

# BHT

## Financial Statements

### 2007/08

Growing together



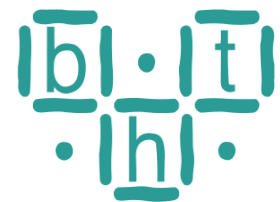
Brighton Housing Trust

Report of the Board

and

Financial Statements

For the Year Ended 31 March 2008



'combating homelessness, creating  
opportunities, promoting change'

**Contents**

<b>Contents</b>	<b>Page No.</b>
Non-Executive Directors' Details	3
Legal and Administrative Details	4
Report of the Board	5-17
Report of the independent auditors, KPMG LLP, to the members of Brighton Housing Trust	18-19
Financial Statements	20-36

## 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 (Chair with effect from 10 March 2008) <b>Independent Member</b>		Retired Civil Servant Communities and Local Government
Martin Heys (Chair up until 10 March 2008) <b>Independent Member</b>	Resigned 19 April 2008	Deputy Chief Executive East Thames Housing Group
Heather Grant (Vice Chair) <b>Independent Member</b>		Independent housing consultant
Roger Brocklehurst <b>Appointee, Downland HA</b>		Retired banker Former Chief Executive, Local Investment Fund
Winifred Dillon <b>Appointee, William Sutton Homes</b>	Resigned 1 May 2007	Board member William Sutton Homes
Paul Dobson <b>Independent Member</b>		Retired solicitor
David Hancock <b>Independent Member</b>		Retired local government officer Director of Community Services
Meg Heyworth <b>Independent Member</b>		Small business advisor
Dr Neil Stammers <b>Independent Member</b>	Resigned 16 July 2007	Retired academic University of Sussex
Terry Walker <b>Independent Member</b>		Company Secretary Pensions Regulatory Authority
Dr Christopher Wyatt <b>Service User Member</b>		Lecturer Universities of Sussex and Brighton

### ◆ Company Secretary

Kate Watson

## Legal and Administrative Details

### **Registered Office**

144 London Road  
Brighton  
East Sussex  
BN1 4PH

### **Auditors**

KPMG LLP  
1 Forest Gate  
Brighton Road  
Crawley  
West Sussex  
RH11 9PT

### **Bankers**

The Royal Bank of Scotland  
PO Box 300  
Brighton  
East Sussex  
BN1 9TE

Alliance & Leicester Commercial Bank plc  
Bridle Road  
Bootle  
Merseyside  
GIR 0AA

### **Principal Solicitors**

DMH Stallard  
100 Queens Road  
Brighton  
East Sussex  
BN1 3YB

### **Valuers**

Drivers Jonas  
85 King William Street  
London  
EC4N 7BL

**The Trust is a charitable registered social landlord, a company limited by guarantee and is governed by its Memorandum and Articles of Association.**

**Registered by Companies House No. 1618610**

**Registered by the Charity Commission No. 284839**

**Registered by the Housing Corporation No. H1696**

## Report of the Board

The Board presents its report, including the Operating and Financial Review, and the audited financial statements of Brighton Housing Trust for the year ended 31 March 2008.

### Business, Objectives and Strategy

#### Business

Brighton Housing Trust (the Trust) is dedicated to combating homelessness, creating opportunities and promoting change. The Trust aims to enable people to live independently, and believes that everybody needs appropriate housing, whether as a starting point or an end goal. The Trust 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 social landlord, a company limited by guarantee and is governed by its Memorandum and Articles of Association. The Trust is registered with both the Housing Corporation and the Charity Commission, and as such is governed in addition to its Memorandum and Articles of Association by applicable Housing Act and Charities Act legislation.

#### Objectives

The principal objectives of the Trust are:

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

#### Strategy

The Trust employs the following strategies in order to deliver its objectives:

- supporting people 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 peoples' quality of life
- developing initiatives to encourage and enable service users to take an active role in service delivery
- challenging discrimination faced by homeless and vulnerable people
- maximising opportunities to develop the highest quality services and for working with the most complex issues
- maximising opportunities for service users to access learning, training and employment
- investing in and empowering employees, enabling them to better deliver the objectives of the Trust
- working closely with other providers and organisations to deliver solutions based firmly on need and on furthering local and national strategic priorities
- working in partnership to increase the provision of affordable and social housing
- strengthening financial performance

## Report of the Board (continued)

### Business, Objectives and Strategy (continued)

#### Charitable activities

The Trust's charitable objectives are as set out within the Business, Objectives and Strategy sections above. Specific charitable activities in the year included the provision of:

- housing accommodation to people in need and at sub-market rents
- grant funded specialist mental health support
- grant funded specialist drug and alcohol recovery projects and resettlement projects
- legal advice through centres providing specialist advice for housing, debt, welfare benefits and immigration matters
- an open door Day Centre for homeless, vulnerable or socially excluded individuals
- Work, Learning and Involvement activities for all service users

#### Operating and Financial Review

2007/08 was a disappointing year, not least in terms of the overall financial performance, but also in terms of various difficulties that the Trust experienced in bedding down the operational arrangements for its newly outsourced repairs and maintenance function. The Trust has worked tirelessly in conjunction with Downland Housing Association Limited, its immediate parent undertaking and provider of the outsourced repairs and maintenance function, and it is hoped that operational performance in this area will improve in 2008/09 and beyond.

Despite the disappointing financial performance there are many positives that can also be drawn, including:

- 6 new units of Supported Housing accommodation coming into management during the year
- An improvement in the operating and financial performance of Legal Advisory Services, with further improvements anticipated to follow in 2008/09 and beyond
- Expansion into the area of debt and welfare benefits advice, strengthening our strategic position and potential for growth
- Securing a £500k capital grant for the refurbishment of the Day Centre
- The acquisition of Threshold, a women only mental health and counselling service
- The retention of significant cash reserves, with which the Trust can maximise opportunities for further development and growth

Following the further consolidation of its General Needs Housing activities, the Trust continues to concentrate on its core range of specialism, which include Supported Housing (in particular specialist drug and alcohol recovery projects and specialist mental health support), the provision of Legal Advice, Day Centre and Work, Learning and Involvement activities.

#### Results for the year

Turnover of £7,820k was £78k (1%) less than the previous financial year. This reduction is derived primarily from General Needs Housing, where turnover reduced by £291k, offset in part by increased Legal Advisory Services income of £105k and increased income in other areas totalling £108k. The £291k reduction in General Needs Housing turnover relates primarily to the fact that 158 units of accommodation were leased mid way through the 2006/07 financial year.

## Report of the Board (continued)

### Operating and Financial Review (continued)

#### Results for the year (continued)

Operating costs, totalling £7,850k, were £93k (1.2%) more than the previous financial year. However, it should be noted that the previous financial year included an exceptional Legal Advisory Services write off adjustment of £191k. Before taking account of this exceptional adjustment, operating costs in 2006/07 were actually £7,566k, some £284k less than operating costs in 2007/08. This effective increase in expenditure relates primarily to Supported Housing and Legal Advisory Services where operating costs have increased by £266k and £122k respectively, offset in part by General Needs Housing where operating costs have decreased by £178k.

