

**ARGYLL COMMUNITY HOUSING  
ASSOCIATION LIMITED**

**Report of the Board of Management and  
Financial Statements  
for the year ended  
31 March 2012**

**Registration Particulars:**

Scottish Housing Regulator

Registered Number: 360

Industrial and Provident Societies Act 1965

Registered Number: 2661R (S)

Office of the Scottish Charity Regulator

Registered number: SC042713

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

For the year ended 31 March 2012

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# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

## BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS

For the year ended 31 March 2012

### The Board of Management

The Board of Management and the Executive Officers who held office during the year are as follows:

<b>Board of Management Members</b>		<b>Appointed</b>	<b>Resigned</b>
Bill McIntyre	Chair	27 May 2005	
Norman Beaton	Secretary (from 14 June 2012)	27 May 2005	
Margaret MacGregor		27 May 2005	
George Farquhar	Vice Chair	10 April 2008	
Marri Malloy		25 September 2007	
George Douglas		25 September 2007	25 <sup>th</sup> November 2011
Sandra Mackenzie		3 <sup>rd</sup> December 2009	
Ann Trotter		3 <sup>rd</sup> December 2009	9 <sup>th</sup> June 2011
James Loughrey		23 September 2009	8 <sup>th</sup> September 2011
Betty Rhodick		23 September 2009	
Michael Brown		23 September 2010	
Lorraine-Anne Drysdale		23 September 2010	
Alexandra Glazsher		23 September 2010	
John Muir		23 September 2010	
Catherine Winton		21 September 2011	
<b>Councillors:</b>			
Roddy McCuish	Secretary (to 10 <sup>th</sup> May 2012)	13 June 2007	
Alister McAlister		13 June 2007	30 March 2012
Al Reay		13 June 2007	25 February 2012
Rory Colville		13 June 2007	
Neil MacKay		11 September 2008	

### *Executive Officers*

Alastair MacGregor	Chief Executive
Nick Pollard	Director of Finance and IT
Christine Johnston	Director of Housing and Neighbourhood Services
Linda Haig	Director of Investment and Regeneration
Colette Benham	Director of Human Resources and Corporate Services

**ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED**

**BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS**

**For the year ended 31 March 2012**

**Registered Office:** 63-65 Chalmers Street  
Ardrishaig  
Argyll  
PA30 8DX

**Auditors:** Haines Watts  
231/233 St Vincent St  
Glasgow  
G2 5QY

**Principal Bankers:** Lloyds Banking Group  
120 George Street  
Edinburgh  
EH2 4LH

**Solicitors:** Brechin Tindal Oatts  
48 St. Vincent Street  
Glasgow  
G2 5HS

**Internal Auditors:** TIAA  
Granham House  
5 Spring Garden Lane  
Gosport  
Hampshire  
PO12 1HY

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

## REPORT OF THE BOARD OF MANAGEMENT

**For the year ended 31 March 2012**

The Board of Management present their report and audited financial statements for the year ended 31 March 2012. Argyll Community Housing Association Limited (ACHA) was incorporated on 27 May 2005 and it was registered as a Registered Social Landlord on 21 November 2006. ACHA was registered as a charity with the Office of the Scottish Charity Regulator on 4<sup>th</sup> November 2011. These accounts represent the financial period 1 April 2011 to 31 March 2012.

### **Principal Activities**

ACHA's principal activity is to provide and manage quality affordable housing accommodation for people in housing need across the Argyll and Bute region. ACHA received 5,398 homes from Argyll and Bute Council as a result of the whole stock transfer on 21 November 2006. ACHA owns and manages a range of housing for rent in primarily general needs accommodation, some sheltered accommodation and a small number of travelling people sites. It provides accommodation for the homeless through tenancies with Argyll and Bute Council.

### **Organisational Structure and How Decisions are Made**

ACHA operates under Rules registered under the Industrial and Provident Societies Act 1965 and is a Registered Social Landlord. It is also a charity registered with the Office of the Scottish Charity Regulator. Its organisational structure consists of a voluntary Board of Management which is supported by a Chief Executive, Senior Management Team and a range of specialist staff. Customer services are provided by four functional departments namely Housing and Neighbourhood Services, Investment and Regeneration Services, Human Resources and Corporate Services, and Finance & IT Services.

All Board members and staff operate within a set of standing orders, policies and financial regulations. Decisions relating to ACHA's strategic objectives are taken at regular Board of Management meetings whilst operational matters are dealt with by the staff Senior Management Team. ACHA also has standing committees, which are the Finance and Audit Committee, Policy Committee and Health and Safety Committee which have delegated powers from the Board of Management regarding all finance matters, internal and external audit matters, policy approvals and health and safety issues.

ACHA has four Area Committees who deal with operational matters locally and have a clearly defined scheme of delegated authority. These Area committees are established along the following geographical areas.

- Oban Lorn and the Isles
- Mid Argyll and Kintyre
- Bute and Cowal
- Helensburgh and Lomond

### **Recruitment and Training of Board Members**

Vacancies on the Board of Management are filled from members of the community, in accordance with ACHA's Rules, who have a commitment to the furtherance of social housing and the aims and objectives of ACHA. Members are drawn from a wide range of backgrounds and experience to maintain the necessary mix of skills required to govern and control a complex organisation. All Board of Management Members receive initial induction training and then attend internal and external training events which not only build on existing experience but provide an opportunity to develop new skills.

ACHA's Board of Management has five Argyll and Bute Council nominees on its Board.

### **Reserves**

ACHA's reserves were restated for the period ending 31<sup>st</sup> March 2011 as a result of the introduction of revised treatment of fixed assets using component accounting as per the introduction of the Statement of Recommended Practice (SORP) 2010.

At the year end the Revenue reserves balance had moved from a £16.3 million deficit to a surplus of £7.3 million excluding adjustments for the pension reserve. The pension reserve had increased from £1.275 million to £1.775 million.

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

## REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2012

The Association is a whole stock transfer organisation and it plans to make deficits during its early years. There is a pension reserve equal to the deficit noted in liabilities on the pension scheme under the required FRS17 valuation at £1.775 million.

No transfers have been made to designated reserves this year. Designated reserves are resources internally generated from operations, which have been set aside to provide for planned cyclical repairs. ACHA has no designated reserves owing to the continued investment being made to stock but will review this in future periods. ACHA's business plan incorporated planned costs for cyclical repairs across the thirty year business plan. The borrowing profile therefore incorporates costs without relying upon a specific designated reserve. ACHA has a revolving credit facility of £30 million and a fixed term loan facility of £30 million set aside as committed facilities with Lloyds Banking Group to fund the thirty year business plan. This facility has been broken down in to several tranches for practical application in the business.

ACHA's thirty year business plan was submitted during the year, together with its long-term repair programme to the Scottish Housing Regulator to demonstrate projected compliance with the Scottish Housing Quality Standard (SHQS) by 2015. The achievement of this objective is an obligation to tenants and an objective for achievement written in to the transfer agreement that was signed by ACHA, Argyll and Bute Council and the Scottish Government on 21 November 2006.

### Rent Policy

ACHA aims to house those in need in affordable rented housing. The objective is to charge affordable rents based on the rents that transferred as at 21 November 2006, with future rent increases having been subject to a guarantee to tenants under the transfer agreement to be fixed to the Retail Prices Index (RPI) + 1% for a period of five years post transfer. This guarantee expired on 1<sup>st</sup> April 2012; there is however an aim to limit rent increases to RPI + 1% after the transfer guarantee expired. ACHA increased rents during the period by 5.8%, being made up of RPI (December 2010 Office of National Statistics) figure of 4.8% with the addition of 1%.

### Risk Management

ACHA has a Risk Management Strategy determined by its Board of Management based on the known risks. ACHA has a risk management policy, which remains under review by the Senior Management Team. The internal audit needs assessment completed during the previous year determines the workflow of ACHA's independent internal auditors. The internal audit service completed their review of all planned work during the period amounting to 5 pieces of completed work totalling 21 audit days. The outcomes of internal audit reviews were considered by officers and reported to the Finance and Audit Committee of ACHA. During the year reviews of process and procedure were conducted in relation to workforce management, data cleansing, I.T, payment arrangements and overview compliance. ACHA has addressed all findings in the reports.

### Treasury Management Policy

Under its Rules ACHA cannot enter into transactions of a speculative nature however it can enter into interest rate hedging instruments which may be used to protect ACHA from interest rate risk. ACHA operates an active treasury management policy, which operates in accordance with a treasury strategy approved by the Finance and Audit Committee. ACHA during the year considered its Treasury Management strategy in line with the approved policy and undertook one additional fixed borrowing arrangement with its lender Lloyds Banking Group. ACHA now has four fixed borrowing arrangements in place at varying interest rates and maturity terms. These fixings hedge forward the projected borrowings in a total amount of £22 million and were as follows. Please note however that no free standing derivatives are in place as a result of interest rate hedging activities.

Fixed Rate Hedging	Value (£000's)	Term (years)	Rate
Tranche B commencing 31 March 2008	2,000	15	5.552%
Tranche B commencing 31 March 2009	10,000	20	5.242%
Tranche B commencing 31 March 2010	5,000	10	5.520%
Tranche D commencing 31 March 2010	5,000	10	5.505%
<b>Total</b>	<b>22,000</b>		

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

## REPORT OF THE BOARD OF MANAGEMENT

**For the year ended 31 March 2012**

The rates quoted exclude margins which are stepped throughout the period of the borrowings and do not include lender's capitalisation charges.

ACHA also has two loans of £2.3 million each, totalling £4.6 million, which are based on 6 and 9 month LIBOR fixings at all in rates of 3.35013% and 1.84046%. These loans mature on 28 September 2012.

In addition ACHA has a £750k development loan for its new office premises in Oban which has a capital and interest repayment profile that is fixed throughout its 15 year life at 5.96% inclusive of lenders' margin and capitalisation charges. The outstanding balance of this loan as at 31 March 2012 is £684k.

ACHA actively manages its surplus cash to minimise loan borrowings and/or earn interest on short term money market deposits placing short term deposits with either Lloyds Banking Group or Royal Bank of Scotland. ACHA does not currently borrow from any other institution than Lloyds Banking Group.

### **Maintenance Policies**

ACHA seeks to maintain its properties to the highest standards. To this end, programmes of cyclical repairs are carried out in the medium term to deal with the gradual and predictable deterioration of building components. It is expected that the cost of all of these repairs will be charged to the Income and Expenditure Account. In addition, ACHA has a long-term programme of major repairs which have become necessary since the original developments were completed, including works required by subsequent legislative changes. This includes replacement or repairs to components of the properties, which have come to the end of their economic lives. The cost of these repairs is to be capitalised on the balance sheet in accordance with the SORP 2010 and the requirements for component accounting.

### **Going Concern**

The Board has considered ACHA's going concern status and is satisfied that it has sufficient borrowing facilities to support the business plan which demonstrates full repayment within the 30 year viability profile. In the view of the Board therefore the test of being considered a going concern has been met.

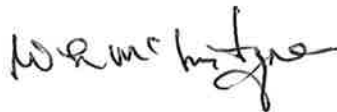
### **Creditor Payment Policy**

The payment policy, which ACHA follows, is to pay all purchases within 28 days, although some payments are settled in 14 days, and/or in accordance with creditor terms of business. The average creditor payment period for 2011 was 26 days against 29 days for the prior year.

### **Auditors**

ACHA tendered for external auditors during the period and appointed Haines Watts at the 2011 Annual General Meeting. Haines Watts have been contracted for a period of three years with an option to extend for a further two years. A resolution for the appointment of external auditors will be proposed at the Annual General Meeting.

By order of the Board of Management



Bill McIntyre  
Chairman

Date: 9<sup>th</sup> August 2012

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

## STATEMENT OF BOARD OF MANAGEMENT'S RESPONSIBILITIES

For the year ended 31 March 2012

Statute requires the Board of Management to prepare financial statements for each financial year which give a true and fair view of the affairs of the Association and of the surplus or deficit for that period. In preparing those financial statements, the Board of Management is required to fulfil the following obligations:

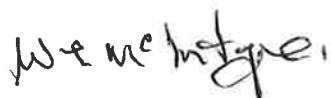
- select suitable accounting policies and apply them consistently;
- make reasonable and prudent judgements and estimates;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Board of Management confirms that the financial statements comply with these requirements.

