

**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 2017**

**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**

**BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS**

**For the year ended 31<sup>st</sup> March 2017**

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

**Auditors:** Alexander Sloan  
38 Cadogan Street  
Glasgow  
G2 7HF

**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 2017**

### **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 2017.

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 2016 to 31<sup>st</sup> March 2017.

### **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 5,153 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 for ACHA.

### **GOVERNANCE AND DECISION MAKING**

ACHA's organisational structure consists of a voluntary Board of Management supported by a Senior Management Team.

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**For the year ended 31<sup>st</sup> March 2017**

The Board of Management has places for members as follows:

Ten Tenants  
Five Council nominees  
Three Independent Members

During the year the Board of Management had three leavers and recruited two new members. At the year end, 31<sup>st</sup> March 2017 there were two tenant vacancies and one independent vacancy on the Board of Management of ACHA.

The Senior Management Team comprises the Chief Executive and each of the directors heading the four 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 Audit Committee, Policy Committee, Remuneration Committee and Health and Safety Committee and has delegated powers to these. The 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 has three Area Committees who deal with operational matters locally and have a clearly defined scheme of delegated authority. These Area Committees are established along the following geographical areas:

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

During the 2015/16 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. Decisions that would have been taken locally are referred to the main Board of Management.

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, three of whom are Board members of ACHA, one who is an independent member and two 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**

Governing Body Members are drawn from a wide range of backgrounds and experience to maintain the necessary mix of skills, experience, knowledge and independence required to govern and control a complex organisation. 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. 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.

All Governing Body Members received an annual appraisal carried out by the Chairperson in 2016/17, and as a result a succession plan template has been developed.

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The Group Board of Management completed a training programme during 2016 which included training on Confidence & Effective Questioning, Chairing Skills, Performance Standards, Strategic Development, Performance Management, Development of New Housing, Remuneration, Health & Safety and Code of Conduct. In early 2017 further training including Business Planning & Budgeting, Treasury Management, Equalities and HR & Employment took place. The following is planned and scheduled for 2017 onwards: Understanding the Annual Accounts, Legal & Regulatory Issues, Governance, Housing and Effective Risk Management.

We work in partnership with other Housing Associations in Argyll, who are invited to participate in joint governing body training. Board members currently have the facility of trialling a number of IT solutions.

### RISK MANAGEMENT

ACHA has a Risk Management Strategy determined by its Board of Management based on the known risks. ACHA also 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 12 individual pieces of completed work totalling 31 days. The outcomes of the internal audit reviews were considered by officers and reported to Audit Committee of the Group. During the year reviews of processes and procedures were conducted in relation to cyber-crime, risk mitigating controls, welfare reform, gas safety, rent arrears, budgetary control, payments and major repairs. 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 effective Safety Management System, and places ACHA in a very satisfactory position to meet its Health and Safety obligations.

### STAFF

ACHA employed 181 full time equivalent staff during 2016/17 compared to 177 full time equivalent staff during 2015/16. This is an increase of 4 full time equivalent staff.

Staff satisfaction in 2016 showed 84% of people enjoy working for the Group against a target of 85%. An action plan is being put in place, in conjunction with the People Plan/Strategy to address any areas for improvement.

Chief Executive quarterly staff roadshows are held to assist staff engagement and development opportunities.

Staff turnover is currently 10.2% against a target of 14.0%. Staff turnover has decreased on the previous year by 4% and ACHA continues to encourage all leavers to complete an exit survey.

Sickness absence rates have improved from 3.04% during 2015/16 to 2.95% during 2016/17 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

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### For the year ended 31<sup>st</sup> March 2017

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.

We continue to provide HR & Corporate services to our subsidiary company, AHFA, by way of a service level agreement.

## OBJECTIVES, OPERATIONS AND PERFORMANCE

### Performance Management

Overall performance in relation to service delivery is monitored by a wide variety of methods. Customer feedback along with Key Performance Indicator information is reported to and reviewed by our Senior Management Team, Board of Management, and Tenants Panel on a regular basis. Year end outcomes are also reported to the Scottish Housing Regulator who will also compare our performance against that of similar organisations.

ACHA has embraced and embedded the requirements of the Scottish Social Housing Charter into our day to day service delivery and aims to continually improve performance results each year. Each October we publish our Landlord Report which provides tenants and other service users with performance information which can be compared to the Scottish Average and previous year's results.

During 2016/17 we undertook a number of performance surveys with our service users including: -

- Tenant satisfaction
- Factored Owners
- Gypsy/Travellers
- Sheltered Housing
- Repairs satisfaction

Feedback received during these, and other, surveys is used to help develop action plans for the future with the objective of improving services and customer satisfaction.

Each year, during February, the Board of Management sets aside two full days to carry out a Strategic Planning review which looks at the full range of ACHA's risk and mitigation strategies for the coming year. The outcome from this review is incorporated into the Corporate Plan which also sets out the Association's aims and objectives going forward.

### Tenant Participation and Customer Involvement

ACHA values the interaction we have with our customers and actively supports and encourages our service users to get involved with ACHA in a variety of ways. During the year our Tenant Participation Strategy was reviewed and updated following consultation and a new "Get Involved" leaflet was produced. This leaflet outlines the many ways customers can formally or informally participate in ACHA's decision making processes including: -

- becoming a member of ACHA for just £1 for life
- joining the Tenant Consultation Register
- becoming a member of a local Registered Tenant Organisation
- joining the Argyll Tenants Panel
- taking part in consultation and other surveys
- becoming a member of ACHA's Governing Body by joining one of our 3 Area Committees or the Board of Management
- joining "Your Voice"- our tenant scrutiny group

During 2016/17 we also carried out consultation on a number of Policy and Strategy reviews and feedback from our customers was fed back into the final review process. Our Governing Body is provided with the consultation outcomes in order that they can take account of service users views

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### For the year ended 31<sup>st</sup> March 2017

before making final decisions to approve new Policies. Some of the Policies and Strategies we consulted on during this year include: -

- Repairs and Maintenance Policy
- Customer Feedback and Communications Strategy
- Annual rent review

Feedback on how we have dealt with suggestions and comments is provided to our customers via our newsletters, website and by direct contact. A rolling programme of review and consultation is in place for which all service users are encouraged to participate in. Our latest survey, carried out at the end of 2016 indicated that 85% of our tenants are satisfied with the opportunities given to them to participate in ACHA's decision making process. This is an improvement of almost 10% from the previous survey carried out in 2015.

