Impact Housing Association Limited

Financial Statements
For the Year Ended 31 December 2013

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For the Year Ended 31 December 2013

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Board of Management:

Adrian Waite	(Chair)
Joanne Gibson	(Co-optee)
Hazel Graham	
David Harrison	(Elected 25 June 2013)
Heather Vivienne Lee	(Resigned 25 June 2013)
Alan Markbride	
Kenneth Meek	
Mike Muir	
John Nicol	(Co-opted 27 February 2013; Elected 25 June 2013)
Catherine Beatrice Parker	(Resigned 25 June 2013)
Peter Ward	
Patricia Wardley	(Co-opted 27 November 2013)

Chief Executive:	Mike Muir
Director of Finance:	Graham Wilson
Director of Assets & Homes:	Keith Dobson
Director of Human Resources:	Steve Holliday
Director of Support & Communities:	Lorraine Usher
Company Secretary:	Norman Hugh Parry

Registered Office:

Nook Street
Workington
Cumbria
CA14 4EH

Auditors:

Beever and Struthers
St George's House
215-219 Chester Road
Manchester
M15 4JE

Principal Bankers:

Clydesdale Bank PLC
Financial Solution Centre
Wakefield Road
Kingstown Industrial Estate
Carlisle
Cumbria
CA3 0HE

Solicitors:

Brockbank, Curwen,Cain and Hall
Norham House
71 Main Street
Cockermouth
Cumbria
CA13 9JS

Trowers and Hamlins
Heron House
Albert Square
Manchester
M2 5HD

Homes & Communities Agency L0917

Industrial and Provident Society Registration Number 21411R

The Board of Management presents its annual report and the audited accounts for the year ended 31 December 2013.

Results
The results for the year are set out on page 17 of the financial statements.

Principal activities
The Association's principal activities during the year were the provision of housing and support services.

Business review
This has been a successful year for the Association. Impact has consolidated its position across a range of services and the Association has continued to ensure that it achieves its stated vision for people to have a decent home, be able to live as independently as possible and enjoy a good quality of life.

It is anticipated that the financial performance of the Association will be maintained in the foreseeable future.

Board of Management members and their interests
The Board Members in office during the year are listed on page 1. Each elected Board Member holds one fully paid share of £1 in the Association.

Political and charitable contributions
During the year the Association made no political contributions and any charitable contributions were made within the Association's normal activity.

Fixed assets
The changes in fixed assets during the year are stated in note 10 to the financial statements.

Code of Governance
Impact uses the National Housing Federation's, 'Excellence in Governance, Code for Members and Good Practice Guide' July 2010 edition, as its adopted code of governance and is compliant with it in all respects except for provision A4: 'Boards should have at least five members and no more than twelve, including co-optees.'

Impact's rules state:

D2.1 The board shall consist of between five and twelve board members (not including co-optees) as may be determined by the board....

Impact requires the flexibility to have more than twelve board members (including co-optees) in order to ensure both its Independent and Residents and Service Users constituencies are adequately represented and to provide scope to strengthen the board with the appointment of co-optees to fulfil specific needs that may arise from time to time.

Statement of Board of Management responsibilities

Industrial and Provident Society law requires the Board of Management to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the Income and Expenditure of the Association for that year. In preparing the financial statements, the Board is required to:

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

The Board of Management is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time, the financial position of the Association and to enable it to ensure that the financial statements comply with the Industrial and Provident Societies Acts. It is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement from the Board on Internal Controls Assurance for the period January to December 2013

Impact's Board acknowledges that it has overall responsibility for establishing and maintaining a system of internal control, and of reviewing the effectiveness of that system.

In this Statement the Board confirms that it has considered the range of internal controls which Impact has in place, and reviewed their effectiveness for the year ended 31st December 2013. These include a number of controls which have been put in place to support the achievement of our business aims and objectives, reduce the possibility of material misstatement or loss, and safeguard Impact's assets and interests. While the Board recognises that no system of controls can provide absolute assurance, it aims, through the operation of the controls in place, to provide reasonable assurance.

The Board has adopted a risk-based approach to internal controls, and has ensured that these are embedded both in the normal governance and management processes, with risks to the organisation evaluated and responded to on an ongoing basis.
In reviewing Impact's internal controls and their effectiveness, the Board has taken account of the following:

The Risk Management Culture and Framework

Impact has an Assurance Framework in place which is reviewed annually by the Audit Committee and approved by Board. This requires the on-going identification, assessment and management of risks at all levels in the organisation by Senior Management Team. Assurance and risk is a standard item on the Audit Committee Agendas and the Chief Executive reports quarterly to Board on Risk. Risk identification is incorporated into the Annual Planning process, and each service area identifies key operational risks and actions in place or required to control these at least annually, so all staff contribute to risk identification and control at an appropriate level.

Available Assurance

The Association has a well established Audit Committee which reports directly and fully to the Board. The Committee takes an overview of the extent and effectiveness of internal controls, and produces a comprehensive annual report. During the year they considered the full range of assurance obtained by Impact, and required by external bodies that Impact has a relationship with, in the form of an Assurance Map. The assurance considered by Audit Committee linked to the assurance mapping process included Internal and External Audit reports and findings, independent inspection and validation reports and internal reports resulting from a comprehensive programme of internal review work. The Internal Auditors recommendations made to improve the Assurance Map approach were completed and fully embedded during the year.

Environment and Control Procedures

The Board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance issues. Included in this are new business, projects, services and major developments. Detailed appraisals are carried out and presented to Board for approval on any new or significant areas of activity.

Board has agreed a set of key commitments for the organisation, which all staff work to and the business plan supports. It has also agreed a comprehensive framework of policies including delegated authorities, treasury management, whistleblowing, diversity and equal opportunities, which provide firm direction in all areas of our operations. These are reviewed and updated annually. The Chief Executive is responsible for Health and Safety matters and reports to Board in detail on an annual basis.

Reporting Systems

Budgets, detailed forecasts, and quarterly financial reports were presented to and approved by Board. Detailed financial monitoring and reporting took place throughout the management structure on a regular basis. Board receives minutes from Audit Committee plus a Chair's report as appropriate.

External Scrutiny

Impact is subject to a range of external scrutiny including inspections, audits, validation visits and accreditations. During the year our Regulator, the Homes and Communities Agency, renewed and confirmed our rating for Governance and Viability as G1 and V1 respectively, the highest rating available.

We have an active Customer Engagement strategy and Tenant Inspector Group which means our tenants and other customers have a range of ways to comment on and influence services. Customers were also involved in some of the Service Reviews which took place during the year.

Impact produced and published its first Value for Money Self-Assessment report during the year, which is open to scrutiny by Customers and our Regulator.

Monitoring, Corrective Action and Improvements

The organisation has a comprehensive system of formal appraisal, regular line management, and team meetings, which are coupled with clearly defined roles and responsibilities for staff and a targeted training programme to support staff to work effectively. These structures are underpinned by our annual plans, incorporating targets, which directly link to our objectives.

