



**WEST GRANTON HOUSING CO-OPERATIVE LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31<sup>st</sup> MARCH 2012**

**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](mailto: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 a co-operative with the Financial Services Authority - No. 2357RS.*

**WEST GRANTON HOUSING CO-OPERATIVE LIMITED**

**FINANCIAL STATEMENTS**

**For the year ended 31st March 2012**

---

Registered Office :           26 Granton Mill Crescent  
  Edinburgh  
  EH4 4UT

Directors :                    Lorna Brown  
  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  
  109/109a George Street, Edinburgh EH2 4JW

Lenders :                    Nationwide Building Society (trading as Dunfermline Building Society)  
  Caledonia House, Carnegie Avenue, Dunfermline KY11 8PJ

Solicitors :                   T C Young  
  Melrose House, 69a George Street, Edinburgh EH2 2JG

  Aitken Nairn WS  
  7 Abercromby Place, Edinburgh EH3 6LA

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 2012**

---

<b>CONTENTS</b>	<b>Page</b>
<b>Report of the Committee of Management</b>	<b>3 – 8</b>
<b>Report of the Independent Auditor</b>	<b>9 - 10</b>
<b>Income &amp; Expenditure Account</b>	<b>11</b>
<b>Statement of Total Recognised Surpluses and Deficits</b>	<b>11</b>
<b>Balance Sheet</b>	<b>12</b>
<b>Cash Flow Statement</b>	<b>13</b>
<b>Principal Accounting Policies</b>	<b>14 - 15</b>
<b>Notes to the financial statements</b>	<b>16 - 24</b>

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

---

The Committee have pleasure in presenting their report on the Co-operative's affairs for the year ended 31<sup>st</sup> March 2012.

**Membership of the Management Committee**

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

Lorna Brown (Chairperson);

Stuart Thomson (Vice Chairperson)

Marilyn Dickson (Treasurer);

Alistair Burnett;

John Cavers;

Mary Fergus;

William Keegan;

Leslie Llewellyn;

Joseph E. Moir;

George Thomson.

**Principal Activity**

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

**Financial Results**

The operating surplus for the year to 31 March 2012 is £341,261 (2011: £332,400 as restated).

**OPERATING & FINANCIAL REVIEW**

**Operating 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.

WGHC was founded in 1990. Almost all of our housing stock of 380 houses and flats are new build. The first were completed in 1993, the most recent in October 2009. 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.

The principle objects of WGHC, as set out in its registered rules, are to provide, construct, improve and manage housing for occupation by our 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. Our rules also state that we shall not trade for profit and that members may not purchase the houses.

The Committee of Management of the Co-operative regularly reviews our goals and has confirmed in its most recent Business Plan that the business strategy for the medium term is to:

- Retain our independence.
- Keep rents as low as possible.
- Improve tenant participation and information.
- Ensure high levels of performance in all our activities.
- Review and revise policy, procedures and practice to incorporate legal and regulatory changes.
- Maintain and improve our housing stock to high standards to ensure that they remain in high demand.

The focus in the past year was on the management and maintenance of our existing stock and on reviewing policy and introducing new accounting requirements.

During the year we surveyed 20% of our homes in relation to the Scottish Housing Quality Standard. All stock will be surveyed by 2015. The only issue arising is that a small number of houses and flats have marginally less food storage than required by the SHQS. In many cases this is a result of tenants choosing to maximise space within kitchens for white goods at the expense of kitchen units. WGHC is installing additional units where requested but in other cases will seek abeyances or exceptions. The costs involved will be relatively small. Most of WGHC's housing stock is new build and it is kept in good repair. The introduction of the SHQS has therefore had only a very limited impact on WGHC.

Component accounting was introduced in the year. Expenditure on replacing certain components of houses is now capitalised and depreciated over their useful life. Deprecation was recalculated back to the date houses were completed or acquired. The components are structure, central heating systems excluding boilers, boilers, kitchens, bathrooms, windows, external doors, external render and lifts. This was a major piece of work with the number of housing assets being individually depreciated increasing from 380 to 3,300.

This review will now look at significant features of performance and efficiency in the period covered by these financial statements.

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

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

---

#### **Operating Review: income and expenditure**

Turnover increased by 5% compared to the previous year while operating costs increased by 6%. The effect was an increase in operating surplus of 2.7%. After finance costs and tax the surplus was £178,510, an increase of 3%.

