

**WEST WHITLAWBURN HOUSING CO-OPERATIVE  
LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31ST MARCH 2015**

**Registered Housing Association No. C3841**

**Financial Conduct Authority No. 2308 R S**

**Charity No. SC038737**

**WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED**

**FINANCIAL STATEMENTS**

**YEAR ENDED 31ST MARCH 2015**

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**Registration Particulars**

Financial Conduct Authority

Co-operative and Community Benefit Societies Act 2014  
Registered Number: 2308 R S

Scottish Housing Regulator

Housing (Scotland) Act 2010  
Registered Number: C3841

Scottish Charities

Charities and Trustee Investment (Scotland) Act 2005  
Recognised Scottish Charity Number: SC038737

# WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

## REPORT OF THE COMMITTEE OF MANAGEMENT

YEAR ENDED 31ST MARCH 2015

The Committee of Management present their report and audited financial statements for the year ended 31<sup>st</sup> March 2015.

### Principal activity

The principal activity of the Co-operative is the provision and management of housing accommodation for rent. This is achieved by acquiring properties in order that they can be refurbished and re-let as rented accommodation, funded by Social Housing Grant (SHG) provided for this purpose. The cost of developments not met by SHG is met by a mortgage secured on the properties, which is repaid by the net rental income receivable, derived from those properties.

### Legal Status

The Co-operative is a registered non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014 No 2308R(S). The Co-operative is constituted under its Rule Book. The Co-operative is a Registered Scottish Charity with the Charity Number SC038737.

### Business review

The Co-operative made a surplus of £338,416 during the year (2014 - surplus £255,102).

The Co-operative is in a strong financial position with over £3.165m deposited as cash funds, and could access loan facilities if required. The Co-operative continues to have a major repair investment programme due in a small proportion of properties which will allow it to meet its commitments under the Scottish Housing Quality Standards during 2015/16. Cash surpluses will continue to be made, subject to our planned major repair programme over the next few years.

### Members of Committee of Management

The members of the Committee of Management of the Co-operative during the year to 31<sup>st</sup> March 2015 were as follows:

. Susan Anderson	Chairperson	
. Anne Anderson	Vice Chairperson	
. Muriel Alcorn	Treasurer	
. Cheryl Burnett	Secretary	
. Sheila Jamieson		
. Helen Anderson		
. Elizabeth Kerr		
. Kirsty McElhom		
. Muriel M Alcorn		
. Louise Wilson		
. Andy Duffin		
. Susan Stevely		
. Billy Hunter		
. Patrick Byrne	Resigned 19.05.14	
. Jim Kerr	Appointed 01.09.14	
. Eileen Hart	Appointed 24.11.14	Resigned 26.01.15

# WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

## REPORT OF THE COMMITTEE OF MANAGEMENT

YEAR ENDED 31ST MARCH 2015

Each member of the Committee of Management holds one fully paid share of £1 in the Co-operative. The Executive Officers of the Co-operative hold no interest in the Co-operative's share capital and although not having the legal status of "director" they act as Executives within the authority delegated by the Committee.

### Executive Officers

The Executive Officers of the Co-operative during the year to 31<sup>st</sup> March 2015 was as follows:

. P Farrell	Director
. S Marshall	Depute Director
. L McVie	Assistant Director (Corporate Services)
. R Haughey	Assistant Director (Tenancy Services)
. G. Clayton	Assistant Director (Operations)
. S McPeake	Community Development Co-ordinator
. R Smith	Concierge Manager

### Operational Review

#### 1 Corporate Governance

West Whitlawburn has a Committee of Management who are elected by the members of the Co-operative. It is the responsibility of the Committee to undertake the strategy, setting of policy and overall direction for the Co-operative. They also monitor the operational activities of the Co-operative. The members of the Committee of Management are unpaid.

The Executive Team of West Whitlawburn (as listed above) are responsible for achieving the strategy set and undertaking the operational activities in line with the policies set.

Our governing body is our Committee of Management, which is responsible to the wider membership. Committee of Management members serve in a voluntary capacity, and we recognise that this puts even more onus on us to ensure that we set and achieve high standards of professionalism in our work. We take governance very seriously, and in the last year we continued to build on work from previous years which strengthened our governance arrangements.

This report details issues that have arisen during the year relating to the main activities undertaken by the Co-operative.

#### 2 Corporate Issues

Tenant involvement and participation is a major part of the Co-operative's Aims and Objectives, and we continue to review how the Co-operative involves tenants in its activities.

The Co-operative is committed to involving staff in decision making and policy making. In the year just ended we have continued to improve the staff development system and internal management plan process.

#### Best use of resources

We regularly conduct risk assessments, and take any action necessary to reduce or limit risk. We have continued with a programme of major investment in our housing stock, which is by far our most costly asset. This includes both carrying out major repairs, and also considering whether any of our older schemes should be remodelled to meet the changing requirements of tenants in the future. We are updating our stock condition information, to ensure that our long-term financial planning reflects our future investment requirements. We have a programme of best value reviews, to look for efficiencies and economies in the way that we carry out business processes.

#### Services

We aim to deliver high quality services, and we set ourselves the goal of achieving continuous improvement in what we do.

Our rent arrears management is regularly reviewed, and we will continue to seek improvements in our rent collection methods. We continued to deliver many completed adaptations to existing properties, to meet the specific needs of our tenants.

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

## **REPORT OF THE COMMITTEE OF MANAGEMENT**

**YEAR ENDED 31ST MARCH 2015**

### **3 Fixed Asset Issues**

The year just completed has been steady. We have spent £52,549 (2014 - £57k) during the year on kitchen and bathroom renewals, door replacements and on Medical Adaptations, of which £21,819 (2014 - £69k) of Housing Association Grants and other grants were received in funding.

### **4 Housing Issues**

The Co-operative continues to work on reducing the period of time taken to re-let or let new properties and made significant progress with this during the year. This is to ensure that we maximise our effectiveness in housing people in need and reduce our costs. The rent loss due to empty properties was £27,452 (2014 - £22,854). Work is continuing to reduce this level of voids in future years.