The majority of the increases in operating costs are derived from a combination of inflationary pressures and growth in the actual volume of services being provided. However, Supported Housing repairs and maintenance expenditure, in particular, has increased by £100k, regardless of inflationary pressures and, instead, as a direct consequence of one off catch-up works being carried out. If these one off repairs and maintenance costs are excluded then total operating costs have actually increased by just £184k (2.4%) when compared on a like for like basis with 2006/07.

The Trust made an operating deficit for the year of £29k, a deterioration of £170k compared to the £141k operating surplus achieved in the previous financial year. In reality, this deterioration was actually £361k upon allowing for the 2006/07 exceptional Legal Advisory Services write off adjustment of £191k. The deterioration relates primarily to Supported Housing and General Needs Housing where operating performance has deteriorated by £211k and £113k respectively, offset in part by a £90k reduction in interest payable on General Needs Housing Properties. As described above, inflationary pressures and the one off repairs and maintenance catch-up works are the primary reasons for the deterioration within Supported Housing.

Net interest payable for the year, of £19k, was some £137k less than the £156k net interest payable in the previous financial year. £90k of this reduction relates to a reduction in interest payable on General Needs Housing Properties, whilst a further £47k relates to increased interest receivable achieved on higher cash deposits and balances.

The Trust made an overall deficit for the year of £48k, a deterioration of £33k compared to the deficit of £15k (excluding surplus on disposal of properties) in the previous financial year. In reality, this deterioration was actually £224k upon allowing for the 2006/07 exceptional Legal Advisory Services write off adjustment of £191k.

#### Operating segments

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

Operating Segment:	Turnover		Operating Surplus/ (Deficit)	
	2008 £k	2007 £k Re-stated	2008 £k	2007 £k Re-stated
General Needs Housing	509	800	295	408
Supported Housing	4,340	4,285	(52)	159
Legal Advisory Services	1,432	1,327	(184)	(358)
Day Centre	340	366	(147)	(108)
Other activities (including Floating Support)	1,199	1,120	59	40
	<b>7,820</b>	<b>7,898</b>	<b>(29)</b>	<b>141</b>

## Report of the Board (continued)

### Operating and Financial Review (continued)

#### Operating segments (continued)

It should be noted that the 2007 comparative figures, within the table above, have been re-stated in order to provide a more accurate analysis of activities between social housing activities and non-social housing activities. The basis upon which social housing letting activities is analysed between Supported Housing and Temporary Social Housing has also changed since the 2007 annual financial statements were prepared. Further details can be found within notes 2 and 17 of the financial statements.

#### General Needs Housing

General Needs Housing comprises 79 units (2007: 79 units) of accommodation in management together with a further 158 units that are managed by the Trust's immediate parent undertaking, Downland Housing Association Limited, under the terms of a long term lease. The £291k reduction in turnover relates to the fact that these 158 units, together with a further 57 units that were sold, were still managed by the Trust for approximately half of the 2006/07 financial year.

The £113k reduction in operating surplus is a direct consequence of the reduction in the number of units of accommodation in management, offset in part by savings in housing management, maintenance and service costs. There has also been a further £90k year on year reduction in interest payable, following the repayment of the majority of the Trust's housing loans during the 2006/07 financial year.

#### Supported Housing

Supported Housing (incorporating Temporary Social Housing) comprises 281 units (2007: 275 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 service users to engage with learning, training and employment activities.

Turnover has increased by £55k (1.3%) compared to the previous financial year. This is due primarily to rental incomes and grant contract and other incomes increased by £135k and £29k respectively, offset in part by Supporting People contract income that has reduced, year on year, by £110k. The £135k increase in rental incomes relates primarily to inflationary increases but also, in part, to the 6 additional units of accommodation that came into management during the year. The year on year reduction in Supporting People contract income relates primarily to cuts in funding undertaken by the local authority during the 2006/07 financial year.

The operating result for the year has deteriorated, by £211k, from a surplus of £159k in 2006/07 to a deficit of £52k in 2007/08. This deterioration stems primarily from repairs and maintenance expenditure, up by £100k in the year, where various one off catch-up cyclical and major repair works have been carried out. In addition, inflationary pressures have resulted in increased management and services related expenditure. Neither the one off increase in repairs and maintenance expenditure nor the resulting deterioration in the operating result are anticipated to repeat or continue in the near to long term future.

#### Legal Advisory Services

Legal Advisory Services provide legal advice to approximately 10,000 clients per annum covering housing and immigration law together with debt, welfare benefits and general accommodation advice. In particular, the expansion into debt and welfare benefits has significantly strengthened our strategic position in relation to securing further growth in 2008/09 and, ultimately, social welfare law contracts in the Sussex area when the Legal Services Commission tendering process evolves further.

## Report of the Board (continued)

### Operating and Financial Review (continued)

#### Legal Advisory Services (continued)

Turnover has increased by £105k (7.9%) compared to the previous financial year. This is due primarily to the move towards “fixed fee” contracts, with effect from 1<sup>st</sup> October 2007, following the recommendations that came out of the Carter Review. The Trust benefits from the impact of these changes, more so than most organisations, because of its relatively low cost per case and efficient service delivery model.

The operating result for the year has improved, by £174k, from a deficit of £358k in 2006/07 to a deficit of £184k in 2007/08. However, it should be noted that the 2006/07 result included an exceptional write off adjustment of £191k. Before taking account of this exceptional adjustment, the deficit was actually £167k, some £17k better than the operating result for 2007/08. Unfortunately, inflation and other cost increases totalling £122k have more than outweighed the £105k increase in turnover. In particular, certain costs that were previously shared with Floating Support operations are now borne entirely by Legal Advisory Services.

Both turnover and operating results are anticipated to improve further still in 2008/09, due primarily to the full year impact of these contractual changes but also to the fact that a further inflationary uplift of between 2% and 5% has recently been announced.

#### Day Centre

The 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. It is not income generating and relies instead on grant funding and fundraising. The Day Centre receives in excess of 20,000 visits per annum.

Turnover has decreased by £26k, due primarily to certain short term grants that have ended and where it hasn’t yet been possible to secure alternative funding. The operating result for the year has deteriorated, by £39k, from a deficit of £108k in 2006/07 to a deficit of £147k in 2007/08, primarily as a result of the reduction in turnover.

The longer term fundraising strategy for the Day Centre is now providing evidence of tangible returns. In particular, £500k of funding has recently been secured from the Communities and Local Government ‘Places of Change’ programme for the capital refurbishment of the Day Centre. Additional revenue funding has also been secured to enable the creation of the ‘Dine!’ catering business, the first social enterprise within the Trust to directly involve service users.

#### Other activities (including Floating Support)

Other activities primarily represent the Trust’s non-residential Floating Support services, together with non-allocated central income and the Trust’s non-residential Mental Health and Work, Learning and Involvement projects. The Trust also welcomes Threshold, a women only mental health and counselling service, whose assets and operations were acquired towards the end of December 2007.

The £79k increase in turnover relates primarily to £45k of income receivable from group undertakings, together with the acquisition of Threshold. Threshold is anticipated to contribute significantly more, in terms of turnover, during any future, complete 12 month financial periods.

The operating result for the year has improved, by £19k, from a surplus of £40k in 2006/07 to a surplus of £59k in 2007/08. This improvement is derived primarily from increased central incomes that have no associated costs, offset by a partial deterioration in the financial performance of Supporting People (Floating Support) contracts. The deterioration in the performance of Supporting People (Floating Support) contracts arises primarily as a result of the fact that there were across the board cuts of 2% in 2007/08 contract incomes, whereas staff and other operating costs have continued to increase each year in line with underlying inflation levels.

