

**ARGYLL COMMUNITY HOUSING
ASSOCIATION LIMITED AND
SUBSIDIARIES**



**Report of the Board of Management and
Financial Statements
for the year ended
31st March 2014**

Registration Particulars:

Scottish Housing Regulator

Registered Number: 360

Co-operative and Community Benefit
Societies Act 2014

Registered Number: 2661R (S)

Office of the Scottish Charity Regulator

Registered number: SC042713

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

For the year ended 31st March 2014

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ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS

For the year ended 31st March 2014

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
Michael Brown	Chair (from 19 th September 2013)	23 rd September 2010	
James Milne	Vice Chair (from 14 th January 2014)	14 th June 2012	
Margaret MacGregor		27 th May 2005	
Sandra Mackenzie		3 rd December 2009	
Lorraine-Anne Drysdale		9 th September 2010	
Catherine Winton		21 st September 2011	
Archie Blair		14 th June 2012	
Stafford Day		14 th June 2012	
Karen Isobel Carmichael		19 th September 2013	
Douglas Prophet		19 th September 2013	
Graham Kanes		1 st July 2013	
Cameron Grant		19 th November 2013	
Danny Kelly		14 th January 2014	
George Farquhar	Vice Chair (to 3 rd May 2013)	10 th April 2008	3 rd May 2013
Alex Johnstone		12 th July 2012	9 th May 2013
John Muir		23 rd September 2010	2 nd September 2013
Gillian Logan		14 th June 2012	5 th September 2013
Bill MacIntyre	Chair (to 13 th September 2013)	27 th May 2005	13 th September 2013
Marri Malloy		25 th September 2007	13 th November 2013
Norman Beaton	Secretary (to 1 st March 2014)	27 th May 2005	1 st March 2014
Councillors:			
Roddy McCuish	Secretary (from 13 th March 2014)	11 th April 2013	
Richard Trail		14 th June 2012	
Bruce Marshall		12 th July 2012	
Sandy Taylor		14 th November 2013	
Donald MacMillan		14 th November 2013	
Rory Colville		13 th June 2007	13 th August 2013
Iain Angus MacDonald		14 th June 2012	5 th September 2013

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 AND SUBSIDIARIES

BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS

For the year ended 31st March 2014

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

Auditors: Haines Watts
231/233 St Vincent Street
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 AND SUBSIDIARIES

REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31st March 2014

The Board of Management present their report and audited financial statements for the year ended 31st March 2014. Argyll Community Housing Association Limited (ACHA) was incorporated on 27th May 2005 and it was registered as a Registered Social Landlord on 21st November 2006. ACHA was registered as a charity with the Office of the Scottish Charity Regulator on 4th November 2011.

Argyll Homes for All Limited (AHFA) is a wholly owned subsidiary of ACHA which was incorporated on 27th January 2012 and is registered at Companies House.

These accounts represent the financial period 1st April 2013 to 31st March 2014.

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 21st 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.

AHFA's principal activity is property repairs and maintenance.

Organisational Structure and How Decisions are Made

ACHA operates under Rules registered under the Co-operative and Community Benefit Societies Act 2014 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, Remuneration 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

AHFA is a company limited by shares and operates according to its memorandum and articles.

AHFA has a Board of Management and Board members operate according to established standing orders, policies and financial regulations. AHFA has no sub committees.

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.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31st March 2014

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

AHFA's Board of Management is constituted with three members of the ACHA Board and three independent members.

Reserves

At the year-end 31st March 2014 the Revenue reserves balance had moved from a £9.02 million surplus to a surplus of £12.73 million excluding adjustments for the pension reserve. The pension reserve has increased from £2.98 million to £3.92 million making a net surplus of £8.84 million.

Designated reserves are resources internally generated from operations, which have been set aside to provide for planned cyclical repairs. ACHA has no designated reserves for repairs but has a designated reserve of £13k as a result of grant from The Big Lottery.

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, a fixed term loan facility of £21.7 million, an office loan of £750k and a development loan of £7.3 million set aside as committed facilities with Lloyds Banking Group to fund the thirty year business plan. ACHA also has an agreed loan facility of £3m for new development agreed with Argyll and Bute Council which, at the balance sheet date, has £2.3million drawn down.

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 21st 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 21st November 2006; with future rent increases aiming to be limited to RPI + 1%. ACHA increased rents during the period by 4.85%, being made up of RPI (December 2012 Office of National Statistics) figure of 3.1% with the addition of 1.75%.

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 9 individual pieces of completed work totalling 32 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 Welfare reform, Regulatory framework, Risk controls and monitoring, Payments, Day to day repairs (AHFA), ICT security and controls, Contract management (major repairs, development and refurbishment), Customer Contact Centre and Complaints. 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 fixed borrowing arrangements 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 £30.9 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.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31st March 2014

Fixed Rate Hedging	Value (£000's)	End date	Rate %
Tranche A	£3,000	29/03/2018	1.825
Tranche B	£10,000	30/03/2029	5.342
Tranche B	£5,000	31/03/2020	5.622
Tranche B	£3,000	29/03/2018	1.555
Tranche B	£2,000	31/03/2023	5.652
Tranche C	£610	11/03/2025	5.955
Tranche D	£5,000	30/09/2021	5.505
Tranche D	£2,300	31/03/2023	4.365
Total	£30,910		

The rates quoted include margins and include lender's capitalisation charges at the balance sheet date. Margins are stepped throughout the period of the borrowings.

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 31st March 2014 is £610k.

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.

In February 2014 ACHA entered in to a 25 year amortising loan arrangement with Argyll and Bute Council to fund a specific new housing development at Glenshellach in Oban. That loan outstanding as at the balance sheet date was £2.3million. The loan was fixed at 4.45% for the full term of 25 years.

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 2013/14 was 20 days against 25 days for the prior year.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31st March 2014

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

A handwritten signature in black ink, appearing to read 'MB', with a horizontal line underneath it.

Michael Brown
Chairman

Date: 14th August 2014

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

STATEMENT OF BOARD OF MANAGEMENT'S RESPONSIBILITIES

For the year ended 31st March 2014

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 Co-operative and Community Benefit Societies Act 2014, 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



Michael Brown
Chairman

Date: 14th August 2014

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

BOARD OF MANAGEMENT'S OPERATING AND FINANCIAL REVIEW STATEMENT

For the year ended 31st March 2014

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 Co-operative and Community Benefit Societies Act 2014 (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.

AHFA is a trading company limited by shares registered with Companies House under the Companies Act 2006, number SC415603.

ACHA took ownership of the 5,398 homes transferred from Argyll and Bute Council on 21st November 2006 and now has 5,113 homes as a result of both right to buy sales and new development.

The emphasis of ACHA's 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, Argyll and Bute 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 nine leavers from the Board and recruited eight new members, of those eight there were three Council nominees, four tenant members and one independent member. At the year end, 31st March 2014 there was one independent and one tenant vacancy 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.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

BOARD OF MANAGEMENT'S OPERATING AND FINANCIAL REVIEW STATEMENT

For the year ended 31st March 2014

This allows ACHA to achieve its objectives of tenant-empowerment, devolution of power and decision-making across the communities of Argyll and Bute, thus developing the range of activities that will meet the wider needs of the Argyll and Bute community and provide the highest quality of service to tenants and other customers.

ACHA also takes the view that good governance and organisational structures should be organic rather than static. ACHA will therefore regularly review these structures to ensure that they evolve as ACHA evolves itself.

The Board of Management undertook a review of operations in February 2013 to evaluate the risk management strategy for ACHA for the forthcoming year and this was further formally reviewed in February 2014.

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.

AHFA has a Board of Management comprising six members, three of whom are Board members of ACHA and three of whom are independent members. AHFA operates across the whole of the Argyll and Bute region with two principal office locations being Oban and Helensburgh.