### **5 Component Accounting**

West Whitlawburn adopted Component Accounting into its financial statements in compliance with the SORP 2010. Major Components (Note 1) of our buildings are identified and depreciated over specific economic life spans. Their replacement is then capitalised in the financial statements as they occur.

### **6 Other Areas**

#### **Risk Management Policy**

The Committee have a formal risk management process in place to assess business risks and implement risk management strategies. This involves identifying the types of risks the Co-operative faces, prioritising them in terms of potential impact and likelihood of occurrence, and identifying means of mitigating the risks. As part of this process the Committee have reviewed the adequacy of the Co-operative's current internal controls.

Accordingly they have set policies on internal controls which cover the following:

- consideration of the type of risks the Co-operative faces.
- the level of risks which they regard as acceptable.
- the likelihood of the risks concerned materialising.
- the Co-operative's ability to reduce the incidence and impact on the business of risks that do materialise; and the costs of operating particular controls relative to the benefit obtained.
- clarified the responsibility of management to implement the Committee's policies and to identify and evaluate risks for their consideration.
- communicated that employees have responsibility for internal control as part of their accountability for achieving objectives.
- embedded the control system in the Co-operative's operations so that it becomes part of the culture of the Co-operative.
- developed systems to respond quickly to evolving risks arising from factors within the Co-operative to changes in the external environment.
- included procedures for reporting failings immediately to appropriate levels of management and the Committee together with details of corrective action being undertaken.

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

## **REPORT OF THE COMMITTEE OF MANAGEMENT**

**YEAR ENDED 31ST MARCH 2015**

### **Maintenance policies**

The Co-operative seeks to maintain its properties to the highest standard. To this end, programmes of cyclical repairs are carried out in the medium term to deal with the gradual and predictable deterioration of building components. It is expected that the cost of all these repairs would be charged to the Income and Expenditure account.

In addition, the Co-operative has a long-term programme of major repairs to cover for works which have become necessary since the original developments were completed, including works required by subsequent legislative changes. This includes replacement or repairs to features of the properties, which have come to the end of their economic lives. In line with the SORP 2010, replacements to building components (as identified in Note 1) are capitalised in the financial statements as they occur. All other major repairs are charged to the Income and Expenditure account.

### **Treasury Management**

The Co-operative has an active treasury management function, which operates in accordance with the Treasury Policy approved by the Committee of Management. In this way the Co-operative manages its borrowing arrangements to ensure that it is always in a position to meet its financial obligations as they fall due, whilst maximising the return on excess cash and liquid resources held.

### **Internal Financial Control**

The Committee of Management is responsible for establishing and maintaining the Co-operative's system of internal control. Internal control systems are designed to meet the particular needs of the Co-operative and the risks to which it is exposed, and by their nature can provide reasonable but not absolute assurance against material misstatement or loss. The key procedures which the Committee of Management has established with a view to providing effective internal financial control are detailed on page eight.

### **Quality and Integrity of Personnel**

The integrity and competence of personnel are ensured through high recruitment standards and subsequent training courses. High quality personnel are seen as an essential part of the control environment and the ethical standards expected are communicated through the Director.

### **Management Structure**

The Committee of Management has overall responsibility for the Co-operative and there is a formal schedule of matters specifically reserved for decision by the Committee.

### **Budgetary Process**

Each year the Committee of Management approves the annual budget and rolling strategic plan. Key risk areas are identified. Performance is monitored and relevant action taken throughout the year through quarterly reporting to the Committee of variances from the budget, updated forecasts for the year together with information on the key risk areas. Approval procedures are in place in respect of major areas of risk such as major contract tenders, expenditure and treasury management.

### **Rental Income**

The Co-operative's Rent Policy is a points system based on the size, type and facilities of the accommodation. The policy ensures that the rent structure is easy to administer and covers the wide variations within the Co-operative's properties. This policy follows the generally accepted practice/principles of the Housing Movement.

### **Employee Involvement and Health & Safety**

The Co-operative encourages employee involvement in all major initiatives. The Co-operative's Health and Safety Systems are subject to regular external H & S audit and always achieves excellent outcomes at such audits. At its external Health and Safety Audit in February 2013 the Co-operative achieved 100% satisfaction across all areas of Health and Safety with no recommendations for improvement required.

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

## **REPORT OF THE COMMITTEE OF MANAGEMENT**

**YEAR ENDED 31ST MARCH 2015**

### **Disabled Employees**

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the Co-operative may continue. It is the policy of the Co-operative that training, career development and promotion opportunities should be available to all employees.

### **Credit Payment Policy**

The Co-operative's policy concerning the payment of its trade creditors complies with the Confederation of British Industry guidelines. The average payment period is thirty days.

### **Whitcomm Co-operative Ltd**

West Whitlawburn Housing Co-operative (WWHC) established Whitcomm Co-operative Ltd in 2009 as a wholly separate private limited company to further its charitable aims as well as WWHC's organisational objectives for its tenants in WWHC homes. Through a close working relationship and support WWHC has acted as a business incubator for Whitcomm Co-operative Ltd. WWHC has two official appointees on the board of directors of Whitcomm Co-operative Ltd however both organisations have a number of other shared committee members.

WWHC worked with the local community to develop Whitcomm Co-operative Ltd. WWHC has installed a fibre optic infrastructure as part of the 100 home New Build development previously undertaken. The fibre optic infrastructure makes the neighbourhood the first Fibre to the Home project in Scotland and the largest in the UK.

In addition to the infrastructure Whitcomm Co-operative Ltd provides phone and broadband services to New Build tenants at a lower rate than can be found with commercial providers.

This will meet the following objectives:

- **Reduce digital exclusion in West Whitlawburn**  
By providing low cost access to the internet through access to high speed next generation broadband Whitcomm supports the community to become more proficient at using ICT technology.
- **Reduce financial exclusion in West Whitlawburn**  
Cheaper broadband services help those on lower incomes. Furthermore, by increasing access to financial advice and advocacy, financial services and cheaper consumer goods over the internet, Whitcomm Co-operative is helping those on lower incomes make their money stretch further.

