442)</u>		<u>(46,712)</u>	
Net cash outflow from returns on investments and servicing of finance			(87,442)		(46,514)
Capital expenditure					
Payments to acquire and improve housing properties		(100,362)		(238,398)	
Other fixed assets grants received		-		107,536	
Payments to acquire other fixed assets		<u>(268,788)</u>		<u>(526,099)</u>	
Net cash outflow from capital expenditure			(369,150)		(656,961)
Net cash inflow / (outflow) before financing			27,609		(500,757)
Financing					
Housing loans repaid	22(b)		<u>(68,779)</u>		<u>(20,541)</u>
Decrease in cash in the year	22(b)		(41,170)		(521,298)

1. Accounting policies

The financial statements have been prepared on a going concern basis in accordance with applicable Accounting Standards in the United Kingdom and in accordance with the Statement of Recommended Practice ('SORP') "Accounting by Registered Social Housing Providers" (Update 2010) and the Accounting Direction for Private Registered Providers of Social Housing 2012.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements:

1. Revaluation of housing properties

Housing properties are reflected in the balance sheet at cost, net of Social Housing Grant and other capital grants. The cost of housing properties is their purchase price, together with incidental costs of acquisition and capitalised major repairs and improvements

2. Treatment of costs on adoption of component accounting

Component accounting categorically requires the capitalisation of all major repairs where a separately identified component has been either replaced or restored. The Group's Major Repairs policy has therefore been extended to reflect this new requirement. The adoption of component accounting has prompted the Group to review the treatment of costs that have previously been written off to the Income and Expenditure Account, resulting in a material increase in the value of major repairs capitalised in prior years.

3. Revision of the useful economic life of the component element of housing properties

The Group previously depreciated housing properties, net of Social Housing Grant and other capital grants, on a straight line basis over their expected useful economic life at an annual rate of 1% on valuation, as determined by professional valuers.

The adoption of component accounting now requires that each major component, excluding land, be accounted for separately and depreciated over its individual useful economic life. Ultimately, this results in an increase in the rate at which housing properties are depreciated.

4. Treatment of negative goodwill

Negative goodwill, arising on business combinations in respect of acquisitions, was previously included within reserves and released to the Income and Expenditure Account in the periods in which the fair values of the non-monetary assets purchased on the same acquisition were recovered whether through depreciation or sale.

Negative goodwill arising as a result of non-exchange transactions, where the substance of the transaction is the gifting of control of an entity to the Group, is now recognised as a gain in the Income and Expenditure Account in the year of acquisition.

Basis of Preparation

The financial statements are prepared on the historical cost basis of accounting.

Going Concern

On the basis of their assessment of the Group's financial position and resources, together with a review of budgets for 2013/14 and financial forecasts, the Board believes that the Group is well placed to manage its business risks. The Board therefore has a reasonable expectation that the Group has adequate resources to continue operating for the foreseeable future and thus continues to adopt the going concern basis of accounting in preparing the annual financial statements.

1. Accounting policies (continued)

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Trust and its subsidiary undertaking as at 31 March 2013 using merger and acquisition accounting, where appropriate.

Turnover

Turnover represents property rental income net of voids, revenue grants from statutory and other authorities, legal aid income net of VAT, charitable gifts, donations and legacies.

Property rental income

Rental and service charge income from residential properties is recognised in the income and expenditure account when it falls due.

Supporting People and other revenue grants receivable

Revenue grants are credited as income when they are receivable provided conditions for receipt have been complied with, unless they relate to a specified future period, in which case they are deferred.

Legal Aid income

Legal Aid income is accounted for when earned. Income is recognised at agreed rates for all work carried out up to the balance sheet date. Any income earned, where full settlement will not be received until the case is closed, is accrued and stated at the lower of cost and net realisable value.

Donations

All monetary donations and gifts are included in full in the income and expenditure account when receivable, provided that there are no donor-imposed restrictions as to the timing of the related expenditure, in which case recognition is deferred until the pre-condition has been met.

Investment income

Investment income, including associated income tax recoveries, is recognised when receivable.

Housing Properties and Components

Housing properties are reflected in the balance sheet at cost, net of Social Housing Grant and other capital grants. The cost of housing properties is their purchase price, together with incidental costs of acquisition and capitalised major repairs and improvements.

Housing properties consist of several different physical components each of which have substantially different useful economic lives. Each major component, excluding land, is accounted for separately and depreciated over its individual useful economic life.

Disposals include, but are not limited to, those components capitalised previously and which are now being written off upon their subsequent replacement.

Major Repairs

Major repairs are capitalised to the extent that they relate to the replacement or restoration of a separately identified property component or where the expenditure results in an enhancement of the economic benefits of the asset such as an increase in rental income, a reduction in future maintenance costs or a significant extension of its useful economic life. Major repairs are charged to the income and expenditure account as incurred in any other circumstances.

