

# **Solon South West Housing Association**

Report and Financial Statements

Year ended 31 March 2008

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**Board Members, Executive Directors, Advisors and Bankers**

**Board of Management at 31 March 2008:**

Chair: Kate Orchard  
Vice Chair: Fred Semple  
Vice Chair: Charlie Mosse  
Chair – Audit & Finance Committee Everest Maburo  
Other Members: Kay Dovey  
George Cooke (appointed 23.01.08)  
Julia Godwin (appointed 23.01.08)  
Munawar Gondal (appointed 12.09.07)  
Margaret Richardson  
Robert Slade  
Michelle Thomas (resigned 21.05.07)  
Dudley Thomas (resigned 25.07.07)  
Steve Drew (resigned 12.09.07)  
Ping Hung (resigned 20.11.07)  
Michael Pratt (resigned 04.02.08)

**Senior Staff:**

Chief Executive & Company Secretary Paul Ville  
Finance Director Nasreen Razak  
Customer Services Director Sarah Wilde  
Vicky Hale Monro (appointed 03.03.08–  
maternity cover)

**Auditors:**

Beever and Struthers  
Chartered Accountants  
St. George's House  
215 – 219 Chester Road  
MANCHESTER M15 4JE

**Solicitors:**

Burges Salmon  
Narrow Quay House  
Prince Street  
BRISTOL BS1 4AH

Bevan Brittan  
35 Colston Avenue  
BRISTOL BS1 4TT

**Principal Bankers:**

HSBC Bank Plc.  
49 Corn Street  
BRISTOL BS99 7PP

**Registered Office:**

1 Newfoundland Court  
St Paul Street  
BRISTOL BS2 9AN

**Website:**

[www.solonswha.co.uk](http://www.solonswha.co.uk)

Solon is a charitable housing association registered under the Industrial and Provident Societies Acts, No.21136R.

Registered with the Housing Corporation, No: L0125

## **Report of the Board**

The Board presents its report and the audited financial statements for the year ended 31 March 2008.

### **Principal Activities**

Solon South West Housing Association is a not for profit registered social landlord, registered with the Housing Corporation and as a charity under the Industrial and Provident Societies Act. Solon's principal activities are the development and management of affordable housing. The Association's performance during the year and position at the year-end are summarised below.

### **Performance for the Year**

The Board is pleased to report a surplus on ordinary activities (after interest charges) of £866,000 (2007: £901,000).

### **Reserves**

After transfer of the surplus for the year of £866,000 (2007: £901,000), at the year-end Association reserves amounted to £7,933,000 (2007: £7,067,000).

### **Housing Assets**

Details of changes to the Association's fixed assets are shown in notes 12 and 13 to the financial statements.

### **Post Balance Sheet Events**

We consider that there have been no events since the financial year-end that have had an important effect on the financial position of the Association.

### **Financing and Treasury Management**

The Association's approach to financial risk management is outlined in the Operating and Financial Review.

### **Payment of Creditors**

Our policy is to pay purchase invoices by the end of the month following receipt, or earlier if agreed with the supplier.

### **Single European Currency**

Our accounting system is capable of accommodating the euro.

## **Report of the Board (continued)**

### **Employees**

Much of Solon's strength lies in the quality and commitment of its employees. Solon's ability to meet its objectives and commitments to residents in an efficient and effective manner depends on the contribution of employees throughout the Association.

Solon ensures that staff are fully informed of its objectives, progress and activities through regular office and departmental meetings. The Association provides training programmes focused on quality and customer service, and generally tailored to business plan objectives, and consults employees on proposed improvements to services and other matters of common concern. We have been recognised as an Investor in People since October 2002 (successfully reviewed in 2005) and are committed to equality of opportunity for all of our employees.

### **Health and Safety**

The Board is aware of its responsibilities on all matters relating to health and safety. The Association has prepared detailed health and safety policies and provides staff training and education on health and safety matters.

### **Board Members and Executive Directors**

The Board Members and Executive Directors of the Association as at 31 March 2008 are listed on page 1.

The Board Members are drawn from a wide background bringing together professional, commercial and local community skills and experience. Details of Board Members serving during the year are given on page 1.

All of the Executive Directors served throughout the year.

Solon has insurance policies that indemnify its Board Members and Executive Directors against liability when acting for the Association.

### **Internal Controls Assurance**

The Board has overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness.

The Board has reviewed the extent and adequacy of Solon's internal control systems and affirms that the Association maintains sound and effective systems of internal control.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and to provide reasonable, and not absolute, assurance against material misstatement or loss.

## **Report of the Board (continued)**

In meeting its responsibilities, the Board has adopted a risk-based approach to establishing and maintaining internal controls which are embedded within day-to-day management and governance processes.

This approach includes the regular evaluation of the nature and extent of risks to which Solon is exposed and is consistent with the principles outlined in the Housing Corporation's circular 07/07 *Internal controls assurance* which has replaced Circular R2 - 25/01.

The process for identifying, evaluating and managing the significant risks faced by the Association is ongoing and has been in place throughout the period commencing 1 April 2007 up to the date of approval of the report and financial statements. The Board receives and considers reports from management on these risk management and control arrangements at meetings during the year, either directly, or via the Audit & Finance Committee.

The arrangements adopted by the Board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework are set out below:

### ***Governance framework***

Solon is governed by a Board whose terms of reference have been reviewed regularly and continue to comply with the NHF Code of Governance.

Separate committees and working groups report to the Board, primarily covering audit and finance and resident participation and equal opportunities.

Job descriptions and specifications have been agreed and adopted for the Chairs of the Board, committees and working groups. The roles and responsibilities of individual members are set out in a letter, in accordance with the NHF Code.

Solon's Housing Corporation Assessment of October 2007 confirmed that the governing body, supported by appropriate governance and executive arrangements, maintains satisfactory control of the organisation. Previous HCAs have noted that the Board gives effective leadership and control and has a wide range of skills and experience and, supported by appropriate governance and executive arrangements, is improving its own performance and that of the organisation. This continues to be the case.

### ***Internal control framework***

The Board has approved, and put in place Standing Orders and Financial Regulations that set Solon's high-level internal control framework. These are reviewed regularly. Most recently, detailed reviews of the Standing Orders and Financial Regulations were undertaken in May 2005, December 2006 and March 2007 and the Procurement Policy was reviewed in November 2005. The internal auditors were consulted on the amendments.

## **Report of the Board (continued)**

The Standing Orders and Financial Regulations set out the delegated authorities to committees and working groups, managers and staff, and are circulated to all staff with delegated authorities. A comprehensive review of delegated authorities was also carried out in January 2008 and this increased the level of delegated authority from the Board to the Management Team and sub-committees. Committee terms of reference are also set out in the Standing Orders.