## Report of the Board (continued)

### Operating and Financial Review (continued)

#### Key performance indicators

The 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 major loan covenants complied with
- Cash management – cash flows and balances in line with expectations throughout the year
- Void loss – voids as a % of gross rents of 6% (target: 4%)
- Rent received – rent received as a % of amounts due 97.7% (target: 98.2%)
- Arrears management – gross arrears as a % of annual rent roll of 6.1% (target: 8.5%)
- Supporting People contract performance – all projects have achieved B grade Quality Assessment Framework ('QAF') standards and are now looking towards achieving A grades (Supporting People target: grade C)
- Supporting People contract performance – service utilisation levels of 83.2% (target: 98.2%)
  - staffing support hours of 95.3% (target: 90%)
  - unplanned resident departures of 27.5% (target: 24.7%)
  - no default notices received (target: nil)
- Gas safety certificates received on time 72.7% (target: 100%)
- Repairs and maintenance – repairs carried out within stated period of time 90% (target: 95%)
- Staff sickness – working days lost per FTE employee 11.1 (target: 10 working days)
- Staff turnover – staff leaving per annum 21.2% (target: 15%)
- Risk map – risk action plan completed 97% (target: 85%)

#### Investment for the future

The Trust is continually looking to improve the services that it provides. The Trust has a designated Service User Involvement representative whose role it is to feedback the comments and improvements suggested by service users with a view to continuous improvement and involvement. It is an objective of the Trust that, within the five year business plan, at least 15% of staff will be ex service users.

Being a people centred organisation, the Trust continues to invest in its staff and their development. The Trust 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 are now also offered externally to organisations in the Not for Profit and related sectors. Initial take-up rates and income from external organisations has been encouraging.

The Trust also continues to invest in and develop its information systems and infrastructure, with a view to making further efficiency savings and improvements for service users. The Trust 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 Trust has set up an Environmental Working Group, with the primary objective of minimising the impact of the Trust, including its staff and service users, upon the environment.

#### Capital structure

Housing properties are included at £7,762k (2007: £7,476k), other tangible fixed assets included at £666k (2007: £687k) and net current assets included at £2,132k (2007: £2,156k). These are financed by housing loans of £889k (2007: £919k) and reserves of £9,695k (2007: £9,431k).

## Report of the Board (continued)

### Operating and Financial Review (continued)

#### Capital structure (continued)

##### a. Tangible Fixed Assets

Housing properties are included in the balance sheet at cost / valuation, net of depreciation, of £7,762k (2007: £7,476k). This reflects the Drivers Jonas' valuation carried out as at 31 March 2008. The Trust has other fixed assets, net of depreciation, of £666k (2007: £687k). These relate to freehold non-housing properties, fixtures, fittings and equipment and IT equipment.

##### b. Working Capital

At 31 March 2008, the Trust had cash balances of £1,424k (2007: £1,528k), debtors of £1,692k (2007: £1,254k) and creditors due within one year of £984k (2007: £626k). The increase in debtor balances relates primarily to amounts owed in respect of Legal Advisory Services operations. These balances were significantly reduced, shortly after the financial year end, as a result of back billings carried out and cash received. The increase in creditors due within one year relates primarily to amounts payable to group undertakings.

##### c. Housing Loans

At 31 March 2008, the Trust had housing loans outstanding of £889k (2007: £919k). The reduction in the year relates to normal repayment terms and conditions.

##### d. Reserves

At 31 March 2008, the Trust had reserves totalling £9,695k (2007: £9,431k), a £264k increase on the previous financial year. The income and expenditure account has decreased by £38k, primarily as a result of the £48k deficit for the year and offset in part by designated reserve movements totalling £9k. The revaluation reserve has increased by £312k, primarily as a result of the increase in housing properties valuation.

#### Treasury management

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

#### Risk Factors

The Trust may be affected by a number of risks, not all of which are within its control. The principal risk factors and the process that the Trust has in place for managing these risks are described further below.

#### Viability

The main risk here is the failure to control costs to match income. Due to various regulatory controls the Trust's core income has been restricted to inflationary increases at lower rates than its operating costs. The Trust also has two operating segments that are currently subsidised by other operations. A growth plan has been developed that will eventually enable all business segments to operate both profitably and independently, without the need for cross subsidisation. Significant attention is paid to keeping operating costs under control whilst this growth plan and other fundraising strategies are being implemented.

## Report of the Board (continued)

### Risk Factors (continued)

#### Viability (continued)

The recent exposure of the credit crunch, and the ensuing effect on the economy, is not anticipated to impact upon the Trust in the adverse way that it will no doubt impact upon many other organisations and individuals. The majority of the Trust's funding is strategically managed by central and local government, over longer cyclical periods of time, and is not directly subject to the more general market forces currently being experienced. It is a somewhat unfortunate fact that the next few years are likely to see even greater demands being placed upon the services provided by the Trust, in particular in the areas of debt, housing and homelessness. Needless to say, the Trust is planning to capitalise on any opportunities during this period in order to further promote and deliver its mission. The Trust has no immediate financing requirements that might otherwise have been affected by the problems in the banking sector.

#### Regulation

The Trust's activities are subject to a variety of regulatory regimes. This partly reflects the complexity of the services it provides. The key regulator is the Housing Corporation, in respect of whom compliance with its Regulatory Code is mandatory. Equally important is compliance with Charity Commission regulations, Care Standards, Supporting People regulations and the Legal Service Commission's rules. By employing appropriate governance and management structures, regulation risk is adequately managed.

#### Risk management

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

### Corporate Responsibility

The Trust 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 Trust to manage its operations responsibly, to identify risks and to distinguish itself from other organisations.

#### Code of Ethics

The Trust has operated a Code of Ethics since 1988. This was reviewed in 1998 and, with one or two minor drafting amendments, remained unaltered. The Code lies at the heart of the Trust's culture and operations. Its purpose is to establish and maintain standards of work practice consistent with the main aims of the Trust as set out in 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 Trust is committed to equal opportunities in the provision of all its services and in the employment of staff. The Trust seeks to ensure equal opportunities for all individuals with whom it comes into contact.

## Report of the Board (continued)

### Corporate Responsibility (continued)

#### Employees

The Trust had 222 employees on its payroll as at 31 March 2008 (2007: 220). There are well established and effective communication arrangements for any significant issues for employees of the Trust. This includes monthly staff briefings, email and staff consultations. Where appropriate, consultation with staff and their union representatives also takes place. The Trust's Safety Working Group met regularly during the year to promote good standards and awareness of health and safety in the Trust.

#### Retirement benefits

The Trust has stakeholder pensions provided through Norwich Union Life & Pensions and Standard Life to which the Trust contributed 6% (2007: 6%) of pensionable salaries of members. The schemes are open to all employees on the same terms. The Trust's contribution rate is reviewed on an annual basis.

#### Environment

The Trust has set up an Environmental Working Group, with the primary objective of minimising the impact of the Trust, including its staff and service users, upon the environment. Current initiatives include environmentally friendly procurement, increased recycling and an environmental awareness campaign.

