

**ARGYLL COMMUNITY HOUSING  
ASSOCIATION LIMITED AND  
SUBSIDIARIES**



**Report of the Board of Management and  
Financial Statements  
for the year ended  
31<sup>st</sup> March 2016**

**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 31<sup>st</sup> March 2016

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# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS

For the year ended 31<sup>st</sup> March 2016

### The Board of Management

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

| <b>Board of Management Members</b> |   | <b>Appointed</b>                | <b>Resigned</b>                 |
|------------------------------------|---|---------------------------------|---------------------------------|
| Michael Brown                      | Chair (to 17 <sup>th</sup> September 2015)  | 23 <sup>rd</sup> September 2010 | 17 <sup>th</sup> February 2016  |
| James Milne                        | Chair (from 17 <sup>th</sup> September 2015)<br>Vice Chair (to 17 <sup>th</sup> September 2015) | 14 <sup>th</sup> June 2012      |                                 |
| Archie Blair                       |   | 14 <sup>th</sup> June 2012      | 7 <sup>th</sup> May 2015        |
| Andrew Birnie                      |   | 10 <sup>th</sup> July 2014      | 7 <sup>th</sup> September 2015  |
| Colin Davidson                     |   | 14 <sup>th</sup> August 2014    | 20 <sup>th</sup> July 2016      |
| Stafford Day                       |   | 25 <sup>th</sup> October 2012   |                                 |
| Lorraine-Anne Drysdale             |   | 9 <sup>th</sup> September 2010  |                                 |
| Cameron Grant                      |   | 19 <sup>th</sup> November 2013  |                                 |
| Alexander Glazsher                 |   | 31 <sup>st</sup> March 2016     |                                 |
| Daniel Kelly                       |   | 5 <sup>th</sup> December 2013   |                                 |
| Mary MacAulay                      |   | 17 <sup>th</sup> September 2015 | 26 <sup>th</sup> November 2015  |
| Neil MacKay                        |   | 17 <sup>th</sup> September 2015 |                                 |
| Robert Munro                       |   | 31 <sup>st</sup> March 2016     |                                 |
| John Muir                          |   | 18 <sup>th</sup> September 2014 |                                 |
| Douglas Prophet                    |   | 19 <sup>th</sup> September 2013 |                                 |
| Michael Roberts                    |   | 13 <sup>th</sup> November 2014  | 19 <sup>th</sup> June 2015      |
| Catherine Winton                   |   | 21 <sup>st</sup> September 2011 | 17 <sup>th</sup> September 2015 |

### Councillors:

|                  |           |                                |                              |
|------------------|-----------|--------------------------------|------------------------------|
| Roddy McCuish    | Secretary | 11 <sup>th</sup> April 2013    |                              |
| Bruce Marshall   |           | 12 <sup>th</sup> July 2012     |                              |
| Donald MacMillan |           | 14 <sup>th</sup> November 2013 |                              |
| Sandy Taylor     |           | 14 <sup>th</sup> November 2013 | 18 <sup>th</sup> August 2016 |
| Richard Trail    |           | 14 <sup>th</sup> 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     |
| Bruce West         | Director of Finance and IT                         |

**ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES**

**BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS**

**For the year ended 31<sup>st</sup> March 2016**

**Registered Office:**                   **Menzies House  
Glenshellach Business Park  
Oban  
PA34 4RY**

**Auditors:**                           **Haines Watts  
1<sup>st</sup> 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 Park  
Aerodrome Road  
Gosport  
Hampshire  
PO13 0FQ**

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## STRATEGIC REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31<sup>st</sup> March 2016

### ABOUT ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED GROUP

The Board of Management present their report and audited financial statements for the year ended 31<sup>st</sup> March 2016.

Argyll Community Housing Association Limited (ACHA) was incorporated on 27<sup>th</sup> May 2005. ACHA is a not-for-profit organisation. It was registered with the Scottish Housing Regulator as a Registered Social Landlord (RSL) No. 360 on 21<sup>st</sup> November 2006. It is constituted as an Industrial and Provident Society incorporated under the Co-operative and Community Benefit Societies Act 2014 (Registered Number 2661R(S)). ACHA was registered as a charity with the Office of the Scottish Charity Regulator on 4<sup>th</sup> November 2011, registered No. SC042713,

Argyll Homes For All Limited (AHFA) is a wholly owned subsidiary of ACHA incorporated on 27<sup>th</sup> January 2012. It is a trading company limited by shares and registered with Companies House under the Companies Act 2006, number SC415603.

These accounts represent the financial period 1<sup>st</sup> April 2015 to 31<sup>st</sup> March 2016.

### PRINCIPAL ACTIVITIES

ACHA's principal activity is to provide and manage quality affordable housing accommodation for people in housing need across the Argyll and Bute region. ACHA received 5,398 homes from Argyll and Bute Council as a result of the whole stock transfer on 21<sup>st</sup> November 2006 and now has 5,155 homes as a result of both right to buy sales and new development. 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.

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 it also seeks 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. 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-focused.

AHFA's principal activity is property repairs and maintenance.

### GOVERNANCE AND DECISION MAKING

ACHA's organisational structure consists of a voluntary Board of Management supported by a senior management team.

The Board of Management which has places for members as follows:

Ten Tenants

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## STRATEGIC REPORT OF THE BOARD OF MANAGEMENT

**For the year ended 31<sup>st</sup> March 2016**

Five Council nominees  
Five Independent Members

During the year the Board of Management had six leavers and recruited four new members. At the year end, 31<sup>st</sup> March 2016 there were four tenant vacancies on the Board of Management of ACHA.

The senior management team comprises the Chief Executive and each of the directors heading the 4 functional departments of Housing and Neighbourhood Services, Investment and Regeneration Services, Human Resources & 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 and has delegated powers to these. 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 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. ACHA also has a Health and Safety Committee in recognition of the key strategic importance of health and safety compliance.

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

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

During the year the Bute and Cowal Area Committee was disbanded due to insufficient interest from members to sustain the Area Committee in accordance with the Rules. This took place in January 2016.

ACHA commissioned an external review of its governance arrangements during 2015/16. The review confirmed ACHA met the regulatory standards for governance and identified a number of areas where there was scope for improvement. An action plan has been agreed and is now being progressed to deliver these improvements.

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

### **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. 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.

The Group Board of Management completed a training programme during 2015 including appraisal awareness/Belbin exercise, financial management, internal audit procedures, legal obligations, mentoring, power up your audit committee, and rules and associated documents. Further training including chairing skills, confidence and effective questioning, performance standards, performance management, strategic development, development of new housing, remuneration, health and safety and code of conduct are scheduled. Board members currently have the facility of trialling the use of IT.

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## STRATEGIC REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31<sup>st</sup> March 2016

### 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. Our internal audit regime, undertaken by TIAA, has been running successfully throughout the year. The internal audit service completed their review of all planned work during the period amounting to 10 individual pieces of completed work totalling 24 days. The outcomes of the internal audit reviews were considered by officers and reported to the Finance and Audit Committee of the Group. During the year reviews of processes and procedures were conducted in relation to payroll arrangements, insurance, risk registers, performance monitoring, asset management, ICT procurement, strategic control, void management, allocations and lettings, and rent setting and collection. The Group has addressed all findings in the reports.

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

The Scottish Housing Regulator 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.

### HEALTH AND SAFETY

An annual audit of Health & Safety Management systems is 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.

### STAFF

ACHA employed 177 full time equivalent staff during 2015/16 compared to 183 full time equivalent staff during 2014/15. This is a decrease of 6 full time equivalent staff and is a result of the final elements of staff restructuring which commenced during the previous financial year.

A housing management staff restructure was successfully implemented during 2015. Some voluntary early retirements and redeployment assisted the restructure process, and avoided any enforced redundancies.

Staff turnover is currently 14.2% against a target of 5.0%. ACHA encourages all leavers to complete an exit survey.

Sickness absence rates have improved from 5.1 % during 2014/15 to 3.04% during 2015/16 against a target of 3.0%, Senior management review absence levels, costs and causes regularly. Attendance management trigger points are used to deal with short term persistent absence cases, and work is being carried out in respect of long term sickness cases, on a case management basis.

ACHA is continuing to develop its online 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. We have now moved to payroll web which is a cloud based payroll solution. Pension auto enrolment is fully operating.

### OBJECTIVES, OPERATIONS AND PERFORMANCE

#### Performance Management

The Board of Management undertook a Strategic Planning exercise 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 which set out ACHA's objectives for 2015/16.

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## STRATEGIC REPORT OF THE BOARD OF MANAGEMENT

### For the year ended 31<sup>st</sup> March 2016

ACHA 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 third 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 third Landlord Report, where we report to Tenants and other service users with relevant performance information, on how we are operating.

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. On-going 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.

### 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 3 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. The Your Voice Panel have undertaken a review of our void (empty house) procedures and will submit their findings and recommendation to the Board of Management.

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
- Factoring
- Sheltered Housing
- Tenant Participation Strategy
- Anti-Social Behaviour
- Repairs satisfaction
- Travelling Persons
- Tenant Satisfaction Survey

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.

### Housing 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 (West Highland Housing Association, Dunbritton Housing Association and Fyne Homes).

During the year ACHA let 509 properties to applicants from our waiting lists.



# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## STRATEGIC REPORT OF THE BOARD OF MANAGEMENT

**For the year ended 31<sup>st</sup> March 2016**

Applicants who wish to be rehoused can now apply for housing online. Applicants can access the online application from the ACHA or HOME Argyll websites, 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. In the last year 29 tenants were able to "swap" houses via the mutual exchange scheme.

During the year ACHA had 453 and a further 27 lets to Sheltered Housing. These 480 properties were let to the following waiting list categories:

|                       |     |       |
|-----------------------|-----|-------|
| Statutory Homeless    | 107 | (22%) |
| Direct Waiting List   | 263 | (55%) |
| Transfer Waiting List | 110 | (23%) |

As at 31<sup>st</sup> March 2016 the common housing register HOMEArgyll had 3,360 applicants on its list.

### **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, with 84.77% of our tenants satisfied with the management of the area they live in.

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 193 such reports which resulted in 6 evictions for anti-social behaviour taking place.

### **Factoring and Private Owners**

ACHA has increased the number of properties factored during the last year and now manages a total of 84 blocks. These blocks contain ACHA tenants and private owners with a total of 263 private owners who are part of the formalised factoring arrangement. ACHA have been appointed as property managers by way of a vote in terms of the Tenements (Scotland) Act 2004.

All new formally factored properties are issued with Statements of Service specific to their block, along with any new owners within the blocks. This is a legislative requirement to comply with the terms of the Code of Conduct detailed in the Property Factors (Scotland) Act 2011.

The annual Factoring Satisfaction Survey took place with owners in October/November 2015 and has demonstrated a substantial improvement in service delivery. The feedback enables ACHA to consider owners views and assess the level of service delivered. The information allows specific aspects of the service to be reviewed and, where required, targeted for improvement.

The Survey Report is available to all customers through ACHA's website, local offices and is referred to in the Factored Owners Newsletter which will be issued to all owners. The Newsletter also contains information on the service, changes, action that has been taken or details of where we are unable to make changes. A number of new services are being introduced following feedback and details are provided in the Newsletter.

ACHA continues to arrange maintenance and repair to shared blocks that have not entered into a formalised factoring agreement. This is where any damage of work to buildings could affect our tenants, is a health and safety issue, or causes damage or further destruction to shared buildings. All private properties received Statements of Services specific to their blocks detailing the service provided and these continue to be issued to new owners as and when ACHA becomes aware of properties changing hands.

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## STRATEGIC REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31<sup>st</sup> March 2016

### 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.

### Welfare Rights Service

During 2015/16 ACHA were able to continue to provide a dedicated Welfare Rights service through the success of our People and Communities Fund grant award. The grant of £196k enabled us to extend the project until March 2016. In the past year the funding has been used to provide Welfare rights advice via our own specialised staff and 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”. Our on-going work with Argyll & Bute Council in relation to Welfare Reform and DHP payments has largely mitigated any negative impact of welfare reform for our tenants.

## HOUSING STOCK AND ASSETS

### Housing Stock

At the start of the financial year, 1<sup>st</sup> April 2015 ACHA owned 5,136 homes. As a result of the right to buy ACHA sold 23 homes and developed 42 new homes during the year. At the financial year end 31<sup>st</sup> March 2016 ACHA therefore owned 5,155 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. 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 31<sup>st</sup> 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 31<sup>st</sup> July 2016.