Operationally ACHA is divided in to four functional areas:

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

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

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

Housing Stock and Other assets

At the start of the financial year, 1st April 2013 ACHA owned 5,067 homes. As a result of the right to buy ACHA sold 22 homes, converted 8 existing flats into 4 new homes through a refurbishment and developed 72 new homes during the year. At the financial year end 31st March 2014 ACHA therefore owned 5,113 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.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES
BOARD OF MANAGEMENT'S OPERATING AND FINANCIAL REVIEW STATEMENT

For the year ended 31st March 2014

The housing stock at 31st March 2014 is broken down by type as follows:

<u>Rentable Stock</u>	<u>2014</u>	<u>2013</u>
General Needs Houses	4,912	4,866
Sheltered Housing	<u>201</u>	<u>201</u>
	<u>5,113</u>	<u>5,067</u>

The housing stock at 31st March 2014 is broken down by geographical area as follows:

<u>Houses</u>	<u>2014</u>	<u>2013</u>
Bute	503	506
Cowal	919	898
Helensburgh and Lomond	999	1,002
Islay	337	330
Kintyre	860	840
Lorn and the Isles	905	900
Mid Argyll	<u>590</u>	<u>591</u>
	<u>5,113</u>	<u>5,067</u>

Sheltered housing

ACHA's sheltered housing stock within the stock number of 5,113 is located in eleven complexes across Argyll and Bute:

<u>Sheltered Housing stock</u>	<u>2014</u>	<u>2013</u>
Bute	34	34
Cowal	43	43
Helensburgh and Lomond	-	-
Islay	10	10
Kintyre	-	-
Lorn and the Isles	57	57
Mid Argyll	<u>57</u>	<u>57</u>
	<u>201</u>	<u>201</u>

ACHA' Sheltered Housing Service was inspected by the Care Inspectorate in 2013 and currently holds a grade 4 level assessment.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

BOARD OF MANAGEMENT'S OPERATING AND FINANCIAL REVIEW STATEMENT

For the year ended 31st March 2014

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>2014</u>	<u>2013</u>
Garages	26	54
Garage sites	131	132
	<u>157</u>	<u>186</u>

<u>Garages</u>	<u>Garages 2014</u>	<u>Garages 2013</u>
Bute	5	5
Cowal	9	9
Helensburgh and Lomond	12	40
Islay	-	-
Kintyre	-	-
Lorn and the Isles	-	-
Mid Argyll	-	-
	<u>26</u>	<u>54</u>

<u>Garage Sites</u>	<u>Garage Sites 2014</u>	<u>Garage Sites 2013</u>
Bute	-	-
Cowal	13	13
Helensburgh and Lomond	-	-
Islay	-	-
Kintyre	48	48
Lorn and the Isles	45	46
Mid Argyll	25	25
	<u>131</u>	<u>132</u>

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

<u>Travelling People sites</u>	<u>2014</u>	<u>2013</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.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

BOARD OF MANAGEMENT'S OPERATING AND FINANCIAL REVIEW STATEMENT

For the year ended 31st March 2014

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

<u>Non-Rentable Stock</u>	<u>2014</u>	<u>2013</u>
Play areas	30	30
Private water supplies	12	12
Private sewage systems	43	42
Offices	3	2
	<u>88</u>	<u>86</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.

Within its general needs housing ACHA has four units which are designated as small shop units, one of which is let.

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 is providing 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 1.75% at the start of the financial year. 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 £69.13. The 2014/15 financial year rent increase is RPI+1.75% or 4.45% with RPI being 2.7%.

ACHA now has a total of 204 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 581 relets. These 581 properties were let to the following waiting list categories:

Statutory Homeless	148	(25.5%)
Direct Waiting List	262	(45.1%)
Transfer Waiting List	171	(29.4%)

As at 31st March 2014 the common housing register HOMEArgyll had 3,336 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 103 properties void. ACHA's average time taken to let a property is 53 days

ACHA had a void loss figure of £592k or 3.31% of all rental income and service charges, including travelling person's pitches, garages and garage sites, for the year. It is anticipated that our strategies to deal with difficult to let or low demand properties along with a major refurbishment programme will reduce void loss over the coming year.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

BOARD OF MANAGEMENT'S OPERATING AND FINANCIAL REVIEW STATEMENT

For the year ended 31st March 2014

ACHA received approximately 49.2% of its total income from housing benefit payments in comparison with 2012/13 where 51.38% of all of its rental income was from housing benefit payments direct from the Local Authority. ACHA has approximately 52% of its tenants in receipt of benefit. Of that number 32.5% of its tenants are in receipt of full housing benefit and 19.5% receive partial housing benefit payments. This is a slight reduction from the previous year but perhaps more importantly a shift from full to partial housing benefit has occurred. This is not unsurprising given the welfare reform objectives.

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. A Big Lottery Grant was awarded to support the service during 2013/14 and for 2014/15.

Housing & Neighbourhood Services

ACHA provides a wide range of services to tenants, owners and other customers via 7 local offices and our Customer Service Centre. We work in partnership with other local Registered Social landlords, Argyll & Bute Council and a variety of national and local organisations, all of which strive to provide modern and effective services to our communities.

Allocations

We operate a Common Housing Register, HOMEArgyll, in partnership with the 3 other main Housing Associations operating within Argyll & Bute. Allocations are made based on "needs" points and applications for rehousing are accepted from existing tenants, homeless applicants and other parties wishing to be rehoused within the area. During the year ACHA let 581 properties to applicants from the waiting list.

Despite the fact that there are 3,336 applicants on the HOMEArgyll lists we have pockets of "low demand" properties which may lie empty for prolonged periods of time. There are a number of factors affecting low demand issues and local, tailored strategies are being developed to help deal with low demand areas or properties. ACHA is also part of "Homeswapper" which is a national mutual exchange register.

Arrears and Debt Management

Current tenant rent arrears performance failed to meet target for the first time in a number of years. The year-end figure of 3.48% against a target of 2.5% is disappointing but not entirely unexpected taking into account the introduction of welfare reform changes, particularly in terms of the spare room subsidy or "bedroom tax". Overall, our arrears performance compares favourably to that of peer and national comparisons.

ACHA operates a robust but fair arrears management policy and staff work closely with our tenants and external agencies such as Argyll & Bute Council's Housing Benefit section and the Department of Works and Pensions to ensure that our tenants have applied for and are receiving appropriate and correct income. During the last year we evicted 18 households due to rent arrears.

Consultation and feedback

As part of our on-going commitment to Tenant and Customer Involvement we carried out a number of consultation exercises and surveys throughout the year including;

- Rent setting
- Allocations (as part of the HOMEArgyll review)
- Repairs and maintenance (Policy review)
- New tenant survey
- Tenant satisfaction survey (sample of 400 tenants)
- Factoring
- Sheltered Housing

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- Repairs satisfaction
- Travelling Persons

Feedback is provided to our customers via the Tenant Newsletter, direct contact and via our website. Our Board of Management and Area Committees are also presented with consultation outcomes in order that they too can see the opinions of our service users.

Customer Service Centre

Our Customer Service Centre (CSC) provides a wide range of telephone and internet based services and is effectively a "one stop shop" for tenants, owners and other customers.

The CSC deals with repairs, payments and many other general enquires. The "0800" number continues to be well used by customers with 61% of incoming calls relating primarily to repairs and the remainder split between payments and general enquires. This year the CSC dealt with 29,815 calls and we continue to encourage customers to contact our free phone number for any enquiry. (0800 028 2755)

Estate Management

Our staff complete regular inspections of estates and play parks and encourage all of our tenants to take pride in the community in which they live. We have developed "Estate Management Action Plans" which are approved by our Local Area Committees.

Part of our Estate Management work includes supporting tenants and other members of the community who are experiencing anti-social behaviour and/or neighbour nuisance. During the year we dealt with 243 such reports which resulted in 3 evictions for anti-social behaviour taking place.

Factoring and Private Owners

Changes to legislation resulted in ACHA assessing all privately owned properties to identify where we took the lead in arranging maintenance to common property and common ground. This process took priority over the course of the year to ensure compliance with the Property Factors (Scotland) Act 2011.

As a result ACHA has involvement with 3,779 privately owned properties and all owners have received a written Statement of Service to comply with legislation.

204 private properties, consisting of 60 tenement blocks, have entered into a formalised factoring arrangement with ACHA which allows ACHA to take the lead in organising repairs and maintenance of common buildings. We have also increased consultation and feedback with factored owners by introducing repairs satisfaction consultation to repairs carried out to communal areas.

An active factoring debt recovery policy is in place which has resulted in Notice of Potential Liability for costs being registered against 6 properties who have failed to pay or make arrangements to pay invoices.

A review of procedures is taking place for dealings with private owners who have not entered into a full maintenance arrangement service

Mid-Market rents

ACHA owns two Mid-Market Rent properties. These were completed in 2013 in the village of Dalmally in Lorn. The properties are leased to our subsidiary company Argyll Homes For All Limited (AHFA) who manage them on behalf of ACHA. The properties are let at 85% of Local Housing Allowance, as per the grant agreement and they have their own allocation policy, which is available at www.acha.co.uk.

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Performance Monitoring

Performance on all aspects of service delivery is monitored monthly by our Senior Management Team. A suite of performance information and reports is provided to our Board of Management, Area Committees and Tenants Panel on a bi-monthly basis.

The new "Your voice" tenant scrutiny panel will add a further layer of performance monitoring the outcome of which will be reported back to tenants via a Landlord Report during 2014.

An independent Tenant Satisfaction Survey was undertaken during February 2014 for which 400 tenants were interviewed regarding various aspects of our performance. Results from this survey will be presented to our Board of Management, along with an action plan, early during the 2014/15 financial year.

Repairs and Maintenance

From 1st April 2013 our subsidiary company, Argyll Homes For All Limited (AHFA) took over our day to day repairs and maintenance service. We also took the opportunity to review our Repairs and Maintenance Policy which comes into effect from 1st April 2014. With the advent of AHFA we now have a much wider coverage of "in house" repairs teams with operatives being based, for the first time, in areas such as Mid Argyll, Kintyre and Cowal. Repairs performance levels dropped very slightly during the year.