### Housing Allocations

ACHA is one of the main Social Housing providers in Argyll & Bute with 5,153 properties in our stock portfolio at the end of March 2017. Our properties are allocated via a common housing register, HOME Argyll (Housing Options Made Easy), which is operated in partnership with Dunbritton Housing Association, West Highland Housing Association, Fyne Homes Housing Association and Argyll & Bute Council.

Having a common housing register means that applicants seeking rehousing in Argyll & Bute only have to complete one, online application form which can be accessed via our website at [www.acha.co.uk](http://www.acha.co.uk) or any of our partner's websites. Applicants will also be asked to complete a Housing Options questionnaire which may help applicants make informed decisions regarding their housing requirements.

Tenants from the partner organisations are also able to "swap" houses via our mutual exchange facility. During 2016/17 26 tenants were able to move into more suitable accommodation via this scheme.

In addition to those who were rehoused via mutual exchanges, 600 other applicants were rehoused by ACHA, of these:-

- 129 (21.5%) were deemed statutory homeless by Argyll & Bute Council
- 336 (56.0%) were applicants from the direct waiting list
- 135 (22.5%) were tenants of ACHA or one of our partner organisations

At 31<sup>st</sup> March 2017 there were 2,750 applicants on the HOME Argyll list.

Annually we report to the Scottish Housing Regulator the percentage of tenants who are satisfied with the standard of their home when moving in and we are pleased to report a satisfaction rate of 93.74% for 2016/17.

### Estate Management and Anti-Social Behaviour

We understand that the appearance of our estates is important to ACHA and the people living within our communities. However, in most areas, ACHA is not the sole landowner or landlord with responsibilities for maintenance of open spaces such as grass cutting or fencing for example. Whenever possible, we will work with other owners for the benefit of our estates and the wider community. Our staff carry out regular inspections of estates and play areas and will deal with issues caused by or affecting our tenants. We encourage tenants to enter "garden in bloom" competitions and submit nominations for "good neighbour of the year" awards, both helping to create positive community spirit. Our tenant satisfaction survey for 2016 revealed that almost 88% of our tenants were satisfied with the management of the neighbourhood they live in.

A series of Estate Management Action Plans has been developed and projects for the year are considered and approved by our Area Committees.

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ACHA has a zero tolerance to anti-social behaviour and, whenever possible, will take action to prevent or end actions of tenants and others which prove to be disruptive or concerning to the wider community. ACHA does not have sole responsibility for dealing with anti-social behaviour and very often will rely on the assistance of Police Scotland or other agencies to either take direct action against those who commit anti-social acts or, at the very least, assist ACHA to take action. During 2016/17 our staff dealt with 234 reports of anti-social behaviour ranging from minor nuisance reports to drug dealing from ACHA properties. We successfully took 2 tenants, accused of anti-social behaviour, to Court and were awarded decrees to evict.

#### Factoring and Private Owners

In order to continually review and improve services ACHA carries out an annual consultation with formally factored owners to identify aspects of the service that work particularly well and review parts of the service that would benefit from being improved, it also enables us to continually monitor our performance for customers.

The last few years has seen a continual increase in overall customer satisfaction, ACHA uses feedback from previous consultations to target items that have been raised as a concern and request more in-depth information in the next consultation to enable a more detailed assessment of comments. This year's consultation, as well as identifying overall satisfaction, was specifically aimed at customer service and the experiences customers have when contacting ACHA.

Overall satisfaction has shown an increase with the percentage of customers very or fairly satisfied with factoring services provided by the landlord increasing to 73%, an increase of 6% since the 2015/16 consultation. From a total of 75 respondents the % breakdown is: -

Very satisfied	25
Fairly satisfied	30
Neither satisfied or dissatisfied	15
Fairly dissatisfied	4
Very dissatisfied	1

When contacting the Association 77% of customers found it easy to speak to the right person, with 87% finding staff helpful and 74% of customers felt their query was answered within a reasonable time.

Only 36% of customers that responded had made contact with the office regarding queries. This has shown 60% did not require to contact the office and 4% did not respond.

52% of customers felt the introduction of Repairs Log Sheets in properties which had common closes had improved communication, 32% did not feel there was an improvement and 16% of customers did not have a common close or did not respond.

During this financial year ACHA has introduced block surveys to formally factored blocks to assess the condition of buildings, work needing done, and give customers an indication of possible future works – a written report is produced to factored owners to enable them to plan financially for future works or consider work which has been identified. This was introduced following on feedback from customers. Factored owners have welcomed the new service as it demonstrates a pro-active approach to work.

In addition to the feedback received staff have visited another housing association that provides similar services to compare the service being provided along with any improvements or changes that could be applied. This visit has given us assurances that many of our processes are in line with other Associations, along with some additional suggestions which are being considering along with feedback from the consultation.

A newsletter specific to formally factored owners is issued yearly to give information to customers on the service they receive, satisfaction results, reminders about services, and any up to date information on new services or changes that are being introduced.



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ACHA continues to comply with legislative changes applied by the Property Factors (Scotland) Act 2011 and has notified owners of a recent change to the complaints process for private owners as set out in the Code of Conduct.

ACHA formally factor 286 flatted properties within 86 blocks, these are spread over Bute and Cowal, Lomond, Lorn and the Isles and Mid Argyll and Kintyre. These properties are provided with a comprehensive factoring service where Factoring Agreements have been put in place.

In addition to the formally factored properties there are just over 3,800 private properties which fall under the legislation (mixed tenure blocks and properties that share estate common ground) and where ACHA has historically provided services to owners by custom and practice. These owners have also received updates on the changes to legislation.