The housing stock at 31<sup>st</sup> March 2016 is broken down by type as follows:

| <u>Rentable Stock</u> | <u>2016</u>  | <u>2015</u>  |
|-----------------------|--------------|--------------|
| General Needs Houses  | 4,954        | 4,935        |
| Sheltered Housing     | 201          | 201          |
|                       | <u>5,155</u> | <u>5,136</u> |

The housing stock at 31<sup>st</sup> March 2016 is broken down by geographical area as follows:

| <u>Houses</u>          | <u>2016</u> | <u>2015</u> |
|------------------------|-------------|-------------|
| Bute                   | 499         | 503         |
| Cowal                  | 917         | 918         |
| Helensburgh and Lomond | 997         | 992         |
| Islay                  | 355         | 336         |

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## STRATEGIC REPORT OF THE BOARD OF MANAGEMENT

### For the year ended 31<sup>st</sup> March 2016

|                    |              |              |
|--------------------|--------------|--------------|
| Kintyre            | 849          | 853          |
| Lorn and the Isles | 941          | 938          |
| Mid Argyll         | 597          | 596          |
|                    | <u>5,155</u> | <u>5,136</u> |

### Sheltered Housing

ACHA has 201 Sheltered Houses spread across 11 complexes:

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

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

### Mid-Market Rents

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

### Garages and Garage Sites

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>2016</u> | <u>2015</u> |
|-----------------------|-------------|-------------|
| Garages               | 17          | 18          |
| Garage sites          | 128         | 131         |
|                       | <u>145</u>  | <u>149</u>  |

### Travelling People Sites

ACHA owns and operates three sites for Gypsy/Travellers offering 30 pitches. There are sites at:

| <u>Travelling People sites</u> | <u>2016</u> | <u>2015</u> |
|--------------------------------|-------------|-------------|
| Dunoon, Torlochan              | 8           | 8           |
| Lochgilthead, Duncholgan       | 14          | 14          |
| Oban, Ledaig                   | 8           | 8           |
|                                | <u>30</u>   | <u>30</u>   |

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## STRATEGIC REPORT OF THE BOARD OF MANAGEMENT

### For the year ended 31<sup>st</sup> March 2016

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. The new Standard for Travelling Person Sites, introduced by Scottish Government, has been under review in 2015/16 in consultation with our tenants.

#### Non Rentable Stock

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

| <u>Non-Rentable Stock</u> | <u>2016</u> | <u>2015</u> |
|---------------------------|-------------|-------------|
| Play areas                | 30          | 30          |
| Private water supplies    | 12          | 12          |
| Private sewage systems    | 43          | 43          |
| Offices                   | 5           | 4           |
|                           | <u>90</u>   | <u>89</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 at Menzies House in Oban, its office in Ardrishaig at 63-65 Chalmers Street and its new office at Lamont House in Helensburgh. A conversion of former houses to a new office in Rothesay is almost complete and will be operational in early 2016/17. 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.

#### Maintaining Our Houses

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 revenue within the comprehensive Income Statement. 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 Statement of Financial Position in accordance with the 2014 SORP and the requirements for component accounting.

From 1<sup>st</sup> April 2013 our subsidiary company, Argyll Homes For All Limited (AHFA) took over our day to day repairs and maintenance service and the contract has been running successfully for three years. During the year internal reorganisation led to the Repairs Team moving from Housing and Neighbourhood Services to our Investment and Regeneration Department.

| Repairs category   | Completed within target | Target |
|--------------------|-------------------------|--------|
| Emergency          | 99% (2,222/2,245)       | 99%    |
| Urgent (5 days)    | 96% (3,859/4,000)       | 96%    |
| Routine (20 days)  | 96% (7,458/7,812)       | 96%    |
| Qualifying repairs | 99% (2,341/2,350)       | 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 99% of respondents confirming that they were happy with our repairs service.

ACHA also undertakes 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 gas safety maintenance and certification takes place as required under our statutory obligations as does maintenance of solid fuel heating systems. The expenditure against the related budget is 92% of the target with reductions in the use of contingency monies in the grounds maintenance contract and fewer solid fuel appliances to maintain.

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## STRATEGIC REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31<sup>st</sup> March 2016

### Investing to Improve the Housing Stock

ACHA has progressed delivering its main programme of works to bring houses up to the Scottish Housing Quality Standard (SHQS) by 2015 as per commitments at the time of stock transfer. A panel of contractors on a framework undertake the main elemental renewal contracts for windows and doors, heating and rewire, kitchens and bathrooms and energy efficiency upgrades. All large scale work is subject to mini tenders to the framework contractors.

ACHA has delivered the following elements of work during 2015/16:

| Investment programme                           | Planned | Outturn | Percentage |
|--|---------|---------|------------|
| No of kitchen/bathrooms completions – Elements | 90      | 58      | 64%        |
| No of window/door completions – Elements       | 771     | 241     | 31%        |
| No of heating/rewire completions – Elements    | 145     | 138     | 95%        |
| No of roof/roughcast completions – Elements    | 643     | 678     | 105%       |
| No. of energy efficiency upgrades - Elements   | 182     | 116     | 64%        |

The total number of elements required for completion this year of all types was 1,831, ACHA delivered 1,231 elements equating to 67% of the targeted objective. The planned target expenditure was 93% against budget forecast overall.

ACHA has met the Scottish Housing Quality Standard but there are individual exemptions and abeyances on criteria on 23% of our property, a reduction 5% since March 2015. The exemptions and abeyances relate to a small number of tenant refusals, common works where our neighbouring owners do not wish to participate in an upgrade, in particular the upgrading of common doors, and exemptions related to the energy efficiency rating.

### Developing New Housing Stock

Regeneration or new stock development activity has been significant this year as evidenced by the following analysis:

| Regeneration | Planned<br>(units) | Outturn<br>(units) | Percentage |
|--------------|--------------------|--------------------|------------|
| Site Starts  | 44                 | 44                 | 100%       |
| Completions  | 42                 | 42                 | 100%       |

There were site starts during the period at;

|              |          |
|--------------|----------|
| Bowmore Ph2  | 10 units |
| Tayvallich   | 2 units  |
| Connel Ph2   | 10 units |
| Glenshellach | 17 units |
| Dunoon       | 5 units  |

Completions were achieved during the period at;

|             |          |
|-------------|----------|
| Helensburgh | 12 units |
| Bowmore     | 20 units |
| Tayvallich  | 2 units  |
| Connel Ph1  | 8 units  |

Significant work has also been undertaken in evaluating and feasibility assessing sites for development for inclusion ACHAs planned future regeneration programme and in bids for housing association grant.

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## STRATEGIC REPORT OF THE BOARD OF MANAGEMENT

**For the year ended 31<sup>st</sup> March 2016**

### ARGYLL HOMES FOR ALL LIMITED (AHFA)

The 2015/16 financial year was the third trading year for AHFA, a subsidiary company of ACHA developed to carry out reactive repairs and elements of cyclical maintenance on its 5,155 properties.

During this period AHFA carried out over 25,000 jobs throughout Argyll and Bute. Work is predominately undertaken by around 40 operatives directly employed by AHFA 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 this 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.
- Cyclical External Paint Maintenance.
- Mid Market Rental Properties.

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.
- 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 can be regarded as good. This is borne out by the customer satisfaction surveys carried out by ACHA and feedback received from tenants giving an overall satisfaction rating of 99%. Key Performance Indicators also show favourable results with targets times of jobs being completed on time ranging from 94% - 99% depending on the category measured.

There are relatively few material 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 which have a 98% pass rate but also by reports provided by external auditors who monitor the works associated with the gas and solid fuel contracts. TIAA, an independent auditor with significant experience in the Social Housing sector were also appointed to carry out a number of audits across the business during the year.

Our operatives 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 continued 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 training 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 continuing to deliver a cost effective and efficient service.

With close to forty mobile trade staff to account for safety is obviously of paramount importance. To reflect this AHFA continue to develop a Health and Safety Policy which is fit for purpose and deliver regular Toolbox Talks.

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## STRATEGIC REPORT OF THE BOARD OF MANAGEMENT

### For the year ended 31<sup>st</sup> March 2016

One working procedures are in place to protect our staff as well as vehicle tracking which provides real time locations and reports on driving behaviour during the 360,000 miles travelled by the company's vehicles each year.

Managerially there are dedicated Property Managers covering reactive works in each of the following areas:

- Bute and Cowal.
- Lomond.
- Mid Argyll, Kintyre, Lorn and the Isles.

They provide a local technically capable resource to engage with our client and offer managerial support to the operatives in each of the areas. There are two administrative centres which provide the back office functions required. They are located in Oban and Helensburgh.

The works associated with Planned and Preventative Maintenance contracts cover all the aforementioned geographical 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 reported a profit of £2k before taxation for 2015/16 which was an improvement on the financial performance compared to the previous financial year.

Last year saw staff absence as a significant issue which impacted on the financial outcome. Closer monitoring, quicker intervention and a general decrease in detrimental medical conditions saw absence in the year drop by 40%, this undoubtedly led to a decrease in sub-contractor usage and improved the underlying financial position.

## FINANCIAL REVIEW

### Rental Income and Rent Policy

Rent receivable for 2015/16 was £19.4 million compared to £18.7 million in 2014/15. This was an increase of £700k as a result of the annual rent increase and new development stock coming into rental. This was in line with the budget for the year.

ACHA aims to house those in need in affordable rented housing. The objective is to charge affordable rents based on the rents that transferred as at 21<sup>st</sup> November 2006; with future rent increases aiming to be limited to RPI + 1%. ACHA increased rents during the period by 2.6%, being made up of RPI (December 2014 Office of National Statistics) figure of 1.6% with the addition of 1%. The average rent across all stock in the current year rose to £76.52. The 2016/17 financial year rent increase is RPI+1% or 2.2% with December 2015 RPI being 1.2%. A programme of rent harmonisation was also consulted on during 2015/16 and the resulting changes to rents take effect from 1<sup>st</sup> April 2016. Rents will be harmonised based on property size and type with average rent levels increasing by approximately 1.6% in each of the next 3 financial years.

### Rent Arrears and Bad Debt

Rent arrears at 31<sup>st</sup> March 2016 is set out below.

| Rent Arrears    | Amount £'000 | %    | Written Off in Year £'000 |
|-----------------|--------------|------|---------------------------|
| Current Tenants | 478          | 2.47 | 1                         |
| Former Tenants  | 859          | 6.89 | 80                        |
| Total           | 1,337        |      |                           |

The year-end figure of 2.47% against a target of 2.5% is an improvement on previous years. The figure of 2.47% is calculated by taking the current tenant arrears at the year end of £478k and dividing this by the Gross Rent Charge £19.4 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

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## STRATEGIC REPORT OF THE BOARD OF MANAGEMENT

### For the year ended 31<sup>st</sup> March 2016

ensure that our tenants have applied for and are receiving appropriate and correct income. During the last year we evicted 21 households due to rent arrears. One of those evictions was for both rent arrears and anti-social behaviour.

#### **Voids**

ACHA had a void loss figure of £679k or 3.5% of all rental income and service charges, including travelling person's pitches, garages and garage sites, for the year. This was an increase of £23K (although consistent in % terms at 3.5%) compared to 2014/15 and was £55k in excess of the approved 2015/16 budget.

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 continues to have 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. ACHA has 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 116 properties void. 68 of these properties have been void for over 6 months. ACHA's average time taken to let a property is 84 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 21 days.

#### **Sundry Debt Income and Bad Debts**

A total of £1.06 million of tenant and owner recharges were issued within 2015/16 compared to £328k in 2014/15. This increase was mainly due to the increased level of private owner major works undertaken with £896k of income being attributable to this work. In total the amount of outstanding debt as at 31<sup>st</sup> March 2016 was £1.59 million compared to £1.56 million as at 31<sup>st</sup> March 2015. Bad debts written off during the year amounted to £53k compared to £8k in 2014/15. Sundry debt provided for during 2015/16 amounted to £282k.

#### **Grant Income**

During 2015/16 ACHA received the final instalment of Business Plan Support Grant amounting to £8.9 million which was agreed at stock transfer to support major repairs work on the housing stock to bring them up to the SHQS requirements. Housing Association Grant (HAG) of £2.9 million and Strategic Housing Fund (SHF) grant of £379k was also received to support new build development. A grant of £368k was received relating to expenditure on Related Assets and also £394k on Aids and Adaptions.

#### **Expenditure**

Expenditure on management and administration costs during 2015/16 was £6.1 million compared to £5.9 million in 2014/15. This increase is partly due to pension servicing costs and also increased bank charges relating to commitment fees on a new development loan agreed.

