

# **RURAL HOUSING SERVICE**

**(A company limited by guarantee and not having a share capital)**

**Company number 216096  
Scottish Charity number SC031239**

## **DIRECTORS' REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2003**



# **RURAL HOUSING SERVICE**

## **DIRECTORS' REPORT AND ACCOUNTS**

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**RURAL HOUSING SERVICE**

(A private company, limited by guarantee, and a Scottish charity)

**Scottish Charity No:** SC0031239

**Company No:** 216096

**Directors,2002/2003:** Alastair Ian Cameron (Elected November 2002)  
Anne Elizabeth Clark (Elected November 2002)  
Raymond Kennedy Young OBE (Elected November 2002)

**Board members:** Peter Pearson (Elected November 2002)  
Janet Crook (Elected November 2002)  
Andrew Abraham (Elected November 2002)  
Crawford Morrison (Elected November 2002)  
Katherine Corsar (Co-opted February 2003)  
Fiona Munro (resigned May 2002)  
Anne Baxter (resigned May 2002)

**Company Secretary:** Derek William Logie, at registered office

**Registered office:** 28 Albany Street  
Edinburgh EH1 3QH  
Tel: 0131 477 4506  
Fax: 0131 477 2710

**Bankers:** Bank of Scotland  
Head Office  
the Mound  
Edinburgh EH1 1YZ

**Auditor:** D M Vaughan & Co Ltd  
1 Atholl Place  
Edinburgh EH3 8HP

**Solicitors:** Balfour & Manson  
56 Frederick Street  
Edinburgh EH2 1LS

## **RURAL HOUSING SERVICE DIRECTORS' REPORT**

The directors present their report with the audited financial statements for the year ended 31 March 2003.

Legal and administrative information set out on page 1 forms part of this report. The financial statements comply with the current statutory requirements, the Memorandum and Articles of Association and the Statement of Recommended Practice - Accounting and Reporting by Charities 2000.

### **PRINCIPAL ACTIVITIES, LEGAL STATUS AND ORGANISATION**

The charity is constituted as a company limited by guarantee, and therefore governed by a Memorandum and Articles of Association.

The principal object for which the Company is established is to assist rural communities in Scotland to relieve poverty by alleviating rural homelessness, poor housing conditions, other housing needs, and related problems. For the purpose of furthering the attainment of above mentioned principal object the Company shall have and may pursue all or any of the following actions: to support rural communities to work in partnership with local and national government and their agencies, housing associations, voluntary bodies and the private sector; to provide advice, support and information to rural communities and individuals on housing issues and problems; to establish and support networks linking individuals and groups with an interest in rural housing issues; to provide information on rural housing issues to increase understanding amongst policy and decision makers; to carry out and publish research projects which increase understanding of rural housing issues and which pilot innovative ways of tackling them and seek opportunities for influencing public policy on relevant matters, and advocating on behalf of rural communities.

A board of Directors administers the charity, they meet as and when required to make decisions regarding the charity. (4 times in year to 31 March 2003.) An Executive Director is appointed by the directors to manage the day to day operations of the charity.

### **INVESTMENT POWERS**

Under the memorandum and articles of association, the charity has the power to make any investment, which the directors see fit.

### **RELATED PARTIES**

The Rural Housing Service contracts financial services and office space from the Scottish Churches Housing Agency. Alastair Cameron who is a director of Rural Housing Service is the Co-ordinator of Scottish Churches Housing Agency. None of the directors of Scottish Churches Housing Agency were directors of Rural Housing Service.

## **RURAL HOUSING SERVICE**

### **DIRECTORS' REPORT (Cont.)**

#### **REVIEW OF ACTIVITIES**

In 2002/03 the Rural Housing Service has been active in communities across rural Scotland; from Yetholm in the Scottish Borders to Hoy in Orkney. This year the Rural Housing Service provided advice and support to 25 rural communities.

Major achievements include: carrying out ten community housing needs surveys with rural communities across the Scottish Borders - part of a series of 22 rural surveys to help formulate the local housing strategy; 8 new houses are to be built on Gigha by the local housing association as a result of the findings of our housing needs survey; plans for the development of housing for affordable rent in Braemar due to our work with the local community.

The Rural Housing Service held its first Annual Conference and AGM on the 29 November 2002 in Birnam. The conference attracted community delegates from across Scotland to discuss a range of rural, housing and community topics. The conference was well received and provided a useful networking opportunity for communities.