The Board has approved, and put in place a business plan that sets out Solon's vision, business objectives, and key targets. The business plan is developed in conjunction with the 30-year financial plan which tests the financial implications and viability of the proposals. The 30-year Plan is also used to produce sensitivity analyses and test alternative strategies or proposals. An annual management action plan defines tasks to be completed by named staff within set deadlines. The Board subsequently monitors progress during the year.

### ***Risk identification and evaluation***

Solon undertakes an annual risk assessment exercise, concentrating on risk identification and evaluation and monitoring of suitable controls. The process is led by the Chief Executive, who takes responsibility for advising the Board on risk management, and reporting any significant changes effecting key risks.

Risks are analysed to assess the possible impact of high, medium and low risks, and the likelihood of them arising. The senior management team subsequently identifies and assesses the existing controls available to avoid occurrence of the highest priority risks, and, where weaknesses exist, proposes actions to mitigate them.

The Internal Audit Association undertook a review of Solon's risk management process in May 2004 and concluded that the Association has robust arrangements in place for the identification and monitoring of key risks.

The development process is a major risk area. An Internal Audit Association review of Solon's development risk arrangements undertaken in November 2007 confirmed that detailed risk assessments are undertaken for all development schemes. The risk assessments are approved and signed-off by the Chief Executive and the Directors. Detailed financial appraisals are also carried out for all schemes as part of the risk assessment process. All appraisals are signed-off by the Finance Director and are presented to the Board as part of the scheme appraisal process.

### ***Fraud***

The Association complies with the Housing Corporation's requirements on fraud. In particular, there is a clear policy on fraud that has been approved by Board and distributed to all staff. The policy requires a register to be maintained of all actual and attempted fraud. All such cases will be reported to the Board and all cases in excess of £5,000 or any case involving senior management and Board irrespective of the amount must be reported promptly to the Housing Corporation. The Association's policy on anti-fraud covers the prevention and detection of fraud, the internal and external reporting requirements and the recovery of assets

**Report of the Board (continued)**

which include legal resolution. Furthermore, the Board also has an established whistleblowing policy.

There were no reported cases of fraud during 2007/08.

***Operation of controls and monitoring***

Staff work to policies and procedures that incorporate all necessary controls. Managers are required to ensure that they and their staff follow policies and procedures. They certify that adequate systems of internal control exist and operate in their departments, and that those systems are aligned to the management of significant risks facing the Association.

The Board has affirmed that, where appropriate, Solon's core policies have been reviewed and, if necessary updated.

***Independent assurance***

Solon employs The Internal Audit Association (TIAA) as internal auditors to provide independent assurance that appropriate controls are operated. TIAA's Annual Report 2007/08 found that, within the areas of activity reviewed during 2007/08, there were no systems reviewed where it was assessed that the effectiveness of some of the internal control arrangements provided 'no assurance' or 'limited assurance'. Overall, the system reviews carried out indicated that Solon has procedures in place that are designed and operated to provide effective control.

TIAA undertook a follow-up review during the year which concluded that 25 (76%) of the 33 recommendations from the six reviews carried out in 2006/07 had been implemented. Of the remaining 8 recommendations, 6 were regarded as being in the process of being implemented, as opposed to not having been implemented, and 2 were no longer necessary. This represents an improvement on performance in the previous year.

Some independent assurance is also provided by Solon's accreditation as an Investor in People. Further independent assurance is also provided by regular customer and staff surveys.

***Financial controls***

Long-term financial forecasts are validated by independent consultants, and approved annually by the Audit & Finance Committee and Board, to ensure Solon's long-term financial viability.

Budgets are prepared, approved by the Board, and monitored monthly, and quarterly via the preparation of management accounts. Short and medium-term cash flow forecasts are prepared regularly to ensure liquidity.

***Emergency planning***

Solon has a disaster recovery plan, copies of which are held off site by all senior staff and the Chairperson.

## **Report of the Board (continued)**

### **Going Concern**

After making enquiries, the Board has a reasonable expectation that Solon has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in the financial statements.

### **Statement of the Responsibilities of the Board for the Report and Financial Statements**

The board is responsible for preparing the report and financial statements in accordance with applicable law and United Kingdom generally Accepted Accounting Practice. The Companies

Acts and registered social landlord legislation in the United Kingdom require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association at the end of the year and of the surplus or deficit of the Association for the year then ended. In preparing those financial statements the Board is required to:

- Select suitable accounting policies and apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- Follow applicable United Kingdom Accounting Standards and the Statement of Recommended Practice: "Accounting by registered social landlords" (Update 2005); and
- prepare the financial statements on a going concern basis.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and enable it to ensure that the financial statements comply with the Companies Act 1985, paragraph 16 of Schedule 1 to the Housing Act 1996 and the Accounting Requirements for registered social landlords General Determination April 2006.

It is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The board is responsible for ensuring that the Report of the Board is prepared in accordance with the Statement of Recommended Practice: "Accounting by registered social landlords" (Update 2005).

We certify that there is no relevant audit information of which the Association's auditors are unaware and the Board Members have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

### **Annual General Meeting**

The Annual General Meeting will be held at 6.00pm on 10 September 2008 in the Conference Room, CEED, Ujima House, 97-107 Wilder Street, St Paul's, Bristol.

**Report of the Board (continued)**

**External Auditors**

A resolution to re-appoint Beever and Struthers as external auditors will be proposed at the forthcoming Annual General Meeting.

**Approval**

The report of the Board was approved by the Board on 23 July 2008 and signed on its behalf by:

Kate Orchard  
**Chairperson**

## Chief Executive's Report

The financial statements demonstrate that Solon continues to be a successful social business, which is maintaining financial strength and viability while achieving the balance of rent affordability and investment in new and existing housing. We continue to succeed in an increasingly complex, competitive and challenging business environment.

The statements demonstrate tangible achievements, including:

- financial strength across a range of indicators;
- positive operating margins on key operating segments;
- acquisition and development of new permanent homes for rent and low cost sale;
- continuing investment in existing homes to ensure they are maintained in good condition, and that Solon will meet the Decent Homes Standard;
- good performance in controlling rent arrears,
- good performance in recovery of former tenant arrears,
- quicker letting of vacant homes and substantial reduction in void losses.

During the year, we have continued to invest resources to make Solon more efficient, and to improve services, including:

- review of the 3-year business plan;
- on-going development of the IT system;
- investment in training and support;
- completion of a further phase of the comprehensive stock condition survey;
- detailed analysis of the results of the stock condition survey;
- review of the 30-year financial plan, including financial provision to meet the projected costs from the stock condition survey and the development programme;
- rolling programmes of internal audit and risk management, to improve controls and systems, and reduce risk;
- on-going corporate planning to achieve business plan objectives;
- review of a range of Audit Commission Key Lines of Enquiry and delivery of action plans to improve service delivery and satisfaction;
- development of the our work on resident involvement;
- employment of a Maintenance Surveyor following the establishment of this new post;
- continued employment of consultants to assist with developing the major repair and cyclical programmes and procuring new contracts;
- work on the procurement of new long-term contracts for response maintenance, voids and major repairs;
- maintaining a pro-active approach to delivering equality of opportunity and diversity.