Recommendations from reviews, which included Asset Management, Organisational Development, Overheads and Business Support arrangements, were driven through by the Senior Management Team in order to improve our services, including internal processes and value for money.

Both whistleblowing and fraud were considered at Audit Committee, but there were no cases to report during the year. There were also no cases reported to the Housing Ombudsman during the year.

Auditors

In accordance with the Industrial and Provident Societies Acts 1965 to 2002 a resolution to appoint External Auditors will be made at Impact's Annual General Meeting to be held on 19th June 2014.

Approved by the Board of Management on:- 30/04/2014

Signed on their behalf by:-

Financial and Value for Money Review

Impact has had another year of strong financial performance achieving its financial covenant targets, investing in new and existing stock and by securing offers for new long term loan funding and grant funding despite the prevailing economic conditions.

During the year we have achieved a surplus of £981,556, exceeding our minimum covenant requirements. Impact has invested almost £4 million in maintaining and upgrading our housing stock.

Impact has committed to carrying out service reviews of every aspect of the business to ensure that it maximises investment into services for residents and service users and has again achieved significant Value for Money savings.

As a result of these service reviews and Value for Money reviews, the completion of the review of employment terms and conditions and the retendering of existing services Impact achieved year on year reductions in operating costs and employee costs (expressed as a percentage of turnover).

	2010	**2011**	**2012**	**2013**
Operating Costs on Lettings as a percentage of Turnover * costs excludes repairs and depreciation	50.6%	50.2%	49.2%	48.5%

	2010	**2011**	**2012**	**2013**
Gross Employee Costs as a Percentage of Turnover	31.6%	28.0%	27.9%	26.8%
Executive Remuneration as a Percentage of Turnover	2.79%	2.74%	2.76%	2.59%

These overall reductions on operating costs have enabled Impact to reinvest funds into maintaining or and improving properties and developing community services including welfare reform support and advice for tenants and service users. They have also resulted in greater capacity to invest in development or purchase of new homes with and without HCA grant funding.

	2010	**2011**	**2012**	**2013**	**2014 Projected**
Number of New Homes - units completed	37	21	50	62	125

Financial and Value for Money Review

Over recent years investment on existing properties has increased as follows:

	2010	2011	2012	2013
Investment in Responsive, Cyclical and Planned Maintenance	£3.3m	£3.4m	£3.6m	£3.8m

During the year, when properties become void, Impact carries out an option appraisal on each property to assess the cost benefit and financial viability of continuing to maintain the property. This ensures that Impact is able to maximise its return on assets. The benefit of this work can be seen in the table below which shows the Return on Assets.

	2010	2011	2012	2013
Return on Assets (Operating Surplus/Housing Land & Building Costs)* excludes repairs and depreciation	3.62%	3.71%	4.28%	4.36%
Return on Assets (Operating Surplus/Housing Land & Building Costs)** including repairs and depreciation	1.17%	1.51%	1.59%	2.09%

Capital finance of an additional £6.8 million was invested in new properties during the year funded by both social housing grant of £2.9 million and the remainder from loan finance.

During recent months Impact has received additional private finance offers from lenders of a further £25 million capital finance supporting further capital development programme and to enhance its stock investment programme. In accordance with the organisation's Treasury Management Policy Impact maintains an appropriate balance between fixed and variable rate loans. In recent years prevailing low interest rates have led to average loan interest costs remaining relatively static.

	2010	2011	2012	2013
Average loan interest costs	4.33%	4.11%	4.20%	4.41%

Objectives and strategy

The objectives and strategy of the association are set out in a business plan that is reviewed annually and approved by the Board. The Business Plan for 2013 confirmed the four high level commitments which underpin what we aim to achieve as a business and link these to key actions during the year.

Some examples of our actions and achievements against these commitments are given below under the following areas:

- Providing good, long term secure accommodation
- Poverty Reduction including poverty of economy, communities and opportunities
- Raising Aspirations
- A Transformational Role for People Moving Through

Objectives and strategy

Providing good, long term secure accommodation

<table>
<tr><th>Objectives</th><th>Key Tasks</th><th>Achievements</th></tr>
<tr><td>Maintain and upgrade existing stock</td><td>Deliver good cost effective repairs and maintenance services to our 2700 homes</td><td>Through reviews of existing services and retendering of contracts Impact has:
• Reduced Out of Hours call handling by £15,000pa
• Maintained day to day Repairs costs at 2011 rates
• Capped emergency call out fee to £25 and reduced the average emergency job cost by £18.04 plus VAT from 2012 average
• Sold 9 properties which failed stock appraisal due to being non-economic to maintain, providing £180,000 to be recycled into development.
• Invested £3.8m in 2013 in repairing and upgrading existing homes</td></tr>
<tr><td>Develop a model for our stock which includes financial sustainability, costs in use for tenants and build criteria</td><td>Apply the concepts of sustainability, costs in use and build criteria to housing and development services</td><td>Without HCA grant funding Impact has:

• Built 15 new homes in Grasmere, that are B energy rated with additional photo voltaic units. The development won top “affordable” housing schemes categories of Inside Housing Development Awards. Two properties were sold to help fund the development. The Scheme cost was £1.7m.</td></tr>
<tr><td>Develop new homes</td><td>Deliver our development programme</td><td>Through working in partnership with local communities and both national and regional funders, Impact has:

• Provided 62 additional homes in total via new development or planning gain purchases. These included 12 supported units, one warden flat and one specially designed general needs adapted flat.
• Attracted £4m of grant towards these developments and earned £28,000 in fees for direct services provided.</td></tr>
<tr><td colspan="2">Issues for us:
- There was an increase of 5.7% in day to day jobs from 2012 to 2013.
-The ratio of day to day to planned works has shifted from 3:2 in 2011 to 2:1 in 2013
-6% of voids costs are due to rechargeable repairs</td><td>Actions taken/planned
Implement a strategy to reduce responsive spend and set priorities for planned works based on realistic targets and not theoretical lifecycle costings

Highlight rechargeable works at pre-termination stage to reduce those required/increase payment</td></tr>
</table>

