



Combating Homelessness
Creating Opportunities
Promoting Change

Report of the Directors and Consolidated Financial Statements



For the year ended
31 March 2014

Registered with Companies House No. 1618610. Registered with the Charity Commission No. 284839. Registered with the Homes and Communities Agency No. H1696

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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 23 September 2013	Retired civil servant Communities and Local Government
Joan Mortimer, Chair Independent Member		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 businessman
Anne Caborn Independent Member		Digital Communications Specialist
Maria Caulfield Independent Member		Nurse
Leona Daniel Independent Member		Retired Solicitor
Peter Freeman Independent Member		Retired Senior Manager Public Services
David Hancock Independent Member	Resigned 23 September 2013	Retired local government officer Director of Community Services
Ian Sier Independent Member		Independent consultant
Rebecca Sycamore Independent Member		Director of Fundraising and Marketing Broadway
Janet Crome Independent Member	Co-opted 06 January 2014	Retired housing specialist
Keith Jago Independent Member	Co-opted 25 November 2013 Resigned 20 May 2014	Retired IT specialist

◆ Company Secretary

Katie Louise Thomas	Resigned 01 April 2014
Catherine Bridger	Appointed 01 April 2014

Legal and Administrative Details

Registered Office

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Auditors

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Bankers

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East Sussex
BN1 9TE

Barclays Bank PLC
Hastings Branch
207-208 Queens Road
Hastings
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TN34 1QP

Principal Solicitors

DMH Stallard LLP
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Brighton
East Sussex
BN1 3YB

Valuers

Jones Lang LaSalle
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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.

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Report of the Directors

The Directors present their report, incorporating the Operating and Financial Review and Strategic Review, and the consolidated financial statements of Brighton Housing Trust for the year ended 31 March 2014.

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. On the 1 April 2013 the trade and assets, as detailed in the Transfer of Undertaking, of BHT Enterprises was transferred to Brighton Housing Trust and BHT Enterprises ceased to trade from this date. It has been agreed by both Boards that BHT Enterprises is to be wound up.

Operating Financial Review and Strategic Review

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.

Strategy

The Trust employed the following strategies during 2013/14 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 planning and 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;

Report of the Directors (continued)

Operating Financial Review and Strategic Review (continued)

- 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.

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 the rent charged to tenants and residents, and where a resident 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 at sub-market levels 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, and asylum matters as well as other specialist advice for which funding is provided from time to time;
- 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.

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.

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 assisting people to move from 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.

Report of the Directors (continued)

Operating Financial Review and Strategic 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 Co-ordinator 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'.

The Group continues to achieve its objective of at least 15% of its staff to be ex-clients. 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.

The Group was successful in attracting new investment in its charitable activities, not least from the Big Lottery's Reaching Communities programme, where £762k (2013: £590k) was secured during the year to be applied to delivering services between 2013 to 2018. On behalf of a consortium of over 60 partners, the Group secured £9.2 million from the Big Lottery for services to be provided by various partners, including the Trust, from July 2014 to 2022.

The Trust launched a new initiative, *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.

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 Directors (continued)

Operating Financial Review and Strategic Review (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 Solicitors Regulation Authority. 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.

Operating and Financial Review

Results for the year

Overall financial performance for the Group has improved to a surplus of £60k in 2013/14 from a surplus of £18k in 2012/13.

This is primarily due to the improved financial performance of General Needs Housing of £193k resulting from better rent collection and cost management. This has been offset in part by worsening of the financial performance in non-residential support activities (Day Centre £79k) and Other Activities (£105k) driven by the current climate of austerity.

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 / (Loss)	
	2014 £k	2013 £k	2014 £k	2013 £k
Operating Segment:				
General Needs Housing	3,037	2,957	397	204
Supported Housing	5,172	4,847	432	395
Advice Services	1,701	1,714	(406)	(372)
Day Centre	470	496	(188)	(109)
Other activities (including Floating Support)	2,711	2,464	(92)	13
	13,091	12,478	143	131
BHT Enterprises Limited	-	71	-	(25)
	13,091	12,549	143	106

General Needs Housing

General Needs Housing comprises 450 units (2013: 453 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 450 units of accommodation are a combination of properties owned by the Trust in Brighton and Hastings, and properties leased from private landlords in Eastbourne, Hastings and Brighton.

Report of the Directors (continued)

Operating Financial Review and Strategic Review (continued)

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. A highlight of the year was the development of shipping container homes at Richardson's Yard, providing 36 homes and winning awards for BHT.

Supported Housing

Supported Housing (incorporating Temporary Social Housing) comprises 273 units (2013: 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.

139 (2013: 117) individuals accessed the Trust's drug and alcohol recovery programme in the year. 65% (2013: 58%) of individuals completed the programme compared to the national average of just 17%. Most importantly, 70% of those completing the programme will still be drug and alcohol free twelve months later, 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.

43 (2013: 51) individuals accessed the Trust's Big Lottery funded Accommodation for Work project during the year. Of these, 25 (2013: 26) residents have since found paid work and have come off jobseekers allowance, 24 (2013: 19) have undertaken work placements or voluntary work, 21 (2013: 19) have accessed some form of education or training and 20 (2013: 18) have moved on to independent accommodation.

The £325k increase in turnover from £4,847k to £5,172k, relates primarily to inflationary increases received on rental income.

The Trust's Phase One, a high support hostel project, worked with 91 (2013: 104) of Brighton and Hove's most vulnerable and challenging individuals during the year, housing up to 52 clients at any one time. 17 (2013: 24) 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.

85 (2013: 62) 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.

Similar positive outcomes were also achieved in the Trust's other Supported Housing projects. 24 (2013: 20) 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.

During the year the Trust was successful in securing a contract to provide supported accommodation for men and women with complex needs. The new service, Shore House, opened in February 2014.

Advice Services

Advice Services provided legal advice to 3,107 (2013: 4,500) clients, covering housing and immigration law together with accommodation or asylum advice and representation. The work undertaken by the Trust in this area directly combats homelessness, with 1,545 (2013: 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.

Report of the Directors (continued)

Operating Financial Review and Strategic Review (continued)

The £13k reduction in turnover, from £1,714k to £1,701k, relates to a reduction in the contract for new 'Matters Starts' from the Legal Aid Agency, offset in part by the receipt of transition funding.