We have continued to implement our Development Strategy during the year. We successfully completed the development of 29 newly built homes in 2007/08. A further 76 new homes were under construction by end-March 2008, representing a further increase in development activity, and our largest programme for many years.

**Chief Executive's Report (continued)**

The development programme will continue to grow over the next five years. Successful bids for Housing Corporation social housing grant submitted during 2007 resulted in grants received of £860,000. These will be taken-up in 2008/09. Solon also has a significant forward programme which will be delivered via developers under S106 planning obligations.

Creating new homes is essential to renew the profile of Solon's ageing housing stock, thereby reducing the associated on-going financial liability, and improving cost effectiveness and financial strength. The higher quality achieved by the provision of new homes is important in meeting increasing customer expectations. It is also important for Solon to achieve growth to spread overhead costs and increase overall efficiency. The new homes produced also contribute to meeting the ever increasing need for affordable housing in the West of England sub-region.

Urban regeneration and the development of sustainable communities has continued to be a high priority. We made a significant contribution to the work of Community @ Heart in Barton Hill during the year, laying the foundations for a successful community, not only in the way the housing will be developed, but also in the way it will be allocated and managed in future. The second phase of the redevelopment was successfully completed in 2007/08 and, like the first, is proving very popular with the residents. The third phase started on site during the year and will be completed by September 2008. This will mark the completion of the development programme in Barton Hill. However Solon's involvement in the area will not end here as we will be actively managing the completed homes and continuing to work with our partners to maintain a thriving and popular community.

Growth complements, and is complemented by the delivery of the Asset Management Strategy. The implementation of the Strategy is essential to improve the quality of our homes and efficiency of the maintenance service, and ensure the most cost effective use of existing stock. This was a very high priority over the past year, and it will continue to be so in the future.

In last year's report, it was noted that the outcome of Solon's maintenance partnering arrangements had been unsatisfactory and consequently this relationship had been terminated. A replacement contractor had been appointed to undertake an interim response repairs contract, pending a review of longer-term arrangements. The contract, which started in August 2006, had subsequently been in operation for over a year during which time maintenance performance and customer satisfaction with the service had improved significantly and costs had been reduced.

This contact has subsequently continued very successfully throughout 2007/08 achieving further improvements in performance, customer satisfaction and cost.

The interim arrangements come to an end on 30 June 2008, following the procurement and entry into a new, longer-term five-year contract. The combination of contractor, contractual requirements and good internal programme cost and quality control by the Asset Management Department are expected to deliver higher quality and reduced costs going forward.

Planned maintenance/major repairs and improvements are based on comprehensive stock condition surveys. Solon completed a new stock condition survey in 2006, with further surveys

## **Chief Executive's Report (continued)**

(of previously un-accessed stock) completed in 2007. These surveys concluded that there is a need for significant new financial investment in our homes. The annual review of the 30-year Financial Plan at the end of 2007/08 includes sufficient financial provision to meet the projected costs from the survey.

Major repair and improvement programmes continue to be worked up and delivered to ensure that this expenditure is properly targeted and that Solon will achieve 100% compliance with the Decent Homes Standard by 2010. Additional professional advice has also been commissioned from consultants Ridge to assist the Asset Management Department in procuring contracts with reputable contractors and ensuring good internal programme cost and quality control.

Five phases of the planned and major repair works programme were successfully completed in 2006/07 and 2007/08. The contract has operated well with costs within budget, high quality workmanship and a 100% customer satisfaction rate.

Ridge has subsequently assisted with the procurement of a new, longer-term five-year contract. The combination of contractor, contractual requirements and good internal programme cost and quality control are expected to deliver higher quality and reduced costs on this contract from 2008/09.

Disposal of unsatisfactory properties is another key objective of the Asset Management Strategy. The sale of 10 units was successfully completed in 2007/08, with receipts exceeding £1.1m. Solon's three-year business plan to 2010/11 identifies a further 30 unsatisfactory units for disposal of which 20 have been budgeted for in 2008/09.

### **The Future**

There will be a number of challenges in the year ahead. These include bedding in the new response and major repairs contracts and maintaining the improved performance on day-to-day maintenance. We must also deliver the major repairs programme to reflect the outcome of the stock condition survey, and complete the work required to ensure that we remain on track to comply with the Decent Homes Standard by 2010.

We will also need to work hard to deliver an increasingly large and complex development programme in difficult economic conditions. This will be complemented by action to implement the programme of disposals of unsatisfactory properties, and to raise additional private finance to fund our growth. We will continue to build on our role in neighbourhood management and ongoing inner city regeneration and neighbourhood renewal. All of our services will continue to be developed and improved.

### **Financial Strength for the Future**

The most recent Housing Corporation Assessment notes that, overall Solon has a strong financial base and is positioned to expand in a modest way over the next few years. Interest cover is strong as the impact of low margins is largely offset by low borrowings, although this is now forecast to decline to the peer group median level due to the impact of increased debt

**Chief Executive's Report (continued)**

associated with the growing development programme. This indicates that we are now utilising our underlying financial strength to fulfil our development aspirations and meet the needs of the local communities that we serve.

Our relative financial strength, including low borrowing, high value stock, and a sound 30-year financial plan enable us to continue to look forward to the future with confidence.

**Thanks**

I would like to thank all those who have supported us during the year: our customers, our partners, and most importantly the Board Members and members of the Audit & Finance Committee for their hard work and commitment. I also thank staff and colleagues for their continued hard work during the year.

Paul Ville

Chief Executive

**Date: 23 July 2008**

## Operating and Financial Review

Solon is a locally based housing association, owning and managing approximately 1100 homes. We aim to deliver good quality, affordable homes and customer focused housing services in a way that satisfies the housing and social needs of each of our customers. We work in Bristol, South Gloucestershire, and surrounding areas where we can demonstrate that we can manage homes effectively.

Services are provided directly by Solon or in partnership with other agencies where more appropriate or cost effective. We invest in a trained and motivated workforce to deliver our services.

Since the late 1990s it has been a key strategic business plan objective to develop new homes, primarily to meet housing need and tackle homelessness, but also to create a more diverse portfolio with a larger proportion of new build homes which are more cost effective to occupy and maintain.

In 1998/99 only 8% of our homes were newly built. However, this had increased to 16% by 2007/08.

The development of new homes has also protected Solon's future stability by replacing temporary housing (leased stock) which has contracted in recent years due to changes in local and national government homelessness and supported housing policy. In 1998/99, 22% of our stock comprised temporary units, (often bed-spaces in shared houses). By the end of 2007/08, the proportion of temporary homes had fallen to approximately 10%.