Repairs category	Completed within target	Target
Emergency	97% (4,675/4,821)	99%
Urgent (5 days)	95% (4,499/4,729)	96%
Routine (20 days)	96% (6,323/6,597)	96%
Qualifying repairs	98% (2,112/2,156)	100%

Repairs satisfaction is monitored in a number of ways including telephone surveys, physical post inspection of work and via returned satisfaction questionnaires. During the year satisfaction levels remained high with 97% of respondents confirming that they were happy with our repairs service.

Sheltered Housing

ACHA has 201 Sheltered Houses spread across 11 complexes:

- Ferfadd Court, Bute
- Wallace Court, Sandbank, Dunoon
- Cragroy, Dunoon
- Dunmar Court, Oban
- Ford Spence Court, Benderloch
- MacDougall Place Mull
- Elder Crescent, Bowmore, Islay
- Chalmers Court, Inveraray
- Caledonia Court, Mid Argyll
- Lochgair Place, Mid Argyll
- McCracken Court, Mid Argyll

These complexes offer a self-contained home, with additional services to help support elderly people live independently within the community for as long as possible. A Community Support Assistant is on site each day and a Personal Support Plan is developed for each tenant to ensure that their support needs are met at home.

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Tenant Involvement

We encourage and support our tenants and those living in the wider community to get involved with ACHA in a variety of ways. Our Board of Management and 4 Local Area Committees are part of our governing body and members are from the local community.

We support a number of registered Tenant & Resident groups along with the Argyll Tenants Panel who meet on a regular basis to discuss local and area wide issues. We also have a Tenants Consultation Register which is made up from volunteers who wish to be involved in our policy review processes.

A brand new initiative was launched this year – the “Your Voice” scrutiny group. This new group has been formed in response to the requirements of the Scottish Social Housing Charter and is part of the commitment we have made to involving tenants in all that we do and being accountable and transparent through tenants scrutinising our performance and making contributions to the on-going continued improvement of ACHA.

Travelling Persons

ACHA has three sites for Gypsy/Travellers offering 30 pitches. There are sites at:

- Ledaig, Oban
- Duncholgan, Lochgilphead
- Torlochan, Dunoon

Each pitch offers an amenity unit with kitchen and bathroom facilities, and an electricity hook up for our residents. We undertake annual surveys of residents on the sites seeking their views on service provision and future requirements.

Void Management (empty houses)

ACHA aims to limit the length of time our properties remain empty. When possible, we will pre-allocate void properties in order to reduce the length of time they are empty. In some areas, particularly in Kintyre and Bute, there are pockets of low demand resulting in properties remaining empty for significant periods of time. Local tailored strategies to deal with these properties are currently being developed. There are, on average, around 70 properties at any one time which have been empty for long periods of time.

During the year rent loss accrued on void properties (including garages and travelling person sites but excluding service charges) was £560,250 or 3.19% of gross rents.

Welfare Rights Service

During 2013/14 we were able to continue to provide a dedicated Welfare Rights team through the success of our Big Lottery funding application. A grant of £296,994 has enabled us to extend the project until March 2015.

The Welfare Rights project has to date generated income exceeding £6 million in unclaimed benefits and as a result of successful representation at appeals and tribunals. Included in the Lottery bid was a partnership with Argyll and Bute Citizens Advice Bureau to enable a dedicated Debt and Money Advice worker to be employed to assist ACHA tenants.

Staff have been able to provide advice and assistance to tenants affected by welfare reforms, in particular the “bedroom tax”. We have made contact with every tenant affected by this to assist them to apply for a Discretionary Housing Payment and to give them advice on other options.

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Human Resources and Corporate Services (HRCS)

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

HRCS were central in the process of setting up a group structure, of which ACHA is the parent. A new company limited by shares, named Argyll Homes For All Limited (AHFA) has been set up as a separate trading subsidiary to deal with non-charitable activities. AHFA started trading on the 1st April 2013.

ACHA obtained charitable status in 2011 and is registered with, and 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. A review of current governance arrangements is currently being undertaken to take the business forward.

Our internal audit regime, undertaken by TIAA, has been running successfully throughout the year with the following arrangements being audited: welfare reform, regulatory framework, risk, ICT security, payments, contract management, customer service centre and complaints.

We receive an annual audit of Health & Safety Management systems, undertaken by ACS, 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. Further works have been undertaken by the Group to fine tune, to ensure a high level of compliance.

The Group business continuity plans have been established and undergone testing in real life situations.

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.

The Group has embedded the Scottish Social Housing Charter, produced by Scottish Government, which 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 has changed, and work has been undertaken to implement the respective outcome measurements for the Annual Review of the Charter. The Annual Review of the Charter was successfully completed and submitted within the required timescale.

Work has been carried out to accommodate the requirement of auto enrolment to a pension scheme, which became effective for ACHA in April 2014, and will be effective for AHFA from July 2014 onwards.

The Group Board of Management completed a training programme including governance refresher training, chairing skills, business planning, financial management and the Scottish Social Housing Charter.

ACHA is continuing to develop its on line training and development capabilities by embracing e 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 have adopted a blended learning approach to suit. We have also moved towards further employee self-service functionality in terms of our HR software package.

Labour turnover is currently 7.4% against a target of 5.0%. The Group encourages all leavers to complete an exit survey.

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Sickness absence rates are within target this year at 2.93% against a target of 3.0%, 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.

Investment and Regeneration

The Investment and Regeneration department has progressed with 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 contracts for windows and doors, heating and rewire, kitchens and bathrooms and energy efficiency upgrades are in place. These contracts are delivering the key features of the SHQS up to March 2015. In addition, a panel of contractors was established to undertake packages of roof and roughcast work.

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

Investment programme	Planned	Outturn	Percentage
No of kitchen/bathrooms completions – Elements	80	181	226%
No of window/door completions – Elements	448	569	127%
No of heating/rewire completions – Elements	1,069	1,070	100%
No of roof/roughcast completions – Elements	250	246	98%
No. of energy efficiency upgrades - Elements	500	459	92%

The total number of elements required for completion this year of all types was 2,347, ACHA delivered 2,525 elements equating to 108% of the targeted objective. The planned targets expenditure was 97% against budget forecast overall.

During the year, the Association reduced the budget for Roof and Roughcast work to reflect the difficulties experienced with owners not being able to agree to works to common parts and the changes to the ECO grant funding regime.

The analysis of Scottish Housing Quality Standard compliance, based on 100% stock condition survey, is 88.9% at 31st March 2014 against the agreed transfer target of 80%. 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 85% of the targets. Savings were made on the painting, grounds maintenance and solid fuel budgets.

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	Planned	Outturn	Percentage
Site Starts	27	50	185 %
Completions	74	72	97%

There were site starts during the period at;

- Bonawe (2)
- Bowmore (20)
- Hood Court, Helensburgh (12)

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Completions were achieved during the period at:

- Ardenslate Dunoon (24)
- Park, Square Campbeltown (32)
- Dalmally (8)
- Port Ellen (8)

Additional project funding was secured to start at;

- Tarbert (8)
- Connel (8)

ACHA has secured funding approvals for one other site and is planning a site start in 2014/15 as follows:

Site	Units
Inveraray	12
Total	12

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 completed the play area and the garage strategies to ensure best use of these assets 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. In addition the private water supply and private sewerage supply survey and upgrades are continuing. These strategies have been supported by the Scottish Government's Early Action Fund.

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

Finance and IT

The department provides a range of financial and accounting services to ACHA and AHFA 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. During the year surplus funds were retained in our Lloyds Banking group account earning interest. Money market deposits were not used this year owing to the persistently low base rate which kept interest rates very low in short dated deposits.

The department revised its Brixx business planning model during the year. ACHA successfully renegotiated its business plan approval during the 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.

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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 lower than originally forecast.

The department settled 6,454 invoices during the year for ACHA which was 45% less than the previous year. This does not take in to account the invoices settled for AHFA which amounted to 8,845 for the period. The combined ACHA and AHFA figures exceeded last year's invoice processing volumes. The department continued to improve its ACHA creditor payment times from 25 days to an average of 20 days which was within its target of 28 days.

The number of standing order and direct debit payments received has increased year on year and these account for, by far, the largest method of payment of rent, in value terms, excluding benefit payments direct. The number of payments received via credit card has bounced back this year to previous levels. The number of payments received through All Pay continues to show year on year growth and is now substantial as it accounts for 40% by value of all rental payments, excluding benefit receipts. Internet payment methods have dramatically increased this year with the value of transactions more than doubling this year and accounting for 12% in value terms of all rents excluding benefit receipts.

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. The Deputy First Minister's announcement in November 2013 of the Scottish Government's intention to end right to buy through the 2014 Housing Bill in 2017 led to a marginal increase in applications however these did not translate in to actual sales.

ACHA's tenant contents insurance policy take up dropped from 745 at the beginning of the year to 727 by the end of the period. Analysis suggests that this is primarily because of cancellations due to tenancies ending at 42% of all cancellations, arrears at 21% of all cancellations, deceased at 20% of all cancellations and price at 13% of all cancellations.

