

**ARGYLL COMMUNITY HOUSING
ASSOCIATION LIMITED**

**Report of the Board of Management and
Financial Statements
for the year ended
31 March 2013**

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 2013

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ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS

For the year ended 31 March 2013

The Board of Management

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

Board of Management Members		Appointed	Resigned
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	
Sandra MacKenzie		3 December 2009	
Michael Brown		23 September 2010	
John Muir		23 September 2010	
Alex Johnstone		12 July 2012	
Lorraine-Anne Drysdale		9 September 2010	
Marri Malloy		25 September 2007	
Catherine Winton		21 September 2011	
James Milne		14 June 2012	
Gillian Logan		14 June 2012	
Archie Blair		14 June 2012	
Stafford Day		14 June 2012	
Sandra Glazsher		23 September 2010	19 September 2012
Betty Rhodick		23 September 2009	11 October 2012

Councillors:

Rory Colville		13 June 2007	
Iain Angus MacDonald		14 June 2012	
Richard Trail		14 June 2012	
John Semple		14 June 2012	
Bruce Marshall		12 July 2012	
Roddy McCuish	Secretary (to 10 th May 2012)	13 June 2007	10 May 2012
Neil MacKay		11 September 2008	10 May 2012

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 2013

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 2013

The Board of Management present their report and audited financial statements for the year ended 31 March 2013. 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 4th November 2011. These accounts represent the financial period 1 April 2012 to 31 March 2013.

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 31st 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 31st March 2013 the Revenue reserves balance had moved from a £7.3 million surplus to a surplus of £9.0 million excluding adjustments for the pension reserve. The pension reserve had increased from £1.775 million to £2.978 million making a net surplus of £6.0 million.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2013

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 incorporates 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 the delivery of SHQS 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 aiming to be limited to RPI + 1%. ACHA increased rents during the period by 5.8%, being made up of RPI (December 2011 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 7 pieces of completed work totalling 23 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 Performance Management 4 days, Arrears Management 3 days, ICT Security 3 days, High Level Finance 3 days, Budgetary Control 3 days, Gas Safety 3 days, SHQS 3 days and follow-up audit 1 day. 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 several fixed borrowing arrangements in place at varying interest rates and maturity terms. These fixings hedge forward the projected borrowings in a total amount of £22.0 million and were as follows. Please note that these are "loan embedded hedges" and 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 30 September 2011	5,000	10	4.365%
Total	22,000		

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

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REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2013

ACHA also has six loans, totalling £12.25 million, which are based on 6 and 9 month LIBOR fixings at all in rates of 0.802% to 0.9473%. These loans mature during the next financial year 2013/14.

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 2013 is £648k.

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. ACHA also undertakes reactive or responsive repairs and maintenance based on emergency and routine works requests from its tenants. It is expected that the cost of all of these repairs is to 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 Finance and Audit Committee on behalf of 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 organisation 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 2012/13 was 25 days against 26 days for the prior year.

Auditors

ACHA tendered for external auditors during the prior period and appointed Haines Watts at the 2012 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
Chair of the Board of Management

Date: 8th August 2013

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

STATEMENT OF BOARD OF MANAGEMENT'S RESPONSIBILITIES

For the year ended 31 March 2013

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 ACHA 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 ACHA 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 2010 as revised, and the Determination of Accounting Requirements 2012. They are also responsible for safeguarding the assets of ACHA 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
Chair of the Board of Management

Date: 8th August 2013

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

BOARD OF MANAGEMENT'S OPERATING AND FINANCIAL REVIEW STATEMENT

For the year ended 31 March 2013

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 Conduct Authority (FCA) Mutual Societies Team. 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 4th 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 5,067 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 four leavers from the Board and recruited five new members, of those five there was one tenant member and four independent members. In addition, owing to the Local Authority elections in May 2012 Argyll and Bute Council nominated four new members to the Board of Management. At the year end, 31st March 2013 there were no vacancies on the Board of Management of ACHA.

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.

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For the year ended 31 March 2013

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.

The Board of Management undertook a review of operations in February 2012 to evaluate the risk management strategy for ACHA for the forthcoming year and this was further formally reviewed in February 2013.

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 ACHA'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 into 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 2012 ACHA owned 5,089 homes. As a result of the right to buy ACHA sold 22 homes and at financial year end ACHA therefore owned 5,067 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 2013 by type is broken down as follows:

<u>Rentable Stock</u>	<u>2013</u>	<u>2012</u>
General Needs Houses	4,866	4,881
Sheltered Housing	201	208
	<u>5,067</u>	<u>5,089</u>

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

BOARD OF MANAGEMENT'S OPERATING AND FINANCIAL REVIEW STATEMENT

For the year ended 31 March 2013

The housing stock at 31 March 2013 is broken down by geographical area as follows:

<u>Houses</u>	<u>2013</u>	<u>2012</u>
Bute	506	510
Cowal	898	899
Helensburgh and Lomond	1,002	1,008
Islay	330	333
Kintyre	840	844
Lorn and the Isles	900	903
Mid Argyll	591	592
	<u>5,067</u>	<u>5,089</u>

Sheltered housing

ACHA's sheltered housing stock within the stock number of 5,067 is located in eleven complexes across Argyll and Bute:

<u>Sheltered Housing stock</u>	<u>2013</u>	<u>2012</u>
Bute	34	34
Cowal	43	43
Helensburgh and Lomond	-	-
Islay	10	10
Kintyre	-	-
Lorn and the Isles	57	64
Mid Argyll	57	57
	<u>201</u>	<u>208</u>

The change in unit numbers year on year is due to property type re-classification during the financial year.

ACHA' Sheltered Housing Service was inspected by the Care Inspectorate in 2011 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.

<u>Rentable Stock</u>	<u>2013</u>	<u>2012</u>
Garages	54	60
Garage sites	132	132
	<u>186</u>	<u>192</u>

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<u>Garages</u>	Garages 2013	Garages 2012
Bute	5	5
Cowal	9	9
Helensburgh and Lomond	40	46
Islay	-	-
Kintyre	-	-
Lorn and the Isles	-	-
Mid Argyll	-	-
	<u>54</u>	<u>60</u>

<u>Garage Sites</u>	Garage Sites 2013	Garage sites 2012
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:

<u>Travelling People sites</u>	<u>2013</u>	<u>2012</u>
Dunoon, Torlochan	8	8
Lochgilphead, Duncholgan	14	14
Oban, Ledaig	8	8
	<u>30</u>	<u>30</u>

All three sites have been improved in recent years.

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

<u>Non-Rentable Stock</u>	<u>2013</u>	<u>2012</u>
Play areas	30	32
Private water supplies	12	12
Private sewage systems	42	42
Offices	2	2
	<u>86</u>	<u>88</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 owns its registered office in Ardrishaig at 63-65 Chalmers Street and its office at Menzies House in Oban.

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

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Within its general needs housing ACHA has four units which are designated as small shop units which are let under a peppercorn lease. Vacant possession is being sought for two in Helensburgh for future improvement and re use as offices for ACHA in that area.

The right to buy resulted in 22 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. In conjunction with Argyll and Bute Council and the Scottish Government Pressured Area status was granted for substantial areas of Argyll, excluding the island of Bute and some areas of Kintyre, this took effect on 31st January 2012 and will provide a moratorium on right to buy sales for a period of 10 years. ACHA is also currently preparing proposals for local lettings initiatives for some of our smaller rural communities with an objective of helping to sustain local communities.

ACHA increased its rents for all stock by RPI plus 1% at the start of the financial year which was in line with the rental commitment given to tenants. The increase for the year was therefore 4.85% based on December 2012 RPI. The average rent across all stock in the current year rose to £65.61. The 2013/14 financial year rent increase is RPI+1.75% or 4.85% with RPI being 3.1%.