New development to increase the proportion of permanent, and more efficient and sustainable newly built homes remains a key strategic business plan objective. By 2010/11, the proportion of newly built homes is expected to increase to 29% of total stock. The proportion of temporary accommodation is expected to fall to 7% over the same period.

Whilst development in recent years has changed Solon's housing profile, net growth has not been achieved due to the impact of the loss of temporary housing. Consequently, further new development is critical to achieving future net growth enabling Solon to continue to meet housing need, spread overhead costs and become more efficient.

It is anticipated that net growth will begin to be achieved from 2007/08 onwards as a larger number of new homes being produced by the development programme reach completion.

A summary of our stock is outlined below:

Stock type	2007-08	2006-07	2005-06	2004-05	2003-04
Stock owned	993	974	947	938	909
Stock leased	101	139	163	174	212
<b>Total</b>	<b>1094</b>	<b>1113</b>	<b>1110</b>	<b>1112</b>	<b>1121</b>

**Operating and Financial Review (continued)**

**Financial Review**

Solon benefits from a low level of gearing and a high level of interest cover, both of which are comfortably within sector benchmarks and provide the foundation for our investment activity. Conversely our operating cost and margin performance is declining, primarily due to increasing maintenance expenditure. The latter will continue to increase as a result of the planned renewals (major repair and improvement) programme. Our operating margin will however improve through the additional rental income generated from the new properties developed each year.

<b>Operating surplus per division</b>	<b>2007-08</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>	<b>2003-04</b>
General needs	250	297	362	536	686
Temporary social housing	-76	-20	69	70	161
Managed by others	144	157	197	230	23
Supported housing	-90	-69	-28	-2	14
<b>Total operating surplus £000</b>	<b>228</b>	<b>365</b>	<b>600</b>	<b>834</b>	<b>884</b>
<b>Total assets less current liabilities</b>	<b>12,925</b>	<b>10,503</b>	<b>9,940</b>	<b>8,786</b>	<b>7,809</b>
Gearing	11.9%	8.2%	10.60%	9.40%	8.80%
Interest cover	1.26	2.22	2.87	4.06	5.37
<b>Operating cost per unit per week</b>	<b>68.23</b>	<b>62.21</b>	<b>62.18</b>	<b>55.53</b>	<b>52.92</b>
<b>Operating cost as % of turnover</b>	<b>94%</b>	<b>90%</b>	<b>89%</b>	<b>80%</b>	<b>77%</b>

**Housing Review**

Solon has 1,094 rental units of which 177 are managed on our behalf by agents. Our general needs stock provides our core income and key performance indicators for this stock are outlined below.

<b>Empty property performance</b>	<b>2007-08</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>	<b>2003-04</b>
<b>Rent loss for empty properties</b>	1.8%	1.9%	2.4%	1.9%	2.0%
<b>No. of days taken to re-let an empty property</b>	20	33	26	46	19
<b>Rent collected</b>	97.0%	96.1%	100.4%	99.4%	96.4%

Solon works predominately in urban areas and, given the challenges of this environment, void and rent collection performance is good.

## Operating and Financial Review (continued)

### Asset Management Review

2007/08 has been another busy and successful year for asset management. There have been a number of positive achievements, including the delivery of a significant major repairs programme, based on the stock condition survey, and designed to ensure that Solon meets the Decent Homes Standard by 2010. The further phases to programme were successfully completed by the end of 2007/08. The contract operated well with costs within budget, high quality workmanship and a high customer satisfaction rates. Subsequent phases are now being planned.

During 2007/08, Solon continued with the interim contract for day-to-day and voids works, introduced following the termination of the partnering contract. The new contract has continued to be very successful, achieving significant improvements on the previous partnering arrangements on cost, performance and customer satisfaction.

Our core performance for response maintenance completion times are outlined as follows:

Completions on time	2007-8	2006-7	2005-06	2004-05	2003-04
Emergency	99.2%	86%	89.2%	99%	98.80%
Urgent	94.2%	76%	88.5%	93%	95.90%
Routine	97.3%	89%	84.0%	89%	94.30%

We have successfully implemented the third year of the disposals programme, selling unsuitable older and poorer quality stock. We have also made further progress in restructuring the asset management section and ensuring that staff have the appropriate skills to manage and deliver the range of programmes that they are responsible for.

As noted in the Chief Executive's report, the asset management section has also successfully procured new contracts for response maintenance and major repairs/improvements during the year.

Solon has a high level of decent homes compliant stock with 10.39% non-decent at 31<sup>st</sup> March 2008. (2006/07: 14.6%). Approximately £1.3m has been set aside over the next two years to ensure full compliance with decent homes by 2010.

A total of £1.8m was invested in maintenance in 2007/08. Of this, 29% was spent on routine maintenance and 71% on planned and cyclical maintenance. In prior years, the trend has been toward more routine maintenance which is considered inefficient and not best practice. The asset management strategy seeks to address this.

### Development Review

Solon is a founder member of the Sovereign Development Consortium which is one of the Housing Corporation's national Investment Partners. We were successful in securing new Housing Corporation grant allocations of £2.4m in 2006-07 and £1.6m in 2007-08 via the Consortium.

## **Operating and Financial Review (continued)**

New allocations of £860,000 have subsequently been made for 2008–11. This is lower than anticipated. However it reflects the limited allocations made in the South West Region and the expectation that associations will submit in-year bids via the new RME bidding process.

The Consortium made a significant contribution to the delivery of the National Affordable Housing Programme during 2006–08, taking-up approximately £57m in HC grant and completing 1387 new homes. Solon produced 67 new homes during the two year period.

## **Capital Structure**

Solon is financed predominantly from reserves and benefits from gearing of 11.9% (2007: 8.2%) which in-turn has low servicing costs. The Association's total debt includes a £1.2m syndicated Housing Corporation loan which has relatively high fixed rate servicing costs. We have two loan facilities; £1.6m with Royal bank of Scotland and £9.75m with Dexia public finance bank. (Dexia acquired the loan by way of transfer from Bradford and Bingley in January 2008). At the year-end £4.6m was outstanding (2007: £3m).

The Finance Director manages the treasury operation on behalf of the Board. The Audit & Finance Committee has adopted the Chartered Institute of Public Finance's best practice policy document on treasury management. To manage interest rate risk, the treasury policy sets a maximum target of 40% variable rate debt. At the year end, 36% of the Association's portfolio remained on variable rates.

Solon plans to raise its debt level to approximately £24.6m over the next five years to fund investment in new housing in accordance with the Board's development strategy and business plan objectives. This investment will be complemented with social housing grant.

## **Cash Flows**

The Association's cash flows are outlined on page 19. The main inflow of cash comes from rental income. Capital expenditure on housing assets was supported by £1m of social housing grant and £1.1m generated from the disposal of unsatisfactory housing stock. Our undrawn loan facilities with Dexia amount to £8m of which £3m is a revolving element which can be drawn and repaid until 2036.