1. Accounting policies (continued)

Depreciation and Impairment

Housing properties, net of Social Housing Grant and other capital grants and consisting of several different physical components, are depreciated on a straight line basis over their expected useful economic lives as follows:

Bathrooms	30 years
Boilers	15 years
Building structure	100 years
Doors	30 years
Heating	30 years
Kitchens	20 years
Roofs	60 years
Windows	30 years

Freehold land is not depreciated. No depreciation is provided on housing properties in the course of construction. An impairment review on housing properties is undertaken annually.

Depreciation is charged on a straight line basis over the expected useful economic lives of other tangible fixed assets at the following annual rates:

Short leasehold properties and improvements	over the period of lease
Freehold non-housing properties (excluding land)	1%
Fixtures, fittings and equipment	20%
IT equipment and software	25%

Social Housing Grant

Where developments have been financed wholly or partly by Social Housing Grant, the cost of those developments has been reduced by the amount of the grant receivable.

Although Social Housing Grant is treated as a grant for accounting purposes, it may nevertheless become repayable if the conditions under which the grant was made are not complied with, for example, if the properties to which the grant was designated cease to be used for the provision of affordable rental accommodation.

Fixed Asset Investments

Fixed asset investments are stated in the Balance Sheet at cost unless, in the opinion of the directors, there has been a permanent diminution of value, in which case an appropriate adjustment is made.

Housing Loans and Other Financial Instruments

Housing loans and other financial instruments are stated in the Balance Sheet at the amount of net proceeds. Financial costs relating to new loans are deducted from the loan and amortised over the term of the loan at a constant rate on the carrying value.

Financial costs relating to the renegotiation of existing facilities are charged to the income and expenditure account as they are incurred.

Restricted Reserves

Restricted reserves represent unspent funds received for specific purposes from external organisations. Restricted reserves are only expendable in relation to the projects for which they are received.

1. Accounting policies (continued)

Designated Reserves

Designated reserves are those reserves that, whilst having been designated for a specific purpose, remain available for the general charitable objects of the Trust. Transfers to and from designated reserves are made at the discretion of the Board. Further details regarding the purpose of designated reserves and movements in the year are provided in Note 17 (b).

Negative Goodwill

Negative goodwill arising on business combinations in respect of acquisitions represents the difference between the consideration given and the fair value of the net assets of the acquired entity. Negative goodwill arising as a result of non-exchange transactions, where the substance of the transaction is the gifting of control of an entity to the Group, is recognised as a gain in the Income and Expenditure Account in the year of acquisition.

Leased Assets

Where the Group enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a "finance lease". The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the Income and Expenditure Account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as operating leases and the rentals payable are charged to the Income and Expenditure Account on a straight line basis over the life of the lease.

Taxation and Deferred Tax

Brighton Housing Trust almost wholly undertakes charitable activities which are exempt from corporation tax. Its subsidiary undertaking, BHT Enterprises Limited, is liable to corporation tax at the prevailing small companies rate of taxation.

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Value Added Tax

VAT affairs are dealt with under a Group registration in the name of Brighton Housing Trust. The Group recovers only a small proportion of input VAT. Expenditure is therefore shown inclusive of VAT, to the extent that it is not recoverable, with non-attributable input tax recovered being credited against management expenses.

Retirement Benefits

The Group operates a defined contribution retirement benefit scheme with Scottish Widows. The assets of the scheme are held separately from those of the Group. Contributions to the scheme are calculated as a percentage of the pensionable salaries of employees, determined from time to time at the discretion of the Board. The amounts charged to the income and expenditure account represent contributions payable to the scheme in respect of the accounting period.

Apportionment of Management Expenses

The direct costs of all staff that cannot be directly attributed to the provision of a service, together with associated other operating costs, have been apportioned between social housing lettings and non-social housing lettings activities on the basis of the costs of those staff directly engaged in the provision of the respective activities.

2. Turnover, operating costs and operating surplus

2(a) Particulars of turnover, operating costs and operating surplus

Group	2013			2012	
	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Surplus / (Deficit) £
Social housing activities					
Income and expenditure from social housing lettings	5,560,720	(5,198,412)	362,308	3,786,493	602,468
Other social housing activities					
Supporting People contract income	1,593,525	(1,430,806)	162,719	1,616,778	53,178
Grant contract and other income	649,910	(575,884)	74,026	711,819	23,412
	2,243,435	(2,006,690)	236,745	2,328,597	76,590
Total social housing activities	7,804,155	(7,205,102)	599,053	6,115,090	679,058
Non-social housing activities					
Legal Advisory Services	1,713,942	(2,086,229)	(372,287)	1,873,260	(276,412)
Day Centre	496,282	(605,521)	(109,239)	344,901	(150,210)
Non-Housing rent income	90,872	(90,872)	-	-	-
Other activities	2,443,568	(2,455,215)	(11,687)	2,258,031	(28,439)
	4,744,664	(5,237,837)	(493,173)	4,476,192	(455,061)
Total social and non-social housing activities	12,548,819	(12,442,939)	105,880	10,591,282	223,997