### **Social Accounts**

West Whitlawburn Housing Co-operative completed its first set of social accounts covering the 2007-2008 periods.

Social accounting has provided West Whitlawburn Housing Co-operative with an opportunity to counter a central and significant problem; that much of the Co-operative's work is undervalued and goes largely unrecognised externally as conventional reporting frameworks almost exclusively rely on conventional currency measures. Social Accounts measure the Social, Economic and Environmental impact that the Co-operative has on the local community and insure that the Co-operative is accountable to its stakeholders. The Social Accounts process has also proven to be an invaluable planning and internal management tool.

# WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

## REPORT OF THE COMMITTEE OF MANAGEMENT

YEAR ENDED 31ST MARCH 2015

### Pension Fund

West Whitlawburn Housing Co-operative is participating in, and taking a lead role in the Committee of, the SHAPS Employers Group which is a group set up by Employers in Voluntary Housing in conjunction with The Glasgow West of Scotland Forum and the Scottish Federation of Housing Associations. This will keep the Co-operative abreast of all developments in the financial environment and pensions industry which could impact on their pension scheme.

### Going concern

The Committee of Management has reviewed the results for this year and has also reviewed the projections for the next five years. It, therefore, has a reasonable expectation that the Co-operative has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in these financial statements.

### Future developments

The Co-operative will continue with its policy of improving the quality of the housing within its area of operation and continue to examine any opportunities which may arise for future development.

During 2013/14 the Co-operative embarked on a Community Energy Project to deliver heat and hot water through a biomass district heating system, the main aims of the project being to reduce fuel poverty and carbon emissions. A significant funding package was secured to enable this project to be progressed, with funding from Npower Energy Company Obligation funding of £2.965m, European Regional Development Funding of £3.266m and Warm Home Fund loan with a facility of up to £1.5m. During 2014/15 significant progress was made establishing the Energy Centre and installing new heating and hot water systems within 543 of the Co-operative's properties.

### Information for Auditors

As far as the Committee members are aware there is no relevant audit information of which the auditors are unaware and the Committee members have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to ensure that the auditors are aware of any such information.

### Auditors

A resolution to re-appoint the auditors, Armstrongs, will be proposed at the Annual General Meeting.

On behalf of the Committee of Management



Secretary

57 Belmont Road  
Whitlawburn  
Cambuslang  
G72 8PG

Date : 24<sup>th</sup> August 2015



**WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED**  
**STATEMENT OF THE COMMITTEE OF MANAGEMENT'S RESPONSIBILITIES**  
**YEAR ENDED 31ST MARCH 2015**

The Committee of Management is responsible for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The Co-operative and Community Benefit Societies Act 2014 require 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 surplus or deficit of the Co-operative of that period. In preparing those financial statements the Committee of Management are required to:

- select suitable accounting policies and apply them consistently;
- observe the methods and principles in the RSL SORP;
- make reasonable and prudent judgements and estimates;
- 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 of Management is also responsible for:

- keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the RSL and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements April 2012.
- safeguarding the Co-operative's assets; and
- taking reasonable steps for the prevention and detection of fraud.

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

COMMITTEE OF MANAGEMENT'S STATEMENT ON INTERNAL FINANCIAL CONTROL

YEAR ENDED 31ST MARCH 2015

The Committee of Management 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 respect to:

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

It is the Committee of Management's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material 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 authority, which allows the monitoring of controls and restricts the unauthorised use of the Co-operative's assets.
- . experienced and suitably qualified staff take responsibility for important business functions and that annual appraisal procedures have been established to maintain standards of performance.
- . forecasts and budgets are prepared regularly which allow the Committee of Management and staff to monitor the key business risks and financial objectives, and progress towards financial plans set for the year and the medium term.
- . regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets are investigated as appropriate.
- . Regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies;
- . all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through relevant sub-committees comprising Committee of Management members and others.
- . the Committee of Management review reports from management, from directors, staff and from the external auditors 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.

The Committee of Management have reviewed the system of internal financial control in existence in the Co-operative for the year ended 31<sup>st</sup> March 2015 and until the below date. No weaknesses were found in internal financial controls which could result in material losses, contingencies, or uncertainties which require disclosure in the financial statements or in the Auditor's Report on the financial statements.

By order of the Committee of Management



Secretary

Date : 24<sup>th</sup> August 2015

**WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED**

**REPORT BY THE AUDITORS TO THE COMMITTEE ON CORPORATE GOVERNANCE MATTERS**

**YEAR ENDED 31ST MARCH 2015**

**Corporate Governance**

In addition to our audit of the financial statements, we have reviewed your statement on page eight concerning the Co-operative's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

**Basis of Opinion**

We carried out our review having regard to the requirements to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council. The Bulletin does not require us to review the effectiveness of the Co-operative's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for non-compliance.

**Opinion**

In our opinion the Statement on Internal Financial Control on page eight has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the financial statements.

Through enquiry of certain Committee members, directors and officers of the Co-operative, and examination of relevant documents, we have satisfied ourselves that the Committee's Statement on Internal Financial Control appropriately reflects the Co-operative's compliance with the information required by the relevant Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls.



Adam Armstrong, LLB, CA, (Senior Statutory Auditor),  
for and on behalf of Armstrongs,  
Statutory Auditor,  
Chartered Accountants,  
Victoria Chambers,  
142, West Nile Street,  
Glasgow,  
G1 2RQ.

Date : 24<sup>th</sup> August 2015

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

We have audited the financial statements of West Whitlawburn Housing Co-operative Limited for the year ended 31<sup>st</sup> March 2015 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes one to twenty two. 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 87 of the Co-operative and Community Benefit Societies Act 2014. 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 Committee and Auditor**

As explained more fully in the Committee's Responsibilities Statement set out on page seven, the Committee are responsible for the preparation of the financial statements and for being satisfied that they 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 (APB's) Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Co-operative's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Committee of Management; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Committee of Management to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Co-operative's affairs as at 31<sup>st</sup> March 2015 and of its surplus for the year then ended; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, Schedule 1 of the Housing (Scotland) Act 2010, and the Determination of Accounting Requirements April 2012.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Report of the Committee for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; 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 require for our audit.



