



**West  
Granton**

HOUSING CO-OPERATIVE

Rebuilding a Community

**WEST GRANTON HOUSING CO-OPERATIVE LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31<sup>st</sup> MARCH 2010**

**WEST GRANTON HOUSING CO-OPERATIVE LIMITED**

**26 Granton Mill Crescent, Edinburgh EH4 4UT**

*Tel: 0131 551 5035 Fax: 0131 551 7235 Email: mail@westgrantonhc.co.uk*

*West Granton Housing Co-operative Ltd. is a fully mutual co-operative housing association registered as a social landlord with the Scottish Housing Regulator (HAC 225) and as an Industrial & Provident Society with the Financial Services Authority - No. 2357RS.*

**WEST GRANTON HOUSING CO-OPERATIVE LIMITED**

**FINANCIAL STATEMENTS**

**For the year ended 31st March 2010**

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Registered Office :           26 Granton Mill Crescent  
  Edinburgh  
  EH4 4UT

Directors :                   Lorna Brown  
  Carole-Anne Black  
  Alistair Burnett  
  John Cavers  
  Marilyn Dickson  
  Mary Fergus  
  William Keegan  
  Leslie Llewellyn  
  Joseph Moir  
  George Thomson  
  Stuart Thomson

Secretary :                   Gerard Gillies

Bankers :                     Royal Bank of Scotland plc

Lenders :                    Nationwide Building Society (trading as Dunfermline Building Society)

Solicitors :                 T C Young  
  Aitken Nairn WS

Auditors :                   Chiene + Tait  
  Chartered Accountants & Statutory Auditor  
  61 Dublin Street  
  Edinburgh  
  EH3 6NL

**WEST GRANTON HOUSING CO-OPERATIVE LIMITED**  
**FINANCIAL STATEMENTS**  
**For the year ended 31st March 2010**

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**WEST GRANTON HOUSING CO-OPERATIVE LIMITED**  
**REPORT OF THE COMMITTEE OF MANAGEMENT**

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The Committee have pleasure in presenting their report on the Co-operative's affairs for the year ended 31<sup>st</sup> March 2010.

**Membership of the Management Committee**

Members of the Management Committee during the year and to the date of this report were:

Carole-Anne Black (co-opted 11<sup>th</sup> November 2009);

Lorna Brown (Chairperson);

Alistair Burnett (Vice Chairperson);

John Cavers;

Marilyn Dickson (Treasurer);

Mary Fergus;

William Keegan;

Leslie Llewellyn;

Joseph E. Moir;

George Thomson;

Stuart Thomson.

**Principle Activity**

The Co-operative's principle activity is the ownership and management of rented housing.

**Financial Results**

The operating surplus for the year to 31 March 2010 is £464,815 (2009: deficit of £43,137).

## **WEST GRANTON HOUSING CO-OPERATIVE LIMITED**

### **REPORT OF THE COMMITTEE OF MANAGEMENT (continued)**

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#### **OPERATING & FINANCIAL REVIEW**

##### **Business, Objectives & Strategy**

West Granton Housing Co-operative Limited (WGHC) is a Registered Social Landlord (RSL) operating in north west Edinburgh to provide affordable general needs rented housing. We receive capital subsidies towards building new stock but operate without (or with immaterial) revenue subsidies.

The principle objects of WGHC are to provide, construct, improve & manage housing for occupation by its members. To that end it may carry out any other activities which help it achieve these objects and/or are permitted by section 58(3) of the Housing Scotland Act 2001.

In the medium term the Committee of Management of the Co-operative have determined that our objects should be to continue to operate as an independent company and to expand our stock within the local area only if opportunities for the provision of low rise low density housing can be found. Our focus will be on sustaining our exceptionally high standards of management and maintenance of housing stock. Although a relatively small RSL WGHC strives to ensure that costs bear comparison with averages for the sector as a whole.

WGHC employs staff to carry out most day to day operations from our office premises in Granton Mill Crescent, Edinburgh which is at the heart of our stock. In addition we have approved lists of contractors, consultants and suppliers for maintenance works and specialist services. Most development services in relation to new housing developments are provided by Places for People Developments.

WGHC uses a range of measures to assess achievement of our objectives. These include: financial performance in relation to budgets and prior years; management and maintenance administration costs; staff costs as percentage of turnover; average time to relet; rent lost to voids; arrears, especially non technical arrears; and reactive repair completion times. Last but perhaps most important are indicators of tenant satisfaction.

Our performance targets and benchmarks are based on our own past performance, desired targets and the published performance of other Registered Social Landlords, especially our peers: urban RSLs with 250 to 500 units.

##### **Operations Review**

This was a very difficult year operationally with lengthy staff absences due to maternity leave and serious illnesses coinciding with completion and handover of 45 new flats. Temporary staff were brought in where possible but nevertheless the pressure on staff was intense. Some projects were delayed and some aspects of performance suffered.

Compared with the previous year turnover increased by 10%. This was due to the annual rent increase (which was 5%) combined with six month's income from the 45 new units.

Operating costs fell by 34%. This was mainly due to a much smaller planned maintenance programme in comparison to the previous year. Expenditure on planned maintenance fell from £561,642 to £94,225. These works are necessarily concentrated in some years and transfers to / from designated reserves are used to provide for this.