#### Creditor payment policy

The Trust 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 eight non-executive Directors and no co-optees. All come from a variety of backgrounds with professional, technical and business skills relevant to the wide range of activities that the organisation undertakes. One of the non-executive Directors is also a representative upon the Board of Downland Housing Association Limited, the Trust's immediate parent undertaking. The names and backgrounds of all non-executive Directors as at 31 March 2008, together with any changes during the year and up to the date of signing these financial statements, are provided on page 3.

The Board's role is to govern the Trust, provide accountability, resolve tensions between stakeholders, direct, control and provide strategic direction. In order to strengthen the governance arrangements, the Board has created the following sub-committees:

- Personnel and Governance Committee
- Audit and Risk Committee

The work of the Board, and its sub-committees, is also supported by the Group Audit Committee.

## Report of the Board (continued)

### Corporate Governance (continued)

#### Senior Management Team

The Senior Management Team, acting as executives within the delegated authority of the Board, carry out the detailed scrutiny of performance, the development of policy and procedures, and expenditure approvals within budget. The Senior 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. The delegated authority of the Board is granted to the Chief Executive and the Senior Management Team to implement strategy and to lead and manage the Trust.

#### Remuneration

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

The Board is responsible for reviewing the pay and other terms of employment for all other employees (including the Senior Management Team). In considering its remuneration policy, the Board is guided by evidence, provided by independent consultants, 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 people with the necessary skills, knowledge and experience that the organisation requires. At present, the Trust primarily bases its remuneration policy upon the guidance of the National Joint Council ('NJC') and applicable scales.

None of the non-executive Directors were paid during the financial year (2007: £nil).

The annual increases, for both the Chief Executive and all other employees of the Trust, are linked to agreements reached by the National Joint Council for Local Authorities. No agreement has yet been reached and the new rates payable with effect from 1 April 2008 therefore remain unknown at the date of signing these financial statements. On 1 April 2007, the salaries of the Chief Executive and all other employees of the Trust increased by 2.475%.

### Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of 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 Trust will continue in business.

## Report of the Board (continued)

### Statement of Directors' Responsibilities (continued)

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Trust and enable them to ensure that its financial statements comply with the Companies Act 1985, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Trust 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 Trust's website. 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 Trust'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 Trust's auditors are aware of that information.

### Statement of Internal Control Assurance

In accordance with Housing Corporation Circular 07/07 (*Internal Controls Assurance*), the Board is required to conduct an annual review of the effectiveness of the Trust's system 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 Trust's system of internal controls, for reviewing the effectiveness of those controls and for managing the risk of fraud. The Board also acknowledges that risk management and control processes should operate continuously and should be embedded within and across all of the Trust's 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 Trust's assets.

The processes for identifying, evaluating and managing the significant risks faced by the Trust is ongoing, has been in place for the year under review and up to the date of approval of the annual report and accounts and is 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 Trust's system of internal control, include:

#### Identification and evaluation of key risks

The Trust has a comprehensive strategy and process in place to identify, evaluate and manage risk. New projects are subject to risk assessment and financial appraisal and, where appropriate, approval by sub-committee or the Board.

## Report of the Board (continued)

### Statement of Internal Control Assurance (continued)

#### 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 delegated authority, financial procedures, best value, health and safety, equal opportunities, data protection, money laundering, fraud 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.

The Trust is a subsidiary of Downland Housing Association, within the Affinity Sutton Group. This arrangement, regulated through an Intra Group Agreement (IGA), reinforces the control environment and specifically strengthens areas such as legislative and regulatory compliance, business plan approvals, internal audit and risk management.

#### Monitoring and corrective action

The Board 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 and Key Performance Indicator (KPI) reporting, is reviewed by the Board on a quarterly basis.

The Board, through its Audit and Risk sub-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. The internal audit and risk management arrangements are overseen by the Group Management Assurance and Audit Team and are further scrutinised by the Group Audit Committee.

In addition to the arrangements for internal audit, the Trust is also subject to regular and ongoing audit reviews by a number of its 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 to and reviewed by the Board on a quarterly basis. The annual budget and five year business plan are subject to further scrutiny and onward approval by the Trust's parent and Group Boards respectively.

#### Status

The Board's review of the effectiveness of the Trust's system of internal control has identified no significant failings, weaknesses or instances of fraudulent activity which have resulted in material misstatement or loss that require disclosure within the financial statements.

**Report of the Board  
(continued)**

**Charitable Donations**

The Trust did not make any charitable donations during the year (2007: £nil).

**Going Concern**

After reviewing the Trust's budget for 2008/09, and based on normal business planning and control procedures, the Board has a reasonable expectation that the Trust 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.

**Change in Immediate Parent Undertaking**

The Trust's immediate parent undertaking was William Sutton Homes Limited (previously William Sutton Housing Association Limited) until 1 May 2007, at which point Downland Housing Association Limited took over this responsibility.

**Auditors**

A resolution is to be proposed at the forthcoming Annual General Meeting for the re-appointment of KPMG LLP as auditors in accordance with Section 384 of the Companies Act 1985.

On behalf of the Board

**P ALLEN**  
**Trustee**

**8 July 2008**

## **Report of the independent auditors, KPMG LLP, to the members of Brighton Housing Trust**

We have audited the financial statements of Brighton Housing Trust ("the Trust") for the year ended 31 March 2008 which comprise the Income and Expenditure Account, the Balance Sheet, the Statement of Total Recognised Surpluses and Deficits, the Note of Historic Cost Surpluses and Deficits and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 section 235 of the Companies Act 1985. 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 the Directors and auditors**

The Directors' responsibilities for preparing the Directors' report and the financial statements in accordance with applicable United Kingdom law and UK accounting standards (UK Generally Accepted Accounting Practice) are set out on pages 14 and 15.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the requirements of the Companies Act 1985, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the audited financial statements. In addition we report to you if, in our opinion, a satisfactory system of control over transactions has not been maintained, if the Trust has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding the Directors' remuneration and other transactions is not disclosed.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements within it. We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Trust's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Report of the independent auditors,  
KPMG LLP, to the members of  
Brighton Housing Trust (continued)**

**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the Trust as at 31 March 2008 and of its deficit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006; and
- the information given in the Report of the Board is consistent with the financial statements.

**KPMG LLP**  
*Chartered Accountants*  
*Registered Auditor*  
21 July 2008

1 Forest Gate  
Brighton Road  
Crawley  
West Sussex  
RH11 9PT

## Income and Expenditure Account for the year ended 31 March 2008

	Notes	2008 £	2007 £
Turnover	2(a)	7,820,297	7,898,075
Operating costs	2(a)	<u>(7,849,764)</u>	<u>(7,756,871)</u>
<b>Operating (deficit) / surplus</b>	6	<b>(29,467)</b>	141,204
Surplus on disposal of properties	2(a)	<u>-</u>	<u>444,311</u>
<b>(Deficit) / surplus on ordinary activities before interest</b>	2(a)	<b>(29,467)</b>	585,515
Interest receivable		76,999	30,534
Interest payable and similar charges	7	<u>(96,007)</u>	<u>(186,303)</u>
<b>(Deficit) / surplus for the year</b>	14	<b><u>(48,475)</u></b>	<b><u>429,746</u></b>

All operations are continuing.