Adam Armstrong, LLB, CA, (Senior Statutory Auditor),  
for and on behalf of Armstrongs,  
Statutory Auditor,  
Chartered Accountants,  
Victoria Chambers,  
142, West Nile Street,  
Glasgow,  
G1 2RQ.

Date : 24<sup>th</sup> August 2015

**WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED**

**INCOME AND EXPENDITURE ACCOUNT**

**YEAR ENDED 31ST MARCH 2015**

	Notes	2015 £	2014 £
Turnover	2	3,085,706	2,841,980
Operating Costs	2	( 2,551,046)	( 2,425,195)
Operating Surplus		534,660	416,785
Loss on disposal of fixed assets		( 17,886)	( 4,537)
Interest receivable		6,491	7,600
Interest payable		( 184,849)	( 164,746)
Surplus (Deficit) on ordinary activities before tax		338,416	255,102
Corporation tax on surplus (deficit) on ordinary activities	4	-	-
Surplus (Deficit) for year	11, 13	<u>338,416</u>	<u>255,102</u>

The results for the year relate wholly to continuing activities.

There are no recognised gains and losses in 2015 and 2014 other than the surplus for the year.

**WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED**


**BALANCE SHEET**

**AS AT 31ST MARCH 2015**

	Notes	2015 £	2014 £
<b>Tangible Fixed Assets</b>			
Housing properties			
- Gross cost less depreciation	5	50,583,049	50,713,360
Less: Housing Association Grant	5	( 46,918,183) 3,664,866	( 46,902,664) 3,810,696
Other Fixed Assets	5	1,197,977 4,862,843	71,624 3,882,320
<b>Current Assets</b>			
Debtors	6	1,170,089	862,917
Cash at bank and in hand		3,165,007 4,335,096	1,249,793 2,112,710
<b>Creditors : amounts falling due within one year</b>	7	( 3,132,168)	( 1,121,251)
Net Current Assets		1,202,928	991,459
Total assets less current liabilities		6,065,771	4,873,779
<b>Creditors : amounts falling due after more than one year</b>	8	( 3,687,831)	( 2,834,256)
Net Assets		2,377,940	2,039,523
<b>Capital and Reserves</b>			
Share capital	12	688	687
Revenue reserve	13	1,706,543	1,365,681
Designated reserves	14	670,709	673,155
Total Funds		2,377,940	2,039,523

The financial statements were approved and authorised for issue by the Committee of Management on 24<sup>th</sup> August 2015 and signed on its behalf by:-

Secretary 

Member 

Member 

**WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED**

**CASH FLOW STATEMENT**

**YEAR ENDED 31ST MARCH 2015**

	Notes	2015 £	2014 £
<b>Net cash inflow from operating activities</b>	15	<u>668,078</u>	<u>498,161</u>
<b>Returns on investments and servicing of finance</b>			
Interest received		6,363	8,594
Interest paid		( 184,849)	( 164,746)
<b>Net cash (outflow) from returns on investments and servicing of finance</b>		( 178,486)	( 156,152)
<b>Taxation</b>			
Corporation tax paid		-	-
Corporation tax received		<u>-</u>	<u>-</u>
<b>Investing Activities</b>			
Acquisition and construction of Housing properties		( 76,442)	( 77,974)
Purchase of other fixed assets		( 1,457,162)	( 34,961)
Social Housing Grant received		21,819	91,495
Other grants		1,967,235	-
Component disposals		-	( 14,993)
<b>Net cash inflow/(outflow) from investing activities</b>		<u>455,450</u>	<u>( 36,433)</u>
<b>Net cash inflow/(outflow) before financing</b>		<u>945,042</u>	<u>305,576</u>
<b>Financing</b>			
Issue of Share Capital		81	93
Loans received		1,071,790	14,272
Loans repaid		( 101,699)	( 73,871)
<b>Net cash (outflow) from financing</b>		( 970,172)	( 59,506)
<b>Increase in cash</b>		<u>1,915,214</u>	<u>246,070</u>

Further details are given in note 15.

# WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2015

### 1. Principal Accounting Policies

#### **Basis of Accounting**

The principal accounting policies of the Co-operative are set below. The Co-operative is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is registered by The Financial Conduct Authority. The accounts have been prepared under the historical cost convention, and in compliance with the Determination of Accounting Requirements April 2012 and the Statement of Recommended Accounting Practice (SORP), - "Accounting by Registered Social Housing Providers Update, issued by the Scottish Federation of Housing Associations in October 2010" and applicable Accounting Standards.

#### **Changes to accounting policy**

Where any new policy is thought to be more appropriate, this amendment will be made and noted below with any prior period adjustment also being made, where it has material and fundamental impact.

#### **Housing Association Grants**

Housing Association Grants are utilised to reduce the amount of mortgage loans in respect of an approved scheme to the amount which it is estimated can be serviced by the net annual income of the scheme. The amount of HAG is calculated on the qualifying cost of the scheme.

HAG is repayable under certain circumstances, primarily following the sale of property, but will normally be restricted to net proceeds of sale.

Acquisition and Development Allowances are advanced as grants. They are intended to finance certain internal administration costs relating to the acquisition of schemes. Development allowances become available in instalments according to the progress of work on the scheme.

#### **Finance**

The financial statements have been prepared on the basis that capital expenditure will be grant aided, funded by loans, met out of reserves or from proceeds of sales.

#### **Mortgages**

Mortgage loans are advanced by private lenders under the terms of the individual mortgage deeds in respect of each property or housing scheme. Advances are available only in respect of those developments which have been given approval for HAG.

#### **Fixed assets - Housing land and buildings**

Housing land and buildings are stated at cost. The development cost of housing properties funded with HAG includes the following:-

- i. Cost of acquiring land and buildings.
- ii. Development expenditure.
- iii. Interest charged on the loans during the development year of the scheme to the date of completion.



# WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2015

### 1. Principal Accounting Policies (continued)

#### Works to existing properties

Works to existing properties will generally be capitalised under the following circumstances:

- i. Where a component of the housing property that has been treated separately for depreciation purposes and depreciated over its useful economic life is replaced or restored; or
- ii. Where the subsequent expenditure provides an enhancement of the economic benefits of the tangible fixed assets in excess of the previously assessed standard of performance. Such enhancement can occur if the improvements result in an increase in rental income, a material reduction in future maintenance costs or a significant extension of the life of the property.

Works to existing properties, which fail to meet the above criteria, are charged to the Income and Expenditure account.

#### Housing, land and buildings - depreciation

Housing properties are stated at cost, less social housing and other public grants and less accumulated depreciation.

Depreciation is charged on a straight line basis over the expected economic useful lives of each major component that makes up the housing property as follows:

Land	Not depreciated
Structure	Over 60 years
Doors	Over 30 years
Windows	Over 30 years
Heating	Over 30 years
Bathroom	Over 30 years
Kitchen	Over 15 years
Lift	Over 30 years

#### Other fixed assets

Depreciation is charged by equal annual instalments at rates estimated to write off costs less any residual value over expected useful lives.

Office fixtures, fittings & equipment	- 25%
Office accommodation	- 4%

#### Impairment of fixed assets

Reviews for impairment of housing properties are carried out on an annual basis and any impairment in an income-generating unit is recognised by a charge to the Income and Expenditure account. Impairment is recognised where the carrying value of an income-generating unit exceeds the higher of its net realisable value or its value in use. Value in use represents the net present value of expected future cash flows from these units.

Impairment of assets would be recognised in the Income and Expenditure account.

**WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31ST MARCH 2015**

**1. Principal Accounting Policies (continued)**

**Designated reserve - reserves for cyclical maintenance**

Future cyclical maintenance expenditure, being the Co-operative's commitment to undertake cyclical repairs to its properties, is set aside in a designated reserve.

**Pensions**

The Co-operative participates in the centralised Scottish Housing Associations Pension Scheme (SHAPS). Defined Benefits Pension Scheme and retirement benefits to employees of the Co-operative are funded by the contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting Actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

The cost to the Association of Pensions is charged to the Income and Expenditure account.

**Lease obligations**

Rentals paid under operating leases are charged to the Income and Expenditure account as they are incurred.

**Turnover**

Turnover represents rental income receivable from tenants, development administration, and other income together with revenue grants from the Scottish Government, local authorities and other organisations.

**Sale of housing properties**

Properties are disposed of under the appropriate legislation and guidance. All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale.

**Apportionment of management expenses**

Direct employee administration and operating costs have been apportioned to the Income and Expenditure account on the basis of costs of the staff to the extent that they are directly engaged in each of the operations dealing with in those accounts.

**WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31ST MARCH 2015/Cont...**

**2. Particulars of turnover, operating costs and operating surplus by class of business**

	Notes	Turnover	2015 Operating Costs £	Operating Surplus/ (Deficit) £	2014 Operating Surplus/ (Deficit) £
Income from Lettings	3a	2,845,590	( 2,264,021)	581,569	507,008
Other Income and Expenditure	3b	240,116	( 287,025)	( 46,909)	( 90,223)
Total		<u>3,085,706</u>	<u>( 2,551,046)</u>	<u>534,660</u>	<u>416,785</u>
2014		<u>2,841,980</u>	<u>( 2,425,195)</u>	<u>416,785</u>	

**WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31ST MARCH 2015/Cont...**

**3a. Particulars of turnover, operating costs and operating surplus from social letting activities**

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
<b>Lettings</b>		
Rent receivable net of service charges	2,873,042	2,798,261
Service charges	-	-
Gross income from rents and service charges	<u>2,873,042</u>	<u>2,798,261</u>
Less: Rent losses from voids	( 27,452)	( 22,854)
Net income from rents and service charges	2,845,590	2,775,407
Grants from the Scottish Ministers	-	-
Other revenue grants	-	-
Total income from lettings	<u>2,845,590</u>	<u>2,775,407</u>
 <b>Expenditure on Letting Activities</b>		
Service costs	56,798	56,356
Management and maintenance administration costs	1,441,284	1,316,011
Reactive maintenance	518,499	554,743
Planned and cyclical maintenance including major repairs	67,595	102,243
Property depreciation	158,674	158,600
Bad debts	21,171	80,446
Operating costs for social letting activities	<u>2,264,021</u>	<u>2,268,399</u>
 <b>Operating surplus for social letting activities</b>	<u>581,569</u>	<u>507,008</u>

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £Nil (2014 - £Nil).

All of the above relate solely to general needs housing.

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2015/Cont...

3b. Particulars of turnover, operating costs and operating surpluses or deficit from other activities

	Grants from Scottish Ministers £	Other Revenue Grants £	Supporting People Income £	Other Income £	Total Turnover £	Operating Costs- Bad Debts £	Other Operating Costs £	Operating Surplus/ Deficit for 2015 £	Operating Surplus/ Deficit for 2014 £
Wider action/wider role	-	-	-	-	-	-	-	-	-
Care and repair	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	-	-	-	-	-	-
Development activities	2,225	-	-	-	2,225	-	( 11,119 )	( 8,894 )	( 8,833 )
Support activities	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-
Agency/management services for registered social landlords	-	-	-	-	-	-	-	-	-
Community heating project	-	-	-	156,810	156,810	-	( 190,906 )	( 34,096 )	-
Developments and improvements for sale, (including first tranche shared ownership sales) to non registered social landlords	-	-	-	-	-	-	-	-	-
Regeneration activities	-	-	-	-	-	-	( 85,000 )	( 85,000 )	( 120,000 )
Other activities	-	-	-	81,081	81,081	-	-	81,081	38,610
Total from Other Activities 2015	2,225	-	-	237,891	240,116	-	( 287,025 )	( 46,909 )	-
Total from Other Activities 2014	3,012	24,951	-	38,610	66,573	-	( 156,796 )	-	( 90,223 )

Other activities income relates to community heating project compensation and to the rental of roof space to Telefonica and GVA.

# WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2015/Cont...

### 4. Tax on profit on ordinary activities

West Whitlawburn Housing Co-operative Limited was granted charitable status on 30<sup>th</sup> October 2007 and as a result is not subject to corporation tax on its activities.

### 5. Tangible fixed assets

	Housing Properties Held for Letting £	Energy Project Under Construction	Office Premises/ Community Centre £	Furniture & Equipment £	Total £
<b>Cost</b>					
As at 01.04.14	51,767,307	46,132	330,652	381,273	52,525,364
Additions	52,549	6,638,466	-	4,673	6,695,688
Disposals	( 50,088)	-	-	-	( 50,088)
As at 31.03.15	<u>51,769,768</u>	<u>6,684,598</u>	<u>330,652</u>	<u>385,946</u>	<u>59,170,964</u>
<b>Social Housing Grants &amp; Other Grant</b>					
As at 01.04.14	46,902,664	18,173	160,249	-	47,081,086
Additions	21,819	5,500,773	-	-	5,522,592
Rebated	( 6,300)	-	-	-	( 6,300)
As at 31.03.15	<u>46,918,183</u>	<u>5,518,946</u>	<u>160,249</u>	<u>-</u>	<u>52,597,378</u>
<b>Depreciation</b>					
As at 01.04.14	1,053,947	-	137,122	370,889	1,561,958
Charge for year	158,674	-	6,540	9,473	174,687
Disposals	( 25,902)	-	-	-	( 25,902)
As at 31.03.15	<u>1,186,719</u>	<u>-</u>	<u>143,662</u>	<u>380,362</u>	<u>1,710,743</u>
<b>Net book value at 31.03.15</b>	<u>3,664,866</u>	<u>1,165,652</u>	<u>26,741</u>	<u>5,584</u>	<u>4,862,843</u>
<b>Net book value at 31.03.14</b>	<u>3,810,696</u>	<u>27,959</u>	<u>33,281</u>	<u>10,384</u>	<u>3,882,320</u>

Total major repairs costs during the year were £120,781 (2014: £103,021) of which £48,162 (2014: £778) was capitalised. Of the amount capitalised £48,162 (2014: £778) related to replacement of components and £Nil (2014: £Nil) related to improvements.

Included in housing land and buildings additions is capitalised development administration expenditure of £Nil (2014 - £11,845).

None of the Co-operative's land or letting properties is held under a lease.

**WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31ST MARCH 2015/Cont...**

**6. Debtors**

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Rent arrears	204,005	167,522
Less: Bad debt provision	( 65,000)	( 65,000)
	<u>139,005</u>	<u>102,522</u>
 Housing Benefit receivable	 135,824	 158,699
Other debtors and prepayments	761,522	417,254
Amounts due from Whitcomm	44,982	48,841
Amounts due from WCRC	88,756	135,601
	<u><u>1,170,089</u></u>	<u><u>862,917</u></u>

Included within other debtors is a balance of £44,982 (2014 - £48,841) which is regarded as due after one year.

**7. Creditors due within one year**

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Loans (note 8)	207,595	91,079
Rent in advance	144,515	153,749
Trade creditors	338,404	103,375
Other tax and social security	17,664	20,679
Other creditors and accruals	2,338,990	632,369
Amounts due to WCRC	85,000	120,000
	<u><u>3,132,168</u></u>	<u><u>1,121,251</u></u>

**8. Creditors due after more than one year**

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Loans	<u>3,687,831</u>	<u>2,834,256</u>

Loans are secured by specific charges on the Co-operative's properties. Loans are repayable at rate of interest of 5.6% (2014: 5.6%) in instalments due as follows:

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Within one year (note 7)	207,595	91,079
Between one and two years	207,595	91,079
Between two and five years	922,786	273,237
In five years or more	2,557,450	2,469,941
	<u><u>3,895,426</u></u>	<u><u>2,925,336</u></u>

# WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2015/Cont...

### 9. Employees

	2015 £	2014 £
Staff costs during year:		
Wages and salaries	925,303	898,236
Social security costs	77,745	77,747
Pension costs	217,948	108,814
	<u>1,220,996</u>	<u>1,084,797</u>

The average full time equivalent number of persons employed by the Co-operative during the year were as follows :-

	No	No
Office	18.7	17
Concierge	13.0	13
	<u>31.7</u>	<u>30</u>

The Directors are defined as the members of the Committee of Management, the Director and any other person reporting directly to the Directors or the Committee of Management whose total emoluments exceed £60,000 per year. No Director had emoluments exceeding £60,000 per year.

	£	£
Emoluments payable to Chief Executive (excluding pension contributions)	<u>56,067</u>	<u>57,691</u>

The Co-operative's contributions for the Chief Executive in the year amounted to £12,128 (2014 - £12,099).

No member of the Committee of Management received any emoluments in respect of their services to the Co-operative.

### 10. Auditors' Remuneration

	2015 £	2014 £
The remuneration of the auditors (including expenses and including VAT for the year)	8,136	7,980
Remuneration of the auditors in respect of services other than those as auditors	<u>2,527</u>	<u>-</u>

### 11. Reconciliation of Funds

	2015 £	2014 £
At 01.04.14	2,039,523	1,784,430
Surplus (deficit) for year	338,416	255,102
New shares issued	81	93
Shares cancelled	(80)	(102)
Net change in funds	<u>338,417</u>	<u>255,093</u>
At 31.03.15	<u>2,377,940</u>	<u>2,039,523</u>



# WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2015/Cont...

### 12. Share Capital

	2015 £	2014 £
Shares of £1 each fully paid and issued		
Allotted, issued and fully paid at 01.04.14	687	696
Issued during the year	81	93
Forfeited during the year	(80)	(102)
At 31.03.15	<u>688</u>	<u>687</u>

Each member of the Co-operative holds one share of £1 in the Co-operative. These shares carry no rights to dividends or distributions on a winding up. Each member has a right to vote at member's meetings.