Objectives and strategy

Poverty Reduction including poverty of economy, communities and opportunities

Objectives	Key Tasks	Achievements
Enable tenants subject to bedroom tax penalties to maintain their tenancy	Provide help and support to tenants affected by the bedroom tax	Through collaboration with local agencies and communities and by both accessing and targeting resources to meet the needs of residents and service users, Impact has: • Helped 119 tenants successfully claim discretionary housing payment to cover housing benefit shortfalls • Assisted 39 Impact tenants to transfer to smaller homes to avoid penalties* • In total provided advice and guidance to 436 tenants and accessed over £323,000 in additional benefits and payments for them in the year • Reduced current general needs arrears levels ending the year with arrears at 2.53% of Gross Rental – just short of a 0.5% improvement on the previous year's performance
Develop outreach support to tenants re Universal Credit and promote a Rent First culture	Provide practical support to tenants in managing money and paying rent	• Impact has, as a result of a joint Big Lottery Bid, funded the set up a new service to provide advice and guidance in Allerdale. We have a member of staff based at the Oval providing direct support to local people and building up a network contacts who can also support local people.
Develop our Volunteer Offer	Review and revise our existing volunteer offer and increase the range of opportunities and take up	• Impact promoted "Give and Gain" internally and externally. Initial take up doubled during the year with 77 applicants. We have a target to provide up to 200 volunteering opportunities.
Provide and develop sustainable low cost furniture stores	To ensure the two new stores in Barrow and Copeland were fully up and running	• Impact's Furniture Store at Barrow had a target to provide furniture to 1000 households which they almost met within 3 months. They were nominated by a customer for the Love Barrow – Community Based Business of the Year Award.
Issues for us: -*Our approach to assisting tenants affected by Welfare Reform to move accounted for £104,000 spend from the voids budget -Our Furniture services are feeling the pinch of the recession and have struggled to meet their sales targets which ensure sustainability		Actions taken/planned -We are reviewing the full costs associated with our Welfare Reform approach so far and also if these actions provide the most cost effective and effective approach looking ahead. -The services have taken part in a Creative Workshop and also gone out to see how similar ventures work. As a result all of the stores will get a makeover and rebranding during 2014 to encourage donations and sales.

Raising Aspirations

<table>
<tr><th>Objectives</th><th>Key Tasks</th><th>Achievements</th></tr>
<tr><td>Implement Community Development</td><td>Work on projects to support community development</td><td>Through working closely with our residents and service users within our communities Impact has:
• Encouraged the Residents at our Extra Care Scheme to choose the colour schemes and displays for the dementia upgrade to their homes, with us also pressing for additional money to complete these to the specification that Residents wanted.
• Agreed 6 Local Neighbourhood Plans with Residents to address local issues they have identified as important including the local environment and facilities.
• Established a partnership with PHX to help residents with digital inclusion on Salterbeck, our main estate.
• Offered weekly job clubs and helped 62 people skill up to look for work, with 14 securing jobs</td></tr>
<tr><td>Go live with Go4it Project</td><td>Develop the Go4it project to raise aspirations of young people living in West Cumbria</td><td>In collaboration with local partners including local schools and INSPIRA, Impact has:
• Put together a Business Plan and bid to expand our Go4it project.</td></tr>
<tr><td colspan="2">Issues for us:
-The Go4it bid was unsuccessful at the last stage.</td><td>Actions taken/planned
-We will deliver a scaled down version of this project.</td></tr>
</table>

A Transformational Role for People Moving Through

Objectives	Key Tasks	Achievements
Offer a personalised service across our Support and Communities Services	Offer Positive Impact and other Support and Communities clients a tailored service leading to positive outcomes	Through improving contract efficiencies, within benchmarked retendered services, Impact has: • Through Positive Impact, our supported housing service, had 124 leavers during the year. The achievement rate for individual goals identified by clients themselves was 94.7%. • Achieved satisfaction rates with the quality of service clients received of 92%. • Enabled 118 leavers from the direct access homeless scheme we provide support to, which is short stay. These clients achieved 92% of their individual goals and their satisfaction rate with our service was 73%. • Introduced in our Young People's services in South Cumbria a TREATS incentive scheme, giving a choice of rewards for a range of achievements.
Secure funding to develop the Whitehaven Foyer	Find funders and pursue grants	• We raised grants of £3m to develop the Foyer. • To support sustainability the Foyer Project is being set up in Partnership with Howgill, a local family support agency already based in Whitehaven, and will be run through the Whitehaven Foyer Company.
Continue to provide community linked services	Provide and develop a range of Community linked services and activities.	• We obtained funding to supplement or provide services including: £8,000 for Community & Youth Development. • We provide an extensive range of community linked services. The Let Go Domestic Violence Service supported 1035 new clients during the year and the Champion network linked to this had 400 members able to sign post to people locally to the level of service they needed.
Issues for us: - In the current economic climate local services are suffering cutbacks, we are in competition to obtain funding and some of our services are in high demand. - Our support services are subject to tendering processes from 2014 onwards, starting with our Domestic Violence contracts.		Actions taken/planned -We continue to work in partnership with a wide range of agencies, build and maintain wide support networks, and look for alternative funding opportunities. -We are preparing early for tendering, and considering other tendering opportunities to spread costs.

During 2013 Impact's Audit Committee took a comprehensive overview of Value for Money in Impact and were active in driving forward the organisations VFM agenda. This included reviewing the initial self-assessment and recommending changes and further actions back to Board.

Performance

As well as delivering value for money services in line with our Business Plan objectives, we delivered good performance throughout the year across our services, as illustrated by these high level indicators:

Measure	Our 2013 Target	Our 2013 Performance	2012 Performance	2011 Performance	Benchmark
General Needs Current Arrears	2.5% of Gross Rental	2.53%	2.90%	3.52%	2.47%
Average General Needs Relet Time	15 Days	13 Days	12.5 Days	17 Days	19.7 Days
Repairs Done on Time %	99%	98.6%	98%	94%	98.5%
% Satisfaction with Repairs	97%	97.8%	97.6%	93%	93%
ASB % cases closed & resolved	90%	94%	87%	84%	97%
ASB % complainants satisfied how handled	95%	96%	94%	86%	-
Sickness Absence Lost time Rate (%)	3.5%	2.57%	2.8%	3.2%	3.4%

Impact's Tenants and Residents Association (TARA) had an active role reviewing performance outcomes and how Impact was responding to issues that tenants had identified as important to them. Their focus included 3 particular topical areas; welfare reform, anti-poverty measures and the provision of money management advice and voids. As a result of this work Impact's voids standard was revised, and heating in some high cost properties reviewed. TARA also put forward views on rent levels and increases. In 2013 TARA had two Members on Impact's main Board, with representation increasing in 2014.

Improving our Economy, Efficiency and Effectiveness

During 2013 we carried out 18 organisational Reviews and 4 Creative Workshops. These are part of a rolling programme of internal reviews carried out under our Transforming Impact Agenda, led by the Chief Executive. These reviews look at different aspects of our services and aim to answer questions including "Is the service fit for purpose?", "Are our processes efficient and working as intended?", "Are we getting good outcomes for our Customers and our Business?" They also encourage staff at every level in Impact to generate ideas for improving what we do and how we do it.

Outcomes from the Reviews that took place in 2013 include:

- Reduction in Positive Impact void turnaround times from 25 days to 19 days
- Restructuring of the Furniture Services which led to a £70,000pa saving in staffing costs
- An updated policy on internal contribution to overheads rates from different parts of the business to support sustainability
- Targeted and updated promotion of our Brewery Student Residencies/Youth Hostel Facility. This helped to retain and attract customers in a competitive market situation.
- Fundamental changes in our use of social media and IT, including marketing services through Facebook, Skyped meetings, increased use of text messaging to communicate with clients, improved support for remote working, and priorities for 2014 including development of an Impact app.

An ambitious programme of Reviews is set for 2014 which is designed to support our drive for delivering economy, efficiency and effectiveness through every aspect of our Business. To this end, the Reviews planned for 2014 include the procurement of IT equipment, pricing of our meeting and conference facilities, and the future provision of services for older people.

