



**Alexander Sloan**  
Accountants and Business Advisers

# **West Granton Housing Co-operative**

**Report and Financial Statements**

**For the year ended 31st March 2017**

**Registered Housing Association No.HAC225**

**FCA Reference No. 2357R(S)**

# WEST GRANTON HOUSING CO-OPERATIVE LIMITED

## CONTENTS

	<b>Page</b>
MEMBERS OF THE COMMITTEE OF MANAGEMENT EXECUTIVES AND ADVISERS	1
REPORT OF THE COMMITTEE OF MANAGEMENT	2
REPORT BY THE AUDITORS ON CORPORATE GOVERNANCE MATTERS	6
REPORT OF THE AUDITORS	7
STATEMENT OF COMPREHENSIVE INCOME	9
STATEMENT OF FINANCIAL POSITION	10
STATEMENT OF CASHFLOWS	11
STATEMENT OF CHANGES IN EQUITY	12
NOTES TO THE FINANCIAL STATEMENTS	13

# WEST GRANTON HOUSING CO-OPERATIVE LIMITED

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## COMMITTEE OF MANAGEMENT, EXECUTIVES AND ADVISERS YEAR ENDED 31st MARCH 2017

### COMMITTEE OF MANAGEMENT

Lorna Brown	Chairperson
Marilyn Dickson	Treasurer
Jim Hemphill	Vice Chairperson
Donna Anderson	Co-opted Oct 2016
Fiona Marshall	Elected Sep 2016
James Moir	Elected Sep 2016
Joe Moir	
George Nicol	
Elizabeth Robertson	Elected Sep 2016
Marlyn Sinclair	
George Thomson	
Wendy Riordan	Resigned May 2016

### SENIOR MANAGEMENT

Gerard Gillies	Secretary & Chief Executive Officer
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### REGISTERED OFFICE

26 Granton Mill Crescent  
Edinburgh  
EH4 4UT

### AUDITORS

Alexander Sloan  
Chartered Accountants  
50 Melville Street  
Edinburgh  
EH3 7HF

### BANKERS

Royal Bank of Scotland  
109/109a George Street  
Edinburgh  
EH2 4JW

### SOLICITORS

Aitken Nairn WS  
7 Abercromby Place  
Edinburgh  
EH3 6LA

### LENDERS

Nationwide Building Society  
Northampton Admin Centre  
Kings Park Road  
Moulton Park  
Northampton  
NN3 6NW

# WEST GRANTON HOUSING CO-OPERATIVE LIMITED

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## REPORT OF THE COMMITTEE OF MANAGEMENT FOR THE YEAR ENDED 31ST MARCH 2017

The Committee of Management presents its report and the Financial Statements for the year ended 31st March 2017.

### **Legal Status**

The Co-operative is a registered non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014 No.2357R(S). The Co-operative is governed under its Rule Book.

### **Principal Activities**

The principal activities of the Co-operative are the ownership and management of affordable rented accommodation.

### **Review of Business and Future Developments**

#### **Objectives**

West Granton Housing Co-operative Limited (WGHC) is a fully mutual co-operative housing association. Its governing body is its Committee of Management which is elected by its members, from its members. That means all elected members are tenants.

Our primary objective is to provide, construct, improve and manage housing for occupation by members of the Co-operative. Any additional activities pursued will be as permitted by the Housing (Scotland) Act 2014; designed to help us achieve our primary objective and will consider the welfare of the people we house. We will use any money we have carefully and properly, we will not trade for profit.

Our housing was built in a series of developments between 1994 and 2009. We have no current development plans. Our focus in the medium term is on the management and maintenance of existing stock. As our stock ages the replacement of components (kitchens, bathrooms, heating systems etc.) is becoming increasingly important.

#### **Overview of period**

At 1<sup>st</sup> April 2016, there were 8 members of the Committee of Management. One member resigned for personal reasons in May 2016. Since membership had dropped to the minimum of 7 we were required to notify the Scottish Housing Regulator. The Regulator was satisfied with our proposal that we worked to attract new candidates for election at our AGM.

Our 26th AGM was held in September 2016. Four new committee members were elected. One failed to take up their post but a further member was co-opted in October 2016. At 31<sup>st</sup> March 2017, there were 11 members.

Staff absences through illness had caused problems in 2015-16. However, this was much improved in the year past with days lost through illness falling from 9% to 4%. Our modern apprentice successfully completed her apprenticeship in March 2017 and was retained on the staff as a temporary administration assistant. The Housing Manager post was independently assessed by EVH and regraded as a senior management post from April 2017.

There was no rent increase in April 2016. When budgets were set, the CPI was 0% and RPI less than 1%. Committee had considered both the low levels of inflation and impending benefit reductions and, following consultation, decided to freeze rents. Net rents receivable fell by 0.6% to £1,528,758. This was largely due to the slight reduction in housing stock. Inflation is now rising sharply and in April 2017 rents were raised by 1.6%.

Rent arrears at 31st March 2017 were lower than the previous year. The Scottish Housing Regulator's key arrears indicator is "gross arrears" which excludes technical arrears but includes arrears written off in the year. WGHC's gross arrears were £20,681, (2016, £24,655) a decrease of 16%. As a percentage of rent due the gross arrears were 1.35% (2016, 1.6%). WGHC has relatively low arrears compared to most RSLs for whom the latest published average was 4.3%.