Planned and cyclical maintenance (including major repairs) expenditure in 2015/16 was £1.8 million compared to £2.7 million in 2014/15. This reduction on expenditure was mainly in relation to a reduction on the revenue element of major repairs expenditure.

Reactive maintenance expenditure was £2.3 million compared to £2.7 million in the previous financial year. Again this reduction is in part down to improved financial performance of the subsidiary AHFA as well as fewer special projects undertaken.

Depreciation charged during 2015/16 was £4.75 million compared to £4.23 million in the previous year. This increase will relate to the investment and regeneration expenditure capitalised during the financial year.

#### **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



# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## STRATEGIC REPORT OF THE BOARD OF MANAGEMENT

### For the year ended 31<sup>st</sup> March 2016

2015/16 was 24 days against 23 days for the prior year. For AHFA the average creditor payment period for 2015/16 was 30 days against 31 for the prior year.

#### Assets

Housing properties, net of depreciation, increased from £122.0 million in 2014/15 to £135.9 million in 2015/16, an increase of £13.9 million. This increase includes £6.1 million of new build expenditure and £12.5 million of investment expenditure, with a depreciation charge of £4.4 million during the year. Debtors have reduced by £227k to £1.69 million in 2015/16, mainly in relation to grants receivable at the year end. Cash held at the 31<sup>st</sup> March 2016 was £10.45 million compared to £8.17 million at the previous year end. A large proportion of this cash was used for expenditure relating to 2015/16 that was physically paid during April and May 2016.

#### Liabilities

Creditors due within one year increased from £8.2 million in 2014/15 to £10.5 million in 2015/16, mainly in relation to an increase in the trade creditors balance at the year end. This will relate to the timing of payment of invoices at year end. Creditors due in more than a year increased from £108.0 million to £116.9 million which was due to the grant received during the year relating to capital assets which is classed as deferred income.

#### Borrowing

ACHA has a loan facility of £59.6 million with Lloyds Banking Group. This includes 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 5.955% inclusive of lenders' margin and capitalisation charges. The outstanding balance of this loan as at 31<sup>st</sup> March 2016 is £526k.

ACHA have an agreed loan facility of up to £6 million for new stock development out with Lloyds Banking Group of which £3m has been drawn down with Argyll and Bute Council for 3 specific developments. 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. The loan outstanding as at the balance sheet date was £2.2 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 £119k and £586k respectively.

During the year no additional loan funding was drawn down.

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 £30.83 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

## STRATEGIC REPORT OF THE BOARD OF MANAGEMENT

| Fixed Rate Hedging | For the year ended 31 <sup>st</sup> March 2016 |            |        |
|--------------------|--|------------|--------|
|                    | Value (£000's)                                 | End date   | Rate % |
| Tranche A          | £3,000   | 29/03/2018 | 1.640  |
| Tranche B          | £3,000   | 29/03/2018 | 1.910  |
| Tranche B          | £5,000   | 31/03/2020 | 5.710  |
| Tranche B          | £2,000   | 23/03/2023 | 5.740  |
| Tranche B          | £10,000  | 30/03/2029 | 5.430  |
| Tranche C          | £526   | 11/03/2025 | 5.955  |
| Tranche D          | £5,000   | 30/09/2021 | 5.505  |
| Tranche D          | £2,300   | 31/03/2023 | 4.365  |
| <b>Total</b>       | <b>£30,826</b>                                 |            |        |

During the financial year ACHA paid a total of £1.63m in relation to loan interest.

A requirement of the loan agreement with Lloyds Banking Group is to ensure that sufficient asset cover is in place to meet Covenant compliance. The asset cover required is equal to 105% of the current drawn loans in addition to projected borrowing for the next financial year. Based on the latest stock valuation and estimated borrowing requirements for 2016/17 there is asset cover in place of 242% which is in excess of the cover required.

### Pensions

The actuarial report for the Strathclyde Pension Fund showed a reduction in the pension liability for the ACHA group of £2.15 million, with the net liability at £4.7 million compared to £6.85 million in the previous year.

### Reserves

At the year-end 31<sup>st</sup> March 2016 the revenue reserves balance had moved from a £17.5 million surplus to a surplus of £22.6 million excluding adjustments for the pension reserve. The pension reserve has decreased from £6.85 million to £4.7 million making a net surplus of £17.9 million.

Designated reserves include resources internally generated from operations, which have been set aside to provide for planned cyclical repairs. ACHA currently has no designated reserves. 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.

### 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.

### FUTURE OUTLOOK

ACHA has an exciting yet challenging future but it is well placed to meet these challenges and take advantage of opportunities in terms of its current financial position, business plan projections and agreed loan facilities.

During 2015/16 ACHA renegotiated its loan facilities with Lloyds Banking Group. The revised facility of £59.6 million provides access to funds to support the current business plan, sustain investment in the current housing stock and finance 160 new houses over the period 2018 to 2022.

The energy efficiency standard for social housing will require to be met for all houses by 2020 and whilst a large percentage of ACHA houses already meet the standard it will be a challenge and focus for our investment over the next few years.

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## STRATEGIC REPORT OF THE BOARD OF MANAGEMENT

### For the year ended 31<sup>st</sup> March 2016

The rent restructuring approved in 2015/16 will see an overall uplift of 4.8% in rents over a 3 year period. This should increase income by around £800k per annum going forward and has had a positive impact on the business plan. The full increase should be in place by 2018/19. ACHA is aware of the need to ensure rents remain affordable to tenants and will consider the implications of rent increases in terms of both tenant affordability and business plan viability going forward.

Whilst inflation is currently low ACHA recognises the need to control its costs and the importance of cost control in delivering against the business plan. A budget strategy setting out the approach has been agreed and this sets out the key areas that will be investigated with a view to reducing costs by £500k per annum over the period to 2021/22.

Whilst housing demand overall remains strong there are two pockets of significant long term low demand which are giving rise to significant void rent loss. Additional budget has been provided for 2016/17 and 2017/18 to recognise this and allow time for ACHA to develop actions to address this. This is being approached in terms of housing demand, asset management and financial implications and a report will be produced during 2016/17.

The next few years are likely to see a significant increase in funding to support development of new affordable housing. There will be opportunities for ACHA to play a role in this with potential to develop more than the 160 houses in the current business plan and to do so over an accelerated period. This represents an opportunity to meet housing demand and also to strengthen ACHA's business plan and these will be the key tests for any investment in new housing.

In summary ACHA is in a strong financial position. Looking forward its business plan is viable and robust. Whilst there are challenges to address going forward there are also opportunities and ACHA has set out to address these in a positive manner.

### 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

James Milne  
Chairman



Date: 18<sup>th</sup> August 2016

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## BOARD OF MANAGEMENT'S RESPONSIBILITIES

**For the year ended 31<sup>st</sup> March 2016**

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 2014. 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

James Milne  
Chairman



Date: 18<sup>th</sup> August 2016

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

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

### For the year ended 31<sup>st</sup> March 2016

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 31<sup>st</sup> March 2016 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

James Milne  
Chairman



Date: 18<sup>th</sup> August 2016

**ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES**

**INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED For the year ended 31<sup>st</sup> March 2016**

**Corporate Governance**

In addition to our audit of the financial statements, we have reviewed the Board of Management's statement on page 19 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 19 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 issued by the Scottish Housing Regulator in respect of internal financial controls.



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

Date: 23/3/2016

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED For the year ended 31<sup>st</sup> March 2016

We have audited the group financial statements of Argyll Community Housing Association Limited (ACHA) for the year ended 31<sup>st</sup> March 2016 on pages 22 to 56. 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) including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the association'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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the association's and the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Management; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Board of Management's report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications of our report.

### 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 31<sup>st</sup> March 2016 and of the group's comprehensive income 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 2014.

### 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  
1st Floor, 24 Blythswood Square  
Glasgow  
G2 4BG

Date:

23/8/2016

**ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES**

**GROUP STATEMENT OF COMPPREHENSIVE INCOME**

**For the year ended 31<sup>st</sup> March 2016**

|   | <i>Note</i> | <b>2016</b>                | <b>2015</b>              |
|---|-------------|----------------------------|--------------------------|
|   |             | <b>£000</b>                | <b>Restated</b>          |
|   |             |                            | <b>£000</b>              |
| <b>Turnover</b>                                       | <i>2</i>    | 23,840                     | 22,316                   |
| Operating costs                                       | <i>2</i>    | <u>(17,667)</u>            | <u>(17,926)</u>          |
| <b>Operating Surplus</b>                              | <i>8</i>    | <b>6,173</b>               | <b>4,390</b>             |
| Surplus on disposal of housing fixed assets           | <i>12</i>   | 48                         | 148                      |
| Finance income  | <i>9</i>    | 35                         | 25                       |
| Finance charges                                       | <i>10</i>   | <u>(1,860)</u>             | <u>(1,808)</u>           |
| <b>Surplus on ordinary activities before Taxation</b> |             | <b>4,396</b>               | <b>2,755</b>             |
| Taxation  | <i>11</i>   | <u>-</u>                   | <u>12</u>                |
| <b>Surplus for the year</b>                           |             | <b><u>4,396</u></b>        | <b><u>2,767</u></b>      |
| Actuarial gain/(loss) on pension scheme               | <i>29</i>   | <u>2,900</u>               | <u>(2,349)</u>           |
| <b>Total comprehensive income for the year</b>        | <i>22</i>   | <b><u><u>7,296</u></u></b> | <b><u><u>418</u></u></b> |

All figures relate to continuing operations.



**ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES**

**COMPANY STATEMENT OF COMPREHENSIVE INCOME**

**As at 31<sup>st</sup> March 2016**

|   |             | <b>2016</b>         | <b>2015</b>         |
|---|-------------|---------------------|---------------------|
|   |             | <b>£000</b>         | <b>Restated</b>     |
|   | <i>Note</i> |                     | <b>£000</b>         |
| <b>Turnover</b>                                       | 2           | 24,046              | 22,527              |
| Operating costs                                       | 2           | <u>(17,907)</u>     | <u>(17,897)</u>     |
| <b>Operating Surplus</b>                              | 8           | <b>6,139</b>        | <b>4,630</b>        |
| Surplus on disposal of housing fixed assets           | 12          | 48                  | 148                 |
| Finance income  | 9           | 34                  | 25                  |
| Finance charges                                       | 10          | <u>(1,827)</u>      | <u>(1,784)</u>      |
| <b>Surplus on ordinary activities before Taxation</b> |             | <b>4,394</b>        | <b>3,019</b>        |
| Taxation  | 11          | <u>-</u>            | <u>-</u>            |
| <b>Surplus for the year</b>                           |             | <b><u>4,394</u></b> | <b><u>3,019</u></b> |
| Actuarial gain/(loss) on pension scheme               | 29          | <u>2,585</u>        | <u>(2,009)</u>      |
| <b>Total comprehensive income for the year</b>        | 22          | <b><u>6,979</u></b> | <b><u>1,010</u></b> |

All figures relate to continuing operations.

**ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES**

**GROUP STATEMENT OF FINANCIAL POSITION**

**As at 31<sup>st</sup> March 2016**

|   | <i>Note</i> | <b>2016</b>     | <b>2015</b>              |
|---|-------------|-----------------|--------------------------|
|   |             | <b>£000</b>     | <b>Restated<br/>£000</b> |
| <b>Property, plant &amp; equipment</b>                      |             |                 |                          |
| Housing properties  | <i>12</i>   | 135,895         | 122,043                  |
| Other Fixed Assets  | <i>13</i>   | 1,915           | 1,593                    |
|   |             | <u>137,810</u>  | <u>123,636</u>           |
| <b>Current assets</b>                                       |             |                 |                          |
| Stock and work in progress                                  | <i>15</i>   | 22              | 18                       |
| Debtors   | <i>16</i>   | 1,686           | 1,913                    |
| Cash at bank and in hand                                    | <i>17</i>   | 10,453          | 8,171                    |
|   |             | <u>12,161</u>   | <u>10,102</u>            |
| <b>Creditors: amounts falling due within one year</b>       | <i>18</i>   | <u>(10,423)</u> | <u>(8,202)</u>           |
| <b>Net current assets</b>                                   |             | <u>1,738</u>    | <u>1,900</u>             |
| <b>Total assets less current liabilities</b>                |             | 139,548         | 125,536                  |
| <b>Creditors: amounts falling due after one year</b>        | <i>19</i>   | (116,908)       | (108,043)                |
| <b>Provisions for liabilities and charges: Deferred tax</b> | <i>11</i>   | <u>-</u>        | <u>-</u>                 |
| <b>Net assets before pension deficit</b>                    |             | 22,640          | 17,493                   |
| <b>Pension deficit</b>                                      | <i>29</i>   | (4,700)         | (6,849)                  |
| <b>Net assets after pension deficit</b>                     |             | <u>17,940</u>   | <u>10,644</u>            |
| <b>Capital and reserves</b>                                 |             |                 |                          |
| Share capital   | <i>21</i>   | -               | -                        |
| Revenue Reserves  | <i>22</i>   | 17,940          | 10,644                   |
| <b>Surplus in shareholders' funds</b>                       | <i>22</i>   | <u>17,940</u>   | <u>10,644</u>            |

The comparative figures have been restated to reflect the adoption of the Housing SORP 2014 and FRS 102.