ACHA now has a total of 187 formally factored properties where votes have taken place within blocks to appoint us to arrange maintenance and repair to common parts of buildings.

During the year ACHA had no new lettings and 445 relets. These 445 properties were let to the following waiting list categories:

Statutory Homeless	121	(27.20%)
Direct Waiting List	221	(49.66%)
Transfer Waiting List	103	(23.15%)

As at 31st March 2013 the common housing register HOMEArgyll had 3,730 applicants on its list.

ACHA has a number of properties, which are classed as low demand on the island of Bute and in Campbeltown and therefore, have been unable to re-let within normal timescales. ACHA has an overarching strategy to help improve letting times of such properties and, where appropriate a tailored approach to specific local low demand issues will be adopted. Where it is appropriate, refurbishment and remodelling of such properties will be undertaken.

At the end of the financial year ACHA had 69 properties void (excluding properties awaiting regeneration or being held for decant purposes). ACHA's average time taken to let a property is 19 days against its target of 31 days for non-low demand properties and 73 days against a target of 49 days for properties classed as low demand or difficult to let. The cumulative timescale of 40 days is an improvement of the previous year figure of 45 days.

ACHA had a void loss figure of £411k or 2.5% of all rental income, including garages, for the year. The void rent loss for houses alone was equivalent to circa 2.44% 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.

ACHA received approximately 51.38% of its total income from housing benefit payments in comparison with 2011/12 where 51.88% of all of its rental income from housing benefit payments direct from the Local Authority. ACHA has 38.92% of its tenants in receipt of full housing benefit and 15.05% who receive partial housing benefit payments. This is a slight reduction from the previous year.

The FISH (Financial Inclusion Services in Housing) welfare rights service continues to assist tenants with difficulties with claiming or under claiming benefits including housing benefit. ACHA developed a Welfare reform mitigation strategy during 2012/13 with the primary objective of assisting tenants who may be negatively affected by welfare reform. In order to meet this objective the Board of Management approved funding for the service for a further year.

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BOARD OF MANAGEMENT'S OPERATING AND FINANCIAL REVIEW STATEMENT

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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 has developed a Customer Service Centre which delivers a wide range of services to our tenants and the wider community.

We have a strong commitment to consult tenants on what we do and to maintain continuous improvement. Our Customer Contact and Feedback Strategy outlines how we do this. During 2012 we consulted tenants and other service users on various aspects of our work including:

- A review of the Tenant Involvement Strategy
- The first ever ACHA Youth Strategy
- A Membership Strategy
- Sheltered Housing
(allotments, weekend telephone contact, general satisfaction, changes of service delivery)
- The Factoring Policy review
- Estate management surveys

In addition to these unique consultations we also routinely surveyed new tenants on their experience of coming to us as a new customer and also exit surveys on tenants as they were about to leave us. Each year we carry out face to face surveys with the residents at our three Travelling Persons sites and this informs our rolling action plan of service improvements. Our repairs satisfaction work is carried out continuously via postal and telephone questionnaires. The results are reported to our Board of Management as part of the package of key performance information that they receive. Our annual consultation on our review of rent and service charges received a higher number of responses than previously. All comments were put before the Board of Management to allow them to consider all options. We do encourage consultations using electronic surveys via our website whenever this is possible but we are conscious that many of our tenants prefer to use postal and telephone surveying.

We reported back to tenants on the outcomes of the main consultations either through our Tenants Newsletters or directly to those who provided comment. All input to consultations was presented to our Board of Management so they could see our tenants' and service user's opinions.

During 2012 we made our Tenants Newsletter available to tenants electronically and the number of tenants opting to use this method has increased steadily over the year.

The number of tenants volunteering to participate with us through the Tenants Consultation Register has increased this year to 103. The Tenants Panel were involved in not only ACHA consultations during the year but also national policy debates. Input to the Affordable Rented Housing consultation and Right to Buy debate through the Scottish Government and the Scottish Social Housing Charter 'indicators' through the Scottish Housing Regulator being the most notable. In addition ACHA Directors, the Chief Executive and Chair of the Board were invited to update the Panel on current work.

Performance on service delivery is monitored via key performance indicators. 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.

During 2012 ACHA also introduced 'homeswapper' which is a national mutual exchange register. It is hoped that this will help facilitate earlier moves for tenants who may wish to move to other properties or areas.

Our repairs service is operated by a mix of in house teams and private contractors. We offer a 'repairs by appointment' service across all of our operating area.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

BOARD OF MANAGEMENT'S OPERATING AND FINANCIAL REVIEW STATEMENT

For the year ended 31 March 2013

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. Satisfaction with our repairs service remains consistently high with 96% of tenants who responded to satisfaction surveys stating that they were happy with the service they had received.

During 2012 we continued to provide a dedicated welfare rights service for our tenants with the team of four staff carrying out welfare benefit and tax credit checks for tenants at home or at our offices. In addition to this, the team also assisted tenants with complex appeals and tribunals. This service has now been provided for three years, assisting more than 2,000 tenant households and has resulted in a financial gain to tenants of previously unclaimed benefits of £3.8 million since its inception.

With the introduction of the Welfare Reform Act 2012 we have been preparing for the huge changes to housing benefit. Our Welfare Reform Mitigation Strategy, developed mid 2012, is aiming to provide as much assistance as possible to those tenants who will be affected. The new under-occupation rules (or bedroom tax) will affect over 600 of our tenants. We have conducted a survey of each household to ensure that they are aware of the implications and are as prepared as possible for this reduction in housing benefit.

Recognising achievements of tenants is important to us and to this end we saw another successful Garden in Bloom competition. Members of each of the four Area Committees acted as judges and awarded vouchers and trophies to the winners in each category. The Good Neighbour Award was won this year by a tenant from Tarbert and she received her certificate and shopping vouchers at our Annual General Meeting in September.

Visits by local staff to private owners in tenement blocks were introduced in Lomond and Bute early in 2012 which has resulted in an increase of 49.5% in formal factored properties in these areas. Consultation on the Factoring Policy has taken place with factored owners, the Tenants Panel, the Tenants Consultation Register and staff. The Policy will be reviewed following the results of the consultation.

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 can make a referral to our welfare rights service for a tenant who requires assistance.

Current tenant rent arrears	Percentage of rent charged
Bute	2.62 %
Cowal	2.27 %
Helensburgh and Lomond	2.26 %
Mid Argyll	1.99 %
Kintyre	2.10 %
Oban Lorn and the Isles	2.24 %
Islay	1.88 %
Total current tenant arrears	2.24 %

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

ACHA has provided for current tenant debt based on its approved accounting policy.

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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 208 complaints during the year as against last year's number of complaints which was 306 a reduction of just over 32%. ACHA issued 11 notices of proceedings in respect of antisocial behaviour which resulted in 1 eviction. This demonstrates that ACHA's continued strong stance on nuisance neighbours and anti-social behaviour is being delivered.

ACHA sought to commence legal action to recover houses, on the grounds of rent arrears, from our tenants in 19 cases which is 27% lower than in 2011/12. ACHA proceeded to court and was granted decree to evict 22 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 15,997 emergency, urgent, routine and 'qualifying' responsive repairs during the financial year. The breakdown of these repairs is as follows:

Repairs	2013	Repairs completed on target	Percentage	Target Percentage
Emergency Repairs (2 hours complete within 24 hours)	3,367	3,339	99.2%	99.00%
Urgent Repairs (5 days)	5,222	5,175	99.1%	96.00%
Routine Repairs (20 days)	5,809	5,767	99.5%	96.00%
Qualifying Repairs	1,599	1,591	99.5%	100.00%

A further 2,123 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	2013	2012	2011	2010	2009	2008
No. appointments made	6,037	8,188	8,888	9,533	8,133	5,693
No. of appointments kept	6,026	8,186	8,865	9,510	8,107	3,354
Percentage	99.81%	99.98%	99.83%	99.76%	99.68%	58.91%

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

ACHA issued 11,216 repair satisfaction cards to its tenants regarding repairs and received 2501 in return amounting to a 22 % return rate compared to 23% the previous year.