Income and Expenditure is broken down in Notes 2 and 3 of these financial statements. Rents increased by 5% compared with the previous year. Service charges increased, on average, by 14%.

Operating costs for social letting activities rose by 6%. Changes in costs are reviewed below in the order shown in Note 2.

Management and maintenance administration costs include staff costs, office costs and other overheads. This is a key performance indicator (KPI) used by the Scottish Housing Regulator (SHR). In 2011/12 WGHC's costs were £1,086 per house, 7% higher than the previous year (2011: £1,017). The reported average for Scottish Registered Social Landlords (RSLs) the previous year (2010/11) was £1,020 (from the benchmarking tables on the SHR website). So WGHC's administration costs are at or below the average. This is despite WGHC being one of the smaller RSLs in Scotland.

Expenditure on housing related services (stair cleaning, garden aid, furnished tenancies etc.) rose by 14%. The biggest increase was for services to the 45 flats at Forthquarter (22%). These include a range of costs relating to communal alarms, lifts etc. which might be better included within rent. This could help avoid extreme increases in charges. Service charge policy will be reviewed in 2012.

Planned and cyclical maintenance costs were slightly less (-2.5%) than the previous year. The programme of planned maintenance varies annually. The single biggest difference was a smaller external painterwork programme in 2011/12 compared to the previous year.

Reactive maintenance and void costs increased by 25%. Contributory factors included storm damage in January 2012 and a higher than usual proportion of void houses in need of extensive repairs. WGHC's reactive and void maintenance costs per unit were £416 (2011: £332) which is below average (2011: £489, SHR *ibid*). However this is to be expected given that most of stock is relatively new. Year on year, the number and cost of reactive repairs is increasing faster than inflation and this will need to be provided for in budgets and rent setting.

Bad debts written off were higher than the previous year as WGHC took a more pessimistic view of some older debts. The result was that former tenant rent arrears at 31<sup>st</sup> March 2012 were only £143 (2011: £2,540).

Depreciation of the housing stock changed only marginally from 2011 to 2012. However the 2011 figures have been restated in accordance with component accounting. Last year's accounts showed depreciation in 2011/12 as £151,726. Restated this rises to £285,334. With the application of component accounting, housing depreciation now amounts to over 25% of operating costs.

WGHC sponsors a youth club at the Prentice Centre in West Granton. In the previous year we were able to secure Wider Role grant from the Scottish Government to finance this and the income and expenditure was shown within other activities (in note 3.)

In the year under review WGHC continued to sponsor the club but the cost is now included in social letting activities (within administration costs). WGHC is committed to supporting community projects which improve opportunities and the quality of life in our local area and the youth club is an example of this. Each year the social lettings budget includes a small amount for donations or sponsorship of local community activities. Total donations and sponsorship in the year was £889 (2011: £456).

**Operating Review: performance indicators**

WGHC uses a range of performance indicators to assess achievement of our objectives. These are compared to targets and benchmarks based on our past performance and/or the performance of other Registered Social Landlords (RSLs) published by the Scottish Housing Regulator (SHR).

Our key arrears performance indicator is current tenant "non technical" arrears which is rents due from current tenants excluding any housing benefit due. At 31<sup>st</sup> March 2012 they amounted to 0.66% of rents due in the year (2011: 0.59%). This was well within our internal performance benchmark of 0.85% and considerably below the last reported average for Scottish RSLs which was 6% (calculated from SHR benchmarking tables for 2010-11, from SHR website).

Our internal target for reletting houses and flats is 14 days (excluding any time for major repairs carried out between lets). In the year under review the average time taken was 7 days. This was well within our target and considerably less than the previous year (14 days); and the last published averages for Scottish RSLs of 30 days and for our RSL peer group of 12 days (from SHR website).

We set very tight timescales for responding to repair reports and completing repairs. During the year 95% of emergency repairs were responded to within 3 hours (2011: 88%); 100% of urgent repairs were completed within 2 days (2011: 100%); and 98% of routine repairs were completed within 2 weeks (2011: 95%). We had targeted an improvement on the previous year and this was achieved.

WGHC regularly surveys tenants to measure satisfaction across a range of activities. In the year under review we carried out a major survey across all areas of our work. We sent surveys to all tenants and received responses from 39% which is an extremely good result. The major findings included:

- 100% were satisfied or very satisfied with WGHC as a landlord (2011: 100%). Within this 79% said they were "very satisfied" (2011: 87%);
- 79% were "very satisfied" with the repairs and maintenance (2011: 77%);
- 78% were "very satisfied" with WGHC customer service;
- 96% were either "satisfied" or "very satisfied" that their views are taken into account by WGHC (57% "very satisfied"; 39% "satisfied").