Independent Auditor's Report to the Members of Impact Housing Association Limited

We have audited the financial statements of Impact Housing Association Limited for the year ended 31 December 2013 which comprise the Income and Expenditure Account, Statement of Total Recognised Surpluses & Deficits, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the housing association's members, as a body, in accordance with Section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an 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 association and the association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the board and the auditor

As explained more fully in the Statement of Board's Responsibilities, set out on page 4, the board is responsible for the preparation of the financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the board; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Board Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the association's affairs as at 31 December 2013 and of its income and expenditure for the year then ended; and

- have been properly prepared in accordance with the Industrial and Provident Societies Acts, 1965 to 2002, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts, 1965 to 2002 require us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the association has not kept proper accounting records;
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

Beever and Struthers
Chartered Accountants and Statutory Auditor
St George's House
215-219 Chester Road
Manchester M15 4JE Date: 23.5.2014

Income and Expenditure Account
For the Year Ended 31 December 2013

	Note	2013 £	2012 £
Turnover	2	**16,639,137**	15,485,672
Cost of Sales	2	**(443,697)**	(325,000)
Operating Costs	2	**(12,761,745)**	(12,681,869)
Operating Surplus		**3,433,695**	2,478,803
Surplus on Sale of Properties not developed for outright sale	24	**63,441**	326,910
Interest receivable and similar income	6	**14,672**	5,754
Interest payable and similar charges	7	**(2,530,252)**	(2,285,215)
Surplus on ordinary activities before taxation		**981,556**	526,252
Tax on surplus on ordinary activities	9	-	-
Surplus for the year after tax on ordinary activities		**981,556**	526,252
Retained surplus for the year	18	**981,556**	526,252

There is no difference between surplus on ordinary activities before taxation and the retained surplus for the year stated above and their historical cost equivalents. All amounts relate to continuing activities.

The notes on pages 22 to 40 form an integral part of these financial statements.

Statement of Total Recognised Surpluses and Deficits
For the Year Ended 31 December 2013

	Note	2013 £	2012 £
Surplus for the financial year		**981,556**	526,252
Prior period adjustment	27	-	2,492,925
Total surplus since last annual report		**981,556**	3,019,177

Impact Housing Association Limited
Balance Sheet as at 31 December 2013

	Note	2013 £	2012 £
Tangible Fixed Assets			
Housing properties	10	**156,259,498**	150,177,602
Less: Housing Association Grant and other grants	10	**82,891,327**	79,956,670
Less: Depreciation	10	**10,987,067**	9,972,962
		62,381,104	60,247,970
Other fixed assets	10	**1,268,129**	1,265,076
		63,649,233	61,513,046
Current Assets			
Stock	11	-	290
Debtors	12	**1,699,737**	1,809,901
Cash at bank and short term deposits	13	**3,153,709**	2,523,508
		4,853,446	4,333,699
Creditors: Amounts falling due within one year	14	**4,560,659**	5,771,741
Net Current Assets / (Liabilities)		**292,787**	(1,438,042)
Total Assets Less Current Liabilities		**63,942,020**	60,075,004
Creditors: Amounts falling due after more than one year	15	**55,070,050**	52,184,587
Capital and Reserves			
Share capital	16	**40**	43
Revenue reserve	18	**8,871,930**	7,890,374
		8,871,970	7,890,417
		63,942,020	60,075,004

The notes on pages 22 to 40 form an integral part of these financial statements.

The financial statements on pages 17 to 40 were approved by Board of Management on 30th April 2014 and were signed on its behalf by:

Board Member ......Adrian Usak......

Board Member ......D G M Harrison......

Director/Secretary ....

Cash Flow Statement
For the Year Ended 31 December 2013

	Note	2013 £	2012 £
Net cash inflow from operating activities	1	**3,733,906**	2,864,367
Returns on investments and servicing of finance	2	**(2,525,769)**	(2,252,361)
Net capital expenditure	3	**(3,171,771)**	(6,345,031)
		(1,963,634)	(5,733,025)
Finance	4	**2,593,835**	5,305,880
		630,201	(427,145)

1. Reconciliations of Operating Surplus to Net Cash Inflow from Operating Activities

	2013 £	2012 £
Operating surplus	**3,433,695**	2,478,803
Depreciation charges	**1,231,863**	1,153,113
Less Capitalised Repairs	**(1,241,872)**	(1,180,866)
Change in stock	**290**	390,356
Change in debtors	**116,266**	(216,131)
Change in creditors	**193,664**	239,092
	3,733,906	2,864,367

2. Returns on Investments and Servicing of Finance

	2013 £	2012 £
Interest received	**14,672**	5,754
Interest paid	**(2,540,441)**	(2,258,115)
	(2,525,769)	(2,252,361)

3. Net Capital expenditure

	2013 £	2012 £
Acquisition and construction of housing properties	**(6,828,624)**	(8,584,279)
Capital grants received	**2,934,657**	1,636,482
Purchase of other tangible fixed assets	**(199,365)**	(189,734)
Proceeds on Sale of Properties	**921,561**	792,500
	(3,171,771)	(6,345,031)

Cash Flow Statement
For the Year Ended 31 December 2013

4. Financing

	2013	2012
	£	£
Loans received	**4,000,000**	7,000,000
Loans repaid	**(1,433,035)**	(1,716,271)
Issue costs amortised	**26,870**	22,151
	2,593,835	5,305,880

5. Reconciliation to Net Cash Flow to Movement in Net Debt

	2013	2012
	£	£
Increase / (decrease) in cash in the period	**630,201**	(427,145)
Cash used to repay loans	**1,433,035**	1,716,271
Cash received from loans	**(4,000,000)**	(7,000,000)
Issue costs incurred/(amortised)	**(26,870)**	(22,151)
Change in net debt	**(1,963,634)**	(5,733,025)
Net debt at 1 January	**(50,166,263)**	(44,433,238)
Net debt at 31 December	**(52,129,897)**	(50,166,263)

6. Analysis of Changes in Net Debt

	1 January 2013	Flows	Changes	31 December 2013
	£	£	£	£
Cash and bank	**2,523,508**	**630,201**	**-**	**3,153,709**
Debt due within one year	**(1,447,202)**	**-**	**14,733**	**(1,432,469)**
Debt due after one year	**(51,242,569)**	**(2,593,835)**	**(14,733)**	**(53,851,137)**
	(50,166,263)	**(1,963,634)**	**-**	**(52,129,897)**

1. Principal accounting policies

The Association is incorporated under the Industrial and Provident Societies Acts 1965 to 2002 and is registered with the Homes and Communities Agency as a Registered Provider of Social Housing.

a). Basis of accounting

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards and Statements of Recommended Practice of the United Kingdom. The accounts comply with the Industrial and Provident Societies Acts 1965 to 2002, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2012, and the Statement of Recommended Practice: accounting by Registered Social Housing Providers Update 2010 published by the National Housing Federation. The accounts are prepared on the historical cost basis of accounting.

b). Turnover

Turnover represents rental income receivable, grants from local authorities and the Homes and Communities Agency, income from the sale of shared ownership and other properties developed for outright sale and other income.

c). Fixed assets and depreciation

Tangible fixed assets, except housing properties, are stated at cost less accumulated depreciation and capital grants. Depreciation is charged on a straight line basis over the expected useful economic lives of the assets at the following annual rates:

Scheme Equipment	20% per annum on cost
Office Equipment	10% per annum on cost
Computers	20% per annum on cost
Motor Vehicles	25% per annum on cost
Office Freehold	2% per annum on building cost

The useful economic lives of all tangible fixed assets are reviewed annually.

d). Housing Properties

Housing properties are principally properties available for rent and are stated at cost less depreciation. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of improvements.