During the year groundwork has been laid for the expansion of the Rural Housing Service. It is planned to recruit an Administrator and Development Worker in 2003/04 subject to securing funding.

#### **RESERVES POLICY**

The reserves policy is as set out on note 8 on page 11.

#### **RISK MANAGEMENT**

The directors operate an ongoing review of the major risks to which the charity is exposed and systems have been established to mitigate those risks.

#### **DIRECTORS**

The directors of the company during the year were those listed on page 1. We wish to record our thanks to Fiona Munro and Ann Baxter who retired as Directors in May 2002.

## **RURAL HOUSING SERVICE**

### **DIRECTORS' REPORT (Cont.)**

#### **STATEMENT OF DIRECTORS RESPONSIBILITIES**

The Charities Regulations require the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Service and of the results of the Service for that period. In preparing those financial statements, the directors are required to:

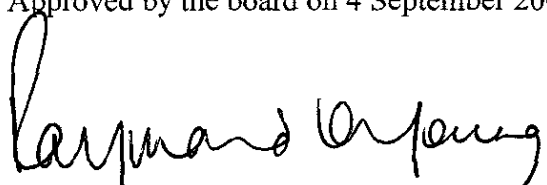
- (a) select suitable accounting policies and apply them consistently;
- (b) make judgements and estimates that are reasonable and prudent;
- (c) prepare the financial statements on a going-concern basis unless it is

The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Service and to enable them to ensure that the financial statements comply with the Charities Regulations. They are also responsible for safeguarding the assets of the Service and hence for taking reasonable steps for the prevention of fraud and other irregularities.

#### **AUDITORS**

D M Vaughan and Co Limited were re-appointed as the charitable company's auditor at the annual general meeting on the 29th November 2002 and have expressed their willingness to continue in that capacity.

Approved by the board on 4 September 2003 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Raymond Kennedy Young', is written over the printed name below.

Raymond Kennedy Young OBE

**RURAL HOUSING SERVICE LIMITED****REPORT OF THE AUDITORS TO THE DIRECTORS OF  
RURAL HOUSING SERVICE LIMITED**

We have audited the financial statements of Rural Housing Service Limited for the year ended 31 March 2003 which comprise the statement of financial activities, the balance sheet and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out on page nine.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

As described on page three, the members of the management committee, who are directors for the purpose of company law and trustees for the purpose of charity law, are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

It is our responsibility to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 Companies Act 1985. We also report to you if, in our opinion, the directors report is not consistent with the financial statements, if the company 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 directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

**BASIS OF OPINION**

We conducted our audit in accordance with United Kingdom Auditing Standards 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 company'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.

**RURAL HOUSING SERVICE LIMITED****REPORT OF THE AUDITORS TO THE DIRECTORS' OF  
RURAL HOUSING SERVICE LIMITED (Cont.)****OPINION**

In our opinion the financial statements give a true and fair view of the charitable company's state of affairs as at 31st March 2003 and of its incoming resources and application of resources, including the charitable company's income and expenditure, for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.

D.M. Vaughan & Co Ltd  
Chartered Certified Accountants & Registered Auditors  
1 Atholl Place, Edinburgh EH3 8HP

Dated: 16 September 2003



**RURAL HOUSING SERVICE****Income and Expenditure Account, incorporating Statement of Financial Activities,  
for the Year Ended 31 March 2003**

	Notes	Restricted £	Unrest- ricted £	Total Year to 31.3.03 £	Total Year to 31.3.02 £
<b>Incoming resources:</b>					
Donations and Grants	2	-	34,400	34,400	40,729
Investment Income	3	-	214	214	207
Activities for generating funds	4	-	16,931	16,931	6,715
Total Income		-	51,545	51,545	47,651
<b>Resources expended:</b>					
Charitable expenditure:					
Cost of activities in furtherance of the charity's objects	5	-	49,966	49,966	44,701
Fundraising		1,912	-	1,912	-
Managing and administering the charity	6	-	3,674	3,674	4,105
Total Expenditure		1,912	53,640	55,552	48,806
<b>Deficit for Year</b>		(1,912)	(2,095)	(4,007)	(1,155)
<b>Balance in Funds at 31 March 2002</b>		3,039	10,873	13,912	15,067
<b>Balance in Funds at 31 March 2003</b>	8	1,127	8,778	9,905	13,912

**TOTAL RECOGNISED GAINS AND LOSSES**

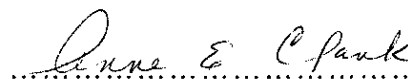
The company has no recognised gains or losses other than the deficits for the current and previous years.