2013/14 has continued to be challenging for Advice 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 impacted 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 a reduction of 15 in the number of full time members of staff.

The reduction in service levels has been 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, while some short term funding has been made available, there are no long term alternatives 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 520 (2013: 402) individual clients, with 15,313 (2013: in excess of 20,000) visits to the early morning rough sleeper session against a commissioned target of 7,800.

The Day Centre provided emergency shelter during extreme winter weather at St Stephens Hall, providing emergency bed spaces for over 100 different clients through the Severe Weather Emergency Protocols.

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. 280 (2013: 274) individuals, who would otherwise be street homeless, found accommodation or where homelessness was prevented 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.

In March 2013 the Big Lottery confirmed First Base was successful in its application for 4-year for a new service, "First Impressions" which supports clients to access work and learning opportunities in the community. 41 clients have completed vocational training against a year to date target (from July 2013) figure of 30. Furthermore over 1,000 visits were made to health care services, including nursing, dentistry and optometry that operate from First Base.

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. During the year the Trust secured funding for a new service, the Mental Health Wellbeing Project, that provides support, counselling and other mental health interventions for men and women with a range of mental health problems.

Turnover in Brighton and Hove Wellbeing Services increased by £113k as the Trust secured new contracts.

Other income has been generated from BHT IT Solutions providing IT hosting and infrastructure services which generated income of £57k during 2013/14 (2013: £57k).

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 Advice Services, but have subsequently recovered to target levels
- Void loss – voids as a % of gross rents of 5.8% (target: 4.5%) (2013: 7.0%)
- Rent received – rent received as a % of amounts due 88% (target: 98.3%) (2013: 93.4%)
- Bad debts – bad debts as a % of rents receivable of 2.9% (target: 1.7%) (2013: 3 %)

Brighton Housing Trust
Report of the Directors (continued)

Operating Financial Review and Strategic Review (continued)

Key Performance Indicators (continued)

- Arrears management – gross arrears as a % of annual rent roll of 12.4% (target: 5.8%) (2013:7.7%)
- Gas safety certificates – units with a valid safety certificate [100]% (target: 100%) (2013: 100%)
- Staff sickness – working days lost per FTE employee [6.97 days] (target: 8 days) (2013: 8.15 days)
- IT Support – users experiencing good or better service 97.25% (target: 95%) (2013: 92.0%, target 75%)
- Consolidated action plan – 100% of all improvement actions completed (target: 85%) (2013: 67%)

Capital structure – Group

Fixed assets are included at depreciated historic cost of £5,687k (2013: £5,675k) and net current assets included at £1,511k (2013: £1,518k). These are financed by long term housing loans of £810k (2013: £866k) and reserves of £6,388k (2013: £6,328k).

a. Fixed Assets

Housing properties are included in the balance sheet at historic cost net of depreciation of £21,086k (2013: £21,005k), less Social Housing and other public grants totalling £16,518k (2013: £16,518k). The Group has other fixed assets, based upon historic cost net of depreciation, of £1,120k (2013: £1,189k). These relate to freehold non-housing properties, fixtures, fittings and equipment and IT equipment and software.

b. Working Capital

At 31 March 2014, the Group had cash balances of £1,349k (2013: £1,001k), debtors of £1,938k (2013: £2,486k) and creditors due within one year of £1,777k (2013: £1,969k). There has been a small reduction of £7k in net working capital, from £1,518k to £1,511k.

Improvements in the credit control processes have reduced debtors by £548k primarily in relation to grant income collection and Advice Services. An improvement in the cash balance has resulted and these have increased by £348k year on year.

Creditors, excluding long term creditors, have reduced by £192k in the year.

c. Housing Loans

At 31 March 2014, the Group had housing loans due after more than one year of £810k (2013: £866k). The reduction in the year relates to repayments made.

d. Reserves

At 31 March 2014 the Group had reserves totalling £6,388k (2013: £6,328k). Overall reserves have increased by £60k, designated reserves have increased by £12k and restricted reserves by £166k 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;

Report of the Directors (continued)

Operating Financial Review and Strategic Review (continued)

- 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 2014	31 March 2013
Free reserves cover (months)	2 to 2.5	0.4	0.6
Cash and short term investments cover (months)	1.3	1.2	1.0
Designated reserves (% of required actually designated)	100%	100%	100%

Having assessed its financial projections, future charitable need, opportunities, contingencies and risks the current free reserves cover, of just 0.4 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 1.25 months, was only marginally below the stated target of 1.3 months as at 31 March 2014. On the 11 March 2014 the Group's Bankers, The Royal Bank of Scotland, made available an overdraft facility of £0.5m.

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.

Joan Mortimer
Chair

22 September 2014

Report of the Directors (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 £340k or income generation of over £1.6m in 2013/14. The areas reviewed include:

Service reviews

The closure of the Olympus House Project that had, year on year, made an operating deficit. Legal Advice services were reviewed resulting in a reduction in staffing from 33 to 16, with a significant improvement in financial performance anticipated in 2014/15.

Review of Terms and Conditions

The review of Terms and Conditions undertaken in 2009 has continued to achieve savings, in 2013/14 savings of increments estimated to be in the region of £100k together with additional accumulated savings from previous years.

Central Support Staff

The review of fundraising capacity that was undertaken in 2012/13 saw an increase in capacity, resulting in an increase in spending of £31k from 2011/12 in the fundraising activity. This additional capacity has allowed further income generation activities to be undertaken together with the preparation of a major bid for funding through the Big Lottery Fund which would not otherwise have been possible and which secured additional funding of £1,654k in 2013/14, to be spent up to and including 2021/22.

Management Review

A review of the senior management tier that was undertaken in January 2013 resulted in the deletion of one post with net savings of around £40k, the full benefit being seen in 2013/14. These savings have been recycled into an enhanced second management tier in order to allow additional delegation of responsibilities resulting in an increase in capacity to develop new business.

BHT has worked with an external company on a number of projects to reduce spend:

Telephony - Savings of £16k have been achieved through a review and renegotiation of telephone landlines;

Mobile Communications - Savings of £13k have been achieved through a review and renegotiation of mobile phones;

Energy Procurement - Savings of £75k have been achieved through a review and renegotiation of gas and electricity supplies;

Business Supplies and IT Consumables - Savings of £34k have been achieved through a review and renegotiation of office furniture, equipment, office supplies and IT consumables.