Notes to the Financial Statements for the year ended 31 March 2013

2. Turnover, operating costs and operating surplus (continued)

2(a) Particulars of turnover, operating costs and operating surplus

Trust	2013			2012	
	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Surplus / (Deficit) £
Social housing activities					
Income and expenditure from social housing lettings	5,560,720	(5,198,412)	362,308	3,786,493	602,468
Other social housing activities					
Supporting People contract income	1,593,525	(1,430,806)	162,719	1,616,778	53,178
Grant contract and other income	649,910	(575,884)	74,026	711,819	23,412
	2,243,435	(2,006,690)	236,745	2,328,597	76,590
Total social housing activities	7,804,155	(7,205,102)	599,053	6,115,090	679,058
Non-social housing activities					
Legal Advisory Services	1,713,942	(2,086,229)	(372,287)	1,873,260	(276,412)
Day Centre	496,282	(605,521)	(109,239)	344,901	(150,210)
Non-housing rent income	90,872	(90,872)	-	-	-
Other activities	2,372,540	(2,582,413)	(209,873)	2,207,520	44,776
	4,673,636	(5,365,035)	(691,399)	4,425,681	(381,846)
Total social and non-social housing activities	12,477,791	(12,570,137)	(92,346)	10,540,771	297,212

Notes to the Financial Statements for the year ended 31 March 2013

2. Turnover, operating costs and operating surplus (continued)

2(b) Particulars of income and expenditure from social housing lettings

Group and Trust	General Needs Housing £	Supported Housing £	Temporary Social Housing £	2013 Total £	2012 Total £
Income from social housing letting activities					
Rent receivable net of identifiable service charges	3,027,612	1,610,588	276,744	4,914,944	3,358,680
Service charge income	176,426	774,378	4,999	955,803	602,946
Gross rents receivable	3,204,038	2,384,966	281,743	5,870,747	3,961,626
Rent losses from voids	(246,889)	(140,951)	(12,878)	(400,718)	(175,815)
Net rents receivable	2,957,149	2,244,015	268,865	5,470,029	3,785,811
Other income	154	90,537	-	90,691	682
Total income from social housing letting activities	2,957,303	2,334,552	268,865	5,560,720	3,786,493
Expenditure on social housing letting activities					
Management	(21,179)	(142,144)	(35,479)	(198,802)	(522,022)
Services	(1,919,368)	(1,867,890)	(16,799)	(3,804,057)	(2,008,844)
Maintenance (including cyclical)	(462,164)	(214,439)	(36,698)	(713,301)	(354,780)
Rent losses from bad debts	(244,681)	(48,238)	(919)	(293,838)	(90,596)
Depreciation of housing properties	(106,283)	(81,884)	(247)	(188,414)	(207,783)
Total expenditure on social housing letting activities	(2,753,675)	(2,354,595)	(90,142)	(5,198,412)	(3,184,025)
Operating surplus on social housing letting activities	203,268	(20,044)	178,723	362,308	602,468

The particulars of income and expenditure from social housing lettings for the Trust are exactly the same as those of the Group.

2. Turnover, operating costs and operating surplus (continued)

2(c) Particulars of turnover from non-social housing activities

	Group		Trust	
	2013 £	2012 £	2013 £	2012 £
Legal Advisory Services				
Legal aid	916,990	1,155,534	916,990	1,155,534
Costs & disbursements recovered	<u>361,263</u>	<u>352,439</u>	<u>361,263</u>	<u>352,439</u>
	1,278,253	1,507,973	1,278,253	1,507,973
Grant contract incomes:				
Big Lottery - Advice Plus (Note 17(c))	88,985	121,271	88,985	121,271
Brighton & Hove City Council	70,000	70,000	70,000	70,000
Eastbourne Borough Council	36,500	47,000	36,500	47,000
Department for Communities & Local Gov't	25,000	30,000	25,000	30,000
Hastings Borough Council	26,700	27,000	26,700	27,000
Legal Services Commission	22,609	26,219	22,609	26,219
East Sussex Probation Service	21,666	22,078	21,666	22,078
Shelter	-	3,936	-	3,936
MacMillan	41,732	-	41,732	-
OCS Big lottery	35,000	-	35,000	-
Big Lottery – Legal Grant	35,000	-	35,000	-
Donations, fundraising and other income	<u>32,497</u>	<u>17,783</u>	<u>32,497</u>	<u>17,783</u>
Total for Legal Advisory Services	<u>1,713,942</u>	<u>1,873,260</u>	<u>1,713,942</u>	<u>1,873,260</u>

	Group		Trust	
	2013 £	2012 £	2013 £	2012 £
Day Centre				
Grant contract incomes:				
Brighton & Hove PCT	122,630	122,630	122,630	122,630
Brighton & Hove City Council	77,160	95,417	77,160	95,417
Big Lottery – Reaching Comm (Note 17(c))	72,033	69,032	72,033	69,032
Heritage Lottery	35,721	25,000	35,721	25,000
UFI Limited – UKOL	-	1,150	-	1,150
Homeless Transition Fund	123,245	-	123,245	-
Rough Sleepers	18,257	-	18,257	-
Donations, fundraising & other income	<u>47,236</u>	<u>31,672</u>	<u>47,236</u>	<u>31,672</u>
Total for Day Centre	<u>496,282</u>	<u>344,901</u>	<u>496,282</u>	<u>344,901</u>