ACHA continues to actively pursue non-payment of rent and other charges from both current and former tenants as well as owners. During 2013/14 ACHA received receipts for its recovery agent BPO Glasgow for the collection of former tenant rental and sundry debts. This arrangement secured recovery of debts at no cost to ACHA. In addition ACHA successfully utilised its retained lawyers, BTO, to obtain debt repayment using the legal system.

The department received from Jones Lang La Salle loan security valuation for the housing stock in March 2014 which identifies that there is sufficient security at market value to support current and projected future borrowing as all housing stock is valued at £78.9 million based on existing use value in social housing.

The department developed during the year, with Argyll and Bute Council, a new loan facility of up to £3 million for new stock development. The first draw down against that facility was undertaken in February 2014 to support the Glenshellach development in Oban amounting to £2.3 million. Future drawdowns utilising the remainder of the facility are planned for the Hood Court, Helensburgh, and Bonawe developments in 2014/15.

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. The contract for these services was rolled forward for a two year period in accordance with the original tender and a procurement exercise will take place during the next financial year 2014/15 in advance of the planned current contract end of November 2015

The IT section implemented a number of new software applications during the year but the majority of the IT department's time has been utilised supporting delivery of the Electronic Work Management system for AHFA during the year.

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Argyll Homes For All Limited (AHFA)

The 2013/14 financial year was the first trading year of the subsidiary company. During this period AHFA carried out over 25,000 jobs on ACHA's properties throughout the Argyll and Bute area. Work is predominately undertaken by AHFA's in-house operatives who are strategically placed and trained to deal with the volumes and types of work required. In more remote regions, in times of high demand and where specialist skills are required their labour resource is supplemented by selected and approved contractors. This enables the business to successfully deliver the contracts held with ACHA which account for the bulk of AHFA's revenue. These include;

- Term Maintenance & Repair.
- Solid Fuel Maintenance.
- Gutter Cleaning.
- Gas Servicing & Maintenance.
- Electrical Periodic Inspection Reports.

Income from the above contracts is augmented by works carried out in the following areas;

- Private owners in accommodation with aspects common to ACHA properties such as closes and roofs.
- Insurance works instructed by ACHA.
- Work undertaken for ACHA out with the agreed scope of works.
- Former tenant repairs and works.

Overall the service provided is to a very good standard, this is borne out by the customer satisfaction surveys carried out by ACHA and feedback received from tenants. Technically there are relatively few issues reported relating to the quality of work provided and this is demonstrated not only by the post inspections carried out by ACHA and AHFA but also by reports provided by external auditors such as NICEIC who monitor the works associated with the gas contract.

The trades staff are provided with modern and economical vans which are racked out and stocked to enable them to operate efficiently and travel throughout the working areas as necessary. These trades staff are recognisable, not only by the vehicles with company livery, but by their branded uniforms which promote a tidy and professional image.

With over thirty trade staff to account for safety is of paramount importance. To reflect this AHFA have employed a dedicated Safety & Plant Manager and instigated a rigorous lone working procedure, a continuous regime of face to face tool box talks and on line safety media training.

Managerially there is a Property Manager based in each of the four operational regions which are;

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

There are two key administration centres which provide the back office functions required, these are located in Oban and Helensburgh. The contracts associated with Planned and Preventative Maintenance cover all areas and one manager based in Oban is responsible for overseeing the delivery of these. The company's Managing Director and Operations Manager are based in Oban and Helensburgh respectively.

In order to process and control the considerable activity it was recognised that modern technology and working methods had to be adopted as early as possible. With that in mind a specification for an enterprise works management system was developed and parties invited to tender for the works. The system was developed between April and October 2013 with a phased roll out commencing early in October 2013. Issues with data transfer delayed elements of the programmed sequence and the subsequent demand on resources hampered progress which resulted in some of the works being carried over to the next financial year. One of the many advantages of the system has been a reduction of paper generated works orders. The majority of work is now raised, assigned, processed and sent back to ACHA's housing management system electronically and is fully auditable in terms of stage history.

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Operatives can process job information on their pda's which eliminates the requirement to report to depots or stores on a daily basis.

In order to maximise efficiencies AHFA entered into a material supply agreement with a national provider after a competitive tendering exercise had been concluded. This agreement will allow them to link their material purchases, vehicle stock and invoicing with the enterprise works management system.

In overall terms the financial performance exceeded the budget expectations. There are however significant challenges in the coming year as a combined reduction in income and savings offered to ACHA will see around £300k taken out of revenue and budget, as per the original business plan. Information on costs gathered in the company's first year will allow it to start mapping trends and enable management to focus on particular areas in an effort to reduce spend and operating costs, thus offering ACHA greater value for money. A staff restructure was undertaken late in the financial year to prepare the business for delivery on these objectives. Opportunities for additional revenue are however available to AHFA as contracts for works not currently undertaken for ACHA come to an end of their contractual periods and become available for tendering. If successful in their bid for these works and able to absorb the labour and overhead costs within the existing framework the additional revenue will go some way to mitigate the anticipated reduction in income.

Financial Review - Income & Expenditure

Income

ACHA's general needs rental income charged at £16.9 million for the year was as the original budget forecast. Rental income from sheltered housing stock was also as the budget forecast for 2013/14 at £0.62 million. ACHA's garage rental income met forecasts as did the letting of travelling people site pitches. Overall rental income across the stock was consistent with budget forecasts.

The rent lost through voids was significantly higher this year than the budget forecast. ACHA is implementing agreed strategies during the next year to mitigate that voids loss figure.

Other income was higher in the year than forecast, owing to current tenant, former tenant and private owner recharges issued. Sheltered housing service charges were as forecast.

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 £1million and receiving corresponding grant support from the Early Action Fund Related Assets Grant. Medical aids and adaptations continue to be an area of additional investment for our tenants and ACHA expended £299k and received grant contributions of £295k 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 significant operating loss as the majority of that has been provided for as potential bad debt. 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 although a proportion of that grant is held as a creditor against next year's expenditure.

In addition ACHA received £1.93 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 million, which was consistent with the original budget forecast.

Underlying rental bad debts at the year-end in comparison with prior years, are significantly higher owing to the provisioning of bad debt for sundry debtors.

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Expenditure

The reported management costs were as forecast. Within this area however there was a saving in employer costs as a result of the turnover of staff throughout the year amounting to £94k. The gross management cost per unit for 2013/14 is £998, which is consistent the prior year figure of £995 per unit.

Reactive maintenance costs are consistent with the budget forecast. The reactive repairs average repair cost per unit was £481 this year against the previous year which was £589 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 elements involving common parts and thereby owners which are taking longer to agree than was expected. 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 coming in to letting.

Bad debts written off during the year in relation to rents were as forecast however the provisioning of sundry debts was significantly higher than in previous years.

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 £4.61 million.

ACHA made gains on sale from right to buy sales at £119k 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 £12k was lower than expected due to the impact of low LIBOR rates 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 £1.55 million, was lower than forecast.

ACHA had fixed debt of £30.9 million during the year, the Argyll and Bute Council Loan of £2.3 million is fixed and amortises over its 25 year life, £2 million of the debt figure was the remainder of the long term debt of £3.95 million which was held on LIBOR borrowing terms.

The office loan was created as fixed rate debt of £750k, now £610k, which is amortising across its 15 year term. As a result ACHA's actual borrowing of £34.86 million at year end was 91% fixed and the remaining 8% being variable. This was an approved short term strategy of ACHA to increase its variable rated debt taking advantage of lower rates although fixings were predicated on forecast expenditure which did not occur.

The net surplus for the year was £3.47 million. This further reduced to a surplus of £2.77 million 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 £47.85 million to £53.7 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 balance sheet growth therefore has no impact on loan covenants.

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ACHA continues to operate on the basis that its original transferred stock is valued at nil cost in its balance sheet. It is only new stock that is capitalised and any repairs to the existing transferred stock.

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 and the fact that its acquired stock had no transfer value. The income generating capacity across all stock exceeds its balance sheet carrying value.

In terms of current assets ACHA has debtors of £2.26 million which has marginally increased year on year. This was primarily due to an increase in the cumulative value of grant held in advance during the period. The rental debtor's position has increased in comparison with the prior year but is within our forecasts.

The cash balance was significant at the year-end at £8.4 million. This balance includes an amount of £2 million which was due to be repaid to Lloyds Banking Group on 31st March 2014 but which was processed in the 2014/15 period and is therefore held as a creditor. Had that repayment been made then this would have reduced the cash balance by that amount. The primary reason why such large cash balances are held at year end is because loans had been drawn down in advance of major repair works during the year based on the forecasts provided in expectation of meeting planned expenditure. This did not occur as forecast.

ACHA has experienced a significant increase in creditors as against the prior year of £6.68 million. This is primarily because of the increase in Business Plan Support Grant in advance which 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. A further £2 million is attributable to the loan which was due to be repaid to Lloyds Banking Group on 31st March 2014.

Long term borrowing has increased from £34.9 million to £37.1 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, ACHA is a going concern.

ACHA's reserves have increased to £12.74 million with pension adjustments reducing the net reserves to £8.84 million.