These financial statements were approved by the Board of Management on 18<sup>th</sup> August 2016 and authorised for issue and signed on their behalf by:

Chairman of the Board of Management

James Milne



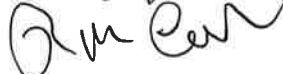
Board member

Lorraine-Anne Drysdale



Secretary

Roddy McCuish



**ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES**

**COMPANY STATEMENT OF FINANCIAL POSITION**

**As at 31<sup>st</sup> March 2016**

|   | <i>Note</i> | <b>2016</b>          | <b>2015</b>              |
|---|-------------|----------------------|--------------------------|
|   |             | <b>£000</b>          | <b>Restated<br/>£000</b> |
| <b>Property, plant &amp; equipment</b>                      |             |                      |                          |
| Housing properties  | <i>12</i>   | 135,895              | 122,043                  |
| Other Fixed Assets  | <i>13</i>   | 1,911                | 1,517                    |
|   |             | <u>137,806</u>       | <u>123,560</u>           |
| <b>Current assets</b>                                       |             |                      |                          |
| Stock and work in progress                                  | <i>15</i>   | -                    | -                        |
| Debtors   | <i>16</i>   | 2,250                | 2,871                    |
| Cash at bank and in hand                                    | <i>17</i>   | 10,259               | 7,624                    |
|   |             | <u>12,509</u>        | <u>10,495</u>            |
| <b>Creditors: amounts falling due within one year</b>       | <i>18</i>   | <u>(10,669)</u>      | <u>(8,333)</u>           |
| <b>Net current assets</b>                                   |             | <u>1,840</u>         | <u>2,162</u>             |
| <b>Total assets less current liabilities</b>                |             | 139,646              | 125,722                  |
| <b>Creditors: amounts falling due after one year</b>        | <i>19</i>   | (116,908)            | (108,043)                |
| <b>Provisions for liabilities and charges: Deferred tax</b> | <i>11</i>   | <u>-</u>             | <u>-</u>                 |
| <b>Net assets before pension deficit</b>                    |             | 22,738               | 17,679                   |
| <b>Pension deficit</b>                                      | <i>29</i>   | (4,146)              | (6,066)                  |
| <b>Net Surplus after pension deficit</b>                    |             | <u><u>18,592</u></u> | <u><u>11,613</u></u>     |
| <b>Capital and reserves</b>                                 |             |                      |                          |
| Share capital   | <i>21</i>   | -                    | -                        |
| Revenue Reserves  | <i>22</i>   | <u>18,592</u>        | <u>11,613</u>            |
| <b>Surplus in shareholders' funds</b>                       | <i>22</i>   | <u><u>18,592</u></u> | <u><u>11,613</u></u>     |

The comparative figures have been restated to reflect the adoption of the Housing SORP 2014 and FRS 102.

These financial statements were approved by the Board of Management on 18<sup>th</sup> August 2016 and authorised for issue and signed on their behalf by:

Chairman of the Board of Management

James Milne



Board member

Lorraine-Anne Drysdale



Secretary

Roddy McCuish

**ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES**

**GROUP STATEMENT OF CHANGES IN EQUITY**

**As at 31<sup>st</sup> March 2016**

|  | Called up<br>Share capital<br>£'000 | Revenue<br>reserve<br>£'000 | Total<br>equity<br>£'000 |
|--|-------------------------------------|-----------------------------|--------------------------|
| <b>Balance at 31 March 2014 – Restated</b> | -                                   | 10,226                      | 10,226                   |
| <b>Changes in equity</b>                   |                                     |                             |                          |
| Total comprehensive income                 | -                                   | 418                         | 418                      |
| <b>Balance at 31 March 2015 - Restated</b> | -                                   | 10,644                      | 10,644                   |
| <b>Changes in equity</b>                   |                                     |                             |                          |
| Total comprehensive income                 | -                                   | 7,296                       | 7,296                    |
| <b>Balance at 31 March 2016</b>            | -                                   | 17,940                      | 17,940                   |

**COMPANY STATEMENT OF CHANGES IN EQUITY**

**As at 31<sup>st</sup> March 2016**

|  | Called up<br>Share capital<br>£'000 | Revenue<br>reserve<br>£'000 | Total<br>equity<br>£'000 |
|--|-------------------------------------|-----------------------------|--------------------------|
| <b>Balance at 31 March 2014 – Restated</b> | -                                   | 10,603                      | 10,603                   |
| <b>Changes in equity</b>                   |                                     |                             |                          |
| Total comprehensive income                 | -                                   | 1,010                       | 1,010                    |
| <b>Balance at 31 March 2015 - Restated</b> | -                                   | 11,613                      | 11,613                   |
| <b>Changes in equity</b>                   |                                     |                             |                          |
| Total comprehensive income                 | -                                   | 6,979                       | 6,979                    |
| <b>Balance at 31 March 2016</b>            | -                                   | 18,592                      | 18,592                   |

**ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED**

**GROUP STATEMENT OF CASH FLOWS**

**For the year ended 31<sup>st</sup> March 2016**

|   | <i>Notes</i> | <b>2016</b> |                | <b>2015</b>     |                |
|---|--------------|-------------|----------------|-----------------|----------------|
|   |              | <b>£000</b> | <b>£000</b>    | <b>Restated</b> |                |
|   |              |             |                | <b>£000</b>     | <b>£000</b>    |
| <b>Cash flows from operating activities</b>               |              |             |                |                 |                |
| Cash generated from operations                            | 24           | 10,977      |                | 7,535           |                |
| Tax paid  |              | -           |                | -               |                |
| <b>Net cash from operating activities</b>                 |              |             | <b>10,977</b>  |                 | <b>7,535</b>   |
| <b>Cash flow from investing activities</b>                |              |             |                |                 |                |
| Improvement of properties                                 | 12           | (12,552)    |                | (10,852)        |                |
| Construction of new properties                            | 12           | (6,081)     |                | (6,715)         |                |
| Purchase of other fixed assets                            | 13           | (673)       |                | (889)           |                |
| Right-to-buy proceeds                                     |              | 152         |                | 137             |                |
| Government grants received                                | 20           | 12,169      |                | 13,533          |                |
| Repayment of proceeds to council                          |              | -           |                | -               |                |
| <b>Net cash flow from investing activities</b>            |              |             | <b>(6,985)</b> |                 | <b>(4,786)</b> |
| <b>Cash flow from financing activities</b>                |              |             |                |                 |                |
| Finance income  | 9            | 35          |                | 26              |                |
| Finance charges   | 10           | (1,632)     |                | (1,631)         |                |
| Bank loans drawn down                                     |              | -           |                | 670             |                |
| Bank loans repaid   | 26           | (113)       |                | (2,041)         |                |
| <b>Net cash flow from financing activities</b>            |              |             | <b>(1,710)</b> |                 | <b>(2,976)</b> |
| <b>Increase/(decrease) in cash and cash equivalents</b>   |              |             | <b>2,282</b>   |                 | <b>(227)</b>   |
| <b>Cash and cash equivalents at the start of the year</b> |              |             | <b>8,171</b>   |                 | <b>8,398</b>   |
| <b>Cash and cash equivalents at the end of the year</b>   |              |             | <b>10,453</b>  |                 | <b>8,171</b>   |

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2016

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

### Accounting policies

#### Going Concern

During the year ACHA made an operating surplus of £6.12 million which when adjusted for disposals, interest receivable and payable resulted in a surplus of £4.39 million prior to the adjustment of the actuarial gain on the pension scheme giving total comprehensive income for the year of £7.29 million. At the financial year end ACHA had a surplus of assets of £17.94 million. The going concern basis of accounting is considered appropriate because ACHA has an agreed banking facility with Lloyds Banking Group of £59.6 million under the business plan to meet future requirements. Peak debt of £61.8m comprising £59.4m Lloyds Banking Group within the banking facility and a further £2.4m Argyll and Bute Council. Repayment is projected by 2035/36.

ACHA's loan asset security ratio requirement is 105%. The most recent security valuation as at March 2016 values ACHA's housing assets at £96.3 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 Financial Reporting Standard 102 (FRS 102) "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and under the historical cost accounting rules. They comply with the Determination of Accounting Requirements 2014 and with the SORP 2014 - Statement of Recommended Practice for social housing providers

#### Basis of consolidation

In accordance with FRS 102, 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 2016. 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 the Association for the period from 1st April 2015 to 31st March 2016. Cash and cash equivalents comprise cash on hand and in deposit and are subject to an insignificant risk of change in value.

#### Tangible fixed assets - housing properties

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

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

#### Housing properties

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

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

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2016

### Depreciation and Impairment

Freehold land is not subject to depreciation. Depreciation is charged so as to write down the cost 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 2014 and FRS102. Other assets are reviewed for impairment if there is indication that impairment may have occurred.

Depreciation will be charged for a full year in the year of acquisition and none in the year of disposal.

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

### New Build

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

The Association's policy is to capitalise the following:

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

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 31<sup>st</sup> March 2016

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

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

Grants received in respect of capital expenditure are credited to the comprehensive statement of income under the accruals method in line with the depreciation rates adopted for the underlying asset to which the expenditure relates. 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 Statement of Comprehensive Income in the same period as the expenditure to which it relates, in line with the performance model.

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 (BPSG) 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 BPSG is included as a current liability. BPSG received in respect of capital expenditure is credited to the comprehensive statement of income under the accruals method in line with the depreciation rates adopted for the underlying asset to which the expenditure relates.

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.

Grants received in respect of capital expenditure are credited to the comprehensive statement of income under the accruals method in line with the depreciation rates adopted for the underlying asset to which the expenditure relates.

Grants due or received in advance are included as a current asset or liability. Grants received in respect of revenue expenditure are credited to the income and expenditure account in the same period as the expenditure to which it relates, in line with the performance model.

### 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 |

A full year's depreciation is charged in the year of acquisition with none charged in the year of disposal.

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



# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2016

### Employee Benefits

Short term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred. The cost of annual leave and time off in lieu earned but not taken by employees at the year end date is accrued as a liability.

### Pensions

ACHA participates in one multi-employer pension scheme and accounts for this in accordance with the requirements of FRS 102. Strathclyde Pension Fund (SPF) is a defined benefit scheme as defined by the Local Government Pension Scheme (Scotland) regulations 1998. Contributions are charged to Statement of Comprehensive Income so as to spread the cost of pensions over the employees' working lives within ACHA.

The SPF made an actuarial gain for the year ended 31st March 2016 of £2.9 million. ACHA has taken account of this gain in the Statement of Comprehensive Income.

### 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 102. 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 £16k 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 Statement of Comprehensive Income in the same period as the expenditure to which they relate.

### Financial Instruments

ACHA has given consideration under FRS 102 in relation to accounting for Financial Instruments. Having reviewed all relevant financial assets and liabilities ACHA have agreed with our external auditors that all financial instruments and transactions are defined as 'basic'.

Loans provided to ACHA are classed as basic under FRS 102 and are measured at amortised cost. A loan provided by ACHA to its subsidiary AHFA is classed and measured in the same manner.

Payables and receivables due within one year are measured at transaction price less settlements. Where receivables are deemed to be longer term and constitute a financing transaction they are measured at the present value of future payments discounted at a market rate of interest applicable to similar debt instruments.

### Operating Leases

Operating lease rentals are charged to the Statement of Comprehensive Income on a straight line basis over the period of the lease.

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2016

### **Inventories**

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

### **Bad and Doubtful Debts**

Provision is made against rent arrears for current tenants and former tenants as well as other sundry debts to the extent that they are classed as potentially irrecoverable. The current policy for rent arrears is to provide for all former tenant debt and also for current tenant debt where this is in excess of £1,000. For sundry debt all debt over 3 months old is fully provided for as well as any debt between 0-3 months which is greater than £1,000. Debt is passed for approval to write off where a debtor is deceased with no estate, has been sequestrated or where the debt is prescribed.