As a fully mutual co-operative WGHC is also fortunate that our board consists entirely of tenants which gives us continual input and feedback. This helps us to quickly identify and respond to problems.

Overall the year under review was a very successful one. Performance was improved in targeted areas including relet times and repairs. Arrears remained at extremely low levels. Most importantly, levels of tenant satisfaction remain very high.

**Operating Review: risks and outlook**

The Committee have identified the principal risks facing WGHC in the medium term as including: inflation, interest rate increases, the pension fund deficit, welfare reform, loss of key staff, loss of active committee members and business continuity.

The Co-operative also has to adapt to and incorporate changes in the regulatory environment including the administrative burdens imposed by the new Scottish Housing Regulatory Framework; the Scottish Housing Charter and the Scottish Public Sector Ombudsman.

The Co-operative is entering a period when large scale component replacements in our stock will become part of our annual workload rather than a periodic occurrence. Such projects will form an increasing part of annual expenditure and workload.

The Co-operative has in place a robust system of business planning, reporting and performance monitoring. In the year ahead we will in particular seek to prepare for the impact of welfare reform and especially the use of size criteria in assessing housing benefit and the future introduction of payment of housing benefits direct to claimants rather than to landlords. We will also continue to try to minimise financial risk in relation to loan finance and investments.

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

---

**Financial Review**

The Co-operative's long term funding structure at 31st March 2012 was as follows:

Loan finance (repayable in more than one year)	£	5,492,063
Share capital	£	380
Reserves	£	985,185
	£	<u>6,477,628</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 2012 was £5,661,635 which is the loan finance shown in the table together with £169,572 repayable in the coming year (note 13). The loans are secured on 302 units of our housing stock of 380 units.

The external economy remains unpredictable. Inflation rates fluctuated. At the end of the year (March 2012) the RPI was 3.4%. However, in October 2011 the RPI was 5.4% and this informed Committee's decision to raise rents by 5% in April 2012.

Interest rates remained relatively low but variable rates have been rising slightly since a low point in October 2009. WGHC tries to minimise risk by having a mix of fixed and variable rates. £2,808,000 was fixed for 10 years at 4.49% including margin from February 2011. This should provide some security and stability in the medium term. However, since 51% of our debt remains on variable rates WGHC will still benefit while rates remain low. Our average cost of borrowing in the year was 2.8% (2011: 2.7%). Mortgage debt was reduced by £211,392 in the year to £5,661,635 (Note 14).

Interest cover at 31st March 2012 was 208% (2011: 208%). This ratio reflects our ability to cover the interest on our loans, in this instance showing that the operating surplus was more than twice interest payable. This is well above our covenanted interest cover of 110% (the "covenanted" level is the minimum we have agreed to maintain in loan agreements). This high level of interest cover is partly due to low interest rates but we would meet the covenant even with considerably higher rates.

Cash in the bank or in hand at 31<sup>st</sup> March 2012 amounted to £705,820 (2011: £462,736) of which £400,000 had been placed in a 12 month term deposit account with the Bank of Scotland. The balance is in deposit and current accounts with the Royal Bank of Scotland. In total current assets were £759,656 (2011: £526,013) which was 2.01 times current liabilities (2011: 2.21). Current liabilities increased by £94,606 largely due to retentions on the Forthquarter flats falling due in the coming year.

Reserves at the end of the period amounted to £985,565 of which £105,000 is designated for use for future planned maintenance. The application of component accounting affected the level of reserves as set out in Note 24. Committee will be reviewing the use of designated reserves in the coming year.

Overall, despite the continuing uncertain external financial environment WGHC's financial position remains strong.

**Conclusions**

The year to March 31<sup>st</sup> 2012 was one of stability and consolidation. Improvements were made in relation to some key performance indicators. Component accounting was introduced and considerable progress made in relation to the requirements of the Scottish Housing Quality Standard.

WGHC continued to maintain excellent levels of service to our tenants. High standards continued to ensure high satisfaction with and demand for our housing. Performance indicators, comparisons with other RSLs and cost control continue to be favourable.

We continue to take steps to minimise financial risk across all our activities with particular emphasis on treasury management.

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



**WEST GRANTON HOUSING CO-OPERATIVE LIMITED**

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

---

**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.

**Statement of the Management Committee's Responsibilities**

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;
- prepare a statement on Internal Financial Control.