In addition the provision of IT services to Sussex Central YMCA continues to result in additional income to BHT of £55k per annum and this will increase during 2014/15 as a result of further merger activities resulting in the creation of YMCA Downlink. 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. Savings have also been achieved in the following areas:

- 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;
- Zendesk has allowed expansion of IT support services without needing to expand the team or compromise on quality. This is demonstrated by very positive 2013/14 IT survey results;
- The annual broadband charges have been reduced by £10k and a further saving of at least £5k is expected to be made over the next year without detriment to performance;
- Services and equipment are procured from a wide range of suppliers to keep costs as low as possible including second hand parts from eBay;
- When procuring computers they are tested to ensure they have low power usage;
- All new monitors are LED backlit which use significantly less power than cold cathode backlit LCD screens;
- Efficient servers and virtualisation keep the datacentre using less than 1.8kw of electricity.
- Computer equipment is repaired and upgraded wherever possible to prolong the useful life of the equipment.

Report of the Directors (continued)

Value for Money (continued)

Training

The continuing provision of training to external agencies has continued to result in income of £40k 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

Job boards, social media and BHT's own website (promoted through a mailing list of over 2,000 registered individuals) have been used to fill 75 posts at an average cost of £123 per post. This has resulted in a reduction in expenditure of around £56k 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.

Service Charge

A review undertaken by an external consultant in 2012/13 has resulted in an increase in service charge receivable in 2013/14 of £60k at a cost of 15% of the increase. The additional charges to tenants are eligible for housing benefit.

Value for Money in Service Provision

Through various activities of BHT, improved performance reducing losses to BHT and savings to other organisations have been achieved. An example is the employment of an Alcohol Nurse whose work has reduced the number of evictions over a 17 month period for a cohort of 13 clients from 37 evictions to a total of one during the course of the year. Savings over a 9 month period to the NHS was £197k (emergency call out: £38k savings; presentation to A&E £10k; hospital admissions £81k; long term hospital admissions £68k).

Project and Client Value for Money

Each project has undertaken a value for money review, involving clients, to identify ways of achieving value for money, and these activities were reported to a panel consisting of Board members, senior managers and clients.

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 292 employees on its payroll during the year ended 31 March 2014 (2013: 293). 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.

Report of the Directors (continued)

Corporate Responsibility (continued)

Retirement benefits

The Group operates a stakeholder retirement benefit scheme provided by Scottish Widows and this scheme is open to all employees. The Group contributed 6% of the pensionable salaries of members during the year (2013: 6%). The Group implemented pension auto-enrolment during the year.

8 staff previously employed by the NHS transferred to the Trust under TUPE rules belong to the NHS pension scheme. Membership of this scheme is not open to other BHT members of staff. The Trust contributes 14% of their pensionable salaries to members of this scheme.

Environment

Consideration is given in all services to the environmental impact of our work and work practices. Each service prepares an annual environmental report which is reviewed by a panel comprising: board members; senior managers and clients. Best practice is shared within the services.

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.

Corporate Governance

The Board's role and composition

The 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 ten 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 2014, together with any changes during the year and up to the date of signing these financial statements, are provided on page 3.

The Trust co-opted two new Board members during 2013/14 (one of whom subsequently resigned) and it is the Trust's intention to recruit to and further strengthen its Board during 2014/15, 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, Joan Mortimer, was elected in September 2013 following the planned retirement of the previous Chair, Patrick Allen.

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 had two standing committees during the year:

- Personnel and Governance Committee
- Audit and Risk Committee

Following a governance review, these Committees were replaced at the March Board meeting by:

- Finance, Personnel and General Purposes Committee
- Audit, Risk and Governance 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 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.

Report of the Directors (continued)

Corporate Responsibility (continued)

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 (2013: £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 increases of 1% was awarded with effect from 1 April 2014 (1 April 2013: 1%) in line with the public sector pay settlements.

Report of the Directors (continued)

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

The directors are responsible for preparing the Report of the Board 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 the Board is required to conduct an annual review of the effectiveness of the systems of internal control, 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 the Trust. 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 the Trust.

The processes for identifying, evaluating and managing the significant risks faced by the Trust are ongoing, 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 Directors (continued)

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

Identification and evaluation of key risks

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

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 whistle-blowing.

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 Board, through its Audit & Risk committee, have approved the Trust's three year strategic audit plan and have 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.

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

Information and financial reporting systems

The annual budget and five year business plan 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.

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 2014, and up to the date of signing these financial statements.

Charitable Donations

The Group did not make any charitable donations during the year (2013: £nil).

Going Concern

After reviewing the Group's budget for 2014/15 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.

Report of the Directors (continued)

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

Auditors

KPMG LLP are the auditors for the year ending 31 March 2014. BDO LLP will be appointed as auditors with effect from the 1 October 2014 for the year ending 31 March 2015.

On behalf of the Board

**Joan Mortimer
Chair**

144 London Road
Brighton
East Sussex BN1 4PH

22 September 2014

Report of the independent auditor 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 2014 set out on pages 22 to 46. 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 Accounting Practices Board's 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 Financial Reporting Council'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 2014 and of the Group and Trust surpluses 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 incorporating the Operating and Financial Review and Strategic Review for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 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

**Group and Trust Income and Expenditure Accounts
for the year ended 31 March 2014**

		Group		Trust	
	Notes	2014 £	2013 £	2014 £	2013 £
Turnover	2(a)	13,091,379	12,548,819	13,093,687	12,477,791
Less: Operating costs					
Operations		(12,774,581)	(12,374,354)	(12,774,581)	(12,282,552)
Exceptional items	23	(173,572)	(68,585)	(173,572)	(287,585)
	2(a)	(12,948,153)	(12,442,939)	(12,948,153)	(12,570,137)
Operating surplus / (deficit)		143,226	105,880	145,534	(92,346)
		143,226	105,880	145,534	(92,346)
Interest receivable & other income	7	53	92	53	11,789
Interest payable & similar charges	8	(83,575)	(87,626)	(83,575)	(87,433)
Surplus / (deficit) on ordinary activities before taxation		59,704	18,346	62,012	(167,990)
Tax on surplus on ordinary activities	9	-	-	-	-
Surplus / (deficit) for the year	17	59,704	18,346	62,012	(167,990)

All activities relate to continuing operations.

