

**ARGYLL COMMUNITY HOUSING
ASSOCIATION LIMITED AND
SUBSIDIARIES**



**Report of the Board of Management and
Financial Statements
for the year ended
31st March 2015**

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 2015

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ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS

For the year ended 31st March 2015

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	23 rd September 2010	
James Milne	Vice Chair	14 th June 2012	
Archie Blair		14 th June 2012	7 th May 2015
Andrew Birnie		10 th July 2014	
Karen Isobel Carmichael		19 th September 2013	30 th April 2014
Colin Davidson		14 th August 2014	
Stafford Day		25 th October 2012	
Lorraine-Anne Drysdale		9 th September 2010	
Cameron Grant		19 th November 2013	
Graham Kanes		1 st July 2013	2 nd June 2014
Daniel Kelly		5 th December 2013	
Margaret MacGregor		27 th May 2005	12 th February 2015
Sandra MacKenzie		3 rd December 2009	9 th July 2014
John Muir		18 th September 2014	
Douglas Prophet		19 th September 2013	
Michael Roberts		13 th November 2014	
Catherine Winton		21 st September 2011	

Councillors:

Roddy McCuish	Secretary	11 th April 2013
Bruce Marshall		12 th July 2012
Donald MacMillan		14 th November 2013
Sandy Taylor		14 th November 2013
Richard Trail		14 th June 2012

Executive Officers

Alastair MacGregor	Chief Executive
Colette Benham	Director of Human Resources and Corporate Services
Linda Haig	Director of Investment and Regeneration
Christine Johnston	Director of Housing and Neighbourhood Services
Nick Pollard	Director of Finance and IT – resigned 2 nd January 2015
Bruce West	Director of Finance and IT – from 16 th February 2015

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS

For the year ended 31st March 2015

Registered Office:	63-65 Chalmers Street Ardrishaig Argyll PA30 8DX
Auditors:	Haines Watts 1st Floor, 24 Blythswood Square Glasgow G2 4BG
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 53-55 Gosport Business Centre Aerodrome Road Gosport Hampshire PO13 0FQ

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31st March 2015

The Board of Management present their report and audited financial statements for the year ended 31st March 2015. 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 2014 to 31st March 2015.

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 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 2015

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

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

Reserves

At the year-end 31st March 2015 the revenue reserves balance had moved from a £12.7 million surplus to a surplus of £15.7 million excluding adjustments for the pension reserve. The pension reserve has increased from £3.9 million to £6.85 million making a net surplus of £8.9 million.

Designated reserves include 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 £16k as a result of grant from The Big Lottery, where a carry forward of this grant is permitted into the following financial year.

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 the full £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 4.45%, being made up of RPI (December 2013 Office of National Statistics) figure of 2.7% 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 7 individual pieces of completed work totalling 11 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 Factoring, Partnership Working, Business Continuity Planning, IT Disaster Planning, Customer Engagement and Satisfaction, Strategic Planning and Treasury Management. 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. ACHA 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 £30.87 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 2015

Fixed Rate Hedging	Value (£000's)	End date	Rate %
Tranche A	£3,000	29/03/2018	1.825
Tranche B	£3,000	29/03/2018	1.555
Tranche B	£5,000	31/03/2020	5.622
Tranche B	£2,000	31/03/2023	5.652
Tranche B	£10,000	30/03/2029	5.342
Tranche C	£569	11/03/2025	5.955
Tranche D	£5,000	30/09/2021	5.505
Tranche D	£2,300	31/03/2023	4.365
Total	£30,869		

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 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 2015 is £569k.

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 £2.25 million. The loan was fixed at 4.45% for the full term of 25 years.

During 2014/15 ACHA entered into two further amortising loan agreements with Argyll and Bute Council to fund specific housing development at Bonawe and in Helensburgh. These loans were fixed at 4.43% for the full 25 year term and were drawn down in September 2014 and November 2014 respectively. The loans outstanding as at the balance sheet date were £122k and £599k respectively.

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 and factored owners. 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.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31st March 2015

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 2014/15 was 23 days against 20 days for the prior year. For AHFA the average creditor payment period for 2014/15 was 31 days.

Auditors

ACHA previously tendered for external auditors 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



Michael Brown
Chairman

Date: 13th August 2015

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

STATEMENT OF BOARD OF MANAGEMENT'S RESPONSIBILITIES

For the year ended 31st March 2015

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: 13th August 2015

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

For the year ended 31st March 2015

Background

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 5,136 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 four leavers and recruited four new members. At the year end, 31st March 2015 there were two tenant vacancies on the Board of Management of ACHA.

The underlying principles of good governance and organisational structure in ACHA are to keep the organisation as manageable and flexible as possible.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

BOARD OF MANAGEMENT'S OPERATING AND FINANCIAL REVIEW STATEMENT

For the year ended 31st March 2015

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 Strategic Planning day in February 2015 where they reviewed all risks and mitigation strategies across the organisation. The output from this review has been incorporated in the updated corporate plan.

The Board of Management has delegated powers to the Finance and Audit Committee to consider certain financial aspects of the business. The Finance and Audit Committee's remit included all aspects of audit compliance and internal controls assurance and the annual accounts and financial statements.

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, four of whom are Board members of ACHA and two 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 2014 ACHA owned 5,113 homes. As a result of the right to buy ACHA sold 24 homes and developed 50 new homes during the year. A further 3 homes were removed and converted to office accommodation. At the financial year end 31st March 2015 ACHA therefore owned 5,136 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 continued 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 2015

The housing stock at 31st March 2015 is broken down by type as follows:

<u>Rentable Stock</u>	<u>2015</u>	<u>2014</u>
General Needs Houses	4,935	4,912
Sheltered Housing	<u>201</u>	<u>201</u>
	<u>5,136</u>	<u>5,113</u>

The housing stock at 31st March 2015 is broken down by geographical area as follows:

<u>Houses</u>	<u>2015</u>	<u>2014</u>
Bute	503	503
Cowal	918	919
Helensburgh and Lomond	992	999
Islay	336	337
Kintyre	853	860
Lorn and the Isles	938	905
Mid Argyll	<u>596</u>	<u>590</u>
	<u>5,136</u>	<u>5,113</u>

Sheltered housing

ACHA's sheltered housing stock within the stock number of 5,136 is located in eleven complexes across Argyll and Bute:

<u>Sheltered Housing stock</u>	<u>2015</u>	<u>2014</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's Sheltered Housing Service was inspected by the Care Inspectorate in 2014 and was rated Good for Quality of Care and Support, Very Good for Quality of Staffing and Very Good for Quality of Management and Leadership.

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

For the year ended 31st March 2015

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.

<u>Rentable Stock</u>	<u>2015</u>	<u>2014</u>
Garages	18	26
Garage sites	131	131
	<u>149</u>	<u>157</u>

<u>Garages</u>	<u>Garages 2015</u>	<u>Garages 2014</u>
Bute	5	5
Cowal	9	9
Helensburgh and Lomond	4	12
Islay	-	-
Kintyre	-	-
Lorn and the Isles	-	-
Mid Argyll	-	-
	<u>18</u>	<u>26</u>

<u>Garage Sites</u>	<u>Garage Sites 2015</u>	<u>Garage Sites 2014</u>
Bute	-	-
Cowal	13	13
Helensburgh and Lomond	-	-
Islay	-	-
Kintyre	48	48
Lorn and the Isles	45	45
Mid Argyll	25	25
	<u>131</u>	<u>131</u>

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

<u>Travelling People sites</u>	<u>2015</u>	<u>2014</u>
Dunoon, Torlochan	8	8
Lochgilphead, Duncholgan	14	14
Oban, Ledaig	8	8
	<u>30</u>	<u>30</u>

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

For the year ended 31st March 2015

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

<u>Non-Rentable Stock</u>	<u>2015</u>	<u>2014</u>
Play areas	30	30
Private water supplies	12	12
Private sewage systems	43	43
Offices	4	3
	<u>89</u>	<u>88</u>

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

ACHA owns its registered office in Ardrishaig at 63-65 Chalmers Street, its office at Menzies House in Oban and its new office at Lamont House in Helensburgh. ACHA also own a store in Rothesay.

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

The right to buy resulted in 24 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. The right to buy will end on 31st July 2016.

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 4.45% based on December 2013 RPI. The average rent across all stock in the current year rose to £72.98. The 2015/16 financial year rent increase is RPI+1% or 2.6% with December 2014 RPI being 1.6%.