## Statement of Total Recognised Surpluses and Deficits for the year ended 31 March 2008

	2008 £	2007 £
(Deficit) / surplus for the year	<b>(48,475)</b>	429,746
Unrealised surplus on revaluation of properties	<u>312,800</u>	<u>1,128,689</u>
<b>Total recognised surpluses for the year</b>	<b>264,325</b>	1,558,435
Prior year adjustment	<u>-</u>	<u>5,620,744</u>
<b>Total surpluses recognised since the last annual report</b>	<b><u>264,325</u></b>	<b><u>7,179,179</u></b>

## Note of Historical Cost Surpluses and Deficits for the year ended 31 March 2008

	Notes	2008 £	2007 £
Reported (deficit) / surplus on ordinary activities		<b>(48,475)</b>	429,746
Realisation of property revaluation surpluses of previous years		-	1,172,456
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	14	<u>593</u>	<u>689</u>
<b>Historical cost (deficit) / surplus on ordinary activities</b>		<b><u>(47,882)</u></b>	<b><u>1,602,891</u></b>

The financial statements were approved by the Board at a meeting held on 8 July 2008 and were signed on the Board's behalf by:

**P ALLEN**  
Trustee

**T WALKER**  
Trustee

Balance Sheet as at 31 March 2008

	Notes	2008 £	2007 £ Re-Stated
<b>Tangible fixed assets</b>			
Housing property at valuation / cost	9	7,761,947	7,476,411
Non-housing fixed assets	9	<u>665,710</u>	<u>686,562</u>
<b>Total tangible fixed assets</b>		<b>8,427,657</b>	8,162,973
<b>Current assets</b>			
Debtors	10	1,692,007	1,254,199
Cash at bank and in hand		<u>1,424,359</u>	<u>1,527,866</u>
		<b>3,116,366</b>	2,782,065
<b>Creditors: amounts falling due within one year</b>	11	<u>(984,463)</u>	<u>(626,437)</u>
<b>Net current assets</b>		<b>2,131,903</b>	2,155,628
<b>Total assets less current liabilities</b>		<u><b>10,559,560</b></u>	<u>10,318,601</u>
<b>Creditors: amounts falling due after more than one year</b>	12	<b>864,583</b>	887,949
<b>Reserves</b>			
Revaluation reserve	14	5,888,495	5,576,288
Capital reserve	14	102,833	102,833
Designated reserves	14	973,174	982,609
Income and expenditure account	14	<u>2,730,475</u>	<u>2,768,922</u>
		<u><b>10,559,560</b></u>	<u>10,318,601</u>

The financial statements were approved by the Board at a meeting held on 8 July 2008 and were signed on the Board's behalf by:

**P ALLEN**  
Trustee

**T WALKER**  
Trustee

## Notes to the Financial Statements for the year ended 31 March 2008

### 1. Accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom and in accordance with the Statement of Recommended Practice ('SORP') "Accounting by Registered Social Landlords" (Update 2005) and the Accounting Requirements for Registered Social Landlords General Determination 2006.

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

#### Basis of Preparation

The financial statements are prepared on the historical cost basis of accounting, modified by the revaluation of housing properties.

#### Cash Flow Exemption

No cash flow statement is presented as the company's cash flows are reported in the consolidated accounts of its ultimate parent undertaking.

#### Re-statement of Prior Year Figures

In preparing the financial statements for the year ended 31 March 2008 the financial statements for the year ended 31 March 2007 have been re-stated in order to provide a more accurate analysis of income accrued on legal advisory services work. The impact of this reclassification is to increase debtor balances by £752,288, from £501,911 to £1,254,199, and to reduce work in progress balances by the same amount, from £752,288 to £nil. This reclassification between categories of current assets has no effect on net current assets and no effect on the surplus for the year ended 31 March 2007. See note 10 for more details.

#### Turnover

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

#### Property rental income

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

#### Supporting People and other revenue grants receivable

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

#### Legal Aid income

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

#### Donations

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

#### Investment income

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

## Notes to the Financial Statements for the year ended 31 March 2008

### 1. Accounting policies (continued)

#### Housing Properties

Housing properties (including both freehold and long leasehold interests) are shown on the Balance Sheet at valuation, with subsequent additions at cost. Full revaluations are carried out annually. The aggregate surplus or deficit on the property revaluation is transferred to a revaluation reserve. On the disposal of properties held at valuation, the amount relating to the revaluation is realised by the transfer of such amount from the revaluation reserve to the income and expenditure account.

The cost of housing properties is their purchase price, together with incidental costs of acquisition and capitalised repairs and improvements.

#### Depreciation and Impairment

Housing properties are depreciated on a straight line basis over their expected useful economic life at an annual rate of 1% on valuation, as determined by professional valuers. 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 the non-housing 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.

#### Major Repairs

Major repairs are capitalised to the extent that they are improvements to the property which reduce future repair costs, or extend its useful economic life or result in an improvement in the revenue streams through increased rental income. Major repairs are charged to the income and expenditure account as incurred in other circumstances.

#### 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.

## **Notes to the Financial Statements for the year ended 31 March 2008**

### **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 of designated reserves are given in Note 14 (b).

#### **Leased Assets**

Rentals paid under operating leases are charged to the income and expenditure account as incurred.

#### **Taxation**

The Trust is exempt from corporation tax on its charitable activities.

#### **Value Added Tax**

The Trust's VAT affairs are dealt with under a Group registration in the name of Affinity Sutton Group Limited. The Trust 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 Trust operates two retirement benefit schemes, with Norwich Union Life & Pensions and Standard Life respectively. Both are defined contribution schemes and are open to new entrants. The assets of the schemes are held separately from those of the Trust.

Contributions to retirement benefit schemes are calculated as a percentage of pensionable salaries of the employees, determined from time to time at the discretion of the Board. The amounts charged to the income and expenditure account represent contributions payable to the scheme in respect of the accounting period.

#### **Apportionment of Management Expenses**

The direct costs of all staff that can not 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 2008

## 2. Turnover, cost of sales, operating costs and operating surplus

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

	2008			2007	
	Turnover £	Operating costs £	Operating surplus / (deficit) £	Turnover £ Re-stated	Operating surplus / (deficit) £ Re-stated
<b>Social housing activities</b>					
Income and expenditure from social housing lettings	2,360,100	(2,150,691)	209,409	2,515,743	553,977
<b>Total</b>	<b>2,360,100</b>	<b>(2,150,691)</b>	<b>209,409</b>	<b>2,515,743</b>	<b>553,977</b>
<b>Other social housing activities</b>					
Supporting People contract income	1,886,117	(1,860,429)	25,688	1,995,618	2,879
Grant contract and other income	603,028	(594,815)	8,213	574,096	9,750
<b>Total</b>	<b>2,489,145</b>	<b>(2,455,244)</b>	<b>33,901</b>	<b>2,569,714</b>	<b>12,629</b>
<b>Total social and other housing activities</b>	<b>4,849,245</b>	<b>(4,605,935)</b>	<b>243,310</b>	<b>5,085,457</b>	<b>566,606</b>
<b>Non-social housing activities</b>					
Legal Advisory Services	1,432,141	(1,616,383)	(184,242)	1,326,505	(358,095)
Day Centre	340,065	(487,399)	(147,334)	365,876	(107,776)
Other activities	1,198,846	(1,140,047)	58,799	1,120,237	40,469
<b>Total</b>	<b>2,971,052</b>	<b>(3,243,829)</b>	<b>(272,777)</b>	<b>2,812,618</b>	<b>(425,402)</b>
<b>Total social and non social housing activities</b>	<b>7,820,297</b>	<b>(7,849,764)</b>	<b>(29,467)</b>	<b>7,898,075</b>	<b>141,204</b>
<b>Net surplus from disposals</b>					
General Needs housing stock	-	-	-	-	444,311
<b>Total</b>	<b>7,820,297</b>	<b>(7,849,764)</b>	<b>(29,467)</b>	<b>-</b>	<b>444,311</b>
<b>(Deficit) / surplus on ordinary activities before interest</b>			<b>(29,467)</b>		<b>585,515</b>