In addition ACHA contacted more than 873 tenants by phone to ascertain the quality of the service provided.

ACHA carried out 3,652 pre inspections of repair works equating to 18% of the repairs undertaken. ACHA also carried out 1,602 post inspections equating to 11% of repairs undertaken.

Human Resources and Corporate Services

Is a central support function set up to ensure that ACHA 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 ACHA, and provide advice to the Management Team and Management Board on these.

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HRCS were central 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 Limited 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 is 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 ACHA'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 new contract is in place for external 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 ACHA in a very satisfactory position to meet its Health and Safety obligations.

ACHA's business continuity plans were tested again this in real situations, due to adverse weather conditions in Kintyre and severe IT system outages. The Crisis Management Team who are fully briefed on business continuity matters managed the organisation through those issues. Our plans will again be reviewed by the new Internal Auditors this year.

The Regulation plan for ACHA remains at medium engagement due to the systemic risk that ACHA poses. This is a continuation of the existing engagement level with standard returns and submissions being made.

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 implement the respective outcome measurements, as an Annual Review of the Charter (ARC), in place of the Annual Performance and Statistical Return (APSR).

The new model Registered Social Landlord, Complaints Handling Procedure has been launched by the Scottish Public Services Ombudsman (SPSO), in conjunction with the Scottish Housing Regulator, has been implemented. All staff went through customer care and complaint handling training for the operation of the new approach. During the year there were 8 complaints referred to the SPSO and of those 1 was fully upheld, 2 were partially upheld, 4 were not upheld and one is on-going.

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Work is underway preparing for pension auto enrolment, which becomes effective for ACHA in April 2014.

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 continuing to develop 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 7.28% 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 within target this year at 3.93% 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 may be considered for this area.

During the latter part of the year the department invested time and resources in supporting the establishment of governance, company registration and organisational setting up of the trading subsidiary Argyll Homes for All Limited which commenced trading on 1st April 2013. The time spent on human resources issues with AHFA to enable it to commence trading was significant.

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.

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 were behind schedule for 2012/13 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	1,119	927	83%
No of window/door completions – Elements	1,020	1,169	115%
No of heating/rewire completions – Elements	1,863	1,769	95%
No of roof/roughcast completions – Elements	275	307	112%
No. of energy efficiency upgrades - Elements	500	1,416	283%

In addition there was expenditure at a local area level on SHQS of £183,334 planned and 100% of that expenditure was delivered.

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The total number of elements required for completion this year of all types was 4,777, ACHA delivered 5,588 elements equating to 117% 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 82% against budget forecast overall.

The heating and re wiring programme for the year was significantly greater than last year and early difficulties with the contractor in submitting accounts has impacted on the financial spend in the year. The under spend against the original budget will be carried forward into future years to ensure delivery with the SHQS.

The draft analysis of Scottish Housing Quality Standard compliance, based on 100% stock condition survey, is 62% at 31st March 2013 against the agreed transfer target of 60%. 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:

Regeneration	Outturn	Planned	%
Site Starts	56	16	350%
Completions	0	24	- %

We planned for Port Ellon on Islay (8) and Dalmally in Lorn (8) to start in the financial year but were also able to secure grant funding and private finance support for Glenshellach, Oban (40) to start in March 2013.

Ardenslate in Dunoon (24) was due to complete in 2012/13 but due to delays on site it completed in April 2013 and is therefore in 2013/14 financial year.

ACHA has secured funding approvals for two sites and is planning site starts in 2013/14 as follows:

Site	Units
Hood Court, Helensburgh	12
Bowmore, Islay	16
Total	28

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

The department is continuing to make 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.

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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.

During the latter part of the year the department invested substantial time and resources in supporting the setting up of the trading subsidiary Argyll Homes for All Limited which commenced trading on 1st April 2013.

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 during the year. ACHA successfully renegotiated its business plan approval during the year. Covenant calculations for 2012/13 were affected by the introduction of component accounting last year and ACHA successfully agreed revised covenants with its lender. 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 14,337 invoices during the year which was 2.63% less than the previous year. The department continued to improve its creditor payment times from 26 days to an average of 25 days which was within its target of 28 days.

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 and as previously commented the change in rental collection has been significant whilst arrears remain relatively static. The number of standing order and direct debit payments received has increased year on year and again the number of payments received via credit card has markedly reduced. The number of payments received through All Pay is now significant and beyond what was originally estimated.

Right to Buy applications during the year were consistent with prior years but actual sales were substantially less than projected at transfer with only 22 properties being sold. We believe this is in part due to the continuing general economic deterioration but also the effect of the Pressured Area Designation in some parts of Argyll and Bute. 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 807 at the beginning of the year to 745 by the end of the period. Analysis suggests that this is primarily because of cancellations due to arrears, general tenancy turnover and due to death.

ACHA managed to clear the majority of the outstanding insurance property claims which were outstanding at the end of last year during this year.

The department received from Jones Lang La Salle loan security valuation for the housing stock in March 2013 which identifies that there is sufficient security at market value to support current and projected future borrowing.

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ACHA continues to actively pursue non-payment of rent and other charges from both current and former tenants as well as owners. During 2012/13 ACHA formalised its arrangement with debt recovery agent BPO Glasgow for the collection of former tenant rental and sundry debts. This arrangement secured recovery of debts at no sunk cost to ACHA.

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. The contract for these services is due for extension or re-tendering during the next financial year.

The IT section re tendered a number of contracts during the period, such as photocopying and scanning and mobile telephony, obtaining improved value for money and reduced costs in the long run.

During the latter part of the year the department on both from a finance and IT perspective invested substantial time and resources in supporting the setting up of the trading subsidiary Argyll Homes for All Limited which commenced trading on 1st April 2013. This included the development of a viable business plan, negotiation and agreement with lenders and compliance with loan agreement clauses, similarly discussion with the Scottish Housing Regulator and consent to on lend, the set-up of a compliant internal loan for working capital purposes, new insurance provisions, registration with a variety of bodies such as HMRC, Information Commissioner etc. The IT section has been heavily involved in an EU tender for an Electronic Works Management System which will streamline processes and workloads for the subsidiary and the parent which is due for implementation in 2013/14 as well as providing new equipment suitable for the subsidiary purposes.

Financial Review

Income & Expenditure

Income

ACHA's general needs rental income at £16 million for the year was as the original budget forecast. Rental income from sheltered housing stock was also as the budget forecast for 2012/13. ACHA's garage rental income exceeded forecasts owing to lower void levels as did the letting of travelling people site pitches. Overall rental income across the stock was consistent with budget forecasts.

Other income was higher in the year than forecast owing to the continuing recovery of costs incurred as a result of two storms in December 2011 and January 2012. In addition other income was significantly higher than forecast owing to current tenant, former tenant and private owner recharges issued. Sheltered housing service charges were higher than forecast due to turnover in tenancies and the gap between sheltered housing service income and sheltered housing service costs is continuing to narrow as expected.