## **Statement of Compliance**

The Board confirms that the Operating and Financial Review has been prepared in accordance with the principles set out in Part 3 of the 2005 SORP updated for Registered Social Landlords.

## **Report of the Independent Auditors to the Members of Solon South West Housing Association Limited**

We have audited the financial statements of Solon South West Housing Association Limited on pages 17 to 34 for the year ended 31st March 2008. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out therein.

This report is made solely to the Association's members, as a body, in accordance with Section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Association'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 Association and the Association's members as a body, for our audit work, for this report or for the opinions we have formed.

### **Respective Responsibilities of the Board and Auditors**

The Board's responsibilities for preparing the Board Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of the Board's Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, Schedule 1 of the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006. We also report to you if the Association has not kept proper accounting records, if the Association has not maintained a satisfactory control over its transactions, if the financial statements are not in agreement with the books of account, and if we have not received all the information and explanations which are necessary for the purpose of our audit.

We read information contained in the Board Report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

**Report of the Independent Auditors to the Members of Solon South West Housing Association Limited (continued)**

**Basis of Opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of significant estimates and judgements made by the Board in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Association's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularities or error. In forming our opinion we also evaluated the overall adequacy of the presentation of the information in the financial statements.

**Opinion**

In our opinion

- the financial statements give a true and fair view of the state of the Association's affairs as at 31 March 2008 and of the surplus for the year then ended,
- the financial statements have been properly prepared in accordance with the Industrial and Provident Societies Acts, 1965 to 2002, Schedule 1 of the Housing Act 1996, and the Accounting Requirements for Registered Social Landlords General Determination 2006.
- the information contained within the board report is not inconsistent with the financial statements.

**Registered Auditors**

**Date: 23 July 2008**

**Beever and Struthers**

Chartered Accountants and Registered Auditors

St George's House

215-219 Chester Road

Manchester

M15 4JE

**Income and Expenditure Account  
For the year ended 31 March 2008**

	<b>Notes</b>	<b>2008 £'000</b>	<b>2007 £'000</b>
Turnover – continuing operations	3	4,141	4,011
Operating costs	3	<u>(3,882)</u>	<u>(3,600)</u>
Operating surplus	3	259	411
Surplus on sale of properties	10	<u>866</u>	<u>717</u>
Surplus on ordinary activities before interest		1,125	1,128
Interest receivable and other income	7	27	15
Interest payable and similar charges	8	<u>(286)</u>	<u>(242)</u>
Surplus on ordinary activities for the financial year	9/22	<u><u>866</u></u>	<u><u>901</u></u>

The Association's income and expenditure all relates to continuing operations. The notes on pages 22–36 form an integral part of these financial statements.

There were no recognised surpluses or deficits other than those included in the Income and Expenditure Account for the year or the previous year.

**BALANCE SHEET****As at 31 March 2008**

	Notes	2008 £'000	2007 £'000
<b>Tangible fixed assets</b>			
Housing properties – depreciated cost	12	43,791	40,146
		(30,844	(29,725
Capital grants	12	)	)
		12,947	10,421
Other tangible fixed assets	13	54	57
		<u>13,001</u>	<u>10,478</u>
<b>Current assets</b>			
Debtors	14	485	387
Cash at bank and in hand		<u>344</u>	<u>707</u>
		829	1,094
<b>Creditors:</b>			
<b>Amounts falling due within one year</b>	15	<u>(905)</u>	<u>(1,069)</u>
<b>Net current (liabilities)/assets</b>		<u>(76)</u>	<u>25</u>
<b>Total assets less current liabilities</b>		<u><u>12,925</u></u>	<u><u>10,503</u></u>
<b>Creditors</b>			
<b>Amounts falling due after more than one year</b>	16	<u>4,992</u>	<u>3,401</u>
<b>Provisions for liabilities and charges</b>	17	<u>-</u>	<u>35</u>
Non-equity share capital	19		-
Designated reserves	22	1,543	1,543
Revenue reserves	22	<u>6,390</u>	<u>5,524</u>
	23	<u>7,933</u>	<u>7,067</u>
		<u><u>12,925</u></u>	<u><u>10,503</u></u>

The financial statements were approved by the Board on 23 July 2008 and signed on its behalf by:

Kate Orchard  
Chair

Everest Maburu  
Chair – Audit & Finance  
Committee

Paul Ville  
Secretary

**CASHFLOW STATEMENT**

For the year ended 31 March 2008

	Notes	2008 £'000	2007 £'000
<b>Net cash inflow from operating activities</b>	25	<u>(83)</u>	<u>711</u>
<b>Returns on investments and servicing of finance</b>			
Interest received		27	15
Interest paid		<u>(195)</u>	<u>(242)</u>
		<u>(168)</u>	<u>(227)</u>
<b>Capital expenditure</b>			
Acquisition and construction of properties		(4,065)	(3,653)
Purchase of other fixed assets		(27)	(23)
Capital grants received		1,169	2,989
Disposal of housing properties		1,185	1,390
Disposal of other fixed assets		<u>16</u>	<u>16</u>
		<u>(1,738)</u>	<u>719</u>
<b>Financing</b>			
Housing loans received		1,626	-
Housing loans repaid		<u>-</u>	<u>(565)</u>
		<u>1,626</u>	<u>(565)</u>
<b>Increase (decrease) in cash</b>	26	<u><u>(363)</u></u>	<u><u>638</u></u>

## **Notes to the Financial Statements**

For the year ended 31 March 2008

### **1. Legal Status**

The Association is registered under the Industrial and provident societies Act 1965 and is registered with the Housing Corporation as a social landlord.

### **2. Principal accounting policies**

#### **Basis of accounting**

The financial statements of the Association are prepared under the historical cost convention and in accordance with applicable accounting standards, the Accounting Requirements for registered social landlords General Determination 2006 and the Statement of Recommended Practice Accounting by Registered Social Landlords' 2005 updates.

The Board is satisfied that the current accounting policies are the most appropriate for the Association.

#### **Turnover**

Turnover comprises rental and service charge income, income from the sales of properties, fees and revenue grants.

#### **Shared ownership accounting and property disposals.**

Properties developed for shared ownership sale are divided into first tranche sales and other sales. First tranche sales are deducted from the cost of the property concerned. Subsequent tranches are not included in Turnover and Cost of Sales, but are shown as a separate item after the operating surplus in the Income and Expenditure Account. All other sales of fixed asset properties are dealt with in this latter way.

#### **Supporting people accounting.**

Supporting People (SP) contract income received from Administering Authorities is accounted for as SP income in 'other social housing activities' in note 3a. The related support costs are matched against this income in the same note.

#### **Interest**

Interest payable is charged to the income and expenditure account in the year.