Non-Housing rent Income

Renaissance House	90,872	-	90,872
Total	<u>90,872</u>		<u>90,872</u>

2. Turnover, operating costs and operating surplus (continued)

2(c) Particulars of turnover from non-social housing activities (continued)

	Group		Trust	
	2013	2012	2013	2012
	£	£	£	£
Other activities				
Grant contract incomes:				
Supporting People – Floating Support	1,472,480	1,494,001	1,472,480	1,494,001
Big Lottery – Firm Found's (Note 17(c))	108,607	108,607	108,607	108,607
Brighton & Hove City Council	24,408	90,515	24,408	90,515
Big Lottery – Threshold (Note 17(c))	128,000	77,087	128,000	77,087
Crisis Funding	60,000	80,000	60,000	80,000
Brighton & Hove PCT	97,514	60,596	97,514	60,596
Big Lottery – Finding Futures (Note 17(c))	97,352	55,654	97,352	55,654
Supporting People – Start	55,000	55,000	55,000	55,000
East Sussex County Council	-	40,320	-	40,320
Revolving Doors Agency	20,000	26,667	20,000	26,667
South Coast College	-	500	-	500
University Placements BFS/EFS/S4H	12,558	4,212	12,558	-
ESCC KS4 Engagement	60,280	-	60,280	-
Fulfilling Lives Big Lottery	8,900	-	8,900	-
Henry Smith Charity	21,000	10,300	21,000	-
BHT IT Solutions	59,200	47,977	-	-
Blue Rocket PR	-	27,475	-	-
Donations, fundraising and other income	218,269	79,120	206,441	118,573
Total for other activities	2,443,568	2,258,031	2,372,540	2,207,520
Turnover from non-social housing activities	4,744,644	4,476,192	4,673,636	4,425,681

3. Directors' emoluments

The directors are defined, for the purpose of emoluments, as the Chief Executive and other members of the Senior Management Team. None of the non-executive Board members received any emoluments during the year.

	Group		Trust	
	2013	2012	2013	2012
	£	£	£	£
The emoluments were as follows:				
Emoluments (including bonuses)	314,629	332,602	314,629	332,602
Retirement benefit scheme contributions – in respect of services as directors	19,163	20,093	19,163	20,093
	333,792	352,695	333,792	352,695

In line with all other employees, the executive directors were awarded a 1% cost of living increase on 1 April 2012 and a 1% cost of living increase on 1 April 2013.

3. Directors' emoluments (continued)

The emoluments of the highest paid director, the Chief Executive, excluding pension contributions, were £72,747 (2012: £71,365)

The Full Time Equivalent number of staff who received emoluments, including the company pension contribution, in excess of £60k were as shown below, both were executive directors as defined above.

	2013 No.	2012 No.
£60,0001 to £70,000	1	1
£70,0001 to £80,000	1	1

4. Employee information

The average monthly number of persons, including executive directors, employed during the period was:

	Group		Trust	
	2013 Number	2012 Number	2013 Number	2012 Number
Total employees	<u>293</u>	<u>277</u>	<u>279</u>	<u>271</u>
Full time equivalent	<u>244</u>	<u>234</u>	<u>233</u>	<u>228</u>

Staff Costs:	Group		Trust	
	2013 £	2012 £	2013 £	2012 £
Wages and salaries	5,895,928	5,550,084	5,575,889	5,401,115
Social security costs	525,263	507,111	494,676	493,378
Retirement benefit scheme costs (Note 5)	165,016	140,133	158,456	138,157
	<u>6,586,207</u>	<u>6,197,328</u>	<u>6,229,021</u>	<u>6,032,650</u>

5. Retirement benefits

The Group operates a defined contribution retirement benefit scheme on behalf of its employees. The assets of the scheme are held separately from those of the Group. The Group made contributions of £165,016 (6% of pensionable salary) in the year ended 31 March 2013 (2012: £140,133 - 6% of pensionable salary).

6. Operating surplus

	Group		Trust	
	2013	2012	2013	2012
	£	£	£	£
The operating surplus is stated after charging:				
Depreciation				
Housing properties (Note 10)	186,634	183,605	186,634	183,605
Housing component disposals (Note 10)	-	24,178	-	24,178
	186,634	207,783	186,634	207,783
Other fixed assets (Note 12)	149,278	104,769	144,989	102,460
	335,912	312,552	331,623	310,243
Operating lease rentals – land and buildings	546,541	575,117	534,771	563,604
Auditors' remuneration – in capacity as auditors	25,250	22,900	20,950	18,000
Auditors' remuneration – in respect of other services	4,551	4,990	1,015	1,740

7. Interest receivable and other income

	Group		Trust	
	2013	2012	2013	2012
	£	£	£	£
Deposit interest receivable	92	198	92	198
Interest on intercompany loans	-	-	11,697	3,633
	92	198	11,789	3,831

8. Interest payable and similar charges

	Group		Trust	
	2013	2012	2013	2012
	£	£	£	£
Interest on loans and overdrafts	87,626	92,084	87,433	92,084
	87,626	92,084	87,433	92,084

9. Corporation tax

	Group		Trust	
	2013	2012	2013	2012
	£	£	£	£
Analysis of charge in period				
<i>UK corporation tax</i>				
Current tax charge for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Deferred Tax

A deferred tax asset of £65,619 (2012 £67,968) has not been recognised because there is insufficient certainty around realisation.