The notes 1 to 14 on pages 9 to 13 form part of these accounts

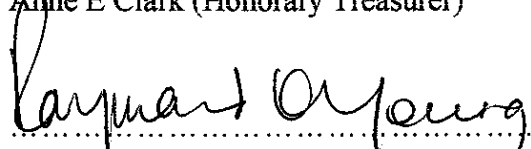
**RURAL HOUSING SERVICE****BALANCE SHEET AT 31 MARCH 2003**

	Notes	2003 £	2002 £
<b>Fixed Assets</b>	9	<u>-</u>	<u>-</u>
<b>Current Assets</b>			
Cash at bank and in hand	10	4,330	12,655
Debtors	11	<u>7,905</u>	<u>3,012</u>
		<u>12,235</u>	<u>15,667</u>
<b>Current Liabilities (due within one year)</b>			
Creditors	12	<u>2,330</u>	<u>1,755</u>
<b>Net Current Assets</b>		<u>9,905</u>	<u>13,912</u>
		<u>9,905</u>	<u>13,912</u>
<b>Represented by:</b>			
<b>Funds</b>			
General Fund Revenue Account	8	8,778	13,912
Restricted funds	8	<u>1,127</u>	<u>-</u>
		<u>9,905</u>	<u>13,912</u>

The accounts were approved by the Directors on 4 September 2003.

  
.....

Anne E Clark (Honorary Treasurer)

  
.....

Raymond K Young OBE (Honorary Chairman)

The notes 1 to 14 on pages 9 to 13 form part of these accounts

**Notes on Accounts**

**1. Accounting policies**

(a) Preparation of Accounts

The accounts have been prepared under the historical cost convention and in accordance with Section 228 of, and Schedule 4 to, the Companies Act 1985

The effects of events relating to the year ended 31 March 2003 which occurred before 4 September 2003, the date of approval of the accounts by the Board, have been included in the accounts to the extent required to show a true and fair view of the state of affairs at 31 March 2003 and of the results for the year ended on that date.

(b) Other accounting policies are disclosed under the appropriate notes attached to the accounts.

(c) Incoming resources

Income from Donations, Grants, Interest Received and Fees is included in incoming resources when they are receivable.

(d) Resources expended

Resources expended are included in the Statement of Financial Activities on an accruals basis.

Certain expenditure is directly attributable to specific activities and has been included in those cost categories. Where a cost cannot be clearly identified as relating to a specific activity, it is included in Management and Administration expenses.

(e) Pension costs

The charity participates in a defined benefit scheme. The pension cost included in staff costs is the contribution due from the charity for the year.

(f) Fund Accounting

Funds held by the charity are either:

Unrestricted general funds - these are funds which can be used in accordance with the charitable objects at the discretion of the directors.

Restricted funds - these are funds that can only be used for particular restricted purposes within the objects of the charity. Restrictions arise when specified by the donor or when funds are raised for restricted purposes.

## Notes on Accounts (Cont.)

## 2. Donations and Grants

Amounts received in the year to 31 March 2003 are as follows:

	2003 £	2002 £
Communities Scotland (formerly Scottish Homes )	-	4,000
The Scottish Executive	24,400	23,690
The Tudor Trust	10,000	10,000
Lloyds TSB Foundation for Scotland	-	3,039
	<u>34,400</u>	<u>40,729</u>

## 3. Investment Income

	2003 £	2002 £
Cash Investments	<u>214</u>	<u>207</u>

## 4. Activities for generating funds:

	2003 £	2002 £
Sales and fees	14,366	5,921
Membership fees	1,240	695
Conference delegates fees	1,325	-
Misc Income	-	99
	<u>16,931</u>	<u>6,715</u>

## 5. Cost of activities in furtherance of the charity's objects:

	Note	2003 £	2002 £
Salaries	7	37,744	34,993
Property		2,200	2,200
Print and Stationery		1,980	2,107
Postage and Telephone		2,137	1,148
Insurance		194	163
Meetings, travel and conference expenses		5,356	3,700
Subscriptions		174	-
Fees for external advice		181	390
		<u>49,966</u>	<u>44,701</u>

## 6. Management and administration of the charity:

	2003 £	2002 £
Depreciation	-	538
Audit	881	881
Legal and professional	363	270
Bank charges	30	16
Fees for external advice	2,400	2,400
	<u>3,674</u>	<u>4,105</u>

**Notes on Accounts (Cont.)****7. Salaries**

One full-time member of staff was employed during the course of the year. (2002 one).  
The expenditure figure is made up as follows:

	2003	2002
	£	£
Salaries and Benefits	31,698	29,320
National Insurance	2,283	2,201
Pensions	3,763	3,473
	<u>37,744</u>	<u>34,994</u>

No employee earned more than £50,000 in the year.