Considerable time and expense went into two tenancy problems which resulted in legal action. In one case the repeated refusal to engage with us or other agencies by a tenant with substantial arrears led to eviction. The legal process was extremely lengthy and by the time of the eviction arrears had risen to over £5,000 which had to be written off. In the other case, we tried to end a tenancy on the grounds of repeated anti-social behaviour. Eventually the tenant, on the advice of their lawyer, ended the tenancy.

# WEST GRANTON HOUSING CO-OPERATIVE LIMITED

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## REPORT OF THE COMMITTEE OF MANAGEMENT FOR THE YEAR ENDED 31ST MARCH 2017

### Review of Business and Future Developments (Contd.)

Operating costs rose by 1.2%. The increase was largely due to increased expenditure on reactive and voids maintenance.

There were 20 changes of tenancy including 5 mutual exchanges, one assignation and 14 relets. This number of relets was below average (there were 21 the previous year), nevertheless void repair costs were high. Stock turnover is low and an increasing proportion of relets follow the death of elderly tenants. There was also one eviction and one abandonment. In all these cases repair and refurbishment costs tend to be relatively high. Average time to relet was, at 27 days, the same as the previous year.

Average repair times were 2.2 hours for emergencies and 4.3 days for other repairs compared with 2.3 hours and 4.5 days the previous year. These times are well under our benchmarks.

Two of the remaining four flats marked for disposal in West Pilton Green and Drive were sold in 2016 for a combined £156,500. This resulted in a profit of £52,633. One further flat was void and being prepared for sale at 31st March 2017.

Two major capitalised component replacement projects were planned to be substantially completed in the year. Some problems arose with the first, to replace 100 boilers, and a redesign was needed which delayed progress. This in turn delayed a contract to replace kitchens in the same properties. At 31<sup>st</sup> March 2017 only 30 boilers and 2 kitchens had been replaced. Completion is now expected in June and September 2017 respectively.

WGHC is paying towards a pension fund deficit. The estimated present value of the deficit at 31<sup>st</sup> March 2017 was £259,765 (2016: £288,184). The risk posed by the pension liability has diminished with improved performance by the pension fund and it is expected to be eliminated by 2022. Committee regularly reviews pension provision, most recently in August 2016 when it elected to continue to offer defined benefit pension schemes to staff. WGHC's staging date for pension auto-enrolment was February 2017 and WGHC complied with its legal obligations.

WGHC financed the building of its housing stock partly through grant and partly through loans. Low interest rates and the receipts from flat sales has meant that WGHC has had higher than planned cash reserves in recent years. In 2016 the Committee decided to repay one loan early. The balance of the loan was just over £400,000 and it was due to be paid off in monthly instalments by 2023. Its early repayment, combined with regular loan repayments, meant building loans were reduced during the year by £635,161 to £4,089,736.

Cash and investments remain relatively high and rose by £15,694 to £1,988,075. However, the boiler and kitchen replacement projects (combined budgets £713,000) will reduce cash reserves in 2017.

Overall the Co-operative is believed to be performing very well and to be in a strong financial position.

### ***The Future***

The Committee of Management has reviewed objectives and strategy. They have reaffirmed their desire for the Co-operative to continue as an independent social landlord. No new housing development is envisaged in the medium term and the focus will be on managing, maintaining and improving our existing stock.

The future impact of welfare reform on rental income and workload is a concern but the effect to date is limited. Recent increases in inflation are a concern and long term plans and projections are being revised accordingly.

WGHC expects retirements of some key staff over the next 2 years and Committee will focus on succession planning in good time for these changes.

# WEST GRANTON HOUSING CO-OPERATIVE LIMITED

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## REPORT OF THE COMMITTEE OF MANAGEMENT FOR THE YEAR ENDED 31ST MARCH 2017

### Committee of Management and Executive Officers

The members of the Committee of Management and the Executive Officers are listed on Page 1.

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

### Statement of Committee of Management's Responsibilities

The Co-operative and Community Benefit Act 2014 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 surplus or deficit of the Co-operative for that period. In preparing those Financial Statements, the Committee of Management is required to:-

- select suitable accounting policies and then apply them consistently;
- make judgments 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;
- 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 of Management is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Co-operative and to enable them to ensure that the Financial Statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2014 and the Determination of Accounting Requirements 2015. They are also responsible for safeguarding the assets of the Co-operative and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is also responsible for ensuring the Co-operative's suppliers are paid promptly.

The Committee of Management must in determining how amounts are presented within items in the statement of comprehensive income and statement of financial position, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting practices.

In so far as the Committee of Management are aware:

- There is no relevant audit information (information needed by the Housing Co-operative's auditors in connection with preparing their report) of which the Co-operative's auditors are unaware, and
- The members of the Committee of Management have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Housing Co-operative's auditors are aware of that information.