The notes on pages 26 to 46 form an integral part of these financial statements.

The financial statements were approved by the Board on 22 September 2014 and were signed on the Board's behalf by:

J MORTIMER
Chair of the Board

P FREEMAN
Non-Executive Director

**Group Statement of Total Recognised Surpluses and Deficits
for the year ended 31 March 2014**

	Notes	2014 £	2013 £
Surplus for the year	17	<u>59,704</u>	<u>18,346</u>
Total recognised surpluses and deficits for the year		<u>59,704</u>	<u>18,346</u>
Total surpluses and deficits recognised since last annual report		<u>59,704</u>	<u>18,346</u>

The notes on pages 26 to 46 form an integral part of these financial statements.

Group and Trust Balance Sheets as at 31 March 2014

	Notes	Group		Trust	
		2014 £	2013 £	2014 £	2013 £
Fixed assets					
Housing properties					
- depreciated cost	10	21,085,792	21,004,502	21,085,792	21,004,502
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)
		4,567,324	4,486,034	4,567,324	4,486,034
Investments	11	-	-	79,718	77,500
Other fixed assets	12	1,120,111	1,189,104	1,120,111	1,184,335
Total fixed assets		5,687,435	5,675,138	5,767,153	5,747,869
Current assets					
Debtors – amounts falling due:					
- within one year	13	1,938,433	2,486,521	1,938,433	2,480,869
Cash at bank and in hand		1,349,072	1,000,939	1,349,072	786,535
		3,287,505	3,487,460	3,287,505	3,267,404
Creditors: amounts falling due within one year	14	(1,776,999)	(1,968,985)	(1,856,717)	(1,823,968)
Net current assets		1,510,506	1,518,475	1,430,788	1,443,436
Total assets less current liabilities		7,197,941	7,193,613	7,197,941	7,191,305
Creditors: amounts falling due after more than one year	15	810,327	865,703	810,327	865,703
Reserves					
Capital reserve	17	102,833	102,833	102,833	102,833
Designated reserves	17	5,687,435	5,675,138	5,767,153	5,743,580
Restricted Reserves	17	286,080	120,501	286,080	120,501
Income and expenditure account	17	311,266	429,438	231,548	358,688
		7,197,941	7,193,613	7,197,941	7,191,305

The notes on pages 26 to 46 form an integral part of these financial statements.

The financial statements were approved by the Board at a meeting held on 22 September 2014 and were signed on the Board's behalf by:

Registered with Companies House Number 1618610.

J MORTIMER
Chair of the Board

P FREEMAN
Non-Executive Director

**Group Cash Flow Statement
for the year ended 31 March 2014**

	Notes	2014		2013	
		£	£	£	£
Net cash flow from operating activities	21(a)		859,411		484,201
Returns on investments and servicing of finance					
Interest received		53		-	
Interest paid and similar charges		<u>(83,575)</u>		<u>(87,442)</u>	
Net cash outflow from returns on investments and servicing of finance			(83,522)		(87,442)
Capital expenditure					
Payments to acquire and improve housing properties		(107,464)		(100,362)	
Payments to acquire other fixed assets		<u>(268,959)</u>		<u>(268,788)</u>	
Net cash outflow from capital expenditure			(376,423)		<u>(369,150)</u>
Net cash inflow before financing			399,466		27,609
Financing					
Housing loans repaid	21(b)		<u>(51,333)</u>		<u>(68,779)</u>
Increase / (Decrease) in cash in the year	21(b)		<u>348,133</u>		<u>(41,170)</u>

The notes on pages 26 to 46 form an integral part of these financial statements.

Notes to the Financial Statements for the year ended 31 March 2014

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. Valuation 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 reflects this requirement.

3. 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 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 budget for 2014/15 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.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Trust and its subsidiary undertaking as at 31 March 2014.

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.

Notes to the Financial Statements for the year ended 31 March 2014

1. Accounting policies (continued)

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.

Notes to the Financial Statements for the year ended 31 March 2014

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.

Notes to the Financial Statements for the year ended 31 March 2014

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 and a small number 8 (2013: nil) of staff who transferred from the NHS to BHT in 2013/14 belong to the NHS pension scheme. The assets of the schemes are held separately from those of the Group. Contributions to the schemes are calculated as a percentage of the pensionable salaries of employees. 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.

Notes to the Financial Statements for the year ended 31 March 2014

2. Turnover, operating costs and operating surplus

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

Group	2014			2013	
	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Surplus / (Deficit) £
Social housing activities					
Income and expenditure from social housing lettings (note 2b)	5,728,957	(5,186,763)	542,194	5,560,720	362,308
Other social housing activities					
Supporting People contract income	1,619,336	(1,432,031)	187,305	1,593,525	162,719
Grant contract and other income	860,828	(761,259)	99,569	649,910	74,026
	2,480,164	(2,193,290)	286,874	2,243,435	236,745
Total social housing activities	8,209,121	(7,380,053)	829,068	7,804,155	599,053
Non-social housing activities (note 2c)					
Advice Services	1,701,360	(2,107,340)	(405,980)	1,713,942	(372,287)
Day Centre	469,981	(658,273)	(188,292)	496,282	(109,239)
Non-Housing rent income	90,486	(90,486)	-	90,872	-
Other activities	2,620,431	(2,712,001)	(91,570)	2,443,568	(11,647)
	4,882,258	(5,568,100)	(685,842)	4,744,664	(493,173)
Total social and non-social housing activities	13,091,379	(12,948,153)	143,226	12,548,819	105,880