In respect of non-social housing activities ACHA continued its related asset investments in roads, footpaths, garages, private water supplies, play parks and septic tanks it has a share of ownership in spending £1.6 million and receiving grant support from the Early Action Fund Related Assets Grant of £1.3 million. Medical aids and adaptations continue to be an area of additional investment for our tenants and ACHA expended £419k and received grant contributions of £228k towards that investment. Tenant and owner recharges for their proportion of works to common parts and common areas continue to be significant but generated a small operating surplus. Other activities related to the receipt of energy efficiency grants and the costs of corporate insurance premiums which are excluded from management costs to be consistent with prior year.

Business Plan Support Grant from Scottish Ministers of £9 million was again received during the year relating to business support grant; this was 100% of the monies due. Those funds have now been placed on the balance sheet in accordance with component accounting and the accounting policy. In addition ACHA received £1.4 million in Housing Association Grant for new stock development relating to its development sites in the financial year which has also been capitalised on the balance sheet. ACHA's expected outturn on related asset improvement resulted in the Early Action Fund Related Assets grant monies draw down being £1.3 million which was lower than the original budget forecast.

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Underlying rental bad debts at the year-end in comparison with prior years were consistent; however they were slightly higher than the budget 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. The significant debtor of £206k for Argyll and Bute Council which related to a deed of indemnity claim which was provided for last year was unwound as this matter was resolved during the period.

Rent lost from voids was 30% higher than the original budget forecast however this was because ACHA took a decision to decant existing tenants in the Dunoon area to improve the external fabric of the homes in two locations in Cowal.

ACHA received £228k of grant for aids and adaptations to properties and spent almost £420k in total on aids and adaptations. ACHA received no grant funding support for the welfare rights officer FISH project. ACHA decided to support this invaluable activity of benefit claimants being checked 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.

Expenditure

The reported management costs were slightly under the budget forecast. This was primarily due to staffing cost savings of £192k through in year leavers and starters being absorbed by the operating business but also budget savings in employer National Insurance contributions accrued owing to an overstated budget assumption during the year. The gross management cost per unit for 2012/13 is £995, which is consistent the prior year figure of £1,002 per unit.

Reactive maintenance costs are consistent with prior year but when accounting for the administration costs of reactive repairs they have exceeded the budget forecast during the period by 8.8%. ACHA closed out most of its outstanding insurance claims for previous storm damage. The reactive repairs average repair cost per unit was £589 this year against the previous year which was £577 per unit, this excluded the management and administration cost element of reactive repairs.

ACHA's cyclical and planned maintenance spend for the year was slightly lower than forecast but consistent with prior years and the budget forecast. The major repairs spend for the period was significantly at variance to the budget forecast owing to a number of key contracts. Any under spend has been carried forward in to the delivery programme for future years.

ACHA's regeneration activities were broadly as forecast with planned new units under development during the year slipping beyond this financial year just in to the next financial year.

Bad debts written off during the year were 20% higher than originally budgeted but the excess figure is not material.

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

The operating surplus differed significantly to the forecast as a result of the major repairs expenditure differences but was £2,940k.

ACHA made gains on sale from right to buy sales at £134k owing to the nature of the transfer agreement loss of income calculations. These were as expected and are consistent with forecast planned right to buy sales occurring.

Bank interest earned at £41k was higher than expected owing to a pension interest adjustment. Low LIBOR rates have affected returns on cash deposits. The much lower spend levels against the major repairs 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 £1,399k, was lower than forecast.

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ACHA had fixed debt of £22.65 million during the year, the remainder of the long term debt of £12.25 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 £648k, which is amortising across its 15 year term. As a result ACHA's borrowing of £34.9 million at year end was 65% fixed and the remaining 35% being variable. This was an approved short term strategy of ACHA to increase its variable rated debt taking advantage of lower rates.

The net surplus for the year was £1,716k. This further reduced to a surplus of £517k following adjustment for the FRS17 pension liability arising in the period.

Balance Sheet

ACHA increased its tangible fixed assets as a result of the improvement of housing stock and the capitalisation of those costs in accordance with the accounting policy and component accounting as well as regeneration works being undertaken to develop new stock.

The tangible fixed asset position demonstrates continuing growth year on year based on both cost and after deduction of grants increasing from £37.4 million to £47.85 million net of accumulated depreciation. ACHA's loan covenants are cash flow based and asset cover based using Existing Use Value for Social Housing (EUV-SH) valuations not balance sheet strength this growth therefore has no impact on loan covenants.

ACHA 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 £2.23 million which has reduced year on year by £2.83 million. This was primarily due to a reduction in grant held in advance and a significant reduction in sundry debtors. The rental debtors position remains consistent with prior years and forecasts.

The cash balance was much reduced at the year-end at £1.6 million as loans had not been drawn down in advance of major repair works during the year in expectation of meeting planned expenditure which did not occur as forecast.

ACHA has experienced a significant reduction in trade creditors £3.94 million. This is primarily because of a significant reduction in accruals as transactions were effected in the accounting period and not post the period end. In addition trade creditors outstanding had also reduced year on year by £1.5 million as a result of close out of repairs operations and their future transfer to the new subsidiary. The increase in Business Plan Support Grant in advance however is related to the necessary adjustment for component accounting based on the ratio of estimated grant to repairs costs. This creditor will unwind as we approach the conclusion of the SHQS and major repairs works to which the grant and expenditure is attributed.

Long term borrowing has increased from £27.25 million to £34.9 million during the year.

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 that ACHA is a going concern.

ACHA's restated reserves have increased to £9.02 million with pension adjustments reducing the net reserves to £6.04 million.

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The Future

ACHA continues to drive forward its objectives as outlined in the transfer business plan and has produced a revised business plan for the period 2013/14 onwards.

ACHA has implemented the 2013/14 rent increase in line with the transfer agreement aims of limiting increases to RPI + 1%. The actual rent increase for 2013/14 of RPI + 1.75% (4.85%) represents the increase required to offset the decision made in 2009 to only increase by RPI for one financial year.

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 and remains committed toward the development of new homes for social housing renting in the area in which we operate. ACHA has a number of sites already scheduled for development which are supported by the Local Authority and Scottish Government with both grant funding and private finance committed.

ACHA has seen significant change in the way it works with its partners throughout the area, not least with the most substantial of those, Argyll and Bute Council. ACHA welcomes that approach and seeks to continue to build on those improving relationships for our mutual benefit.

ACHA continues to meet business planning commitments in respect of delivering new and improved services to tenants in the most efficient and effective ways possible. ACHA has developed the model of the trading subsidiary partner, Argyll Homes For All Limited (AHFA), which takes advantage of VAT Group benefits. AHFA commenced trading on 1st April 2013 with its own governance structure but close monitoring and control of its initial period will be undertaken by the parent organisation, ACHA.

In addition, ACHA is considering during the 2013/14 year how it might become much more effective and efficient through the use of new technological solutions which reduce cost, reduce our carbon footprint but also reduce the wide geographical and operational challenges that ACHA faces in the country's second largest local authority area. This is closely linked to the future strategy for premises and people and ACHA recognises the reality of the area within which it operates, the available pool of skilled and knowledgeable employees, as well as the demography and services delivery expectations of our tenants and how these interface.

ACHA continues to develop new approaches to funding support and use of our combined resources to deliver strategic outcomes for us and our partners. The most recent development of this is the approval by Argyll and Bute Council of the use of Strategic Housing Fund resources to support the development programme and in particular a pool of long term loan funding to support ACHA and other social landlords where private lenders are unable to do so.

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 in compliance with the Property Factor's (Scotland) Act 2011 requirements.