Reactive and voids maintenance works costs fell by 6% from £122,937 to £115,088 due to a reduction in spend on voids maintenance. Both the number of voids and costs per void reduced. Void costs had been exceptionally high in the previous year and the reduction is partly due to changes in void policy and procedures and partly to untypical circumstances in the previous year.

Management and maintenance administration costs rose by 15% from £338,369 to £388,751. These are made up of staff costs, office costs and other overheads.

**WEST GRANTON HOUSING CO-OPERATIVE LIMITED**

**REPORT OF THE COMMITTEE OF MANAGEMENT (continued)**

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Staff costs were 25% higher than the previous year. The biggest factor was temporary staff to cover increased workload and staff absences. Three staff were absent for 6, 3 and 2 months. Nevertheless staff costs were only 22% of turnover which was well below the last reported national median for Registered Social Landlords (RSLs) which was 25.2% (median for 2008-09 as reported by the Scottish Housing Regulator (SHR) in the 2010 RSL Financial Projections tables).

Office costs including depreciation were stable while other overheads fell by 10%. The main reasons were a reduction in the costs of insurance of the housing stock and housing management legal fees.

In total WGHC's management and administration costs were £1,023 per house which was 1.3% higher than the previous year (2009: £1,010). The reported average for Scottish RSLs with 250 to 1000 units for 2008-09 was £1,053 so WGHC's administration costs are below average. (Quoted average is from the financial tables on the SHR website).

There were 20 relets in the year compared to 25 in the previous year. The average time to relet was 20 days. This was well above our internal target of 10 days. While it is still well under the latest average for RSLs of 35 days it is above the average for our peer group of similar RSLs of 15 days (averages are from the RSL performance tables on the SHR website). We believe the reason was mainly the staff and workload problems already discussed and are addressing the issue.

£5,203 (0.4%) of rent and service charges was lost to voids of both new lets and relets (2009: £1,982, 0.2%). This was slightly above our internal target (0.3%) but less than our peer group average of 0.5% (SHR, *ibid*). The increase was mainly due to delays in letting the new stock. Handover dates were uncertain and most of the new flats necessarily had a short void period between handover and let.

Total arrears at 31<sup>st</sup> March 2010 were 3.2% of rent due compared with 2.6% the previous year. This figure includes "technical" arrears such as housing benefit payments paid in arrears by the local authority and is of limited use as a performance indicator.

Our key performance indicator is "non technical" arrears which is rents due from tenants and former tenants but withheld. At 31<sup>st</sup> March 2010 they amounted to 1.25% of rents due in the year (2009: 0.95%). This was above our internal performance benchmark of 1%. Arrears rose during the second and third quarters during the peak of both staff absences and workload. Progress in reducing arrears was made in the final quarter and continues. Arrears were still well below the latest average for our RSL peer group which was 2.74% for 2008-9 (calculated from SHR RSL performance tables). WGHC has had consistently low arrears which reflects well on internal controls and on the effort of both our staff and our tenants to minimise debt.

Most reactive repairs were completed within our very tight completion targets. 96% of emergency repairs were responded to within 3 hours; 100% of urgent repairs were completed within 2 days and 98% of routine repairs were completed within two weeks.

WGHC is fortunate in that most of our stock was built in the past 20 years. The Housing Quality Standard does not cause concern since all stock comfortably meets the standard. An independent stock condition survey was carried out for us by the Matheson Partnership in March 2006 and, based on this, a wholly revised planned maintenance programme was approved by our Committee in December 2006. The planned maintenance programme will be revised during 2010.

WGHC regularly surveys tenants to measure satisfaction across a range of activities. In the year under review 100% of tenants surveyed declared themselves satisfied or very satisfied with WGHC as a landlord (2009: 100%). Within this 82% said they were "very satisfied" (2009:88%) with WGHC as a landlord and 70% were "very satisfied" with the repairs service (2009: 69%).

Although the headline figures are pleasing WGHC takes care to look at the detail to highlight issues and problems. In the previous year stair cleaning and gardening contractors were changed partly as a result of declining levels of tenant satisfaction. It was pleasing that tenant satisfaction in both areas improved. 100% were "very satisfied" with our garden aid service for older and disabled tenants (2009: 45%) while 89% were "very satisfied" with stair cleaning (2009: 27%).

**WEST GRANTON HOUSING CO-OPERATIVE LIMITED**

**REPORT OF THE COMMITTEE OF MANAGEMENT (continued)**

As well as listening to our tenants we are committed to improving the information we issue to them. During the year WGHC produced a fully revised Tenant Handbook as well as issuing regular newsletters. As a fully mutual co-operative WGHC is also fortunate that its board consists entirely of tenants which gives us continual input and feedback from our tenants. This helps us to quickly identify and respond to problems.

All 90 flats in Forthquarter were completed by 30th September 2009. 45 flats were sold to Dunedin Canmore HA for £1,156,434 which was the estimated final cost to WGHC less grant. The other 45 flats were completed and handed over to us in 3 phases on 19th August, 2nd September and 30th September. The estimated final net cost to WGHC after grant is £1,200,000 which is around 5% less than budget. The partnership with Dunedin Canmore helps us to spread risk and tap into their experience in what is, for us, an unusually dense flatted development. Their factoring arm, New Horizons Property Services, will act as factor for common parts in the development.

WGHC is not dependent on growth to operate efficiently and we try to minimise the effect of changes in development programmes through effective risk management and a flexible and cautious approach to change.