The Board of Management is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the financial statements comply with the Industrial and Provident Societies Act 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Housing Associations (Accounting Requirements) (Scotland) Order 2007. They are 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 of Management members have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the Board members has confirmed that they have taken all the steps that they ought to have taken as Board members in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

By order of the Board of Management



Bill McIntyre  
Chairman

Date: 9<sup>th</sup> August 2012



# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

## BOARD OF MANAGEMENT'S OPERATING AND FINANCIAL REVIEW STATEMENT

For the year ended 31 March 2012

### Background

Argyll Community Housing ACHA Limited (ACHA) is a not-for-profit organisation. It is constituted as an Industrial and Provident Society incorporated under the Industrial and Provident Societies Act 1965 (Registered Number 2661R(S)) and is registered with the Financial Services Authority (FSA). ACHA is also registered with the Scottish Housing Regulator as a Registered Social Landlord (RSL) No. 360. ACHA became a charity registered with the Office of the Scottish Charity Regulator on 4<sup>th</sup> November 2011, registered No. SC042713.

ACHA took ownership of the 5,398 homes transferred from Argyll and Bute Council on 21 November 2006 and now has 5,089 homes as a result of both right to buy sales and new development.

The emphasis of ACHAs' activities is the provision of quality housing at affordable rents, with tenants and communities being involved at each stage in this provision: to this end the Board of Management of ACHA comprises tenants, Council representatives and independent representatives of the wider community.

As well as including tenants in the governance structure, there are detailed mechanisms for consultation and opinion seeking.

In addition to proposals to improve the current housing stock as a result of stock transfer, ACHA is committed to regenerating communities through the development of new housing stock. In terms of services, ACHA aims to deliver a high quality service to all customers. ACHA's staff and office structure is organised with this aim in mind and there is a comprehensive staff training and development programme to support this approach.

While ACHA's primary purpose is to improve and maintain the housing stock, ACHA's Business Plan is about more than 'bricks and mortar'. It contains proposals to link housing investment and service to wider community needs. It is additionally intended that the economic regeneration of communities will be encouraged and facilitated, with local benefit in terms of employment and career opportunities.

The Business Plan is also about partnership, as ACHA cannot work in isolation from the strategic priorities of Argyll and Bute Council and other organisations in the region. To this end, ACHA is committed to working with Argyll and Bute Council, other local housing associations and statutory and voluntary agencies.

ACHA therefore aims to improve the quality of life of the residents of Argyll and Bute. One of its main purposes is to provide quality houses where people want to live. It intends to achieve this through the delivery of a considerable investment programme, together with the empowerment of staff to deliver excellent services that are tenant-focussed.

### Review of the year's operations

#### Governance

ACHA has a Board of Management which has places for members as follows:

- Ten Tenants
- Five Council nominees
- Five Independent Members

During the year the Board of Management had one joiner and five leavers and although efforts were made to recruit new members ACHA had five vacancies on the Board of Management at the year end.

The underlying principles of good governance and organisational structure in ACHA are to keep the organisation as manageable and flexible as possible. This allows ACHA to achieve its objectives of tenant-empowerment, devolution of power and decision-making across the communities of Argyll and Bute, thus developing the range of activities that will meet the wider needs of the Argyll and Bute community and provide the highest quality of service to tenants and other customers. ACHA also takes the view that good governance and organisational structures should be organic rather than static. ACHA will therefore regularly review these structures to ensure that they evolve as ACHA evolves itself.

## ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

### BOARD OF MANAGEMENT'S OPERATING AND FINANCIAL REVIEW STATEMENT

For the year ended 31 March 2012

The Board of Management undertook a review of operations in February 2011 to evaluate the risk management strategy for ACHA for the forthcoming year and this was further formally reviewed in February 2012.

The Board of Management has delegated powers to the Finance and Audit Committee to consider financial aspects of the business. The Finance and Audit Committee's remit included all aspects of financial operations, such as cash flow and treasury management practices, all aspects of audit compliance and internal controls assurance, budgetary and management account performance and contract tendering.

The Board of Management has also established a Policy Committee which has delegated powers to consider the approval of the Association's operating policies thus enabling the Board of Management meetings to focus on strategic matters.

The Board has also established a Health and Safety Committee in recognition of the key strategic importance of health and safety compliance.

Operationally ACHA is divided in to four functional areas:

- Finance and IT
- Housing and Neighbourhood Services
- Human Resources and Corporate Services
- Investment and Regeneration

Housing and Neighbourhood Services is sub divided geographically into the areas of:

- Bute and Cowal
- Helensburgh and Lomond
- Mid Argyll and Kintyre
- Oban Lorn and the Isles

#### Housing Stock and Other assets

At the start of the financial year, 1 April 2011 ACHA owned 5,115 homes. As a result of the right to buy ACHA sold 25 homes together with the loss of one home through remodelling and at financial year end it therefore owned 5,089 homes.

The expected number of house sales under right to buy was less than was originally anticipated in our business plan. This was primarily due to the global economic circumstances prevailing during the period. This resulted in lower than forecast sales receipts as a result of right to buy but higher than expected rental income during the period.

The housing stock at 31 March 2012 by type is broken down as follows:

<b><u>Rentable Stock</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>
General Needs Houses	4,881	4,908
Sheltered Housing	208	207
	<u>5,089</u>	<u>5,115</u>

## ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

### BOARD OF MANAGEMENT'S OPERATING AND FINANCIAL REVIEW STATEMENT

For the year ended 31 March 2012

The housing stock at 31 March 2011 is broken down by geographical area as follows:

<b><u>Houses</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>
Bute	510	511
Cowal	899	903
Helensburgh and Lomond	1,008	1,013
Islay	333	333
Kintyre	844	853
Lorn and the Isles	903	908
Mid Argyll	592	594
	<u>5,089</u>	<u>5,115</u>

#### Sheltered housing

ACHA's sheltered housing stock is located in eleven complexes across Argyll and Bute:

<b><u>Sheltered Housing stock</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>
Bute	34	34
Cowal	43	43
Helensburgh and Lomond	-	-
Islay	10	10
Kintyre	-	-
Lorn and the Isles	64	64
Mid Argyll	57	56
	<u>208</u>	<u>207</u>

The Association's Sheltered Housing Service was inspected by the Care Inspectorate in 2010 and currently retains a grade 5 level- "very good".

#### Other assets

In addition, ACHA owns other assets as a result of the stock transfer. These include a number of garages and garage sites which are let primarily to tenants but also owners who have bought under the right to buy. The garages are let at nominal rentals which reflect the condition and level of repairs carried out to the garages. The conclusion of a garage clearance and rationalisation strategy during the financial year saw a number of void and particularly poor condition garages demolished. The existing cleared sites are retained by ACHA and may be used at a future date for development or alternate purposes such as car parking. The existing garage sites will be re-let on a more sustainable rent and repair terms in future.

<b><u>Rentable Stock</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>
Garages	60	101
Garage sites	132	132
	<u>192</u>	<u>233</u>

**ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED**

**BOARD OF MANAGEMENT'S OPERATING AND FINANCIAL REVIEW STATEMENT**

**For the year ended 31 March 2012**

**Garages**

	<b>Garages 2012</b>	<b>Garages 2011</b>
Bute	5	8
Cowal	9	10
Helensburgh and Lomond	46	83
Islay	-	-
Kintyre	-	-
Lorn and the Isles	-	-
Mid Argyll	-	-
	<u>60</u>	<u>101</u>

**Garage Sites**

	<b>Garage Sites 2012</b>	<b>Garage sites 2011</b>
Bute	-	-
Cowal	13	13
Helensburgh and Lomond	-	-
Islay	-	-
Kintyre	48	48
Lorn and the Isles	46	46
Mid Argyll	25	25
	<u>132</u>	<u>132</u>

ACHA also owns and operates lettings at three travelling people sites:

<b><u>Travelling People sites</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>
Dunoon, Torlochan	8	10
Lochgilphead, Duncholgan	14	14
Oban, Ledaig	8	8
	<u>30</u>	<u>32</u>

All three sites have been improved in recent years.

ACHA owns, or has a direct interest in, the following other assets:

<b><u>Non-Rentable Stock</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>
Play areas	32	33
Private water supplies	12	12
Private sewage systems	42	36
Offices	2	2
	<u>88</u>	<u>83</u>

These elements give rise to maintenance obligations but do not attract any rental income stream. ACHA has received grant funding for the initial maintenance of these related assets with the exception of offices.

ACHA also has 8 allotment sites within its Campbeltown development with plots being let at an economic rent.

## ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

### BOARD OF MANAGEMENT'S OPERATING AND FINANCIAL REVIEW STATEMENT

**For the year ended 31 March 2012**

ACHA owns four small shop units in Helensburgh; 2 of these are let under a peppercorn lease to a local charitable furniture recycling organisation, Beacon Trust.

ACHA owns its registered office in Ardrishaig at 63-65 Chalmers Street and its office at Menzies House in Oban.

The right to buy resulted in 25 homes being sold during the year. ACHA recognises our tenant's right to buy their own home but the loss of affordable housing stock in some of our most remote and small communities can cause major housing issues locally. During the period Argyll and Bute Council agreed to the application of pressured area status for substantial areas of Argyll, excluding the island of Bute and some areas of Kintyre, this took effect on 31<sup>st</sup> January 2012 and will provide a moratorium on right to buy sales for a period of 10 years. ACHA received significantly more applications and a substantial number of right to buy applications came in during the period immediately preceding the application of pressured area status, however many did not progress to conclusion. We are of the view that the general economic and borrowing climate was not conducive for tenants to buy their own homes as mortgage finance availability remained difficult to obtain for low income earners.

The Housing (Scotland) Bill 2010 progressed through the Scottish Parliament and was given Royal Assent in December 2010. The Act further restricts the right to buy on new build stock and we anticipate that this will further reduce the loss of precious affordable housing stock.

ACHA has the improvement plan requirements of the Scottish Housing Regulator after its first regulatory inspection during 2009/10. ACHA received a "fair" rating from its regulator as a result of the inspection process and following that its regulatory plan engagement level has been continued at "Medium" in recognition of what the Scottish Housing Regulator terms "systemic risk".

ACHA increased its rents for all stock by RPI plus 1% at the start of the financial year which is in line with the rental guarantee given to tenants. The increase for the year was therefore 5.8% based on December 2010 RPI data. The average rent across all stock in the current year rose to £61.80. The 2012/13 financial year rent increase is RPI+1% or 5.8%, with RPI being 4.8%.

ACHA increased its property management fee for factored owners by 5.8% in line with the increase in tenant's rents. The new factoring fees from 1st April 2012 have therefore been set at £84.64 for a tenemental property and £42.32 for properties with no common close or estate properties.

During the year ACHA had 20 new lettings and 456 relets. These 476 properties were let to the following waiting list categories:

Statutory Homeless	163	(35.8%)
Direct Waiting List	200	(43.9%)
Transfer Waiting List	93	(20.3%)

As at 31st March 2012 the common housing register HOMEArgyll had 3,742 applicants on its list.

ACHA has a number of properties, which are classed as low demand and therefore, have been unable to re-let within normal timescales. ACHA is working on a strategy to help improve letting times of such properties and, where appropriate a tailored approach to specific local low demand issues will be adopted

At the end of the financial year ACHA had 53 properties void (excluding properties awaiting regeneration or being held for decant purposes). ACHA's average time taken to let a property is 17 days against its target of 31 days for non-low demand properties and 159 days against a target of 49 days for properties classed as low demand or difficult to let. The cumulative timescale of 45 days is an improvement of the previous year figure of 58 days.

ACHA had a void loss figure of £310k or 1.98% of all rental income, including garages, for the year. The void rent loss for houses alone was equivalent to circa 1.92% of rent. It is anticipated that our strategies to deal with difficult to let or low demand properties along with a major refurbishment programme will reduce void loss over the coming year.

## ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

### BOARD OF MANAGEMENT'S OPERATING AND FINANCIAL REVIEW STATEMENT

#### For the year ended 31 March 2012

ACHA's new garage strategy of demolition and revised rental is designed to arrest the void performance of garage lettings whilst balancing costs of maintenance and improvement. This was completed during the year 2011/12 and the benefits of that strategy should be evident in future years.

ACHA received approximately 51.88% of its total income from housing benefit payments in comparison with 2010/11 where 56.51% of all of its rental income from housing benefit payments direct from the Local Authority. ACHA has 40.8% of its tenants in receipt of full housing benefit and 15.9% who receive partial housing benefit payments. The collaborative FISH welfare rights service continues to assist tenants with difficulties with claiming or under claiming benefits including housing benefit.

#### **Housing & Neighbourhood Services**

ACHA provides services to tenants, owners and other customers from a network of 8 local offices located throughout Argyll & Bute. Through partnership working, with other local Registered Social Landlords, we have developed improved services to tenants in island and rural communities. From an original business plan commitment, ACHA's Board has approved the development of a Customer Service Centre and training is underway to deliver this. This centre will give customers a single point of quality information on the full range of services offered by ACHA. Following consultation with service users during 2011 ACHA closed its Mull office.