Ending of the Right to Buy has seen changes to the numbers of formally factored properties and private properties being issued with Statements of Service and, on some occasions, entire blocks removed where ACHA no longer has any interest in the blocks.

#### 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 2016/17 ACHA received continuation funding from the Scottish Government's People and Communities Fund to run a Welfare Rights Information Project. This project provided a Welfare Rights Officer in each area and a dedicated Clerical Assistant based on Bute. The project brought in client gain of £2.6 million, that is money that tenants were entitled to but had not claimed. The project also ran monthly Welfare Rights surgeries at our Gypsy/Traveller sites and carried out training for all Housing Management staff on the Scottish Welfare Fund in order that staff at local offices could provide basic advice and assistance to tenants.

### HOUSING STOCK AND ASSETS

#### Housing Stock

At the start of the financial year, 1<sup>st</sup> April 2016 ACHA owned 5,155 homes. As a result of the right to buy ACHA sold 54 homes and developed 57 new homes during the year. A further 5 homes were converted into 2 new offices. At the financial year end 31<sup>st</sup> March 2017 ACHA therefore owned 5,153 homes.

The expected number of house sales under right to buy was greater than was originally anticipated in our business plan. This was primarily due to the end of right to buy on 31<sup>st</sup> July 2016 and the related increase of sales.

The housing stock at 31<sup>st</sup> March 2017 is broken down by type as follows:

<u>Rentable Stock</u>	<u>2017</u>	<u>2016</u>
General Needs Houses	4,952	4,954
Sheltered Housing	201	201
	<u>5,153</u>	<u>5,155</u>

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The housing stock at 31<sup>st</sup> March 2017 is broken down by geographical area as follows:

<u>Houses</u>	<u>2017</u>	<u>2016</u>
Bute	488	499
Cowal	921	917
Helensburgh and Lomond	989	997
Islay	363	355
Kintyre	824	849
Lorn and the Isles	960	941
Mid Argyll	608	597
	<u>5,153</u>	<u>5,155</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. ACHA carries out an annual survey of our sheltered housing tenants. In our 2016 survey overall satisfaction levels rose to 91% from 86% in 2015 and of equal importance is the fact no tenants rated the service poor or weak. This is the best figure recorded in this survey to date. In 2016 our Sheltered Housing service was inspected by the Care Inspectorate and received a grading of 5 - Very Good, for Quality of Care and Support, and 4 – Good, for Quality of Management and Leadership

#### 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 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). In 2016/17 we reviewed our lettings policy for the mid-market rent properties, and the new version is available at [http://www.acha.co.uk/press/PDF/AHFA\\_DALMALLY\\_MMR\\_lettings\\_plan.pdf](http://www.acha.co.uk/press/PDF/AHFA_DALMALLY_MMR_lettings_plan.pdf).

#### 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.

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<u>Rentable Stock</u>	<u>2017</u>	<u>2016</u>
Garages	17	17
Garage sites	<u>127</u>	<u>128</u>
	<u>144</u>	<u>145</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>2017</u>	<u>2016</u>
Dunoon, Torlochan	8	8
Lochgilphead, Duncholgan	14	14
Oban, Ledaig	<u>8</u>	<u>8</u>
	<u>30</u>	<u>30</u>

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. In our 2017 survey there was an increase in tenant satisfaction with their site from 84% in 2016 to 92% in 2017. Tenants were also asked how satisfied or dissatisfied they were with the repairs service provided by ACHA, with 84% of tenants satisfied, an increase from 67% in 2016.

As a result of a sustained period of long term voids at Torlochan, ACHA are currently consulting on the future options for the site.

### Non Rentable Stock

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

<u>Non-Rentable Stock</u>	<u>2017</u>	<u>2016</u>
Play areas	30	30
Private water supplies	12	12
Private sewage systems	44	43
Offices	<u>6</u>	<u>5</u>
	<u>92</u>	<u>90</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, Lamont House in Helensburgh, 13-16 Longhill Crescent in Rothesay which opened in May 2016 and a new office at 11 Flora Street on Islay which was completed in late March 2017. 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

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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, AHFA took over our day to day repairs and maintenance service and the contract has been running successfully for four years. A new four-year contract has been negotiated to secure the long term stable delivery of the response repairs service.

Repairs Category (Average Completion Time)  
Emergency – 3.87 hours (2015/16 8.59 hours)  
Non Emergency – 8.37 days (2015/16 10.45 days)

Repairs satisfaction is monitored in a number of ways including telephone surveys, physical post inspection of work and via returned satisfaction questionnaires. During the year satisfaction levels remained high with 97.12% of respondents confirming that they were happy with our repairs service.

### Investing to Improve the Housing Stock

ACHA has progressed delivering its main programme of works to maintain our houses at the Scottish Housing Quality Standard (SHQS) and to reduce exemptions and abeyances. 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 2016/17:

Investment programme	Planned	Outturn	Percentage
No of kitchen/bathrooms completions – Elements	45	80	178%
No of window/door completions – Elements	478	641	134%
No of heating/rewire completions – Elements	315	130	41%
No of roof/roughcast completions – Elements	450	540	120%
No. of energy efficiency upgrades - Elements	130	130	100%

The total number of elements required for completion this year of all types was 1,418, ACHA delivered 1,521 elements equating to 107% of the targeted objective. The planned target expenditure was 98% against budget forecast overall.

ACHA has met the Scottish Housing Quality Standard but there are individual exemptions and abeyances on criteria on 20% of our property, a reduction 3% since March 2016. 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 (units)	Outturn (units)	Percentage
Site Starts	56	114	204%
Completions	28	57	204%

## ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

### STRATEGIC REPORT OF THE BOARD OF MANAGEMENT

#### For the year ended 31<sup>st</sup> March 2017

There were site starts during the period at;

Bowmore Ph3	20 units
Connel Ph3	10 units
Jutland Court Helensburgh	32 units
Coll	2 units
Glenshellach Ph 10/11/12	50 units

Completions were achieved during the period at:

Bowmore Ph2	10 units
Connel Ph2	10 units
Glenshellach	15 units
Dunoon	5 units
Inveraray	12 units
Cairnbaan/Connel Off the Shelf	5 units

The Scottish Government increased their investment levels in 2016/17 and we have increased our programme to assist with the delivery of these objectives. Significant work has also been undertaken in evaluating and feasibility assessing sites for development for inclusion ACHA's planned future regeneration programme and in bids for Housing Association Grant.