# WEST GRANTON HOUSING CO-OPERATIVE LIMITED

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## REPORT OF THE COMMITTEE OF MANAGEMENT FOR THE YEAR ENDED 31ST MARCH 2017

### Statement on Internal Financial Control

The Committee of Management acknowledges its ultimate responsibility for ensuring that the Co-operative has in place a system of controls that is appropriate for the business environment 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;
- 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 mis-statement or loss. Key elements of the Co-operative's systems include ensuring that:

- formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of Co-operative's assets;
- experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared which allow the management team and the Committee of Management to monitor key business risks, financial objectives and the progress being made towards achieving the financial plans set for the year and for the medium term;
- Quarterly financial management reports are prepared promptly, providing relevant, reliable and up to date financial and other information, with significant variances from budget being 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 the Committee of Management;
- the Committee of Management receive reports from management and from the external and internal auditors to provide reasonable assurance that control procedures are in place and are being followed and that a general review of the major risks facing the Co-operative is undertaken;
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

The Committee of Management has reviewed the effectiveness of the system of internal financial control in existence in the Co-operative for the year ended 31 March 2017. No weaknesses were found in the 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.

### Donations

During the year the Co-operative made charitable donations amounting to £1,050 (2016: £2,000).

### Auditors

A resolution to re-appoint the Auditors, Alexander Sloan, Chartered Accountants, will be proposed at the Annual General Meeting.

### By order of the Committee of Management

**GERARD GILLIES**

Secretary

14th June 2017

# WEST GRANTON HOUSING CO-OPERATIVE LIMITED

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## REPORT BY THE AUDITORS TO THE COMMITTEE OF MANAGEMENT OF WEST GRANTON HOUSING CO-OPERATIVE LIMITED ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 5 concerning the Co-operative's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained in the publication "Our Regulatory Framework" and associated Regulatory Advice Notes which are issued by the Scottish Housing Regulator.

### **Basis of Opinion**

We carried out our review having regard to the requirements relating to corporate governance matters within Bulletin 2006/5 issued by the Auditing Practices Board. 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 reasons given for non-compliance.

### **Opinion**

In our opinion the Statement on Internal Financial Control on page 5 has provided the disclosures required by the relevant Regulatory Standards with the publication "Our Regulatory Framework" and associated Regulatory Advice 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 members of the Committee of Management and Officers of the Co-operative, and examination of relevant documents, we have satisfied ourselves that the Committee of Management'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 within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls .

**ALEXANDER SLOAN**  
Chartered Accountants  
Statutory Auditors  
EDINBURGH  
14th June 2017







We have audited the financial statements of West Granton Housing Co-operative Limited for the year ended 31st March 2017 which comprise a statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and related notes. The financial reporting framework that has been applied in their preparation is applicable law and accounting standard of the United Kingdom.

This report is made solely to the Co-operative's members, as a body, in accordance with 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Co-operative and the Co-operative's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective Responsibilities of Committee of Management and Auditors**

As explained more fully in the Statement of Committee of Management's Responsibilities the Co-operative's Committee of Management, are responsible for the preparation of the Financial Statements that give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC) Ethical Standards for Auditors.

### **Scope of the audit on 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 Committee of Management's report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on the 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 31st March 2017 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice: and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2014 and the Determination of Accounting Requirements 2015.

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

We are required to report to you if, in our opinion:

- the information given in the Committee of Management's Report is inconsistent with the financial statements.
- proper books of account have not been kept by the Co-operative in accordance with the requirements of the legislation.
- a satisfactory system of control over transactions has not been maintained by the Co-operative in accordance with the requirements of the legislation.

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

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**Matters on which we are required to report by exception (contd.)**

- the Statement of Comprehensive Income to which our report relates, and the Statement of Financial Position are not in agreement with the books of the Co-operative.
- we have not received all the information and explanations necessary for the purposes of our audit.

We have nothing to report in respect of these matters.

**ALEXANDER SLOAN**

Chartered Accountants  
Statutory Auditors  
EDINBURGH  
14th June 2017



**Alexander Sloan**  
Accountants and Business Advisers

# WEST GRANTON HOUSING CO-OPERATIVE LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31st MARCH 2017

	Notes	2017		2016	
		£	£	£	£
<b>REVENUE</b>	2.		1,930,700		1,953,787
Operating Costs	2.		(1,494,188)		(1,475,918)
<b>OPERATING SURPLUS</b>	9.		436,512		477,869
Gain On Sale Of Housing Stock	7.	52,633		26,734	
Interest Receivable and Other Income		14,999		10,165	
Interest Payable and Similar Charges	8.	(128,903)		(136,745)	
Other Finance Charges	11.	(15,397)		(7,528)	
			(76,668)		(107,374)
Surplus on ordinary activities before taxation			359,844		370,495
Tax on surplus on ordinary activities	10.		(2,580)		(2,231)
<b>SURPLUS FOR YEAR</b>			<b>357,264</b>		<b>368,264</b>
Other Comprehensive Income			-		-
<b>TOTAL COMPREHENSIVE INCOME</b>			<b>357,264</b>		<b>368,264</b>

The notes on pages 13 to 26 form part of these financial statements.