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.

**Statement on Internal Financial Control**

The Committee is 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.

The Committee has reviewed the effectiveness of the system of internal financial control in existence in the Co-operative for the year ended 31 March 2012 and until 8 August 2012. 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.

**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**

**8 August 2012**

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

---

We have audited the financial statements of West Granton Housing Co-operative Limited for the year ended 31 March 2012 consisting of the Income and Expenditure Account, Balance Sheet, Cash Flow Statement, Principal Accounting Policies and the related notes to the financial statements. These financial statements have been prepared under the accounting policies set out therein. 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 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 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 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 auditor**

As more fully explained in the Statement of Management Committee's Responsibilities on page 8, the Management Committee is responsible for the preparation of 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 Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit**

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 other irregularity or error. This includes an assessment of whether the accounting policies are appropriate to the co-operative's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Management Committee, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information contained in the Report of the Committee of Management to identify material inconsistencies with the audited financial statements. If we become aware of any apparent misstatements or material 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 co-operative's affairs as at 31 March 2012 and of its income and expenditure for the year then ended, and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 AUDITOR'S REPORT TO THE MEMBERS OF**  
**WEST GRANTON HOUSING CO-OPERATIVE LIMITED (continued)**

---

**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 information given in the Report of the Committee of Management is inconsistent in any material respect with the financial statements; or
- the co-operative has not kept proper accounting records; or
- 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.

**Corporate Governance**

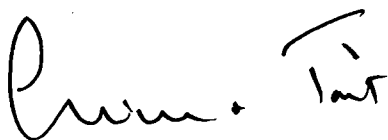
In addition to the audit of the financial statements, we have reviewed the co-operative's statement concerning internal financial control made under "The Code of Audit Practice" contained within the publication "Raising Standards in Housing" which is the guidance issued by the Scottish Federation of 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 co-operative's statements on internal financial control, in our opinion the co-operative 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

2012

**WEST GRANTON HOUSING CO-OPERATIVE LIMITED**  
**INCOME & EXPENDITURE ACCOUNT**  
**FOR THE YEAR ENDING 31 MARCH 2012**

	Note	2012	2011
		£	Restated £
Turnover	1	1,391,251	1,323,319
less: operating costs	1	<u>(1,049,990)</u>	<u>(990,919)</u>
Operating surplus	1	341,261	332,400
Interest receivable		1,641	1,639
Interest payable	8	<u>(164,064)</u>	<u>(160,291)</u>
		<u>(162,423)</u>	<u>(158,652)</u>
Surplus on ordinary activities before taxation		178,838	173,748
Tax on surplus on ordinary activities	9	<u>(328)</u>	<u>(344)</u>
Surplus for the year	18	<u>178,510</u>	<u>173,404</u>

**STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS**

	Note	2012	2011
		£	Restated £
Surplus for the year		178,510	173,404
Prior year adjustment	24	<u>(700,312)</u>	<u>-</u>
Total (deficit)/surplus recognised since last financial statements		<u>(521,802)</u>	<u>173,404</u>

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 2012**

	Notes	2012	2011
		£	Restated £
Tangible fixed assets			
Housing properties - depreciated cost	10	25,774,389	26,042,657
less: HAG		(18,405,006)	(18,405,006)
less: Other public grants		<u>(1,573,734)</u>	<u>(1,573,734)</u>
		5,795,649	6,063,917
Other fixed assets	10	<u>299,006</u>	<u>303,346</u>
		6,094,655	6,367,263
Current assets			
Debtors	12	53,836	63,277
Cash in hand and in bank		<u>705,820</u>	<u>462,736</u>
		759,656	526,013
Creditors: amounts falling due within one year	13	<u>(376,683)</u>	<u>(237,646)</u>
Net current assets		<u>382,973</u>	<u>288,367</u>
Total assets less current liabilities		6,477,628	6,655,630
Creditors: amounts falling due after more than one year	14	<u>(5,492,063)</u>	<u>(5,848,574)</u>
		<u>985,565</u>	<u>807,056</u>
Capital and reserves			
Share capital	15	380	380
Designated reserves	18	105,000	105,000
Revenue reserve	18	<u>880,185</u>	<u>701,676</u>
		<u>985,565</u>	<u>807,056</u>

The financial statements were approved by the Management Committee on 8 April 2012