ACHA has a total of 228 formally factored properties where votes have taken place within blocks to appoint us as property managers to arrange maintenance and repair to common parts of buildings

During the year ACHA had 519 relets with 29 supported housing lets. These 548 properties were let to the following waiting list categories:

Statutory Homeless	135	(25%)
Direct Waiting List	286	(52%)
Transfer Waiting List	127	(23%)

As at 31st March 2015 the common housing register HOMEArgyll had 2,726 applicants on its list.

ACHA has a number of properties which are classed as low demand, particularly 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. During 2014/15 the Board of Management also approved a "Tenants Incentive Scheme" aimed specifically at long term low demand properties. This scheme is one of a number of strategies developed to help reduce the number of low demand properties within our lettings pool

At the end of the financial year ACHA had 120 properties void. ACHA's average time taken to let a property is 53 days. This is a combined figure of low demand and not low demand properties. The average relet time for properties which are not affected by demand issues is 24 days.

ACHA had a void loss figure of £656k or 3.5% of all rental income and service charges, including travelling person's pitches, garages and garage sites, for the year.

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

For the year ended 31st March 2015

ACHA received approximately 49.8% of its total income from housing benefit payments in comparison with 2013/14 where 49.2% of all of our rental income was from housing benefit payments direct from the Local Authority. ACHA has approximately 53% of its tenants in receipt of benefit. Of that number 33% of tenants are in receipt of full housing benefit and 20% receive partial housing benefit payments. This is a slight increase from the previous year. Around 2,621 tenants are in receipt of full housing benefit.

The FISH (Financial Inclusion Services in Housing) welfare rights service continued to assist tenants with difficulties with claiming or under claiming benefits, including housing benefit and Discretionary Housing Payments. ACHA has a well-developed welfare reform mitigation strategy with the primary objective of assisting tenants who may be negatively affected by welfare reform. ACHA also works very closely with the Local Authority and other Local RSL's to ensure that appropriate assistance is available to all social landlord tenants across Argyll & Bute. A Big Lottery Grant was awarded to support welfare rights services for ACHA tenants during 2013/14 and 2014/15. New funding streams for similar services will be explored for 2015/16 onwards.

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

ACHA are part of HOME (Housing Options Made Easy) Argyll, which is a partnership approach to providing a common Housing Register in the Argyll & Bute area. The partnership is made up of the Local Authority and the 3 other main Housing Associations operating within the area.

During the year ACHA let 548 properties to applicants from the waiting list.

A new IT system was introduced this year, which allows applicants to apply for housing online. Applicants can access the new online application from the HOME Argyll website, or any of the partner's websites. In addition to completing an online application, applicants are asked to complete a Housing Options questionnaire. This is a tool that will ask a series of questions and then guide applicants through the different options they can explore to enhance their housing situation. The questions asked are to ensure applicants are provided with the correct information in relation to their personal circumstances. Everyone accessing the system is asked the same questions. ACHA have also developed their website to include a section where tenants can advertise for a Mutual Exchange.

Arrears and Debt Management

Current tenant rent arrears performance failed to meet target. The year-end figure of 3.4% against a target of 2.5% is disappointing but not entirely unexpected taking into account the introduction of welfare reform changes. The figure of 3.4% is calculated by taking the current tenant arrears at the year end of £636k and dividing this by the Gross Rent Charge £18.7 million. 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 43 households due to rent arrears. One of those evictions was for both rent arrears and anti-social behaviour.

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
- New tenant survey

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- Factoring
- Sheltered Housing
- Tenant Involvement Strategy
- Anti-Social Behaviour
- 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.

A rolling programme of consultation is in place and action plans developed to take forward recommendations and feedback received.

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 52% of incoming calls relating primarily to repairs and the remainder split between payments and general enquires. This year the CSC dealt with 27,296 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 138 such reports which resulted in 1 eviction for anti-social behaviour taking place.

Factoring and Private Owners

ACHA continues to be compliant with the Property Factors (Scotland) Act 2011. Annual returns are completed in June of each year, Statements of Service are issued to new formally factored owners, owners where properties have been sold or transferred where title inspections are completed and identify different shares of maintenance than previously anticipated - all in compliance with the legislation.

228 private properties, consisting of 69 tenement blocks, have entered into a formalised factoring arrangement with ACHA which allows ACHA to take the lead in organising repairs and maintenance to common parts of the buildings. Annual factoring satisfaction surveys take place to gain feedback on the service provided and identify ways to continually improve the service.

An active factoring debt recovery policy is in place which has resulted in Notice of Potential Liability of Costs being registered against seven properties with successful recovery of monies due from one property following sale.

Almost a quarter of formally factored properties have opted to pay by monthly direct debit.

ACHA continues to arrange maintenance in shared blocks, following on agreement with owners, where damage affects our tenants, is a health and safety issue or causes damage or further destruction to the building.

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

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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.

Performance Monitoring

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

An independent Tenant Satisfaction Survey was undertaken during February 2014. An action plan has been developed following the results of this survey to increase satisfaction levels across all areas of service delivery. Ongoing satisfaction surveys are also undertaken on other aspects of our services, such as Travelling Persons, New Tenants and Repair Satisfaction. Consultation has also taken place with formally factored owners to assess service delivery. A report on the consultation will be presented to our Board of Management along with an action plan based on comments received.

Repairs and Maintenance

In April 2013 our subsidiary company AHFA took over our day to day repairs and maintenance service. We also took the opportunity to review our Repairs and Maintenance Policy which came 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. Performance and satisfaction levels for day to day repairs over the last two years are as follows:

Repairs category	Completed within target		Target
	2013/14	2014/15	
Emergency	97% (4,675/4,821)	99% (5,079/5,101)	99%
Urgent (5 days)	95% (4,499/4,729)	97% (4,158/4,271)	98%
Routine (20 days)	96% (6,323/6,597)	97% (6,549/6,768)	98%
Qualifying repairs	98% (2,112/2,156)	99% (1,708/1,725)	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 98% of respondents confirming that they were happy with our repairs service.

Contractor performance is monitored by senior staff on a monthly basis and quarterly by the Board of Management.

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

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- 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.

Tenant Involvement

We encourage and support our service users to get involved with ACHA in a variety of ways. Our Board of Management and our 4 Local Area Committees are part of our governing body and members are from the local community. We support 2 registered Tenant & Resident Groups along with the Tenants Panel, who meet on a regular basis to discuss local and wider area issues. We also have a Tenants Consultation Register which is made up from volunteers who wish to be involved in our policy review processes. The "Your Voice" Panel was formed in response to the requirements of the Scottish Social Housing Charter. It involves service users scrutinising our performance and making contributions to the on-going continued improvement of ACHA. Despite an initial lack of interest, ACHA now have a group of interested people on this Panel.

Travelling Persons

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

- Ledaig, Oban
- Dunchoigan, 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. Where possible, we will pre-allocate these properties in order to reduce the length of time they are empty. ACHA have a number of properties which are classed as low demand, specifically on the Isle of Bute and in Campbeltown and therefore, have been unable to relet these properties within normal timescales. Low Demand initiatives such as moving in packages and a cash incentive scheme have been introduced to tackle the issue of low demand. Where it is appropriate, refurbishment, remodelling and demolition will also be considered. ACHA had a void rent loss figure of £656k or 3.5% of all rental income and service charges, including travelling person's pitches, garages and garage sites for the year.

Welfare Rights Service

During 2014/15 we were able to continue to provide a dedicated Welfare Rights service through the success of our 2013 Big Lottery funding application. The grant of £297k in total enabled us to extend the project until April 2015. In the past year the funding has been used to provide Welfare rights advice via our own specialised staff but also by Bute Advice Centre. Included in the Lottery grant was partnership funding 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 (DHP) and to give them advice on other options. Our ongoing work with Argyll & Bute Council

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in relation to Welfare Reform and DHP payments has largely mitigated any negative impact of welfare reform for our tenants.

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, and support on corporate affairs and governance within the Group, and to provide advice to the Management Team, Board of Management and sub-committees on these.

AHFA was set up on 1 April 2013 as a separate trading subsidiary to deal with non-charitable activities. HRCS contribute to the Group Structure arrangements, providing services, including payroll, from the parent company, to the subsidiary.

We have developed a Governing Body Succession Strategy which sets out the required process for attracting and recruiting future governing body members, developing the knowledge and experience of existing members and up skilling individuals for the future. An independent review of current governance arrangements is being undertaken to take the business forward.