There are undoubted challenges ahead for ACHA over the next financial year in many areas; the greatest challenge presently is managing the potential effect of the UK Government's Welfare Reforms. ACHA took a decision late in this financial year when considering its budgets to devote financial resources in 2013/14 to continuing the FISH service when no grant funding was made available. This was primarily based on the need for ACHA to support its tenants in ensuring that they claim as much of the benefit that they are entitled to and thereby mitigating some of the effects of the welfare reforms. ACHA has continued to spend time and effort in assessing the potential impacts of the welfare reforms on its tenants and its business. In the immediate future ACHA has modelled in its budgets and financial projections that its arrears will double from £350k per annum to £700k per annum and that cash flow cost has been absorbed, in addition that with a doubling of arrears that proportionally its bad debts are likely to also double and this has also been factored in to future plans.

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For the year ended 31 March 2013

The under occupancy changes to benefits which came in to effect in April 2013 were an area where ACHA has for some time been focusing its FISH team and HNS staff engagement with those tenants which may be affected by the changes. ACHA estimated that approximately 580 of its tenants would be directly affected by the under occupancy rules and have benefits reduced as a result. ACHA has attempted to contact or engage with all those tenants in advance of implementation of the under occupancy changes. ACHA has put in place monitoring tools to ensure that weekly analysis of arrears due to the changes is undertaken and early interventions with tenants are undertaken to support them in meeting their rent obligations. ACHA has also sought flexibility in its allocations policies via the common housing register and allocations approach HOMEArgyll. This is with the express intent of seeking to maximise the availability of suitable accommodation to enable tenants to transfer and thereby mitigate under occupancy effects.

ACHA is also very aware of the prospect of significant impact on our tenants of the changes to benefit payments through the adoption of Universal Credit. The implementation of Universal Credit is not expected in Argyll and Bute until 2014/15 financial year but similar to the under occupancy rules ACHA is engaging with stakeholders to assess and manage its effects on our tenants and impact on ACHA's business.

The implementation of the 2012 Pension Reforms with auto enrolment is an area which ACHA is also focussed on in the next financial year as we approach ACHA's staging date for implementation of auto enrolment of April 2014. ACHA has analysed the potential impact and has established a project to take forward the operational effects and impacts of the changes as well as assessing the strategic impacts on ACHA's business from increased pension obligations that will undoubtedly arise from the changes.

ACHA is also mindful of the introduction of new energy efficiency standards being discussed in the sector and although the new standard has not formally been set yet ACHA's Investment and Regeneration department is monitoring how that develops so that it can respond to the necessary property maintenance, and the Finance and IT department in respect of the financial consequences, once they are known

ACHA continues to have the benefits of a supportive lender but nevertheless the private finance market remains a challenge for debt funded stock transfer organisation like ACHA. ACHA is a matter of two years away from its projected peak debt and is therefore seeking to take advantage of developing arrangements in private finance which will support our strategic objectives for the future.

In a wider sense whilst the macroeconomic environment appeared to have eased in the last six months or so of the financial year ACHA remains cautious of the future and recognises that the impact of continuing fiscal constraints, UK and Scottish Government spending reviews, the consequences of international capital market gyrations and wider monetary policy developments at home and abroad do have an impact on our tenants as well as ourselves.

ACHA considers that we are continuing 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 quality 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 2013

The Board of Management acknowledge their ultimate responsibility for ensuring that ACHA 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 ACHA 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 ACHA's assets. Core policies have been established and others continue to be developed as ACHA 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;
- ACHA's performance against the 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 ACHA;
- 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 ACHA 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 ACHA for the year ended 31 March 2013 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
Chair of the Board of Management

Date: 8th August 2013

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 24 on ACHA'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 ACHA'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 24 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: 13 August 2013

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 Limited ("ACHA") for the year ended 31 March 2013 on pages 27 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 ACHA'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 ACHA'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 ACHA and ACHA'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.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of ACHA's affairs as at 31 March 2013 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 2010 and the Determination of Accounting Requirements 2012.

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
- ACHA has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account of ACHA; 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: 13 August 2013

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March 2013

		2013	As
	<i>Note</i>	£000	Previously
			stated
			2012
			£000
Turnover	2	18,754	19,771
Operating costs	2	<u>(15,814)</u>	<u>(17,752)</u>
Operating Surplus	8	2,940	2,019
Surplus on disposal of housing fixed assets	12	134	266
Interest receivable	9	41	108
Interest payable	10	<u>(1,399)</u>	<u>(1,236)</u>
Surplus on ordinary activities before Taxation		1,716	1,157
Taxation on ordinary activities	11	<u>-</u>	<u>-</u>
Surplus charged against balance brought forward	20	<u>1,716</u>	<u>1,157</u>

All figures relate to continuing operations.

STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS

		2013	As
	<i>Note</i>	£000	Previously
			stated
			2012
			£000
Surplus for the year		1,716	1,157
Actuarial (loss) on pension scheme	29	<u>(1,199)</u>	<u>(596)</u>
Total recognised surplus for the year	19	<u>517</u>	<u>561</u>

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

BALANCE SHEET

As at 31 March 2013

	<i>Note</i>	2013	As Previously stated 2012
		£000	£000
Tangible fixed assets			
Housing properties – gross cost less depreciation	12	99,698	79,569
Less Housing Association Grant	12	(15,278)	(13,884)
Less Other Grant	12	(37,411)	(29,187)
Other Fixed Assets	13	839	874
		<u>47,848</u>	<u>37,372</u>
Current assets			
Stock and work in progress	14	18	22
Debtors	15	2,233	5,065
Cash at bank and in hand	16	1,624	3,877
		<u>3,875</u>	<u>8,964</u>
Creditors: amounts falling due within one year	17	<u>(7,847)</u>	<u>(11,792)</u>
Net current (liabilities)		<u>(3,972)</u>	<u>(2,828)</u>
Total assets less current liabilities		43,876	34,544
Creditors amounts falling due after one year	17	(34,860)	(27,248)
Provisions for liabilities and charges: Deferred tax	11	<u>-</u>	<u>-</u>
Net assets before pension deficit		9,016	7,296
Pension deficit	29	(2,978)	(1,775)
Net Surplus after pension deficit		<u>6,038</u>	<u>5,521</u>
Capital and reserves			
Share capital	18	-	-
Revenue reserves	19	9,016	7,296
Pension reserve	21	(2,978)	(1,775)
Surplus in shareholders' funds	19	<u>6,038</u>	<u>5,521</u>

These financial statements were approved by the Board of Management on 8th August 2013 and authorised for issue and signed on their behalf by:

Chair of the Board of Management

Bill McIntyre



Vice Chair

Michael Brown



Secretary

Norman Beaton



ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT

For the year ended 31 March 2013

	<i>Notes</i>	2013		2012	
		£000	£000	£000	£000
Cash inflow from operating activities	<i>23</i>		3,372		6,690
Returns on investments and servicing of finance					
Interest received	<i>9</i>	41		108	
Interest paid	<i>10</i>	(1,399)		(1,236)	
Net cash (outflow) from returns on investments and servicing of finance			(1,358)		(1,128)
Corporation tax repayment					-
Capital expenditure and financial investment					
Acquisition and construction of properties	<i>12</i>	(21,609)		(17,477)	
Purchase of other fixed assets	<i>13</i>	(136)		(106)	
Capital grants received	<i>12</i>	9,720		9,605	
Sales of housing properties		144		266	
Net cash (outflow) from capital expenditure and investing activities			(11,881)		(7,712)
Net cash (outflow) before use of liquid resources and financing			(9,867)		(2,150)
Financing					
Loan advances received		7,650		2,300	
Loan advances repaid		(36)		(34)	
Net cash inflow from financing	<i>24</i>		7,614		2,266
Increase/(Decrease) in cash in the year	<i>25</i>		(2,253)		116

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

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 £2,940k which when adjusted for disposals, interest receivable and payable resulted in a surplus of £1,716k prior to the adjustment of the pension reserve giving a net surplus of £517k. At the balance sheet date ACHA had a surplus of assets of £6.04 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 £57.3 million at this time. ACHA's loan asset security ratio requirement is 105%. The most recent security valuation as at March 2013 values ACHA's housing assets at £73.55 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 Determination of Accounting Requirements 2012 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 ACHA for the period from 1 April 2012 to 31 March 2013. 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

ACHA 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, ACHA's asset management strategy and the requirement of Scottish Housing Quality Standard. In determining the remaining useful lives for the housing stock, ACHA 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 2013

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.