During 2011 ACHA introduced "Allpay" and telephone payments providing improved access to payment facilities for our tenants. Following consultation with service users cash payment facilities at local offices ceased from 1st April 2012.

Our services are developed by taking into account the views of and comments from our service users. We carry out consultation as a matter of course on a wide range of services and have recently developed a strategy on customer contact and feedback which further develops our commitment to consultation, involvement and our continuous improvement agenda. Membership of the Tenants Panel has been opened up to tenants who are on the Tenants Consultation Register and Panel minutes are now available on ACHA's website.

The results from the Tenant Satisfaction Survey carried out in early 2010 have been collated and have informed an Action Plan which will assist in improving services. Feedback to tenants from this first full Tenants Satisfaction Survey was provided by several articles in the tenant's newsletter in 2011 and since then each issue of the newsletter contains feedback on any consultation within the previous quarter. ACHA's commitment to consultation has been reinforced by the use of on-line surveys and also an exercise to request permission from tenants with email addresses, to enable us to conduct electronic surveys with them.

Consultation exercises have taken place with tenants on the 2012/13 rent increase and the review of grounds maintenance using these new methods alongside the more traditional methods. The first Factoring satisfaction survey was carried out with private owners, the results of which are being considered when reviewing and developing the existing policy to improve services to owners.

Performance is monitored via key performance indicators and, where appropriate, local performance measurements. These are primarily based upon the Annual Performance and Statistical Return indicators. Our Board, four Area Committees and Tenants Panel are routinely provided with a suite of performance reports.

ACHA operates a Common Housing Register, HOMEArgyll, in partnership with three other local Registered Social Landlords and Argyll and Bute Council. The partners have been working on updating and improving the HOME Argyll website, procedural improvements, consultation methodology and development of a stakeholders meeting.

Our repairs service is operated by a mix of in house teams and private contractors. We are now able to offer a 'repairs by appointment' service across all of our operating area. Performance and customer satisfaction is closely monitored. Tenants using our repairs service are asked to provide feedback by a number of methods i.e. repairs satisfaction cards, post inspection and telephone call backs.

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As a collaborative 'wider role' project ACHA obtained grant funding to deliver a new service to tenants. The Financial Inclusion Services in Housing (FISH) Argyll project has employed a team of four Welfare Rights Officers who assist not only ACHA tenants with benefit advice but also, tenants of West Highland Housing Association and Dunbritton Housing Association. This project has achieved significant outturns in terms of improved take up of benefits, advocacy and referral to other advice agencies. Since the project commenced it has interviewed and acted on behalf of more than 1,400 ACHA tenants and similarly assisted another 400 tenants from the partner organisations. The service has delivered annualised benefit claims of more than £3 million for those tenants. ACHA is continuing this project in the next financial year whilst also seeking to develop a Debt Advice Project. ACHA has led another collaborative Wider Role project to deliver fuel poverty help to tenants. The HEAT Argyll project is planned to continue.

Tenants have also been encouraged to celebrate their own successes with the development of ACHA's 'Garden in Bloom' competition and a new 'Good Neighbour Award'.

ACHA's current rent arrears performance based on the Annual Performance and Statistical Return data remains consistent against the prior year.

ACHA has a locally managed, case led approach to arrears and legal action and aims to minimise actions and ultimately evictions. The main emphasis is on early intervention in arrears cases with the first written contact over unpaid rent being at two weeks, and personal contact beginning at three weeks unpaid rent. At all stages of the process the most important strand of the strategy is making contact with our tenants to offer advice and assistance where possible.

The advent of the FISH project has meant that Welfare Rights advice has been embedded into rent arrears processes. Tenant contact forms now provide a prompt for staff to make referrals, and referrals across the organisation are monitored on a regular basis. Any member of staff, whether they trades or housing management, can make a referral to Welfare Rights for a tenant who requires assistance.

Current tenant rent arrears	£	Percentage of rent charged
Bute	44,539	2.81
Cowal	65,262	2.27
Helensburgh and Lomond	69,896	2.27
Mid Argyll	30,140	1.53
Kintyre	52,801	2.01
Oban Lorn and the Isles	73,376	2.56
Islay	19,156	1.88
<b>Total current tenant arrears</b>	<b>355,173</b>	<b>2.22</b>

The Association's current rent arrears target is 2.5%.

ACHA's former tenant arrears for the financial year were £120k for 2011/12 which equates to approximately 0.76% of net rent charged during the year. Of that amount £14k was written off during the year as non-recoverable. ACHA has provided for current tenant debt based on its approved accounting policy. In the latter part of the financial year ACHA began a pilot project to work with a debt management company to recover former tenant debt from people who we were no longer able to trace. Results of this pilot will be fed back to the Board during the 2012/13 financial year.

ACHA is actively working to resolve the outstanding former tenant arrears and recover where possible in accordance with its policies.

In respect of anti-social behaviour ACHA received 306 complaints during the year as against last year's number of complaints which was 368, a reduction of just over 17%. ACHA issued 2 notices of proceedings in respect of antisocial behaviour which resulted in 2 evictions and applied one Anti-Social Behaviour Order. This demonstrates ACHA's continued strong stance on nuisance neighbours and anti-social behaviour is being delivered.

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ACHA sought to commence legal action to recover houses, on the grounds of rent arrears, from our tenants in 147 cases which was 14% lower than in 2010/11. Of that figure ACHA proceeded to court and was granted decree to evict 30 tenants from our properties. ACHA continues to proactively work with our tenants who find themselves in financial difficulties and regards eviction as a last resort.

ACHA completed 20,074 emergency, urgent, routine and "qualifying" responsive repairs during the financial year; this comparable with the previous years completed responsive repairs. The breakdown of these repairs is as follows:

Repairs	2012	Repairs completed on target	Percentage	Target Percentage
Emergency Repairs (2 hours complete within 24 hours)	5,501	5,448	99.00%	99.00%
Urgent Repairs (5 days)	5,855	5,793	98.90%	96.00%
Routine Repairs (20 days)	6,381	6,341	99.40%	96.00%
Qualifying Repairs	2,337	2,316	99.10%	100.00%

A further 1,584 repairs were carried out to void properties.

ACHA continues to improve performance and satisfaction levels for its repairs service and proactively seeks views and comments from service users. ACHA operates repairs by appointment with the Term Contractors and in areas in which it has its own in house repairs team and the appointments performance for the year was as follows:

Repairs appointments	2012	2011	2010	2009	2008
No. appointments made	8,188	8,888	9,533	8,133	5,693
No. of appointments kept	8,186	8,865	9,510	8,107	3,354
Percentage	99.98%	99.83%	99.76%	99.68%	58.91%

ACHA has a 100% target for repairs appointments made and kept.

ACHA issued 12,001 repair satisfaction cards to its tenants regarding repairs and received 2,814 in return amounting to a 23 % return rate compared to 25% the previous year.

In addition ACHA contacted more than 1,337, tenants by phone to ascertain the quality of the service provided.

ACHA carried out 5,163 pre inspections of repair works equating to 21% of the repairs undertaken. ACHA also carried out 3,294 post inspections equating to 19% of repairs undertaken.

Repairs satisfaction returns totalled 5,586 and of that number 5,395 were satisfied or 96.6% were satisfied with the works carried out.

#### Human Resources and Corporate Services

Is a central support function set up to ensure that the association has effective policies and practices in human resources management and development, and to ensure high levels of administration, support on corporate affairs and governance within the association, and provide advice to the Management Team and Management Board on these.



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ACHA is in the process of setting up a group structure, where ACHA is the parent. A new company limited by shares, named Argyll Homes For All has been set up as a separate trading subsidiary to deal with non-charitable activities.

ACHA now has charitable status and is registered with, and will be regulated by the Office of the Scottish Charity Register (OSCR), as an additional Regulator to those already in place.

We have developed a Governing Body Succession Strategy with a view principally to securing the required quality and continuity of the Association's direction and purpose, whether through the Board of Management, Area Committees or Sub-Committees.

The Scheme of Delegated Authority has been amended to enable more responsibility and increased decision making at Area Committee level, and encourage higher membership levels.

Our previous Internal Auditors completed their three year contract, and we have now procured new internal audit services from TIAA.

We receive an annual audit of Health & Safety Management systems, to assess compliance with current Health & Safety legislation and good practice. The latest results indicated that overall, ACHA is taking a pro-active approach to delivering an effect Safety Management System, and places the association in a very satisfactory position to meet its Health and Safety obligations.

ACHA required to test our business continuity plans in real situations this year, due to adverse weather and storms, and have in place a Crisis Management Team who are fully briefed on business continuity matters. Our plans will also be reviewed by the new Internal Auditors this year.

We recently completed our signed off Post Inspection Improvement Plan with the Scottish Housing Regulator, with a few minor queries to be resolved. This was put in place after our on-site Inspection, and was delivered over 2 years ending March 2012.

As a result of the inspection process, we are have undertaken to embed equalities further across all parts of our business. This is a long term action point, and starts with, Policies and Procedure development, an appropriate language guide, a revised Equal Opportunities Policy covering all services, and a revised Harassment policy covering both service provision and employment. A comprehensive action plan is also being developed to assist us in this long term project.

The recent introduction of the Scottish Social Housing Charter, produced by Scottish Government sets the standards and outcomes that all social landlords should aim to achieve when performing their housing activities. As a result, the way we report annually to the Scottish Housing regulator is set to change, and work is underway to consider how we will report on outcome measurements, as an Annual Review of the Charter (ARC), in place of the current Annual Performance and Statistical Return (APSR).

A new model Registered Social Landlord, Complaints Handling Procedure has been launched by the Scottish Public Services Ombudsman, in conjunction with the Scottish Housing Regulator, and has been developed to provide a standardised approach to dealing with customer complaints across the housing sector. In particular, the aim is to implement a consistent process for customers to follow which makes it simpler to complain, ensures staff and customer confidence in complaints handling and encourages bodies to make best use of lessons from complaints. A key priority for staff training in the year ahead will be to support staff with the mind-set and language skills to deliver an improved service, with the aim of resolving complaints faster and at the first point of contact wherever possible.

A decision was taken to exit one of the final salary pension schemes and work is underway preparing for pension auto enrolment, which becomes effective for ACHA in April 2014.

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Zurich Municipal, our current Insurers, assisted us previously with updating our risk matrix process and included within their tender was an annual 'risk management' fund that ACHA can spend on operational & strategic risk consultancy services. We are likely to ask them to follow up on a previous report and recommendations, as well as taking the opportunity for refresher training for Governing Body or staff members.

ACHA is developing its on line training and development capabilities by moving towards e learning or virtual classroom learning, due to the geographical challenges and the need to become more effective and efficient. We recognise that in some cases, face to face training will still be required, and will adopt a blended learning approach to suit. We are also moving towards further employee self-service functionality in terms of the annual Personal Development Plan process, and will be able to tie this in to our Talent Management and Succession Planning objectives, by identifying skills and abilities in a clearer way in future.

Labour turnover is currently 6.20% against a target of 8.20%, and we have seen on the whole, since the economic downturn, an increased volume of applications for any jobs advertised.

Sickness absence rates are slightly out of target at 4.4% against a target of 4.2%, and Senior Management review absence levels, costs and causes regularly. Attendance management trigger points are used to deal with short term persistent absence cases, as well as long term cases being handled on a case management basis. Further benchmarking will be considered for this area.

#### Investment and Regeneration

The Investment and Regeneration department has progressed with another challenging year delivering the main programme of works, the repairs to the existing homes to bring them up to the Scottish Housing Quality Standard (SHQS) by 2015 as per the transfer commitments.

The first phase of investment contracts, to deliver the SHQS, ended in the first quarter of 2011/12 and have been replaced through a major procurement process. All the main elemental renewal requirements for windows and doors, heating and rewire, kitchens and bathrooms and energy efficiency upgrades have been tendered and new contracts awarded. These contracts will deliver the key features of the SHQS up to March 2015. In addition, a panel of contractors have been established to undertake packages of roof and roughcast work.

There have been some delays as the new contracts were let and we are behind schedule for 2011/12 but are confident that we have all the resources in place to deliver the SHQS.

ACHA has delivered the following elements of work during the period:

Investment programme	Planned	Outturn	Percentage
No of kitchen/bathrooms completions – Elements	1,140	757	66%
No of window/door completions – Elements	1,499	857	57%
No of heating/rewire completions – Elements	1,000	1,034	103%
No of roof/roughcast completions – Elements	200	137	69%
No. of energy efficiency upgrades - Elements	750	306	41%

The survey work associated with the energy efficiency upgrades has identified that we will need fewer upgrades than budgeted for.

The total number of elements required for completion this year of all types was 4,490. ACHA delivered 3,091 elements equating to 69% of the targeted objective. Owing to settling of final accounts for the first phase of contracts during this financial year, the planned targets expenditure was 81% against budget forecast overall. The under spend will be carried forward into future years to ensure delivery with the SHQS.