The Group Board of Management completed a training programme during 2014 including governance matters training, housing management, performance standards and the Charter, legal obligations and internal audit procedures. Further training including financial management and appraisal are scheduled. Board members are currently trialling the use of IT.

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. Cloud based solutions have been implemented, and we will shortly be moving to payroll web. Pension auto enrolment became effective for ACHA in April 2014, and for AHFA from July 2014 onwards.

Our internal audit regime, undertaken by TIAA, has been running successfully throughout the year.

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.

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 second Annual Return of the Charter has been successfully completed and submitted to the Scottish Housing Regulator within the required timescale. Work will now be taken forwards to develop our second Landlord Report, where we report to Tenants and other service users with relevant performance information, on how we are operating.

Labour turnover is currently 15.1% against a target of 5.0%. Many staff leaving have secured permanent work elsewhere, having been on temporary contracts with ACHA, due to an impending restructure, which is now being implemented. The Group encourages all leavers to complete an exit survey.

Sickness absence rates are above target this year at 5.1 % 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, and further work is being carried out in respect of long term sickness cases, on a case management basis, as it is a few cases of long term absence that are causing the current issues.

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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 effectively completed during the 2014/15 period. These contracts delivered the key features of the SHQS up to March 2015. A new panel of contractors was established in February 2015 to undertake future packages of work for internal and external upgrades to maintain the SHQS and to deliver the new Energy Efficiency Standard for Social Housing

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

Investment programme	Planned	Outturn	Percentage
No of kitchen/bathrooms completions – Elements	110	174	158%
No of window/door completions – Elements	383	261	68%
No of heating/rewire completions – Elements	930	684	74%
No of roof/roughcast completions – Elements	735	342	47%
No. of energy efficiency upgrades - Elements	250	120	48%

The total number of elements required for completion this year of all types was 2408, ACHA delivered 1581 elements equating to 66% of the targeted objective. The planned targets expenditure was 71% against budget forecast overall.

During the year, ACHA recognised that there would be a reduced programme of 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 100% at 31st March 2015 against the agreed transfer target of 89%. However there are 27% of properties with elements that are exempt or in abeyance. 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 98% of the targets.

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	12	12	100 %
Completions	70	50	71%

There were site starts during the period at;

- Inveraray (12)

Completions were achieved during the period at:

- Bonawe (2)
- Glenshellach (40)
- Oakhill Tarbert (8)

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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 related asset strategies and drawn down all the available grant that was provided by the Scottish Government through the 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. These range from ensuring the availability of IT networks, systems and services to legal and insurance services to managing financial transactions such as creditors payments, debtors income and rent accounting to managing budgets, arranging finance and statutory accounts.

ACHA had previously agreed a loan facility of up to £3 million for new stock development with Argyll and Bute Council and £2.3m had been drawn down in 2013/14 leaving a balance of £0.7m available. This was utilised in 2014/15 as part of the funding for new developments at Duchess Court, Helensburgh and at Bonawe in the Lorn area.

No new loans were drawn down from the facilities in place with Lloyds Banking Group during 2014/15 and no further interest rate fixes were agreed during the year.

A review of ACHA's loan facilities and options for future financing was undertaken during 2014/15. The outcome of this was to continue the current arrangements with Lloyds Banking Group but restated to provide a separate £10m loan facility for new development repayable in 2025 within the overall loan facility of £60 million which is repayable in 2036. The 30 year business plan was reviewed and updated as part of this development to demonstrate the viability and sustainability of ACHA in the long term.

Compliance with financial and non financial covenants agreed as part of loan facilities are monitored during the year. ACHA did not breach any financial or non-financial covenants with its lender during the year.

The security valuation provided by Jones Lang La Salle for the housing stock in March 2015 identifies that there is sufficient security at market value to support current and projected future borrowing as all housing stock is valued at £89.8 million based on existing use value in social housing.

The Finance and IT Department oversees the development and monitoring of the ACHA and AHFA budgets. Management accounts were prepared and reviewed monthly throughout the year. The budget for 2015/16 was approved by the ACHA Board on 12th February 2015.

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 any surplus funds were put on short term deposit with our bankers Lloyds Banking Group.

ACHA paid a total of 5,201 invoices during the year (2013/14: 6,454) with the average days to pay at 23 days (2013/14: 20 days) which is within the target set of 28 days.

A total of 2,202 sundry debtor invoices were issued during the year. Sundry debts written off during the year amounted to £8k. The amount of sundry debt outstanding at the 31st March 2015 was £1.46 million.

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.

Total rental income due for the year amounted to £18.7 million. Void rent loss during the year amounted to £656k. Rent arrears written off amounted to £69k, which included £56k of prescribed debt (debt greater than 5 years old and not legally recoverable). Rent arrears at 31st March 2015 were £1.31 million. The majority of rent paid by

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tenants was by direct debit and standing order £3.98 million (43%) and allpay cards £3.33 million (37%). Other payments were made by credit and debit card £1.24 million (14%) with other payment methods such as internet making up the remainder.

Application for Right to Buy resulted in 24 properties being sold during 2014/15. This compared to 22 sales in 2013/14. A total of 59 applications were received during the year compared to 61 in 2013/14. This number continues to be consistent with recent years which we believe 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 as 95% of any receipts from disposal are transferred to Argyll and Bute Council and remitted to the Scottish Government. Right to buy will come to an end on 31st July 2016.

Arrangements to allow tenants access to home contents insurance are provided by ACHA. This service was tendered during the year with Thistle Insurance Services Ltd being the new insurer from 1st April 2015. The number of tenants taking up this service dropped from 727 at 1st April 2014 to 695 at 31st March 2015, with 50 cancellations and 82 new policies taken out during this period. Analysis suggests that this is primarily because of cancellations due to tenancies ending at 34% of all cancellations, arrears at 20% of all cancellations, deceased at 29% of all cancellations and price at 9% of all cancellations.

Finance and IT manage both ACHA and AHFAs insurance cover. Sufficient insurance cover was in place throughout the year. In addition to annual renewal ACHA's insurance services were subject to competitive tendering and Zurich Municipal were appointed as our insurers for a further 3 year period from 1st April 2015.

ACHA and AHFA secure professional legal advice on a contract basis. The contract for legal services was re-tendered during 2014/15 and Brechin Tindal Oatts were re-appointed as legal advisors for a further period of 3 years.

The IT section ensures the availability and functionality of IT support and services necessary to support service delivery. This includes managing the contract for IT infrastructure with Argyll and Bute Council and internally the provision of desk top support and system support and development. The contract for the provision of IT infrastructure was reviewed during the year and a decision taken to bring these service in-house. Arrangements are now being made for the provision of a Wide Area Network (WAN) and IT services and storage services to ensure these are in place when the current contract ends in November 2015.

The IT section implemented a number of new software applications during the year. These included the support improvements in service delivery and efficiency was developed and this will take a number of years to implement.

Argyll Homes For All Limited (AHFA)

The 2014/15 financial year was the second trading year for AHFA, the subsidiary company developed by ACHA to carry out reactive repairs and certain elements of cyclical maintenance on its 5,136 properties. During this period AHFA carried out over 25,000 jobs throughout Argyll and Bute. Work is predominately undertaken by AHFA's directly employed operatives who are strategically placed and trained to deal with the volumes and types of work anticipated. 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 included;

- Term Maintenance & Repair.
- Solid Fuel Maintenance and Servicing.
- Gutter Cleaning.
- Gas Servicing & Maintenance.
- Electrical Periodic Inspections.
- Fire Alarm Service and Testing.

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

- Private owners in accommodation with aspects common to ACHA properties such as closes, external envelopes and roofs.

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- Insurance works instructed by ACHA.
- Work undertaken for ACHA out with the agreed scope of works.
- Former tenant repairs.
- Aids and adaptation work to properties.

Overall the service provided is regarded as good, this is borne out by the customer satisfaction surveys carried out by ACHA, feedback received from tenants and Key Performance Indicators. 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. TIAA, an independent internal auditor with significant experience in the Social Housing sector were also appointed to carry out a number of internal audits across the business during the year and found no major areas of concern.

The trade 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 and when necessary. These operatives are recognisable, not only by the vehicles with company livery, but by their branded uniforms and personal identification badges which promote a tidy and professional image. During the year AHFA embarked on a training regime which saw the following delivered;

- Internal Toolbox talks.
- External Training provided by industry specialists and colleges.
- Self-attained Safety Training Modules.