# WEST GRANTON HOUSING CO-OPERATIVE LIMITED

## STATEMENT OF FINANCIAL POSITION AS AT 31st MARCH 2017

	Notes	2017	2016
		£	£
<b>NON-CURRENT ASSETS</b>			
Housing Properties - Depreciated Cost	12.(a)	18,965,098	19,585,639
Other Non Current Assets	12.(b)	273,355	270,627
		<u>19,238,453</u>	<u>19,856,266</u>
<b>CURRENT ASSETS</b>			
Receivables	15.	25,517	32,273
Properties Held for Sale		55,390	93,256
Investments	25.	1,210,903	1,206,182
Cash at bank and in hand		777,172	766,199
		<u>2,068,982</u>	<u>2,097,910</u>
<b>CREDITORS:</b> Amounts falling due within one year	16.	<u>(660,988)</u>	<u>(644,736)</u>
<b>NET CURRENT ASSETS</b>		<u>1,407,994</u>	<u>1,453,174</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>20,646,447</u>	<u>21,309,440</u>
<b>CREDITORS:</b> Amounts falling due after more than one year	17.	(4,116,323)	(4,734,828)
<b>DEFERRED INCOME</b>			
Social Housing Grants	19.	<u>(13,924,719)</u>	<u>(14,326,466)</u>
		<u>(13,924,719)</u>	<u>(14,326,466)</u>
<b>NET ASSETS</b>		<u><u>2,605,405</u></u>	<u><u>2,248,146</u></u>
<b>EQUITY</b>			
Share Capital	20.	367	372
Revenue Reserves		2,605,038	2,247,774
		<u>2,605,405</u>	<u>2,248,146</u>

The Financial Statements were approved by the Committee of Management and authorised for issue and signed on their behalf on 14th June 2017.

*Committee Member*

*Committee Member*

*Secretary*

The notes on pages 13 to 26 form part of these financial statements.

# WEST GRANTON HOUSING CO-OPERATIVE LIMITED

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED

31st MARCH 2017

	Notes	2017	2016
		£	£
<b>Net Cash Inflow from Operating Activities</b>	18.	686,268	721,898
<b>Investing Activities</b>			
Acquisition and Construction of Properties		(40,382)	(2,301)
Purchase of Other Fixed Assets		(19,218)	(18,871)
Costs related to Properties Held for Sale		(5,711)	(13,479)
Changes on short term deposits with banks		(4,721)	(606,182)
Proceeds on Disposal of Properties		145,889	67,043
<b>Net Cash Inflow / (Outflow) from Investing Activities</b>		<u>75,857</u>	<u>(573,790)</u>
<b>Financing Activities</b>			
Interest Received on Cash and Cash Equivalents		12,902	11,154
Interest Paid on Loans		(128,903)	(136,745)
Loan Principal Repayments		(635,162)	(232,440)
Share Capital Issued		11	17
<b>Net Cash Outflow from Financing</b>		<u>(751,152)</u>	<u>(358,014)</u>
<b>Increase / (decrease) in Cash</b>		<u>10,973</u>	<u>(209,906)</u>
<b>Opening Cash &amp; Cash Equivalents</b>		<u>766,199</u>	<u>976,105</u>
<b>Closing Cash &amp; Cash Equivalents</b>		<u><b>777,172</b></u>	<u><b>766,199</b></u>
<b>Cash and Cash equivalents as at 31 March 2017.</b>			
Cash		777,172	766,199
		<u><b>777,172</b></u>	<u><b>766,199</b></u>

The notes on pages 13 to 26 form part of these financial statements.

# WEST GRANTON HOUSING CO-OPERATIVE LIMITED

## STATEMENT OF CHANGES IN EQUITY

AS AT 31st MARCH 2017

	Share Capital	Revenue Reserve	Total
	£	£	£
<b>Balance as at 1st April 2015</b>	373	1,879,510	1,879,883
Issue of Shares	17		17
Cancellation of Shares	(18)		(18)
Surplus for Year		368,264	368,264
<b>Balance as at 31 March 2016</b>	<b>372</b>	<b>2,247,774</b>	<b>2,248,146</b>
<b>Balance as at 1st April 2016</b>	372	2,247,774	2,248,146
Issue of Shares	11		11
Cancellation of Shares	(16)		(16)
Surplus for Year		357,264	357,264
<b>Balance as at 31 March 2017</b>	<b>367</b>	<b>2,605,038</b>	<b>2,605,405</b>

# WEST GRANTON HOUSING CO-OPERATIVE LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017 NOTES TO THE FINANCIAL STATEMENTS

### 1 PRINCIPAL ACCOUNTING POLICIES

#### Statement of Compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice for social housing providers 2014. The Co-operative is a Public Benefit Entity in terms of its compliance with Financial Reporting Standard 102, applicable for accounting periods on or after 1 January 2015.

#### Basis Of Accounting

The Financial Statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice - Accounting by Registered Social Landlords 2014, and on the historical cost basis. They also comply with the Determination of Accounting Requirements 2015. A summary of the more important accounting policies is set out below.

#### Revenue

The Co-operative recognises rent receivable net of losses from voids.

Government Grants are released to income over the expected useful life of the asset to which it relates.

#### Retirement Benefits

The Co-operative participates in the Scottish Housing Association 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 Housing Associations taken as a whole.

The Co-operative accounts for amounts that it has agreed to pay towards the Scheme deficit in accordance with paragraph 28.11A of FRS 102. The present value of this liability has been recognised in the Statement of Financial Position. The discount rate applied to this obligation is that of a yield rate for a high quality corporate bond.

#### Valuation Of Housing Properties

Housing Properties are stated at cost less accumulated depreciation. Housing under construction and Land are not depreciated. The Co-operative depreciates housing properties by major component on a straight line basis over the estimated useful economic lives of each identified component. All components are categorised as Housing Properties within note 12. Impairment reviews are carried out if events or circumstances indicate that the carrying value of the components listed below is higher than the recoverable amount.