The current tax charge for the year is lower (2012: lower) than the standard rate of corporation tax in the UK 24%, (2012: 26%). The differences are explained below:

	Group		Trust	
	2013	2012	2013	2012
	£	£	£	£
Reconciliation of current tax charge				
Surplus/ (Loss) on ordinary activities before taxation	<u>18,346</u>	<u>132,111</u>	<u>(167,990)</u>	<u>208,959</u>
Tax on surplus on ordinary activities at standard corporation tax rate of 24% (2012: 26%)	4,403	34,349	(40,318)	54,329
<i>Effects of:</i>				
Unrelieved tax losses and other deductions arising in the period	5,040	21,806	-	-
Charitable surpluses / (deficits) not taxed	40,318	(54,329)	40,318	(54,329)
Income not taxable for tax purposes	(53,782)	-	-	-
Losses eliminated		-	-	-
Expenses not deductible for tax purposes	2,992	-	-	-
Capital allowances in excess of depreciation / Depreciation in excess of capital allowances	<u>1,029</u>	<u>(1,826)</u>	<u>-</u>	<u>-</u>
Current tax charge for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Trust is established for charitable purposes only and is therefore eligible for relief from Corporation Tax liabilities (Section 505 ICTA 1988).

10. Housing properties

Group and Trust	Freehold £	Long Leasehold £	Leasehold Improvem'ts £	Total £
Cost				
At 1 April 2012	18,418,166	3,309,484	1,145,401	22,873,051
Additions	100,361	-	-	100,361
Disposals	-	-	-	-
At 31 March 2013	18,518,527	3,309,484	1,145,401	22,973,412
Depreciation				
At 1 April 2012	(1,134,762)	(305,936)	(341,578)	(1,782,276)
Charge for the year	(111,414)	(25,378)	(49,842)	(186,634)
Released on disposal	-	-	-	-
At 31 March 2013	(1,246,176)	(331,314)	(391,420)	(1,968,910)
Gross cost less depreciation				
At 31 March 2013	17,272,351	2,978,170	753,981	21,004,502
At 31 March 2012	17,283,404	3,003,548	803,823	21,090,775
Social Housing Grant				
At 1 April 2012 and at 31 March 2013	(13,415,158)	(2,400,066)	-	(15,815,224)
Other public grants				
At 1 April 2012 and at 31 March 2013	-	-	(703,244)	(703,244)
Net book value				
At 31 March 2013	3,857,193	578,104	50,737	4,486,034
At 31 March 2012	3,868,246	603,482	100,579	4,572,307

Total Group expenditure in 2013 on works to existing properties was £715,976 (2012: £428,643) of which £100,361k (2012: £238,398) has been capitalised. Of the amounts capitalised, £64,232 (2012: £153,255) relates to the replacement of components whilst £36,130 (2012: £85,143) relates to the enhancement of properties.

A full valuation was last carried out as at 31 March 2011, at which time the Group's Freehold and Long Leasehold housing properties were valued at £12,892,000 (Existing Use Value – Social Housing). A more recent valuation has not been undertaken because, in the opinion of the directors, there has not been a material change to the valuation since March 2011.

This valuation was undertaken by Jones Lang LaSalle (formerly King Sturge LLP), the Group's professional external valuer and was prepared in accordance with the Royal Institute of Chartered Surveyors' (RICS) Valuation Standards 7th Edition ("Red Book"). The valuation method discounts the cash flow from rental income less management and repairs expenditure to their present value using a discount rate. A discount rate of 5.75% was applied to all rental stock. The rental income growth assumption was in line with the Group's rent plan to meet target rents by 2012 under the rent restructuring regime and thereafter assumed growth of +0.5% per annum real.

Included within the net book value of leasehold improvements are capital grants of £703,244 (2012: £703,244). The conditions for the repayment of one of these grants are set out below:

Brighton and Hove Primary Care Trust has made grants of £453,930 (2012: £453,930). The Group will be required to pay a penalty to them if any of the associated leases are sold prior to their expiry. The penalty would be the total value of the capital grant limited to the maximum open market premium achievable for the sale of the lease. This is secured by way of charge over the leasehold properties.

Notes to the Financial Statements for the year ended 31 March 2013

11. Investments

Trust	Investment in Subsidiary Undertaking £
Cost At 1 April 2012 and at 31 March 2013	<u>155,000</u>
Provisions At 1 April 2012 and at 31 March 2013	<u>77,500</u>
Net book value At 1 April 2012 and at 31 March 2013	<u>77,500</u>

The undertaking in which the Trust's interest at the year-end is more than 20% is as follows:

Company	Country of Incorporation	Principal Activity	Class and % of shares held
BHT Enterprises Limited	United Kingdom	Social Enterprise	Ordinary, 100%

Brighton Housing Trust is the immediate and ultimate parent undertaking for BHT Enterprises Limited, a company registered in England and Wales, subject to the provisions of the Companies Act 2006 and incorporated for the purpose of undertaking those trading and non-primary purpose activities that are either prohibited or not tax efficient for the parent to undertake in its own right, according to its own charitable objects and status.