Improvements are works which result in an increase in the net rental income, such as a reduction in future maintenance costs, or result in a significant extension of the useful economic life of the property in the business. Only the direct overhead costs associated with new developments or improvements are capitalised.

Where a housing property comprises two or more major components with substantially different useful lives each component is accounted for separately and depreciated over its individual useful economic

Notes to the Financial Statements
For the Year Ended 31 December 2013 (Continued)

1. Principal accounting policies (Continued)

d). Housing Properties (Continued)

life. Expenditure relating to subsequent replacement or renewal of components is capitalised as incurred.

The costs of shared ownership properties are split between current and fixed assets on the basis of the first tranche portion. The first tranche portion is accounted for as a current asset and the sale proceeds shown in turnover. The remaining element of the shared ownership property is accounted for as a fixed asset and subsequent sales treated as sales of fixed assets.

e). Depreciation of housing properties

Freehold land is not depreciated. Depreciation of buildings and other major components is charged on a straight-line basis after taking into account social housing grant and other grants over the assets expected economic useful life as follows:

Housing Structure	150 years
Roofs	100 years
Kitchens	30 years
Bathrooms	30 years
Heating	30 years
Major Electrical	45 years
Windows	30 years
Lifts	15 years

Properties held on leases are amortised over the life of the lease or their estimated useful economic lives in the business if shorter.

f). Capitalisation of administration costs

Administration costs relating to development activities are capitalised only to the extent that they are incremental to the development process and directly attributable to bringing the properties into their intended use.

g). Loan finance issue costs

These are written off evenly over the life of the related loan. Loans are stated in the Balance Sheet at the amount of the net proceeds after issue costs, plus increases to account for any subsequent amounts written off.

Notes to the Financial Statements
For the Year Ended 31 December 2013 (Continued)

1. Principal accounting policies (Continued)

h). Social Housing Grant (SHG) and Other Grants

Where developments have been financed wholly or partly by Social Housing Grant (SHG) and other grants the cost of those developments has been reduced by the amount of the grant received.

SHG received for items of cost written off in the income and expenditure account are matched against those costs as part of turnover.

SHG can be recycled by the Association under certain conditions, if a property is sold, or if another relevant event takes place. In these cases the SHG can be used for projects approved by the Homes and Communities Agency. However, SHG may have to be repaid if certain conditions are not met. The net SHG received and not spent is included in current liabilities, taking into account all properties under construction. In certain circumstances, SHG may be repayable and, in that event, is a subordinated unsecured repayable debt.

i). Recycling of Capital Grant

Where Social Housing Grant is recycled, as described above, the SHG is credited to a Recycled Capital Grant Fund (RCGF) which appears as a creditor until spent.

j). Pension costs

The Association operates a defined benefit scheme. The cost of providing retirement pensions and related benefits is charged to management expenses over the periods benefiting from the employees' services. The assets of the scheme are held separately from those of the Association in an independently administered fund. However, it is not possible to split the assets and liabilities as the Scheme is a multi-employer Scheme.

k). Property managed by agents

Where the Association carries the majority of the financial risk on property managed by agents, all the income and expenditure arising from the property is included in the income and expenditure account.

Where the agency carries the financial risk, the income and expenditure account includes only that income and expenditure which relates solely to the Association.

In both cases, where revenue grants are claimed by the Association, these are included in the income and expenditure account.

1. Principal accounting policies (Continued)

l). Properties for sale

Properties developed for outright sale are included in Turnover and Cost of Sales. Properties developed for shared ownership are divided into first tranche sales and other sales. First tranche sales are deducted from the cost of the property concerned. Subsequent tranches are not included in Turnover and Cost of Sales, but are shown as a separate item after the operating surplus in the Income and Expenditure Account. All other sales of fixed asset properties are dealt with in this way.

Properties developed for outright sale are included in current assets as they are intended to be sold. Shared ownership properties are included in fixed assets.

m). Leased Assets

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

n). Disposal Proceeds Fund

Voluntary Purchase Grant net disposal proceeds are credited to this fund which appears as a creditor until spent.

o). Stock

Stock is included at the lower of cost and net realisable value.

Notes to the Financial Statements
For the Year Ended 31 December 2013 (continued)

2. Turnover, Operating Costs and Surplus

	Turnover £	Operating Costs £	Cost of Sales £	2013 Surplus/ (Deficit) £	2012 Surplus/ (Deficit) £
Income and expenditure from social housing lettings					
General Needs Housing	10,630,339	7,761,774	-	2,868,565	2,144,374
Supported Housing	2,248,666	1,852,981	-	395,685	250,691
	12,879,005	9,614,755	-	3,264,250	2,395,065
Income and expenditure from other social housing activities					
Supporting People Contract Income	1,193,290	1,265,087	-	(71,797)	(113,606)
Community Investment Activities	1,406,383	1,439,642	-	(33,259)	55,229
Shared Equity & Shared Ownership Property sales	690,375	-	443,697	246,678	-
	3,290,048	2,704,729	443,697	141,622	(58,377)
Income and expenditure from non social housing activities					
Student Accommodation	470,084	442,261	-	27,823	142,115
	16,639,137	**12,761,745**	**443,697**	**3,433,695**	2,478,803

3. Income and Expenditure from Lettings

Income from lettings activities	General Housing £	Supported Housing £	2013 Total £	2012 Total £
Rent receivable net of identifiable Service Charges	9,921,075	969,577	**10,890,652**	10,191,963
Services Charges Receivable	678,386	774,401	**1,452,787**	1,369,748
Net Rents receivable	10,599,461	1,743,978	**12,343,439**	11,561,711
Other Income	30,878	504,688	**535,566**	455,886
Total Income from Lettings	10,630,339	2,248,666	**12,879,005**	12,017,597
Expenditure on lettings activities				
Services and Support Costs	380,776	610,852	**991,628**	814,154
Management	3,985,293	977,088	**4,962,381**	5,114,649
Routine Maintenance	2,208,447	150,858	**2,359,305**	2,281,628
Planned Maintenance	158,525	8,996	**167,521**	367,233
Rent Losses from bad debts	101,230	508	**101,738**	128,752
Depreciation of Housing Properties	927,503	104,679	**1,032,182**	916,116
Total expenditure on lettings	7,761,774	1,852,981	**9,614,755**	9,622,532
Operating Surplus on Letting Activities	2,868,565	395,685	**3,264,250**	2,395,065
Rent Losses from voids	(157,014)	(165,625)	**(322,639)**	(289,707)