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The draft analysis of Scottish Housing Quality Standard compliance, based on 100% stock condition survey, is 47% at 31<sup>st</sup> March 2012 against the agreed transfer target of 46%. This analysis will be subject to further validation.

The department is responsible for the planned maintenance of private water supplies, sewage systems septic tanks, in sheltered complexes water treatment systems, lifts, community alarm systems and fire alarm systems. In addition the department is responsible for ensuring that gas safety maintenance and certification takes place as required under our statutory obligations and maintenance of solid fuel heating systems. The expenditure against the related budgets is within 5% of the targets.

The planned maintenance programme also includes the maintenance of common closes and stair wells in our stock.

The departments' regeneration or new stock development activity has been significant this year as evidenced by the following analysis:

<b>Regeneration</b>	<b>Outturn</b>	<b>Planned</b>	<b>%</b>
Site Starts	56	56	100%
Completions	4	4	100%

The completions above occurred late in the financial year and although practically complete in the period in accounting terms they have been treated as completed in the forthcoming financial year.

ACHA has secured funding approvals for two sites and is planning site starts in 2012/13 as follows:

<b>Site</b>	<b>Units</b>
Dalmally, Lorn	8
Port Ellen, Islay	8
<b>Total</b>	<b>16</b>

The department has also been key to the development of ACHA's planned future regeneration programme and significant work has been undertaken in evaluating and feasibility assessing sites for development to be included in future bids for housing association grant.

The department has largely completed the garage strategy which is expected to result in long term savings in respect of void rentals and maintenance costs.

The department has also largely completed the play area strategy to support the play areas owned by ACHA.

The department is making progress with the Road and Footpath Strategy to improve the condition of unadopted roads, footpaths, hard standings and car parks in the areas owner by ACHA.

These strategies have been supported by the Scottish Government's Early Action Fund.

The department has supported ACHA's planned delivery of disposal of small uneconomic pieces of land in and around our estate in accordance with the established policy resulting in small capital receipts and reduced future maintenance costs.

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### **Finance and IT**

The department provides a range of financial and accounting services to ACHA as well as ensuring a high level of IT support.

The department ensured that business plan support grant for the year of £9 million was drawn down during the year in accordance with the grant offer from Scottish Ministers.

ACHA actively monitors its cash flow position across all its bank accounts on a weekly basis to ensure that it always has sufficient funds to meet its short term obligations. Surplus funds are invested in money market deposits with our

bankers, Lloyds Banking Group's Treasury Department and Royal Bank of Scotland plc in accordance with our established treasury management strategy.

The department revised its Brixx business planning model. ACHA did not breach any financial or non financial covenants with its lender during the year.

Although ACHA had entered into forward fixes, post transfer, the static base rate level of 0.5% throughout the year and the active treasury management policy together with lower than forecast expenditure has meant that interest costs for the year are much lower than originally forecast.

The department settled 14,725 invoices during the year which was 1,998 or 15.6% more than the previous year. The department continued to improve its creditor payment times from 29 days to an average of 26 days which was within its target of 28 days.

ACHA became a registered charity in November 2011 and as a result was withdrawn from the Construction Industry Scheme in February 2012.

The most significant and substantial development for the finance section of ACHA this year has been the full adoption of the SORP 2010 Component Accounting requirements. The Association procured Real Asset Management's (RAM) Asset 4000 product to support the implementation and on-going development of component accounting. The exercise required substantial work by both the Investment and Regeneration and the Finance departments together with our partner organisation IS4 who were contracted to assist in the process. This exercise has involved the analysis of more than £57 million of prior year expenditure on our properties and £15.7 million of expenditure in the current financial year. Given the 11 components that have been developed this has resulted in the componentisation of those costs in to more than 58,000 records in RAM.

There have been substantial changes in the rent payment methods during the year. Web based payments had just been introduced in the latter part of the previous year and the use of Paye.net. During 2011/12 web based payments amounted to 1,943 transactions totalling almost £239k. This represents a change on the previous year of 761% in transactions and 812% in value terms.

Standing order payments have reduced during the year from 22,521 (2010/11) to 19,554 (2011/12) which represents a 13.2% reduction in standing order usage. By contrast the direct debit usage during the year increased from 6,824 (2010/11) to 7,309 (2011/12) which is a 7.1% increase year on year.

The number of credit and debit card payments taken reduced significantly from 11,107 (2010/11) to 7,333 (2011/12) which is a 34% reduction year on year.

It is important to note that the introduction of Allpay as a payment mechanism during the year saw more than 13,040 transactions go through that system valued at more than £980k. In addition Allpay was used for the payment of tenant contents insurance on 3,024 occasions to collect insurance premiums in excess of £13.5k.

The application of Allpay has enabled tenants to pay rent anywhere nationally with payment being received from more than 260 locations. ACHA has seen rents paid from as far East as Whitby, North Yorks, as far West as Bridgend, South Wales and Trelander, Cornwall, as far North as Stromness, Orkney and as far south as Crawley in Sussex.

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Right to Buy applications during the year were consistent with prior years but actual sales were substantially less than projected at transfer with only 25 properties being sold against pre-transfer projections of 50. This has little impact in terms of operating finances due to the nature of the right to buy agreement entered into at transfer. The reduced numbers of right to buy sales are likely to assist ACHA in future years as they will improve asset cover ratios for future planned borrowings.

ACHA's tenant contents insurance policy take up dropped from 857 at the beginning of the year to 807 by the end of the period.

ACHA incurred significant, more than 350, general insurance property claims following the December 2011 and January 2012 storms which affected much of the region.

The department received from Jones Lang La Salle loan security valuation for the housing stock which identifies that there is sufficient security at market value to support projected future borrowing.

ACHA complied with lending covenants during the financial period.

ACHA continues to actively pursue non-payment of rent and other charges from both current and former tenants as well as owners. During that latter part of the 2011/12 year the department as responsible for the award of a debt collection pilot contract with BPO Glasgow for the collection of former tenant rental and sundry debts.

The IT section of the department has ensured that ACHA systems are able to cope with future developments in operating software. During the year the IT function managed the delivery of new IT services. This encompassed both Wide Area Network and Local Area Network solutions increasing available band width against previous arrangements. ACHA also procured Microsoft Lync 2010 technology enabling unified communications voice, data and video transmission over the network together with presence information.

The arrangements include new mail archiving systems using Mimosa, the installation of Microsoft Sharepoint and the migration of IT applications to virtual server environments hosted by the service provider. The arrangements also provide for the installation of Clarity call management software for the Customer Contact Centre.

During the year the IT department has also supported the development of mass electronic mailing technology, electronic mail invoice settlement solutions for suppliers and contractors and the implementation of online survey technology to assist consultation with tenants. The department is seeking to improve services to tenants using text messaging technology, extranet and intranet Sharepoint solutions for staff, Board members and tenants.

### Financial Review

#### Income & Expenditure

##### Income

ACHA's general needs rental income at £15.7 million for the year was higher than forecast yet again due to the impact of lower than expected right to buy sales. ACHA's garage rental income exceeded forecasts owing to lower void levels. Other income was significantly higher in the year in major part owing to the substantial insurance recoveries as a result of two storms in December 2011 and January 2012. In addition other income was higher owing to current tenant, former tenant and private owner recharges issued. Sheltered housing service charges were higher than forecast due to turnover in tenancies.

Underlying rental bad debts at the year-end in comparison with prior years were consistent, however they were significantly higher than forecast owing to sundry debt provisions. This is because provision was made to write off former tenant rent arrears in full and current arrears and sundry debtors in accordance with established accounting policies. A significant debtor of £206k for Argyll and Bute Council which relates to a deed of indemnity claim was provided for.

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Rent lost from voids was nominally consistent with the prior year however when factoring in the annual rent increase impact this results in a year on year improvement in void loss figures. Void management strategies that have been introduced are reducing void periods and associated costs.

Grant income of £9 million was received during the year relating to business support grant; this was 100% of the monies due. In addition ACHA received £3.4 million in Housing Association Grant for new stock development relating to its development sites in the financial year. ACHA's expected outturn on related asset improvement resulted in the Early Action Fund Related Assets grant monies draw down being £2.12 million as forecast.

ACHA also received £600k in grant for aids and adaptations to properties and £173k of wider role funding to support the welfare rights officer FISH project and debt advice projects. ACHA's other income generated was significantly improved on the recovery of costs such as for insurance claims, fire raising, vandalism and malicious damage.

Overall income was higher than forecast at the start of the year by circa £950k.

#### Expenditure

The reported management costs were affected by the decision to exit from SHAPS and this cost skews the data for this year. Underlying management costs however were lower than forecast overall by £249k in year. This was primarily due to staffing cost savings of £171k through in year leavers and starters being absorbed by the operating business. The gross management cost per unit for 2011/12 is £1,163, however when adjusting for the SHAPS exit cost the figure is £1,002 per unit against the prior year figure of £997 per unit.

Reactive maintenance costs are consistent with prior year but when accounting for the administration costs of reactive repairs they have increased in year and exceeded the budget forecast during the period. This was as a direct result of the two severe storms during December 2011 and January 2012 which resulted in significant property damage to our housing stock across Argyll and Bute. ACHA sought to recover as much of the property damage costs from its property insurer with more than 350 insurance claims being processed. The damage however meant that not only was more than £85k in unplanned insurance excesses incurred but also costs associated with betterment and non-insurable repairs above and below the insurance excess level. The reactive repairs average repair cost per unit was £577 this year against the previous year which was £617 per unit, this excluded the management and administration cost element of reactive repairs.

The Association's cyclical and planned maintenance spend for the year was slightly lower than forecast. The major repairs spend for the period was significantly at variance to the prior year owing to the new treatment under component accounting. Major repairs investment was significantly lower than originally budgeted owing to contracting difficulties with a major contractor in the early part of the financial year. Any under spend has been carried forward in to the delivery programme for future years.

ACHA's regeneration activities were broadly as forecast with new units under development during the year.

Total expenditure for the year was therefore substantially lower than planned for the year.

The operating surplus differed to the forecast owing to the effects of component accounting but was £2,019k.

ACHA made gains on sale from right to buy sales at £266k owing to the nature of the transfer agreement loss of income calculations. These were lower than had been expected as a result of the much lower than planned right to buy sales occurring.

Bank interest earned at £18k was higher than expected owing to higher than forecast cash balances due to lower than forecast investment programme expenditure. The much lower spend levels against the major works programme and the effect of a static base rate at 0.5% and its effect on LIBOR rates during the year meant that ACHA's interest payable, at £1,236k, was lower than forecast.

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ACHA had fixed debt of £22.68 million during the year with all additional debt of £5 million having been fixed for a ten year period. The remainder of the long term debt of £4.6 million was held on LIBOR borrowing of between 3 and 6 month terms. The office loan was created as fixed rate debt of £750k, now £684k, which is amortising across its 15 year term. As a result ACHA's borrowing of £22.68 million at year end was 83% fixed and the remaining 17% being variable.

The net surplus for the year was £1,157k. This further reduced to a surplus of £561k following adjustment for the FRS17 pension liability arising in the period.

#### Balance Sheet

ACHA increased its tangible fixed assets as a result of the regeneration works being undertaken to develop new stock. By far the most significant undertaking has been the restatement of the balance sheet for this year with the introduction of component accounting. ACHA was required to adjust for all fixed asset expenditure incurred since transfer in 2006 on the investment programme and componentise it, together with the previously expensed business plan support grant. As well as the investment programme the exercise required a review of all previously completed new build developments to componentise them in our systems.

This exercise required the acquisition of new fixed asset management software from Real Asset Management using their Asset4000 product to manage the records. The exercise required the review and creation of more than 58,000 component records over 6 periods and their reconciliation to the audited statements of previous years. The exercise led to adjustments to the fixed asset account, the other grant account and an adjustment to the depreciation account for the prior years. In addition the exercise has included the 2011/12 year which was required to be similarly treated.

The introduction of component accounting has no effect on the cash flow operations of the business it merely impacts on the accounting presentation of fixed assets and their useful economic lives. In addition, as ACHA's loan covenants are cash flow based and asset cover based using Existing Use Value for Social Housing (EUV-SH) valuations component accounting has no impact on loan covenants.

The Association continues to operate on the basis that its transferred stock is valued at nil cost in its balance sheet.

ACHA considered in some detail whether impairment had occurred during the year and was of the view that a detailed review was not required primarily on the basis of the valuation of its stock for security purposes based on EUV-SH.

In terms of current assets ACHA has debtors of £5.1 million which has increased year on year by £2.8 million. This was primarily due to business plan support grant being invoiced in arrears at the year end.