While the year was, as noted, difficult we believe we came through it very well. WGHC increased its stock and continued to achieve high standards in service delivery. Short term issues relating to arrears and letting times were being addressed by the year end. Overall the period under review was a successful one in which the Co-operative continued to perform well in comparison with other RSLs.

**Financial Review**

The Co-operative's long term funding structure at 31st March 2010 was as follows:

Loan finance (repayable in more than one year)	£ 5,930,478
Share capital	£ 380
Reserves	£ 1,205,993
	<u>£ 7,136,851</u>

All our loan funding is from the Dunfermline Building Society (which is now a trading arm of the Nationwide Building Society). The total borrowing at 31st March 2010 was £6,085,755 which is the loan finance shown in the table together with £155,277 repayable in the next year. The loans are secured on 302 units of our housing stock of 380 units. We have a further facility of £500,000 on existing security. This was planned as part of the private finance for the 45 units at Forthquarter but savings, especially on interest payable, have allowed us to defer drawdown.

The financial background was uncertain and inflation rates fluctuated throughout the year. Interest rates fell in April 2009 and again in July 2009 and remained exceptionally low throughout the year.

As detailed in Note 14 of the financial statements around 39% of WGHC's loan funding was on a fixed rate of 5.28% in the year under review. The remainder was on 3 month Libor plus a margin of 30 points. WGHC therefore benefitted significantly from low rates with the average cost of borrowing only 2.9% compared to 5.44% the previous year. This was a saving of around £150,000 and contributed significantly to the surplus for the year which, at £289,165, was £175,000 more than budget.

Reserves at the end of the period amounted to £1,205,993 of which £741,500 is designated for use for future major repairs, cyclical maintenance and replacement of furnishings in furnished flats. This is an increase of £187,000 in designated reserves.

Interest cover at 31st March 2010 was 271% (2009: 140%) using the definition of the ratio agreed with our lenders, Dunfermline Building Society. This reflects our ability to cover the interest on our loans. This level is well above our covenanted interest cover of 110% (the "covenanted" level is the minimum we have agreed to maintain in loan agreements with the Dunfermline Building Society).

Despite the uncertain external financial environment WGHC's financial position was strong. Turnover increased, expenditure in the year was well within budgets and we benefited greatly from low interest rates.

## **WEST GRANTON HOUSING CO-OPERATIVE LIMITED**

### **REPORT OF THE COMMITTEE OF MANAGEMENT (continued)**

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#### **Conclusions**

The year was very busy with the addition of new stock. As noted staff absences made it a difficult year operationally. WGHC nevertheless continued to maintain excellent levels of service to our tenants. High standards of maintenance continued to ensure satisfaction with and demand for our housing. Performance indicators, comparisons with other RSLs and budget comparisons are generally very satisfactory. The very few exceptions to this highlighted in the review are being addressed.

We continue to take steps to minimise risk across all our activities with particular emphasis on treasury management. This contributed to substantial savings on interest payable in the year.

We believe that the Co-operative remains organisationally and financially in a very strong position.

#### **Post Balance Sheet Events**

There were no significant post balance sheet events.

#### **Going Concern**

After making enquiries, the management committee has a reasonable expectation that the Co-operative has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

#### **Internal Financial Control**

The Management Committee are pleased to report that the Co-operative has been in full compliance throughout the year with Chapter 5 "Internal Audit" of "Raising Standards in Housing" which is published by the SFHA and sets out best practice for Housing Associations.

The Management Committee acknowledge their ultimate responsibility for ensuring that the Co-operative has in place a system of controls that is appropriate to the various business environments in which it operates. These controls are designed to give reasonable assurance with regard to:

- the reliability of financial information used within the Co-operative or for publication;
- the maintenance of proper accounting records;
- the safeguarding of assets against unauthorised use or disposition.

It is the responsibility of the Management Committee to establish and maintain systems of internal financial control. Such systems can only provide reasonable, and not absolute, assurance against financial misstatement or loss. Key elements include ensuring that:

- formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Co-operative's assets;
- experienced and qualified staff take responsibility for important business functions;
- forecasts and budgets are prepared to allow the Committee and management to monitor the key business risks and financial objectives, and progress towards financial plans set for the year and the medium term;
- regular financial reports are prepared promptly, providing up to date financial and other information and significant variances are investigated as appropriate;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation by the Management Committee;
- the Management Committee reviews reports from management, and from the external auditor to provide reasonable assurance that control procedures are in place and are being followed. This includes a general review of the major risks facing the Co-operative;
- formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.



**WEST GRANTON HOUSING CO-OPERATIVE LIMITED**

**REPORT OF THE COMMITTEE OF MANAGEMENT (continued)**

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The Management Committee has reviewed the effectiveness of the system of internal financial control in existence in the Co-operative for the year ended 31 March 2010 and until 11 August 2010. No weaknesses were found in internal financial controls which resulted in material losses, contingencies, or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

**Statement of the Management Committee's Responsibilities in Respect of the Financial Statements**

Housing Association legislation requires the Committee of Management to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Co-operative and of the income and expenditure of the Co-operative for that period. In preparing those financial statements the Committee 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 Co-operative will continue in business.

The Committee is responsible for ensuring that arrangements are made for keeping proper books of account with respect to the Co-operative's transactions and its assets and liabilities and for maintaining a satisfactory system of control over the Co-operative's books of account and transactions. The Committee is also responsible for safeguarding the assets of the Co-operative and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Auditor**

A resolution to re-appoint Chiene + Tait as auditor for the ensuing year will be proposed at the Annual General Meeting.