#### ARGYLL HOMES FOR ALL LIMITED (AHFA)

The 2016/17 financial year was the fourth trading year for AHFA, a subsidiary company of ACHA developed to carry out reactive repairs and elements of cyclical maintenance on its 5,153 properties.

During this period AHFA carried out over 30,000 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 98%. 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. Average Repair times are approximately 5 hours for an emergency and 9 days for non-emergency's despite the challenges of covering a large rural area.

## ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

### STRATEGIC REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31<sup>st</sup> March 2017

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 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. Lone 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 was significant changes during the course of the year including the Managing Director resigning and being replaced by the Operations Manager. This gave us the opportunity to review our structure and change it, where we now have an East and West Team covering reactive repairs, comprising Operations Manager, Assistant Manager, Foreman and Administrators. 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 of our geographical area and one manager is responsible for overseeing the delivery of these aspects. The company's Managing Director is based in Helensburgh.

AHFA reported a loss of £109k before taxation for 2016/17 whilst this is disappointing, it occurred during a period of significant change for the business and where we saw significant improvements in average repair times which form part of our clients Annual Return on Charter report to the Housing Regulator.

#### FINANCIAL REVIEW

##### Rental Income and Rent Policy

Rent receivable for 2016/17 was £20.2 million compared to £19.4 million in 2015/16. This was an increase of £800k as a result of the annual rent increase, year 2 of the rent restructure / harmonisation and also 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 2.2%, being made up of RPI (December 2015 Office of National Statistics) figure of 1.2% with the addition of 1%. The average rent across all stock in the current year rose to £78.23 The 2016/17 financial year rent increase is RPI+1% or 3.5% with December 2016 RPI being 2.5%. A programme of rent harmonisation was agreed during 2015/16 based on property size and type with average rent levels increasing by approximately 1.6% in 2016/17 and the next two financial years.

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## STRATEGIC REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31<sup>st</sup> March 2017

### Rent Arrears and Bad Debt

Rent arrears at 31<sup>st</sup> March 2017 is set out below.

Rent Arrears	Amount £'000	%	Written Off in Year £'000
Current Tenants	757	3.75	-
Former Tenants	308	1.53	765
Total	1,065		

The year end figure of 3.75% against a target of 2.5%, although appearing to be adverse position is mainly due to the timing of housing benefit receivable at the year end. The figure of 3.75% is calculated by taking the current tenant arrears at the year end of £757k and dividing this by the Gross Rent Charge £20.18 million. Overall, our arrears performance compares favourably to that of peer and national comparisons.

ACHA operates a robust but fair arrears management policy and staff work closely with our tenants and external agencies such as Argyll & Bute Council's Housing Benefit section and the Department of Works and Pensions to ensure that our tenants have applied for and are receiving appropriate and correct income. During the last year we evicted 38 households due to rent arrears, with 26.76% of the court actions we raised leading to tenants being evicted. We were therefore successful in resolving three quarters of serious rent arrears cases. Our Welfare Rights Officers are crucial in helping tenants claim all housing related benefits available to them to pay their rent. In 2016/17 our Welfare Rights Service brought in £596k in Housing Benefit which was paid directly to ACHA in rent payments.

### Voids (Empty Houses)

As a Social Housing provider, ACHA will always aim to re-let our empty properties as quickly as possible in order to maximise potential rental income and reduce HOME Argyll waiting lists. However, in recent years we have had an ongoing issue with relatively small pockets of low or no demand properties in Bute and some parts of Campbeltown. Despite various incentives being offered to new tenants the overall number of these long term void properties remains relatively unchanged. During the early part of 2017/18 the Board of Management will consider a number of options and proposals in relation to the future use of some low/no demand properties. Consultation with affected tenants and owners will also take place and be reported to the Board of Management as part of the options process.

During 2016/17 ACHA lost rental income to the value of £801k due to properties not being re-let. This is an increase of £122k on the previous year's rent loss.

Operationally, ACHA introduced a new void monitoring system during the latter part of the year to assist managers identify any areas of inefficiency in the re-letting process. Our tenant scrutiny group "Your Voice" also reviewed some processes relating to voids and made a number of recommendations for improvements which were accepted and approved by the Board of Management.

At the end of March 2017 ACHA's void performance was as follows: -

- 107 properties were empty
- of these 69 had been empty for more than 6 months
- on average it took 41.3 days to re-let a property (includes low/no demand properties)
- excluding low/no demand properties we took 25 days to re-let properties.

### Sundry Debt Income and Bad Debts

A total of £0.46 million of tenant and owner recharges were issued within 2016/17 compared to £1.06m in 2015/16. In total the amount of outstanding debt as at 31<sup>st</sup> March 2017 was £1.87 million compared to £1.66 million as at 31<sup>st</sup> March 2016. Bad debts written off during the year amounted to £111k compared to £53k in 2015/16. Sundry debt provided for during 2016/17 amounted to £411k.

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## STRATEGIC REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31<sup>st</sup> March 2017

### Grant Income

During 2016/17 ACHA received Housing Association Grant (HAG) of £4.13 million and Strategic Housing Fund (SHF) grant of £1.07 million to support new build development. A grant of £262k was received relating to expenditure on Aids and Adaptions, £285k relating to energy efficiency works and £170k for a Welfare Rights Information Project.

### Expenditure

Expenditure on management and administration costs during 2016/17 was £6.3 million compared to £6.7 million in 2015/16. This was due to reductions across a wide variety of management costs.

Planned and cyclical maintenance (including major repairs) expenditure in 2016/17 was £1.8 million which is consistent with the expenditure in 2015/16.