The cash balance was substantial at the year-end at £3.87 million as loans had been drawn during the year in expectation of meeting planned expenditure which did not occur as forecast.

ACHA has experienced an increase in trade creditors of £1.34 million. Accruals and deferred income has reduced by £161k.

Long term borrowing has increased from £24.98 million to £27.25 million during the year. The restated surplus is now £6.23 million.

ACHA is required to consider in some detail the going concern statement and has assessed that with a committed funding facility supporting its 30 year business plan and approval of that plan going forward by our lender it is a going concern.

ACHA's restated reserves have increased to £7.30 million with pension adjustments reducing the net reserves to £5.52 million.

## **ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED**

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#### **The Future**

ACHA continues to drive forward its objective outlined in the transfer business plan and has produced a revised business plan for the period 2012/13 onwards.

ACHA has implemented the 2012/13 rent increase in line with the transfer agreement commitments at RPI + 1%, (5.8%).

ACHA continues to develop its policies and procedures for operational management based on best practice guidance in the social housing sector and the wider corporate sector where appropriate.

ACHA is involved in determining the way forward in respect of meeting the growing housing waiting list in Argyll and Bute. ACHA is seeking new ways of working with all of its partners to our mutual advantage.

ACHA continues to meet business planning commitments in respect of delivering new and improved services to tenants in particular the development of a new Customer Service Centre, increased tenant consultation, financial inclusion and fuel poverty projects and expanded methods of tenant engagement.

ACHA is developing new approaches to funding support and use of our combined resources to deliver strategic outcomes for us and our partners. ACHA is committed to continuing to develop where it can using its own land resources and being innovative with funding solutions to enable participation in the annual development programme.

ACHA's factoring service continues to be developed to owners of former Argyll and Bute Council houses who purchased their homes under the right to buy or subsequent sale. ACHA is committed to engaging with owners about the short and long term property maintenance and repair issues and seeks to put arrangements in place for future maintenance and repair work to common parts of buildings. ACHA's aim is to expand the service by increasing personal contact with owners to promote the service.

ACHA is well placed with its new independent IT environment to develop new approaches to engagement with current and future tenants and to improve the operating efficiency of services via IT networks. The use of new IT applications will further enable greater flexibility for staff in their working practices and in particular reducing the geographical impact of operating in a rural and island environment.

There are challenges ahead for ACHA over the next financial year in many areas; the greatest challenge presently is the increased challenge of funding the development of new housing stock through both grant and new private finance. In a wider sense the impact of central government spending reviews, the consequences of international capital market impacts on macroeconomic fiscal and monetary policy in concert with Euro debt crises and its effect on public funding is yet to be determined. The implementation of housing benefit and proposed welfare reforms is a concern for the association moving forward.

ACHA considers that we continue to develop a strong future based on a combination of the capability, motivation, drive and commitment of its staff to deliver an efficient and effective but above all first class service for our tenants and the communities in which they live and we are a part.

This Operating and Financial Review statement has been prepared in accordance with the Accounting Standards Board's 2006 reporting statement requirements.



# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

## BOARD OF MANAGEMENT'S STATEMENT ON INTERNAL FINANCIAL CONTROLS

**For the year ended 31 March 2012**

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

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

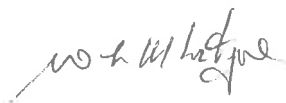
It is the Board of Management's responsibility to establish and maintain systems of internal financial control. The Board of Management can only provide reasonable assurance and not absolute assurance against material financial miss-statement or loss. Key elements of controls include ensuring that:

- formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets. Core policies have been established and others are being further developed as the Association becomes more established;
- experienced and suitably qualified staff take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared regularly which allow the Board of Management and staff to monitor the key business risks and financial objectives, and progress towards financial plans set for the year and the medium term; regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information, and significant variances from budgets are investigated as appropriate;
- the Association's performance against the stock transfer business plan is reviewed regularly;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through relevant sub-committees comprising Board of Management members and Co-optees;
- the Board of Management reviews reports from their Senior Management Team, staff and from the internal and external auditors, and from specialised consultants to provide reasonable assurance that control procedures are in place and are being followed. This includes a general review of the major risks facing the Association;
- formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports;
- an Internal Audit Needs Assessment has been developed by the Association in accordance with established audit practice and internal audit has been in operation this year.

The Board of Management has reviewed the system of internal financial control in the Association for the year ended 31 March 2012 and until the below date. To the best of its knowledge no weaknesses were found in internal financial controls which could result in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditors' report on the financial statements.

These arrangements comply with the requirements contained in the Scottish Housing Regulator's and the Scottish Federation of Housing Association's publication, "Raising Standards in Housing".

By order of the Board of Management



Bill McIntyre  
Chairman

Date: 9<sup>th</sup> August 2012

**ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED**

**Independent Auditor's Report to the Members of  
Argyll Community Housing Association Limited**

**Corporate Governance**


In addition to the audit of the financial statements, we have reviewed the Board of Management's statement on page 23 on the Association's compliance with the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing". The objective of our review is to draw attention to non-compliance with those paragraphs of the publication not otherwise disclosed.

**Basis of Opinion**

We carried out our review having regard to the Bulletin 2006/5 issued by the Auditing Practices Board. The Bulletin does not require us to review the effectiveness of the Association'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 23 has provided the disclosures required by the section on Internal Financial Controls within SFHA's document "Raising Standards in Housing" and is consistent with the information which came to our attention as a result of our audit work on the financial statements.



Haines Watts  
231/233 St Vincent St  
Glasgow  
G2 5QY

Date: 17/08/12

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

## Independent Auditor's Report to the Members of

### Argyll Community Housing Association Limited

We have audited the financial statements of Argyll Community Housing Association for the year ended 31 March 2012 on pages 26 to 49. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the 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 auditor

As explained more fully in the Board's Responsibilities Statement set out on page 6, the Board are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

#### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

#### Opinion on financial statements


In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2012 and of its income and expenditure for the year then ended; and
- have been prepared in accordance with the requirements of the Industrial and Provident Societies Acts 1965 to 2002, Schedule 7 of the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

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

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts 1965 to 2002 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account of the Association; or
- we have not received all the information and explanations we require for our audit.



Haines Watts  
231/233 St Vincent St  
Glasgow  
G2 5QY

Date: 17/08/12

**ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED**

**INCOME AND EXPENDITURE ACCOUNT**

**For the year ended 31 March 2012**

		<b>2012</b>	<b>As Restated 2011</b>	<b>As Previously stated 2011</b>
	<i>Note</i>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Turnover</b>	2	19,771	18,129	27,129
Operating costs	2	<u>(17,752)</u>	<u>(17,124)</u>	<u>(28,504)</u>
<b>Operating Surplus/(Deficit)</b>	8	<b>2,019</b>	<b>1,005</b>	<b>(1,375)</b>
Surplus on disposal of housing fixed assets	12	266	297	29
Exceptional items	30	-	1,221	1,221
Interest receivable	9	108	14	14
Interest payable	10	<u>(1,236)</u>	<u>(1,062)</u>	<u>(1,062)</u>
<b>Surplus/(Deficit) on ordinary activities before Taxation</b>		<b>1,157</b>	<b>1,475</b>	<b>(905)</b>
Taxation on ordinary activities	11	<u>-</u>	<u>-</u>	<u>-</u>
<b>Surplus/(Deficit) charged against balance brought forward</b>	20	<b><u>1,157</u></b>	<b><u>1,475</u></b>	<b><u>(905)</u></b>

All figures relate to continuing operations.

**STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS**

		<b>2012</b>	<b>As Restated 2011</b>	<b>As Previously stated 2011</b>
	<i>Note</i>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Surplus/(Deficit) for the year		1,157	1,475	(905)
Restated surplus/(deficit) for the year		-	-	-
Actuarial gain/(loss) on pension scheme	30	<u>(596)</u>	<u>1,880</u>	<u>1,880</u>
<b>Total recognised surplus/(deficit) for the year</b>	20	<b><u>561</u></b>	<b><u>3,355</u></b>	<b><u>975</u></b>

**ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED**

**BALANCE SHEET**

**As at 31 March 2012**

		As Restated	As Previously stated
	2012	2011	2011
	£000	£000	£000
	Note		
<b>Tangible fixed assets</b>			
Housing properties – gross cost less depreciation	12	79,569	63,380
Less Housing Association Grant	12	(13,884)	(10,464)
Less Other Grant	12	(29,187)	(23,002)
Other Fixed Assets	13	874	971
		<u>37,372</u>	<u>30,884</u>
			<u>8,747</u>
<b>Current assets</b>			
Stock and work in progress	15	22	23
Debtors	16	5,065	2,675
Cash at bank and in hand	17	3,877	3,760
		<u>8,964</u>	<u>6,458</u>
			<u>6,034</u>
<b>Creditors: amounts falling due within one year</b>	18	<u>(11,792)</u>	<u>(6,124)</u>
			<u>(6,123)</u>
<b>Net current assets / (liabilities)</b>		<u>(2,828)</u>	<u>334</u>
			<u>(89)</u>
<b>Total assets less current liabilities</b>		34,544	31,218
			8,658
Creditors amounts falling due after one year	18	(27,248)	(24,984)
			(24,984)
<b>Provisions for liabilities and charges: Deferred tax</b>	11	<u>-</u>	<u>-</u>
			<u>-</u>
<b>Net assets / (liabilities) before pension deficit</b>		7,296	6,235
			(16,326)
<b>Pension deficit</b>	30	(1,775)	(1,275)
			(1,275)
<b>Net Surplus/Deficiency after pension deficit</b>		<u>5,521</u>	<u>4,960</u>
			<u>(17,601)</u>
<b>Capital and reserves</b>			
Share capital	19	-	-
Revenue reserves	20	7,296	6,235
Pension reserve	22	(1,775)	(1,275)
			(16,326)
			(1,275)
<b>Surplus / Deficiency in shareholders' funds</b>	20	<u>5,521</u>	<u>4,960</u>
			<u>(17,601)</u>

These financial statements were approved by the Board of Management on 9<sup>th</sup> August 2012 and authorised for issue and signed on their behalf by:

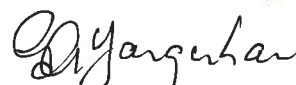
Chairman of the Board of Management

Bill McIntyre



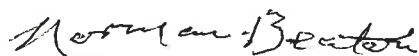
Board member

George Farquhar



Secretary

Norman Beaton



**ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED**

**CASH FLOW STATEMENT**

**For the year ended 31 March 2012**

	<i>Notes</i>	<b>2012</b>		<b>2011</b>	
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cash inflow from operating activities</b>	<i>24</i>		<b>6,690</b>		<b>121</b>
<b>Returns on investments and servicing of finance</b>					
Interest received	<i>9</i>	108		14	
Interest paid	<i>10</i>	<u>(1,236)</u>		<u>(1,050)</u>	
<b>Net cash (outflow) from returns on investments and servicing of finance</b>			<b>(1,128)</b>		<b>(1,036)</b>
<b>Corporation tax repayment</b>			<b>-</b>		<b>-</b>
<b>Capital expenditure and financial investment</b>					
Acquisition and construction of properties	<i>12</i>	(17,477)		(4,528)	
Purchase of other fixed assets	<i>13</i>	(106)		(381)	
Capital grants received	<i>12</i>	9,605		931	
Sales of housing properties		<u>266</u>		<u>297</u>	
<b>Net cash (outflow) from capital expenditure and investing activities</b>			<b>(7,712)</b>		<b>(3,681)</b>
<b>Net cash (outflow) before use of liquid resources and financing</b>			<b>(2,150)</b>		<b>(4,596)</b>
<b>Financing</b>					
Loan advances received		2,300		5,000	
Loan advances repaid		<u>(34)</u>		<u>(32)</u>	
<b>Net cash inflow from financing</b>	<i>25</i>		<b>2,266</b>		<b>4,968</b>
<b>Increase in cash in the year</b>	<i>26</i>		<b><u>116</u></b>		<b><u>372</u></b>

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

ACHA is incorporated under the Industrial and Provident Societies Act 1965 and is registered by the Financial Services Authority.

### 1 Accounting policies

#### *Going Concern*

During the year ACHA made an operating surplus of £2,019k which when adjusted for disposals, interest receivable and payable resulted in a surplus of £1,157k prior to the adjustment of the pension reserve giving a net surplus of £561k. At the balance sheet date ACHA had a surplus of assets of £5.52 million. The going concern basis of accounting is considered appropriate because ACHA has an agreed banking facility of £60 million under the business plan to meet future requirements with projected peak debt occurring in 2015 and repaying by 2029 amounting to approximately £59.26 million at this time. ACHA's loan asset security ratio requirement is 105%. The most recent security valuation values ACHA's housing assets at £70.5 million based on Existing Use Valuation – Social Housing by year 50, ACHA therefore has more than sufficient assets to support the current peak borrowing and for its future needs at this time based on the asset cover covenant.