**BY ORDER OF THE COMMITTEE**



**Gerard Gillies B.Sc. M.Phil. MCIH**

**Secretary & CEO**

**11 August 2010**

**WEST GRANTON HOUSING CO-OPERATIVE LIMITED**  
**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**  
**WEST GRANTON HOUSING CO-OPERATIVE LIMITED**

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We have audited the financial statements of West Granton Housing Co-operative Limited for the year ended 31 March 2010 set out on pages 11 to 24. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the co-operative'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 co-operative's members those matters we are required to state to them in an auditors' 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 co-operative and the co-operative's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of the management committee and auditors**

The Management Committee's Responsibilities for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of the Management Committee's Responsibilities.

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 Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. We also report to you if, in our opinion, a satisfactory system of control over transactions has not been maintained, if the co-operative has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Management Committee's 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 Board in the preparation of the financial statements, and of whether the accounting policies are appropriate to the co-operative'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.

**Opinion**

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the co-operative's affairs as at 31 March 2010 and of its surplus for the year then ended and have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

**WEST GRANTON HOUSING CO-OPERATIVE LIMITED**  
**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**  
**WEST GRANTON HOUSING CO-OPERATIVE LIMITED (continued)**

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**Corporate Governance**

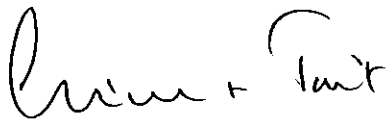
In addition to the audit of the financial statements, we have reviewed the Management Committee's statement concerning internal financial control made under "The Code of External Audit Practice" contained within the publication "Raising Standards in Housing" which is the guidance issued by the Scottish Federation of Housing Associations. The object of our review is to draw attention to non-compliance with the guidance.

**Basis of Opinion**

We carried out our review in accordance with guidance issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the co-operative's system of internal financial control or its corporate governance procedures.

**Opinion**

With respect to the Management Committee's statements on internal financial control, in our opinion the committee has provided the disclosures required by the guidance and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.



CHIENE + TAIT

Chartered Accountants and Statutory Auditor

61 Dublin Street

Edinburgh EH3 6NL

20 August 2010

**WEST GRANTON HOUSING CO-OPERATIVE LIMITED**  
**INCOME & EXPENDITURE ACCOUNT**  
**FOR THE YEAR ENDING 31 MARCH 2010**

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	Note	2010 £	2009 £
Turnover	1	1,248,132	1,137,019
less: operating costs	1	<u>(783,317)</u>	<u>(1,180,156)</u>
Operating surplus / (deficit)	1	464,815	(43,137)
Interest receivable		1,842	13,004
Interest payable	8	<u>(173,030)</u>	<u>(292,782)</u>
Other finance costs		<u>(4,075)</u>	<u>-</u>
		<u>(175,263)</u>	<u>(279,778)</u>
Surplus / (deficit) on ordinary activities before taxation		289,552	(322,915)
Tax on surplus on ordinary activities	9	<u>(387)</u>	<u>(2,731)</u>
Surplus / (deficit) for the year	19	<u>289,165</u>	<u>(325,646)</u>

There were no recognised gains or losses other than the surplus for the year.

The above results relate wholly to continuing activities.


The notes on pages 14 to 24 form part of the financial statements.

**WEST GRANTON HOUSING CO-OPERATIVE LIMITED**


**BALANCE SHEET AT 31 MARCH 2010**

	Notes	2010 £	2009 £
Tangible fixed assets			
Housing properties - depreciated cost	10	26,898,246	25,864,015
less: HAG		(18,403,412)	(18,350,042)
less: Other public grants		<u>(1,573,734)</u>	<u>(1,531,548)</u>
		6,921,100	5,982,425
Other fixed assets	10	<u>300,310</u>	<u>308,772</u>
		7,221,410	6,291,197
Current assets			
Work in progress	11	-	90,552
Debtors	12	60,939	438,220
Cash in hand and in bank		245,282	568,520
		<u>306,221</u>	<u>1,097,292</u>
Creditors: amounts falling due within one year	13	<u>(390,780)</u>	<u>(825,964)</u>
Net current (liabilities) / assets		<u>(84,559)</u>	<u>271,328</u>
Total assets less current liabilities		7,136,851	6,562,525
Creditors: amounts falling due after more than one year	14	<u>(5,930,478)</u>	<u>(5,645,362)</u>
		<u>1,206,373</u>	<u>917,163</u>
Capital and reserves			
Share capital	15	380	335
Designated reserves	19	741,500	554,500
Revenue reserve	19	464,493	362,328
		<u>1,206,373</u>	<u>917,163</u>

The financial statements were approved by the Management Committee on 11/08/2010

.....  Secretary

.....  Chairperson

.....  Treasurer

The notes on pages 14 to 24 form part of the financial statements.