Notes to the Financial Statements for the year ended 31 March 2014

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

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

Trust	2014			2013	
	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Surplus / (Deficit) £
Social housing activities					
Income and expenditure from social housing lettings (note 2b)	<u>5,728,957</u>	<u>(5,186,763)</u>	<u>542,194</u>	<u>5,560,720</u>	<u>362,308</u>
Other social housing activities					
Supporting People contract income	1,619,336	(1,432,031)	187,305	1,593,525	162,719
Grant contract and other income	<u>860,828</u>	<u>(761,259)</u>	<u>99,569</u>	<u>649,910</u>	<u>74,026</u>
	<u>2,480,164</u>	<u>(2,193,290)</u>	<u>286,874</u>	<u>2,243,435</u>	<u>236,745</u>
Total social housing activities	<u>8,209,121</u>	<u>(7,380,053)</u>	<u>829,068</u>	<u>7,804,155</u>	<u>599,053</u>
Non-social housing activities (note 2c)					
Legal Advisory Services	1,701,360	(2,107,340)	(405,980)	1,713,942	(372,287)
Day Centre	469,981	(658,273)	(188,292)	496,282	(109,239)
Non-housing rent income	90,486	(90,486)	-	90,872	-
Other activities	<u>2,622,739</u>	<u>(2,712,001)</u>	<u>(89,262)</u>	<u>2,372,540</u>	<u>(209,873)</u>
	<u>4,884,566</u>	<u>(5,568,100)</u>	<u>(683,534)</u>	<u>4,673,636</u>	<u>(691,399)</u>
Total social and non-social housing activities	<u>13,093,687</u>	<u>(12,948,153)</u>	<u>145,534</u>	<u>12,477,791</u>	<u>(92,346)</u>

Notes to the Financial Statements for the year ended 31 March 2014

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 £	2014 Total £	2013 Total £
Income from social housing letting activities					
Rent receivable net of identifiable service charges	3,038,828	1,524,783	313,480	4,877,091	4,914,944
Service charge income	163,366	917,877	79,065	1,160,308	955,803
Gross rents receivable	3,202,194	2,442,660	392,545	6,037,399	5,870,747
Rent losses from voids	(166,766)	(164,498)	(25,814)	(357,078)	(400,718)
Net rents receivable	3,035,428	2,278,162	366,731	5,680,321	5,470,029
Other income	1,631	47,005	-	48,636	90,691
Total income from social housing letting activities	3,037,059	2,325,167	366,731	5,728,957	5,560,720
Expenditure on social housing letting activities					
Management	(55,713)	(110,904)	(53,218)	(219,835)	(198,802)
Services	(1,997,248)	(2,027,586)	(54,869)	(4,079,703)	(3,804,057)
Maintenance (including cyclical)	(319,315)	(178,325)	(37,700)	(535,340)	(713,301)
Rent losses from bad debts	(158,685)	(7,923)	(2,087)	(168,695)	(293,838)
Depreciation of housing properties	(109,205)	(72,747)	(1,238)	(183,190)	(188,414)
Total expenditure on social housing letting activities	(2,640,166)	(2,397,485)	(149,112)	(5,186,763)	(5,198,412)
Operating surplus on social housing letting activities	396,893	(72,318)	217,619	542,194	362,308

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

Notes to the Financial Statements for the year ended 31 March 2014

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

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

	Group		Trust	
	2014	2013	2014	2013
	£	£	£	£
Advice Services:				
Legal aid including costs & disbursements recovered	960,567	1,278,253	960,567	1,278,253
Grant contract incomes:				
Big Lottery - Advice Plus (Note 17(c))	67,581	88,985	67,581	88,985
Brighton & Hove City Council	159,006	70,000	159,006	70,000
Eastbourne Borough Council	56,500	36,500	56,500	36,500
Department for Communities & Local Gov't	-	25,000	-	25,000
Hastings Borough Council	6,919	26,700	6,919	26,700
Legal Aid Agency	59,873	22,609	59,873	22,609
East Sussex Probation Service	-	21,666	-	21,666
MacMillan	90,365	41,732	90,365	41,732
OCS Big lottery	-	35,000	-	35,000
Big Lottery - Legal Grant	-	35,000	-	35,000
Wealden Citizens Advice Bureau - Advice Service Transition Fund	20,136	-	20,136	-
Lewes Advice Service Transition Fund	9,105	-	9,105	-
Big Lottery - Eastbourne Advice Centre Housing Access Project	45,712	-	45,712	-
Big Lottery - Eastbourne Advice Service Transition Fund	80,422	-	80,422	-
Big Lottery - Hastings Advice Centre Housing Access Project	42,971	-	42,971	-
Supporting People	101,254	-	101,254	-
Donations, fundraising and other income	949	32,497	949	32,497
Total for Advice Services	<u>1,701,360</u>	<u>1,713,942</u>	<u>1,701,360</u>	<u>1,713,942</u>
	Group		Trust	
	2014	2013	2014	2013
	£	£	£	£
Day Centre				
Grant contract incomes:				
Brighton & Hove PCT	122,283	122,630	122,283	122,630
Brighton & Hove City Council	83,060	77,160	83,060	77,160
Big Lottery – Reaching Comm (Note 17(c))	51,339	72,033	51,339	72,033
Heritage Lottery	30,735	35,721	30,735	35,721
Homeless Transition Fund	124,854	123,245	124,854	123,245
Rough Sleepers	26,207	18,257	26,207	18,257
Donations, fundraising & other income	31,503	47,236	31,503	47,236
Total for Day Centre	<u>469,981</u>	<u>496,282</u>	<u>469,981</u>	<u>496,282</u>

Notes to the Financial Statements for the year ended 31 March 2014

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

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

Non-Housing rent Income

Renaissance House	<u>90,486</u>	<u>90,872</u>	<u>90,486</u>	<u>90,872</u>
Total	<u>90,486</u>	<u>90,872</u>	<u>90,486</u>	<u>90,872</u>