**Notes to the Financial Statements (continued)**

For the year ended 31 March 2008

**Pensions**

The Association contributes to personal pensions for employees through a group stakeholder arrangement. This is a defined contribution scheme, and the assets are invested and managed independently of the finances of the Association. The costs are charged to management expenses over the periods benefiting from the employee's services.

**Supported housing managed by agencies**

Social housing capital grants are claimed by the Association as owner of the property and included in the balance sheet of the Association. The treatment of other income and expenditure in respect of supported housing projects depends on whether the Association carries the financial risk.

Where the Association holds the support contract with the Supporting People Administering Authority and carries the financial risk, all the project's income and expenditure is included in the association's income and expenditure account (see note 3).

Where the agency holds the support contract with the Supporting People Administering Authority and carries the financial risk, the income and expenditure account includes only that income and expenditure which relates to the Association. Other income and expenditure of projects in this category is excluded from the Association's income and expenditure account (see note 4).

**Taxation**

Because of its charitable status, the Association is exempt from tax on its income from investments, revenue account surplus and capital gains, provided they are applied for charitable purposes.

**Value added tax**

The Association does not charge value added tax (VAT) on its income and is unable to recover the VAT it incurs on expenditure. The financial statements include the irrecoverable VAT suffered by the Association.

**Notes to the Financial Statements (continued)**

For the year ended 31 March 2008

**Housing properties**

Housing properties are principally properties available for rent and are stated at cost less depreciation. Cost includes the cost of acquiring land and buildings and development costs incurred during the development period.

**Capitalisation of improvements to housing properties**

Expenditure incurred in respect of improvements is capitalised where it results in an increase in the net rental stream over the useful life of the property. An increase in net rental stream may arise through: an increase in the rental income, a reduction in future maintenance costs, or as a result of a significant extension of the useful economic life of the property in the business.

Only the direct overhead costs associated with new developments or improvements are capitalised. Land donated by local authorities and others is added to cost at the market value of the land at the time of the donation.

**Social housing grant**

Social housing grant (SHG) is receivable from the Housing Corporation and is utilised to reduce the capital costs of housing properties, including land costs. The amount of SHG receivable is calculated on a fixed basis depending on the size, location and type of housing property. SHG due from the Housing Corporation or received in advance is included as a current asset or liability. SHG received in respect of revenue expenditure is credited to the income and expenditure account in the same period as the expenditure to which it relates.

SHG is subordinated to the repayment of loans by agreement with the Housing Corporation. SHG released on sale of a property is normally available to be recycled and is credited to a Recycled Capital Grant Fund and included in the balance sheet in creditors.

**Other grants**

These include grants from local authorities and other organisations. Capital grants are utilised to reduce the capital costs of housing properties, including land costs. Grants in respect of revenue expenditure are credited to the income and expenditure account in the same period as the expenditure to which they relate.

**Notes to the Financial Statements (continued)**

For the year ended 31 March 2008

**Depreciation of housing properties**

Freehold land is not depreciated. Depreciation is charged so as to write down the net book value of housing properties to their estimated residual value, on a straight line basis, over their estimated useful economic lives in the business. The depreciation amount is arrived at on the basis of original cost, less the proportion of SHG and other grants attributable to housing properties, less residual value. The Association's housing properties have been depreciated at the following rates from 1 April 1999.

All properties	
built since 1980	1.25%pa
built before 1979	1.70%pa

Properties held on leases are amortised over the life of the lease or their estimated useful economic lives in the business if shorter.

**Impairment**

Houses built since 1980 which are depreciated over a period in excess of 50 years are, in accordance with Financial Reporting Standard No 11 and the SORP, subject to impairment reviews annually. Other assets are reviewed for impairment if there is an indication that impairment may have occurred.

Where there is evidence of impairment, fixed assets are written down to their recoverable amount. Any such write down would be charged to operating surplus unless it was a reversal of a past revaluation surplus in which case it would be taken to the statement of total recognised surpluses and deficits.

**Other tangible fixed assets**

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land. The principal annual rates for other assets are:

- Office improvements & short leasehold property – over the life of lease
- Furniture, fixtures and fittings – 3 to 5 years, depending upon type
- Computers and office equipment – 3 years
- Motor vehicles – 4 years

**Notes to the Financial Statements (continued)**

For the year ended 31 March 2008

**Leased assets**

Assets held under finance leases are included in the balance sheet and depreciated in accordance with the Association's normal accounting policies. The present value of future rentals is shown as a liability.

The interest element of rental obligations is charged to the income and expenditure account over the period of the lease in proportion to the balance of capital repayments outstanding.

Rentals payable under operating leases are charged to the income and expenditure account on a straight-line basis over the lease term.

**Schemes in progress**

Properties under construction are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

**Provisions**

The Association makes provisions only where there is a contractual or constructive liability for future expenditure, and the amount or timing is uncertain. Provisions are made to recognise the Association's obligation to hand back short-life properties to their owners in a state similar to that when they were received, and for unspent sums collected from agents for property maintenance.

**Reserves**

The Association establishes restricted reserves for specific purposes where their use is subject to external restrictions and designated reserves are earmarked for a particular purpose.

**Major repairs reserve**

The Association's commitment to fund other major repairs is recognised by the major repairs reserve. The amount is based on expected future liabilities arising on meeting the decent homes target; and will transferred to income and expenditure accounts based on the actual costs incurred.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2008

**3a. TURNOVER, OPERATING COSTS AND OPERATING SURPLUS**

	2008			2007		
	Turnover	Operating costs	Operating surplus / (deficit)	Turnover	Operating costs	Operating surplus / (deficit)
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Social housing lettings:</b>	3,988	(3,760)	228	3,867	(3,502)	365
<b>Other social housing activities:</b>						
Supporting people	137	(58)	79	124	(65)	59
Other income and expenditure	16	(64)	(48)	20	(33)	(13)
	4,141	(3,882)	259	4,011	(3,600)	411

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2008

3b.

**PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS**

	2008					2007				
	General Needs	Supported Housing	Properties managed by others	TSH	Total	General Needs	Supported Housing	Properties managed by others	TSH	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Income from social housing lettings</b>										
Rent receivable net of identifiable service charges and void losses	2,809	49	576	334	3,768	2,610	46	582	419	3,657
Service charges receivable	85	34	6	6	131	79	33	6	5	123
<b>Net rental income</b>	<b>2,894</b>	<b>83</b>	<b>582</b>	<b>340</b>	<b>3,899</b>	<b>2,689</b>	<b>79</b>	<b>588</b>	<b>424</b>	<b>3,780</b>
Revenue grants from local authorities & other agencies	-	-	-	89	89	-	-	-	87	87
<b>Turnover from social housing lettings</b>	<b>2,894</b>	<b>83</b>	<b>582</b>	<b>429</b>	<b>3,988</b>	<b>2,689</b>	<b>79</b>	<b>588</b>	<b>511</b>	<b>3,867</b>
<b>Expenditure on social housing lettings</b>										
Management	(704)	(128)	(397)	(180)	(1,409)	(593)	(112)	(270)	(141)	(1,116)
Services	(66)	(27)	(7)	(11)	(111)	(70)	(20)	-	(10)	(100)
Routine maintenance	(524)	(7)	(11)	(33)	(575)	(598)	(13)	(83)	(50)	(744)
Planned maintenance	(711)	-	(1)	(100)	(812)	(649)	(2)	(49)	(129)	(829)
Major repairs expenditure	(573)	-	(3)	(29)	(605)	(391)	(-)	(6)	(15)	(412)
Bad debts	(5)	-	11	(11)	(5)	(1)	(-)	2	(-)	1
Property lease charges	-	-	(15)	(127)	(142)	-	-	(20)	(168)	(188)
Depreciation of housing properties	(61)	(11)	(15)	(14)	(101)	(90)	(1)	(5)	(18)	(114)
<b>Operating costs on social housing Lettings</b>	<b>(2,644)</b>	<b>(173)</b>	<b>(438)</b>	<b>(505)</b>	<b>(3,760)</b>	<b>(2,392)</b>	<b>(148)</b>	<b>(431)</b>	<b>(531)</b>	<b>(3,502)</b>
<b>Operating surplus / (deficit) on social housing lettings</b>	<b>250</b>	<b>(90)</b>	<b>144</b>	<b>(76)</b>	<b>228</b>	<b>297</b>	<b>(69)</b>	<b>157</b>	<b>(20)</b>	<b>365</b>
<b>Rent losses from voids</b>	<b>(52)</b>	<b>(5)</b>	<b>(63)</b>	<b>(68)</b>	<b>(188)</b>	<b>(51)</b>	<b>(5)</b>	<b>(64)</b>	<b>(75)</b>	<b>(195)</b>

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2008

**4. SUPPORTED HOUSING MANAGED BY AGENTS**

Where the agency carries the financial risk, the Association's income and expenditure account includes only the income and expenditure for which it retains responsibility. The Association has 164 (2007: 191) supported bedspaces that are managed on its behalf, under management agreements, by other bodies who contract with Supporting People Administering Authorities. Under Solon's management agreements, the agents carry the financial risk relating to the Supporting People income, whilst Solon bears the financial risks relating to the properties themselves.

**5. DIRECTORS AND SENIOR OFFICERS EMOLUMENTS**

No remuneration was paid to Board members during the year but expenses remunerated to them, not chargeable to income tax, were £1,807 (2007: £885).

The remuneration paid to the Chief Executive and the senior officers:

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Emoluments – including pensions and benefits in kind	173	182
Emoluments – excluding pension contributions	162	174

The emoluments of the highest paid director, the Chief Executive were:

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Emoluments – including pensions and benefits in kind	67	63
Emoluments – excluding pension contributions	64	60

The Chief Executive is a member of the pension scheme on the same terms as all other eligible employees.

**6. EMPLOYEE INFORMATION**

The average weekly number of persons employed during the year (expressed in full time equivalents) was:

	<b>2008</b>	<b>2007</b>
	<b>No.</b>	<b>No.</b>
Administration	5	4
Development	3	3
Housing, support and care	22	22
	30	29

Staff costs (for the above persons) was as follows:

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Wages and Salaries		
Social security costs	738	678
Other pension costs (see note 16)	74	67
	39	46
	851	791

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2008

**7. INTEREST RECEIVABLE AND SIMILAR INCOME**

	2008	2007
	£'000	£'000
Interest received on bank investments	<u>27</u>	<u>15</u>

**8. INTEREST PAYABLE AND SIMILAR CHARGES**

	2008	2007
	£'000	£'000
<b>On bank loans, overdrafts and other loans:</b>		
Repayable wholly or partly in more than 5 years	271	236
Recycled Capital Grant Fund	<u>15</u>	<u>6</u>

**9. SURPLUS ON ORDINARY ACTIVITIES**

Surplus on ordinary activities is stated after charging the following:

	2008	2007
	£'000	£'000
Depreciation – housing properties	101	114
Depreciation – other tangible fixed assets	30	37
Operating lease rentals	214	262
External auditors remuneration	11	12
Surplus on disposal of fixed assets	866	717

**10. SALE OF PROPERTIES NOT DEVELOPED FOR OUTRIGHT SALE**

	2008	2007
	£'000	£'000
Proceeds of sales	1,118	1,390
Less: costs of sales	(252)	(673)
Total	<u>866</u>	<u>717</u>

**11. TAXATION**

Because of its charitable objectives, the Association is exempt from tax on its income from investments, revenue account surplus and capital gains provided they are applied for charitable purposes.

## Notes to the Financial Statements

For the year ended 31 March 2008

## 12. Housing Properties

	Completed Housing Properties	Completed shared ownership properties	Short leaseholds Properties	Housing Properties in the course of construction	Shared Ownership Properties in the course of construction	Total
	£'000	£'000	£'000	£'000	£'000	
<b>Cost:</b>						
At 1 April 2007	38,301	366	1,348	836	-	40,851
Additions	-	-	-	4,065	-	4,065
Transferred to completed schemes	2,667	-	-	(2,667)	-	-
Disposals	(259)	-	(71)	-	-	(330)
At 31 March 2008	40,709	366	1,277	2,234	-	44,586
<b>Depreciation:</b>						
At 1 April 2007	687	-	18	-	-	705
Charge for year	101	-	-	-	-	101
Disposals	(9)	-	(2)	-	-	(11)
At 31 March 2008	779	-	16	-	-	795
Depreciated cost	39,930	366	1,261	2,234	-	43,791
<b>Social housing grant:</b>						
At 1 April 2007	27,755	-	830	531	-	29,116
Receivable in the year	-	-	-	1,289	-	1,289
Transferred to completed schemes	-	-	-	-	-	-
Disposals	(180)	-	(69)	-	-	(249)
At 31 March 2008	27,575	-	761	1,820	-	30,156
<b>Other grants: Single regeneration budget:</b>						
At 1 April 2007	109	-	500	-	-	609
Receivable in the year	79	-	-	-	-	79
At 31 March 2008	188	-	500	-	-	688
<b>Net book value:</b>						
At 31 March 2008	12,167	366	-	414	-	12,947
At 31 March 2007	9,750	366	-	305	-	10,421

The insured value of the Association's freehold/long leasehold housing properties for reinstatement purposes is £95.4m (2007: £94.1m)

Development staff costs capitalised in the year amounted to £87k (2007:£88k).