**WEST GRANTON HOUSING CO-OPERATIVE LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 MARCH 2010**

	Note	2010		2009	
		£	£	£	£
Net cash inflow from operating activities	20		583,845		184,555
Returns on investments & servicing of finance					
Interest paid & other finance costs		<u>(177,105)</u>		<u>(292,782)</u>	
Net cash outflow from returns on investments & servicing of finance			(177,105)		(292,782)
Taxation					
Corporation tax paid		<u>(2,731)</u>		<u>(3,943)</u>	
Net cash outflow on taxation			(2,731)		(3,943)
Capital expenditure and financial investment					
Acquisition and construction of properties		(1,538,959)		(2,074,958)	
Purchase of other fixed assets		(10,682)		(128,091)	
Capital grants received		<u>290,087</u>		<u>2,043,473</u>	
Net cash outflow from capital expenditure			(1,259,554)		(159,576)
Net cash outflow before use of liquid resources and financing			(855,545)		(271,746)
Management of liquid resources			1,842		13,004
Financing					
Share capital issued		45		-	
Loan advances received		725,270		750,062	
Loan repayments	21	<u>(194,850)</u>		<u>(130,380)</u>	
Net cash inflow from financing			530,465		619,682
(Decrease) / increase in cash for the period	22		<u><u>(323,238)</u></u>		<u><u>360,940</u></u>

The notes on pages 14 to 24 form part of the financial statements.

## WEST GRANTON HOUSING CO-OPERATIVE LIMITED

### PRINCIPLE ACCOUNTING POLICIES

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#### Introduction and accounting basis

These accounts are prepared under the historical cost convention and in accordance with applicable accounting standards and the *Statement of Recommended Practice (SORP): Accounting by registered social landlords* as updated in January 2008 and with *The Registered Social Landlords Accounting Requirements (Scotland) Order 2007*. A summary of the principal accounting policies is set out below.

#### Turnover

Turnover represents rental income, revenue based grants and miscellaneous income. Grants are recognised from the date a claim is submitted and miscellaneous income from date of receipt. Rents are charged weekly and are generally recognised in the accounts as of the Monday.

#### Retirement Benefits

WGHC participates in the centralised SFHA defined benefits scheme which is administered by the Pension Trust. Retirement benefits to employees are funded by contributions from all participating employers and employees. Contributions are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across all participants taken as a whole. The charge to the Income & Expenditure Account is the actual contribution payable in the year.

#### Housing Properties

Housing properties are shown at historical cost net of depreciation and Housing Association Grant (HAG).

#### Depreciation

Depreciation is charged on a straight line balance over the expected remaining useful life of fixed assets.

The amount depreciated is the historical cost of construction net of any grants and net of the residual land value (the historical cost of the land net of attributable grants). No depreciation is charged where properties are acquired in the final quarter of the year, otherwise full depreciation is charged from the year of acquisition.

#### Housing Properties

New Build houses (369 units)	over 50 years from practical completion
Renovated houses (2 units)	over 46 years from practical completion
Renovated Flats (9 units)	over 25 years from practical completion

#### Other Fixed Assets

Office	over 50 years from practical completion
Fixtures & Fittings	over 4 years from acquisition
Office Equipment	over 4 years from acquisition
Flat Furnishings	over 6 years from acquisition

Individual items of less than approximately £100 are charged to operating costs and not depreciated.

#### Works to Existing Housing Properties & Capitalisation of Major Works

Works which improve housing properties or prolong their life or significantly reduce the maintenance costs may be capitalised and added to the historic costs. Where these works add to or significantly improve the properties this will be reflected in an increase in rents. Works to adapt properties for the use of people with disabilities are not capitalised and are not reflected in rents.

## **WEST GRANTON HOUSING CO-OPERATIVE LIMITED**

### **PRINCIPLE ACCOUNTING POLICIES**

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#### **Housing Association Grant & other grants**

Housing Association Grant and other grants received are usually paid direct to the Co-operative and are reflected in the accounts when due to be recovered. These grants are deducted from the cost of fixed assets where they contribute to capital expenditure on either housing properties or other fixed assets. HAG is repayable under certain circumstances, primarily following sale of property, but will normally be restricted to net proceeds of sale.

Grants are credited to the Income and Expenditure Account as part of Turnover where they contribute to revenue expenditure.

#### **Work in Progress**

WGHC contracted to build 90 flats at Forthquarter. These were completed in phases between June and September 2010. WGHC retained 45 flats which are included in fixed assets.

The other 45 were transferred to Dunedin-Canmore Housing Association at estimated final cost less grant. The cost net of grant of the other 45 is included in current assets as work in progress in the year to March 31<sup>st</sup> 2009. As at 31<sup>st</sup> March 2010 the receipt from Dunedin Canmore was £5,534 more than cost less grant to that date. This is shown in the accounts as a current liability. Final accounts on the project are expected to be agreed during 2010-11.

#### **Capitalisation of Development Overheads**

Costs arising from the construction or acquisition of housing properties are capitalised. These include fees, staff costs and other directly attributable costs necessary to bring the property to its intended use.

#### **Capitalisation of Interest**

Interest on loans financing developments are capitalised up to the date of practical completion. After that date interest is charged to the Income & Expenditure Account.

#### **Designated Reserves**

The Co-operative carries out programmes of cyclical maintenance and major repairs over the lives of its properties. Expenditure varies from year to year in accordance with this programme. Funds are set aside in designated reserves for future major repairs and cyclical maintenance expenditure on all housing properties.

An annual provision is agreed by Committee for both major repairs and cyclical maintenance. Where expenditure in the year will be less than provision Committee will agree a transfer to designated reserves. Where expenditure is more than provision Committee will agree a transfer from designated reserves to the revenue reserve.

Designated reserves also include a sinking fund for replacement of furnishings in furnished flats.