#### *Basis of preparation*

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules. They comply with the Registered Housing Associations (Accounting Requirements) (Scotland) Order 2007 and with the Statement of Recommended Practice (SORP), Accounting by Registered Social Landlords 2010.

#### *Turnover*

Turnover represents rental and service charge income receivable from tenants and owner occupiers, fees and revenue based grants receivable from local authorities and The Scottish Government's Housing Regeneration Directorate relating to housing and fees from the provision of management services. Tenant service charges are levied on a basis intended to cover appropriate service costs each year. Income is recognised only when it is earned.

#### *Cash Flow Statement*

The cash flow statement represents the cash transactions of the Association for the period from 1 of April 2011 to 31 March 2012. Cash and cash equivalents comprise cash on hand and in deposit and are subject to an insignificant risk of change in value.

#### *Tangible fixed assets - housing properties*

The Association operates a full component accounting policy in relation to the capitalisation and depreciation of its completed housing stock.

Housing properties are stated at cost; all properties acquired under the stock transfer agreement were acquired at nil value.

#### *Housing properties*

Housing properties are split between land, structure and major components which require periodic replacement. Replacement or refurbishment of such major components is capitalised and depreciated over the estimated useful life which has been set taking into account professional advice, the association's asset management strategy and the requirement of Scottish Housing Quality Standard. In determining the remaining useful lives for the housing stock, the Association has taken account of views provided by both internal and external professional sources, including guidance from its current external statutory auditors

Components with a de-minimis value of £1,000 or in the case of their replacement where the value is 40% or less than that of the replacement cost are written off in the year in which they are incurred.

#### *Depreciation and Impairment*

Freehold land is not subject to depreciation. Depreciation is charged so as to write down the cost (net of Housing Association Grant, Business Plan Support Grant and other capital grants) of the freehold housing properties and major components on a straight line basis over their expected useful economic lives.

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 March 2012

Major components are treated as separable assets and depreciated over their expected useful economic lives or the lives of the structure to which they relate, if shorter, at the following annual rates:

	Depreciation Rate	Economic Life
Land	Nil	Nil
Structure	2.0%	50 years
Wall finishes	2.0%	50 years
Kitchen	4.0%	25 years
Roofs	2.0%	50 years
Bathroom	4.0%	25 years
Windows and doors	3.3%	30 years
Heating System	3.3%	30 years
Electrics	3.3%	30 years
Plumbing	2.5%	40 years
Solar Panels	4.0%	25 years

Properties that have an economic useful life of over 50 years are subject to an annual impairment review in accordance with the SORP 2010 and FRS11. Other assets are reviewed for impairment if there is indication that impairment may have occurred.

Where there is evidence of impairment, the fixed assets are written down to the recoverable amount and any write down charged to the income and expenditure account within cumulative depreciation.

#### **New Build**

Housing properties in the course of construction are held at cost and are not depreciated. They are transferred to completed properties when ready for letting or sale.

The Association's policy is to capitalise the following:

- cost of acquiring land and buildings;
- Development expenditure including direct development staff costs; and

Expenditure on schemes which are subsequently aborted will be written off in the year in which it is recognised that the schemes will not be developed to completion.

Freehold land is not depreciated.

#### **Non-Housing properties**

The Association owns a number of non-housing properties. The Association applies the same capitalisation and component life approach as stated under Housing Properties unless otherwise stated below

#### **Garages**

Garages are stated at cost; all garages acquired under the stock transfer agreement were acquired at nil value. The estimated useful economic life of related assets built after transfer will be 15 years

#### **Travelling People sites**

Travelling people sites are stated at cost: all travelling people sites acquired under the stock transfer agreement were acquired at nil value. The estimated useful economic life of the structures built after transfer will be 20 years

#### **Related Assets**

Related assets, such as private water supplies, play parks, sewage systems and septic tanks, are stated at cost: all related assets acquired under the stock transfer agreement were acquired at nil value. The estimated useful economic life of related assets built after transfer will be 15 years

All expenditure in relation to related assets which is Related Assets or Early Action Funding (EAF) Grant supported will be treated as revenue expenditure in the period in which the expenditure occurred.

Component replacements which are not grant funded will be capitalised.



# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

### **Housing Association Grant**

(HAG) is received from central government agencies and local authorities and is utilised to reduce the capital costs of housing properties.

HAG due or received in advance is included as a current asset or liability. HAG 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.

Properties are disposed of under the appropriate legislation and guidance. All HAG relating to the share of property sold are removed from the financial statements at the date of sale. Any HAG received that cannot be repaid from the proceeds of sale is abated and the grant removed from the financial statements. Where a disposal is deemed to have taken place for accounting purposes, but the repayment conditions have not been met in relation to the grant funding, the potential future obligation to repay is disclosed as a contingent liability.

### **Business Plan Support Grant**

Business Plan Support Grant relates to the £68.0 million grant provided by Scottish Government in respect of improvements required to the transferring properties to achieve the Scottish Housing Quality Standard. Business Plan Support Grant is included as a current liability.

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

Any residual business plan support grant held at the point of component replacement is written off in the year of sale.

### **Related Assets Grant**

Related Assets grant refers to the £10.45 million in Related Assets or Early Action Fund (EAF) Grant to improve the related assets in the environ of the properties which were transferred to the Association under the stock transfer.

All EAF or related assets grant will be treated as revenue grant in the period in which the expenditure occurred

### **Other Grants**

These include grants from Scottish Government and/or local authorities and/or other organisations. The capital costs of housing properties are stated net of grants receivable on these properties. Grants in respect of revenue expenditure are credited to the income and expenditure in the same period as the expenditure to which they relate.

### ***Other fixed assets***

Other fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated to write down the cost of other fixed assets on a straight line basis over their expected useful lives as follows:

Computer hardware	3 years
Computer software	3 years
Furniture and fittings	10years

Offices are stated at cost; all offices acquired under the stock transfer agreement were acquired at nil value. Depreciation on offices is calculated on a component basis using the same components and economic useful lives as the housing properties

### ***Pensions***

The Association participates in two pension schemes as follows;

1. Strathclyde Pension Fund (SPF) which is a defined benefit scheme as defined by the Local Government Pension Scheme (Scotland) regulations 1998. Contributions are charged to the Income and Expenditure account so as to spread the cost of pensions over the employees' working lives within the Association.

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 March 2012

The SPF made an actuarial loss for the year ended 31<sup>st</sup> March 2012 of £596k. ACHA has taken account of this gain in the Pension Reserve Account. ACHA has therefore adjusted the Pension Reserve (Note 20) by transferring an amount of £500k to the Income and Expenditure account from this reserve.

2. ACHA has exited from the Scottish Housing Association's Pension Scheme (SHAPS) as at 31 March 2012 meeting costs of future liabilities on withdrawal. No future liability exists from SHAPS.

#### ***Taxation***

The charge or credit for taxation is based on the surplus or deficit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

#### ***VAT***

The Association was registered for VAT on 24 March 2010. A large proportion of the Association's income, namely rents, is exempt for VAT purposes and therefore gives rise to the partial exemption calculation. All expenditure is shown inclusive of VAT however because of partial exemption the Association has recovered £16k during the period.

#### ***Loans and grants***

Loans are advanced by private or public lenders under the terms of individual mortgage deeds in respect of each development or under a global facility secured on existing developments. Grants from the Scottish Government's Housing Regeneration Directorate or local authorities are payable to subsidise the capital cost of housing developments. Grants from Scottish Government's Housing Regeneration Directorate take the form of Housing Association Grant (HAG) funding. Advances are generally available only in respect of those developments which have been given approval by the Scottish Government's Housing Regeneration Directorate. Under certain circumstances HAG is repayable.

Business plan Support Grant and Related Assets or EAF grant is not normally repayable under the terms of the stock transfer agreement.

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.

#### ***Operating leases***

Operating lease rentals are charged to the Income and Expenditure account on a straight line basis over the period of the lease.

#### ***Stock***

Stock and work in progress is stated at the lower of cost and net realisable value.

**ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 2012**

**2. Particulars of turnover, operating costs and operating deficit**

	<b>Turnover £000</b>	<b>Operating Costs £000</b>	<b>Operating Surplus / (Deficit) to 31 March 2012 £000</b>	<b>Operating Surplus / (Deficit) to 31 March 2011 as restated £000</b>	<b>Operating (Deficit) to 31 March 2011 as stated £000</b>
Social Lettings <i>(Note 3)</i>	15,747	(13,032)	2,715	1,337	(1,043)
Other Activities <i>(Note 4)</i>	4,024	(4,720)	(696)	(332)	(332)
	19,771	(17,752)	2,019	1,005	(1,375)
Total for year to 31 March 2011 restated	18,129	17,124	1,005		
Total for year to 31 March 2011	27,129	(28,504)	(1,375)		

**ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 2012**

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

	<b>General Needs Housing</b>	<b>Supported Housing</b>	<b>Total</b>	<b>Total For Previous Period of Account as restated</b>	<b>Total For Previous Period of Account as stated</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Rents receivable net of service charges	15,157	577	15,734	14,774	14,774
Rent from garages	25	-	25	25	25
Rent from travelling people sites	64	-	64	60	60
Service charges	15	176	191	165	165
<b>Gross income from rents and service charges</b>	<b>15,261</b>	<b>753</b>	<b>16,014</b>	<b>15,024</b>	<b>15,024</b>
Less voids	(304)	(4)	(308)	(309)	(309)
<b>Net income from rents and service charges</b>	<b>14,957</b>	<b>749</b>	<b>15,706</b>	<b>14,715</b>	<b>14,715</b>
Grants from the Scottish Ministers	5	-	5	-	9,000
Other revenue grants	36	-	36	40	40
<b>Total turnover from social letting activities</b>	<b>14,998</b>	<b>749</b>	<b>15,747</b>	<b>14,755</b>	<b>23,755</b>
Management and maintenance administration costs	5,581	335	5,916	5,007	5,099
Planned and cyclical maintenance including major repairs costs	2,746	-	2,746	3,973	16,276
Reactive maintenance costs	2,934	-	2,934	3,154	3,154
Bad debts – rents and service charges	147	-	147	109	109
Depreciation of social housing	1,289	-	1,289	1,175	160
<b>Operating costs for social letting activities</b>	<b>12,697</b>	<b>335</b>	<b>13,032</b>	<b>13,418</b>	<b>24,798</b>
<b>Operating surplus/(deficit) for social lettings</b>	<b>2,301</b>	<b>414</b>	<b>2,715</b>	<b>1,337</b>	<b>(1,043)</b>
<b>Operating surplus/(deficit) for social lettings for previous period of account</b>	<b>(1,346)</b>	<b>303</b>	<b>(1,043)</b>		

Average weekly rents at the end of the period were £61.80 (2010 £58.34)

As a result of component accounting being applied all major repairs expenditure has been capitalised during the period (2011 £1,734k).

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

4. Particulars of turnover, operating costs and operating surplus/(deficit) from other activities

	Grants from Scottish Ministers	Other Revenue Grants	Supporting People Income	Other Income	Total Turnover	Operating Costs Bad Debts	Other Operating Costs	Operating Surplus / (Deficit)	Operating Surplus / (Deficit) for previous period of account
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	173	-	-	-	173	-	(253)	(80)	(73)
Related Assets	2,120	-	-	-	2,120	-	(2,120)	-	-
Aids and Adaptations	600	-	-	-	600	-	(600)	-	(119)
Tenant and Owner Recharges	-	-	-	561	561	(427)	(516)	(382)	(175)
Contents Insurance	-	-	-	72	72	-	(60)	12	10
Agency/management services for registered social landlords	-	-	-	-	-	-	-	-	-
Other agency/management services	-	-	-	-	-	-	-	-	-
Developments for sale to registered social landlords	-	-	-	-	-	-	-	-	-
Developments and improvements for sale to non-registered social landlords	-	-	-	-	-	-	-	-	-
Other activities (insurance claim monies received and other miscellaneous income)	-	77	-	421	498	-	(744)	(246)	25
<b>Total from other activities</b>	<b>2,893</b>	<b>77</b>	<b>-</b>	<b>1,054</b>	<b>4,024</b>	<b>(427)</b>	<b>(4,293)</b>	<b>(696)</b>	<b>(332)</b>
<b>Total from other activities for previous period of account</b>	<b>2,346</b>	<b>42</b>	<b>-</b>	<b>986</b>	<b>3,374</b>	<b>(210)</b>	<b>(3,496)</b>	<b>(332)</b>	

**ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 2012**

**5. Housing stock**

	Units under development		Units under management	
	2012	2011	2012	2011
Housing accommodation for letting:				
General Needs	56	59	4,881	4,908
Sheltered housing	-	-	208	207
	<u>56</u>	<u>59</u>	<u>5,089</u>	<u>5,115</u>

**6. Remuneration of members of Board of Management and Directors**

No members of the Board of Management received any remuneration from the Association.