### **Estimation and Uncertainty**

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Board to exercise judgement in applying the Group's Accounting Policies. The areas requiring a higher degree of judgement, or complexity, and areas where assumptions or estimates are most significant to the financial statements, are disclosed below:

### **Rent Arrears - Bad Debt Provision**

The Group assesses the recoverability of rent arrears through a detailed assessment process which considers: tenant payment history, payment arrangements in place, and court action.

### **Life Cycle of Components**

The Group estimates the useful lives of major components of its housing property with reference to surveys carried out by qualified surveyors and specialist advice.

### **Useful life of properties, plant and equipment**

The Group assesses the useful life of its properties, plant and equipment and estimates the annual charge to be depreciated based on this

### **Key Judgements made in the application of Accounting Policies**

#### **Exemptions taken in the transition to FRS 102**

The Group has considered and taken advantage of the following exemptions in its first time application of FRS 102 the Group and Company has not revisited previous accounting estimates.

#### **The Categorisation of Housing Properties**

In the judgement of the Board the entirety of the Group's housing stock is held for social benefit and is therefore classified as Property, Plant and Equipment in accordance with FRS 102.

#### **Identification of cash generating units**

The Group considers its cash-generating units to be the schemes in which it manages its housing property for asset management purposes.

#### **Financial Instruments**

Following recent guidance from the Financial Reporting Council, the Group and its Board of Management are of the view that the clauses held within the loan agreements do not require these financial instruments, other than the 'non-cancellable call option', to be classified as 'non-basic' financial instruments.

**ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31<sup>st</sup> March 2016**

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

**GROUP**

|   | <b>Turnover</b> | <b>Operating Costs</b> | <b>Other income and gains</b> | <b>Operating Surplus / (Deficit) to 31<sup>st</sup> March 2016</b> | <b>Operating Surplus / (Deficit) to 31<sup>st</sup> March 2015 Restated</b> |
|---|-----------------|------------------------|-------------------------------|--|---|
|   | <b>£000</b>     | <b>£000</b>            | <b>£000</b>                   | <b>£000</b>  | <b>£000</b>   |
| Social Lettings <i>(Note 3)</i>               | 21,638          | (14,994)               | -                             | 6,644  | 4,787   |
| Other Activities <i>(Note 4)</i>              | 2,202           | (2,673)                | -                             | (471)  | (397)   |
|   | <u>23,840</u>   | <u>(17,667)</u>        | <u>-</u>                      | <u>6,173</u>   |   |
| Total for year to 31 <sup>st</sup> March 2015 | <u>22,316</u>   | <u>(17,926)</u>        | <u>-</u>                      | <u>4,390</u>   |   |

**COMPANY**

|   | <b>Turnover</b> | <b>Operating Costs</b> | <b>Other income and gains</b> | <b>Operating Surplus / (Deficit) to 31<sup>st</sup> March 2016</b> | <b>Operating Surplus / (Deficit) to 31<sup>st</sup> March 2015 Restated</b> |
|---|-----------------|------------------------|-------------------------------|--|---|
|   | <b>£000</b>     | <b>£000</b>            | <b>£000</b>                   | <b>£000</b>  | <b>£000</b>   |
| Social Lettings <i>(Note 3)</i>               | 21,638          | (15,028)               | -                             | 6,610  | 5,027   |
| Other Activities <i>(Note 4)</i>              | 2,408           | (2,879)                | -                             | (471)  | (397)   |
|   | <u>24,046</u>   | <u>(17,907)</u>        | <u>-</u>                      | <u>6,139</u>   |   |
| Total for year to 31 <sup>st</sup> March 2015 | <u>22,527</u>   | <u>(17,897)</u>        | <u>-</u>                      | <u>4,630</u>   |   |

**ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31<sup>st</sup> March 2016**

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

|   | <b>General<br/>Needs<br/>Housing</b> | <b>Supported<br/>Housing</b> | <b>Total</b>  | <b>Total<br/>For Previous<br/>Period of<br/>Account<br/>Restated</b> |
|---|--------------------------------------|------------------------------|---------------|--|
|   | <b>£000</b>                          | <b>£000</b>                  | <b>£000</b>   | <b>£000</b>  |
| Rents receivable net of service charges                                     | 18,329                               | 667                          | 18,996        | 18,336   |
| Rent from garages   | 22                                   | -                            | 22            | 21   |
| Rent from travelling people sites   | 63                                   | -                            | 63            | 65   |
| Service charges   | 46                                   | 263                          | 309           | 296  |
| <b>Gross income from rents and service charges</b>                          | <b>18,460</b>                        | <b>930</b>                   | <b>19,390</b> | <b>18,717</b>  |
| Less voids  | (674)                                | (5)                          | (679)         | (656)  |
| <b>Net income from rents and service charges</b>                            | <b>17,786</b>                        | <b>925</b>                   | <b>18,711</b> | <b>18,061</b>  |
| Grants from the Scottish Ministers  | -                                    | -                            | -             | -  |
| Other revenue grants  | 39                                   | -                            | 39            | 38   |
| Deferred grant amortisation   | 2,888                                | -                            | 2,888         | 2,451  |
| <b>Total turnover from social letting activities</b>                        | <b>20,713</b>                        | <b>925</b>                   | <b>21,638</b> | <b>20,550</b>  |
| Management and maintenance administration costs                             | 5,741                                | 325                          | 6,066         | 5,859  |
| Planned and cyclical maintenance including major repairs costs              | 1,757                                | -                            | 1,757         | 2,740  |
| Reactive maintenance costs  | 2,263                                | -                            | 2,263         | 2,701  |
| Bad debts – rents and service charges                                       | 163                                  | -                            | 163           | 233  |
| Depreciation of social housing  | 4,745                                | -                            | 4,745         | 4,230  |
| <b>Operating costs for social letting activities</b>                        | <b>14,669</b>                        | <b>325</b>                   | <b>14,994</b> | <b>15,763</b>  |
| <b>Other income and gains</b>   | <b>-</b>                             | <b>-</b>                     | <b>-</b>      | <b>-</b>   |
| <b>Operating surplus for social lettings</b>                                | <b>6,044</b>                         | <b>600</b>                   | <b>6,644</b>  | <b>4,787</b>   |
| <b>Operating surplus for social lettings for previous period of account</b> | <b>4,163</b>                         | <b>570</b>                   | <b>4,733</b>  |  |

Average weekly rents, based on a 52 week rent year, at the end of the period were £73.58

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 31<sup>st</sup> March 2016

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

|  | Grants from<br>Scottish<br>Ministers | Other<br>Revenue<br>Grants | Other<br>Income | Total<br>Turnover | Operating<br>Costs Bad<br>Debts | Other<br>Operating<br>Costs | Operating<br>Surplus /<br>(Deficit) | Operating<br>Surplus /<br>(Deficit)<br>for<br>previous<br>period of<br>account<br>Restated |
|--|--------------------------------------|----------------------------|-----------------|-------------------|---------------------------------|-----------------------------|-------------------------------------|--|
|  | £000                                 | £000                       | £000            | £000              | £000                            | £000                        | £000                                | £000   |
| Wider role activities undertaken to support the community,<br>other than the provision, construction, improvement and<br>management of housing | -                                    | 188                        | -               | 188               | -                               | (251)                       | (63)                                | (32)   |
| Related Assets   | 368                                  | -                          | -               | 368               | -                               | (448)                       | (80)                                | -  |
| Aids and Adaptations   | 394                                  | -                          | -               | 394               | -                               | (226)                       | 168                                 | 18   |
| Tenant and Owner Recharges   | -                                    | -                          | 1,056           | 1,056             | (335)                           | (983)                       | (262)                               | (235)  |
| Contents Insurance   | -                                    | -                          | 1               | 1                 | -                               | -                           | 1                                   | 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<br>social landlords   | -                                    | -                          | -               | -                 | -                               | -                           | -                                   | -  |
| Insurance  | -                                    | -                          | 105             | 105               | -                               | (430)                       | (325)                               | -  |
| Other activities   | -                                    | -                          | 90              | 90                | -                               | -                           | 90                                  | (159)  |
| <b>Total from other activities</b>   | <b>762</b>                           | <b>188</b>                 | <b>1,252</b>    | <b>2,202</b>      | <b>(335)</b>                    | <b>(2,338)</b>              | <b>(471)</b>                        | <b>(397)</b>   |
| <b>Total from other activities for previous period of account<br/>Restated</b>   | <b>859</b>                           | <b>157</b>                 | <b>750</b>      | <b>1,766</b>      | <b>(230)</b>                    | <b>(1,933)</b>              | <b>(397)</b>                        |  |

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2016

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

|  | Grants from<br>Scottish<br>Ministers | Other<br>Revenue<br>Grants | Other<br>Income | Total<br>Turnover | Operating<br>Costs Bad<br>Debits | Other<br>Operating<br>Costs | Operating<br>Surplus/<br>(Deficit) | Operating<br>Surplus/<br>(Deficit)<br>for<br>previous<br>period of<br>account<br>Restated |
|--|--------------------------------------|----------------------------|-----------------|-------------------|----------------------------------|-----------------------------|------------------------------------|---|
|  | £000                                 | £000                       | £000            | £000              | £000                             | £000                        | £000                               | £000  |
| Wider role activities undertaken to support the community,<br>other than the provision, construction, improvement and<br>management of housing | -                                    | 188                        | -               | 188               | -                                | (251)                       | (63)                               | (33)  |
| Related Assets   | 368                                  | -                          | -               | 368               | -                                | (448)                       | (80)                               | -   |
| Aids and Adaptations   | 394                                  | -                          | -               | 394               | -                                | (226)                       | 168                                | 18  |
| Tenant and Owner Recharges   | -                                    | -                          | 1,056           | 1,056             | (335)                            | (983)                       | (262)                              | (234)   |
| Contents Insurance   | -                                    | -                          | 1               | 1                 | -                                | -                           | 1                                  | 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<br>social landlords   | -                                    | -                          | -               | -                 | -                                | -                           | -                                  | -   |
| AHFA support service income  | -                                    | -                          | 205             | 205               | -                                | 205                         | -                                  | -   |
| Insurance  | -                                    | -                          | 105             | 105               | -                                | (430)                       | (325)                              | -   |
| Other activities   | -                                    | -                          | 90              | 90                | -                                | -                           | 90                                 | (158)   |
| <b>Total from other activities</b>   | <b>762</b>                           | <b>188</b>                 | <b>1,457</b>    | <b>2,407</b>      | <b>(335)</b>                     | <b>(2,544)</b>              | <b>(471)</b>                       | <b>(397)</b>  |
| <b>Total from other activities for previous period of account<br/>Restated</b>   | <b>859</b>                           | <b>156</b>                 | <b>961</b>      | <b>1,977</b>      | <b>(230)</b>                     | <b>(2,144)</b>              | <b>(397)</b>                       |   |

**ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31<sup>st</sup> March 2016**

**5. Housing stock**

|                                    | Units under development |           | Units under management |              |
|------------------------------------|-------------------------|-----------|------------------------|--------------|
|                                    | 2016                    | 2015      | 2016                   | 2015         |
| Housing accommodation for letting: |                         |           |                        |              |
| General Needs                      | 54                      | 52        | 4,954                  | 4,935        |
| Sheltered housing                  | -                       | -         | 201                    | 201          |
|                                    | <u>54</u>               | <u>52</u> | <u>5,155</u>           | <u>5,136</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 considered to be key management and 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.

|   | 2016<br>£000 | 2015<br>£000 |
|---|--------------|--------------|
| Total emoluments payable to directors and benefits in kind                        | 408          | 384          |
| Pension contributions   | 72           | 65           |
|   | <u>480</u>   | <u>449</u>   |
| Emoluments payable to the highest paid director (excluding pension contributions) | <u>90</u>    | <u>89</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 £15,698 (2015: £15,265).