  
..... 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 2012**

---

	Note	2012	2011
		£	£
Net cash inflow from operating activities	19	649,029	629,859
Returns on investments & servicing of finance			
Interest paid & other finance costs		<u>(164,064)</u>	<u>(160,291)</u>
Net cash outflow from returns on investments & servicing of finance		(164,064)	(160,291)
Taxation			
Corporation tax paid		<u>(344)</u>	<u>(387)</u>
Net cash outflow on taxation		(344)	(387)
Capital expenditure and financial investment			
Acquisition and construction of properties		(15,462)	(28,719)
Purchase of other fixed assets		<u>(16,324)</u>	<u>(11,920)</u>
Net cash outflow from capital expenditure		(31,786)	(40,639)
Net cash inflow before use of liquid resources		452,835	428,542
Management of liquid resources		1,641	1,640
Financing			
Loan repayments	20	<u>(211,392)</u>	<u>(212,728)</u>
Net cash outflow from financing		(211,392)	(212,728)
Increase in cash for the period	21	<u>243,084</u>	<u>217,454</u>

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

## WEST GRANTON HOUSING CO-OPERATIVE LIMITED

### PRINCIPAL ACCOUNTING POLICIES

---

#### 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 October 2010 and with *The Registered Social Landlords Accounting Requirements (Scotland) Order 2007*. A summary of the principal accounting policies is set out below.

#### Going Concern

The financial statements have been prepared on a going concern basis. The directors have assessed the co-operative's ability to continue as a going concern and have reasonable expectation that the co-operative has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing these financial statements.

#### 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.

#### Housing Properties and depreciation – change in accounting policy

Housing properties including land are shown at historic cost net of depreciation and Housing Association Grant (HAG) and other capital grants.

From 1990 to 2011 WGHC depreciated the historic cost less grant of housing over 50 years (or the estimated life of the house if less). To incorporate the component accounting requirements of the 2010 Statement of Recommended Practice WGHC now depreciates housing properties by component on a straight line basis over the estimated useful economic lives (UEL) of component categories. All depreciation has been recalculated and backdated to the year of acquisition.

Land is not depreciated. Useful economic lives for identified components are as follows:

Component	Useful Economic Life (years)
Land	n/a
Structure (including roof)	50*
External Render	35
Central Heating System (excluding boiler)	30
Windows	25
External Doors	25
Bathrooms	20
Kitchen	15
Boiler	15
Lift	15

\* Structures of 9 renovated flats pepper potted in West Pilton have a UEL of only 25 years.

When a component is replaced the replacement cost is capitalised. The cost of the original component and depreciation to date is written out of fixed assets. Any remaining cost not depreciated is written out of fixed assets to the income and expenditure account as a loss on disposal of fixed assets and included in operating costs for social letting.

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

### **PRINCIPAL ACCOUNTING POLICIES (Continued)**

---

#### **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.

#### **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.

#### **Non housing fixed assets and depreciation**

For all non housing fixed assets depreciation is charged quarterly on a straight line balance over the expected remaining useful life.

Office	over 50 years from practical completion
Office Equipment, Fixtures & Fittings	over 4 years from acquisition
Flat white goods and fittings	over 6 years from acquisition
Playground Equipment	over 10 years from acquisition

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

#### **Designated Reserves**

The Co-operative carries out a programme of planned maintenance over the lives of its properties. Expenditure varies from year to year in accordance with this programme. Each year Committee agrees transfers to or from designated reserves to provide for future planned maintenance. With the introduction of component accounting the use of designated reserves is less relevant and Committee will review their continued use during 2012/13.

#### **Retirement Benefits**

WGHC participates in the centralised Scottish Housing Associations Pension Scheme (SHAPS) which is a defined benefits scheme 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.

#### **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**

	2012			2011 Restated		
	Turnover £	Operating Costs £	Operating Surplus £	Turnover £	Operating Costs £	Operating Surplus £
Social lettings	1,391,228	1,049,990	341,238	1,322,198	989,815	332,383
Other activities	23	-	23	1,121	1,104	17
<b>Total 2012</b>	<b>1,391,251</b>	<b>1,049,990</b>	<b>341,261</b>	<b>1,323,319</b>	<b>990,919</b>	<b>332,400</b>

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

	2012 £	2011 Restated £
Rents receivable net of service charges	1,345,718	1,281,785
Service charges	47,780	41,768
Gross income from rents and service charges	1,393,498	1,323,553
Less voids	(2,915)	(2,710)
Net income from rents and service charges	1,390,583	1,320,843
Grants from Scottish Ministers	645	1,355
<b>Total turnover from social letting activities</b>	<b>1,391,228</b>	<b>1,322,198</b>
Management and maintenance administration costs	412,684	388,655
Service costs	48,204	42,107
Planned and cyclical maintenance	141,622	145,179
Reactive maintenance costs including voids	158,064	126,459
Bad debts - rents and service charges	3,443	2,081
Depreciation of social housing	285,973	285,334
<b>Operating costs for social letting activities</b>	<b>1,049,990</b>	<b>989,815</b>

Turnover from social lettings includes £645 of grant (2011: £1,355) 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.