Directors are defined to include the Chief Executive and any other person reporting directly to the Chief Executive or the Board whose total annual emoluments including pension contributions exceed £60,000 per year.

	2012 £000	2011 £000
Total emoluments payable to directors and benefits in kind	327	295
Pension contributions	53	48
	<u>379</u>	<u>343</u>
Emoluments payable to the highest paid director (excluding pension contributions)	<u>88</u>	<u>78</u>

The Chief Executive is a member of the Scottish Housing Associations defined contribution pension scheme as disclosed in note 29. No enhanced or special terms apply to memberships. The Association's contributions to the Chief Executive's pension in the year amounted to £14,032 (2010: £12,593).

The Association's directors' emoluments (including pension contributions) fell within the following band distributions:

	2012	2011
More than £60,000 but not more than £70,000	4	4
More than £70,000 but not more than £80,000	-	-
More than £80,000 but not more than £90,000	1	1

**ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 2012**

**7. Staff numbers and costs**

The full time equivalent number of persons employed and seconded to the Association (excluding board members) in the year, analysed by category, was as follows:

	<b>Number of employees</b>	
	<b>2012</b>	<b>2011</b>
Housing & Neighbourhood Services	123	118
Finance & IT	14	17
Human Resources & Corporate Services	11	11
Investment & Regeneration	23	22
	<u>171</u>	<u>168</u>

The aggregate payroll costs of these persons were as follows:

	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	4,367	4,202
Social security costs	339	326
Other pension costs	1,391	560
	<u>6,097</u>	<u>5,088</u>

During the year 62% of investment staff costs were capitalised (2011 - £20k)

**8. Operating surplus / (deficit) on ordinary activities**

	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
<i>Operating (deficit) on ordinary activities before taxation is stated after charging:</i>		
Auditors' remuneration:		
Audit (including expenses and excluding VAT for the year)	20	15
Other services from bodies related to Haines Watts and/or Baker Tilly UK Audit LLP	5	4
Operating lease rentals:		
Buildings	274	267
Other	49	61
Depreciation	<u>1,548</u>	<u>370</u>

**9. Interest receivable**

	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
Bank interest receivable	18	14
Interest on pension fund (Note 30)	90	-
	<u>108</u>	<u>14</u>

**10. Interest payable**

	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
On bank loans	1,236	1,050
Interest on pension fund (Note 30)	-	12
	<u>1,236</u>	<u>1,062</u>

**ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 2012**

**11. Taxation**

Due to the Association's conversion to charitable status, which was obtained during the year, no tax liability arose in the year to 31 March 2012 (2011: Nil). Prior to the Association achieving charitable status there was no tax liability arising on its activities due to brought forward tax losses.

**12. Tangible fixed assets - housing properties**

	<b>Housing properties held for letting £000</b>	<b>Housing properties in course of construction £000</b>	<b>Total 2012 £000</b>	<b>Total 2011 £000</b>
<b>Cost</b>				
At start of year as previously stated	18,155	578	18,733	-
Prior year adjustment	47,148	-	47,148	-
At start of year as restated	65,303	578	65,881	14,205
Additions during year new build	-	3,526	3,526	
Additions during year existing properties	13,952	-	13,952	4,528
Transfers	-	-	-	-
At end of year	<u>79,255</u>	<u>4,104</u>	<u>83,359</u>	<u>18,733</u>
<b>Depreciation</b>				
At start of year as previously stated	(255)	-	(255)	(95)
Prior year adjustment	(2,246)	-	(2,246)	
At start of year as restated	(2,501)	-	(2,501)	
Charge during year	(1,289)	-	(1,289)	(160)
At end of year	<u>(3,790)</u>	<u>-</u>	<u>(3,790)</u>	<u>(255)</u>
<b>Housing association grant</b>				
At start of year	(9,892)	(572)	(10,464)	(9,698)
Additions during year	-	(3,420)	(3,420)	(766)
Transfers	-	-	-	-
At end of year	<u>(9,892)</u>	<u>(3,992)</u>	<u>(13,884)</u>	<u>(10,464)</u>
<b>Other grant</b>				
At start of year as previously stated	(259)	-	(259)	(94)
Prior year adjustment	(22,743)	-	(22,743)	
At start of year as restated	(23,002)	-	(23,002)	
Additions during year	(6,089)	(96)	(6,185)	(165)
Transfers	-	-	-	-
At end of year	<u>(29,091)</u>	<u>(96)</u>	<u>(29,187)</u>	<u>(259)</u>
<b>Net book value</b>				
At end of year	<u>36,482</u>	<u>16</u>	<u>36,498</u>	<u>7,755</u>
At end of year 2011	<u>7,749</u>	<u>6</u>	<u>7,755</u>	

All properties transferred to ACHA at 21 November 2006 were transferred at nil value as part of the Large Scale Voluntary Stock Transfer.

During the year 25 properties have been sold under Right to Buy resulting in a gain on sale of £266k. The disposals in the year are nil as the stock was transferred at nil value.



# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 March 2012

ACHA has included in housing properties held for letting £6.7 million of cost relating to the fourth quarter of the year however as this is work in progress and not yet completed it has not been componentised nor depreciated in the current year. The componentisation and depreciation of these works will be completed in the following financial period.

Security has been granted to lenders in respect of housing properties. No interest was capitalised on housing properties at 31 March 2012 (2011 £Nil).

During the year 62% of investment staff costs were capitalised (2011 - £20k)

#### 13. Tangible fixed assets – other

	<b>Computer hardware &amp; software £000</b>	<b>Oban office £000</b>	<b>Bute stores £000</b>	<b>Furniture £000</b>	<b>Total non housing £000</b>
<b>Cost</b>					
At start of year	760	737	-	14	1,511
Prior period adjustment	-	(22)	-	-	(22)
As restated	760	715	-	14	1,489
Additions during year	85	-	21	-	106
Disposals	(2)	-	-	-	(1)
At end of year	<u>843</u>	<u>715</u>	<u>21</u>	<u>14</u>	<u>1,593</u>
<b>Depreciation</b>					
At start of year	(480)	(29)	-	(9)	(518)
Prior period adjustment	-	-	-	-	-
As restated	(480)	(29)	-	(9)	(518)
Provided during year	(181)	(15)	-	(5)	(201)
At end of year	<u>(661)</u>	<u>(44)</u>	<u>-</u>	<u>(14)</u>	<u>(719)</u>
<b>Net book value</b>					
<i>At 31 March 2012</i>	<u>182</u>	<u>671</u>	<u>21</u>	<u>-</u>	<u>874</u>
<i>At 31 March 2011 as previously stated</i>	<u>280</u>	<u>707</u>	<u>-</u>	<u>5</u>	<u>992</u>
<i>At 31 March 2011 restated</i>	<u>280</u>	<u>686</u>	<u>-</u>	<u>5</u>	<u>971</u>

#### 14. Prior Year Adjustment

In accordance with the Statement of Recommended Practice – Accounting by registered social housing providers – Update 2010, Argyll Community Housing Association Limited has adopted new accounting policies from 1<sup>st</sup> April 2011.

A prior period adjustment has been required in respect of the adoption of component accounting which has resulted in the capitalisation of major repairs which had previously been expensed, writing off the residual values of any components that have been replaced and expensing the additional depreciation arising as a consequence of the adjusted component lives. This has resulted in a net prior period adjustment of £2.38 million.

**ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 2012**

As a result the comparative figures for the year ended 31 March 2012 have been adjusted as follows:

	<b>Surplus/(Deficit) For the year £000</b>	<b>Net Assets £000</b>
<b>As previously reported</b>	<b>(905)</b>	<b>(89)</b>
Effect of the adoption of component accounting	2,380	424
<b>As restated</b>	<u><b>1,475</b></u>	<u><b>334</b></u>

	<b>Housing Property Cost £000</b>	<b>Housing Property depreciation £000</b>	<b>Revenue reserves £000</b>
<b>Balance at 31<sup>st</sup> March 2011 - as previously stated</b>	<b>8,010</b>	<b>(255)</b>	<b>(16,327)</b>
Prior period adjustments:			
Adoption of component accounting	24,406	(2,246)	22,562
<b>Balance as at 31 March 2011 - restated</b>	<u><b>32,416</b></u>	<u><b>(2,501)</b></u>	<u><b>6,235</b></u>

**15. Stocks and work in progress**

	<b>2012 £000</b>	<b>2011 £000</b>
Maintenance Stock	<u>22</u>	<u>23</u>

**16. Debtors**

	<b>2012 £000</b>	<b>2011 As restated £000</b>	<b>2011 As stated £000</b>
Rental debtors	949	604	604
Less bad debt provision	<u>(537)</u>	<u>(403)</u>	<u>(403)</u>
	412	201	201
Prepayments and accrued income	663	825	825
Housing Association Grant receivable	1,288	450	450
Other debtors	3,777	1,860	1,436
Less bad debt provision	<u>(1,075)</u>	<u>(661)</u>	<u>(661)</u>
	<u><b>5,065</b></u>	<u><b>2,675</b></u>	<u><b>2,251</b></u>

**ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 2012**

The above figure for rental debtors is made up as follows:

	<b>Debtor £000</b>	<b>Provided £000</b>	<b>2012 Net Debtor £000</b>
Due from current tenants	494		
Due from former tenants	455		
	<u>949</u>	<u>(537)</u>	<u>412</u>

Other debtor includes a debt of £206k raised against Argyll and Bute Council in respect of a deed of indemnity claim concerning transfer agreement non titled properties clauses. This has been treated according to ACHA's established accounting practice in providing for bad debts and therefore has been fully provided for at the balance sheet date. Negotiations on that claim with the Council have been undertaken and it is anticipated that this claim will be settled in the coming year.

Rental Bad debts of £13,714 were written off during the period (2011: £4,218). Rental Bad debts provided for in the year were £133k (2011 £104k)

Sundry debts of £12,647 were written off during the period. Sundry debtors provided for in the year were £413,396.

**17. Cash at bank and in hand**

	<b>2012 £000</b>	<b>2011 £000</b>
Bank	3,875	3,758
Cash	2	2
	<u>3,877</u>	<u>3,760</u>

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

	<b>2012 £000</b>	<b>2011 £000</b>
Loans (secured)	36	34
Trade creditors	3,736	2,388
Housing Association Grant in advance	43	30
Other grants in advance	2,486	-
Other creditors	346	257
Accruals and deferred income	5,145	3,414
	<u>11,792</u>	<u>6,123</u>

**Creditors: amounts falling due after one year**

	<b>2012 £000</b>	<b>2011 £000</b>
Loan (secured)	<u>27,248</u>	<u>24,984</u>

## ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### For the year ended 31 March 2012

The overall weighted average cost of funds for current borrowing is 5.02%. An office development loan of £684k is repayable by 11 March 2025 and is repayable on an amortising basis. The repayment profile for the office loan is shown below.

Due within one year	36
Due between 1 and 2 years	38
Due between 2 and 5 years	129
Over 5 years	481
	684
	684

The remainder of loans drawn, amounting to £26,600k, are repayable by bullet repayment in 2036. Loans are secured by a specific charge against the Association's properties with the office loan secured against the office development.

#### Fixed Rate Hedging

	Value (£000's)	Term (years)	Rate
Tranche 1 commencing 31 March 2008	2,000	15	5.55%
Tranche 2 commencing 31 March 2009	10,000	20	5.24%
Tranche 3 commencing 31 March 2010	5,000	10	5.63%
Tranche 4 commencing 30 September 2011	5,000	10	5.51%
Office Loan commencing 11 March 2010	684	15	5.96%
<b>Total</b>	<b>22,684</b>		

The weighted average interest rate for all fixed rate loans is 5.51%. Loans amounting to £4,600k are LIBOR based variable loans with a current weighted average interest rate of 2.60%.

Rates quoted are all inclusive of the rate, margin and capitalisation charges.

#### 19. Share capital

	2012 £	2011 £
<b>Shares of £1 each fully paid</b>		
At 1 April 2011	283	292
Issued in year	20	14
Cancelled in year	(17)	(23)
At 31 March 2012	286	283

Shares issued were in respect of new members of the Association.

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distributions on winding up. When a shareholder ceases to be a member the person's share is cancelled and the amount thereon becomes the property of the Association. Each member has a right to vote in accordance with the Association's rules at Members meetings.

Argyll Community Housing Association Limited holds one share in its subsidiary company Argyll Homes for All Limited (SC415603) which is a wholly owned subsidiary trading company. Argyll Homes for All Limited is currently dormant.

**ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 2012**

**20. Reconciliation of movements in shareholders' funds**

	<b>Revenue Reserve £000</b>	<b>Pension reserve £000</b>	<b>Share Capital £000</b>	<b>Total shareholders funds £000</b>
Balance at 1 April 2011	(16,326)	(1,275)	-	(17,601)
Prior period adjustment	22,561	-	-	22,561
Balance as restated	<b>6,235</b>	<b>(1,275)</b>	-	<b>4,920</b>
Accumulated surplus for year	561	-	-	561
Actuarial gain on pension scheme		-	-	-
Transfer from pension reserve	500	(500)	-	-
<b>Balance at 31 March 2012</b>	<b>7,296</b>	<b>(1,775)</b>	-	<b>5,521</b>

**21. Designated reserves**

No transfer to designated reserves was made in the year.

**22. Pension reserve**

		<b>2012 £000</b>	<b>2011 £000</b>
At 1 April 2011		(1,275)	(4,236)
Transfer from revenue reserves		<u>(500)</u>	<u>2,961</u>
Reserve at 31 March 2012	<i>Note 30</i>	<u>(1,775)</u>	<u>(1,275)</u>

**23. Commitments**

(a) Capital commitments authorised and contracted for at 31 March 2012 amounted to:

**Within one year**

Investment programme	£16,192k
Regeneration	£ 4,845k
Related Assets	<u>£ 708k</u>
	£21,745k

**Within two to five years**

Investment programme	£9,985k
Regeneration	£ 149k
Related Assets	<u>£ 22k</u>
	£10,156

The investment programme is financed by a combination of operating cash flow, business plan support grant and private finance. The related assets are funded by Early Action Fund grants.

**ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 2012**

(b) Annual commitments under non-cancellable operating leases are as follows:

	2012		2011	
	Land and Buildings £000	Other £000	Land and Buildings £000	Other £000
<b>Operating leases which expire:</b>				
Within one year	295	-	170	-
Within two to five years inclusive	-	-	-	-
Over five years	-	-	-	-

**24. Reconciliation of operating surplus/(deficit) to net cash inflow from operating activities**

	2012 £000	2011 As restated £000	2011 As stated £000
<b>Operating surplus/deficit</b>	<b>2,019</b>	1,005	(1,375)
<b>Adjustments:</b>			
Depreciation on non-housing fixed assets	201	210	210
Depreciation on housing fixed assets	1,289	1,264	160
<b>Movement in working capital:</b>			
Non cash movement in pension fund	(95)	128	128
Decrease in stock	1	1	1
Decrease/(Increase) in debtors	(2,390)	833	1,257
(Decrease)/Increase in creditors	5,665	(260)	(260)
<b>Cash inflow from operating activities</b>	<b>6,690</b>	<b>3,180</b>	<b>121</b>

**25. Analysis of changes in net debt**

	At 31 March 2012 £000	Cash flows £000	At 31 March 2011 £000
Cash in hand, at bank	3,876	116	3,760
Debt due within one year	(36)	(2)	(34)
Debt due in more than one year	(27,248)	(2,264)	(24,984)
<b>Total</b>	<b>(23,406)</b>	<b>(2,150)</b>	<b>(21,256)</b>

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

### 26. Reconciliation of net cash flow to movement in net debt

	2012 £000	2011 £000
Increase in cash in the period	116	372
Cash (inflow) from debt financing	(2,300)	(5,000)
Cash outflow from debt financing	34	32
Change in debt resulting from cash flows	(2,150)	(4,596)
Net debt at beginning of period	(21,256)	(16,660)
<b>Net debt at end of period</b>	<b>(23,406)</b>	<b>(21,256)</b>

### 27. Group structure

ACHA is a registered social landlord, incorporated in Scotland. ACHA owns one share in Argyll Homes for All which is a wholly owned subsidiary company. Argyll Homes for All Limited, registered company number SC415603, was dormant as at the 31<sup>st</sup> March 2012.

### 28. Contingent liabilities

As at the balance sheet date there are no contingent liabilities.

### 29. Scottish Housing Association's Pension Scheme

ACHA participated in the Scottish Housing Associations' Pension Scheme during the period. ACHA determined during the period that it would withdraw from the scheme as at 31<sup>st</sup> March 2012.

The pension scheme actuary determined that there would be a liability falling due on withdrawal from the scheme at 31 March 2012 of £813,048 plus actuarial costs of £2,700 including VAT. ACHA has accrued within its accounts for the cost of withdrawal.

### 30. Strathclyde Pension Scheme

The majority of the Association's employees belong to the Strathclyde Pension Fund which is part of the Local Government Pension Scheme (LGPS). As at 31 December 2011 the number of active members was 115, with 19 deferred pensioners and 15 pensioners. The total pensionable payroll at the balance sheet date was £2,740,000. This is a defined benefit scheme which provides benefits based on the final pensionable salary, the assets of which are held in a separate trustee administered fund. The best estimate of total employer and employee contributions for 2012/13 is £529k

As noted in note 1 Argyll and Bute Council have guaranteed to accept liability for any unfunded costs which may arise with regard to Argyll Community Housing Association Limited relating to its membership of the Local Government Pension Scheme (LGPS) administered by Glasgow City Council should it cease to exist, withdraw from the LGPS or otherwise become unable to continue covering any unfunded liabilities with regard to the Local Government Pension Scheme (Scotland) Regulations 1998, as amended, or the Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998, if applicable, the assumptions and other data that have the most significant effect on the determination of the contribution levels of the scheme are as follows:

**ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 2012**

Assumptions as at	<b>31 March 2012</b>	31 March 2011	31 March 2010
	% p.a.	% p.a.	% p.a.
Price increases	2.5%	2.8%	3.8%
Salary scale increases per annum	4.8%	5.1%	5.3%
Expected Return on Assets	5.8%	6.9%	7.2%
Discount rate	4.8%	5.5%	5.5%

Under the transitional requirements of FRS 17 Retirement Benefits, the Association is required to disclose further information on its share of assets and liabilities of the LGPS on an FRS 17 market value basis at the end of the financial year.

The Association's share of assets in the scheme and expected rate of return were:

	<b>Long Term return at 31 March 2012</b>	<b>Assets at 31 March 2012</b>	<b>Long Term return at 31 March 2011</b>	<b>Assets at 31 March 2011</b>	<b>Long Term return at 31 March 2010</b>	<b>Assets at 31 March 2010</b>
		£000		£000		£000
Equities	6.3%	8,859	7.5%	8,575	7.8%	7,564
Bonds	3.9%	1,265	4.9%	1,448	5.0%	1,277
Property	4.4%	805	5.5%	668	5.8%	688
Cash	3.5%	575	4.6%	445	4.8%	295
<b>Total</b>		<u>11,504</u>		<u>11,136</u>		<u>9,824</u>

Net Pension assets as at	<b>31 March 2012</b>	<b>31 March 2011</b>	<b>31 March 2010</b>
	£000	£000	£000
Estimated employer assets	<u>11,504</u>	<u>11,136</u>	<u>9,824</u>
Present value of scheme liabilities	13,279	12,411	14,060
Present value of unfunded liabilities	-	-	-
Total value of liabilities	<u>13,279</u>	<u>12,411</u>	<u>14,060</u>
<b>Pension (deficit)</b>	(1,775)	(1,275)	(4,236)
Less provision against pension asset not realisable	-	-	-
Net pension (liability)	<u>(1,775)</u>	<u>(1,275)</u>	<u>(4,236)</u>

**Analysis of the amount charged to operating profit/loss**

	<b>Period to 31 March 2012</b>	<b>Period to 31 March 2012</b>	<b>Period to 31 March 2011</b>	<b>Period to 31 March 2011</b>
	£000	% of Payroll	£000	% of Payroll
Service cost	526	19.2%	621	22.1%
Past service costs	<u>-</u>	<u>-</u>	<u>(1,221)</u>	<u>(43.5%)</u>
<b>Total operating charge</b>	<u>526</u>	<u>19.2%</u>	<u>(600)</u>	<u>(21.4%)</u>



**ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 2012**

**Analysis of the amount received/(charged) as interest**

	<b>Period to 31 March 2012 £000</b>	<b>Period to 31 March 2012 % of Payroll</b>	<b>Period to 31 March 2011 £000</b>	<b>Period to 31 March 2011 % of Payroll</b>
Expected return on employer assets	787	28.7%	726	25.8%
Interest on pension scheme liabilities	<u>(697)</u>	<u>(25.4%)</u>	<u>(738)</u>	<u>(26.3%)</u>
<b>Net Return</b>	<u>90</u>	<u>3.3%</u>	<u>(12)</u>	<u>(0.5%)</u>
<b>Net revenue account cost</b>	<u>436</u>	<u>15.9%</u>	<u>(588)</u>	<u>(20.9%)</u>

**Analysis of the amount recognised in Statement of Total Recognised Gains and Losses (STRGL)**

	<b>Period to 31 March 2012 £000</b>	<b>Period to 31 March 2011 £000</b>	<b>Period to 31 March 2010 £000</b>	<b>Period to 31 March 2009 £000</b>
Actual return less expected return on pension scheme assets	(974)	(68)	(2,157)	(2,349)
Experience gains and losses arising on the scheme liabilities	889	-	-	273
Changes in financial assumptions underlying the present value of the scheme liabilities	<u>(511)</u>	<u>1,948</u>	<u>(1,606)</u>	<u>763</u>
<b>Actuarial gain (loss)</b>	<u>(596)</u>	<u>1,880</u>	<u>(3,763)</u>	<u>(1,313)</u>
Release / (provision) for pension asset not realisable	-	-	-	667
	<u>(596)</u>	<u>1,880</u>	<u>(3,763)</u>	<u>(646)</u>

**Movement in deficit during the period**

	<b>Period to 31 March 2012 £000</b>	<b>Period to 31 March 2010 £000</b>
(Deficit) at beginning of year	(1,275)	(4,236)
Current service cost	(526)	(621)
Employer contributions	532	493
Past service costs	-	1,221
Net return on assets	90	(12)
Actuarial gain/(loss)	<u>(596)</u>	<u>1,880</u>
<b>(Deficit) at end of the year</b>	<u>(1,775)</u>	<u>(1,275)</u>

**ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 2012**

**History of experience - gains and losses**

	<b>Period to 31 March 2012 £000</b>	<b>Period to 31 March 2011 £000</b>	<b>Period to 31 March 2010 £000</b>	<b>Period to 31 March 2009 £000</b>
Difference between the expected and actual return on assets	(974)	(68)	2,157	(2,349)
Value of assets	11,504	11,136	9,824	6,704
<b>Percentage of assets</b>	<b>8.46%</b>	<b>0.6%</b>	<b>22.0%</b>	<b>35.0%</b>
Experience losses on liabilities	889	-	-	273
Present value of liabilities	13,279	12,411	14,060	7,184
<b>Percentage of the present value of liabilities</b>	<b>6.69%</b>	<b>-</b>	<b>-</b>	<b>3.8%</b>
Actuarial gains recognised in STRGL	(596)	1,880	(3,763)	(1,313)
Present value of liabilities	13,279	12,411	14,060	7,184
<b>Percentage of the present value of liabilities</b>	<b>4.49%</b>	<b>15.2%</b>	<b>26.8%</b>	<b>18.3%</b>

**31. Related party disclosures**

There were no related party payments or receipts between ACHA and its wholly owned subsidiary Argyll Homes for All Limited was dormant during the financial year.

Eleven members of the Board of Management were also tenants during the year.

Five members of the Board of Management were Argyll and Bute Council Councillors during the year.

All transactions with local authorities were made at arm's length, on normal commercial terms and no Board members used their position to their advantage.

The tenancy agreements and rents charged for those members of the Board of Management were on standard terms applicable to any other tenant of ACHA.

Members rent arrears were treated in a similar manner to that of other tenants in arrears with ACHA.

ACHA has entered premise leases with Argyll and Bute Council and has contractual arrangements for the provision of information technology support services, print services and environmental services provision.

ACHA also has arrangements for the provision of the property management module of Academy Housing integrated management system to Argyll and Bute Council. The Association also lets houses to Argyll and Bute Council under a special letting agreement relating to homelessness.

ACHA paid £1,328k to the Council for services relating to service level agreements, premises leases, IT service charges, environmental and other services received during the period.

ACHA paid to the Council £1,070k during the period in respect of Right to Buy sales for the financial period 2010/11.

## **ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

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

During the period the Association received from the Council £4k for the provision of service under the Academy Property management module; and £8,160k in housing benefit payments, Homelessness leases £71k, Strategic Housing Investment Fund grant £5k.

At the period end there was a creditor of £684k outstanding in respect of Right to Buy receipts for the financial period 2010/11 and creditors totalling £96k outstanding to the Council.