Reactive maintenance expenditure was £2.8 million compared to £2.3 million in the previous financial year. This increase is due to a reclassification of salary costs to within the repairs service (£475k), with the remainder of the increase due to the increased expenditure incurred by AHFA.

Depreciation on social housing charged during 2016/17 was £4.85 million compared to £4.47 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 2016/17 was 23 days against 24 days for the prior year. For AHFA the average creditor payment period for 2016/17 was 28 days against 30 for the prior year.

### Assets

Housing properties, net of depreciation, increased from £135.9 million in 2015/16 to £147.4 million in 2016/17, an increase of £11.5 million. This increase includes £7.7 million of new build expenditure and £10.9 million of investment expenditure, with disposals of £1.2million, impairment of £1.6 million and a depreciation charge of £4.29 million (after adjustment for disposals and impairment) during the year. Debtors have increased by £1 million to £2.7 million in 2016/17, mainly in relation to grants receivable at the year end. Cash held at the 31<sup>st</sup> March 2017 was £10.16 million compared to £10.45 million at the previous year end. A proportion of this cash was used for expenditure relating to 2016/17 that was physically paid during April and May 2017. The balance also included loan funding already drawn down in relation to the 2017/18 financial year as well as increased RTB receipts.

### Liabilities

Creditors due within one year decreased from £10.4 million in 2015/16 to £9.9 million in 2016/17, mainly in relation to a reduction in trade creditors of £250k. Creditors due in more than a year increased from £116.9 million to £125.2 million which was due to the grant received during the year relating to capital assets which is classed as deferred income and also a further draw down of loan during the year amounting to £7 million.

### 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 2017 is £481k

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



## ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

### STRATEGIC REPORT OF THE BOARD OF MANAGEMENT

#### For the year ended 31<sup>st</sup> March 2017

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 financial year end was £2.1 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 financial year end were £115k and £572k respectively.

During the year loan funding amounting to £7 million was drawn down in accordance with the approved Treasury Strategy and Business Plan requirements.

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 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 £41.7million and were as follows. Please note that these are "loan embedded hedges" and that no free standing derivatives are in place as a result of interest rate hedging activities.

Fixed Rate Hedging	Value (£000's)	End date	Rate %
Tranche A	£3,000	29/03/2018	1.640
Tranche A	£7,000	18/11/2024	1.535
Tranche A	£3,950	30/12/2024	1.515
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	£481	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>£41,731</b>		

During the financial year ACHA paid a total of £1.67 million 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 2017/18 there is asset cover in place of 240% which is in excess of the cover required.

#### Pensions

The actuarial report for the Strathclyde Pension Fund showed an increase in the pension liability for the ACHA group of £4.7 million, with the net liability at £9.4 million compared to £4.7 million in the previous year.

#### Reserves

At the year end 31<sup>st</sup> March 2017 the revenue reserves balance had moved from a £17.94 million surplus to a surplus of £17.68 million including the pension reserve. The pension reserve has increased from a £4.7 million deficit to a £9.4 million deficit.

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## STRATEGIC REPORT OF THE BOARD OF MANAGEMENT

### For the year ended 31<sup>st</sup> March 2017

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 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 and, with a sound track record in managing its finances, is well placed to meet these challenges. Over the course of 2016/17 ACHA has developed and agreed clear proposals on how it will address some of these key challenges. These plans together with approval of its 2017/18 business plan and agreed loan facilities gives confidence in its financial standing and capacity.

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 remain a challenge and focus for our investment activity over the next few years.

During 2016/17 ACHA agreed a new build development plan through to 2020/21. This will see ACHA develop around 250 new houses over the period to 31<sup>st</sup> March 2021. These new build proposals are ACHA contributions towards Scottish Government's commitment to 35,000 new social rented houses by March 2021. Even with grant funding this will require ACHA utilise £13m of private finance. £10m of this private finance is already secured through the renegotiated loan facility with Lloyds Banking Group. The facility permits a further £3m (to make a total of £13m) from another lender. ACHA will review its options for securing this funding during 2017/18 although the funding is not required until 2020/21.

Long term low demand housing in Campbeltown and on the Island of Bute has created a significant level of void rent loss in these areas. In May 2017 the ACHA Board of Management agreed to stock rationalisation proposals which will see a reduction in the letting stock in these areas of 85 houses. The stock reduction is largely through demolition although there are a small number of disposals. These proposals, which have been subject to consultation, will be implemented over the period to March 2021.

Following the BREXIT referendum already low interest rates fell further and this allowed ACHA to take advantage of historically low interest rates. ACHA locked in loan finance of £11m at a rate of around 1.53% fixed for the period to 2024. This provides a significant saving against interest rate assumptions in the business plan and provides certainty of interest costs for the medium term on a significant proportion of ACHAs borrowing.

Welfare reform remains a concern to the housing sector. Whilst the full implementation of welfare reform has yet to impact on ACHA we remain proactive in preparing and managing the transition. An effective local partnership is in place with Argyll and Bute Council. Alongside this effective management of rent arrears remains a priority. During 2016/17 our current tenant rent arrears was reduced significantly. Indeed having looked at our experience over the last few years we were able to reduce our future business plan assumptions for rent arrears.

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. Sound progress was made with this in 2016/17.

In summary ACHA is in a strong financial position. Looking forward its business plan is viable and robust. During 2016/17 plans have been developed for new house building, addressing long term low demand voids and ongoing effective management of rent arrears. This along with our focus on managing our longer term budgetary position and development of a value for money strategy gives

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## STRATEGIC REPORT OF THE BOARD OF MANAGEMENT

**For the year ended 31<sup>st</sup> March 2017**

ACHA a sound footing for moving forward. 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 tendered for the external audit service during 2016 and appointed Alexander Sloan at the 2016 Annual General Meeting. Alexander Sloan 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: 24<sup>th</sup> August 2017

## ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

### BOARD OF MANAGEMENT'S RESPONSIBILITIES

For the year ended 31<sup>st</sup> March 2017

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: 24<sup>th</sup> August 2017

## 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 2017

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 mis-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 2017 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 regulatory standards.