#### **Furnished Flats and Service Charge Sinking Fund**

The Co-operative has a number of part furnished flats. Most of the initial cost of furnishings (which may include white goods and/or carpets and/or window blinds) was grant funded. In accordance with grant conditions a sinking fund was established within designated reserves for first replacement of the furnishings. The fund was provided for from the service charge over the first five years.

As furnishings are being replaced the sinking fund is being wound up. Committee have agreed transfers from the sinking fund to the revenue reserve which will see the fund end on 31<sup>st</sup> March 2011.

Replacement furnishings are shown at cost and depreciated over 6 years.

#### **Taxation**

As a fully mutual co-operative housing association, under s488 of the Income & Corporation Tax Act the Co-operative is only liable for tax on investment income. The Co-operative is not eligible for grant towards corporation tax.



**WEST GRANTON HOUSING CO-OPERATIVE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**1 TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT**

	Turnover 2010 £	Operating Costs 2010 £	Operating Surplus / (Deficit) 2010 £	Operating Surplus / (Deficit) 2009 £
Social lettings	1,248,113	783,317	464,796	(43,161)
Other activities	19	-	19	24
<b>Total 2010</b>	<b>1,248,132</b>	<b>783,317</b>	<b>464,815</b>	<b>(43,137)</b>
<b>Total 2009</b>	<b>1,137,019</b>	<b>1,180,156</b>	<b>(43,137)</b>	

**2 PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM SOCIAL LETTING ACTIVITIES**

	2010 £	2009 £
Rents receivable net of service charges	1,217,021	1,109,896
Service charges	35,858	28,388
Gross income from rents and service charges	1,252,879	1,138,284
Less voids	(5,203)	(1,982)
Net income from rents and service charges	1,247,676	1,136,302
Grants from Scottish Ministers	437	693
<b>Total turnover from social letting activities</b>	<b>1,248,113</b>	<b>1,136,995</b>
Management and maintenance administration costs	388,751	338,369
Service costs	29,507	23,281
Planned and cyclical maintenance including major repairs costs	94,648	561,643
Reactive maintenance costs	115,088	122,937
Bad debts - rents and service charges	1,673	626
Depreciation of social housing	153,650	133,300
<b>Operating costs for social letting activities</b>	<b>783,317</b>	<b>1,180,156</b>
<b>Operating surplus / (deficit) for social letting</b>	<b>464,796</b>	<b>(43,161)</b>

Turnover from social lettings includes £437 of grant (2009: £693) towards administration costs arising from carrying out "stage 3" adaptations to houses for elderly or disabled tenants.

The only activity undertaken is General Needs Housing. There is no Supported Housing Accommodation, Shared Ownership Housing or Other Activities in relation to Social Letting Activities. Within General Needs Housing no Other Revenue Grants were received nor Impairment of Social Housing recognised.

Operating costs are shown in accordance with guidance from the Scottish Housing Regulator. The division of costs between Management and Maintenance Administration costs and Service costs in the year to 2009 has been adjusted to reflect SHR advice that administration costs relating to the provision of services financed by service charges should be shown as part of service costs.

**WEST GRANTON HOUSING CO-OPERATIVE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**3 PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM OTHER ACTIVITIES**

	Turnover 2010 £	Operating Costs 2010 £	Operating Surplus 2010 £	Operating Surplus 2009 £
Other activities 2010	19	-	19	24
Total from other activities 2009	24	-	24	

There are no other activities under the Registered Social Landlords Accounting Requirements (Scotland) Order 2007 to report. Turnover from other activities consisted solely of £1 shares which are retained by the Co-operative when a membership ceases.

**4 ESTABLISHMENT OF REGISTERED SOCIAL LANDLORD**

West Granton Housing Co-operative Limited (WGHC) was founded in 1990. It is a fully mutual co-operative housing association and is registered under the Housing Scotland Act 2001 as a Registered Social Landlord (RSL) with the Scottish Housing Regulator (Registration No. 225).

WGHC is a not for profit company registered under the Industrial & Provident Societies Act 1965 with the Financial Services Authority (Registration No. 2357R(S)).

WGHC's principle objects are to provide, construct, improve & manage housing for occupation by its members. To that end it may carry out any other activities which help it achieve these objects and/or are permitted by section 58(3) of the Housing Scotland Act 2001.

**5 OFFICER'S EMOLUMENTS**

There were no officers with emoluments of more than £60,000 during the period of account. The emoluments of the chief executive officer, excluding pension contributions, were £44,973 (2009: £43,590). No expenses were paid to officers which were chargeable to United Kingdom tax.

No compensation was paid to officers or former officers for loss of office nor was any consideration payable to third parties for making available any person to perform the role of officer.

**6 EMPLOYEE INFORMATION**

	2010	2009
	No.	No.
Average full time equivalent employees in the year	7	7
Average total number of employees in the year	9	8
Staff costs during the year:	2010	2009
	£	£
Wages & salaries	199,208	185,147
Social security costs	8,279	14,141
Pension costs	22,898	20,354
Temporary, seconded and agency staff	47,624	-
	<u>278,009</u>	<u>219,642</u>

**WEST GRANTON HOUSING CO-OPERATIVE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

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<b>7 AUDITORS</b>	2010	2009
	£	£
Remuneration payable to Chiene + Tait as auditors	4,194	3,707
Remuneration payable to Chiene + Tait for IT services	161	3,655
Remuneration payable to Chiene + Tait for tax advice	1,288	-

**8 INTEREST PAYABLE**

	2010	2009
	£	£
On building society mortgage.	<u>173,030</u>	<u>292,782</u>

There was no deferred interest.