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

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

	Turnover 2012 £	Operating Costs 2012 £	Operating Surplus 2012 £	Operating Surplus 2011 £
Wider role activities	-	-	-	-
Expired shares retained	23	-	23	17
Total from other activities 2012	23	-	23	17
Total from other activities 2011	1,121	1,104	17	

The only other turnover not from social letting in the year was £1 shares the value of which are retained by the Co-operative when a membership ceases. In the previous year £1,040 of Wider Role Grant had also been received and used to sponsor a local youth club.

**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 as a co-operative with the Financial Services Authority (Registration No. 2357R(S)).

WGHC's principal 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 were £53,629 (2011: £50,661). In addition pensions contributions of £5,136 were paid to the SFHA pension scheme (2011: £7,802). 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**

	2012 No.	2011 No.
Average full time equivalent employees in the year	7	7
Average total number of employees in the year	9	9
<b>Staff costs during the year</b>	2012 £	2011 £
Wages and salaries	227,957	217,951
Social security costs	18,172	16,832
Pension costs	33,780	25,376
	<u>279,909</u>	<u>260,159</u>

**WEST GRANTON HOUSING CO-OPERATIVE LIMITED**

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

---

**7 AUDITORS**

	2012	2011
	£	£
Remuneration payable to Chiene + Tait as auditors	5,352	4,302
Remuneration payable to Chiene + Tait for tax advice	1,287	-
	<u>6,639</u>	<u>4,302</u>

**8 INTEREST PAYABLE**

	2012	2011
	£	£
On building society mortgage	164,064	160,291

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**

	2012	2011
	£	£
Tax charged represents UK corporation tax on bank interest	328	344

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	Office Premises	Office equipment furniture & fittings	flats white goods & fittings	playground equipment	Total
At 31st March 2011	27,794,135	309,913	44,541	14,758	7,697	28,171,044
Prior year adjustment	239,995	-	-	-	-	239,995
At 31st March 2011 restated	28,034,130	309,913	44,541	14,758	7,697	28,411,039
Additions during year	18,429	-	9,941	1,511	-	29,881
Disposals	(6,543)	-	-	-	-	(6,543)
At 31st March 2012	28,046,016	309,913	54,482	16,269	7,697	28,434,377
Housing Development Grants						
At 31st March 2011 restated	19,978,740	-	-	-	-	19,978,740
Additions during year	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
At 31st March 2012	19,978,740	-	-	-	-	19,978,740
Depreciation						
At 31st March 2011	1,051,166	31,500	34,987	6,884	192	1,124,729
Prior year adjustment	940,307	-	-	-	-	940,307
At 31st March 2011 restated	1,991,473	31,500	34,987	6,884	192	2,065,036
Provided in the year	285,973	6,600	6,164	2,259	769	301,765
Disposals	(5,819)	-	-	-	-	(5,819)
At 31st March 2012	2,271,627	38,100	41,151	9,143	961	2,360,982
Net book value:						
At 31st March 2012	5,795,649	271,813	13,331	7,126	6,736	6,094,655
Net book value:						
At 31st March 2011 restated	6,063,917	278,413	9,554	7,874	7,505	6,367,263

The historic cost and depreciation values in the 2011 financial statements have been restated as shown to incorporate the component accounting requirements of the 2010 Statement of Recommended Practice (see note 24).

All land included in fixed assets is owned by the Co-operative. Land is included at historic cost.

This includes a plot of land at Forthquarter bought for £1 upon which 45 flats were built. The 2010 Statement of Recommended Practice (SORP) Accounting by Registered Social Housing Providers recommends that in such cases the land is shown at current value. An indicative current value for the land has been estimated at £675,000 however inclusion of this current value is not supported by professional market values provided for the development as a whole.