As well as covering safety the programme aimed to enhance the skills of our trade operatives which would allow them to undertake a wider range of duties in future. Multi-skilling our operatives is seen as fundamental in delivering a cost effective and efficient service moving forward.

With over thirty mobile trade staff to account for safety is obviously of paramount importance. To reflect this AHFA have a dedicated Safety & Plant Manager to ensure that we comply with current legislation and operate in a safe environment. Lone working procedures are in place to protect our staff as well as vehicle tracking which provides reports on driving behaviour covering the 350,000 miles travelled by the company's vehicles in the year.

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

They provide a local technically capable resource to engage with the client and offer managerial support to the operatives in each of the areas. There are two key administrative 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 aspects. The company's Managing Director and Operations Manager are based in Oban and Helensburgh respectively.

AHFA continued to bed in its works management software during the year which is central to processing and providing visibility on the considerable activity associated with over 25,000 jobs. Unfortunately the planned completion of e-trading and management reports elements were not delivered as planned during the year due to technical and resource difficulties experienced. Work to conclude these elements has been prioritised for early in the next financial year. Data handling by the incumbent mobile provider Vodafone was deemed unsatisfactory. As a result the business took a decision to migrate this service to another provider, EE. Initial indications point to a welcome improvement in this specific area. One of the many advantages of the system is the 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. This includes many forms associated with the cyclical works such as gas inspections.

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During the course of the year the operatives have gained experience and greater confidence in the use of the works management software and routinely process various types of job information on their pda's which eliminates the requirement to report to depots or stores on a daily basis.

AHFA entered into a material supply agreement with a national supplier in order to maximise efficiencies after a competitive tendering exercise had been concluded. In time the arrangement will enable AHFA to link the bulk of their material purchases, vehicle stock and invoicing via the enterprise works management system to the supplier's material management systems. This is expected to enhance the accuracy of information, reducing errors and administrative tasks.

Financial performance in the year was below budget for a variety of reasons. This included increased subcontractor costs due to significant operative absence during the year. To address this greater scrutiny and a more robust approach to managing absence is being adopted. Additionally work is on-going with ACHA to look at specific areas of demand which result in work being assigned to sub-contractors rather than being tackled 'in-house'. The main areas of potential are welder / blacksmith orientated works together with a review of void processes which see the business required to complete void works at short notice and within a six day period. In overall terms the financial performance during the two years of the business' life has exceeded expectations and include a £233k Gift Aid payment to the parent company as a result of profits generated in year one. There are however significant on-going challenges in the coming year as income is again squeezed and further savings are required.

Additional management reports under development will allow AHFA to start mapping trends and enable it to focus on particular areas in an effort to reduce spend and operating costs. To supplement known income opportunities for additional revenue are constantly sought with regular Aids and Adaptation work being undertaken during the year. ACHA were also awarded the contract to test and inspect ACHA's Fire Alarm systems after a successful tendering process.

Financial Review - Income & Expenditure

Income

ACHA's general needs rental income charged at £17.7 million for the year was as the original budget forecast. Rental income from sheltered housing stock was also as the budget forecast for 2014/15 at £0.65 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 has implemented a number of strategies during the 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 marginally ahead of the budget 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 £539k 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 £302k and received grant contributions 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. Included within this expenditure and income is a significant amount of private owner major work that was undertaken during 2014/15, mainly in relation to roof and roughcast work. Other activities include the receipt of the gift aid payment from our subsidiary and the costs of corporate insurance premiums which are excluded from management costs to be consistent with prior years.

Business Plan Support Grant from Scottish Ministers of £9 million was again received during the year which 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 £3.4 million in Housing Association Grant for new stock development relating to its development sites in the financial year, in addition to £1.2 million of Strategic Housing Fund grant which has been

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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 £908k, which was consistent with the original budget forecast. Of this £539k was expended during 2014/15 and the balance of £369k is being held as grant in advance.

Expenditure

The reported management costs for the year were under budget. The gross management cost per unit for 2014/15 is £1,137, which is an increase on the prior year figure of £1,046 per unit.

Reactive maintenance costs are marginally greater than the budget forecast, however this is offset by additional income in relation to this expenditure. Expenditure was greater than the prior year at £2.7 million. The reactive repairs average repair cost per unit was £526 this year against the previous year which was £439 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 2015/16.

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 and the provisioning of sundry debts was consistent with the prior year figure.

Total expenditure for the year was therefore substantially lower than planned for the year, mainly in relation to the position reported on major repairs.

The operating surplus differed significantly to the forecast as a result of the major repairs expenditure differences but was £4.6 million.

ACHA made gains on sale from right to buy sales at £148k 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 £25k 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 £1.63 million, was lower than forecast.

ACHA continued to have fixed debt of £30.9 million during the year, the Argyll and Bute Council Loan of £3 million is fixed and amortises over its 25 year life, with a further £3.95 million which was held on LIBOR borrowing terms.

The office loan was created as fixed rate debt of £750k, now £569k, which is amortising across its 15 year term. As a result ACHA's actual borrowing of £34.82 million at year end was 89% fixed and the remaining 11% being variable. This will continue to be reviewed in line with the organisations Treasury Management strategy and in line with future Business Plan requirements.

The net surplus for the year was £2.7 million. This further reduced to a surplus of £76k 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 £53.7 million to £60.1 million net of accumulated depreciation.

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

For the year ended 31st March 2015

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.

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 £1.9 million which has decreased year on year.

The cash balance was significant at the year-end at £8.2 million. The primary reason for such large cash balances at year end is because expenditure on major repair work during the year was significantly less than initially forecast.

ACHA has experienced an increase in creditors as against the prior year of £2.2 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 once all SHQS work is completed and major repairs works to which the grant and expenditure is attributed. A further £536k relates to deferred income for private owner major works where income is received in advance of the work being undertaken.

Long term borrowing has increased marginally from £37.12 million to £37.68 million during the year due to draw down of loans from Argyll & Bute Council.

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 £15.7 million with pension adjustments reducing the net reserves to £8.9 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 2015/16 onwards. This includes specific funding to continue to develop new housing stock from 2018 to 2022.

ACHA has implemented the 2015/16 rent increase. The actual rent increase for 2015/16 was RPI + 1% (2.6%)

Right To Buy (RTB) will end for all council and housing association tenants in Scotland as a result of the Housing (Scotland) Bill which was passed by the Scottish Parliament on 25th June 2014 and became an Act when it received Royal Assent on 1st August 2014. RTB will end on 31st July 2016. This means that tenants with a right to buy that they are allowed to use will have until that date to do so. This may result in an increase in applications during the coming year. ACHA support this change which will result in the association being able to retain its housing stock.

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. A further 160 units over a period 2018 to 2022 is also built into the latest business plan.

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

For the year ended 31st March 2015

ACHA continues to work in close partnership with 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 continues to utilise the model of the trading subsidiary partner AHFA, which takes advantage of VAT Group benefits.

In addition, ACHA has considered during the 2014/15 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. These projects are part of the approved IT strategy and a number of key projects will be implemented during the 2015/16 financial year and the following years. This is closely linked to the service delivery expectations of our tenants, continuing to look to improve on tenant satisfaction and ensuring that ACHA supports its employees to continue to deliver excellent services.

At its February 2015 meeting the Board of Management approved a proposal to bring all IT service provision in-house to allow ACHA greater control and flexibility over the service. This project will be delivered during the 2015/16 financial year.

ACHA continues to develop and seek 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 (FRS102) which will change some of the reporting requirements from the 2015/16 financial year. Finance staff are developing the systems, procedures and processes as well as organising training for the staff and the Board to enable full compliance.

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 late in the 2015/16 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 2015

Although most of the SHQS work was completed by the end of March 2015 there are a number of exemptions and abeyances that ACHA will continue to try and deliver through the coming year. ACHA is also mindful of the introduction the Energy Efficiency Standards in Social Housing (EESH). ACHA's Investment and Regeneration have reviewed this requirement and presented a paper to the Board of Management during 2014/15 which estimates the cost of delivering this work at approximately £18 million.

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. Negotiations with Lloyds Banking Group took place during 2014/15 with a view to ensuring this funding package could meet the future needs of the organisation. This has resulted in a restructuring of part of the loan facility which has been included in the latest approved business plan.