Taxes were paid on time therefore there was no interest charged for late payment of taxation.

**9 TAX ON SURPLUS ON ORDINARY ACTIVITIES**

	2010	2009
	£	£
Tax charged represents UK corporation tax on bank interest.	<u>387</u>	<u>2,731</u>

There was no under provision in the previous periods and there was no charge to deferred tax.

**WEST GRANTON HOUSING CO-OPERATIVE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**10 TANGIBLE FIXED ASSETS**

	Houses held for letting	Properties under construction	Office	office equipment	Office furniture & fittings	flats white goods & fittings	Total
At 31st March 2009	22,612,488	3,997,317	310,006	27,248	10,796	12,885	26,970,740
Additions during year	28,353	1,159,528	(93)	3,051	916	1,265	1,193,020
Disposals	-	-	-	(3,821)	-	-	(3,821)
Transfers	5,156,845	(5,156,845)	-	-	-	-	-
At 31st March 2010	27,797,686	-	309,913	26,478	11,712	14,150	28,159,939
<b>Housing Development Grants:</b>							
At 31st March 2009	15,989,027	3,892,563	-	-	-	1,755	19,883,345
Additions during year	2,384	93,172	-	-	-	-	95,556
Disposals	-	-	-	-	-	-	-
Transfers	3,985,735	(3,985,735)	-	-	-	-	-
At 31st March 2010	19,977,146	-	-	-	-	1,755	19,978,901
<b>Depreciation</b>							
At 1 April 2009	745,790	-	18,300	20,476	8,248	3,384	796,198
Provided in the year	153,650	-	6,600	4,149	1,093	1,759	167,251
Disposals	-	-	-	(3,821)	-	-	(3,821)
At 31st March 2010	899,440	-	24,900	20,804	9,341	5,143	959,628
<b>Net book value:</b>							
At 31st March 2010	6,921,100	-	285,013	5,674	2,371	7,252	7,221,410
<b>Net book value:</b>							
At 31 March 2009	5,877,671	104,754	291,706	6,772	2,548	7,746	6,291,197

All land included in fixed assets is owned by the Co-operative.

During the year to 31st March 2010, 45 flats under construction at Colonsay Close and Waterfront Park, Forthquarter, Edinburgh were completed and let. Houses held for letting at 31st March 2010 consisted of 380 units (2009:335).

During the year to 31st March 2010 a total of £209,736 was spent on works to existing properties (2009: £683,620). All of this was planned or reactive maintenance charged as operating costs. No works were capitalised. Additions to the historic cost of houses held for letting results from adjustments to final accounts of works and fees for completed projects.

**WEST GRANTON HOUSING CO-OPERATIVE LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)****11 WORK IN PROGRESS**

WGHC developed a total of 90 flats at Forthquarter, Edinburgh which were completed in September 2009. 45 were transferred on completion to Dunedin Canmore Housing Association (DCHA) in return for the estimated development cost less grants received. Any obligations arising from the grants received have been assigned to Dunedin Canmore.

At 31<sup>st</sup> March 2010 the amount paid by DCHA was £5,534 more than costs accrued to that date. This is shown in current liabilities. Final accounts are expected to be concluded in 2010.

	2010	2009
	£	£
Development cost	5,136,634	3,983,115
Less: HAG	(2,412,000)	(2,361,015)
Less: Other public grants	(1,573,734)	(1,531,548)
Less received from DCHA	(1,156,434)	-
Amount transferred to liabilities	5,534	-
NBV at 31st March 2010	<u>-</u>	<u>90,552</u>

**12 DEBTORS**

	2010	2009
	£	£
Gross rent arrears	56,466	46,348
Provision for bad and doubtful debts	<u>(2,500)</u>	<u>(2,500)</u>
Net rent arrears	53,966	43,848
Housing Grants	-	388,123
Other debtors	2,571	2,649
Prepayments & accrued income	<u>4,402</u>	<u>3,600</u>
	<u>60,939</u>	<u>438,220</u>

In 2010 and 2009 other debtors are shown net of a provision for doubtful debts of £2,000.

**13 CREDITORS - amount falling due within one year**

	2010	2009
	£	£
Mortgage	155,277	148,000
Social security and other taxes	7,609	4,757
Corporation tax	387	2,731
Other creditors and accruals	208,719	660,480
Prepayment by DCHA for forthquarter flats	5,534	-
Rent paid in advance	<u>13,254</u>	<u>9,996</u>
	<u>390,780</u>	<u>825,964</u>

**WEST GRANTON HOUSING CO-OPERATIVE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**14 CREDITORS - amount falling due after more than one year:**

	2010	2009
	£	£
Retentions on building contracts	-	238,027
Mortgage	5,930,478	5,407,335
	<u>5,930,478</u>	<u>5,645,362</u>

The housing loans from the Dunfermline Building Society are secured by specific charges on 302 of the 380 housing properties and are repayable in instalments as follows assuming interest rates of 5%.

	2010	2009
	£	£
In one year or less	155,277	148,000
Between one and two years	163,221	156,000
Between two and five years	541,499	523,000
In five years or more	5,225,758	4,728,335
	<u>6,085,755</u>	<u>5,555,335</u>

£2,385,415 of the housing loans is on a fixed rate of 5.28% until January 2011. It will then revert to 3 months LIBOR plus a margin of 30 points which is the rate applying to the remaining loans. The average rate of borrowing in the year to 31st March 2010 was 2.9%.