The 2007 comparative figures have been re-stated in order to provide a more accurate analysis of activities between social housing activities and non-social housing activities. The impact of this restatement is to increase non-social housing activities (other activities) turnover by £343,533, from £776,704 to £1,120,237, and to reduce social housing activities (Supporting People contract income) turnover by the same amount, from £2,339,151 to £1,995,618. See also note 2(c).

Operating costs have also been re-stated, by £306,680, for the same reasons and on the same basis as that describe above. The overall impact of these adjustments is to increase the non-social housing activities (other activities) operating surplus by £36,853, from £3,616 to £40,469, and to reduce the social housing activities (Supporting People contract income) operating surplus by £36,853, from £39,732 to £2,879. There is no impact on the overall operating surplus of £141,204 as a result of these restatements.

## Notes to the Financial Statements for the year ended 31 March 2008

## 2. Turnover, cost of sales, operating costs and operating surplus (continued)

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

	General Needs Housing £	Supported Housing £	Temporary Social Housing £	2008 Total £	2007 Total £
<b>Income from social housing letting activities</b>					
Rent receivable net of identifiable service charges	479,299	1,443,896	224,740	<b>2,147,935</b>	2,337,953
Service charge income	29,597	302,016	899	<b>332,512</b>	250,025
<b>Gross rents receivable</b>	<b>508,896</b>	<b>1,745,912</b>	<b>225,639</b>	<b>2,480,447</b>	2,587,978
Rent losses from voids	(4,298)	(111,585)	(8,990)	<b>(124,873)</b>	(72,740)
<b>Net rents receivable</b>	<b>504,598</b>	<b>1,634,327</b>	<b>216,649</b>	<b>2,355,574</b>	2,515,238
Other income	4,526	-	-	<b>4,526</b>	505
<b>Turnover from social housing letting activities</b>	<b>509,124</b>	<b>1,634,327</b>	<b>216,649</b>	<b>2,360,100</b>	2,515,743
<b>Expenditure on social housing letting activities</b>					
Management	(51,705)	(317,040)	(37,499)	<b>(406,244)</b>	(419,329)
Services	(47,343)	(1,124,730)	(129,360)	<b>(1,301,433)</b>	(1,118,270)
Routine maintenance (including cyclical)	(109,912)	(224,340)	(26,290)	<b>(360,542)</b>	(357,430)
Rent losses from bad debts	(4,511)	(34,470)	1,594	<b>(37,387)</b>	(21,139)
Depreciation of housing properties	(583)	(41,617)	(2,885)	<b>(45,085)</b>	(45,598)
<b>Total expenditure on social housing letting activities</b>	<b>(214,054)</b>	<b>(1,742,197)</b>	<b>(194,440)</b>	<b>(2,150,691)</b>	(1,961,766)
<b>Operating surplus / (deficit) on social housing letting activities</b>	<b>295,070</b>	<b>(107,870)</b>	<b>22,209</b>	<b>209,409</b>	553,977

The basis upon which social housing letting activities is analysed between Supported Housing and Temporary Social Housing has changed since the 2007 annual financial statements were prepared. The updated analysis now better reflects the actual nature of the lettings activities being undertaken and the properties involved. Details of the units of accommodation in management and the re-statement between Supported Housing and Temporary Social Housing can be found in note 17.

## Notes to the Financial Statements for the year ended 31 March 2008

## 2. Turnover, cost of sales, operating costs and operating surplus (continued)

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

	2008 £	2007 £ Re-stated
<b>Legal Advisory Services</b>		
Legal aid	840,722	701,508
Costs and disbursements recovered	<u>241,270</u>	<u>261,802</u>
	<b>1,081,992</b>	<b>963,310</b>
Grant contract incomes:		
Brighton & Hove City Council	128,000	129,000
Department for Communities and Local Government	93,040	91,500
Eastbourne Borough Council	47,000	47,000
Legal Services Commission	33,390	37,925
East Sussex Probation Service	22,139	22,421
Shelter	20,150	32,104
Donations, fundraising and other income	6,430	3,245
<b>Total for Legal Advisory Services</b>	<u><b>1,432,141</b></u>	<u><b>1,326,505</b></u>
<b>Day Centre</b>		
Grant contract incomes:		
Brighton & Hove City Council	76,345	75,279
South Downs NHS Trust	61,752	54,375
Big Lottery Fund	59,589	55,433
Brighton & Hove PCT	56,891	56,891
EQUAL (European Social Fund)	26,414	39,000
Arts Council Partnership	15,000	30,000
New Opportunities Fund	-	4,416
Donations, fundraising and other income	44,074	50,482
<b>Total for Day Centre</b>	<u><b>340,065</b></u>	<u><b>365,876</b></u>
<b>Other activities</b>		
Grant contract incomes:		
Supporting People – Floating Support	977,164	952,626
Learning & Skills Council	52,100	86,230
Brighton & Hove City Council	49,439	35,894
Income from group undertakings	45,000	-
Big Lottery Fund	30,588	29,715
Brighton & Hove PCT	9,775	-
General Social Care Council	5,500	11,000
Brighton & Hove Nursing Association	3,333	-
Donations, fundraising and other income	25,947	4,772
<b>Total for other activities</b>	<u><b>1,198,846</b></u>	<u><b>1,120,237</b></u>
<b>Turnover from non-social housing activities</b>	<u><b>2,971,052</b></u>	<u><b>2,812,618</b></u>

The 2007 comparative figures have been re-stated in order to provide a more accurate analysis of activities between social housing activities and non-social housing activities. See note 2(a) for details.

## Notes to the Financial Statements for the year ended 31 March 2008

## 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.

	2008 £	2007 £
The emoluments were as follows:		
Emoluments (including bonuses)	290,272	279,512
Retirement benefit scheme contributions – in respect of services as Directors	<u>16,915</u>	<u>16,020</u>
	<u><b>307,187</b></u>	<u><b>295,532</b></u>

	2008 £	2007 £
Emoluments include amounts paid to:		
Highest paid director	<u>70,000</u>	<u>66,829</u>

A breakdown of highest paid director is as follows:

Basic salary	<u>70,000</u>	<u>66,829</u>
Retirement benefit scheme contributions of the highest paid director	<u>4,077</u>	<u>3,830</u>

The Chief Executive is an ordinary member of the retirement benefits scheme.