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 2015

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;
- regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through 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 2015 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 publication "Our Regulatory Framework" and associated Regulatory Advisory Notes..

By order of the Board of Management


Michael Brown
Chairman

Date: 13th August 2015

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 our audit of the financial statements, we have reviewed the Board of Management's statement on page 27 concerning the Association's compliance with the information required by the Regulatory Standards for systemically important RSL's in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

We carried out our review having regard to the requirements to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for non-compliance.

Opinion

In our opinion the statement on internal financial control on page 27 has provided the disclosures required by the relevant Regulatory Standards for systemically important RSLs within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes, issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Through enquiry of certain members of the Board of Management and Officers of the Association and examination of relevant documents, we have satisfied ourselves that the Board of Management's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by the relevant Regulatory Standards for systemically important RSLs in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issues by the Scottish Housing Regulator in respect of internal financial controls.



Haines Watts
1st Floor, 24 Blythswood Square
Glasgow
G2 4BG

Date:

14/8/2015

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 2015 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 7, 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 2015 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.

Haines Watts

Haines Watts
1st Floor, 24 Blythswood Square
Glasgow
G2 4BG

Date: 14/8/2015

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

For the year ended 31st March 2015

	<i>Note</i>	2015 £000	2014 £000
Turnover	2	19,865	19,269
Operating costs	2	<u>(15,817)</u>	<u>(14,371)</u>
Operating Surplus	8	4,048	4,898
Surplus on disposal of housing fixed assets	12	148	119
Interest receivable	9	116	12
Interest payable	10	<u>(1,631)</u>	<u>(1,548)</u>
Surplus on ordinary activities before Taxation		2,681	3,481
Taxation on ordinary activities	11	<u>12</u>	<u>(12)</u>
Surplus charged against balance brought forward		<u>2,693</u>	<u>3,469</u>

All figures relate to continuing operations.

STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS

	<i>Note</i>	2015 £000	2014 £000
Surplus for the year		2,693	3,469
Actuarial (loss) on pension scheme	30	<u>(2,617)</u>	<u>(696)</u>
Total recognised surplus for the year	21	<u>76</u>	<u>2,773</u>

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

COMPANY INCOME AND EXPENDITURE ACCOUNT

As at 31st March 2015

	<i>Note</i>	2015 £000	2014 £000
Turnover	2	20,076	19,714
Operating costs	2	<u>(15,799)</u>	<u>(14,875)</u>
Operating Surplus	8	4,277	4,839
Surplus on disposal of housing fixed assets	12	148	119
Interest receivable	9	107	12
Interest payable	10	<u>(1,624)</u>	<u>(1,545)</u>
Surplus on ordinary activities before Taxation		2,908	3,425
Taxation on ordinary activities	11	<u>-</u>	<u>-</u>
Surplus charged against balance brought forward		<u>2,908</u>	<u>3,425</u>

All figures relate to continuing operations.

STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS

	<i>Note</i>	2015 £000	2014 £000
Surplus for the year		2,908	3,425
Actuarial (loss) on pension scheme	30	<u>(2,251)</u>	<u>(627)</u>
Total recognised surplus for the year	21	<u>657</u>	<u>2,798</u>

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

As at 31st March 2015

	<i>Note</i>	2015 £000	2014 £000
Tangible fixed assets			
Housing properties – gross cost less depreciation	12	130,645	115,354
Less Housing Association Grant	12	(20,623)	(17,234)
Less Other Grant	12	(51,664)	(45,401)
Other Fixed Assets	13	1,747	997
		<u>60,105</u>	<u>53,716</u>
Current assets			
Stock and work in progress	15	18	25
Debtors	16	1,913	2,264
Cash at bank and in hand	17	8,171	8,398
		<u>10,102</u>	<u>10,687</u>
Creditors: amounts falling due within one year	18	<u>(16,775)</u>	<u>(14,527)</u>
Net current (liabilities)		<u>(6,673)</u>	<u>(3,840)</u>
Total assets less current liabilities		53,432	49,876
Creditors amounts falling due after one year	19	(37,680)	(37,124)
Provisions for liabilities and charges: Deferred tax	11	<u>-</u>	<u>(12)</u>
Net assets before pension deficit		15,752	12,740
Pension deficit	30	(6,849)	(3,915)
Net Surplus after pension deficit		<u>8,903</u>	<u>8,825</u>
Capital and reserves			
Share capital	20	-	-
Revenue reserves	21	15,736	12,727
Pension reserve	23	(6,849)	(3,915)
Designated reserves	22	16	13
		<u>8,903</u>	<u>8,825</u>
Surplus in shareholders' funds	21	<u>8,903</u>	<u>8,825</u>

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

COMPANY BALANCE SHEET

As at 31st March 2015

	<i>Note</i>	2015 £000	2014 £000
Tangible fixed assets			
Housing properties – gross cost less depreciation	12	130,645	115,354
Less Housing Association Grant	12	(20,623)	(17,234)
Less Other Grant	12	(51,664)	(45,401)
Other Fixed Assets	13	1,600	795
		<u>59,958</u>	<u>53,514</u>
Current assets			
Stock and work in progress	15	-	-
Debtors	16	2,871	2,726
Cash at bank and in hand	17	7,624	8,103
		<u>10,495</u>	<u>10,829</u>
Creditors: amounts falling due within one year	18	<u>(16,928)</u>	<u>(14,557)</u>
Net current (liabilities)		<u>(6,433)</u>	<u>(3,728)</u>
Total assets less current liabilities		53,525	49,786
Creditors amounts falling due after one year	19	(37,680)	(37,124)
Provisions for liabilities and charges: Deferred tax	11	-	-
Net assets before pension deficit		15,845	12,662
Pension deficit	23	(6,066)	(3,544)
Net Surplus after pension deficit		<u>9,779</u>	<u>9,118</u>
Capital and reserves			
Share capital	20	-	-
Revenue reserves	21	15,829	12,649
Pension reserve	23	(6,066)	(3,544)
Designated reserves	22	16	13
Surplus in shareholders' funds	21	<u>9,779</u>	<u>9,118</u>

These financial statements were approved by the Board of Management on 13th August 2015 and authorised for issue and signed on their behalf by:

Chairman of the Board of Management

Michael Brown



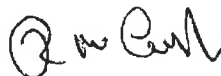
Board member

James Milne



Secretary

Roddy McCuish



ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March 2015

	<i>Notes</i>	2015		2014
		£000	£000	£000
Cash inflow from operating activities	25		11,241	11,627
Returns on investments and servicing of finance				
Interest received	9	25		12
Interest paid	10	(1,631)		(1,548)
Net cash (outflow) from returns on investments and servicing of finance			(1,606)	(1,536)
Capital expenditure and financial investment				
Acquisition and construction of properties	12	(17,567)		(17,558)
Purchase of other fixed assets	13	(889)		(244)
Capital grants received	12	9,850		10,098
Sales of housing properties		115		119
Net cash (outflow) from capital expenditure and investing activities			(8,491)	(7,585)
Net cash inflow/(outflow) before use of liquid resources and financing			1,144	2,506
Financing				
Loan advances received		670		4,305
Loan advances repaid		(2,041)		(38)
Net cash (outflow)/inflow from financing	26		(1,371)	4,267
Increase/(Decrease) in cash in the year	27		(227)	6,773

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2015

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 million which when adjusted for disposals, interest receivable and payable resulted in a surplus of £2.7 million prior to the adjustment of the pension reserve giving a net surplus of £76k. At the balance sheet date ACHA had a surplus of assets of £8.9 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 £61.8 million at this time (£59.4 million to Lloyds Banking Group and £2.4m in relation to Argyll and Bute Council loans). ACHA's loan asset security ratio requirement is 105%. The most recent security valuation as at March 2015 values ACHA's housing assets at £89.8 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 2015. 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 2014 to 31st March 2015. 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.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2015

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.

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.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2015

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.