Component	Useful Economic Life
-----------	----------------------

Land	N/A
* Structure (including roof)	50 years
External Render	35 years
Central Heating System (excluding boiler)	30 years
Windows	25 years
External Doors	25 years
Bathrooms	20 years
Kitchen	15 years
Boiler	15 years
Lift	15 years

- \* Structure of one renovated flat in West Pilton Drive has 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 statement of comprehensive income as a loss on disposal of fixed assets and included in depreciation of housing within operating costs for social letting.

# WEST GRANTON HOUSING CO-OPERATIVE LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017 NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

#### Depreciation And Impairment Of Other Non-Current Assets

Non-Current Assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of the assets at the following annual rates:-

Office Premises	over 50 years from practical completion
Office Equipment, Fixtures and Fittings	over 4 years from acquisition
Flat White Goods and Fittings	over 6 years from acquisition
Playground Equipment	over 10 years from acquisition

The carrying value of non-current assets are reviewed for impairment at the end of each reporting period.

Individual items of less than approximately £500 are charged to operating costs and not depreciated. The carrying value of the tangible assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

#### Social Housing Grant And Other Grants In Advance/Arrears

Social Housing Grants and Other Capital Grants are accounted for using the Accrual Method as outlined in Section 24 of Financial Reporting Standard 102. Grants are treated as deferred income and recognised in income on a systematic basis over the expected useful life of the property and assets to which it relates.

Social Housing Grant attributed to individual components is written off to the Statement of comprehensive Income when these components are replaced.

Social Housing Grant received in respect of revenue expenditure is credited to the Statement of Comprehensive Income in the same period as the expenditure to which it relates.

Although Social Housing Grant is treated as a grant for accounting purposes, it may nevertheless become repayable in certain circumstances, such as the disposal of certain assets. The amount repayable would be restricted to the net proceeds of sale. Where agreement of the value of SHG to be repaid has been reached with the City of Edinburgh Council, prior to the sale, the value is recognised as a liability in the accounts.

#### Taxation Non-Charities

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

#### Estimation Uncertainty

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Committee of Management to exercise judgement in applying West Granton Housing Co-operative Limited Accounting Policies. The areas requiring a higher degree of judgement, or complexity, and areas where assumptions or estimates are most significant to the financial statements, is disclosed below:

##### a) Rent Arrears - Bad Debt Provision

The Co-operative assesses the recoverability of rent arrears through a detailed assessment process which considers: tenant payment history, arrangements in place, and court action.

##### b) Life Cycle of Components

The Co-operative estimates the useful lives of major components of its housing property with reference to surveys carried out by external qualified surveyors.

##### c) Useful life of properties, plant and equipment

The Co-operative assesses the useful life of its properties, plant and equipment and estimates the annual charge to be depreciated based on this assessment.



# WEST GRANTON HOUSING CO-OPERATIVE LIMITED

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

### **Leases/Leased Assets**

Costs in respect of operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term. Assets held under finance leases and hire purchase contracts are capitalised in the Statement of Financial Position and are depreciated over their useful lives.

### **Works to Existing Properties**

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.

### **Key Judgements made in the application of Accounting Policies**

#### **a) The Categorisation of Housing Properties**

In the judgement of the Committee of Management the entirety of the Co-operative's housing stock is held for social benefit and is therefore classified as Property, Plant and Equipment in accordance with FRS 102.

#### **b) Identification of cash generating units**

The Co-operative considers its cash-generating units to be the schemes in which it manages its housing property for asset management purposes.

#### **c) Financial instrument break clauses**

The Co-operative has considered the break clauses attached to the financial instruments that it has in place for its loan funding. In the judgement of the Committee of Management, these break clauses do not cause the financial instrument to be classified as a complex financial instrument and therefore they meet the definition of a basic financial instrument.

#### **d) Pension Liability**

In March 2016 the Co-operative received details from the Pension Trust of the provisional valuation of the pension scheme at September 2015 and the Pension Trust's estimate of the Co-operative's future past service deficit contributions. The Co-operative has used this to provide the basis of the pension past service deficit liability in the financial statements. The Committee of Management feel this is the best available estimate of the past service liability.

# WEST GRANTON HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 2. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM AFFORDABLE LETTING ACTIVITIES

		2017			2016		
Note:	Turnover	Operating	Operating	Turnover	Operating	Operating	
	£	Costs	Surplus /	£	Costs	Surplus /	
		£	(Deficit)		£	(Deficit)	
			£			£	
Affordable letting activities	3.	1,930,684	1,494,188	436,496	1,953,769	1,475,918	477,851
Other Activities	4.	16	-	16	18	-	18
<b>Total</b>		<b>1,930,700</b>	<b>1,494,188</b>	<b>436,512</b>	<b>1,953,787</b>	<b>1,475,918</b>	<b>477,869</b>