Housing properties at depreciated cost comprise:

	2008 £'000	2007 £'000
Freeholds	40,767	37,051
Long leaseholds	1,747	1,747
Short leaseholds	1,277	1,348
	<u>43,791</u>	<u>40,146</u>

**Notes to the Financial Statements**

For the year ended 31 March 2008

**13. Other Tangible Fixed Assets**

	Furniture and equipment £'000	Motor Vehicles £'000	Total £'000
<b>Cost:</b>			
At 1 April 2007	351	31	382
Additions	27		27
Disposals			
At 31 March 2008	378	31	409
<b>Depreciation:</b>			
At 1 April 2007	308	17	325
Charge for year	26	4	30
Disposals			
At 31 March 2008	334	21	355
<b>Net book value:</b>			
At 31 March 2008	44	10	54
At 31 March 2007	43	14	57

**14. Debtors**

	2008 £'000	2007 £'000
Rental debtors	364	358
Less Bad debt provision	(173)	(148)
Net rental debtors	191	210
Other debtors	294	177
	485	387

Included in debtors is a balance due after one year of £ 16,818 (2007:£19,337) which represents a loan to Gloucester Youth Housing Association.

**15. Creditors: amounts falling due within one year**

	2008 £'000	2007 £'000
Housing loans	105	20
Trade creditors	253	434
Rental prepayments	128	128
Accruals and deferred income	383	466
Other creditors	36	21
	905	1,069

**Notes to the Financial Statements**

For the year ended 31 March 2008

**16. Creditors: amounts falling due after more than one year**

	2008	2007
	£'000	£'000
Housing loans	4,524	2,983
Recycled Capital Grant Fund	468	418
	<u>4,992</u>	<u>3,401</u>

The loans are at varying rates of interest and are repayable by instalments as follows:

In one year or less	105	20
Between one and two years	105	20
Between two and five years	315	60
In five years or more	4,104	2,903
	<u>4,629</u>	<u>3,003</u>

Allocated housing loans for completed schemes are advanced to the Association by:

Royal Bank of Scotland	1,663	1,750
Orchardbrook Ltd	1,236	1,253
Dexia Public Finance Bank	1,730	-
	<u>4,629</u>	<u>3,568</u>

Housing loans are secured by first fixed charges on housing properties.

**Recycled Capital Grant Fund**

	2008	2007
	£'000	£'000
As at 1st April	418	190
Inputs to Reserve:		
Grants recycled	180	469
Interest accrued	15	6
New build	(145)	(117)
Other	-	(130)
As at 31 March	<u>468</u>	<u>418</u>

**17. Provisions for liabilities and charges**

	2008	2007
	£'000	£'000
As at 1st April	35	35
Transfers from income and expenditure account		-
Utilised in the year	(35)	
As at 31st March	<u>-</u>	<u>35</u>

These provisions were for the estimated end of lease liabilities of certain properties managed by Solon.

**Notes to the Financial Statements**

For the year ended 31 March 2008

**18. Pension Obligations**

The Association contributes 5% of employee salaries into personal pension schemes on their behalf. The amount contributed was £38,993 (2007: £32,837)

The Chief Executive participates in the scheme on the same terms as all other eligible staff. No enhancement or special terms apply.

**19. Non Equity Share Capital**

	2008	2007
	£	£
Shares of £1 each, issued and fully paid at the beginning of the year	47	44
Shares issued during the year	1	3
At the end of the year	<u>48</u>	<u>47</u>

The shareholders do not have a right to any dividend or distribution on a winding up.

Each shareholder has full voting rights.

**20. Capital Commitments**

	2008	2007
	£'000	£'000
Expenditure contracted less certified	3,992	4,825
Expenditure authorised by the Board of Management – not contracted	<u>3,552</u>	<u>1,287</u>
	<u>7,544</u>	<u>6,112</u>

Capital commitments will be funded by a mixture of private loans, grants and cash reserves.

**21. Housing Units/Bedspaces**

	2008	2007
	No.	No.
<b>Managed by Solon</b>		
General needs	847	834
Temporary social housing	36	53
Supported housing	20	20
Commercial properties	2	2
Shared ownership	12	6
<b>Sub-total</b>	<u>917</u>	<u>915</u>
<b>Managed by others</b>		
General needs	7	7
Supported housing	133	136
Temporary supported housing	37	55
<b>Sub-total</b>	<u>177</u>	<u>198</u>
<b>Total units</b>	<u>1,094</u>	<u>1,113</u>
 <b>Units in development</b>	 <u>76</u>	 <u>72</u>

**Notes to the Financial Statements**

For the year ended 31 March 2008

**22. Reserves**

	Designated reserves £'000	Revenue reserve £'000	Total £'000
At 1 April 2007	1,543	5,524	7,067
Surplus for the financial year	-	866	866
At 31 March 2007	<u>1,543</u>	<u>6,390</u>	<u>7,933</u>

**23. Reconciliation of Movements in Association's Funds**

	2008 £'000	2007 £'000
Opening Association's funds	7,067	6,166
Surplus for the financial year	<u>866</u>	<u>901</u>
<b>Closing Association's funds</b>	<u><u>7,933</u></u>	<u><u>7,067</u></u>

**24. Operating Leases**

At 31 March the Association had annual commitments under non-cancellable operating leases of:

	2008 £'000	2007 £'000
<b>Office buildings, lease expiring:</b>		
Between 2-5 years	<u>57</u>	<u>57</u>

**25. Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities**

	2008 £'000	2007 £'000
<b>Operating Profit</b>		
Operating surplus	259	411
Depreciation charges	131	151
	<u>390</u>	<u>562</u>
<b>Working capital movements</b>		
Decrease in debtors	(98)	(148)
Increase / (decrease) in creditors	<u>(375)</u>	<u>297</u>
	<u><u>(83)</u></u>	<u><u>711</u></u>

**26. Reconciliation of Net Cashflow to Movement in Net Debt**

	2008 £'000	2007 £'000
Increase in cash in the year	(363)	638
Cash (inflow)/outflow from change in debt	<u>(1,626)</u>	<u>565</u>
<b>Change in net debt</b>	<u>(1,989)</u>	<u>1,203</u>
Net debt as at 1 April	<u>(2,296)</u>	<u>(3,499)</u>
<b>Net debt as at 31 March</b>	<u><u>(4,285)</u></u>	<u><u>(2,296)</u></u>

**Notes to the Financial Statements**

For the year ended 31 March 2008

**27. Analysis of Net Debt**

	Note	31 March 2007	Cashflows	31 March 2008
Cash at bank and in hand		<u>707</u>	<u>(363)</u>	<u>344</u>
Debt due within one year (Housing Loans)	15	(20)	(85)	(105)
Debt due after one year	15	<u>(2,983)</u>	<u>(1,541)</u>	<u>(4,524)</u>
<b>Changes in debt</b>		<u>(3,003)</u>	<u>(1,626)</u>	<u>(4,629)</u>
<b>Total changes in net debt</b>		<u>(2,296)</u>	<u>(1,989)</u>	<u>(4,285)</u>

**28. Related Parties**

There is currently one tenant member of the Board. Tenant Board Members hold tenancies on normal terms and are not able to use their position to their advantage.