ACHA'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

ACHA owns a number of non-housing properties. ACHA 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 2013

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 £11.25 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 ACHA 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	10 years

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

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

Pensions

ACHA participates in one pension scheme as follows;

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 ACHA.

The SPF made an actuarial loss for the year ended 31st March 2013 of £1,199k. ACHA has taken account of this loss in the Pension Reserve Account. ACHA has therefore adjusted the Pension Reserve (Note 21) by transferring an amount of £1,203k to the Income and Expenditure account from this reserve.

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. As ACHA is a registered charity it has obtained consent to relief from Corporation Tax from HMRC.

VAT

ACHA was registered for VAT on 24 March 2010. A large proportion of ACHA'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 ACHA has recovered £11k during the period. ACHA has created a new VAT Group with its subsidiary for trading during 2013/14.

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 2013

2. Particulars of turnover, operating costs and operating deficit

	Turnover £000	Operating Costs £000	Operating Surplus / (Deficit) to 31 March 2013 £000	Operating Surplus / (Deficit) to 31 March 2012 £000
Social Lettings <i>(Note 3)</i>	16,534	12,558	3,976	2,715
Other Activities <i>(Note 4)</i>	2,220	3,256	(1,036)	(696)
	18,754	15,814	2,940	2,019
Total for year to 31 March 2012	19,771	(17,752)	2,019	

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

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

	General Needs Housing	Supported Housing	Total	Total For Previous Period of Account
	£000	£000	£000	£000
Rents receivable net of service charges	15,967	612	16,579	15,734
Rent from garages	29	-	29	25
Rent from travelling people sites	64	-	64	64
Service charges	18	212	230	191
Gross income from rents and service charges	16,078	824	16,902	16,014
Less voids	(409)	(2)	(411)	(308)
Net income from rents and service charges	15,669	822	16,491	15,706
Grants from the Scottish Ministers	-	-	-	5
Other revenue grants	43	-	43	36
Total turnover from social letting activities	15,712	822	16,534	15,747
Management and maintenance administration costs	5,044	359	5,403	5,916
Planned and cyclical maintenance including major repairs costs	2,658	-	2,658	2,746
Reactive maintenance costs	2,987	-	2,987	2,934
Bad debts – rents and service charges	142	-	142	147
Depreciation of social housing	1,368	-	1,368	1,289
Operating costs for social letting activities	12,199	359	12,558	13,032
Operating surplus/(deficit) for social lettings	3,513	463	3,976	2,715
Operating surplus/(deficit) for social lettings for previous period of account	2,301	414	2,715	

Average weekly rents, based on a 52 week rent year, at the end of the period were £62.53 (2012 rents were incorrectly stated as £61.80 but were in fact £59.38).

As a result of component accounting being applied all major repairs expenditure has been capitalised during the period.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

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							(230)	(230)	(80)
Related Assets	1,300			5	1,305		(1,562)	(257)	-
Aids and Adaptations	228			466	228		(419)	(191)	-
Tenant and Owner Recharges				71	466	3	(432)	37	(382)
Contents Insurance					71		(59)	12	12
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)		136		14	150		(557)	(407)	(246)
Total from other activities	1,528	136	-	556	2,220	3	(3,259)	(1,036)	(696)
Total from other activities for previous period of account	2,893	77	-	1,054	4,024	(427)	(4,293)	(696)	

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

5. Housing stock

	Units under development		Units under management	
	2013	2012	2013	2012
Housing accommodation for letting:				
General Needs	72	56	4,866	4,881
Sheltered housing	-	-	201	208
	<u>72</u>	<u>56</u>	<u>5,067</u>	<u>5,089</u>

6. Remuneration of members of Board of Management and Directors

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

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.

The total emoluments payable to Directors and benefits in kind in 2011/12 was incorrectly stated as £379k when it was correctly stated as £363k

	2013 £000	2012 £000
Total emoluments payable to directors and benefits in kind	312	302
Pension contributions	54	61
	<u>366</u>	<u>363</u>
Emoluments payable to the highest paid director (excluding pension contributions)	<u>83</u>	<u>81</u>

The Chief Executive is a member of the Strathclyde Pension Fund defined contribution pension scheme as disclosed in note 29. No enhanced or special terms apply to memberships. ACHA's contributions to the Chief Executive's pension in the year amounted to £14,346 (2012: £16,191).

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

	2013	2012
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	-	-
More than £90,000 but not more than £100,000	1	1

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

7. Staff numbers and costs

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

	Number of employees	
	2013	2012
Housing & Neighbourhood Services	128	129
Finance & IT	15	15
Human Resources & Corporate Services	13	13
Investment & Regeneration	24	23
	180	180

The aggregate payroll costs of these persons were as follows:

	2013	2012
	£000	£000
Wages and salaries	4,472	4,367
Social security costs	351	339
Other pension costs	626	1,391
	5,449	6,097

The reduction in other pension costs year on year is due to the effects of the SHAPS withdrawal cost of £816k in 2011/12

During the year 70% of investment staff costs were capitalised amounting to £592k (2012 – 62% or £476k)

8. Operating surplus on ordinary activities

	2013	2012
	£000	£000
<i>Operating surplus on ordinary activities before taxation is stated after charging:</i>		
Auditors' remuneration:		
Audit (including expenses and excluding VAT for the year)	14	20
Other services from bodies related to Haines Watts	1	5
Operating lease rentals:		
Buildings	309	274
Other	(1)	49
Depreciation	1,517	1,548

9. Interest receivable

	2013	2012
	£000	£000
Bank interest receivable	9	18
Interest on pension fund (Note 29)	32	90
	41	108

10. Interest payable

	2013	2012
	£000	£000
On bank loans	1,399	1,236
Interest on pension fund (Note 29)	-	-
	1,399	1,236

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

11. Taxation

Due to ACHA's charitable status, no tax liability arose in the year to 31 March 2013 (2012: Nil).

12. Tangible fixed assets - housing properties

	Housing properties held for letting £000	Housing properties in course of construction £000	Total 2013 £000	Total 2012 £000
Cost				
At start of year as previously stated	79,255	4,104	83,359	18,733
Prior year adjustment	-	-	-	47,148
At start of year as restated	-	-	-	65,881
Additions during year new build	-	5,110	5,110	3,526
Additions during year existing properties	16,498	-	16,498	13,952
Transfers	603	(603)	-	-
Disposals	(133)	-	(133)	-
At end of year	<u>96,223</u>	<u>8,611</u>	<u>104,834</u>	<u>83,359</u>
Depreciation				
At start of year as previously stated	(3,790)	-	(3,790)	(255)
Prior year adjustment	-	-	-	(2,246)
At start of year as restated	-	-	-	(2,501)
Charge during year	(1,368)	-	(1,368)	(1,289)
Disposals	21	-	21	-
At end of year	<u>(5,137)</u>	<u>-</u>	<u>(5,137)</u>	<u>(3,790)</u>
Housing association grant				
At start of year	(9,892)	(3,992)	(13,884)	(10,464)
Additions during year	-	(1,394)	(1,394)	(3,420)
Transfers	(316)	316	-	-
At end of year	<u>(10,208)</u>	<u>(5,070)</u>	<u>(15,278)</u>	<u>(13,884)</u>
Other grant				
At start of year as previously stated	(29,091)	(96)	(29,187)	(259)
Prior year adjustment	-	-	-	(22,743)
At start of year as restated	-	-	-	(23,002)
Additions during year	(7,818)	(508)	(8,326)	(6,185)
Transfers	(96)	96	-	-
Disposals	102	-	102	-
At end of year	<u>(36,903)</u>	<u>(508)</u>	<u>(37,411)</u>	<u>(29,187)</u>
Net book value				
At end of year	<u>43,975</u>	<u>3,033</u>	<u>47,008</u>	<u>36,498</u>
At end of year 2012	<u>36,482</u>	<u>16</u>	<u>36,498</u>	

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

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

During the year 22 properties have been sold under Right to Buy resulting in a gain on sale of £134k (2012 - £266k). The disposals in the current year reflect the disposals of componentised enhancements to disposed stock albeit that the stock sold had no value at transfer. In the prior year the in-year disposals and disposals relating to prior year adjustments had been reflected as a net position at the start of year for properties at cost, depreciation and other grant.