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

|   | 2016 | 2015 |
|---|------|------|
| More than £60,000 but not more than £70,000   | 1    | 2    |
| More than £70,000 but not more than £80,000   | 4    | 3    |
| More than £80,000 but not more than £90,000   | -    | -    |
| More than £90,000 but not more than £100,000  | -    | -    |
| More than £100,000 but not more than £110,000 | 1    | 1    |

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2016

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 |            |
|--------------------------------------|---------------------|------------|
|                                      | 2016                | 2015       |
| Housing & Neighbourhood Services     | 74                  | 86         |
| Finance & IT                         | 14                  | 15         |
| Human Resources & Corporate Services | 12                  | 12         |
| Investment & Regeneration            | 29                  | 20         |
| Argyll Homes For All                 | 48                  | 50         |
|                                      | <u>177</u>          | <u>183</u> |

The aggregate payroll costs of these persons were as follows:

|                       | 2016         | 2015         |
|-----------------------|--------------|--------------|
|                       | £000         | £000         |
| Wages and salaries    | 4,445        | 4,581        |
| Social security costs | 357          | 360          |
| Other pension costs   | 646          | 584          |
|                       | <u>5,448</u> | <u>5,525</u> |

During the year 73% of investment staff costs were capitalised amounting to £775k (2015 – 70% or £602k)

8. Operating surplus on ordinary activities - Group

|   | 2016         | 2015             |
|---|--------------|------------------|
|   | £000         | Restated<br>£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)                                 | 29           | 21               |
| Other services from bodies related to Haines Watts  | 2            | 2                |
| Operating lease rentals:  |              |                  |
| Buildings   | 263          | 312              |
| Other   | 110          | 112              |
| Depreciation  | <u>4,818</u> | <u>4,297</u>     |

Operating surplus on ordinary activities - Company

|   | 2016         | 2015             |
|---|--------------|------------------|
|   | £000         | Restated<br>£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)                                 | 20           | 16               |
| Other services from bodies related to Haines Watts  | 1            | 1                |
| Operating lease rentals:  |              |                  |
| Buildings   | 263          | 312              |
| Other   | -            | -                |
| Depreciation  | <u>4,746</u> | <u>4,230</u>     |



**ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31<sup>st</sup> March 2016**

|            |   |              |              |
|------------|---|--------------|--------------|
| <b>9.</b>  | <b>Finance income - Group</b>             | <b>2016</b>  | <b>2015</b>  |
|            |   | <b>£000</b>  | <b>£000</b>  |
|            | Bank interest receivable                  | 35           | 25           |
|            | Interest on pension fund <i>(Note 29)</i> | -            | -            |
|            |   | <u>35</u>    | <u>25</u>    |
|            | <b>Finance income - Company</b>           |              |              |
|            |   | <b>2016</b>  | <b>2015</b>  |
|            |   | <b>£000</b>  | <b>£000</b>  |
|            | Bank interest receivable                  | 34           | 25           |
|            | Interest on pension fund <i>(Note 29)</i> | -            | -            |
|            |   | <u>34</u>    | <u>25</u>    |
| <b>10.</b> | <b>Finance charges - Group</b>            | <b>2016</b>  | <b>2015</b>  |
|            |   | <b>£000</b>  | <b>£000</b>  |
|            | On bank loans                             | 1,632        | 1,631        |
|            | Interest on pension fund <i>(Note 29)</i> | 228          | 177          |
|            |   | <u>1,860</u> | <u>1,808</u> |
|            | <b>Finance charges - Company</b>          |              |              |
|            |   | <b>2016</b>  | <b>2015</b>  |
|            |   | <b>£000</b>  | <b>£000</b>  |
|            | On bank loans                             | 1,625        | 1,624        |
|            | Interest on pension fund <i>(Note 29)</i> | 202          | 160          |
|            |   | <u>1,827</u> | <u>1,784</u> |

**11. Taxation**

Due to ACHA's charitable status, no tax liability arose in the year to 31<sup>st</sup> March 2016 (2015: Nil).

AHFA is liable for UK Corporation Tax on its retained profits which amounted to £nil in the year (2015: £nil).

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2016

12. Property, plant & equipment – Group and Company – Social Housing Properties

|   | Housing<br>properties<br>held for<br>letting<br>£000 | Housing<br>properties in<br>course of<br>construction<br>£000 | Total<br>2016<br>£000 | Total<br>2015<br>Restated<br>£000 |
|---|--|---|-----------------------|-----------------------------------|
| <b>Cost</b>                               |  |   |                       |                                   |
| At start of year                          | 133,447  | 6,143   | 139,590               | 122,227                           |
| Additions during year new build           | 1,777  | 4,304   | 6,081                 | 6,715                             |
| Additions during year existing properties | 12,552   | -   | 12,552                | 10,852                            |
| Transfers                                 | 4,272  | (4,272)   | -                     | -                                 |
| Disposals                                 | (378)  | -   | (378)                 | (205)                             |
| At end of year                            | <u>151,670</u>                                       | <u>6,175</u>  | <u>157,845</u>        | <u>139,589</u>                    |
| <b>Depreciation</b>                       |  |   |                       |                                   |
| At start of year                          | (17,546)   | -   | (17,546)              | (13,470)                          |
| Charge during year                        | (4,466)  | -   | (4,466)               | (4,116)                           |
| Disposals                                 | 63   | -   | 63                    | 40                                |
| At end of year                            | <u>(21,949)</u>                                      | <u>-</u>  | <u>(21,949)</u>       | <u>(17,546)</u>                   |
| <b>Net book value</b>                     |  |   |                       |                                   |
| At 31 March 2016                          | <u>129,721</u>                                       | <u>6,175</u>  | <u>135,895</u>        | <u>122,043</u>                    |
| At 31 March 2015 - Restated               | <u>115,900</u>                                       | <u>6,143</u>  | <u>122,043</u>        |                                   |

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

During the year 23 properties have been sold under Right to Buy resulting in a gain on sale of £48k (2015 - £148k). The disposals in the current year reflect the disposals of componentised enhancements to disposed stock albeit that the stock sold had no value at transfer. In the prior year the in-year disposals and disposals relating to prior year adjustments had been reflected as a net position at the start of year for properties at cost, depreciation and other grant.

ACHA has included in housing properties held for letting £5.41 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 88 properties which were unencumbered.

During the year 73% of investment staff costs were capitalised amounting to £775k (2015 – 70% or £602k)

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2016

13. Property, plant & equipment – other - Group

|                             | Computer hardware & software<br>£000 | Offices<br>£000 | Bute stores<br>£000 | Furniture<br>£000 | Total non housing<br>£000 |
|-----------------------------|--------------------------------------|-----------------|---------------------|-------------------|---------------------------|
| <b>Cost</b>                 |                                      |                 |                     |                   |                           |
| At start of year            | 1,242                                | 1,546           | 21                  | 33                | 2,842                     |
| Additions during year       | 668                                  | 5               | -                   | -                 | 673                       |
| Disposals                   | -                                    | -               | -                   | -                 | -                         |
| At end of year              | <u>1,910</u>                         | <u>1,551</u>    | <u>21</u>           | <u>33</u>         | <u>3,515</u>              |
| <b>Depreciation</b>         |                                      |                 |                     |                   |                           |
| At start of year            | (1,126)                              | (105)           | (2)                 | (16)              | (1,249)                   |
| Provided during year        | (317)                                | (32)            | -                   | (2)               | (351)                     |
| Disposals                   | -                                    | -               | -                   | -                 | -                         |
| At end of year              | <u>(1,443)</u>                       | <u>(137)</u>    | <u>(2)</u>          | <u>(18)</u>       | <u>(1,600)</u>            |
| <b>Net book value</b>       |                                      |                 |                     |                   |                           |
| At 31 March 2016            | <u>467</u>                           | <u>1,414</u>    | <u>19</u>           | <u>15</u>         | <u>1,915</u>              |
| At 31 March 2015 - Restated | <u>116</u>                           | <u>1,441</u>    | <u>19</u>           | <u>17</u>         | <u>1,593</u>              |

Property, plant & equipment – other - Company

|                             | Computer hardware & software<br>£000 | Offices<br>£000 | Bute stores<br>£000 | Furniture<br>£000 | Total non housing<br>£000 |
|-----------------------------|--------------------------------------|-----------------|---------------------|-------------------|---------------------------|
| <b>Cost</b>                 |                                      |                 |                     |                   |                           |
| At start of year            | 1,028                                | 1,546           | 21                  | 33                | 2,628                     |
| Additions during year       | 668                                  | 5               | -                   | -                 | 673                       |
| Disposals                   | -                                    | -               | -                   | -                 | -                         |
| At end of year              | <u>1,696</u>                         | <u>1,551</u>    | <u>21</u>           | <u>33</u>         | <u>3,301</u>              |
| <b>Depreciation</b>         |                                      |                 |                     |                   |                           |
| At start of year            | (988)                                | (105)           | (2)                 | (16)              | (1,111)                   |
| Provided during year        | (245)                                | (32)            | -                   | (2)               | (279)                     |
| Disposals                   | -                                    | -               | -                   | -                 | -                         |
| At end of year              | <u>(1,233)</u>                       | <u>(137)</u>    | <u>(2)</u>          | <u>(18)</u>       | <u>(1,390)</u>            |
| <b>Net book value</b>       |                                      |                 |                     |                   |                           |
| At 31 March 2016            | <u>463</u>                           | <u>1,414</u>    | <u>19</u>           | <u>15</u>         | <u>1,911</u>              |
| At 31 March 2015 - Restated | <u>40</u>                            | <u>1,441</u>    | <u>19</u>           | <u>17</u>         | <u>1,517</u>              |

**ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31<sup>st</sup> March 2016**

|                                    |  |              |             |  |                |             |
|------------------------------------|--|--------------|-------------|--|----------------|-------------|
| <b>14. Investments</b>             |  | <b>Group</b> |             |  | <b>Company</b> |             |
|                                    |  | <b>2016</b>  | <b>2015</b> |  | <b>2016</b>    | <b>2015</b> |
|                                    |  | <b>£000</b>  | <b>£000</b> |  | <b>£000</b>    | <b>£000</b> |
| 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 31<sup>st</sup> March 2016 was that of property maintenance. As at 31<sup>st</sup> March 2016 the capital and reserves of AHFA were £(578)k (2015: (£895k)) with a profit for the year of £2k (2015: £236k loss 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       |              |
|                                | <b>2016</b>  | <b>2015</b>  |
|                                | <b>£'000</b> | <b>£'000</b> |
| Aggregate capital and reserves | (578)        | (895)        |
| Profit/ (loss) for the year    | 2            | (236)        |

|  |  |              |             |  |                |             |
|--|--|--------------|-------------|--|----------------|-------------|
| <b>15. Stocks and work in progress</b> |  | <b>Group</b> |             |  | <b>Company</b> |             |
|  |  | <b>2016</b>  | <b>2015</b> |  | <b>2016</b>    | <b>2015</b> |
|  |  | <b>£000</b>  | <b>£000</b> |  | <b>£000</b>    | <b>£000</b> |
| Stock                                  |  | 22           | 18          |  | -              | -           |
|  |  | <u>22</u>    | <u>18</u>   |  | <u>-</u>       | <u>-</u>    |

|                                      |                |              |              |              |                |              |
|--------------------------------------|----------------|--------------|--------------|--------------|----------------|--------------|
| <b>16. Debtors</b>                   |                | <b>Group</b> |              |              | <b>Company</b> |              |
|                                      | <b>Company</b> |              |              |              |                |              |
|                                      |                | <b>2016</b>  | <b>2015</b>  |              | <b>2016</b>    | <b>2015</b>  |
|                                      |                | <b>£000</b>  | <b>£000</b>  |              | <b>£000</b>    | <b>£000</b>  |
| Rental debtors                       |                |              | 1,337        | 1,324        | 1,337          | 1,324        |
| Less bad debt provision              |                |              | (1,054)      | (973)        | (1,054)        | (973)        |
|                                      |                |              | <u>283</u>   | <u>351</u>   | <u>283</u>     | <u>351</u>   |
| Prepayments and accrued income       |                |              | 921          | 353          | 903            | 552          |
| Housing Association Grant receivable |                |              | 352          | 411          | 352            | 411          |
| Other debtors                        |                |              | 1,658        | 2,222        | 1,940          | 2,756        |
| Less bad debt provision              |                |              | (1,528)      | (1,424)      | (1,528)        | (1,424)      |
| Long Term Debtor – Subsidiary Loan   |                |              | -            | -            | 300            | 225          |
|                                      |                |              | <u>1,686</u> | <u>1,913</u> | <u>2,250</u>   | <u>2,871</u> |

**ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31<sup>st</sup> March 2016**

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

|                          | <b>Debtor<br/>£000</b> | <b>Provided<br/>£000</b> | <b>2016<br/>Net<br/>Debtor<br/>£000</b> |
|--------------------------|------------------------|--------------------------|---|
| Due from current tenants | 478                    | (195)                    | 283                                     |
| Due from former tenants  | 859                    | (859)                    | -                                       |
|                          | <u>1,337</u>           | <u>(1,054)</u>           | <u>283</u>                              |

Rental Bad debts of £81k were written off during the period (2015: £69k). Rental Bad debts provided for in the year were £81k (2015 £164k)

Sundry debts of £53k were written off during the period (2015: £8k) Sundry debtors provided for in the year were £282k (2015 £221k).