One member of staff has benefits accruing under a defined benefit pension scheme.

**8. Reserves**

The directors consider an unrestricted fund of about £12,000 is prudent for the efficient operation of the Service. This is to ensure that the commitments of the Service are protected by reserves and not solely dependent on current year funding.

The balance on the restricted fund represents monies received from Lloyds TSB to fund a fundraising consultant.

**9. Fixed Assets: Office equipment and furniture**

	£
<b>Cost:</b>	
Balance at 31 March 2002	<u>1,613</u>
Balance at 31 March 2003	<u>1,613</u>
<b>Depreciation:</b>	
Balance at 31 March 2002	1,613
Charge for year	<u>-</u>
Balance at 31 March 2003	<u>1,613</u>
Net book value at 31 March 2003	<u><u>-</u></u>
Net Book value at 31 March 2002	<u><u>-</u></u>

Depreciation: equipment and similar costs are written off over three years.

**10. Cash at bank and in hand**

	2003	2002
	£	£
Cash at bank	<u>4,330</u>	<u>12,655</u>

## Notes on Accounts (Cont.)

## 11. Debtors

	2003	2002
	£	£
Trade debtors	7,905	3,012
	<u>7,905</u>	<u>3,012</u>

## 12. Creditors

	2003	2002
	£	£
Accruals	2,330	1,755
Taxation and social security	-	-
	<u>2,330</u>	<u>1,755</u>

## 13. Pension scheme - Scottish Federation of Housing Associations

The Service participates in the SFHA Pension Scheme (the "Scheme"). The Scheme is a multi-employer defined benefit scheme. The scheme is funded and is contracted out of the state scheme.

The last formal valuation of the scheme was performed at 30 September 2000 by a qualified actuary using the "projected unit credit" method. The market value of the Scheme's assets at the valuation date was £128.7 million.

The Rural Housing Service paid contributions at the rate of 12.2% during the accounting period members contributions were 5% up to 31 March 2002 and will increase to 6% from 1 April 2002.

It is not possible to identify the share of underlying assets and liabilities belonging to individual participating employers.

Due to the nature of the scheme, the profit and loss account charge for the period under both SSAP24 and FRS17 represents the employer contribution payable.

Financial assumptions

The financial assumptions underlying the valuation were as follows:

	% per annum
Rate of return on future contributions	6.60
Rate of return on accumulated assets	5.17
Rate of salary increases	4.50
Rate of pension increases	2.50
Rate of price inflation	2.50

The accumulated assets of the Scheme were assumed to earn the same return as if they had been invested in a portfolio comprising 100% UK equities for non-pensioner liabilities and 50% UK equities/50% index-linked gilts for pensioner liabilities.

**Notes on Accounts (Cont.)****13. Pension scheme - Scottish Federation of Housing Associations (Cont.)**

The valuation revealed a shortfall of assets compared with the value of liabilities of some £24.0 million (equivalent to a past service funding level of 84%). The employer's ongoing future service contribution rate, after allowing for changes in benefits, were assessed as 9% of pensionable salaries. In view of the past service shortfall most employers (including the Rural Housing Service) are required to contribute at the rate of 12.2% of pensionable salaries in order to bring the value of assets and liabilities into balance. A small number of employers that have closed the scheme to new members are required to contribute at the rate of 14.2% to reflect the higher cost of a closed arrangement. Member contributions will be increased from 5% to 6% on 1 April 2002. On the basis of the valuation assumptions this pattern of contributions will be sufficient to eliminate the past service deficit by 30 September 2016.

The next valuation will be as at 30 September 2003 and the results will be available after June 2004.

**14. Financial Commitments**

At 31 March 2003 the company had annual commitments under non-cancellable operating leases as follows:

	2003 £	2002 £
<b>Expiry date:</b>		
Less than one year	-	-
Between one and five years	2,200	2,200
More than five years	-	-
	<u>2,200</u>	<u>2,200</u>