12. Other fixed assets

Group	Freehold Non- Housing Property £	Fixtures, Fittings and Equipment £	IT Equipment and Software £	Total £
Cost				
At 1 April 2012	1,731,243	242,829	415,200	2,389,272
Additions	90,681	8,064	170,043	268,788
At 31 March 2013	<u>1,821,924</u>	<u>250,893</u>	<u>585,243</u>	<u>2,658,060</u>
Grants				
At 1 April 2012	(706,993)	-	(5,044)	(712,037)
Received in the year	-	-	-	-
At 31 March 2013	<u>(706,993)</u>	<u>-</u>	<u>(5,044)</u>	<u>(712,037)</u>
Gross cost less grants				
At 31 March 2013	<u>1,114,931</u>	<u>250,893</u>	<u>580,199</u>	<u>1,946,023</u>
At 31 March 2012	<u>1,024,250</u>	<u>242,829</u>	<u>410,156</u>	<u>1,677,235</u>
Depreciation				
At 1 April 2012	(148,092)	(187,635)	(271,914)	(607,641)
Charge for the year	(26,246)	(16,571)	(106,461)	(149,278)
At 31 March 2013	<u>(174,338)</u>	<u>(204,206)</u>	<u>(378,375)</u>	<u>(756,919)</u>
Net book value				
At 31 March 2013	<u>940,593</u>	<u>46,687</u>	<u>201,824</u>	<u>1,189,104</u>
At 31 March 2012	<u>876,158</u>	<u>55,194</u>	<u>138,242</u>	<u>1,069,594</u>

The cost of buildings included within freehold non-housing property, upon which depreciation has been provided, is £1,700,930 (2011: £1,610,249).

12. Other fixed assets (continued)

Trust	Freehold Non- Housing Property £	Fixtures, Fittings and Equipment £	IT Equipment and Software £	Total £
Cost				
At 1 April 2012	1,731,243	240,629	397,529	2,369,401
Additions	90,681	8,064	170,043	268,788
Disposals	-	-	-	-
At 31 March 2013	1,821,924	248,693	567,572	2,638,189
Grants				
At 1 April 2012	(706,993)	-	(5,044)	(712,037)
Received in the year	-	-	-	-
At 31 March 2013	(706,993)	-	(5,044)	(712,037)
Gross cost less grants				
At 31 March 2013	1,114,931	248,693	562,528	1,926,152
At 31 March 2012	1,024,250	240,629	392,485	1,657,364
Depreciation				
At 1 April 2012	(148,092)	(186,755)	(261,981)	(596,828)
Charge for the year	(26,246)	(16,131)	(102,612)	(144,989)
Released on disposal	-	-	-	-
At 31 March 2013	(174,338)	(202,886)	(364,593)	(741,817)
Net book value				
At 31 March 2013	940,593	45,807	197,935	1,184,335
At 31 March 2012	876,158	53,874	130,504	1,060,536

13. Debtors

	Group		Trust	
	2013 £	2012 £	2013 £	2012 £
Amounts falling due within one year				
Arrears of rents and service charges	432,150	376,755	432,150	376,755
Less: provision for bad and doubtful debts	(204,767)	(134,425)	(204,767)	(134,425)
	227,383	242,330	227,383	242,330
Invoiced debtors	746,970	648,168	654,497	642,775
Amounts receivable from group undertakings	-	-	126,717	9,305
Other debtors	25,776	180,919	25,776	180,919
Prepayments and accrued income	1,486,392	1,489,888	1,446,496	1,489,283
	2,486,521	2,561,305	2,480,869	2,564,612

13. Debtors (continued)

Amounts falling due after more than one year	Group		Trust	
	2013 £	2012 £	2013 £	2012 £
Amounts receivable from group undertakings	-	-	-	174,000

The amounts receivable from Group undertakings relates to a £224,000 (2012: £174,000) loan made by the Trust to its subsidiary undertaking, BHT Enterprises Limited. It was agreed at 31st March 2013, that the Trust would write off this Intercompany Loan of £224k. This has been reflected within the Income & Expenditure Accounts of the Trust & BHTE in Exceptional Items.