WGHC has taken the view that to show the current value of the land would crystallise a similar impairment and introduce unnecessary complexities into the financial statements while making no material difference to the financial position shown in the statements. Therefore all housing properties including land continues to be shown at historic cost.

Houses held for letting at 31st March 2012 consisted of 380 units (2011: 380). There were no additions in the year.

Changes to the historic cost of houses held for letting results from additions and disposals arising wholly from replacement of housing components in the year.

**WEST GRANTON HOUSING CO-OPERATIVE LIMITED**

## NOTES TO THE FINANCIAL STATEMENTS (continued)

**11 CAPITAL COMMITMENTS**

There were no capital commitments at 31<sup>st</sup> March 2012.

**12 DEBTORS**

	2012	2011
	£	£
Gross rent arrears	51,309	55,121
Provision for bad and doubtful debts	<u>(1,000)</u>	<u>(2,500)</u>
Net rent arrears	50,309	52,621
Revenue Grants	-	528
Other debtors	1,842	2,898
Prepayments & accrued income	<u>1,685</u>	<u>7,230</u>
	<u>53,836</u>	<u>63,277</u>

In 2012 other debtors are shown net of a provision for doubtful debts of £1,200 (2011: £4,000).

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

	2012	2011
	£	£
Mortgage	169,572	163,044
Social security and other taxes	8,249	8,535
Corporation tax	328	344
Other creditors and accruals	190,346	57,204
Rent paid in advance	<u>8,188</u>	<u>8,519</u>
	<u>376,683</u>	<u>237,646</u>

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

	2012	2011
	£	£
Retentions on building contracts	-	138,591
Mortgage	<u>5,492,063</u>	<u>5,709,983</u>
	<u>5,492,063</u>	<u>5,848,574</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%.

	2012	2011
	£	£
In one year or less	169,572	163,044
Between one and two years	178,247	171,386
Between two and five years	591,348	568,585
In five years or more	<u>4,722,468</u>	<u>4,970,012</u>
	<u>5,661,635</u>	<u>5,873,027</u>

£2,749,838 of the housing loans is on a fixed rate of 4.49% until February 2021. It will then revert to 3 months LIBOR plus a margin of 35 points which is the rate applying to the remaining loans. The average rate of borrowing in the year to 31st March 2012 was 2.8% (2011: 2.7%).

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

**15 SHARE CAPITAL**

	2012	2011
	£	£
Allotted, issued and fully paid ordinary shares of £1 each	380	380

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. When a membership ends the Co-operative retains the value of the share. Each shareholder has one vote at general meetings of the Co-operative.

**16 ACCOMMODATION OWNED AND MANAGED**

	2012	2011
Housing properties owned and managed by the Co-operative	380	380

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

**17 CONTINGENT LIABILITIES**

As highlighted in Note 25 Pension Scheme: in respect of the Scottish Housing Associations' Pension Scheme 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 2011 by the SFHA Pension Scheme at £999,957.

**18 RESERVES**

In line with the designated reserves accounting policy, provision is made in designated reserves for planned maintenance by way of transfers to or from the revenue reserve.

The introduction of component accounting and the consequent increase in the value of accumulated depreciation reduced the value of reserves. The prior year adjustment is set out in Note 24. The utility of designating reserves also diminishes since much of what was classed as planned maintenance is now capitalised expenditure.

In the year to 31<sup>st</sup> March 2012 Committee agreed:

- that designated reserves at 31st March 2011 are restated as £105,000, consisting only of one planned maintenance reserve;
- that no addition is made to designated reserves on 31st March 2012;
- that the use of designated reserves is reviewed in 2012-13.

	Revenue reserve £	Planned maintenance £	Major repairs	Total £
At 31 March 2011	618,987	105,000	783,000	1,506,987
Prior year adjustment	82,688	-	(783,000)	(700,312)
At 31st March 2011 restated	<u>701,675</u>	<u>105,000</u>	-	806,675
Surplus for the year	178,510	-	-	178,510
At 31 March 2012	<u>880,185</u>	<u>105,000</u>	-	<u>985,185</u>

**WEST GRANTON HOUSING CO-OPERATIVE LIMITED**

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

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

	2012	2011 restated
	£	£
Operating surplus for year	341,261	332,400
Depreciation charges	301,765	299,089
Loss on disposal of fixed assets	723	2,239
Decrease / (increase) in debtors	9,441	(2,339)
Decrease in creditors	(4,161)	(1,530)
Net cash inflow from operating activities	<u>649,029</u>	<u>629,859</u>