The Future

ACHA continues to drive forward its objectives as outlined in the transfer business plan delivering on its commitments and obligations and has produced a revised business plan for the period 2014/15 onwards.

ACHA has implemented the 2014/15 rent increase. The actual rent increase for 2014/15 of RPI + 1.75% (4.45%) represents the increase required to offset the decision made in 2009 to only increase by RPI for one financial year. This is the last year of that offsetting exercise enabling ACHA to revert back to the aim of containing the rent increase within the RPI+1% commitment.

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 towards the development of new homes for social housing renting in the area in which we operate. ACHA has a number of sites which are in development this year and has a programme of development which it can fund to 2017/18 which is supported by the Local Authority and Scottish Government assuming grant funding remains committed.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

BOARD OF MANAGEMENT'S OPERATING AND FINANCIAL REVIEW STATEMENT

For the year ended 31st March 2014

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.

In addition, ACHA has considered 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. Most of these will be implemented during the 2014/15 financial year and the following year.

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. ACHA continues to seek new ways of funding with as many partners as feasible.

ACHA is preparing for the introduction of International Financial Reporting Standards and is developing its systems, procedures and processes as well as training for the staff and the Board to enable full compliance.

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 next stage and potential effect of the UK Government's Welfare Reforms.

ACHA is 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 or later 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.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

BOARD OF MANAGEMENT'S OPERATING AND FINANCIAL REVIEW STATEMENT

For the year ended 31st March 2014

ACHA is also mindful of the introduction of recently announced energy efficiency standards in social housing. ACHA's Investment and Regeneration department is monitoring how that develops so that it can respond to the necessary property maintenance, and advise the Finance and IT department in respect of the financial consequences, once they are fully understood.

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 considers that it is 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 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 AND SUBSIDIARIES

BOARD OF MANAGEMENT'S STATEMENT ON INTERNAL FINANCIAL CONTROLS

For the year ended 31st March 2014

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 31st March 2014 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



Michael Brown
Chairman

Date: 14th August 2014

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

Independent Auditor's Report to the Members of

Argyll Community Housing Association Limited and Subsidiaries

Corporate Governance

In addition to the audit of the financial statements, we have reviewed the Board of Management's statement on page 27 concerning 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 27 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 Street
Glasgow
G2 5QY

Date: 15th August 2014

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

Independent Auditor's Report to the Members of

Argyll Community Housing Association Limited and Subsidiaries

We have audited the group financial statements of Argyll Community Housing Association Limited (ACHA) for the year ended 31st March 2014 on pages 30 to 58. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to ACHA's members those matters we are required to state to them in a Report of the Auditors 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 the group's affairs as at 31st March 2014 and of the group's income and expenditure for the year then ended; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements- April 2012.

Matters on which we are required to report by exception

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

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



Richard Gibson BAcc CA CF (Senior Statutory Auditor)
For and on behalf of Haines Watts, Statutory Auditor
231/233 St Vincent Street
Glasgow
G2 5QY

Date: 15th August 2015

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

For the year ended 31st March 2014

	<i>Note</i>	2014 £000	2013 £000
Turnover	2	19,269	18,754
Operating costs	2	<u>(14,371)</u>	<u>(15,814)</u>
Operating Surplus	8	4,898	2,940
Surplus on disposal of housing fixed assets	12	119	134
Interest receivable	9	12	41
Interest payable	10	<u>(1,548)</u>	<u>(1,399)</u>
Surplus on ordinary activities before Taxation		3,481	1,716
Taxation on ordinary activities	11	<u>(12)</u>	<u>-</u>
Surplus charged against balance brought forward		<u>3,469</u>	<u>1,716</u>

All figures relate to continuing operations.

STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS

	<i>Note</i>	2014 £000	2013 £000
Surplus for the year		3,469	1,716
Actuarial (loss) on pension scheme	30	<u>(696)</u>	<u>(1,199)</u>
Total recognised surplus for the year	21	<u>2,773</u>	<u>517</u>

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

COMPANY INCOME AND EXPENDITURE ACCOUNT

As at 31st March 2014

	<i>Note</i>	2014	2013
		£000	£000
Turnover	2	19,714	18,754
Operating costs	2	<u>(14,875)</u>	<u>(15,814)</u>
Operating Surplus	8	4,839	2,940
Surplus on disposal of housing fixed assets	12	119	134
Interest receivable	9	12	41
Interest payable	10	<u>(1,545)</u>	<u>(1,399)</u>
Surplus on ordinary activities before Taxation		3,425	1,716
Taxation on ordinary activities	11	<u>-</u>	<u>-</u>
Surplus charged against balance brought forward		<u>3,425</u>	<u>1,716</u>

All figures relate to continuing operations.

STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS

	<i>Note</i>	2014	2013
		£000	£000
Surplus for the year		3,425	1,716
Actuarial (loss) on pension scheme	30	<u>(627)</u>	<u>(1,199)</u>
Total recognised surplus for the year	21	<u>2,798</u>	<u>517</u>

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

As at 31st March 2014

	<i>Note</i>	2014 £000	2013 £000
Tangible fixed assets			
Housing properties – gross cost less depreciation	12	115,354	99,698
Less Housing Association Grant	12	(17,234)	(15,278)
Less Other Grant	12	(45,401)	(37,411)
Other Fixed Assets	13	997	839
		<u>53,716</u>	<u>47,848</u>
Current assets			
Stock and work in progress	15	25	18
Debtors	16	2,264	2,233
Cash at bank and in hand	17	8,398	1,624
		<u>10,687</u>	<u>3,875</u>
Creditors: amounts falling due within one year	18	<u>(14,527)</u>	<u>(7,847)</u>
Net current (liabilities)		<u>(3,840)</u>	<u>(3,972)</u>
Total assets less current liabilities		49,876	43,876
Creditors amounts falling due after one year	19	(37,124)	(34,860)
Provisions for liabilities and charges: Deferred tax	11	<u>(12)</u>	<u>-</u>
Net assets before pension deficit		12,740	9,016
Pension deficit	30	(3,915)	(2,978)
Net Surplus after pension deficit		<u>8,825</u>	<u>6,038</u>
Capital and reserves			
Share capital	20	-	-
Revenue reserves	21	12,727	9,016
Pension reserve	23	(3,915)	(2,978)
Designated reserves	22	13	-
Surplus in shareholders' funds	21	<u>8,825</u>	<u>6,038</u>

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

COMPANY BALANCE SHEET

As at 31st March 2014

	<i>Note</i>	2014 £000	2013 £000
Tangible fixed assets			
Housing properties – gross cost less depreciation	12	115,354	99,698
Less Housing Association Grant	12	(17,234)	(15,278)
Less Other Grant	12	(45,401)	(37,411)
Other Fixed Assets	13	795	839
		<u>53,514</u>	<u>47,848</u>
Current assets			
Stock and work in progress	15	-	18
Debtors	16	2,726	2,233
Cash at bank and in hand	17	8,103	1,624
		<u>10,829</u>	<u>3,875</u>
Creditors: amounts falling due within one year	18	<u>(14,557)</u>	<u>(7,847)</u>
Net current (liabilities)		<u>(3,728)</u>	<u>(3,972)</u>
Total assets less current liabilities		49,786	43,876
Creditors amounts falling due after one year	19	(37,124)	(34,860)
Provisions for liabilities and charges: Deferred tax	11	<u>-</u>	<u>-</u>
Net assets before pension deficit		12,662	9,016
Pension deficit	23	(3,544)	(2,978)
Net Surplus after pension deficit		<u>9,118</u>	<u>6,038</u>
Capital and reserves			
Share capital	20	-	-
Revenue reserves	21	12,649	9,016
Pension reserve	23	(3,544)	(2,978)
Designated reserves	22	13	-
Surplus in shareholders' funds	21	<u>9,118</u>	<u>6,038</u>

These financial statements were approved by the Board of Management on 14th August 2014 and authorised for issue and signed on their behalf by:

Chairman of the Board of Management

Michael Brown

Board member

James Milne

Secretary

Roddy McCuish

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March 2014

	<i>Notes</i>	2014		2013	
		£000	£000	£000	£000
Cash inflow from operating activities	25		11,627		3,372
Returns on investments and servicing of finance					
Interest received	9	12		41	
Interest paid	10	(1,548)		(1,399)	
Net cash (outflow) from returns on investments and servicing of finance			(1,536)		(1,358)
		-		-	
Capital expenditure and financial investment					
Acquisition and construction of properties	12	(17,558)		(21,609)	
Purchase of other fixed assets	13	(244)		(136)	
Capital grants received	12	10,098		9,720	
Sales of housing properties		119		144	
Net cash (outflow) from capital expenditure and investing activities			(7,585)		(11,881)
Net cash inflow/(outflow) before use of liquid resources and financing			2,506		(9,867)
Financing					
Loan advances received		4,305		7,650	
Loan advances repaid		(38)		(36)	
Net cash inflow from financing	26		4,267		7,614
Increase/(Decrease) in cash in the year	27		6,773		(2,253)

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2014

ACHA is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is registered by the Financial Conduct Authority.