Thanks and Acknowledgement to Partners

Impact has worked with a number of partners during the year to provide Support and Communities programmes, including Domestic Violence and Community Youth Development:

- Francis C Scott Trust
- Workington local food project
- Cumbria Community Foundation
- Cumbria County Council
- UK Online
- Robin Rigg fund
- Brathay
- Action for Children
- Stainburn School
- NHS
- Fire Service
- Cockermouth Mountain rescue
- Hadfield Charitable Trust
- Microsoft
- UK Youth
- O2 think big
- Lakes College
- Cumbria Youth Alliance
- Inspira
- Smoking Cessation
- Derwent and Solway
- University of Cumbria
- The Army
- PHX Training
- Cumbria Constabulary
- CCC Community Waste Prevention fund.
- Groundwork
- Howgill
- Southfield Tech. College
- Beckstone Primary School
- Workington Town Council
- Allerdale BC
- Mind
- Your Home
- Cadas
- Kay Mahone
- Cumbria Outdoors
- Ambulance Service

We also acknowledge the financial contribution from the Northern Rock Foundation who continued to invest in our countywide Letgo Service. We would like to take this opportunity to thank them for the support and guidance they have given the Letgo Service as the investment made in 2013 was the final sum from the Northern Rock Foundation.. Funds received from the Northern Rock Foundation are restricted to the provision of the work carried out by the Let Go project in providing Domestic Violence Support Services in Cumbria.

We also acknowledge the contribution from Northern Rock Foundation towards the Eden Rural Foyer Sunshine Project. Northern Rock Foundation also provided £75,000 restricted funding over three years to fund the part-time position of a Foyer Innovation Officer in West Cumbria. They have also agreed to support the Barrow Foyer Development post for a period of 18 months.

The Garfield Weston Foundation and Cumbria County Council made contributions of £100,000 each to the capital development costs of the Whitehaven Foyer. Impact also thanks its other Development partners and funders that it has worked with over the 2013 year:

- South Lakeland District Council
- Eden District Council
- Lancaster City Council
- Homes and Community Agency
- Lakeland Housing Trust
- Leonard Cheshire Disability

Notes to the Financial Statements
For the Year Ended 31 December 2013 (Continued)

4. Directors Emoluments

The directors are defined as the members of the board, the Chief Executive and any other person who is a member of the Senior Management Team.
The board members did not receive any remuneration during the year.
The Directors' Emoluments are as follows:

		Gross Salary	Vehicle Benefit	Pension	Other	**2013 Total £**	2012 Total £
Mike Muir	Chief Executive	87,552	5,994	14,000	52	**107,598**	102,763
Graham Wilson	Director of Finance	74,157	4,227	11,782	52	**90,218**	87,552
Keith Dobson	Director of Assets & Homes	65,732	5,160	10,448	52	**81,392**	81,483
Steve Holliday	Director of Human Resources	59,001	5,267	9,379	52	**73,699**	74,849
*Lorraine Usher	Director of Support & Communitie:	62,579	5,217	9,944	52	**77,792**	51,611
		349,021	25,865	55,553	260	**430,699**	398,258

*From 21st May 2012

The Chief Executive is an ordinary member of the pension scheme. The pension scheme is a final salary scheme funded by annual contributions by the employer and employee. No enhanced or special terms apply. There are no additional pension arrangements. A contribution by Impact Housing Association Limited of £14,000 (2012: £13,756) was paid in addition to the personal contributions of the Chief Executive.

No staff member other than the Directors listed above received greater than £60,000 in remuneration.

5. Employee Information

The average weekly number of persons (including the Chief Executive) employed during the year was:	**2013 Number**	2012 Number
Full time	**107**	106
Part time	**103**	112
Average Weekly Number	**210**	218
Full Time Equivalent based on 37 Hour Week	**171**	176

	£	£
Staff Costs:		
Wages and salaries	**4,466,234**	4,315,207
Social Security costs	**338,919**	330,012
Other Pensions costs	**507,224**	427,657
	5,312,377	5,072,876

Notes to the Financial Statements
For the Year Ended 31 December 2013 (Continued)

6. Interest Receivable and Similar Income	**2013**	2012
	£	£
Bank interest receivable	**14,672**	5,754

7. Interest Payable and Similar Charges		
	£	£
On bank loans and other loans:		
Repayable wholly or partly in more than 5 years by instalments	**2,530,252**	2,285,215

8. Surplus on Ordinary Activities Before Taxation	**£**	£
Surplus on ordinary activities before taxation is stated after charging:		
Depreciation		
Tangible owned fixed assets	**1,219,103**	1,153,113
Operating lease payments	**282,726**	294,479
Auditors' Remuneration		
In their capacity as auditors	**14,130**	13,990
In respect of other services	**-**	-

9. Taxation

The Association has charitable status and is therefore exempt from UK Corporation Tax.

The Committee of Management know of no circumstances which will affect this taxation status in the future.

10. Tangible Fixed Assets

	Housing Land & Buildings					Other Fixed Assets			
	Housing Properties Held for Lettings	Housing Properties Under Construction	Completed Shared Ownership Properties	Shared Equity Properties	Total Housing Properties	Freehold Offices	Furniture Equipment & Vehicles	Computer Equipment	Total Other Fixed Assets
	£	£	£	£	£	£	£	£	£
Cost									
At 1 January 2013	138,781,026	6,205,735	1,477,846	3,712,995	150,177,602	1,289,857	1,343,317	250,253	2,883,427
Additions	1,241,872	5,761,583	-	-	7,003,455	-	78,864	120,501	199,365
Completed in the Year	8,570,389	(8,761,754)	191,365	-	-	-	-	-	-
Disposals	(480,539)	-	(255,645)	(185,375)	(921,559)	-	(101,201)	(27,356)	(128,557)
Costs Written Off	-	-	-	-	-	-	-	-	-
At 31 December 2013	**148,112,748**	**3,205,564**	**1,413,566**	**3,527,620**	**156,259,498**	**1,289,857**	**1,320,980**	**343,398**	**2,954,235**
Depreciation									
At 1 January 2013	9,972,962	-	-	-	9,972,962	270,796	678,653	129,832	1,079,281
Charged for Year	1,032,182	-	-	-	1,032,182	25,797	118,556	42,568	186,921
Eliminated on Disposals	(18,077)	-	-	-	(18,077)	-	(91,811)	(27,355)	(119,166)
At 31 December 2013	**10,987,067**	-	-	-	**10,987,067**	**296,593**	**705,398**	**145,045**	**1,147,036**
Grants	SHG					Other Grants			
At 1 January 2013	73,573,232	2,263,714	803,920	3,315,804	79,956,670	539,070	-	-	539,070
Received in the Year		3,208,645	-	-	3,208,645	-	-	-	-
Completed in the Year	2,994,294	(2,994,294)	-	-	-	-	-	-	-
Disposals	(273,988)	-	-	-	(273,988)	-	-	-	-
Grants transferred	-	-	-	-	-	-	-	-	-
At 31 December 2013	**76,293,538**	**2,478,065**	**803,920**	**3,315,804**	**82,891,327**	**539,070**	-	-	**539,070**
Net Book Value									
At 31 December 2013	**60,832,143**	**727,499**	**609,646**	**211,816**	**62,381,104**	**454,194**	**615,581**	**198,353**	**1,268,129**
At 1 January 2013	55,234,832	3,942,021	673,926	397,191	60,247,970	479,990	664,665	120,421	1,265,076

	2013	2012
	£	£
Freehold land and buildings (NBV)	**61,781,104**	59,647,970
Leasehold (NBV)	**600,000**	600,000
Net Book Value	**62,381,104**	60,247,970

Cost of properties includes £312,999 (2012: £301,274) for direct administrative costs capitalised during the year.