ACHA has included in housing properties held for letting £5.7 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 at stock transfer. As at the balance sheet date there were 38 properties which were unencumbered. No interest was capitalised on housing properties at 31 March 2013 (2012 £Nil).

During the year 70% of investment staff costs were capitalised amounting to £592k (2012 – 62% or £476k)

13. Tangible fixed assets – other

	Computer hardware & software £000	Oban office £000	Bute stores £000	Furniture £000	Total non housing £000
Cost					
At start of year	843	715	21	14	1,593
Additions during year	136	-	-	-	136
Disposals	-	-	-	-	-
At end of year	979	715	21	14	1,729
Depreciation					
At start of year	(661)	(44)	-	(14)	(719)
Provided during year	(155)	(15)	(1)	-	(171)
At end of year	(816)	(59)	(1)	(14)	(890)
Net book value					
At 31 March 2013	163	656	20	-	839
At 31 March 2012	182	671	21	-	874

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

14. Stocks and work in progress		
	2013	2012
	£000	£000
Maintenance Stock	<u>18</u>	<u>22</u>
15. Debtors		
	2013	2012
	£000	£000
Rental debtors	1,065	949
Less bad debt provision	<u>(633)</u>	<u>(537)</u>
	432	412
Prepayments and accrued income	857	663
Housing Association Grant receivable	400	1,288
Other debtors	1,579	3,777
Less bad debt provision	<u>(1,035)</u>	<u>(1,075)</u>
	<u>2,233</u>	<u>5,065</u>

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

	Debtor	Provided	2013
	£000	£000	Net
			Debtor
			£000
Due from current tenants	547	(115)	432
Due from former tenants	<u>518</u>	<u>(518)</u>	<u>-</u>
	1,065	(633)	432

The prior year accounts did not state the breakdown of amounts provided for current and former tenants and therefore they did not also state the net debtor breakdown for current and former tenants although they did state the total provided for and the total net debtor.

Rental Bad debts of £45k were written off during the period (2012: £14k). Rental Bad debts provided for in the year were £97k (2012: £133k)

Sundry debts of £58k were written off during the period. Sundry debtors provided for in the year were (£40k) owing to the reversal of a significant £205k prior year provision.

16. Cash at bank and in hand		
	2013	2012
	£000	£000
Bank	1,623	3,875
Cash	<u>1</u>	<u>2</u>
	<u>1,624</u>	<u>3,877</u>

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

17. Creditors: amounts falling due within one year		2013	2012
		£000	£000
Loans (secured)		38	36
Trade creditors		2,198	3,736
Housing Association Grant in advance		27	43
Other grants in advance		3,770	2,486
Other creditors		327	346
Accruals and deferred income		1,487	5,145
		<u>7,847</u>	<u>11,792</u>

Creditors: amounts falling due after one year

	2013	2012
	£000	£000
Loan (secured)	<u>34,860</u>	<u>27,248</u>

The overall weighted average cost of funds for current borrowing is 4.06%. An office development loan of £648k is repayable by 11 March 2025 and is repayable on an amortising basis. The repayment profile for the office loan is shown below.

	£000
Due within one year	38
Due between 1 and 2 years	41
Due between 2 and 5 years	137
Over 5 years	432
	<u>648</u>

The remainder of loans drawn, amounting to £34,250k are repayable by bullet repayment in 2036. Loans are secured by a specific charge against ACHA's properties with the office loan secured against the office development at Menzies House, Glenshellach Business Park, Oban.

Fixed Rate Hedging

	Value (£000's)	Term (years)	Rate
Tranche 1 commencing 31 March 2008	2,000	15	5.65%
Tranche 2 commencing 31 March 2009	10,000	20	5.34%
Tranche 3 commencing 31 March 2010	5,000	10	5.73%
Tranche 4 commencing 30 September 2011	5,000	10	5.51%
Office Loan commencing 11 March 2010	<u>648</u>	15	5.96%
Total	<u>22,648</u>		

The weighted average interest rate for all fixed rate loans is 5.51%. Loans amounting to £12,250k are LIBOR based variable loans with a current weighted average interest rate of 0.73%.

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

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

18. Share capital

	2013	2012
	£	£
Shares of £1 each fully paid		
At 1 April 2012	286	283
Issued in year	31	20
Cancelled in year	<u>(27)</u>	<u>(17)</u>
At 31 March 2013	<u>290</u>	<u>286</u>

Shares issued were in respect of new members of ACHA.

Each member of ACHA holds one share of £1 in ACHA. 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 ACHA. Each member has a right to vote in accordance with ACHA'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 at the balance sheet date was dormant.

19. Reconciliation of movements in shareholders' funds

	Revenue Reserve £000	Pension reserve £000	Share Capital £000	Total shareholders funds £000
Balance at 1 April 2012	7,296	(1,775)	-	5,521
Accumulated surplus for year	517	-	-	517
Transfer from pension reserve	1,203	(1,203)	-	-
Balance at 31 March 2013	<u>9,016</u>	<u>(2,978)</u>	-	<u>6,038</u>

20. Designated reserves

No transfer to designated reserves was made in the year.

21. Pension reserve

	2013	2012
	£000	£000
At 1 April 2012	(1,775)	(1,275)
Transfer from revenue reserves	<u>(1,203)</u>	<u>(500)</u>
Reserve at 31 March 2013	<u>(2,978)</u>	<u>(1,775)</u>

Note 29

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

22. Commitments

(a) Capital commitments authorised and contracted for at 31 March 2013 amounted to:

Within one year	
Investment programme	£ 5,914k
Regeneration	£ 8,392k
Related Assets	<u>£ 63k</u>
	£14,369k

Within two to five years	
Investment programme	£ 6,359k
Regeneration	£ 1,628k
Related Assets	<u>£ - k</u>
	£ 7,987k

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.