## 3. PARTICULARS OF INCOME & EXPENDITURE FROM AFFORDABLE LETTING ACTIVITIES

	General Needs Housing	2017 Total	2016 Total
	£	£	£
<b>Revenue from Lettings</b>			
Rent Receivable inclusive of Service Charges	1,539,006	1,539,006	1,547,667
<b>Gross income from rent and service charges</b>	1,539,006	1,539,006	1,547,667
Less: Rent losses from voids	10,248	10,248	8,802
<b>Net Rents Receivable</b>	1,528,758	1,528,758	1,538,865
Grants released from deferred income	401,747	401,747	414,607
Revenue grants from Scottish Ministers	179	179	297
<b>Total turnover from affordable letting activities</b>	1,930,684	1,930,684	1,953,769
<b>Expenditure on affordable letting activities</b>			
Management and maintenance administration costs	477,283	477,283	455,164
Planned and cyclical maintenance, including major repairs	160,019	160,019	193,890
Reactive maintenance costs	179,584	179,584	155,853
Bad Debts - rents and service charges	10,759	10,759	809
Depreciation of affordable let properties	666,543	666,543	670,202
<b>Operating costs of affordable letting activities</b>	1,494,188	1,494,188	1,475,918
<b>Operating surplus on affordable letting activities</b>	<b>436,496</b>	<b>436,496</b>	<b>477,851</b>
<b>2016</b>	<b>477,851</b>		

# WEST GRANTON HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 4. PARTICULARS OF REVENUE, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM OTHER ACTIVITIES

	Other Total Income Turnover	Operating Surplus / (Deficit) 2017	Operating Surplus / (Deficit) 2016	
	£	£	£	£
Expired shares retained	16	16	16	18
<b>Total From Other Activities</b>	<b>16</b>	<b>16</b>	<b>16</b>	<b>18</b>
<b>2016</b>	<b>18</b>	<b>18</b>	<b>18</b>	

# WEST GRANTON HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 5. OFFICERS' EMOLUMENTS

The Officers are defined in the Co-operative and Community Benefit Societies Act 2014 as the members of the Committee of Management, managers and employees of the Co-operative.

Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)

Pension contributions made on behalf on Officers with emoluments greater than £60,000

Emoluments payable to Chief Executive (excluding pension contributions)

Total Emoluments paid to key management personnel

The number of Officers, including the highest paid Officer, who received emoluments (excluding pension contributions) over £60,000 was in the following ranges:-

	Number	Number
£60,001 to £70,000	<u>1</u>	<u>-</u>

## 6. EMPLOYEE INFORMATION

The average monthly number of full time equivalent persons employed during the year was

The average total number of Employees employed during the year was

Staff Costs were:

Wages and Salaries

Professional fees

Social Security Costs

Other Pension Costs

Temporary, Agency and Seconded Staff

2017	2016
No.	No.
<u>8</u>	<u>8</u>
<u>10</u>	<u>9</u>
£	£
274,878	259,720
1,288	1,439
23,909	19,911
23,193	22,042
-	5,192
<u>323,268</u>	<u>308,304</u>

# WEST GRANTON HOUSING CO-OPERATIVE LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 7. GAIN ON SALE OF HOUSING STOCK

	2017	2016
	£	£
Sales Proceeds	132,410	67,043
Cost of Sales	<u>79,777</u>	<u>40,309</u>
Gain On Sale Of Housing Stock	<u>52,633</u>	<u>26,734</u>

#### 8. INTEREST PAYABLE & SIMILAR CHARGES

	2017	2016
	£	£
On Building Society Mortgage	<u>128,903</u>	<u>136,745</u>

There was no deferred interest. Taxes were paid on time, therefore, there was no interest charged to late payment of taxation.

#### 9. SURPLUS FOR YEAR

	2017	2016
	£	£
Surplus is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	682,547	684,273
Auditors' Remuneration - Audit Services	6,000	6,300
Auditors' Remuneration - Other Services	180	460
Operating Lease Rentals - Other	2,527	2,527
Gain on sale of fixed assets	<u>(52,633)</u>	<u>(26,734)</u>

#### 10. TAX ON SURPLUS ON ORDINARY ACTIVITIES

	2017	2016
	£	£
<b>(i) Analysis of Charge in Year</b>		
Current Tax:		
UK Corporation Tax on surplus on ordinary activities	<u>2,580</u>	<u>2,231</u>

#### 11. OTHER FINANCE INCOME / CHARGES

	2017	2016
	£	£
Costs in relation to past service deficit liabilities:		
Unwinding of discounted liabilities and other costs	<u>15,397</u>	<u>7,528</u>

# WEST GRANTON HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 12. NON-CURRENT ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Total £
<b>COST</b>		
As at 1st April 2016	27,819,291	27,819,291
Additions	95,681	95,681
Disposals	(2,360)	(2,360)
Transferred to current assets	(77,240)	(77,240)
	<hr/>	<hr/>
As at 31st March 2017	27,835,372	27,835,372
<b>DEPRECIATION</b>		
As at 1st April 2016	8,233,652	8,233,652
Charge for Year	666,057	666,057
Disposals	(1,874)	(1,874)
Transferred to current assets	(27,561)	(27,561)
	<hr/>	<hr/>
As at 31st March 2017	8,870,274	8,870,274
<b>NET BOOK VALUE</b>		
As at 31st March 2017	<hr/> 18,965,098	<hr/> 18,965,098
As at 31st March 2016	<hr/> 19,585,639	<hr/> 19,585,639

All land and housing properties are freehold. All land included in fixed assets is owned by the Co-operative. Land is included at historic cost.

Houses held for letting at 31 March 2017 consisted of 372 units (2016: 373). Two flats were sold during the year and one flat was transferred to current assets as it became void and was being prepared for sale at 31 March 2017. One flat will be transferred to current assets when it becomes void.