	2008 £	2007 £
Expenses reimbursed to non-executive Directors, not chargeable to United Kingdom income tax	<u>104</u>	<u>240</u>

## 4. Employee information

	2008 Number	2007 Number
The monthly average number of persons employed during the year was:	<u>222</u>	<u>220</u>
Full time equivalent	<u>186</u>	<u>187</u>

	2008 £	2007 £
<b>Staff Costs:</b>		
Wages and salaries	4,463,569	4,373,006
Social security costs	434,781	426,172
Retirement benefit scheme costs (Note 5)	134,141	133,095
Redundancy costs	<u>25,600</u>	<u>13,348</u>
	<u><b>5,058,091</b></u>	<u><b>4,945,621</b></u>

## Notes to the Financial Statements for the year ended 31 March 2008

### 5. Retirement benefits

The Trust operates two defined contribution retirement benefit schemes on behalf of its employees. The assets of the schemes are administered by trustees in funds held independently from those of the Trust.

The Trust made contributions of **£134,141 (6% of pensionable salary)** in the year ended 31 March 2008 (2007: £133,095 - 6% of pensionable salary).

### 6. Operating (deficit) / surplus

	2008 £	2007 £
<b>Operating (deficit) / surplus is stated after charging:</b>		
Depreciation (Note 9)	88,756	93,004
Operating lease rentals - land and buildings	602,126	573,688
Operating lease rentals – other assets	38,075	38,075
Auditors' remuneration – in capacity as auditors	21,150	21,150
Auditors' remuneration – in capacity as advisors	2,938	-
Exceptional item – Legal Advisory Services write off	<u>-</u>	<u>191,008</u>

### 7. Interest payable and similar charges

	2008 £	2007 £
Interest on loans and overdrafts	96,007	154,759
Interest on inter-company loan	-	7,837
Loan restructuring costs	<u>-</u>	<u>23,707</u>
	<u><b>96,007</b></u>	<u><b>186,303</b></u>

### 8. Corporation tax

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 2008

## 9. Tangible fixed assets

## Housing property

	Freehold	Long Leasehold	Leasehold Improvements	Total
	£	£	£	£
<b>Cost / valuation</b>				
<b>At 1 April 2007</b>	5,843,188	1,306,812	424,336	7,574,336
Additions - cost	-	-	17,821	17,821
Revaluation	(123,888)	435,888	-	312,000
<b>At 31 March 2008</b>	<b>5,719,300</b>	<b>1,742,700</b>	<b>442,157</b>	<b>7,904,157</b>
<b>Depreciation</b>				
<b>At 1 April 2007</b>	-	-	(97,925)	(97,925)
Charge for year	(654)	(146)	(44,285)	(45,085)
Revaluation	654	146	-	800
<b>At 31 March 2008</b>	<b>-</b>	<b>-</b>	<b>(142,210)</b>	<b>(142,210)</b>
<b>Net Book value at 31 March 2008</b>	<b>5,719,300</b>	<b>1,742,700</b>	<b>299,947</b>	<b>7,761,947</b>
Net book value at 31 March 2007	5,843,188	1,306,812	326,411	7,476,411
<b>Net book value of housing property at 31 March 2008 is represented by:</b>				
Gross historic cost	10,305,350	2,443,532	1,145,401	13,894,283
Social Housing Grant	(9,107,673)	(2,067,704)	-	(11,175,377)
Other capital grants	-	-	(703,244)	(703,244)
Depreciation	-	-	(142,210)	(142,210)
Revaluation surplus	4,521,623	1,366,872	-	5,888,495
	<b>5,719,300</b>	<b>1,742,700</b>	<b>299,947</b>	<b>7,761,947</b>
<b>Social Housing Grant</b>				
<b>At 31 March 2008 and at 31 March 2007</b>	<b>(9,107,673)</b>	<b>(2,067,704)</b>	<b>-</b>	<b>(11,175,377)</b>

Total expenditure in 2008 on works to existing properties was **£378,363** (2007: £357,430) of which **£17,821** (2007: £nil) has been capitalised.

A full valuation was carried out as at 31 March 2008 by Drivers Jonas, the Trust's professional external valuer.

The valuation has been prepared in accordance with the Royal Institute of Chartered Surveyors' (RICS) Valuation Standards 6<sup>th</sup> 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 5.4% has been applied to all rental stock. The rental income growth assumption is in line with the Trust's rent plan to meet target rents by 2012 under the rent restructuring regime and thereafter assumes growth of +0.5% per annum real.

Drivers Jonas have also reviewed and reported on an appropriate land value for the Trust's housing stock, which in turn determines the annual housing property depreciation charge for freehold and long leasehold properties. The land value is estimated at **90%** (2007: 99%).

## Notes to the Financial Statements for the year ended 31 March 2008

## 9. Tangible fixed assets (continued)

Included within the net book value of leasehold improvements are capital grants of **£703,244** (2007: £703,244). The conditions for the repayment of these grants are as set out below:

Brighton and Hove Primary Care Trust has made grants of **£453,930** (2007: £453,930). The Trust 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.

Brighton and Hove City Council has made a grant of **£249,314** (2007: £249,314). The Trust will be required to repay the grant in full if the Trust ceases to use the units for letting within the first five years after receipt of the grant.

## Non-housing fixed assets

	Freehold Non-Housing Property £	Fixtures, Fittings and Equipment £	IT Equipment £	Total £
<b>Cost</b>				
At 1 April 2007	754,404	168,037	134,308	1,056,749
Additions	-	-	22,819	22,819
<b>At 31 March 2008</b>	<b>754,404</b>	<b>168,037</b>	<b>157,127</b>	<b>1,079,568</b>
<b>Grants</b>				
At 31 March 2008 and at 31 March 2007	(26,000)	-	(5,044)	(31,044)
<b>Gross cost less grants at 31 March 2008</b>	<b>728,404</b>	<b>168,037</b>	<b>152,083</b>	<b>1,048,524</b>
Gross cost less grants at 31 March 2007	728,404	168,037	129,264	1,025,705
<b>Depreciation</b>				
At 1 April 2007	(103,477)	(161,540)	(74,126)	(339,143)
Charge for year	(5,607)	(5,749)	(32,315)	(43,671)
<b>At 31 March 2008</b>	<b>(109,084)</b>	<b>(167,289)</b>	<b>(106,441)</b>	<b>(382,814)</b>
<b>Net book value at 31 March 2008</b>	<b>619,320</b>	<b>748</b>	<b>45,642</b>	<b>665,710</b>
Net book value at 31 March 2007	624,927	6,497	55,138	686,562

The cost of buildings included within freehold non-housing property, upon which depreciation has been provided, is **£613,653** (2007: £613,653).

## Notes to the Financial Statements for the year ended 31 March 2008

## 10. Debtors

	2008 £	2007 £ Re-stated
<b>Amounts falling due within one year</b>		
Arrears of rents and service charges	210,016	163,828
Less : provision for bad and doubtful debts	<u>(63,898)</u>	<u>(39,481)</u>
	146,118	124,347
Invoiced debtors	368,456	210,854
Other debtors	8,653	8,823
Prepayments and accrued income	<u>1,168,780</u>	<u>910,175</u>
	<u><u>1,692,007</u></u>	<u><u>1,254,199</u></u>

The 2007 comparative figures have been re-stated in order to provide a more accurate analysis of income accrued on legal advisory services work. The impact of this reclassification is to increase prepayments and accrued income balances by £752,288, from £157,887 to £910,175, and to reduce work in progress balances by the same amount, from £752,288 to £nil. This reclassification between categories of current assets has no effect on net current assets and no effect on the surplus for the year ended 31 March 2007.