By order of the Board of Management



James Milne  
Chairman

Date: 24<sup>th</sup> August 2017

## 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 2017

#### Corporate Governance

In addition to our audit of the financial statements, we have reviewed the Board of Management's statement on page 21 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.

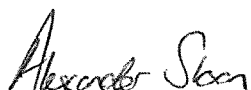
#### Basis of Opinion

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 21 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.



Alexander Sloan  
Accountants and Business Advisers  
Statutory Auditors  
38 Cadogan Street  
Glasgow  
G2 7HF

Date: 24/8/17.

## 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 2017

We have audited the group financial statements of Argyll Community Housing Association Limited (ACHA) for the year ended 31st March 2017 which comprises a statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and related notes. The financial reporting framework that has been applied in their preparation is applicable law and accounting standards of the United Kingdom.

This report is made solely to the association's members, as a body, in accordance with 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 an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than ACHA and ACHA's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of the Board of Management and Auditors**

As explained more fully in the Statement of Board of Management's Responsibilities, ACHA's Board of Management 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 company and group's affairs as at 31st March 2017 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2014 and the Determination of Accounting Requirements 2015.

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

We are required to report to you if, in our opinion:

- the information given in the Board of Management's Report is inconsistent with the financial statements
- proper books of account have not been kept by the Association in accordance with the requirements of the legislation
- a satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirements of the legislation
- the Statement of Comprehensive Income to which our report relates, and the Statement of Financial Position are not in agreement with the books of the Association
- we have not received all the information and explanations necessary for the purposes of our audit

We have nothing to report in respect of these matters.

**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 2017**

*Alexander Sloan*

Alexander Sloan  
Accountants and Business Advisers  
Statutory Auditors  
38 Cadogan Street  
Glasgow  
G2 7HF

Date: *24/8/17*



ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31<sup>st</sup> March 2017

		2017	2016
	<i>Note</i>	£000	£000
<b>Turnover</b>	2	23,274	23,840
Operating costs	2	<u>(17,983)</u>	<u>(17,667)</u>
<b>Operating Surplus</b>	8	<b>5,291</b>	<b>6,173</b>
Surplus on disposal of housing fixed assets	12	471	48
Finance income	9	27	35
Finance charges	10	<u>(1,831)</u>	<u>(1,860)</u>
<b>Surplus on ordinary activities before Taxation</b>		<b>3,958</b>	<b>4,396</b>
Taxation	11	<u>-</u>	<u>-</u>
<b>Surplus for the year</b>		<b><u>3,958</u></b>	<b><u>4,396</u></b>
Actuarial (loss)/gain on pension scheme	29	<u>(4,214)</u>	<u>2,900</u>
<b>Total comprehensive income / (expenditure) for the year</b>	22	<b><u>(256)</u></b>	<b><u>7,296</u></b>

All figures relate to continuing operations.

**ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES**

**COMPANY STATEMENT OF COMPREHENSIVE INCOME**

**For the year ended 31<sup>st</sup> March 2017**

		<b>2017</b>	<b>2016</b>
	<i>Note</i>	<b>£000</b>	<b>£000</b>
<b>Turnover</b>	2	23,466	24,046
Operating costs	2	<u>(18,103)</u>	<u>(17,907)</u>
<b>Operating Surplus</b>	8	<b>5,363</b>	<b>6,139</b>
Surplus on disposal of housing fixed assets	12	471	48
Finance income	9	37	34
Finance charges	10	<u>(1,805)</u>	<u>(1,827)</u>
<b>Surplus on ordinary activities before Taxation</b>		<b>4,066</b>	<b>4,394</b>
Taxation	11	<u>-</u>	<u>-</u>
<b>Surplus for the year</b>		<b><u>4,066</u></b>	<b><u>4,394</u></b>
Actuarial (loss)/gain on pension scheme		<u>(3,710)</u>	2,585
<b>Total comprehensive income for the year</b>	22	<b><u><u>356</u></u></b>	<b><u><u>6,797</u></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 2017**

	<i>Note</i>	<b>2017 £000</b>	<b>2016 £000</b>
<b>Property, plant &amp; equipment</b>			
Housing properties	12	147,406	135,895
Other Fixed Assets	13	1,914	1,915
		<u>149,320</u>	<u>137,810</u>
<b>Current assets</b>			
Stock and work in progress	15	21	22
Debtors	16	2,713	1,686
Cash at bank and in hand	17	10,163	10,453
		<u>12,897</u>	<u>12,161</u>
<b>Creditors: amounts falling due within one year</b>	18	<u>(9,917)</u>	<u>(10,423)</u>
<b>Net current assets</b>		<u>2,980</u>	<u>1,738</u>
<b>Total assets less current liabilities</b>		152,300	139,548
<b>Creditors: amounts falling due after one year</b>	19	(125,178)	(116,908)
<b>Provisions for liabilities and charges: Deferred tax</b>	11	<u>-</u>	<u>-</u>
<b>Net assets before pension deficit</b>		27,122	22,640
<b>Pension deficit</b>	29	(9,438)	(4,700)
<b>Net assets after pension deficit</b>		<u>17,684</u>	<u>17,940</u>
<b>Capital and reserves</b>			
Share capital	21	-	-
Revenue Reserves	22	17,684	17,940
<b>Surplus in shareholders' funds</b>	22	<u>17,684</u>	<u>17,940</u>

These financial statements were approved by the Board of Management on 24<sup>th</sup> August 2017 and authorised for issue and signed on their behalf by:

Chairman of the Board of Management

James Milne



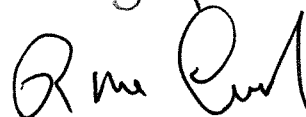
Board member

Douglas Prophet



Secretary

Roddy McCuish



**ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES**

**COMPANY STATEMENT OF FINANCIAL POSITION**

**As at 31<sup>st</sup> March 2017**

	<i>Note</i>	<b>2017 £000</b>	<b>2016 £000</b>
<b>Property, plant &amp; equipment</b>			
Housing properties	12	147,406	135,895
Other Fixed Assets	13	1,914	1,911
		<u>149,320</u>	<u>137,806</u>
<b>Current assets</b>			
Stock and work in progress	15	-	-
Debtors	16	3,295	2,250
Cash at bank and in hand	17	9,828	10,259
		<u>13,123</u>	<u>12,509</u>
<b>Creditors: amounts falling due within one year</b>	18	<u>(9,991)</u>	<u>(10,669)</u>
<b>Net current assets</b>		<u>3,132</u>	<u>1,840</u>
<b>Total assets less current liabilities</b>		152,452	139,646
<b>Creditors: amounts falling due after one year</b>	19	(125,178)	(116,908)
<b>Provisions for liabilities and charges: Deferred tax</b>	11	<u>-</u>	<u>-</u>
<b>Net assets before pension deficit</b>		27,274	22,738
<b>Pension deficit</b>		(8,326)	(4,146)
<b>Net Surplus after pension deficit</b>		<u><u>18,948</u></u>	<u><u>18,592</u></u>
<b>Capital and reserves</b>			
Share capital	21	-	-
Revenue Reserves	22	<u>18,948</u>	<u>18,592</u>
<b>Surplus in shareholders' funds</b>	22	<u><u>18,948</u></u>	<u><u>18,592</u></u>

These financial statements were approved by the Board of Management on 24<sup>th</sup> August 2017 and authorised for issue and signed on their behalf by:

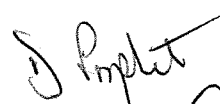
Chairman of the Board of Management

James Milne



Board member

Douglas Prophet



Secretary

Roddy McCuish



ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

GROUP STATEMENT OF CHANGES IN EQUITY

As at 31<sup>st</sup> March 2017

	Called up Share capital £'000	Revenue reserve £'000	Total equity £'000
Balance at 31 March 2016	-	17,940	17,940
<b>Changes in equity</b>			
Total comprehensive income	-	(256)	(256)
Balance at 31 March 2017	-	17,684	17,684

COMPANY STATEMENT OF CHANGES IN EQUITY

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

	Called up Share capital £'000	Revenue reserve £'000	Total equity £'000
Balance at 31 March 2016	-	18,592	18,592
<b>Changes in equity</b>			
Total comprehensive income	-	356	356
Balance at 31 March 2017	-	18,948	18,948

**ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED**

**GROUP STATEMENT OF CASH FLOWS**

**For the year ended 31<sup>st</sup> March 2017**

	<i>Notes</i>	<b>2017</b>		<b>2016</b>	
		£000	£000	£000	£000
<b>Cash flows from operating activities</b>					
Cash generated from operations	24	6,964		10,977	
<b>Net cash from operating activities</b>			<b>6,964</b>		<b>10,977</b>
<b>Cash flow from investing activities</b>					
Improvement of properties	12	(10,927)		(12,552)	
Construction of new properties	12	(7,776)		(6,081)	
Purchase of other fixed assets	13	(179)		(673)	
Right-to-buy proceeds		892		152	
Government grants received	20	5,490		12,169	
<b>Net cash flow from investing activities</b>			<b>(12,500)</b>		<b>(6,985)</b>
<b>Cash flow from financing activities</b>					
Finance income	9	27		35	
Finance charges	10	(1,662)		(1,632)	
Bank loans drawn down		7,000		-	
Bank loans repaid	26	(119)		(113)	
<b>Net cash flow from financing activities</b>			<b>5,246</b>		<b>(1,710)</b>
<b>(Decrease)/increase in cash and cash equivalents</b>			<b>(290)</b>		<b>2,282</b>
<b>Cash and cash equivalents at the start of the year</b>			<b>10,453</b>		<b>8,171</b>
<b>Cash and cash equivalents at the end of the year</b>			<b>10,163</b>		<b>10,453</b>

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2017

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 £5.3 million which when adjusted for disposals, interest receivable and payable resulted in a surplus of £4.0 million prior to the adjustment of the actuarial loss on the pension scheme giving total comprehensive expenditure for the year of £256k. At the financial year end ACHA had a surplus of assets of £17.7 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 is £64.8m, comprising £59.4m Lloyds Banking Group within the banking facility, £2.4m from Argyll and Bute Council and the option for a further £3m from external sources. Repayment is projected by 2035/36.

ACHA's loan asset security ratio requirement is 105%. The most recent security valuation as at March 2017 values ACHA's housing assets at £108.7 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 31<sup>st</sup> March 2017. 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 2016 to 31<sup>st</sup> March 2017. 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

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2017

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

### Depreciation and Impairment

Land is not subject to depreciation. Depreciation is charged so as to write down the cost of the 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

The SORP and FRS 102 outline a number of indicators for impairment which the Association must consider on an annual basis. Where an indicator for impairment is identified then the Association must carry out a full impairment review.

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. 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.



# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2017

### Related Assets

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

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

Component replacements which are not grant funded will be capitalised.

### 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. 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. Unamortised BPSG is held within creditors due after one year.

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.

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2017

### 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. Bute store is depreciated over a 50 year economic useful life, consistent with the economic useful life for structure under housing assets.

### 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 financial 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 loss for the year ended 31st March 2017 of £4.2 million. ACHA has taken account of this loss 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 on its charitable activities.