Notes to the Financial Statements
For the Year Ended 31 December 2013 (Continued)

11. Stock

	2013	2012
	£	£
Housing Stock held for resale	-	-
Other Stock	-	290
	-	290

12. Debtors

	2013	2012
	£	£
Rental Debtors	1,408,831	1,291,659
Less: Provision for bad and doubtful debts	(451,132)	(372,759)
	957,699	918,900
Sundry Debtors	255,733	334,417
Prepayments and accrued income	486,305	556,584
	1,699,737	1,809,901

13. Cash at Bank and Short Term Deposits

	2013	2012
	£	£
Short Term Deposits	1,617,204	1,553,805
Cash at Bank	1,536,505	969,703
	3,153,709	2,523,508

14. Creditors: Amounts falling due within one year

	2013	2012
	£	£
Housing Loans and Other Loans	1,432,469	1,447,202
Rent creditors	102,159	86,869
Trade creditors	770,615	737,921
Capital expenditure on housing properties	183,108	1,292,140
Accruals, deferred income and other creditors	1,981,126	2,113,645
Taxation & Social Security	91,182	93,964
	4,560,659	5,771,741

Notes to the Financial Statements
For the Year Ended 31 December 2013 (Continued)

15. Creditors: Amounts falling due after more than one year	**2013** **£**	2012 £
Housing Loans and Other Loans	**53,851,137**	51,242,569
Recycled Capital Grant Fund (Note 17)	**846,461**	572,473
Disposal Fund RTA (Note 17)	**356,158**	356,278
Leaseholder Sinking Fund	**16,294**	13,267
	55,070,050	52,184,587

Loans from local authorities, building societies and banks are secured by specific charges on the Association's housing properties and other assets. The loans are repayable at varying rates of interest in instalments falling due as follows:-

	£	£
Within one year	**1,432,469**	1,447,202
Between one and two years	**1,532,823**	1,683,222
Between two and five years	**5,451,528**	5,579,126
In five years or more	**47,511,676**	44,552,091
	55,928,496	53,261,641
Less: Issue costs	**(644,889)**	(571,870)
	55,283,607	52,689,771

16. Called Up Share Capital	**2013** **£**	2012 £
Allotted, issued and fully paid at start of year	**43**	28
Issued during the year	**2**	18
Forfeited during the year	**(5)**	(3)
Allotted, issued and fully paid at 31December	**40**	43

The shares do not have a right to a dividend or distribiution in a winding-up and are not redeemable. Each share has full voting rights.

17. Capital Grant Funds	**1 January 2013**	**Additions**	**Extractions**	**31 December 2013**
Recycled Capital Grant	572,473	273,988	-	846,461
Disposal Proceeds Fund	356,278	-	120	356,158

18. Revenue Reserves

	£
At 31st December 2012	7,890,374
Surplus for the year to 31 December 2013	981,556
At 31 December 2013	8,871,930

19. Pension Obligations

1. Impact Housing Association Ltd participates in the Social Housing Pension Scheme (the Scheme). The Scheme is funded and is contracted-out of the State Pension scheme.

2. SHPS is a multi-employer defined benefit scheme. Employer participation in the Scheme is subject to adherence with the employer responsibilities and obligations as set out in the 'SHPS House Policies and Rules Employer Guide'.

3. The Scheme operated a single benefit structure, final salary with a 1/60th accrual rate until 31 March 2007. From April 2007 three defined benefit structures have been available, namely:

   3.1. Final salary with a 1/60th accrual rate.

   3.2. Final salary with a 1/70th accrual rate.

   3.3. Career average revalued earnings (CARE) with a 1/60th accrual rate.

   From April 2010 a further two defined benefit structures have been available, namely:

   3.4. Final salary with a 1/80th accrual rate.

   3.5. Career average revalued earnings (CARE) with a 1/80th accrual rate.

   A defined contribution benefit structure was made available from 1 October 2010.

4. An employer can elect to operate different benefit structures for their active members and their new entrants. An employer can only operate one open defined benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

Notes to the Financial Statements
For the Year Ended 31 December 2013 (continued)

19. Pension Obligations (continued)

5. Impact Housing Association Ltd currently operates for active members:

   5.1. final salary with a 1/60th accrual rate (closed end May 2013)

   5.2. final salary with a 1/80th accrual rate (from June 2013)

   5.3. Career Average Revalued Earnings with a 1/120th accrual rate

   5.4. Defined contribution benefit structure

6. The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, in respect of each benefit structure, so that the Scheme can meet its pension obligations as they fall due. From April 2007 the split of the total contribution rate between member and employer is set at individual employer level, subject to the employer paying no less than 50% of the total contribution rate. From 1 April 2010 the requirement for employers to pay at least 50% of the total contribution rate no longer applies.

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

8. During the accounting period Impact Housing Association Ltd paid contributions at the rate of 3% to 9.75% member contributions varied between 3% and 10.5%.

9. As at the balance sheet date there were 89 active members of the Scheme employed by Impact Housing Association Ltd. The annual pensionable payroll in respect of these members was £2,436,190. Impact Housing Association Ltd continues to offer membership of the Scheme to its employees.

10. It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. The Scheme is a multi-employer scheme, where the assets are co-mingled for investment purposes, and benefits are paid out of total Scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

11. The last formal valuation of the Scheme was performed as at 30 September 2011 by a professionally qualified Actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £2,062 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £1,035 million, equivalent to a past service funding level of 67.0%.

    The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2012. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The market value of the Scheme's assets at the date of the Actuarial Report was £2,327 million. The Actuarial Report revealed a shortfall of assets compared with the value of liabilities of £1,241 million, equivalent to a past service funding level of 65%.

Notes to the Financial Statements
For the Year Ended 31 December 2013 (continued)

19. Pension Obligations (continued)

12. The financial assumptions underlying the valuation as at 30 September 2011 were as follows:

Valuation Discount Rates:	% p.a.
Pre-Retirement	7.0
Non Pensioner Post Retirement	4.2
Pensioner Post Retirement	4.2
Pensionable Earnings Growth	2.5 per annum for 3 years, then 4.4
Price Inflation (RPI)	2.9
Pension Increases:	
Pre 88 GMP	0.0
Post 88 GMP	2.0
Excess Over GMP	2.4

Expenses for death-in-service insurance, administration and Pension Protection Fund (PPF) levy are included in the contribution rate.