	Group		Trust	
	2014	2013	2014	2013
	£	£	£	£
Other activities				
Grant contract incomes:				
Supporting People – Floating Support	1,478,711	1,472,480	1,478,711	1,472,480
Big Lottery – Firm Found's (Note 17(c))	80,105	108,607	80,105	108,607
Brighton & Hove City Council	52,513	24,408	52,513	24,408
Big Lottery – Threshold (Note 17(c))	129,905	128,000	129,905	128,000
Crisis Funding	-	60,000	-	60,000
Brighton & Hove PCT	210,751	97,514	210,751	97,514
Big Lottery – Finding Futures (Note 17(c))	119,589	97,352	119,589	97,352
Supporting People – Start	55,000	55,000	55,000	55,000
Supporting People – Shore House	16,474	-	16,474	-
Revolving Doors Agency	20,000	20,000	20,000	20,000
University Placements BFS/EFS/S4H	10,140	12,558	10,140	12,558
ESCC KS4 Engagement	66,294	60,280	66,294	60,280
Fulfilling Lives Big Lottery	40,240	8,900	40,240	8,900
Henry Smith Charity	10,700	21,000	10,700	21,000
KSS Probation	21,086	-	21,086	-
Inspire Funding	22,607	-	22,607	-
BHT IT Solutions	57,000	59,200	57,000	-
Donations, fundraising and other income	<u>229,316</u>	<u>218,269</u>	<u>231,624</u>	<u>206,441</u>
Total for other activities	<u>2,620,431</u>	<u>2,443,568</u>	<u>2,622,739</u>	<u>2,372,540</u>
Turnover from non-social housing activities	<u>4,882,258</u>	<u>4,744,664</u>	<u>4,884,566</u>	<u>4,673,636</u>

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	
	2014	2013	2014	2013
	£	£	£	£
The emoluments were as follows:				
Emoluments (including bonuses)	312,093	314,629	312,093	314,629
Retirement benefit scheme contributions – in respect of services as directors	<u>16,511</u>	<u>19,163</u>	<u>16,511</u>	<u>19,163</u>
	<u>328,604</u>	<u>333,792</u>	<u>328,604</u>	<u>333,792</u>

Notes to the Financial Statements for the year ended 31 March 2014

3. Directors' emoluments (continued)

In line with all other employees, the executive directors were awarded a 1% cost of living increase on 1 April 2013 and a 1% cost of living increase on 1 April 2014.

The emoluments of the highest paid director, the Chief Executive, excluding pension contributions, were £73,474 (2013: £72,747).

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.

	2014 No.	2013 No.
£60,001 to £70,000	1	1
£70,001 to £80,000	2	1

4. Employee information

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

	Group		Trust	
	2014 Number	2013 Number	2014 Number	2013 Number
Total employees	<u>292</u>	<u>293</u>	<u>292</u>	<u>279</u>
Full time equivalent	<u>246</u>	<u>244</u>	<u>246</u>	<u>233</u>

Staff Costs:	Group		Trust	
	2014 £	2013 £	2014 £	2013 £
Wages and salaries	6,038,855	5,895,928	6,038,855	5,575,889
Social security costs	530,629	525,263	530,629	494,676
Retirement benefit scheme costs (Note 5)	<u>223,952</u>	<u>165,016</u>	<u>223,952</u>	<u>158,456</u>
	<u>6,793,436</u>	<u>6,586,207</u>	<u>6,793,436</u>	<u>6,229,021</u>

5. Retirement benefits

The Group operates a stakeholder retirement benefit scheme provided by Scottish Widows and this scheme is open to all employees. The Group contributed 6% of the pensionable salaries of members during the year (2013: 6%). The Group implemented pension auto-enrolment during the year.

8 staff who were previously employed by the NHS and transferred to the Trust under TUPE rules belong to the NHS pension scheme. Membership of this scheme is not open to other BHT members of staff. The Trust contributes 14% of their pensionable salaries to members of this scheme.

The Group made contributions of £223,952 in the year ended 31 March 2014 (2013: £165,016 - 6% of pensionable salary).

Notes to the Financial Statements for the year ended 31 March 2014

6. Operating surplus / (deficit)

	Group		Trust	
	2014	2013	2014	2013
The operating surplus / (deficit) is stated after charging:	£	£	£	£
Depreciation				
Housing properties (Note 10)	<u>187,669</u>	<u>186,634</u>	<u>187,669</u>	<u>186,634</u>
Other fixed assets (Note 12)	<u>151,500</u>	<u>149,278</u>	<u>151,500</u>	<u>144,989</u>
Operating lease rentals – land and buildings	521,840	546,541	521,840	534,771
Auditors' remuneration – in capacity as auditors	30,778	25,250	30,778	20,950
Auditors' remuneration – in respect of other services	<u>3,000</u>	<u>4,551</u>	<u>3,000</u>	<u>1015</u>

7. Interest receivable and other income

	Group		Trust	
	2014	2013	2014	2013
	£	£	£	£
Deposit interest receivable	53	92	53	92
Interest on intercompany loans	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,697</u>
	<u>53</u>	<u>92</u>	<u>53</u>	<u>11,789</u>

8. Interest payable and similar charges

	Group		Trust	
	2014	2013	2014	2013
	£	£	£	£
Interest on loans and overdrafts	<u>83,575</u>	<u>87,626</u>	<u>83,575</u>	<u>87,433</u>
	<u>83,575</u>	<u>87,626</u>	<u>83,575</u>	<u>87,433</u>

Notes to the Financial Statements for the year ended 31 March 2014

9. Corporation tax

	Group		Trust	
	2014	2013	2014	2013
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 £Nil (2013 £65,619) has not been recognised because there is insufficient certainty around realisation.

The current tax charge for the year is lower (2013: lower) than the standard rate of corporation tax in the UK 23%, (2013: 24%). The differences are explained below:

	Group		Trust	
	2014	2013	2014	2013
Reconciliation of current tax charge	£	£	£	£
Surplus / (deficit) on ordinary activities before taxation	<u>59,704</u>	<u>18,346</u>	<u>62,012</u>	<u>(167,990)</u>
Tax on surplus on ordinary activities at standard corporation tax rate of 23% (2013: 24%)	13,732	4,403	14,263	(40,318)
<i>Effects of:</i>				
Unrelieved tax losses and other deductions arising in the period	-	5,040	-	-
Charitable surpluses / (deficits) not taxed	(13,732)	40,318	(14,263)	40,318
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	-	1,029	-	-
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).