Changes to historic cost of houses held for letting results from additions and disposals from replacement of housing components in the year. Any net book value remaining on components replaced is added to depreciation in the year of disposal.

The Co-operative's Lenders have standard securities over Housing Property with a carrying value of £13228188 (2016 - £13714307).

# WEST GRANTON HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 12. NON CURRENT ASSETS (Continued)

b) Other Tangible Assets	Playground Equipment	White Goods & Fittings	Office Premises	Office Furniture & Equipment	Total
	£	£	£	£	£
<b>COST</b>					
As at 1st April 2016	7,697	9,511	309,913	55,691	382,812
Additions	15,065	510	-	3,643	19,218
Eliminated on Disposals	-	(422)	-	-	(422)
As at 31st March 2017	22,762	9,599	309,913	59,334	401,608
<b>AGGREGATE DEPRECIATION</b>					
As at 1st April 2016	4,033	7,230	65,055	35,867	112,185
Charge for year	1,898	820	6,785	6,987	16,490
Eliminated on disposal	-	(422)	-	-	(422)
As at 31st March 2017	5,931	7,628	71,840	42,854	128,253
<b>NET BOOK VALUE</b>					
As at 31st March 2017	16,831	1,971	238,073	16,480	273,355
As at 31st March 2016	3,664	2,281	244,858	19,824	270,627

## 13. CAPITAL COMMITMENTS

	2017 £	2016 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	608,069	-

The above commitments will be financed by the Co-operative's own resources.

## 14. COMMITMENTS UNDER OPERATING LEASES

	2017 £	2016 £
At the year end, the total future minimum lease payments under non-cancellable operating leases were as follows:-		
<b>Land and Buildings</b>		
Not later than one year	3,475	2,527
Later than one year and not later than five years	6,634	6,190
Later than five years	-	-

Lease commitments have been restated under FRS102 to include the timing of the full payment due under the contract.

# WEST GRANTON HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 15. RECEIVABLES AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £	2016 £
Arrears of Rent & Service Charges	21,923	34,092
<b>Less:</b> Provision for Doubtful Debts	(7,250)	(4,000)
	<hr/>	<hr/>
Other Receivables	14,673	30,092
	10,844	2,181
	<hr/>	<hr/>
	25,517	32,273
	<hr/> <hr/>	<hr/> <hr/>

Arrears are shown as at 31 March 2017. WGHC charges weekly rents, Monday to Sunday. Tenants may pay at any time during the week. Some tenants pay part or all of their rent through housing benefit. This is paid either one week or four weeks after it is due and WGHC accepts payment of housing benefit outside the normal weekly cycle. March 31st 2017 was a Friday, March 31st 2016 was a Thursday.

## 16. PAYABLES AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £	2016 £
Bank Overdrafts (secured)	-	-
Housing Loans	182,013	235,853
Trade Payables	106,315	51,037
Rent in Advance	17,465	13,281
Social Housing Grant Repayable	289,544	289,544
Corporation Tax	2,580	2,231
Other Taxation and Social Security	11,906	10,389
Liability for Past Service Contributions	51,165	42,401
	<hr/>	<hr/>
	660,988	644,736
	<hr/> <hr/>	<hr/> <hr/>

At the balance sheet date there were pension contributions outstanding of £3,651 (2016 £3,548).



# WEST GRANTON HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 17. PAYABLES AMOUNTS FALLING DUE AFTER ONE YEAR

	2017 £	2016 £
Liability for Past Service Contributions	208,600	245,783
Housing Loans	3,907,723	4,489,045
	<u>4,116,323</u>	<u>4,734,828</u>
<b>Housing Loans</b>		
Amounts due within one year	182,013	235,853
Amounts due in one year or more but less than two years	186,047	240,551
Amounts due in two years or more but less than five years	583,899	751,435
Amounts due in more than five years	3,137,777	3,497,059
	<u>4,089,736</u>	<u>4,724,898</u>
Less: Amount shown in Current Liabilities	(182,013)	(235,853)
	<u>3,907,723</u>	<u>4,489,045</u>
<b>Liability for Past Service Contributions</b>		
Amounts due within one year	51,165	42,401
Amounts due in one year or more but less than two years	52,700	51,165
Amounts due in two years or more but less than five years	155,900	162,890
Amounts due in more than five years	-	31,728
	<u>259,765</u>	<u>288,184</u>
Less: Amount shown in Current Liabilities	(51,165)	(42,401)
	<u>208,600</u>	<u>245,783</u>

The Co-operative has a number of long-term housing loans the terms and conditions of which are as follows:

Lender	Security	Effective Interest Rate	Maturity	Variable / Fixed
Nationwide Building Society	Standard Security over 302 properties	0.69%	2031	variable
Nationwide Building Society	Standard Security over 302 properties	0.69%	2033	variable
Nationwide Building Society	Standard Security over 302 properties	4.49%	2036	fixed to 2021
Nationwide Building Society	Standard Security over 302 properties	4.49%	2038	fixed to 2021
Nationwide Building Society	Standard Security over 302 properties	4.49%	2039	fixed to 2021

All of the Co-operative's bank borrowings are repayable in a monthly basis with the principal being amortised over the term of the loans.