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. Any unspent 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;

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2015

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

The SPF made an actuarial loss for the year ended 31st March 2015 of £2.6 million. 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 £2.9 million 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 £17k 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 2015

2. Particulars of turnover, operating costs and operating deficit

	GROUP			
	Turnover	Operating Costs	Operating Surplus / (Deficit) to 31st March 2015	Operating Surplus / (Deficit) to 31st March 2014
	£000	£000	£000	£000
Social Lettings <i>(Note 3)</i>	18,099	(13,654)	4,445	5,640
Other Activities <i>(Note 4)</i>	1,766	(2,163)	(397)	(741)
	<u>19,865</u>	<u>(15,817)</u>	<u>4,048</u>	<u>4,899</u>
Total for year to 31 st March 2014	<u>19,269</u>	<u>(14,371)</u>	<u>4,898</u>	

	COMPANY			
	Turnover	Operating Costs	Operating Surplus / (Deficit) to 31st March 2015	Operating Surplus / (Deficit) to 31st March 2014
	£000	£000	£000	£000
Social Lettings <i>(Note 3)</i>	18,099	(13,425)	4,674	5,354
Other Activities <i>(Note 4)</i>	1,977	(2,374)	(397)	(515)
	<u>20,076</u>	<u>(15,799)</u>	<u>4,277</u>	<u>4,839</u>
Total for year to 31 st March 2014	<u>19,714</u>	<u>(14,875)</u>	<u>4,839</u>	

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2015

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	17,685	650	18,335	17,498
Rent from garages	21		21	26
Rent from travelling people sites	65		65	66
Service charges	40	256	296	274
Gross income from rents and service charges	17,811	906	18,717	17,864
Less voids	(651)	(5)	(656)	(592)
Net income from rents and service charges	17,160	901	18,061	17,272
Grants from the Scottish Ministers				-
Other revenue grants	38	-	38	62
Total turnover from social letting activities	17,198	901	18,099	17,334
Management and maintenance administration costs	5,508	331	5,839	5,349
Planned and cyclical maintenance including major repairs costs	2,740	-	2,740	2,176
Reactive maintenance costs	2,701	-	2,701	2,243
Bad debts – rents and service charges	233	-	233	189
Depreciation of social housing	2,141	-	2,141	1,737
Operating costs for social letting activities	13,323	331	13,654	11,694
Operating surplus for social lettings	3,875	570	4,445	5,640
Operating surplus for social lettings for previous period of account	5,101	539	5,640	

Average weekly rents, based on a 52 week rent year, at the end of the period were £70.18

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 2015

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 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	-	157	-	157	-	(189)	(32)	(164)
Related Assets	539	-	-	539	-	(539)	-	-
Aids and Adaptations	320	-	-	320	-	(302)	18	(4)
Tenant and Owner Recharges	-	-	328	328	(230)	(333)	(235)	(385)
Contents Insurance	-	-	62	62	-	(51)	11	11
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)	-	-	360	360	-	(519)	(159)	(200)
Total from other activities	859	157	750	1,766	(230)	(1,933)	(397)	(515)
Total from other activities for previous period of account	1,409	11	515	1,935	(421)	(2,225)	(741)	

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2015

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
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	-	157	-	157	-	(189)	(32)	(164)
Related Assets	539	-	-	539	-	(539)	-	-
Aids and Adaptations	320	-	-	320	-	(302)	18	(4)
Tenant and Owner Recharges	-	-	328	328	(230)	(333)	(235)	(385)
Contents Insurance	-	-	62	62	-	(51)	11	11
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)	-	-	571	571	-	(730)	(159)	27
Total from other activities	859	157	961	1,977	(230)	(2,144)	(397)	(515)
Total from other activities for previous period of account	1,409	11	960	2,380	(422)	(2,743)	(515)	

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2015

5. Housing stock

	Units under development		Units under management	
	2015	2014	2015	2014
Housing accommodation for letting:				
General Needs	52	90	4,935	4,912
Sheltered housing	-	-	201	201
	<u>52</u>	<u>90</u>	<u>5,136</u>	<u>5,113</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.

	2015 £000	2014 £000
Total emoluments payable to directors and benefits in kind	384	315
Pension contributions	65	54
	<u>449</u>	<u>369</u>
Emoluments payable to the highest paid director (excluding pension contributions)	<u>89</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 £15,265 (2014: £14,346).

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

	2015	2014
More than £60,000 but not more than £70,000	2	4
More than £70,000 but not more than £80,000	3	-
More than £80,000 but not more than £90,000	-	-
More than £90,000 but not more than £100,000	-	1
More than £100,000 but not more than £110,000	1	-

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2015

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	
	2015	2014
Housing & Neighbourhood Services	86	92
Finance & IT	15	15
Human Resources & Corporate Services	12	14
Investment & Regeneration	20	23
Argyll Homes For All	50	47
	<u>183</u>	<u>191</u>

The aggregate payroll costs of these persons were as follows:

	2015	2014
	£000	£000
Wages and salaries	4,581	4,414
Social security costs	360	349
Other pension costs	584	553
	<u>5,525</u>	<u>5,316</u>

During the year 70% of investment staff costs were capitalised amounting to £602k (2014 – 74% or £649k)

8. Operating surplus on ordinary activities - Group

	2015	2014
	£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	21
Other services from bodies related to Haines Watts	2	2
Operating lease rentals:		
Buildings	312	305
Other	112	117
Depreciation	<u>2,208</u>	<u>1,823</u>

Operating surplus on ordinary activities - Company

	2015	2014
	£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)	16	15
Other services from bodies related to Haines Watts	1	1
Operating lease rentals:		
Buildings	312	305
Other	-	(1)
Depreciation	<u>2,141</u>	<u>1,823</u>

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2015

9. Interest receivable - Group

	2015	2014
	£000	£000
Bank interest receivable	25	12
Interest on pension fund <i>(Note 30)</i>	91	-
	<u>116</u>	<u>12</u>

Interest receivable - Company

	2015	2014
	£000	£000
Bank interest receivable	25	12
Interest on pension fund <i>(Note 30)</i>	82	-
	<u>107</u>	<u>12</u>

10. Interest payable - Group

	2015	2014
	£000	£000
On bank loans	1,631	1,508
Interest on pension fund <i>(Note 30)</i>	-	40
	<u>1,631</u>	<u>1,548</u>

Interest payable - Company

	2015	2014
	£000	£000
On bank loans	1,624	1,508
Interest on pension fund <i>(Note 30)</i>	-	37
	<u>1,624</u>	<u>1,545</u>

11. Taxation

Due to ACHA's charitable status, no tax liability arose in the year to 31st March 2015 (2014: Nil).

AHFA is liable for UK Corporation Tax on its retained profits after charitable donation to its parent which amounted to £nil in the year (2014: £nil). In the current year there was a tax credit of £12k (2014: £12k charge) in respect of deferred tax, which arose due to timing differences between AHFA's taxable and accounting profits.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2015

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

	Housing properties held for letting £000	Housing properties in course of construction £000	Total 2015 £000	Total 2014 £000
<i>Cost</i>				
At start of year	116,932	5,296	122,228	104,835
Additions during year new build	1,938	4,777	6,715	5,518
Additions during year existing properties	10,852	-	10,852	12,040
Transfers	3,930	(3,930)	-	-
Disposals	(205)	-	(205)	(165)
At end of year	<u>133,447</u>	<u>6,143</u>	<u>139,590</u>	<u>122,228</u>
<i>Depreciation</i>				
At start of year	(6,874)	-	(6,874)	(5,136)
Charge during year	(2,111)	-	(2,111)	(1,762)
Disposals	40	-	40	24
At end of year	<u>(8,945)</u>	<u>-</u>	<u>(8,945)</u>	<u>(6,874)</u>
<i>Housing association grant</i>				
At start of year	(14,563)	(2,671)	(17,234)	(15,278)
Additions during year	(733)	(2,656)	(3,389)	(1,956)
Transfers	(1,863)	1,863	-	-
At end of year	<u>(17,159)</u>	<u>(3,464)</u>	<u>(20,623)</u>	<u>(17,234)</u>
<i>Other grant</i>				
At start of year	(44,418)	(983)	(45,401)	(37,411)
Additions during year	(5,607)	(854)	(6,461)	(8,143)
Transfers	(983)	983	-	-
Disposals	198	-	198	153
At end of year	<u>(50,810)</u>	<u>(854)</u>	<u>(51,664)</u>	<u>(45,401)</u>
Net book value				
At end of year	<u>56,533</u>	<u>1,825</u>	<u>58,358</u>	<u>52,718</u>
At end of year 2014	<u>51,077</u>	<u>1,641</u>	<u>52,718</u>	

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

During the year 24 properties have been sold under Right to Buy resulting in a gain on sale of £148k (2014 - £119k). 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 £3.43 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 86 properties which were unencumbered. No interest was capitalised on housing properties at 31st March 2015 (2014 £Nil).