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

	2013		2012	
	Land and Buildings £000	Other £000	Land and Buildings £000	Other £000
Operating leases which expire:				
Within one year	296	-	295	-
Within two to five years inclusive	-	-	-	-
Over five years	-	-	-	-

23. Reconciliation of operating surplus to net cash inflow from operating activities

	2013	2012
	£000	£000
Operating surplus/deficit	2,940	2,019
Adjustments:		
Depreciation on non-housing fixed assets	171	201
Depreciation on housing fixed assets	1,368	1,289
Movement in working capital:		
Non cash adjustment in pension fund	4	(95)
Decrease in stock	4	1
Decrease/(Increase) in debtors	2,832	(2,390)
(Decrease)/Increase in creditors	<u>(3,947)</u>	<u>5,665</u>
Cash inflow from operating activities	<u>3,372</u>	<u>6,690</u>

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

24. Analysis of changes in net debt

	At 31 March 2013 £000	Cash flows £000	At 31 March 2012 £000
Cash in hand, at bank	1,624	(2,253)	3,877
Debt due within one year	(38)	(2)	(36)
Debt due in more than one year	(34,860)	(7,612)	(27,248)
Total	<u>(33,274)</u>	<u>(9,867)</u>	<u>(23,407)</u>

25. Reconciliation of net cash flow to movement in net debt

	2013 £000	2012 £000
Increase / (Decrease) in cash in the period	(2,253)	116
Cash (inflow) from debt financing	(7,650)	(2,300)
Cash outflow from debt financing	<u>36</u>	<u>34</u>
Change in debt resulting from cash flows	(9,867)	(2,150)
Net debt at beginning of period	<u>(23,407)</u>	<u>(21,257)</u>
Net debt at end of period	<u>(33,274)</u>	<u>(23,407)</u>

26. Group structure

ACHA is a registered social landlord, incorporated in Scotland. ACHA owns one share in Argyll Homes for All Limited which is a wholly owned subsidiary company. Argyll Homes for All Limited, registered company number SC415603, was dormant as at the 31st March 2013.

27. Contingent liabilities

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

28. Scottish Housing Association's Pension Scheme

During the period ACHA paid the Scottish Housing Association's Pension Scheme withdrawal liability which was accrued in the last financial year amounting to £813,048 and actuarial costs of £2,700 inclusive of VAT thus extinguishing all liabilities faced by ACHA under that scheme whilst preserving benefits for the members.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

29. Strathclyde Pension Scheme

The majority of ACHA's employees belong to the Strathclyde Pension Fund which is part of the Local Government Pension Scheme (LGPS). As at 31 January 2013 the number of active members was 134, with 20 deferred pensioners and 18 pensioners. The total pensionable payroll at the balance sheet date was £3,005,000. 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 2013/14 is £580k

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:

Assumptions as at	31 March 2013 % p.a.	31 March 2012 % p.a.	31 March 2011 % p.a.
Price increases	2.8%	2.5%	2.8%
Salary scale increases per annum	5.1%	4.8%	5.1%
Expected Return on Assets	5.2%	5.8%	6.9%
Discount rate	4.5%	4.8%	5.5%

Under the transitional requirements of FRS 17 Retirement Benefits, ACHA 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.

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

	Long Term return at 31 March 2013	Assets at 31 March 2013 £000	Long Term return at 31 March 2012	Assets at 31 March 2012 £000	Long Term return at 31 March 2011	Assets at 31 March 2011 £000
Equities	5.7%	10,484	6.3%	8,859	7.5%	8,575
Bonds	3.4%	1,931	3.9%	1,265	4.9%	1,448
Property	3.9%	966	4.4%	805	5.5%	668
Cash	3.0%	414	3.5%	575	4.6%	445
Total		<u>13,795</u>		<u>11,504</u>		<u>11,136</u>

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

Net Pension assets as at	31 March 2013 £000	31 March 2012 £000	31 March 2011 £000
Estimated employer assets	<u>13,795</u>	<u>11,504</u>	<u>11,136</u>
Present value of scheme liabilities	16,773	13,279	12,411
Present value of unfunded liabilities	-	-	-
Total value of liabilities	<u>16,773</u>	<u>13,279</u>	<u>12,411</u>
Pension (deficit)	(2,978)	(1,775)	(1,275)
Less provision against pension asset not realisable	-	-	-
Net pension (liability)	<u>(2,978)</u>	<u>(1,775)</u>	<u>(1,275)</u>

Analysis of the amount charged to operating profit/loss

	Period to 31 March 2013 £000	Period to 31 March 2013 % of Payroll	Period to 31 March 2012 £000	Period to 31 March 2012 % of Payroll
Service cost	616	20.5%	526	19.2%
Past service costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating charge	<u>616</u>	<u>20.5%</u>	<u>526</u>	<u>19.2%</u>

Analysis of the amount received/(charged) as interest

	Period to 31 March 2013 £000	Period to 31 March 2013 % of Payroll	Period to 31 March 2012 £000	Period to 31 March 2012 % of Payroll
Expected return on employer assets	683	22.7%	787	28.7%
Interest on pension scheme liabilities	<u>(651)</u>	<u>(21.7%)</u>	<u>(697)</u>	<u>(25.4%)</u>
Net Return	<u>32</u>	<u>1.0%</u>	<u>90</u>	<u>3.3%</u>
Net revenue account cost	<u>584</u>	<u>19.5%</u>	<u>436</u>	<u>15.9%</u>

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

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For the year ended 31 March 2013

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

	Period to 31 March 2013 £000	Period to 31 March 2012 £000	Period to 31 March 2011 £000	Period to 31 March 2010 £000
Actual return less expected return on pension scheme assets	1,060	(974)	(68)	(2,157)
Experience gains and losses arising on the scheme liabilities	6	889	-	-
Changes in financial assumptions underlying the present value of the scheme liabilities	(2,265)	(511)	1,948	(1,606)
Actuarial gain (loss)	(1,199)	(596)	1,880	(3,763)
Release / (provision) for pension asset not realisable	-	-	-	-
	<u>(1,199)</u>	<u>(596)</u>	<u>1,880</u>	<u>(3,763)</u>

Movement in deficit during the period

	Period to 31 March 2013 £000	Period to 31 March 2012 £000
(Deficit) at beginning of year	(1,775)	(1,275)
Current service cost	(616)	(526)
Employer contributions	580	532
Past service costs	-	-
Net return on assets	32	90
Actuarial gain/(loss)	(1,199)	(596)
(Deficit) at end of the year	<u>(2,978)</u>	<u>(1,775)</u>

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

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For the year ended 31 March 2013

History of experience - gains and losses

	Period to 31 March 2013 £000	Period to 31 March 2012 £000	Period to 31 March 2011 £000	Period to 31 March 2010 £000
Difference between the expected and actual return on assets	1,060	(974)	(68)	2,157
Value of assets	13,795	11,504	11,136	9,824
Percentage of assets	7.7%	8.46%	0.6%	22.0%
Experience losses on liabilities	6	889	-	-
Present value of liabilities	16,773	13,279	12,411	14,060
Percentage of the present value of liabilities	0.0%	6.69%	-	-
Actuarial gains recognised in STRGL	(1,199)	(596)	1,880	(3,763)
Present value of liabilities	16,773	13,279	12,411	14,060
Percentage of the present value of liabilities	7.1%	4.49%	15.2%	26.8%

30. Related party disclosures

There were no payments or receipts between ACHA and its wholly owned subsidiary Argyll Homes for All Limited ("AHFA") during the financial year. ACHA incurred a number of expenses on behalf of AHFA in the year relating to the establishment of AHFA's trade, which commenced on 1 April 2013. At the balance sheet date AHFA owed ACHA £49,490 in respect of these costs, which is included within 'other debtors'.

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

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.

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. ACHA also lets houses to Argyll and Bute Council under a special letting agreement relating to homelessness.

ACHA paid £924k to the Council for services relating to service level agreements, premises leases, IT service charges, environmental and other services received during the period.

Included in the above amount ACHA paid to the Council £684k during the period in respect of Right to Buy sales for the financial period 2011/12.

During the period ACHA received from the Council £9k for the provision of service under the Academy Property management module, £8,675k in housing benefit payments, Homelessness leases of £57k and rental income for Bute Link Club of £3k. ACHA also received £508k in CHORD grant funding during the period.

At the period end there was a creditor of £619k outstanding in respect of Right to Buy receipts for the financial period 2012/13 and creditors totalling £206k outstanding to the Council.