Notes to the Financial Statements for the year ended 31 March 2014

10. Housing properties

Group and Trust	Freehold £	Long Leasehold £	Leasehold Improvem'ts £	Total £
Cost				
At 1 April 2013	18,518,527	3,309,484	1,145,401	22,973,412
Additions	53,698	6,369	208,892	268,959
At 31 March 2014	18,572,225	3,315,853	1,354,293	23,242,371
Depreciation				
At 1 April 2013	(1,246,176)	(331,314)	(391,420)	(1,968,910)
Charge for the year	(112,390)	(25,437)	(49,842)	(187,669)
At 31 March 2014	(1,358,566)	(356,751)	(441,262)	(2,156,579)
Gross cost less depreciation				
At 31 March 2014	17,213,659	2,959,102	913,031	21,085,792
At 31 March 2013	17,272,351	2,978,170	753,981	21,004,502
Social Housing Grant				
At 1 April 2013				
and at 31 March 2014	(13,415,158)	(2,400,066)	-	(15,815,224)
Other public grants				
At 1 April 2013	-	-	(703,244)	(703,244)
and at 31 March 2014	-	-	(703,244)	(703,244)
Net book value				
At 31 March 2014	3,798,501	559,036	209,787	4,567,324
At 31 March 2013	3,857,193	578,104	50,737	4,486,034

Total Group expenditure in 2014 on works to existing properties was £834,086 (2013: £715,976) of which £268,959 (2013: £100,361) has been capitalised. Of the amounts capitalised, £16,508 (2013: £64,232) relates to the replacement of components whilst £252,451 (2013: £36,130) 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 (2013: £703,244). The conditions for the repayment of one of these grants are set out below:

Brighton and Hove Clinical Commissioning Group (formerly Brighton and Hove City Primary Care Trust) has made grants of £453,930 (2013: £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 2014

11. Investments

Trust	Investment in Subsidiary Undertaking £
Cost	
At 1 April 2013 and at 31 March 2014	<u>155,000</u>
Provisions	
At 1 April 2013	77,500
Write back in year	<u>(2,218)</u>
At 31 March 2014	75,282
Net book value	
At 31 March 2014	<u><u>79,718</u></u>
At 31 March 2013	<u><u>77,500</u></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	Non- trading	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.

Notes to the Financial Statements for the year ended 31 March 2014

12. Other fixed assets

Group	Freehold Non- Housing Property £	Fixtures, Fittings and Equipment £	IT Equipment and Software £	Total £
Cost				
At 1 April 2013	1,821,924	250,893	585,243	2,658,060
Additions	-	62,441	45,023	107,464
Disposals	<u>(57,044)</u>	<u>-</u>	<u>-</u>	<u>(57,044)</u>
At 31 March 2014	<u>1,764,880</u>	<u>313,334</u>	<u>630,266</u>	<u>2,708,480</u>
Grants				
At 1 April 2013 and As at 31 March 2014	<u>(706,993)</u>	<u>-</u>	<u>(5,044)</u>	<u>(712,037)</u>
Gross cost less grants				
At 31 March 2014	<u>1,057,887</u>	<u>313,334</u>	<u>625,222</u>	<u>1,996,443</u>
At 31 March 2013	<u>1,114,931</u>	<u>250,893</u>	<u>580,199</u>	<u>1,946,023</u>
Depreciation				
At 1 April 2013	(174,338)	(204,206)	(378,375)	(756,919)
Charge for the year	(26,246)	(29,060)	(96,194)	(151,500)
Released on disposal	<u>32,087</u>	<u>-</u>	<u>-</u>	<u>32,087</u>
At 31 March 2014	<u>(168,497)</u>	<u>(233,266)</u>	<u>(474,569)</u>	<u>(876,332)</u>
Net book value				
At 31 March 2014	<u>889,390</u>	<u>80,068</u>	<u>150,653</u>	<u>1,120,111</u>
At 31 March 2013	<u>940,593</u>	<u>46,687</u>	<u>201,824</u>	<u>1,189,104</u>

The cost of buildings included within freehold non-housing property, upon which depreciation has been provided, is £1,643,886 (2013: £1,700,930).

Notes to the Financial Statements for the year ended 31 March 2014

12. Other fixed assets (continued)

Trust	Freehold Non- Housing Property £	Fixtures, Fittings and Equipment £	IT Equipment and Software £	Total £
Cost				
At 1 April 2013	1,821,924	248,693	567,572	2,638,189
Transfers in from BHTE	-	2,200	17,671	19,871
Disposal on transfer in from BHTE	-	-	(2,725)	(2,725)
Additions	-	62,441	45,023	107,464
Disposals	(57,044)	-	-	(57,044)
At 31 March 2014	1,764,880	313,334	627,541	2,705,755
Grants				
At 1 April 2013 and As at 31 March 2014	(706,993)	-	(5,044)	(712,037)
Gross cost less grants				
At 31 March 2014	1,057,887	313,334	622,497	1,993,718
At 31 March 2013	1,114,931	248,693	562,528	1,926,152
Depreciation				
At 1 April 2013	(174,338)	(202,886)	(364,593)	(741,817)
Transfers in from BHTE	-	(1,320)	(13,782)	(15,102)
Disposal on transfer in from BHTE	-	-	2,725	2,725
Charge for the year	(26,246)	(29,060)	(96,194)	(151,500)
Released on disposal	32,087	-	-	32,087
At 31 March 2014	(168,497)	(233,266)	(471,844)	(873,607)
Net book value				
At 31 March 2014	889,390	80,068	150,653	1,120,111
At 31 March 2013	940,593	45,807	197,935	1,184,335

13. Debtors

	Group		Trust	
	2014 £	2013 £	2014 £	2013 £
Amounts falling due within one year				
Arrears of rents and service charges	708,015	432,150	708,015	432,150
Less: provision for bad and doubtful debts	(290,038)	(204,767)	(290,038)	(204,767)
	417,977	227,383	417,977	227,383
Invoiced debtors	464,371	746,970	464,371	654,497
Amounts receivable from group undertakings	-	-	-	126,717
Other debtors	19,418	25,776	19,418	25,776
Prepayments and accrued income	1,036,667	1,486,392	1,036,667	1,446,496
	1,938,433	2,486,521	1,938,433	2,480,869

Notes to the Financial Statements for the year ended 31 March 2014

14. Creditors: amounts falling due within one year

	Group		Trust	
	2014	2013	2014	2013
	£	£	£	£
Housing loans (Note 15)	54,970	50,927	54,970	50,927
Trade creditors	284,246	280,050	284,246	350,151
Amounts due to Group Companies	-	-	79,718	-
Other taxation and social security	151,447	153,478	151,447	142,537
Other creditors	227,895	455,305	227,895	450,972
Accruals and deferred income	1,058,441	1,029,225	1,058,441	829,381
	<u>1,776,999</u>	<u>1,968,985</u>	<u>1,856,717</u>	<u>1,823,968</u>