13. The valuation was carried out using the following demographic assumptions:

Mortality pre-retirement – 41% SAPS S1 Male / Female All Pensioners (amounts), Year of Birth, CMI_2009 projections with long term improvement rates of 1.5% p.a. for Males and 1.25% p.a. for Females.

Mortality post retirement – 97% SAPS S1 Male / Female All Pensioners (amounts), Year of Birth, CMI_2009 projections with long term improvement rates of 1.5% p.a. for Males and 1.25% p.a. for Females.

14. The long-term joint contribution rates required from April 2013 from employers and members to meet the cost of future benefit accrual were assessed at:

Benefit Structure	Long-term Joint Contribution Rate (% of pensionable salaries)
Final salary with a 1/60th accrual rate	19.4
Final salary with a 1/70th accrual rate	16.9
Career average revalued earnings (CARE) with a 1/60th accrual rate	18.1
Final salary with a 1/80th accrual rate	14.8
Career average revalued earnings (CARE) with a 1/80th accrual rate	14.0
Career average revalued earnings (CARE) with a 1/120th accrual rate	9.7

Notes to the Financial Statements
For the Year Ended 31 December 2013 (continued)

19. Pension Obligations (continued)

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

16. Following consideration of the results of the actuarial valuation it was agreed that the shortfall of £1,035 million would be dealt with by the payment of deficit contributions as shown in the table below:

From 1 April 2013 to 30 September 2020	A cash amount(*) equivalent to 7.5% of Members' Earnings per annum (payable monthly and increasing by 4.7% per annum each 1 April)
From 1 October 2020 to 30 September 2023	A cash amount(*) equivalent to 3.1% of Members' Earnings per annum (payable monthly and increasing by 4.7% per annum each 1 April)
From 1 April 2013 to 30 September 2026	£30,640,000 per annum (payable monthly and increasing by 3% per annum each 1 April; first increase on 1 April 2014)

(*) The contributions of 7.5% will be expressed in nominal pound terms (for each Employer), increasing each year in line with the Earnings growth assumption used in the 30 September 2008 valuation (i.e. 4.7% per annum). The contributions of 3.1% will be calculated by proportioning the nominal pound payment at the time of the change. Earnings at 30 September 2008 (for each Employer) will be used as the reference point for calculating these contributions.

These deficit contributions are <u>in addition</u> to the long-term joint contribution rates as set out in paragraph 14 above.

17. The Scheme Actuary will provide an approximate update on the funding position of the Scheme as at 30 September 2013. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The results of this approximate update will be available in Spring 2014 and will be included in next year's Disclosure Note.

18. Employers that participate in the Scheme on a non-contributory basis pay a joint contribution rate (i.e. a combined employer and employee rate).

19. Employers that have closed the defined benefit section of the Scheme to new entrants are required to pay an additional employer contribution loading of 2.5% to reflect the higher costs of a closed arrangement.

Notes to the Financial Statements
For the Year Ended 31 December 2013 (continued)

19. Pension Obligations (continued)

20. A small number of employers are required to contribute at a different rate to reflect the amortisation of a surplus or deficit on the transfer of assets and past service liabilities from another pension scheme into SHPS.

21. New employers that do not transfer any past service liabilities to the Scheme pay contributions at the ongoing future service contribution rate. This rate is reviewed at each valuation and new employers joining the Scheme between valuations up until 1 April 2010 do not contribute towards the deficit until two valuations have been completed after their date of joining. New employers joining the Scheme after 1 April 2010 will be liable for past service deficit contributions from the valuation following joining. Contribution rates are changed on the 1 April that falls 18 months after the valuation date.

22. A copy of the Recovery Plan, setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to The Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or Recovery Plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the Scheme liabilities and hence impact on the Recovery Plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the Recovery Plan). A response regarding the 30 September 2011 valuation is awaited.

23. As a result of pension scheme legislation there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

24. The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

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

Potential employer debt is treated as a contingent liability

Impact Housing Association Ltd has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Social Housing Pension Scheme, based on the financial position of the Scheme as at 30 September 2012. At this date the estimated employer debt for Impact Housing Association Ltd was £15,863,470.

Notes to the Financial Statements
For the Year Ended 31 December 2013 (Continued)

20. Capital Commitments

	2013	2012
	£	£
Capital expenditure that has been contracted for but has not been provided for in the financial statements	**10,385,466**	2,357,452
Capital expenditure that has been authorised by the Board of Management but has not yet been contracted for	**10,784,877**	7,371,120
	21,170,343	9,728,572

It is anticipated that the committed amount will be funded by grants and private finance.

21. Revenue Social Housing Grant

Social Housing Grant received to date and dealt with in the income and expenditure account is £Nil (2012: £Nil)

22. Operating Leases

The Association holds properties,vehicles and office equipment under non-cancellable operating leases At 31 December 2013 the Association had annual commitments under these leases as follows:-

	2013	2012
Leases expiring:	£	£
Within one year	**167,028**	222,080
In one to two years	**113,133**	153,092
In two to five years	**119,391**	198,961
In more than five years	**220,150**	228,675

23. Units/Bedspaces

The Association had the following units in management at 31 December:

	2013	2012
	Nos.	Nos.
Housing accommodation	**2,375**	2,328
Student Accommodation	**201**	201
Supported Housing	**192**	200
Shared Ownership	**34**	32
Managed by Agents	**222**	222
	3,024	2,983

Notes to the Financial Statements
For the Year Ended 31 December 2013 (Continued)

24. Sale of Properties not developed for outright sale:

	2013	2012
	£	£
Proceeds of sales	527,361	792,500
Less: Costs of sales	(463,920)	(465,590)
	63,441	326,910

25. Related Parties

At 31 December 2013 there were two members of the Association's Board, Alan Markbride and Kenneth Meek, who were also tenants of the Association. Their tenancies are on normal terms and neither Mr Markbride nor Mr Meek can use his position on Impact's Board for any advantage.

One Board member who resigned on 25 June 2013 , Catherine Parker, is a Director of West House, a partner organisation which provides social housing related services and support to those who are in need throughout North and West Cumbria. West House occupy a number of our properties with their own tenants. These tenancies are on normal terms and Mrs Parker's position on Impact's Board did not confer any advantage for the benefit of West House.

26. SHG Received (both Grant and Revenue)

	2013	2012
	£	£
	82,891,327	79,956,670

Notes to the Financial Statements
For the Year Ended 31 December 2013 (Continued)

27. Prior Year Adjustments

In 2012 the Association adopted the Statement of Recommended Practice (SORP 2010) accounting by registered social landlords requiring the provisions of component accounting to be implemented.

Housing properties are analysed by major component. Major repairs representing replacement of components are capitalised. Brought forward accumulated depreciation was adjusted accordingly.

The financial impact of these changes in our comparative 2012 year was as follows:

	2013	2012
	£	£
The transfer of spend from major repairs and routine maintenance to capital housing improvements	-	8,103,265
The effect of adoption of component accounting on depreciation charged	-	(5,610,340)
Total relating to revenue reserve	-	2,492,925