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2015

During the year 70% of investment staff costs were capitalised amounting to £602k (2014 – 74% or £649k)

13. Tangible fixed assets – other - Group

	Computer hardware & software £000	Offices £000	Bute stores £000	Furniture £000	Total non housing £000
<i>Cost</i>					
At start of year	1,220	715	21	14	1,970
Additions during year	39	831	-	19	889
Disposals	(16)	-	-	-	(16)
At end of year	<u>1,243</u>	<u>1,546</u>	<u>21</u>	<u>33</u>	<u>2,843</u>
<i>Depreciation</i>					
At start of year	(885)	(73)	(2)	(14)	(974)
Provided during year	(123)	(15)	-	-	(138)
Disposals	16	-	-	-	16
At end of year	<u>(992)</u>	<u>(88)</u>	<u>(2)</u>	<u>(14)</u>	<u>(1,096)</u>
<i>Net book value</i>					
At 31 March 2015	<u>251</u>	<u>1,458</u>	<u>19</u>	<u>19</u>	<u>1,747</u>
At 31 March 2014	<u>337</u>	<u>641</u>	<u>19</u>	<u>-</u>	<u>997</u>

Tangible fixed assets – other - Company

	Computer hardware & software £000	Offices £000	Bute stores £000	Furniture £000	Total non housing £000
<i>Cost</i>					
At start of year	1,018	715	21	14	1,768
Additions during year	26	831	-	19	876
Disposals	(16)	-	-	-	(16)
At end of year	<u>1,028</u>	<u>1,546</u>	<u>21</u>	<u>33</u>	<u>2,628</u>
<i>Depreciation</i>					
At start of year	(885)	(73)	(2)	(14)	(974)
Provided during year	(55)	(15)	-	-	(70)
Disposals	16	-	-	-	16
At end of year	<u>(924)</u>	<u>(88)</u>	<u>(2)</u>	<u>(14)</u>	<u>(1,028)</u>
<i>Net book value</i>					
At 31 March 2015	<u>104</u>	<u>1,458</u>	<u>19</u>	<u>19</u>	<u>1,600</u>
At 31 March 2014	<u>135</u>	<u>641</u>	<u>19</u>	<u>-</u>	<u>795</u>

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

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For the year ended 31st March 2015

14. Investments		Group			Company	
		2015	2014		2015	2014
		£000	£000		£000	£000
Investment in Subsidiary Companies		-	-		-	-
		<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 2015 was that of property maintenance. As at 31st March 2015 the capital and reserves of AHFA were £(873)k (2014: £293k) with a loss for the year of £214k (2014: £46k profit after gift aid and taxation)

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

Class of shares:	% holding
Ordinary	100.00
	2015
	2014
	£'000
	£'000
Aggregate capital and reserves	(873)
(Loss)/profit for the year	(214)
	293
	46

15. Stocks and work in progress		Group			Company	
		2015	2014		2015	2014
		£000	£000		£000	£000
Stock		18	25		-	-
		<u>18</u>	<u>25</u>		<u>-</u>	<u>-</u>

During the year £3k of obsolete stock was disposed of.

16. Debtors		Group			Company	
		2015	2014		2015	2014
		£000	£000		£000	£000
Rental debtors		1,324	1,192		1,324	1,192
Less bad debt provision		(973)	(808)		(973)	(808)
		<u>351</u>	<u>384</u>		<u>351</u>	<u>384</u>
Prepayments and accrued income		353	457		552	461
Housing Association Grant receivable		411	655		411	655
Other debtors		2,222	2,202		2,756	2,435
Less bad debt provision		(1,424)	(1,434)		(1,424)	(1,434)
Long Term Debtor – Subsidiary Loan		-	-		225	225
		<u>1,913</u>	<u>2,264</u>		<u>2,871</u>	<u>2,726</u>

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

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For the year ended 31st March 2015

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

	Debtor £000	Provided £000	2015 Net Debtor £000
Due from current tenants	539	(188)	351
Due from former tenants	785	(785)	-
	<u>1,324</u>	<u>(973)</u>	<u>351</u>

Rental Bad debts of £69k were written off during the period (2014: £14k). Rental Bad debts provided for in the year were £164k (2014 £175k)

Sundry debts of £8k were written off during the period (2014: £23k) Sundry debtors provided for in the year were £221k (2014 £399k).

AHFA had no debts written off during the year.

17. Cash at bank and in hand	Group		Company	
	2015 £000	2014 £000	2015 £000	2014 £000
Bank	8,170	8,397	7,623	8,102
Cash	1	1	1	1
	<u>8,171</u>	<u>8,398</u>	<u>7,624</u>	<u>8,103</u>

18. Creditors: amounts falling due within one year	Group		Company	
	2015 £000	2014 £000	2015 £000	2014 £000
Loans (secured)	113	2,041	113	2,041
Trade creditors	2,458	3,400	2,685	3,459
Housing Association Grant in advance	1	1	1	1
Other grants in advance	11,468	7,218	11,468	7,218
Other creditors	451	393	445	391
Accruals and deferred income	2,284	1,474	2,216	1,447
	<u>16,775</u>	<u>14,527</u>	<u>16,928</u>	<u>14,557</u>

19. Creditors: amounts falling due after one year	Group		Company	
	2015 £000	2014 £000	2015 £000	2014 £000
Loan (secured)	<u>37,680</u>	<u>37,124</u>	<u>37,680</u>	<u>37,124</u>

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2015

The overall weighted average cost of funds for current borrowing is 4.26%.

An office development loan of £569k 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	43
Due between 1 and 2 years	45
Due between 2 and 5 years	154
Over 5 years	327
	<u>569</u>

A loan with Argyll and Bute Council through the Strategic Housing Fund for £3 million was agreed and drawn down during 2013/14 and 2014/15. This is a capital and interest repayment loan and is repayable by 2040. The repayment profile is shown below:

	Glenshellach £000	Bonawe £000	Helensburgh £000	Total £000
Due within one year	54	3	13	70
Due between 1 and 2 years	56	3	14	73
Due between 2 and 5 years	185	10	47	242
Over 5 years	1,959	106	525	2,590
	<u>2,254</u>	<u>122</u>	<u>599</u>	<u>2,975</u>

The remainder of loans drawn, amounting to £34.8 million are repayable by bullet repayment. 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)	End date	Rate %
Tranche A	£3,000	29/03/2018	1.825
Tranche B	£3,000	29/03/2018	1.555
Tranche B	£5,000	31/03/2020	5.622
Tranche D	£5,000	30/09/2021	5.505
Tranche B	£2,000	31/03/2023	5.652
Tranche D	£2,300	31/03/2023	4.365
Tranche B	£10,000	30/03/2029	5.342
Tranche C	£569	11/03/2025	5.955
Total	<u>£30,869</u>		

The weighted average interest rate for all fixed rate loans is 4.66%. Loans amounting to £3.95 million are LIBOR based variable loans with a current weighted average interest rate of 1.17%.

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 2015

20. Share capital

Shares of £1 each fully paid	2015	2014
	£	£
At 1 st April 2014	284	290
Issued in year	13	13
Cancelled in year	(22)	(19)
At 31 st March 2015	<u>275</u>	<u>284</u>

Shares issued were in respect of new members of ACHA.