14. Creditors: amounts falling due within one year

	Group		Trust	
	2013 £	2012 £	2013 £	2012 £
Housing loans (Note 15)	50,927	45,336	50,927	45,336
Trade creditors	280,050	342,186	350,151	337,484
Other taxation and social security	153,478	197,708	142,537	193,569
Other creditors	455,305	280,972	450,972	278,713
Accruals and deferred income	1,029,225	1,129,476	829,381	1,100,944
	1,968,985	1,995,678	1,823,968	1,956,046

15. Creditors: amounts falling due after more than one year

	Group		Trust	
	2013 £	2012 £	2013 £	2012 £
Housing loans	865,703	940,073	865,703	940,073

Housing loans	Group		Trust	
	2013 £	2012 £	2013 £	2012 £
Repayable, otherwise than by instalments, as follows:				
Within one year	50,927	45,336	50,927	45,336
Between one and two years	54,882	49,101	54,882	49,101
Between two and five years	180,129	169,346	180,129	169,346
In five years or more	630,692	721,626	630,692	721,626
	916,630	985,409	916,630	985,409

Notes to the Financial Statements for the year ended 31 March 2013

15. Creditors: amounts falling due after more than one year (continued)

	Group		Trust	
	2013	2012	2013	2012
Sources of finance	£	£	£	£
Orchardbrook Limited – fixed rate loans	749,450	796,981	749,450	796,981
Orchardbrook Limited – variable rate loans	167,180	188,428	167,180	188,428
	916,630	985,409	916,630	985,409

The fixed rate loans from Orchardbrook Limited are secured by way of legal charges against various freehold and long leasehold properties. They are repayable by way of bi-annual instalments up to 31 March 2051. Interest is charged, on differing elements of the loan, at fixed rates varying from 9.25% to 13.375%.

The variable rate loans from Orchardbrook Limited are secured by way of legal charges against various freehold properties. They are repayable by way of bi-annual instalments up to 31 March 2023. Interest is charged at a variable rate that is linked directly to the Royal Bank of Scotland plc base rate. The average rate applicable during the year ended 31 March 2013 was 1.3% (2012: 1.7%).

16. Members' liability

The Trust has no share capital and the liability of the members is limited by guarantee as set out in the provisions of the Memorandum and Articles of Association.

Each of the 23 (2012: 21) members has undertaken to contribute £1 in the event of the company being wound up.

17. Reserves

17(a) Reserve movements

Group	Capital Reserve	Designated Reserves	Restricted Reserves	I&E Account	Total
	£	£	£	£	£
At 1 April 2012	102,833	5,641,901	70,768	494,062	6,309,564
Surplus for the year	-	-	-	18,346	18,346
Transfer between reserves	-	33,237	49,733	(82,970)	-
At 31 March 2013	102,833	5,675,138	120,501	429,438	6,327,910

17. Reserves (continued)

17(a) Reserve movements (continued)

Trust	Revaluation Reserve £	Capital Reserve £	Designated Reserves £	Restricted Reserves £	I&E Account £	Total £
At 1 April 2012	-	102,833	5,710,343	70,768	609,648	6,493,592
(Loss) for the year	-	-	-	-	(167,990)	(167,990)
Transfer between reserves	-	-	33,237	49,733	(82,970)	-
At 31 March 2013	-	102,833	5,743,580	120,501	358,688	6,325,602

17(b) Designated reserves

Group	Fixed Asset Reserve £	Major Repairs Reserve £	Total £
At 1 April 2012	4,316,319	1,325,582	5,641,901
Transfer from the income and expenditure account	33,237	-	33,237
At 31 March 2013	4,349,556	1,325,582	5,675,138

Trust	Fixed Asset Reserve £	Major Repairs Reserve £	Total £
At 1 April 2012	4,384,761	1,325,582	5,710,343
Transfer from the income and expenditure account	33,237	-	33,237
At 31 March 2013	4,417,998	1,325,582	5,743,580

Purpose of designated reserves:

Fixed asset reserve

The fixed asset reserve has been established to ensure that the Group has sufficient funds set aside to be able to replace the fixed assets used in its business, on a like for like basis, as and when they reach the end of their useful economic lives. The Group therefore seeks to designate reserves equivalent to the carrying value of fixed assets, less the value of the major repairs reserve designated already, at all times.

Major repairs reserve

The major repairs reserve has been established to ensure that the Group has sufficient funds set aside for future major repairs and cyclical maintenance of its properties. Transfers to and from this reserve are made at the discretion of the Board.

Notes to the Financial Statements for the year ended 31 March 2013

17(c) Restricted reserves (Big Lottery funding)

Group and Trust	1 April 2012	Incoming Resources	Resources Expended	31 March 2013
	£	£	£	£
Firm Foundations	15,914	132,308	(118,749)	29,473
Advice Plus	21,769	89,762	(63,418)	48,113
The Academy	5,816	63,423	(53,879)	15,360
Reaching Communities	2,507	55,178	(82,695)	(25,010)
Finding Futures	7,565	118,606	(115,393)	10,778
Threshold	17,197	137,802	(119,320)	35,679
Fulfilling Lives	-	8,900	(2,792)	6,108
	70,768	605,979	(556,246)	120,501

The Academy Big Lottery grant is reported within other social housing activities – grant contract and other income of £649,910 as reflected in note 2a.

18. Prior year adjustment

In 2011/12 a number of prior year adjustments were made in order to most appropriately accommodate the requirements of the latest Statement of Recommended Practice ('SORP') "Accounting by Registered Social Housing Providers" (Update 2010). These adjustments impact upon both the Trust and consolidated financial statements in equal measure.