1 Accounting policies

Going Concern

During the year ACHA made an operating surplus of £4.9 million which when adjusted for disposals, interest receivable and payable resulted in a surplus of £3.47 million prior to the adjustment of the pension reserve giving a net surplus of £2.77 million. At the balance sheet date ACHA had a surplus of assets of £8.83 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 2021/22 and repaying by 2038/39 amounting to approximately £50.9 million at this time. ACHA's loan asset security ratio requirement is 105%. The most recent security valuation as at March 2014 values ACHA's housing assets at £76.13 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.

Basis of consolidation

In accordance with FRS 2, the group financial statements consolidate the financial statements of the parent company and its one subsidiary, Argyll Homes For All Limited, for the year ended 31st March 2014. The subsidiary is accounted for using acquisition accounting.

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 1st April 2013 to 31st March 2014. 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 AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2014

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; and
- Development expenditure including direct development staff costs;

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 AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2014

Housing Association Grant (HAG)

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 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

No depreciation is charged in the year of purchase.

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

Pensions

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.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2014

The SPF made an actuarial loss for the year ended 31st March 2014 of £696k. ACHA has taken account of this loss in the Pension Reserve Account. ACHA has therefore adjusted the Pension Reserve (Note 23) by transferring an amount of £937k 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 24th 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 £10k during the period. ACHA 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 AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2014

2. Particulars of turnover, operating costs and operating deficit

GROUP

	Turnover	Operating Costs	Operating Surplus / (Deficit) to 31st March 2014	Operating Surplus / (Deficit) to 31st March 2013
	£000	£000	£000	£000
Social Lettings <i>(Note 3)</i>	17,334	(11,694)	5,640	3,976
Other Activities <i>(Note 4)</i>	1,935	(2,676)	(741)	(1,036)
	19,269	(14,370)	4,899	2,940
Total for year to 31st March 2013	18,754	15,814	2,940	

COMPANY

	Turnover	Operating Costs	Operating Surplus / (Deficit) to 31st March 2014	Operating Surplus / (Deficit) to 31st March 2013
	£000	£000	£000	£000
Social Lettings <i>(Note 3)</i>	17,334	(11,980)	5,354	3,976
Other Activities <i>(Note 4)</i>	2,380	(2,895)	(515)	(1,036)
	19,714	(14,875)	4,839	2,940
Total for year to 31st March 2013	18,754	15,814	2,940	

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2014

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

	General Needs Housing	Supported Housing	Total	Total For Previous Period of Account
	£000	£000	£000	£000
Rents receivable net of service charges	16,875	623	17,498	16,579
Rent from garages	26	-	26	29
Rent from travelling people sites	66	-	66	64
Service charges	36	238	274	230
Gross income from rents and service charges	17,003	861	17,864	16,902
Less voids	(582)	(10)	(592)	(411)
Net income from rents and service charges	16,421	851	17,272	16,491
Grants from the Scottish Ministers	-	-	-	-
Other revenue grants	62	-	62	43
Total turnover from social letting activities	16,483	851	17,334	16,534
Management and maintenance administration costs	5,037	312	5,349	5,403
Planned and cyclical maintenance including major repairs costs	2,176	-	2,176	2,658
Reactive maintenance costs	2,243	-	2,243	2,987
Bad debts – rents and service charges	189	-	189	142
Depreciation of social housing	1,737	-	1,737	1,368
Operating costs for social letting activities	11,382	312	11,694	12,558
Operating surplus for social lettings	5,101	539	5,640	3,976
Operating surplus for social lettings for previous period of account	3,513	463	3,976	

Average weekly rents, based on a 52 week rent year, at the end of the period were £65.90

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

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2014

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

	Grants from Scottish Ministers	Other Revenue Grants	Other Income	Total Turnover	Operating Costs Bad Debits	Other Operating Costs	Operating Surplus / (Deficit)	Operating Surplus / (Deficit) for previous period of account
	£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	104	-	-	104	-	(268)	(164)	(230)
Related Assets	1,010	-	-	1,010	-	(1,010)	-	(257)
Aids and Adaptations	295	-	-	295	-	(299)	(4)	(191)
Tenant and Owner Recharges	-	-	204	204	(421)	(167)	(384)	37
Contents Insurance	-	-	65	65	-	(54)	11	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 (AHFA, Insurance claim monies received and other miscellaneous income)	-	11	246	257	-	(457)	(200)	(407)
Total from other activities	1,409	11	515	1,935	(421)	(2,255)	(741)	(1,036)
Total from other activities for previous period of account	1,528	136	556	2,220	3	(3,259)	(1,036)	

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2014

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

	Grants from Scottish Ministers	Other Revenue Grants	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	104	-	-	104	-	(268)	(164)	(230)
Related Assets	1,010	-	-	1,010	-	(1,010)	-	(257)
Aids and Adaptations	295	-	-	295	-	(299)	(4)	(191)
Tenant and Owner Recharges	-	-	204	204	(422)	(167)	(385)	37
Contents Insurance	-	-	65	65	-	(54)	11	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)	-	11	691	702	-	(675)	27	(407)
Total from other activities	1,409	11	960	2,380	(422)	(2,473)	(515)	(1,036)
Total from other activities for previous period of account	1,528	136	556	2,220	3	(3,259)	(1,036)	

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2014

5. Housing stock

	Units under development		Units under management	
	2014	2013	2014	2013
Housing accommodation for letting:				
General Needs	90	72	4,912	4,866
Sheltered housing	-	-	201	201
	<u>90</u>	<u>72</u>	<u>5,113</u>	<u>5,067</u>

6. Remuneration of members of Board of Management and Directors

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

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

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.

	2014	2013
	£000	£000
Total emoluments payable to directors and benefits in kind	315	312
Pension contributions	54	54
	<u>369</u>	<u>366</u>
Emoluments payable to the highest paid director (excluding pension contributions)	<u>83</u>	<u>83</u>

The Chief Executive is a member of the Strathclyde Pension Fund defined contribution pension scheme as disclosed in note 30. No enhanced or special terms apply to memberships. ACHA's contributions to the Chief Executive's pension in the year amounted to £14,346 (2013: £14,346).

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

	2014	2013
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 AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2014

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	
	2014	2013
Housing & Neighbourhood Services	92	128
Finance & IT	15	15
Human Resources & Corporate Services	14	13
Investment & Regeneration	23	24
Argyll Homes For All	47	-
	191	180

The aggregate payroll costs of these persons were as follows:

	2014	2013
	£000	£000
Wages and salaries	4,414	4,472
Social security costs	349	351
Other pension costs	553	626
	5,316	5,449

During the year 74% of investment staff costs were capitalised amounting to £649k (2013 – 70% or £592k)

8. Operating surplus on ordinary activities - Group

	2014	2013
	£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)	21	14
Other services from bodies related to Haines Watts	2	1
Operating lease rentals:		
Buildings	305	309
Other	117	(1)
Depreciation	1,823	1,517

Operating surplus on ordinary activities - Company

	2014	2013
	£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)	15	14
Other services from bodies related to Haines Watts	1	1
Operating lease rentals:		
Buildings	305	309
Other	(1)	(1)
Depreciation	1,823	1,517

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2014

9. Interest receivable - Group

	2014	2013
	£000	£000
Bank interest receivable	12	9
Interest on pension fund (<i>Note 30</i>)	-	32
	<u>12</u>	<u>41</u>

Interest receivable - Company

	2014	2013
	£000	£000
Bank interest receivable	12	9
Interest on pension fund (<i>Note 30</i>)	-	32
	<u>12</u>	<u>41</u>

10. Interest payable - Group

	2014	2013
	£000	£000
On bank loans	1,508	1,399
Interest on pension fund (<i>Note 30</i>)	40	-
	<u>1,548</u>	<u>1,399</u>

Interest payable - Company

	2014	2013
	£000	£000
On bank loans	1,508	1,399
Interest on pension fund (<i>Note 30</i>)	37	-
	<u>1,545</u>	<u>1,399</u>

11. Taxation

Due to ACHA's charitable status, no tax liability arose in the year to 31st March 2014 (2013: Nil).