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

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

21. Reconciliation of movements in shareholders' funds

Group	Revenue Reserve	Pension reserve	Share Capital	Total shareholders funds
	£000	£000	£000	£000
Balance at 1 April 2014	12,726	(3,915)	-	8,811
Pension adjustment AHFA	-	-	-	-
Accumulated surplus for year	76	-	-	76
Transfer from pension reserve	2,934	(2,934)	-	-
Balance at 31 March 2015	<u>15,736</u>	<u>(6,849)</u>	<u>-</u>	<u>8,887</u>

Company	Revenue Reserve	Pension reserve	Share Capital	Total shareholders funds
	£000	£000	£000	£000
Balance at 1 April 2014	12,650	(3,544)	-	9,106
Pension adjustment AHFA	-	-	-	-
Accumulated surplus for year	657	-	-	657
Transfer from pension reserve	2,522	(2,522)	-	-
Balance at 31 March 2015	<u>15,829</u>	<u>(6,066)</u>	<u>-</u>	<u>9,763</u>

22. Designated reserves

At 31st March 2015 a transfer to a designated reserve was made to take account of grant funding from the Big Lottery Fund received during 2014/15 in relation to debt advice. An agreement is in place with the Big Lottery Fund where funding can be used up to 30th April 2015. This £16k will be fully expended by this date.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2015

	Group		Company	
	2015 £000	2014 £000	2015 £000	2014 £000
At 1 st April 2014	13	-	13	-
Transfer from revenue reserves	3	13	3	13
Reserve at 31 st March 2015	<u>16</u>	<u>13</u>	<u>16</u>	<u>13</u>

23. Pension reserve	Group		Company	
	2015 £000	2014 £000	2015 £000	2014 £000
At 1 st April 2014	(3,915)	(2,978)	(3,544)	(2,708)
Transfer from revenue reserves	(2,934)	(937)	(2,522)	(836)
Reserve at 31 st March 2015	<u>(6,849)</u>	<u>(3,915)</u>	<u>(6,066)</u>	<u>(3,544)</u>

Note 30

24. Commitments – Group and Company

(a) Capital commitments authorised and contracted for at 31st March 2015 amounted to:

Within one year	£000
Investment programme	9,894
Regeneration	2,002
Related Assets	166
IT Project	<u>8</u>
	12,070

Within two to five years	£000
Investment programme	58
Regeneration	127
Related Assets	<u>2</u>
	187

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2015

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

	2015		2014	
	Land and Buildings £000	Other £000	Land and Buildings £000	Other £000
Operating leases which expire:				
Within one year	260	120	309	116
Within two to five years inclusive	-	125	-	238
Over five years	-	-	-	-

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

	2015	2014
	£000	£000
Operating surplus/deficit	4,048	4,898
Adjustments:		
Depreciation on non-housing fixed assets	138	86
Depreciation on housing fixed assets	2,111	1,762
Movement in working capital:		
Non cash adjustment in pension fund	410	241
Decrease/ (Increase) in stock	7	(8)
Decrease/(Increase) in debtors	351	(31)
Increase / (Decrease) in creditors	4,176	4,679
Cash inflow from operating activities	11,241	11,628

26. Analysis of changes in net debt - Group

	At 31 st March 2014 £000	Cash flows £000	At 31 st March 2015 £000
Cash in hand, at bank	8,398	(227)	8,171
Debt due within one year	(2,041)	1,928	(113)
Debt due in more than one year	(37,124)	(556)	(37,680)
Total	(30,767)	1,145	(29,622)

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2015

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

	2015	2014
	£000	£000
Increase / (Decrease) in cash in the period	(227)	6,774
Cash (inflow) from debt financing	(670)	(4,305)
Cash outflow from debt financing	<u>2,042</u>	<u>38</u>
Change in debt resulting from cash flows	1,145	2,507
Net debt at beginning of period	<u>(30,767)</u>	<u>(33,274)</u>
Net debt at end of period	<u>(29,622)</u>	<u>(30,767)</u>

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 2015 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 2015 the number of active members was 143, with 30 deferred pensioners and 27 pensioners. The total pensionable payroll at the balance sheet date was £3.7 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 2015/16 is £712k

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
	2015	2014	2013
	% p.a.	% p.a.	% p.a.
Price increases	2.4%	2.8%	2.8%
Salary scale increases per annum	4.3%	5.1%	5.1%
Expected Return on Assets	3.2%	6.0%	5.2%
Discount rate	3.2%	4.3%	4.5%

Under the 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.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2015

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

	Long Term return at 31 st March 2015	Assets at 31 st March 2015 £000	Long Term return at 31 st March 2014	Assets at 31 st March 2014 £000	Long Term return at 31 st March 2013	Assets at 31 st March 2013 £000
Equities	3.2%	14,352	6.6%	11,737	5.7%	10,484
Bonds	3.2%	2,487	3.7%	1,853	3.4%	1,931
Property	3.2%	2,105	4.8%	1,081	3.9%	966
Cash	3.2%	191	3.7%	772	3.0%	414
Total		19,135		15,443		13,795

	31 st March 2015 £000	31 st March 2014 £000	31 st March 2013 £000
Net Pension assets as at			
Estimated employer assets	19,135	15,443	13,795
Present value of scheme liabilities	25,984	19,358	16,773
Present value of unfunded liabilities	-	-	-
Total value of liabilities	25,984	19,358	16,773
Pension (deficit)	(6,849)	(3,915)	(2,978)
Less provision against pension asset not realisable	-	-	-
Net pension (liability)	(6,849)	(3,915)	(2,978)

Analysis of the amount charged to operating profit/loss

	Period to 31 st March 2015 £000	Period to 31 st March 2015 % of Payroll	Period to 31 st March 2014 £000	Period to 31 st March 2014 % of Payroll
Service cost	1,073	28.6%	808	25.7%
Past service costs	15	-	-	-
Total operating charge	1,088	28.6%	808	25.7%

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2015

Analysis of the amount received/(charged) as interest

	Period to 31st March 2015 £000	Period to 31st March 2015 % of Payroll	Period to 31st March 2014 £000	Period to 31st March 2014 % of Payroll
Expected return on employer assets	947	25.2%	735	23.4%
Interest on pension scheme liabilities	<u>(856)</u>	<u>(22.8%)</u>	<u>(775)</u>	<u>(24.7%)</u>
Net Return	<u>91</u>	<u>2.4%</u>	<u>(40)</u>	<u>(1.3%)</u>
Net revenue account cost	<u>997</u>	<u>26.6%</u>	<u>848</u>	<u>27%</u>

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

	Period to 31st March 2015 £000	Period to 31st March 2014 £000	Period to 31st March 2013 £000	Period to 31st March 2012 £000
Actual return less expected return on pension scheme assets	2,037	217	1,060	(974)
Experience gains and losses arising on the scheme liabilities	(729)	2	6	889
Changes in financial assumptions underlying the present value of the scheme liabilities	<u>(3,925)</u>	<u>(915)</u>	<u>(2,265)</u>	<u>(511)</u>
Actuarial gain (loss)	<u>(2,617)</u>	<u>(696)</u>	<u>(1,199)</u>	<u>(596)</u>
Release/(provision) for pension asset not realisable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(2,617)</u>	<u>(696)</u>	<u>(1,199)</u>	<u>(596)</u>

Movement in deficit during the period

	Period to 31st March 2015 £000	Period to 31st March 2014 £000
(Deficit) at beginning of year	(3,915)	(2,978)
Current service cost	(1,073)	(808)
Employer contributions	680	607
Past service costs	(15)	-
Net return on assets	91	(40)
Actuarial gain/(loss)	<u>(2,617)</u>	<u>(696)</u>
(Deficit) at end of the year	<u>(6,849)</u>	<u>(3,915)</u>

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2015

History of experience - gains and losses

	Period to 31st March 2015 £000	Period to 31st March 2014 £000	Period to 31st March 2013 £000	Period to 31st March 2012 £000
Difference between the expected and actual return on assets	2,037	217	1,060	(974)
Value of assets	19,135	15,443	13,795	11,504
Percentage of assets	10.6%	1.4%	7.7%	8.46%
Experience losses on liabilities	(729)	2	6	889
Present value of liabilities	25,984	19,358	16,773	13,279
Percentage of the present value of liabilities	(2.8%)	0.0%	0.0%	6.69%
Actuarial gains recognised in STRGL	(2,617)	(696)	(1,199)	(596)
Present value of liabilities	25,984	19,358	16,773	13,279
Percentage of the present value of liabilities	(10.1%)	3.6%	7.1%	4.49%

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 £534k which related to a balance of support service charges and assigned staff costs due to ACHA. An inter-company loan was also advanced as per the loan agreement and at the balance sheet date the loan outstanding was £225k.

Eleven members of the Board of Management were also tenants during the year. Five members of the Board of Management were Argyll and Bute Council Councillors during the year. 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 Capita 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 £1.58 million to the Council for services relating to service level agreements, premises leases, IT service charges, loan repayments, building warrants, environmental and other services received during the period.

Included in the above amount ACHA paid to the Council £445k during the period in respect of Right to Buy sales for the financial period 2013/14 and £157k in relation to the three Strategic Housing Fund (SHF) loans.

During the period ACHA received from the Council £8.99 million in housing benefit payments and homelessness leases of £49k. ACHA also received £1.2 million of SHF grant income during the period. There was also a drawdown of £726k of SHF loan funding from the Council in respect of new development.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2015

At the period end there was a creditor of £574k outstanding in respect of Right to Buy receipts for the financial period 2014/15 and creditors totalling £126k outstanding to the Council.