## 11. Creditors: amounts falling due within one year

	2008 £	2007 £
Housing loans (Note 12)	23,971	31,015
Trade creditors	93,295	115,595
Other taxation and social security	111,521	132,095
Other creditors	52,761	45,002
Amounts payable to group undertakings	365,448	44,667
Accruals and deferred income	<u>337,467</u>	<u>258,063</u>
	<u><u>984,463</u></u>	<u><u>626,437</u></u>

## Notes to the Financial Statements for the year ended 31 March 2008

## 12. Creditors: amounts falling due after more than one year

	2008 £	2007 £
Housing Loans	<u>864,583</u>	<u>887,949</u>
<b>Housing loans:</b>	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Repayable, otherwise than by instalments, as follows:		
Within one year	23,971	31,015
Between one and two years	26,475	22,939
Between two and five years	97,208	84,418
In five years or more	<u>740,900</u>	<u>780,592</u>
	<u>888,554</u>	<u>918,964</u>
<b>Sources of finance:</b>	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Banks and building societies	<u>888,554</u>	<u>918,964</u>

The bank and building society loan, from Orchardbrook Limited, is secured by way of a legal charge against various freehold and long leasehold properties. It is repayable in six monthly instalments to 31 March 2051. Interest is charged, on differing elements of the loan, at fixed rates varying from 9.25% to 13.375%.

## 13. 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 **18** (2007: 18) members has undertaken to contribute £1 in the event of the company being wound up.

## Notes to the Financial Statements for the year ended 31 March 2008

## 14. Reserves

## 14(a) Reserve movements

	Revaluation Reserve £	Capital Reserve £	Designated Reserves £	I&E Account £	Total £
<b>At 1 April 2007</b>	<b>5,576,288</b>	<b>102,833</b>	<b>982,609</b>	<b>2,768,922</b>	<b>9,430,652</b>
Deficit for the year	-	-	-	(48,475)	(48,475)
Stock revaluation at 31 March 2008	312,800	-	-	-	312,800
Transfer for depreciation relating to revaluation	(593)	-	-	593	-
Transfers between reserves	-	-	(9,435)	9,435	-
<b>At 31 March 2008</b>	<b>5,888,495</b>	<b>102,833</b>	<b>973,174</b>	<b>2,730,475</b>	<b>9,694,977</b>

## 14(b) Designated reserves

	Major Repairs Fund £	Hostels & Other Funds £	Development Fund £	Total £
<b>At 1 April 2007</b>	<b>642,213</b>	<b>334,596</b>	<b>5,800</b>	<b>982,609</b>
Transfer (to) / from income and expenditure account	31,891	(41,326)	-	(9,435)
<b>At 31 March 2008</b>	<b>674,104</b>	<b>293,270</b>	<b>5,800</b>	<b>973,174</b>

**Purpose of designated reserves:****Major repairs fund**

The major repairs fund was established to ensure the future funding of major repairs on General Needs properties. Transfers to and from this fund are made at the discretion of the Board.

**Hostels & other funds**

The hostels & other funds comprise a combination of accumulated funds set aside to ensure the future funding of major repairs on Supported Housing and Temporary Social Housing properties, together with the occasional replacement of hostel furniture and white goods. Transfers to and from this fund are made at the discretion of the Board.

**Development fund**

The development fund was created to subsidise schemes developed without capital grant. Transfers to and from this fund are made at the discretion of the Board.

## Notes to the Financial Statements for the year ended 31 March 2008

### 15. Capital commitments

During the year ended 31 March 2003, the Trust entered into a lease agreement with William Sutton Trust in relation to 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. 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 £470,352 (2007: £451,000).

### 16. Financial commitments

The Trust holds several leasehold premises under non-cancellable operating leases. At 31 March 2008, the Trust had annual commitments under these leases as follows:

Expiry date :	<b>2008</b>	2007
	£	£
Within one year	<b>351,895</b>	307,901
Between one and two years	<b>2,000</b>	-
Between two and five years	<b>25,110</b>	2,000
After five years	<u><b>271,968</b></u>	<u>291,342</u>
	<u><b>650,973</b></u>	<u>601,243</u>

The annual commitment for land and buildings includes 3 leases that were entered into on 12 March 1999, 19 October 1999 and 3 May 2000 respectively. These gave the Trust the option to purchase the properties for the fixed sums of £75,000, £40,806 and £46,300 respectively within the first 5 years of the lease, thereafter the same sum plus interest equivalent to the base lending rate of the Bank of England.

In addition, the Trust has non-cancellable operating leases in respect of other assets. At 31 March 2008, the Trust had annual commitments under these leases as follows:

Expiry date :	<b>2008</b>	2007
	£	£
Between one and two years	<b>38,075</b>	-
Between two and five years	<u>-</u>	<u>38,075</u>
	<u><b>38,075</b></u>	<u>38,075</u>

## Notes to the Financial Statements for the year ended 31 March 2008

### 17. Accommodation in management

Number of units / bed spaces	General Needs Housing	Supported Housing	Temporary Social Housing	Total
At 1 April 2007	79	162	113	354
Re-statement between categories	-	76	(76)	-
<b>At 1 April 2007 (Re-stated)</b>	<b>79</b>	<b>238</b>	<b>37</b>	<b>354</b>
Net movement	-	6	-	6
<b>At 31 March 2008</b>	<b>79</b>	<b>244</b>	<b>37</b>	<b>360</b>

Managed on behalf of others: **162 units / bed spaces** (2007 Re-stated: 156 units / bed spaces).

Owned and managed: **198 units / bed spaces** (2007 Re-stated: 198 units / bed spaces).

Managed by others: **164 units** (2007: 164 units).

The basis upon which social housing letting activities is analysed between Supported Housing and Temporary Social Housing has changed since the 2007 annual financial statements were prepared. The updated analysis now better reflects the actual nature of the lettings activities being undertaken and the properties involved. See also note 2(b).

### 18. Related party transactions

The Trust has taken advantage of the exemption in Financial Reporting Standard 8 not to disclose transactions with other members of the Affinity Sutton Group.

### 19. Parent undertaking

The Trust's immediate parent undertaking was William Sutton Homes Limited (previously William Sutton Housing Association Limited) until 1 May 2007, at which point Downland Housing Association Limited took over this responsibility. Both Downland Housing Association Limited and William Sutton Homes Limited are charitable, registered social landlords, incorporated in Great Britain and regulated in England and Wales.

The Trust's ultimate parent undertaking is Affinity Sutton Group Limited, a registered social landlord group incorporated in Great Britain and regulated in England and Wales. Group accounts have been prepared by the ultimate parent undertaking and can be obtained from the registered office address as detailed on page 4.

**BHT**

Registered office: 144 London Road,  
Brighton, BN1 4PH  
T: 01273 645400  
F: 01273 645402  
W: [www.bht.org.uk](http://www.bht.org.uk)



Part of Affinity Sutton

Design: [wiredesign.com](http://wiredesign.com)