AHFA is liable for UK Corporation Tax on its retained profits after charitable donation to its parent which amounted to £12k in the year (2013: Nil)

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2014

12. Tangible fixed assets - housing properties – Group and Company

	Housing properties held for letting £000	Housing properties in course of construction £000	Total 2014 £000	Total 2013 £000
<i>Cost</i>				
At start of year	96,224	8,611	104,835	83,359
Additions during year new build	1,519	3,999	5,518	5,110
Additions during year existing properties	12,040	-	12,040	16,498
Transfers	7,314	(7,314)	-	-
Disposals	(165)	-	(165)	(133)
At end of year	<u>116,932</u>	<u>5,296</u>	<u>122,228</u>	<u>104,834</u>
<i>Depreciation</i>				
At start of year	(5,137)	-	(5,137)	(3,790)
Charge during year	(1,762)	-	(1,762)	(1,368)
Disposals	24	-	24	21
At end of year	<u>(6,875)</u>	<u>-</u>	<u>(6,875)</u>	<u>(5,137)</u>
<i>Housing association grant</i>				
At start of year	(10,208)	(5,070)	(15,278)	(13,884)
Additions during year	-	(1,956)	(1,956)	(1,394)
Transfers	(4,354)	4,354	-	-
At end of year	<u>(14,562)</u>	<u>(2,672)</u>	<u>(17,234)</u>	<u>(15,278)</u>
<i>Other grant</i>				
At start of year	(36,903)	(508)	(37,411)	(29,187)
Additions during year	(7,160)	(983)	(8,143)	(8,326)
Transfers	(508)	508	-	-
Disposals	153	-	153	102
At end of year	<u>(44,418)</u>	<u>(983)</u>	<u>(45,401)</u>	<u>(37,411)</u>
<i>Net book value</i>				
At end of year	<u>51,077</u>	<u>1,641</u>	<u>52,718</u>	<u>47,008</u>
At end of year 2013	<u>43,975</u>	<u>3,033</u>	<u>47,008</u>	

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

During the year 22 properties have been sold under Right to Buy resulting in a gain on sale of £119k (2013 - £134k). 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 £2.78 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 70 properties which were unencumbered. No interest was capitalised on housing properties at 31 March 2013 (2012 £Nil).

During the year 74% of investment staff costs were capitalised amounting to £649k (2013 – 70% or £592k)

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2014

13. Tangible fixed assets – other - Group

	Computer hardware & software £000	Oban office £000	Bute stores £000	Furniture £000	Total non housing £000
Cost					
At start of year	979	715	21	14	1,729
Additions during year	244	-	-	-	244
Disposals	(3)	-	-	-	(3)
At end of year	<u>1,220</u>	<u>715</u>	<u>21</u>	<u>14</u>	<u>1,970</u>
Depreciation					
At start of year	(816)	(59)	(1)	(14)	(890)
Provided during year	(70)	(15)	(1)	-	(86)
Disposals	3	-	-	-	3
At end of year	<u>(883)</u>	<u>(74)</u>	<u>(2)</u>	<u>(14)</u>	<u>(973)</u>
Net book value					
At 31 March 2014	<u>337</u>	<u>641</u>	<u>19</u>	<u>-</u>	<u>997</u>
At 31 March 2013	<u>163</u>	<u>656</u>	<u>20</u>	<u>-</u>	<u>839</u>

Tangible fixed assets – other - Company

	Computer hardware & software £000	Oban office £000	Bute stores £000	Furniture £000	Total non housing £000
Cost					
At start of year	979	715	21	14	1,729
Additions during year	42	-	-	-	42
Disposals	(3)	-	-	-	(3)
At end of year	<u>1,018</u>	<u>715</u>	<u>21</u>	<u>14</u>	<u>1,768</u>
Depreciation					
At start of year	(816)	(59)	(1)	(14)	(890)
Provided during year	(70)	(15)	(1)	-	(86)
Disposals	3	-	-	-	3
At end of year	<u>(883)</u>	<u>(74)</u>	<u>(2)</u>	<u>(14)</u>	<u>(973)</u>
Net book value					
At 31 March 2014	<u>135</u>	<u>641</u>	<u>19</u>	<u>-</u>	<u>795</u>
At 31 March 2013	<u>163</u>	<u>656</u>	<u>20</u>	<u>-</u>	<u>839</u>

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2014

14. Investments	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
Investment in Subsidiary Companies	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

ACHA owns one share in Argyll Homes For All Limited (AHFA), which is a wholly owned subsidiary company. The principal activity of AHFA, registered company number SC415603, for the year ended 31st March 2014 was that of property maintenance. As at 31st March 2014 the capital and reserves of AHFA were £293k (2013: £Nil) with a profit after gift aid and taxation for the year of £46k (2013: £Nil)

Subsidiary: Argyll Homes For All Limited
Nature of business: Property maintenance and repairs

Class of shares:	% holding
Ordinary	100.00
	2014
	£'000
Aggregate capital and reserves	293
Profit for the year	46

15. Stocks and work in progress	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
Stock	25	18	-	18
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

On 1st April 2013 all materials stock held by ACHA was sold to its trading subsidiary AHFA.

16. Debtors	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
Rental debtors	1,192	1,065	1,192	1,065
Less bad debt provision	(808)	(633)	(808)	(633)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	384	432	384	432
Prepayments and accrued income	457	857	461	857
Housing Association Grant receivable	655	400	655	400
Other debtors	2,202	1,579	2,435	1,579
Less bad debt provision	(1,434)	(1,035)	(1,434)	(1,035)
Long Term Debtor – Subsidiary Loan	-	-	225	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	2,263	2,233	2,725	2,233

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2014

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

	Debtor £000	Provided £000	2014 Net Debtor £000
Due from current tenants	562	(178)	384
Due from former tenants	630	(630)	-
	<u>1,192</u>	<u>(808)</u>	<u>384</u>

Rental Bad debts of £14k were written off during the period (2013: £45k). Rental Bad debts provided for in the year were £175k (2013 £97k)

Sundry debts of £23k were written off during the period (2013: £58k) Sundry debtors provided for in the year were £399k (2013 (£40k) owing to the reversal of a significant £205k prior year provision in 2013.

AHFA had no debts written off during the year.

17. Cash at bank and in hand	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
Bank	8,397	1,623	8,102	1,623
Cash	1	1	1	1
	<u>8,398</u>	<u>1,624</u>	<u>8,103</u>	<u>1,624</u>

18. Creditors: amounts falling due within one year	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
Loans (secured)	2,041	38	2,041	38
Trade creditors	3,400	2,198	3,459	2,198
Housing Association Grant in advance	1	27	1	27
Other grants in advance	7,218	3,770	7,218	3,770
Other creditors	393	327	391	327
Accruals and deferred income	1,474	1,487	1,447	1,487
	<u>14,527</u>	<u>7,847</u>	<u>14,557</u>	<u>7,847</u>

19. Creditors: amounts falling due after one year	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
Loan (secured)	<u>37,124</u>	<u>34,860</u>	<u>37,124</u>	<u>34,860</u>

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2014

The overall weighted average cost of funds for current borrowing is 4.07%.

An office development loan of £610k is repayable by 11th March 2025 and is repayable on an amortising basis. The repayment profile for the office loan is shown below.

	£000
Due within one year	41
Due between 1 and 2 years	43
Due between 2 and 5 years	145
Over 5 years	381
	<u>610</u>

A loan with Argyll and Bute Council through the Strategic Housing Fund (SHF) for £2.3 million was agreed and drawn down during 2013/14. This is a capital and interest repayment loan and is repayable by 2039. The repayment profile is shown below:

	£000
Due within one year	51
Due between 1 and 2 years	54
Due between 2 and 5 years	177
Over 5 years	2,023
	<u>2,305</u>

The remainder of loans drawn, amounting to £36,250k 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 B commencing 31 st March 2008	2,000	15	5.652%
Tranche B commencing 31 st March 2009	10,000	20	5.342%
Tranche B commencing 31 st March 2010	5,000	10	5.622%
Tranche D commencing 30 th September 2011	5,000	10	5.505%
Tranche B commencing 2 nd April 2013	3,000	5	1.555%
Tranche D commencing 2 nd April 2013	2,300	10	4.365%
Tranche A commencing 15 th August 2013	3,000	5	1.825%
Office Loan commencing 11 th March 2010	<u>648</u>	15	5.955%
Total	<u>30,948</u>		

The weighted average interest rate for all fixed rate loans is 4.66%. Loans amounting to £3,950k are LIBOR based variable loans with a current weighted average interest rate of 1.11%.

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

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2014

20. Share capital

	2014	2013
	£	£
Shares of £1 each fully paid		
At 1 st April 2013	290	286
Issued in year	13	31
Cancelled in year	(19)	(27)
At 31st March 2014	284	290

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.