**15 SHARE CAPITAL**

	2010	2009
	£	£
Allotted, issued and fully paid ordinary shares of £1 each.	380	335

All Co-operative tenants are members and each has one share. There are no rights to a dividend, the share cannot be redeemed nor can it be distributed on winding up. Each shareholder has one vote at general meetings of the Co-operative.

**16 ACCOMMODATION OWNED AND MANAGED**

	2010	2009
Housing properties owned and managed by the Co-operative	380	335

No housing properties were managed for the Co-operative by another body.

**WEST GRANTON HOUSING CO-OPERATIVE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**17 CAPITAL COMMITMENTS**

Final accounts have still to be agreed for two housing projects: 11 flats at West Pilton Bank completed in February 2008 and 45 flats at Forthquarter completed in September 2010. It is anticipated that the resolution of final accounts should not add more than £20,000 to the capital cost of these projects.

**18 CONTINGENT LIABILITIES**

As highlighted in Note 25 Pension Scheme: in respect of the SFHA Scheme Standard Employers there is a potential debt on WGHC that could be levied by the Trustee of the Scheme in the event of WGHC ceasing to participate in the Scheme or the Scheme winding up. This debt has been calculated as at 30 September 2009 by the SFHA Pension Scheme at £822,822.77.

**19 DESIGNATED RESERVES**

In line with the designated reserves accounting policy, provision is made in designated reserves for cyclical maintenance, major repairs and the furnished flats sinking fund by way of transfers to or from the revenue reserve.

In the year to 31<sup>st</sup> March 2010 Committee agreed:

- to transfer £170,000 to the designated reserve for future major repairs;
- to transfer £27,000 to the designated reserves for future cyclical maintenance
- to transfer £10,000 from the furnished flat sinking fund to the revenue reserve. This fund will be wound up in March 2011.

	Designated Reserves				Total £
	Revenue reserve £	Cyclical Maintenance £	Major Repairs £	Furnished Flats Sinking fund £	
At 31 March 2009	362,328	85,000	448,000	21,500	916,828
Surplus for the year	289,165	-	-	-	289,165
Transfer (from) / to income & expenditure account	(187,000)	27,000	170,000	(10,000)	-
At 31 March 2010	<u>464,493</u>	<u>112,000</u>	<u>618,000</u>	<u>11,500</u>	<u>1,205,993</u>

**WEST GRANTON HOUSING CO-OPERATIVE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**20 RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	2010	2009
	£	£
Operating surplus /(deficit) for year	464,815	(43,137)
Depreciation charges	167,251	147,911
Decrease / (increase) in work in progress	90,552	(36,748)
Decrease / (increase) in debtors	182,750	(213,592)
(Decrease) / increase in creditors	<u>(321,523)</u>	<u>330,121</u>
Net cash inflow from operating activities	<u><u>583,845</u></u>	<u><u>184,555</u></u>

**21 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

	2010	2009
	£	£
(Decrease) / increase in cash	(323,238)	360,940
Cash inflow from loans raised	(725,270)	(750,062)
Cash outflow from loan repayments	<u>194,850</u>	<u>130,380</u>
Change in net debt resulting from cash flows	<u>(853,658)</u>	<u>(258,742)</u>
Net debt at 1 April 2009	<u>(4,986,815)</u>	<u>(4,728,073)</u>
Net debt at 31 March 2010	<u>(5,840,473)</u>	<u>(4,986,815)</u>

**22 ANALYSIS OF CHANGES IN NET DEBT**

	at 1 April 2009	Cash flows	Other changes	at 31 March 2010
	£	£	£	£
Cash in hand and at bank	568,520	(323,238)	-	245,282
Debt due within one year	(148,000)	-	7,277	(140,723)
Debt due after one year	<u>(5,407,335)</u>	<u>(530,420)</u>	<u>(7,277)</u>	<u>(5,945,032)</u>
	<u>(4,986,815)</u>	<u>(853,658)</u>	-	<u>(5,840,473)</u>

**23 RELATED PARTY TRANSACTIONS**

All members of the Committee are tenants. Their tenancies are on the Co-operative's normal terms and membership of the Committee confers no additional benefits.

**24 POST BALANCE SHEET EVENTS**

There were no significant post balance sheet events.



**WEST GRANTON HOUSING CO-OPERATIVE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

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**25 PENSION SCHEME**

West Granton Housing Co-operative Limited participates in the SFHA Pension Scheme ('the Scheme'). The Scheme is funded and is contracted-out of the State Pension scheme.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to an individual participating employer as the Scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total Scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the Scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

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, so that the Scheme can meet its pension obligations as they fall due.

The last formal valuation of the Scheme was performed as at 30 September 2006 by a professionally qualified Actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £268 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £54 million, equivalent to a past service funding level of 83.4%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2008. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed a decrease in the assets of the Scheme to £265 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £149 million, equivalent to a past service funding level of 63.9%.

The current triennial formal valuation of the Scheme, as at 30 September 2009, is being undertaken by a professionally qualified Actuary. The results of the valuation will be available in Autumn 2010.

Following a change in legislation in September 2005 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.

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.

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 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.

West Granton Housing Co-operative Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the SFHA Pension Scheme based on the financial position of the Scheme as at 30 September 2009. As of this date the estimated employer debt for West Granton Housing Co-operative Limited was £822,882.77.