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

	2012	2011
	£	£
Increase in cash	243,084	217,454
Cash outflow from loan repayments	211,392	212,728
Change in net debt resulting from cash flows	<u>454,476</u>	<u>430,182</u>
Net debt at 1 April 2011	<u>(5,410,291)</u>	<u>(5,840,473)</u>
Net debt at 31 March 2012	<u>(4,955,815)</u>	<u>(5,410,291)</u>

**21 ANALYSIS OF CHANGES IN NET DEBT**

	at 1 April 2011	Cash flows	Other changes	at 31 March 2012
	£	£	£	£
Cash in hand and at bank	462,736	243,084	-	705,820
Debt due within one year	(163,044)	-	(6,528)	(169,572)
Debt due after one year	(5,709,983)	211,392	6,528	(5,492,063)
	<u>(5,410,291)</u>	<u>454,476</u>	<u>-</u>	<u>(4,955,815)</u>

**22 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.

**23 POST BALANCE SHEET EVENTS**

There were no significant post balance sheet events.

**24 PRIOR YEAR ADJUSTMENT**

During the year the Co-operative changed its accounting policy in relation to housing properties and depreciation in order to incorporate the component accounting requirements of the Statement of Recommended Practice 2010. The new policy is set out in within Principle Accounting Policies in these Financial Statements.

Depreciation has been recalculated on components back to the year of completion/acquisition of housing properties, the first of which was 1996. Costs relating to replacement of components, which had previously been written off to operating costs, are capitalised and depreciated.

The cost of replaced components and depreciation to date is written out of fixed assets. Any remaining cost not depreciated is written out of fixed assets to the income and expenditure account as a loss on disposal of fixed assets.

As a result of the change in accounting policy a prior year adjustment is required under *Financial Reporting Standard 3: Reporting Financial Performance* as follows:

	2011	up to 2010	Total PYA
	£	£	£
Component costs capitalised	8,258	605,164	613,422
Disposal of fixed assets (GBV)	(5,062)	(368,365)	(373,427)
Additional depreciation (net of loss on disposal)	<u>(130,785)</u>	<u>(809,522)</u>	<u>(940,307)</u>
	(127,589)	(572,723)	(700,312)

The overall effect of these adjustments has been to decrease reserves and the net book value of housing properties brought forward at 1<sup>st</sup> April 2011 by £700,312. Reserves have reduced from £1,507,368 to £807,056 and the net book value of housing properties has decreased from £6,764,229 to £6,063,917.

Of the total prior year adjustment, a £127,591 decrease in reserves related to 2011, comprising:

- component replacement costs capitalised of £8,258; less
- gross book value of components replaced of £5,062; and
- additional depreciation charged of £133,608, net of loss on disposal of £2,239 (net book value of components replaced).

This resulted in the surplus for the year ended 31 March 2011 reducing from £300,995 to £173,404.

**25 PENSION SCHEME**

West Granton Housing Co-operative Limited participates in the Scottish Housing Associations' 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.



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

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

---

The last formal valuation of the Scheme was performed as at 30 September 2009 by a professionally qualified Actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £295 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £160 million, equivalent to a past service funding level of 64.8%.

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 Scottish Housing Associations' Pension Scheme based on the financial position of the Scheme as at 30 September 2011. As of this date the estimated employer debt for West Granton Housing Co-operative Limited was £999,957.

The Scottish Housing Associations' Pension Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted-out of the State Pension scheme.

The Scheme offers five benefit structures to employers, namely:

- Final salary with a 1/60th accrual rate.
- Career average revalued earnings with a 1/60th accrual rate.
- Career average revalued earnings with a 1/70th accrual rate.
- Career average revalued earnings with a 1/80th accrual rate.
- Career average revalued earnings with a 1/120th accrual rate, contracted-in.

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

West Granton Housing Co-operative Limited has elected to operate the final salary with a 1/60th accrual rate benefit option for active members and for new entrants.

During the accounting period West Granton Housing Co-operative Limited paid contributions at the rate of 9.6% of pensionable salaries. Member contributions (paid by employees who are members of the Scheme) were also 9.6%. In addition West Granton Housing Co-operative Limited paid £17,052 towards the Past Service Deficit.

As at the balance sheet date there were 6 active members of the Scheme employed by West Granton Housing Co-operative Limited. The annual pensionable payroll in respect of these members was £171,879.

West Granton Housing Co-operative Limited continues to offer membership of the Scheme to its employees.