AHFA had no debts written off during the year.

| <b>17. Cash at bank and in hand</b> | <b>Group</b>         |                      | <b>Company</b>       |                      |
|-------------------------------------|----------------------|----------------------|----------------------|----------------------|
|                                     | <b>2016<br/>£000</b> | <b>2015<br/>£000</b> | <b>2016<br/>£000</b> | <b>2015<br/>£000</b> |
| Bank                                | 10,452               | 8,170                | 10,258               | 7,623                |
| Cash                                | 1                    | 1                    | 1                    | 1                    |
|                                     | <u>10,453</u>        | <u>8,171</u>         | <u>10,259</u>        | <u>7,624</u>         |

| <b>18. Creditors: amounts falling due within one year</b> | <b>Group</b>         |                                   | <b>Company</b>       |                                   |
|---|----------------------|-----------------------------------|----------------------|-----------------------------------|
|   | <b>2016<br/>£000</b> | <b>2015<br/>Restated<br/>£000</b> | <b>2016<br/>£000</b> | <b>2015<br/>Restated<br/>£000</b> |
| Loans (secured)   | 119                  | 113                               | 119                  | 113                               |
| Trade creditors   | 5,271                | 2,458                             | 5,582                | 2,685                             |
| Housing Association Grant in advance                      | -                    | 1                                 | -                    | 1                                 |
| Other grants in advance                                   | -                    | 369                               | -                    | 369                               |
| Other creditors   | 703                  | 451                               | 700                  | 445                               |
| Accruals and deferred income                              | 1,580                | 2,358                             | 1,518                | 2,268                             |
| Deferred grant income                                     | 2,750                | 2,452                             | 2,750                | 2,452                             |
|   | <u>10,423</u>        | <u>8,202</u>                      | <u>10,669</u>        | <u>8,333</u>                      |

**ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31<sup>st</sup> March 2016**

| 19. Creditors: amounts falling due after one year | Group          |                  | Company        |                  |
|---|----------------|------------------|----------------|------------------|
|   | 2016           | 2015             | 2016           | 2015             |
|   | £000           | Restated<br>£000 | £000           | Restated<br>£000 |
| Loan (secured)                                    | 37,562         | 37,680           | 37,562         | 37,680           |
| Deferred Grant (Note 20)                          | 79,346         | 70,363           | 79,346         | 70,363           |
|   | <u>116,908</u> | <u>108,043</u>   | <u>116,908</u> | <u>108,043</u>   |

An office development loan of £526k is repayable by 11<sup>th</sup> March 2025 and is repayable on an amortising basis. The repayment profile for the office loan is shown below.

|                           | £000       |
|---------------------------|------------|
| Due within one year       | 45         |
| Due between 1 and 2 years | 49         |
| Due between 2 and 5 years | 164        |
| Over 5 years              | 268        |
|                           | <u>526</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<br>£000 | Bonawe<br>£000 | Helensburgh<br>£000 | Total<br>£000 |
|---------------------------|----------------------|----------------|---------------------|---------------|
| Due within one year       | 56                   | 3              | 14                  | 73            |
| Due between 1 and 2 years | 59                   | 3              | 15                  | 77            |
| Due between 2 and 5 years | 193                  | 10             | 49                  | 252           |
| Over 5 years              | 1,892                | 103            | 508                 | 2,503         |
|                           | <u>2,200</u>         | <u>119</u>     | <u>586</u>          | <u>2,905</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<br>(£000's)     | End date   | Rate<br>% |
|--------------------|-----------------------|------------|-----------|
| Tranche A          | £3,000                | 29/03/2018 | 1.640     |
| Tranche B          | £3,000                | 29/03/2018 | 1.910     |
| Tranche B          | £5,000                | 31/03/2020 | 5.710     |
| Tranche B          | £2,000                | 23/03/2023 | 5.740     |
| Tranche B          | £10,000               | 30/03/2029 | 5.430     |
| Tranche C          | £526                  | 11/03/2025 | 5.955     |
| Tranche D          | £5,000                | 30/09/2021 | 5.505     |
| Tranche D          | £2,300                | 31/03/2023 | 4.365     |
| <b>Total</b>       | <u><b>£30,826</b></u> |            |           |

**ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31<sup>st</sup> March 2016**

Loans amounting to £3.95 million are LIBOR based variable loans with a current interest rate of 0.89%. Rates quoted are all inclusive of the rate, margin and capitalisation charges.

**20. Deferred Grant Income – Group and Company**

|   | <b>2016</b>    | <b>2015</b>    |
|---|----------------|----------------|
|   | <b>£000</b>    | <b>£000</b>    |
| <b>Housing Association Grant (HAG)</b>      |                |                |
| At 1 <sup>st</sup> April                    | 19,199         | 16,222         |
| Received during year                        | 2,541          | 3,389          |
| Released to income during year              | <u>(534)</u>   | <u>(412)</u>   |
| At 31 <sup>st</sup> March                   | <u>21,206</u>  | <u>19,199</u>  |
|   | <b>2016</b>    | <b>2015</b>    |
|   | <b>£000</b>    | <b>£000</b>    |
| <b>Other grants</b>                         |                |                |
| At 1 <sup>st</sup> April                    | 53,615         | 45,510         |
| Received during year                        | 9,628          | 10,144         |
| Released to income during year              | <u>(2,353)</u> | <u>(2,039)</u> |
| At 31 <sup>st</sup> March                   | <u>60,890</u>  | <u>53,615</u>  |
|   | <b>2016</b>    | <b>2015</b>    |
|   | <b>£000</b>    | <b>£000</b>    |
| Amount to be released within one year       | 2,750          | 2,452          |
| Amount to be released in more than one year | <u>79,346</u>  | <u>70,362</u>  |
|   | <u>82,096</u>  | <u>72,814</u>  |

**21. Share capital**

|                                     | <b>2016</b> | <b>2015</b> |
|-------------------------------------|-------------|-------------|
|                                     | <b>£</b>    | <b>£</b>    |
| <b>Shares of £1 each fully paid</b> |             |             |
| At 1 <sup>st</sup> April 2015       | 275         | 284         |
| Issued in year                      | 13          | 13          |
| Cancelled in year                   | <u>(25)</u> | <u>(22)</u> |
| At 31 <sup>st</sup> March 2016      | <u>263</u>  | <u>275</u>  |

Shares issued were in respect of new members of ACHA.

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

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

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2016

22. Reconciliation of movements in shareholders' funds

| Group                              | Revenue<br>Reserve<br>£000 | Share<br>Capital<br>£000 | Total<br>shareholders<br>funds<br>£000 |
|------------------------------------|----------------------------|--------------------------|--|
| Balance at 1 April 2015 - Restated | 10,644                     | -                        | 10,644                                 |
| Accumulated surplus for year       | 7,296                      | -                        | 7,296                                  |
| <b>Balance at 31 March 2016</b>    | <b>17,940</b>              | <b>-</b>                 | <b>17,940</b>                          |

| Company                            | Revenue<br>Reserve<br>£000 | Share<br>Capital<br>£000 | Total<br>shareholders<br>funds<br>£000 |
|------------------------------------|----------------------------|--------------------------|--|
| Balance at 1 April 2015 – Restated | 11,613                     | -                        | 11,613                                 |
| Accumulated surplus for year       | 6,979                      | -                        | 6,979                                  |
| <b>Balance at 31 March 2016</b>    | <b>18,592</b>              | <b>-</b>                 | <b>18,592</b>                          |



**ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31<sup>st</sup> March 2016**

**23. Commitments – Group and Company**

(a) Capital commitments authorised and contracted for at 31<sup>st</sup> March 2016 amounted to:

|                                 |              |
|---------------------------------|--------------|
| <b>Within one year</b>          | £000         |
| Investment programme            | 1,146        |
| Regeneration                    | 3,978        |
| Related Assets                  | <u>117</u>   |
|                                 | <b>5,241</b> |
| <br>                            |              |
| <b>Within two to five years</b> | £000         |
| Investment programme            | 115          |
| Regeneration                    | 681          |
| Related Assets                  | <u>-</u>     |
|                                 | <b>796</b>   |

The investment programme is financed by a combination of operating cash flow and private finance.

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

|                  | <b>2016</b>                            |                       | <b>2015</b>                            |                       |
|------------------|--|-----------------------|--|-----------------------|
|                  | <b>Land and<br/>Buildings<br/>£000</b> | <b>Other<br/>£000</b> | <b>Land and<br/>Buildings<br/>£000</b> | <b>Other<br/>£000</b> |
| Operating Leases | <u>220</u>                             | <u>126</u>            | <u>260</u>                             | <u>245</u>            |

**ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31<sup>st</sup> March 2016**

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

|  | <b>2016</b>          | <b>2015</b>              |
|--|----------------------|--------------------------|
|  | <b>£000</b>          | <b>Restated<br/>£000</b> |
| <b>Operating surplus/deficit</b>             | <b>6,173</b>         | <b>4,370</b>             |
| <b>Adjustments:</b>                          |                      |                          |
| Depreciation on non-housing fixed assets     | 351                  | 221                      |
| Depreciation on housing fixed assets         | 4,466                | 4,117                    |
| Deferred Grant Amortisation                  | (2,888)              | (2,451)                  |
| <b>Movement in working capital:</b>          |                      |                          |
| Non cash adjustment in pension fund          | 751                  | 585                      |
| Decrease/ (Increase) in stock                | (4)                  | 7                        |
| Decrease/(Increase) in debtors               | 227                  | 351                      |
| Increase / (Decrease) in creditors           | 1,901                | 315                      |
| <b>Cash inflow from operating activities</b> | <u><b>10,977</b></u> | <u><b>7,535</b></u>      |

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

|                                | <b>At 31<sup>st</sup><br/>March 2015</b> | <b>Cash flows</b>   | <b>At 31<sup>st</sup><br/>March 2016</b> |
|--------------------------------|--|---------------------|--|
|                                | <b>£000</b>                              | <b>£000</b>         | <b>£000</b>                              |
| Cash in hand, at bank          | 8,171                                    | 2,282               | 10,453                                   |
| Debt due within one year       | (113)                                    | (6)                 | (119)                                    |
| Debt due in more than one year | (37,680)                                 | 119                 | (37,562)                                 |
| <b>Total</b>                   | <u><b>(29,622)</b></u>                   | <u><b>2,395</b></u> | <u><b>(27,227)</b></u>                   |

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

|   | <b>2016</b>                   | <b>2015</b>                   |
|---|-------------------------------|-------------------------------|
|   | <b>£000</b>                   | <b>£000</b>                   |
| Increase / (Decrease) in cash in the period     | 2,282                         | (227)                         |
| Cash (inflow) from debt financing               | -                             | (670)                         |
| Cash outflow from debt financing                | 113                           | 2,042                         |
| <b>Change in debt resulting from cash flows</b> | <u><b>2,395</b></u>           | <u><b>1,145</b></u>           |
| Net debt at beginning of period                 | <u><b>(29,622)</b></u>        | <u><b>(30,767)</b></u>        |
| <b>Net debt at end of period</b>                | <u><u><b>(27,227)</b></u></u> | <u><u><b>(29,622)</b></u></u> |

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2016

### 27. 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 31<sup>st</sup> March 2016 was that of property maintenance.

### 28. Contingent liabilities

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

### 29. 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). The total pensionable payroll at the balance sheet date was £3.5 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 2016/17 is £682k

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     | 31 <sup>st</sup> March<br>2016<br>% p.a. | 31 <sup>st</sup> March<br>2015<br>% p.a. | 31 <sup>st</sup> March<br>2014<br>% p.a. |
|-----------------------|--|--|--|
| Pension Increase Rate | 2.4%                                     | 2.4%                                     | 2.8%                                     |
| Salary Increase Rate  | 4.3%                                     | 4.3%                                     | 5.1%                                     |
| Discount Rate         | 3.2%                                     | 3.2%                                     | 4.3%                                     |

Under the requirements of FRS 102, ACHA is required to disclose further information on its share of assets and liabilities of the LGPS on a market value basis at the end of the financial year.