### 13. Revenue reserve

	2015 £	2014 £
At 01.04.14	1,365,681	1,127,065
Transfer (to) designated reserves	(70,173)	(118,729)
Transfer from designated reserves	72,619	102,243
Surplus (deficit) for the year	<u>338,416</u>	<u>255,102</u>
At 31.03.15	<u>1,706,543</u>	<u>1,365,681</u>

### 14. Designated reserves

	2015 £	2014 £
<b>Cyclical Maintenance (Previously Major Repair Reserve)</b>		
Balance at 01.04.14	673,155	656,669
Transfer (to) revenue reserves	(72,619)	(102,243)
Transfer from revenue reserves	<u>70,173</u>	<u>118,729</u>
Balance at 31.03.15	<u>670,709</u>	<u>673,155</u>

No restrictions are placed upon these reserves, but the Committee has designated their use for a specific purpose. £256,452 of these reserves intend to be spent on cyclical maintenance within one to two years.

**WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31ST MARCH 2015/Cont...**

**15. Cash flow statement**

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
<b>Reconciliation of operating surplus to net cash</b>		
<b>Inflow from operating activities</b>		
Operating surplus	534,660	416,785
Depreciation charges	174,687	183,116
(Increase)/decrease in debtors	( 113,645)	( 84,087)
Increase/(decrease) in creditors	72,456	( 17,551)
Shares cancelled	( 80)	( 102)
<b>Net cash inflow from operating activities</b>	<u><b>668,078</b></u>	<u><b>498,161</b></u>
<b>Reconciliation of net cash flow to movements in net debt</b>		
Increase in cash for the year	1,915,214	246,070
Loan received	( 1,071,790)	( 14,272)
Loan repayments	<u>101,699</u>	<u>73,871</u>
<b>Change in net cash</b>	<b>945,123</b>	<b>305,669</b>
<b>Net cash as at 31.03.14</b>	<u><b>( 1,675,542)</b></u>	<u><b>( 1,981,211)</b></u>
<b>Net cash as at 31.03.15</b>	<u><b>( 730,419)</b></u>	<u><b>( 1,675,542)</b></u>

**Analysis of Changes in net debt**

	<b>As at 31</b>	<b>Cash</b>	<b>Other</b>	<b>As at 31</b>
	<b>March 2014</b>	<b>Flow</b>	<b>Changes</b>	<b>March 2015</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Cash at bank and in hand	1,249,793	1,915,214	-	3,165,007
Debt due within one year	( 91,079 )	( 116,516)	-	( 207,595)
Debt due after one year	( 2,834,256 )	( 853,575)	-	( 3,687,831)
	<u><b>( 1,675,542 )</b></u>	<u><b>945,123</b></u>	<u><b>-</b></u>	<u><b>( 730,419)</b></u>

# WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2015/Cont...

### 16. Pension Fund

#### The Scottish Housing Associations' Pension Scheme

West Whitlawburn 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.

The last formal valuation of the Scheme was performed as at 30<sup>th</sup> September 2012 by a professionally qualified Actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £394 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £304 million, equivalent to a past service funding level of 56.4%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30<sup>th</sup> September 2014. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £539 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £281 million, equivalent to a past service funding level of 66%.

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 Whitlawburn 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<sup>th</sup> September 2014. As of this date the estimated employer debt for West Whitlawburn Housing Co-operative Limited was £5,791,971.

West Whitlawburn Housing Co-operative Limited participates in the Pensions Trust's Growth Plan ('the Plan'). The Plan is funded and is not contracted out of the State scheme. The Plan is a multi-employer pension Plan.

Contributions paid into the Growth Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Growth Plan or by the purchase of an annuity.

# WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2015/Cont...

### 16. Pension Fund (contd)

The rules of the Growth Plan allow for the declaration of bonuses and/or investment credits if this is within the financial capacity of the Plan assessed on a prudent basis. Bonuses/investment credits are not guaranteed and are declared at the discretion of the Plan's Trustee.

The Trustee commissions an actuarial valuation of the Growth Plan every three years. The purpose of the actuarial valuation is to determine the funding position of the Plan by comparing the assets with the past service liabilities as at the valuation date. Asset values are calculated by reference to market levels. Accrued past service liabilities are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

The rules of the Plan give the Trustee the power to require employers to pay additional contributions in order to ensure that the statutory funding objective under the Pensions Act 2004 is met. The statutory funding objective is that a pension scheme should have sufficient assets to meet its past service liabilities, known as Technical Provisions.

If the actuarial valuation reveals a deficit, the Trustee will agree a recovery plan to eliminate the deficit over a specified period of time either by way of additional contributions from employers, investment returns or a combination of these.

The rules of the Growth Plan state that the proportion of obligatory contributions to be borne by the Member and the Member's Employer shall be determined by agreement between them. Such agreement shall require the Employer to pay part of such contributions and may provide that the Employer shall pay the whole of them.

West Whitlawburn Housing Co-operative Limited paid no contributions to the Plan during the accounting period. Members paid no contributions during the accounting period.

As at the balance sheet date there were two active members of the Plan employed by West Whitlawburn Housing Co-operative. West Whitlawburn Housing Co-operative continues to offer membership of the Plan to its employees.

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

The valuation results at 30<sup>th</sup> September 2011 were completed in 2012 and have been formalised. The valuation of the Plan was performed by a professionally qualified Actuary using the Projected Unit Method. The market value of the Plan's assets at the valuation date was £780 million and the Plan's Technical Provisions (i.e. past service liabilities) were £928 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £148 million, equivalent to a funding level of 84%.

The financial assumptions underlying the valuation as at 30<sup>th</sup> September 2011 were as follows:

	% p.a.
Rate of return pre retirement	4.9
Rate of return post retirement:	
Active/Deferred	4.2
Pensioners	4.2
Bonuses on accrued benefits	0.0
Inflation: Retail Prices Index (RPI)	2.9
Inflation: Consumer Prices Index (CPI)	2.4

In determining the investment return assumptions the Trustee considered advice from the Scheme Actuary relating to the probability of achieving particular levels of investment return. The Trustee has incorporated an element of prudence into the pre and post retirement investment return assumptions; such that there is a 60% expectation that the return will be in excess of that assumed and a 40% chance that the return will be lower than that assumed over the next 10 years.

# WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2015/Cont...

### 16. Pension Fund (contd)

The Scheme Actuary has prepared a funding position update as at 30<sup>th</sup> September 2012. The market value of the Plan's assets at that date was £790 million and the Plan's Technical Provisions (i.e. past service liabilities) was £984 million. The update, therefore, revealed a shortfall of assets compared with the value of liabilities of £194 million, equivalent to a funding level of 80%.

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

The Pensions Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate.

For example, the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the Plan liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Plan (which would effectively amend the terms of the recovery plan). A copy of the recovery plan in respect of the September 2011 valuation was forwarded to The Pensions Regulator on 2<sup>nd</sup> October 2012, as is required by legislation.

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 Plan and The Pensions Act 2011 has more recently altered the definition of Series 3 of the Growth Plan so that a liability arises to employers from membership of any Series except Series 4. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

The debt for the Plan as a whole is calculated by comparing the liabilities for the Plan (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 Plan. 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 Plan's liability attributable to employment with the leaving employer compared to the total amount of the Plan's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Plan liabilities, Plan 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.

When an employer withdraws from a multi-employer defined benefit pension scheme which is in deficit, the employer is required by law to pay its share of the deficit, calculated on a statutory basis (known as the buy-out basis). The calculation basis that applies to the Growth Plan was amended due to a change in the definition of money purchase contained in the Pensions Act 2011 but the regulations that will determine exactly how the change will apply in practice are still awaited. As the law stands, it is not yet clear whether the statutory calculation should include or exclude Series 3 liabilities. However, based upon current advice, the most likely interpretation is that Series 3 liabilities will have to be included in the calculation of an employer's debt on withdrawal.

Owing to this situation, we have included two figures/calculations, namely:

- The cost of withdrawal if we include Series 3 liabilities in the calculation
- The cost of withdrawal if we exclude Series 3 liabilities from the calculation

If an employer withdraws from the Growth Plan prior to the implementation of the regulations, the debt will be calculated on both bases and we would request payment of the higher amount with any adjustment being made when the regulations are implemented.

West Whitlawburn Housing Co-operative Limited has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Growth Plan based on the financial position of the Plan as at 30<sup>th</sup> September 2014. As of this date the estimated employer debt for West Whitlawburn Housing Co-operative Limited including Series 3 liabilities was £6,817. The estimated employer debt excluding Series 3 liabilities was £5,770. The Scheme actuary has estimated that the debt at 31<sup>st</sup> March 2013 would be 3% higher than the debts at 30<sup>th</sup> September 2012.

# WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2015/Cont...

### 16. Pension Fund (contd)

West Whitlawburn Housing Co-operative Limited has been notified by the Pensions Trust of the Scottish Housing Association Pension Scheme that past service deficit contributions payable for the year to 31<sup>st</sup> March 2015 is £Nil. The deficit contribution will increase to £428 as from 1<sup>st</sup> April 2016 and will increase by 3% a year for the next ten years. The calculated net present value of this contribution at 31<sup>st</sup> March 2015 using a 4% discount rate is £72,450.

### 17. Capital Commitments

	2015 £	2014 £
Expenditure authorised by the Committee of Management contracted less certified	-	5,675,770

The Co-operative has secured funding from lenders and the providers of grants for the housing related project.

### 18. Housing Stock

The number of units in Management at 31<sup>st</sup> March was as follows:-

	2015	2014
General Needs	644	644
Supported	-	-
Shared Ownership	-	-
	<u>644</u>	<u>644</u>

### 19. Related Parties

All members of the Committee of Management are tenants of the Co-operative. The transactions with the Co-operative are all done on standard terms, as applicable to all tenants. Expenses relating to internet line rental costs for four Committee members were £702 (2014: £552).

West Whitlawburn Housing Co-operative Limited (WWHC) works in partnership with Whitlawburn Community Resource Centre (WCRC) and co-operates in the pursuit of its charitable objectives. During the period WWHC recorded £Nil (2014: £Nil) of grants on behalf of WCRC and paid £149,581 (2014: £204,623) of expenses, 68% of which related to payroll costs. At 31<sup>st</sup> March 2015 the amount owed to WWHC was £88,756 (2014: £135,601).

During the year WWHC donated £85,000 (2014: £120,000) to support WCRC in the provision of Whitlawburn Community Regeneration.

At 31<sup>st</sup> March 2015 the amount owed to WCRC was £7,213 (2014: owed to WCRC £8,147).

There is also a related company called Whitcomm Co-operative Limited, a company limited by guarantee, that has been set up to provide low cost telecommunications to encourage social inclusion. At 31<sup>st</sup> March 2015 the amount owed WWHC was £44,982 (2014: £48,841).

**WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31ST MARCH 2015/Cont...**

**20. Leasing Commitments**

At 31<sup>st</sup> March the Co-operative had the following annual operating lease commitments for the year ending 31<sup>st</sup> March 2015 and beyond.

	<b>2015</b> <b>Equipment</b> <b>£</b>	<b>2014</b> <b>Equipment</b> <b>£</b>
Operating leases which expire:		
Within one year	-	-
Within two to five years	1,671	1,671
After more than five years	<u>134,758</u>	<u>128,881</u>
	<u>136,429</u>	<u>130,552</u>

**21. Contingent Liability**

**Other**

In the year to 31<sup>st</sup> March 2005 the Co-operative was informed by Communities Scotland that development allowances in the prior year of £200,000 had been overpaid.

The Co-operative does not accept the validity of the claim and will contest any action for repayment.

Negotiations are still ongoing and the outcome cannot yet be determined.

Housing Association Grant allocated to components (as detailed in Note 1) that have subsequently been replaced by the Co-operative are recognised in the Income and Expenditure account, with the cost of the replacement and any additional funding for this replacement being capitalised. The recycled grant recognised in the Income and Expenditure account at 31<sup>st</sup> March 2015 was £Nil (2014: £Nil).

**22. Grants Received - Big Lottery Funding - Whit Money**

The Co-operative gratefully acknowledges the award and receipt of grant from the Big Lottery Fund to support the Whit Money project. Grants received in the year totalled £57,300. This amount was expended in terms of the offer of the grant.