The liability for the past service contributions has been accounted for in accordance with FRS 102 para 28.13A and represents the present value of the contributions payable. The cash out flows have been discounted at a rate of 1.06% (2016 - 2.29%)

## 18. STATEMENT OF CASH FLOWS

<i>Reconciliation of operating surplus to Balance As At 31 March 2017</i>	2017 £	2016 £
Operating Surplus	436,512	477,869
Depreciation	683,033	684,272
Amortisation of Capital Grants	(401,747)	(414,607)
Change in debtors	8,853	37,762
Change in creditors	(22,739)	(54,115)
Unwinding of Discount on Pension Liability	(15,397)	(7,528)
Corporation Tax Paid	(2,231)	(1,737)
Share Capital Written Off	(16)	(18)
	<u>686,268</u>	<u>721,898</u>
Balance as at 31 March 2017	<u>686,268</u>	<u>721,898</u>

# WEST GRANTON HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 19. DEFERRED INCOME

	Housing Properties Held for Letting	Total
	£	£
<b>Social Housing Grants</b>		
Balance as at 1st April 2016	19,596,899	19,596,899
Additions in the year	-	-
Transferred	-	-
Eliminated on disposal components and property	(17,639)	(17,639)
	<u>19,579,260</u>	<u>19,579,260</u>
<b>Amortisation</b>		
Balance as at 1st April 2016	5,270,433	5,270,433
Amortisation in year	392,222	392,222
Eliminated on disposal	(8,114)	(8,114)
	<u>5,654,541</u>	<u>5,654,541</u>
<b>Net book value</b>		
Balance as at 31st March 2017	<u>13,924,719</u>	<u>13,924,719</u>
Balance as at 31st March 2016	<u>14,326,466</u>	<u>14,326,466</u>

This is expected to be released to the Statement of Comprehensive Income in the following years:

	2017	2016
	£	£
Amounts due within one year	392,222	392,574
Amounts due after more than one year	13,532,497	13,933,892
	<u>13,924,719</u>	<u>14,326,466</u>

## 20. SHARE CAPITAL

	£
<b>Shares of £1 each Issued and Fully Paid</b>	
At 1st April 2016	372
Issued in year	11
Cancelled in year	(16)
At 31st March 2017	<u>367</u>

Each member of the Co-operative holds one share of £1 in the Co-operative. These shares carry no rights to dividend or distributions on a winding up. When a shareholder ceases to be a member, that person's share is cancelled and the amount paid thereon becomes the property of the Co-operative. Each member has a right to vote at members' meetings.

## 21. HOUSING STOCK

	2017	2016
	No.	No.
The number of units of accommodation in management at the year end was:-		
General Needs - New Build	371	371
General Needs - Rehabilitation	1	2
	<u>372</u>	<u>373</u>

# WEST GRANTON HOUSING CO-OPERATIVE LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 22. RELATED PARTY TRANSACTIONS

Members of the Committee of Management are related parties of the Co-operative as defined by Financial Reporting Standard 102

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.

Transactions with governing body members (and their close family) were as follows:

	£
Rent and factoring received from Tenants on the Committee and their close family members	66,127

At the year end total rent arrears and factoring owed by the tenant members of the Committee (and their close family ) were £446

All of these rent arrears were cleared shortly after the year-end.

#### 23. DETAILS OF CO-OPERATIVE

The Co-operative is a Registered Society registered with the Financial Conduct Authority and is domiciled in Scotland.

The Co-operative's principal place of business is 26 Granton Mill Crescent, Edinburgh, EH4 4UT.

The Co-operative is a Registered Social Landlord that owns and manages social housing property in Edinburgh .

#### 24. GOVERNING BODY MEMBER EMOLUMENTS

Committee of Management members received £Nil in the year by way of reimbursement of expenses. (2016 - £435). No remuneration is paid to Committee of Management members in respect of their duties in the Co-operative.

#### 25. INVESTMENTS

	2017 £	2016 £
Short term deposits	1,210,903	1,206,182

# WEST GRANTON HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 26. RETIREMENT BENEFIT OBLIGATIONS

### General

West Granton Housing Co-operative Limited participated in the Scottish Housing Association Pension Scheme (the scheme).

The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers 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 FRS102 represents the employer contribution payable.

The last full valuation of the Scheme was performed as at 30th September 2015 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £616m. The valuation revealed a shortfall of assets compared with the value of liabilities of £198m, equivalent to a past service funding level of 76%.

The Scheme operates on a 'last man standing' basis, meaning that in the event of an employer withdrawing from the Scheme and being unable to pay its share of the debt on withdrawal. Then the liability of the withdrawing employer is re-apportioned amongst the remaining employer. Therefore in certain circumstances the Co-operative may become liable for the obligations of a third party.

Based on the valuation the Scheme has provided an estimate of the contributions required to fund the past service deficit. Under the new proposals, the Co-operative will make payments of £51,165 from 1 April 2017. payments are expected to increase by 3% per annum and continue until February 2022. Once finalised the proposals will replace the original plan which was expected to have lasted 10 years.

All employers in the scheme have entered into an agreement to make additional contributions to fund the scheme's past service deficit. This obligation has been recognised in terms of Para 28.11A of Financial Reporting Standard 102. At the statement of financial position date the present value of this obligation was £259,765 (2016-£288,184). This was calculated by reference to the terms of the agreement and discounting the liability using the yield rate of a high quality corporate bond with a similar term. This discount rate used was 1.06%.

The Co-operative made payments totalling £65,592 (2016: £64,623) to the pension scheme during the year.