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

	Group		Trust	
	2014	2013	2014	2013
	£	£	£	£
Housing loans	<u>810,327</u>	<u>865,703</u>	<u>810,327</u>	<u>865,703</u>

Housing loans	Group		Trust	
	2014	2013	2014	2013
	£	£	£	£
Repayable, otherwise than by instalments, as follows:				
Within one year	54,970	50,927	54,970	50,927
Between one and two years	58,734	54,882	58,734	54,882
Between two and five years	181,785	180,129	181,785	180,129
In five years or more	569,808	630,692	569,808	630,692
	<u>865,297</u>	<u>916,630</u>	<u>865,297</u>	<u>916,630</u>

Sources of finance	Group		Trust	
	2014	2013	2014	2013
	£	£	£	£
Orchardbrook Limited – fixed rate loans	713,576	749,450	713,576	749,450
Orchardbrook Limited – variable rate loans	<u>151,721</u>	<u>167,180</u>	<u>151,721</u>	<u>167,180</u>
	<u>865,297</u>	<u>916,630</u>	<u>865,297</u>	<u>916,630</u>

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 2014 was 1.3% (2013: 1.3%).

Notes to the Financial Statements for the year ended 31 March 2014

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 (2013: 23) members has undertaken to contribute £1 in the event of the Trust being wound up.

17. Reserves

17(a) Reserve movements

Group	Capital Reserve £	Designated Reserves £	Restricted Reserves £	I&E Account £	Total £
At 1 April 2013	102,833	5,675,138	120,501	429,438	6,327,910
Surplus for the year	-	-	-	59,704	59,704
Transfer between reserves	-	12,297	165,579	(177,876)	-
At 31 March 2014	102,833	5,687,435	286,080	311,266	6,387,614

Trust	Capital Reserve £	Designated Reserves £	Restricted Reserves £	I&E Account £	Total £
At 1 April 2013	102,833	5,743,580	120,501	358,688	6,325,602
Surplus for the year	-	-	-	62,012	62,012
Transfer between reserves	-	23,573	165,579	(189,152)	-
At 31 March 2014	102,833	5,767,153	286,080	231,548	6,387,614

17(b) Designated reserves

Group	Fixed Asset Reserve £	Major Repairs Reserve £	Total £
At 1 April 2013	4,349,556	1,325,582	5,675,138
Transfer from the income and expenditure account	12,297	-	12,297
At 31 March 2014	4,361,853	1,325,582	5,687,435

Trust	Fixed Asset Reserve £	Major Repairs Reserve £	Total £
At 1 April 2013	4,417,998	1,325,582	5,743,580
Transfer from the income and expenditure account	23,573	-	23,573
At 31 March 2014	4,441,571	1,325,582	5,767,153

Notes to the Financial Statements for the year ended 31 March 2014

17(b) Designated reserves (continued)

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.

17(c) Restricted reserves (Big Lottery funding)

Group and Trust	1 April 2013	Incoming Resources	Resources Expended	31 March 2014
	£	£	£	£
	29,473			
Firm Foundations		4,917	(68,330)	(33,940)
Advice Plus	48,113	46,169	(84,673)	9,609
The Academy	15,360	96,513	(47,278)	64,595
Reaching Communities /First Impressions	(25,010)	85,048	(72,289)	(12,251)
Finding Futures	10,778	77,022	(91,646)	(3,846)
Threshold	35,679	109,834	(108,150)	37,363
Fulfilling Lives	6,108	40,000	(39,188)	6,920
Private Accommodation Access Team	-	69,474	(9,495)	59,979
Eastbourne Advice Services	-	79,672	(9,873)	69,799
Eastbourne Housing Access	-	45,712	(227)	45,485
Hastings Housing Access	-	42,971	(604)	42,367
	120,501	697,332	(531,753)	286,080

The Academy Big Lottery grant is reported within other social housing activities – grant contract and other income of £860,828 (2013: £649,910) as reflected in note 2a.

18. Capital commitments – Group and Trust

During the year ended 31 March 2013, 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 (2013: £451,000).

Notes to the Financial Statements for the year ended 31 March 2014

19. 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	
	2014	2013	2014	2013
	£	£	£	£
Land and buildings				
Expiry date:				
Within one year	200,846	232,479	200,846	232,479
Between one and two years	-	-	-	-
Between two and five years	-	30,080	-	30,080
After five years	320,994	283,934	320,994	283,934
	521,840	546,493	521,840	546,493

20. Accommodation in management

Group and Trust	General Needs Housing	Supported Housing	Temporary Social Housing	Total
Number of units / bed spaces				
At 1 April 2013	453	251	37	741
Movement in year	(3)	(18)	-	(21)
At 31 March 2014	450	233	37	720
			2014	2013
Owned and managed			285	312
Managed on behalf of others			435	429
			720	741
Managed by others			158	164

21. Notes to the cash flow statement

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

	2014	2013
	£	£
Operating surplus	143,226	105,880
Non cash flow items:		
Depreciation	339,169	335,912
Loss on disposal of fixed asset	24,957	-
Decrease in debtors	548,088	69,102
(Decrease) in creditors	(196,029)	(26,693)
Net cash flow from operating activities	859,411	484,201

Notes to the Financial Statements for the year ended 31 March 2014

21. Notes to the cash flow statement (continued)

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

	2014 £	2013 £
Increase / (Decrease) in cash in the year	348,133	(41,170)
Housing loans repaid	51,333	68,779
Change in net debt in the year	399,466	27,609
Net cash as at 1 April	84,309	56,700
Net cash as at 31 March	483,775	84,309

21(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 £
Balance at 1 April 2013	1,000,939	(50,927)	(865,703)	84,309
Net cash flow	348,133	(4,043)	55,376	399,466
Balance at 31 March 2014	1,349,072	(54,970)	(810,327)	483,775

22. 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.

23. Exceptional Items

Exceptional Items	Group		Trust	
	2014 £	2013 £	2014 £	2013 £
Redundancies	148,615	68,585	148,615	63,585
Loss on disposal of fixed asset	24,957	-	24,957	-
Write Off Intercompany Loan	-	-	-	224,000
	173,572	68,585	173,572	287,585