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

|              | % Split of<br>Assets<br>31 <sup>st</sup><br>March<br>2016 | Assets at<br>31 <sup>st</sup> March 2016<br>£000 | % Split of<br>Assets<br>31 <sup>st</sup><br>March<br>2015 | Assets at<br>31 <sup>st</sup> March 2014<br>£000 |
|--------------|---|--|---|--|
| Equities     | 72%   | 14,556   | 75%   | 14,351   |
| Bonds        | 15%   | 3,032  | 13%   | 2,488  |
| Property     | 13%   | 2,628  | 11%   | 2,105  |
| Cash         | 0%  | -  | 1%  | 191  |
| <b>Total</b> |   | <b>20,216</b>                                    |   | <b>19,135</b>                                    |

**ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31<sup>st</sup> March 2016**

**Analysis of the amount charged in arriving at the operating surplus**

|  | <b>Period to<br/>31<sup>st</sup> March<br/>2016<br/>£000</b> | <b>Period to<br/>31<sup>st</sup> March<br/>2015<br/>£000</b> |
|--|--|--|
| Service cost                                 | 1,120  | 1,073  |
| Past service costs                           | 108  | 15   |
|  | <hr/>  | <hr/>  |
| <b>Amounts charged to<br/>finance charge</b> | <b>1,228</b>   | <b>1,088</b>   |
|  | <hr/>  | <hr/>  |

|  | <b>Period to<br/>31<sup>st</sup> March<br/>2016<br/>£000</b> | <b>Period to<br/>31<sup>st</sup> March<br/>2015<br/>£000</b> |
|--|--|--|
| Net interest                                 | 228  | 177  |
|  | <hr/>  | <hr/>  |
| <b>Amounts charged to<br/>finance charge</b> | <b>228</b>   | <b>177</b>   |
|  | <hr/>  | <hr/>  |

**ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31<sup>st</sup> March 2016**

**Analysis of the amount recognised in the statement of comprehensive income**

|   | <b>Period to<br/>31<sup>st</sup> March<br/>2016<br/>£000</b> | <b>Period to 31<sup>st</sup><br/>March 2015<br/>£000</b> |
|---|--|--|
| Actual return   | (116)  | 2,305  |
| Changes in financial assumptions underlying the present value of scheme liabilities   | 2,934  | (3,925)  |
| Changes in demographic assumptions underlying the present value of scheme liabilities | 82   | (729)  |
| <b>Amounts charged to finance charge</b>  | <b>2,900</b>   | <b>(2,349)</b>   |

**Reconciliation of opening and closing balances of the present value of scheme liabilities**

|                            |                      |
|----------------------------|----------------------|
|                            | <b>2016<br/>£000</b> |
| Opening scheme liabilities | 25,984               |
| Current service cost       | 1,120                |
| Past service cost          | 108                  |
| Interest cost              | 849                  |
| Re-measurements            | (3,016)              |
| Benefits paid              | (363)                |
| Contributions              | 234                  |
| Closing scheme liabilities | <u>24,916</u>        |

**Reconciliation of opening and closing balances of the fair value of plan assets**

|  |                      |
|--|----------------------|
|  | <b>2016<br/>£000</b> |
| Opening fair value of plan assets                    | 19,135               |
| Interest income                                      | 621                  |
| Return on plan assets (in excess of interest income) | (116)                |
| Contributions by employer                            | 705                  |
| Plan participants contributions                      | 234                  |
| Benefits paid  | (363)                |
| Closing scheme liabilities                           | <u>20,216</u>        |

|                                |                      |                      |
|--------------------------------|----------------------|----------------------|
|                                | <b>2016<br/>£000</b> | <b>2015<br/>£000</b> |
| Pension deficit at end of year | <u>(4,700)</u>       | <u>(6,849)</u>       |

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2016

### 30. 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 £281k 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 £300k.

Eight 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. The total value of rent received from tenant board members was £24,945 (2014/15: £36,369) with total rent arrears at the year-end of nil (2014/15: £214)

Payments made to members of the Board of Management during 2015/16 amounted to £12k. This relates to reimbursement of travel expenses and subsistence.

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 £1.69 million to the Council for services relating to service level agreements, premises leases, council tax, 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 £574k during the period in respect of Right to Buy sales for the financial period 2014/15 and £201k in relation to the three Strategic Housing Fund (SHF) loans.

During the period ACHA received from the Council £9.5 million in housing benefit payments and homelessness leases of £49k. ACHA also received £379k of SHF grant income during the period.

At the period end there was a creditor of £498k outstanding in respect of Right to Buy receipts for the financial period 2015/16 and creditors totalling £107k outstanding to the Council.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2016

31. Financial Instruments

The carrying amounts of the Group's financial instruments are as follows:

|   | 2016<br>£'000 | 2015<br>£'000 |
|---|---------------|---------------|
| <i>Financial assets</i>                                     |               |               |
| <b>Debt instruments measured at amortised cost:</b>         |               |               |
| - Trade debtors (note 16)                                   | 283           | 351           |
| - Accrued income (note 16)                                  | 677           | 169           |
| - Other debtors (note 16)                                   | 130           | 798           |
| - Cash and cash equivalents (note 17)                       | 10,453        | 8,171         |
|   | <b>11,543</b> | <b>9,489</b>  |
| <b>Equity instruments measured at cost less impairment:</b> |               |               |
| - Fixed asset unlisted investments                          | -             | -             |
| - Current asset unlisted investments                        | -             | -             |
| <i>Financial liabilities</i>                                |               |               |
| <b>Measured at amortised cost:</b>                          |               |               |
| - Bank loans and overdraft (notes 18-19)                    | 37,681        | 37,793        |
| - Trade creditors (note 18)                                 | 5,271         | 2,458         |
| - Accrued expenses (note 18)                                | 1,471         | 2,191         |
| - Other creditors (note 18)                                 | 703           | 451           |
|   | <b>45,126</b> | <b>42,893</b> |

The income, expenses, net gains and net losses attributable the Group's financial instruments are summarised as follows:

|   | 2016<br>£'000 | 2015<br>£'000 |
|---|---------------|---------------|
| <i>Income and expense</i>                                     |               |               |
| Financial assets measured at fair value                       | -             | -             |
| Financial liabilities measured at fair value                  | -             | -             |
| Financial assets measured at amortised cost                   | 35            | 25            |
| Financial liabilities measured at amortised cost              | (1,632)       | (1,631)       |
| <i>Net gains and losses (including changes in fair value)</i> |               |               |
| Financial assets measured at fair value                       | -             | -             |
| Financial liabilities measured at fair value                  | -             | -             |
| Financial assets measured at amortised cost                   | -             | -             |
| Financial liabilities measured at amortised cost              | -             | -             |

The total interest income and interest expense for financial assets and financial liabilities that are not measured at fair value through profit or loss was £35,000 (2015 - £25,000) and £1,632,000 (2015 - £1,631,000) respectively.

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2016

### 32. First time adoption of FRS 102

#### Adjustments following the adoption of FRS 102

##### 1. Recognition of Grant Income

Capital grants were previously netted off against the cost of housing properties. In accordance with FRS 102 and the Housing SORP 2014 capital grants received are now recognised as income in line with the accrual model. Grants relating to assets are recognised in income on a systematic basis over the expected life of the asset with the un-amortised grant being held within creditors as deferred income. In the Statement of Financial Position this has resulted in the carrying value of the housing stock increasing by £63.86 million. Creditors within one year have decreased to take account of grant in advance being moved to creditors due in more than one year and the overall increase in creditors due in more than one year relates to the un-amortised grant. In the Statement of Comprehensive Income the amortised grant income is included within Other Income. The changes to accounting for grant also results in an increased annual depreciation charge.

##### 2. Holiday Pay Accrual

In order to comply with the requirements of the Housing SORP 2014 a review was undertaken to determine the value of any holiday pay entitlement liability at the year end. An adjustment has been made in the Statement of Comprehensive Income within Operating Costs and on the Statement of Financial Position for an accrual within Creditors within one year.

##### 3. Defined benefit pension scheme

The net pension finance cost recognised in the Income and Expenditure account for the year ended 31st March 2015 under the previous UK GAAP was the net of the expected return on pension plan assets and the interest on pension liabilities. FRS 102 requires the recognition in the Statement of Comprehensive Income, of a net interest cost, calculated by multiplying the net plan obligations by the market yield on high quality corporate bonds (the discount rate applied). The change has had no effect on net assets as the measurement of the net defined benefit plan obligation has not changed. Instead, the decrease in the surplus for the year has been mirrored by a reduction in the actuarial losses presented within Other Comprehensive Income.

| Reconciliation of Equity                        | UK<br>GAAP | Effect of<br>transition to<br>FRS 102 | FRS 102 |
|---|------------|---------------------------------------|---------|
| 1 April 2014<br>(Date of Transition to FRS 102) | £000       | £000                                  | £000    |
| NET ASSETS                                      | 8,825      | 1,399                                 | 10,224  |
| SHARE CAPITAL                                   | -          | -                                     | -       |
| RESERVES  | 8,825      | 1,399                                 | 10,224  |
| NET FUNDS                                       | 8,825      | 1,399                                 | 10,224  |



ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2016

| Reconciliation of Statement of Financial Position              | UK<br>GAAP      | Effect of<br>transition to<br>FRS 102 | FRS 102          |
|--|-----------------|---------------------------------------|------------------|
| At 31 March 2015   | £000            | £000                                  | £000             |
| <b>Property, plant &amp; equipment</b>                         |                 |                                       |                  |
| Social housing   | 58,358          | 63,685                                | 122,043          |
| Other fixed assets   | 1,747           | (154)                                 | 1,593            |
|  | <u>60,105</u>   | <u>63,531</u>                         | <u>123,636</u>   |
| <b>Current assets</b>  |                 |                                       |                  |
| Stock  | 18              | -                                     | 18               |
| Debtors  | 1,913           | -                                     | 1,913            |
| Cash at bank and in hand                                       | 8,171           | -                                     | 8,171            |
|  | <u>10,102</u>   | <u>-</u>                              | <u>10,102</u>    |
| <b>Creditors: Amounts falling due within one year</b>          | <u>(16,775)</u> | <u>8,573</u>                          | <u>(8,202)</u>   |
| <b>Net current (liabilities)/assets</b>                        | <u>(6,673)</u>  | <u>8,573</u>                          | <u>1,900</u>     |
| <b>Total assets less current liabilities</b>                   | <u>53,432</u>   | <u>72,104</u>                         | <u>125,536</u>   |
| <b>Creditors: Amounts falling due after more than one year</b> | <u>(37,680)</u> | <u>(70,363)</u>                       | <u>(108,043)</u> |
| Provisions for liabilities                                     | -               | -                                     | -                |
| Pension liability  | (6,849)         | -                                     | (6,849)          |
|  | <u>(44,529)</u> | <u>(70,363)</u>                       | <u>(114,892)</u> |
| <b>Net assets</b>  | <u>8,903</u>    | <u>1,741</u>                          | <u>10,644</u>    |
| <b>Capital and reserves</b>                                    |                 |                                       |                  |
| Revenue reserves   | 8,903           | 1,741                                 | 10,644           |
| <b>Net funds</b>   | <u>8,903</u>    | <u>1,741</u>                          | <u>10,644</u>    |

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2016

| Reconciliation of Statement of Comprehensive Income | UK<br>GAAP       | Effect of<br>transition to<br>FRS 102 | FRS 102           |
|---|------------------|---------------------------------------|-------------------|
| for the year to 31 March 2015                       | £000             | £000                                  | £000              |
| <b>Turnover</b>                                     | 19,865           | -                                     | 19,865            |
| Operating costs                                     | (15,817)         | (2,109)                               | (17,926)          |
| Other operating income                              | -                | 2,451                                 | 2,451             |
| <b>Operating surplus</b>                            | <u>4,048</u>     | <u>342</u>                            | <u>4,390</u>      |
| Gain on disposal of fixed assets                    | 148              | -                                     | 148               |
| Finance income                                      | 116              | (91)                                  | 25                |
| Finance charges                                     | (1,631)          | (177)                                 | (1,808)           |
| <b>Surplus on ordinary activities</b>               | <u>2,681</u>     | <u>74</u>                             | <u>2,755</u>      |
| Taxation  | 12               | -                                     | 12                |
| <b>Surplus for the year</b>                         | <u>2,693</u>     | <u>74</u>                             | <u>2,767</u>      |
| Actuarial (loss) on pension scheme                  | (2,617)          | 268                                   | (2,349)           |
| <b>Total comprehensive income for the year</b>      | <u><u>76</u></u> | <u><u>342</u></u>                     | <u><u>418</u></u> |