In total, these adjustments resulted in an £8,500,729 reduction in the total recognised surplus in the year ended 31 March 2011. The adjustment of £8,500,729 is disclosed on the face of the statement of total recognised surpluses and deficits. In addition, the operating and retained surpluses previously reported in respect of the year ended 31 March 2011 are reduced by £31,650 as a result of these adjustments.

The following table explains in more detail the various adjustments that have been made and their impact upon the Group consolidated financial statements:

Operating Group	I&E	Balance Sheet			
	Surplus £	Housing Properties £	Revaluation Reserve £	I&E Account £	Negative Goodwill £
Year ended / as at 31 March 2011 (Before Re-statement)	275,170	13,042,421	(7,901,181)	(596,049)	(2,528,852)
<i>Prior year adjustments:</i>					
Housing properties no longer carried at valuation	-	(7,901,181)	7,901,181	-	-
Revised treatment of repairs expenditure on adoption of component accounting	121,227	1,583,284	-	(1,583,284)	-
Accelerated depreciation as a result of the adoption of separate useful economic lives for each component	(127,290)	(2,182,832)	-	2,182,832	-
Revised treatment of negative goodwill	(25,587)	-	-	(2,528,852)	2,528,852
	(31,650)	(8,500,729)	7,901,181	(1,929,304)	2,528,852
Year ended / as at 31 March 2011 (After Re-statement)	243,520	4,541,692	-	(2,525,353)	-

19. Capital commitments – Group and Trust

During the year ended 31 March 2003, the Trust entered into a lease agreement with William Sutton Housing Association Limited in relation to the housing property known as Regency House. The agreement gives the freeholder the option to sell the property to the Trust up to seven years after the inception of the lease. This option is now being rolled forward with the agreement of both parties. Under the terms of the lease, the Trust is committed to purchase the property at an agreed price, except in the situation where the Trust is unable to raise sufficient finance. The purchase price will be the non-grant funded element of the development costs, including any interest assigned by the freeholder. On current information the future purchase price will be £451,000 (2012: £451,000).

20. Financial commitments

The Group holds several leasehold premises under non-cancellable operating leases. The annual amounts payable in respect of these leases are shown below, analysed according to the expiry date of the lease.

	Group		Trust	
	2013	2012	2013	2012
	£	£	£	£
Land and buildings				
Expiry date:				
Within one year	232,479	257,496	232,479	257,496
Between one and two years	-	-	-	-
Between two and five years	30,080	41,850	30,080	30,080
After five years	283,934	284,195	283,934	284,195
	<u>546,493</u>	<u>583,541</u>	<u>546,493</u>	<u>571,771</u>

21. Accommodation in management

Group and Trust	General Needs Housing	Supported Housing	Temporary Social Housing	Total
Number of units / bed spaces				
At 1 April 2012	435	251	37	723
Movement in year	<u>18</u>	<u>-</u>	<u>-</u>	<u>18</u>
At 31 March 2013	<u>453</u>	<u>251</u>	<u>37</u>	<u>741</u>
			2013	2012
Owned and managed			312	312
Managed on behalf of others			<u>429</u>	<u>411</u>
			<u>741</u>	<u>723</u>
Managed by others			<u>164</u>	<u>164</u>

Notes to the Financial Statements for the year ended 31 March 2013

22. Notes to the cash flow statement

22(a) Reconciliation of operating surplus for the year to net cash flow from operating activities

	2013 £	2012 £
Operating surplus	105,880	223,997
Non cash flow items:		
Depreciation	335,912	312,552
(Increase) / decrease in debtors ²⁵	69,102	(491,592)
Increase / (decrease) in creditors	<u>(26,693)</u>	<u>157,761</u>
Net cash flow from operating activities	<u>484,201</u>	<u>202,718</u>

22(b) Reconciliation of net cash flow to movement in net debt

	2013 £	2012 £
Decrease in cash in the year	(41,170)	(521,298)
Housing loans repaid	68,779	20,541
Change in net debt in the year	<u>27,609</u>	<u>(500,757)</u>
Net cash / (debt) as at 1 April	<u>56,700</u>	<u>557,457</u>
Net cash / (debt) as at 31 March	<u><u>84,309</u></u>	<u><u>56,700</u></u>

22(c) Reconciliation of net debt

	Cash at bank and in hand £	Hsg loans due within one year £	Hsg loans due after more than one year £	Net cash / (debt) £
Balance at 1 April 2012	1,042,109	(45,336)	(940,073)	56,700
Net cash flow	(41,170)	(5,591)	74,370	27,609
Balance at 31 March 2013	<u>1,000,939</u>	<u>(50,927)</u>	<u>(865,703)</u>	<u>84,309</u>

23. Related Party Transactions – Trust

The Trust has taken advantage of the exemption in Financial Reporting Standard 8 not to disclose transactions with its subsidiary undertaking, BHT Enterprises Limited.

24. Exceptional Items

Exceptional Items	Group		Trust	
	2013 £	2012 £	2013 £	2012 £
Redundancies	68,585	-	63,585	-
Write Off Intercompany Loan	-	-	224,000	-
	68,585	-	287,585	-