21. Reconciliation of movements in shareholders' funds

Group	Revenue Reserve £000	Pension reserve £000	Share Capital £000	Total shareholders funds £000
Balance at 1 April 2013	9,016	(2,978)	-	6,038
Pension adjustment AHFA	-	-	-	-
Accumulated surplus for year	2,773	-	-	2,773
Transfer from pension reserve	937	(937)	-	-
Balance at 31 March 2014	12,726	(3,915)	-	8,811

Company	Revenue Reserve £000	Pension Reserve £000	Share Capital £000	Total shareholders funds £000
Balance at 1 st April 2013	9,016	(2,978)	-	6,038
Pension adjustment AHFA	-	270	-	270
Accumulated surplus for year	2,797	-	-	2,797
Transfer from pension reserve	836	(836)	-	-
Balance at 31st March 2014	12,649	(3,544)	-	9,105

22. Designated reserves

At 31st March 2014 a transfer to a designated reserve was made to take account of grant funding from the Big Lottery Fund received during 2013/14 in relation to debt advice. As per the conditions of grant award any amount unspent as at 31st March 2014 can be carried forward into the next financial year. Grant income received during 2013/14 amounted to £117k of which £13k was unspent at the financial year end.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2014

	Group		Company	
	2014	2013	2014	2013
	£000	£000	£000	£000
At 1 st April 2013	-	-	-	-
Transfer from revenue reserves	<u>13</u>	<u>-</u>	<u>13</u>	<u>-</u>
Reserve at 31 st March 2014	<u><u>13</u></u>	<u><u>-</u></u>	<u><u>13</u></u>	<u><u>-</u></u>

23. Pension reserve		Group		Company	
		2014	2013	2014	2013
		£000	£000	£000	£000
At 1 st April 2013		<u>(2,978)</u>	<u>(1,775)</u>	<u>(2,708)</u>	<u>(1,775)</u>
Transfer from revenue reserves		(937)	(1,203)	(836)	(1,203)
Reserve at 31 st March 2014	<i>Note 30</i>	<u><u>(3,915)</u></u>	<u><u>(2,978)</u></u>	<u><u>(3,544)</u></u>	<u><u>(2,978)</u></u>

24. Commitments – Group and Company

(a) Capital commitments authorised and contracted for at 31st March 2014 amounted to:

Within one year

Investment programme	£ 7,613k
Regeneration	£ 9,548k
Related Assets	£ 112k
IT Project	<u>£ 18k</u>
	£17,291k

Within two to five years

Investment programme	£ -
Regeneration	£ 862k
Related Assets	<u>£ -</u>
	£ 862k

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

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

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For the year ended 31st March 2014

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

	2014		2013	
	Land and Buildings £000	Other £000	Land and Buildings £000	Other £000
Operating leases which expire:				
Within one year	309	116	296	-
Within two to five years inclusive	-	238	-	-
Over five years	-	-	-	-

25. Reconciliation of operating surplus to net cash inflow from operating activities - Group

	2014	2013
	£000	£000
Operating surplus/deficit	4,898	2,940
Adjustments:		
Depreciation on non-housing fixed assets	86	171
Depreciation on housing fixed assets	1,762	1,368
Movement in working capital:		
Non cash adjustment in pension fund	241	4
Decrease in stock	(8)	4
Decrease/(Increase) in debtors	(31)	2,832
(Decrease)/Increase in creditors	4,679	(3,947)
Cash inflow from operating activities	11,628	3,372

26. Analysis of changes in net debt - Group

	At 31 st March 2014 £000	Cash flows £000	At 31 st March 2013 £000
Cash in hand, at bank	8,398	6,774	1,624
Debt due within one year	(41)	(3)	(38)
Debt due in more than one year	(39,124)	(4,264)	(34,860)
Total	(30,767)	2,507	(33,274)

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For the year ended 31st March 2014

27. Reconciliation of net cash flow to movement in net debt - Group

	2014	2013
	£000	£000
Increase / (Decrease) in cash in the period	6,774	(2,253)
Cash (inflow) from debt financing	(4,305)	(7,650)
Cash outflow from debt financing	38	36
	<hr/>	<hr/>
Change in debt resulting from cash flows	2,507	(9,867)
Net debt at beginning of period	(33,274)	(23,407)
	<hr/>	<hr/>
Net debt at end of period	(30,767)	(33,274)
	<hr/>	<hr/>

28. Group structure

ACHA is a registered social landlord, incorporated in Scotland. ACHA owns one share in Argyll Homes for All Limited (AHFA) which is a wholly owned subsidiary company. The principal activity of AHFA, registered company number SC415603, in the year ended 31st March 2014 was that of property maintenance.

29. Contingent liabilities

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

30. Strathclyde Pension Scheme

The majority of ACHA's and AHFA's employees belong to the Strathclyde Pension Fund which is part of the Local Government Pension Scheme (LGPS). As at 31st January 2014 the number of active members was 135, with 23 deferred pensioners and 21 pensioners. The total pensionable payroll at the balance sheet date was £3.2 million. 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 contributions for 2014/15 is £618k

As noted in note 1, Argyll and Bute Council have guaranteed to accept liability for any unfunded costs which may arise with regard to ACHA 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	31st March	31st March	31st March
	2014	2013	2012
	% p.a.	% p.a.	% p.a.
Price increases	2.8%	2.8%	2.5%
Salary scale increases per annum	5.1%	5.1%	4.8%
Expected Return on Assets	6.0%	5.2%	5.8%
Discount rate	4.3%	4.5%	4.8%

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.

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For the year ended 31st March 2014

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

	Long Term return at 31st March 2014	Assets at 31st March 2014 £000	Long Term return at 31st March 2013	Assets at 31st March 2013 £000	Long Term return at 31st March 2012	Assets at 31st March 2012 £000
Equities	6.6%	11,737	5.7%	10,484	6.3%	8,859
Bonds	3.7%	1,853	3.4%	1,931	3.9%	1,265
Property	4.8%	1,081	3.9%	966	4.4%	805
Cash	3.7%	772	3.0%	414	3.5%	575
Total		15,443		13,795		11,504

	31st March 2014 £000	31st March 2013 £000	31st March 2012 £000
Net Pension assets as at			
Estimated employer assets	15,443	13,795	11,504
Present value of scheme liabilities	19,358	16,773	13,279
Present value of unfunded liabilities	-	-	-
Total value of liabilities	19,358	16,773	13,279
Pension (deficit)	(3,915)	(2,978)	(1,775)
Less provision against pension asset not realisable	-	-	-
Net pension (liability)	(3,915)	(2,978)	(1,775)

Analysis of the amount charged to operating profit/loss

	Period to 31st March 2014 £000	Period to 31st March 2014 % of Payroll	Period to 31st March 2013 £000	Period to 31st March 2013 % of Payroll
Service cost	808	25.7%	616	20.5%
Past service costs	-	-	-	-
Total operating charge	808	25.7%	616	20.5%

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For the year ended 31st March 2014

Analysis of the amount received/(charged) as interest

	Period to 31 st March 2014 £000	Period to 31 st March 2014 % of Payroll	Period to 31 st March 2013 £000	Period to 31 st March 2013 % of Payroll
Expected return on employer assets	735	23.4%	683	22.7%
Interest on pension scheme liabilities	(775)	(24.7%)	(651)	(21.7%)
Net Return	(40)	(1.3%)	32	1.0%
Net revenue account cost	848	27%	584	19.5%

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

	Period to 31 st March 2014 £000	Period to 31 st March 2013 £000	Period to 31 st March 2012 £000	Period to 31 st March 2011 £000
Actual return less expected return on pension scheme assets	217	1,060	(974)	(68)
Experience gains and losses arising on the scheme liabilities	2	6	889	-
Changes in financial assumptions underlying the present value of the scheme liabilities	(915)	(2,265)	(511)	1,948
Actuarial gain (loss)	(696)	(1,199)	(596)	1,880
Release/(provision) for pension asset not realisable	-	-	-	-
	(696)	(1,199)	(596)	1,880

Movement in deficit during the period

	Period to 31 st March 2014 £000	Period to 31 st March 2013 £000
(Deficit) at beginning of year	(2,978)	(1,775)
Current service cost	(808)	(616)
Employer contributions	607	580
Past service costs	-	-
Net return on assets	(40)	32
Actuarial gain/(loss)	(696)	(1,199)
(Deficit) at end of the year	(3,915)	(2,978)

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2014

History of experience - gains and losses

	Period to 31 st March 2014 £000	Period to 31 st March 2013 £000	Period to 31 st March 2012 £000	Period to 31 st March 2011 £000
Difference between the expected and actual return on assets	217	1,060	(974)	(68)
Value of assets	15,443	13,795	11,504	11,136
Percentage of assets	1.4%	7.7%	8.46%	0.6%
Experience losses on liabilities	2	6	889	-
Present value of liabilities	19,358	16,773	13,279	12,411
Percentage of the present value of liabilities	0.0%	0.0%	6.69%	-
Actuarial gains recognised in STRGL	(696)	(1,199)	(596)	1,880
Present value of liabilities	19,358	16,773	13,279	12,411
Percentage of the present value of liabilities	3.6%	7.1%	4.49%	15.2%

31. Related party disclosures

During the year there were a number of payments made and received between ACHA and its wholly owned subsidiary Argyll Homes for All Limited (AHFA). At the balance sheet date the inter-company debtor / creditor was a debit of £232k which related to the charitable donation gifted back. An inter-company loan was also advanced as per the loan agreement during this period for £225k.

Ten members of the Board of Management were also tenants during the year. Six 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 £1,129k 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 £619k during the period in respect of Right to Buy sales for the financial period 2012/13.

During the period ACHA received from the Council £7k for the provision of service under the Academy Property management module, £8,786k in housing benefit payments and homelessness leases of £54k. ACHA also received £287k in CHORD grant funding and £2,173k of Strategic Housing Fund (SHF) grant income during the period. There was also a drawdown of £2.3m of SHF loan funding from the Council in respect of new development.

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For the year ended 31st March 2014

At the period end there was a creditor of £445k outstanding in respect of Right to Buy receipts for the financial period 2013/14 and creditors totalling £93k outstanding to the Council.