### 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 £11k 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.

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2017

### 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.

### 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

##### 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.

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2017

### **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 2017**

**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 2017</b>	<b>Operating Surplus / (Deficit) to 31<sup>st</sup> March 2016</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Social Lettings <i>(Note 3)</i>	22,216	(16,500)	-	5,716	6,214
Other Activities <i>(Note 4)</i>	1,058	(1,483)	-	(425)	(41)
	<u>23,274</u>	<u>(17,983)</u>	-	<u>5,291</u>	
Total for year to 31 <sup>st</sup> March 2016	<u>23,840</u>	<u>(17,667)</u>	-	<u>6,173</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 2017</b>	<b>Operating Surplus / (Deficit) to 31<sup>st</sup> March 2016</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Social Lettings <i>(Note 3)</i>	22,216	(16,428)	-	5,788	6,180
Other Activities <i>(Note 4)</i>	1,250	(1,675)	-	(425)	(41)
	<u>23,466</u>	<u>(18,103)</u>	-	<u>5,363</u>	
Total for year to 31 <sup>st</sup> March 2016	<u>24,046</u>	<u>(17,907)</u>	-	<u>6,139</u>	

**ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31<sup>st</sup> March 2017

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

	General Needs Housing	Supported Housing	Total	Total For Previous Period of Account
	£000	£000	£000	£000
Rents receivable net of service charges	19,003	770	19,773	18,996
Rent from garages	20	-	20	22
Rent from travelling people sites	70	-	70	63
Service charges	49	273	322	309
<b>Gross income from rents and service charges</b>	<b>19,142</b>	<b>1,043</b>	<b>20,185</b>	<b>19,390</b>
Less voids	(794)	(7)	(801)	(679)
<b>Net income from rents and service charges</b>	<b>18,348</b>	<b>1,036</b>	<b>19,384</b>	<b>18,711</b>
Grants from the Scottish Ministers	-	-	-	-
Other revenue grants	53	-	53	39
Deferred grant amortisation	2,779	-	2,779	2,888
<b>Total turnover from social letting activities</b>	<b>21,180</b>	<b>1,036</b>	<b>22,216</b>	<b>21,638</b>
Management and maintenance administration costs	5,961	344	6,305	6,776
Planned and cyclical maintenance including major repairs costs	1,832	-	1,832	1,757
Reactive maintenance costs	2,869	-	2,869	2,263
Bad debts – rents and service charges	163	-	163	163
Depreciation of social housing	4,852	-	4,852	4,465
Impairment of social housing	479	-	479	-
<b>Operating costs for social letting activities</b>	<b>16,156</b>	<b>344</b>	<b>16,500</b>	<b>15,424</b>
<b>Other income and gains</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Operating surplus for social lettings</b>	<b>5,024</b>	<b>692</b>	<b>5,716</b>	<b>6,214</b>
<b>Operating surplus for social lettings for previous period of account</b>	<b>5,614</b>	<b>600</b>	<b>6,214</b>	

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 2017

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

	<b>General Needs Housing</b>	<b>Supported Housing</b>	<b>Total</b>	<b>Total For Previous Period of Account</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Rents receivable net of service charges	19,003	770	19,773	18,996
Rent from garages	20	-	20	22
Rent from travelling people sites	70	-	70	63
Service charges	49	273	322	309
<b>Gross income from rents and service charges</b>	<b>19,142</b>	<b>1,043</b>	<b>20,185</b>	<b>19,390</b>
Less voids	(794)	(7)	(801)	(679)
<b>Net income from rents and service charges</b>	<b>18,348</b>	<b>1,036</b>	<b>19,384</b>	<b>18,711</b>
Grants from the Scottish Ministers	-	-	-	-
Other revenue grants	53	-	53	39
Deferred grant amortisation	2,779	-	2,779	2,888
<b>Total turnover from social letting activities</b>	<b>21,180</b>	<b>1,036</b>	<b>22,216</b>	<b>21,638</b>
Management and maintenance administration costs	5,961	344	6,305	6,775
Planned and cyclical maintenance including major repairs costs	1,832	-	1,832	1,757
Reactive maintenance costs	2,797	-	2,797	2,297
Bad debts – rents and service charges	163	-	163	163
Depreciation of social housing	4,852	-	4,852	4,466
Impairment on social housing	479	-	479	-
<b>Operating costs for social letting activities</b>	<b>16,084</b>	<b>344</b>	<b>16,428</b>	<b>15,458</b>
<b>Other income and gains</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Operating surplus for social lettings</b>	<b>5,096</b>	<b>692</b>	<b>5,788</b>	<b>6,180</b>
<b>Operating surplus for social lettings for previous period of account</b>	<b>5,580</b>	<b>600</b>	<b>6,180</b>	

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 2017

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

	Grants from Scottish Ministers	Other Revenue Grants	Other Income	Total Turnover	Operating Costs Bad Debits	Other Operating Costs	Operating Surplus / (Deficit)	Operating Surplus / (Deficit) for previous period of account
	£000	£000	£000	£000	£000	£000	£000	£000
	-	170	-	170	-	(260)	(90)	(63)
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	-	-	-	-	-	(32)	(32)	(80)
Related Assets	262	-	-	262	-	(222)	40	168
Aids and Adaptations	-	-	455	455	(522)	(314)	(381)	(262)
Tenant and Owner Recharges	-	-	-	-	-	-	-	1
Contents Insurance	-	-	102	102	-	(100)	2	(38)
Other activities	-	-	69	69	-	(33)	36	233
<b>Total from other activities</b>	<b>262</b>	<b>170</b>	<b>626</b>	<b>1,058</b>	<b>(522)</b>	<b>(961)</b>	<b>(425)</b>	<b>(41)</b>
<b>Total from other activities for previous period of account</b>	<b>762</b>	<b>188</b>	<b>1,252</b>	<b>2,202</b>	<b>(335)</b>	<b>(1,908)</b>	<b>(41)</b>	



ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2017

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

	Grants from Scottish Ministers	Other Revenue Grants	Other Income	Total Turnover	Operating Costs Bad Debts	Other Operating Costs	Operating Surplus / (Deficit)	Operating Surplus / (Deficit) for previous period of account
	£000	£000	£000	£000	£000	£000	£000	£000
	-	170	-	170	-	(260)	(90)	(63)
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	-	-	-	-	-	(32)	(32)	(80)
Related Assets	262	-	-	262	-	(222)	40	168
Aids and Adaptations	-	-	455	455	(522)	(314)	(381)	(262)
Tenant and Owner Recharges	-	-	-	-	-	-	-	1
Contents Insurance	-	-	181	181	-	(181)	-	-
AHFA support service income	-	-	102	102	-	(100)	2	(38)
Insurance	-	-	80	80	-	(44)	36	233
Other activities	-	-	-	-	-	-	-	-
<b>Total from other activities</b>	<b>262</b>	<b>170</b>	<b>818</b>	<b>1,250</b>	<b>(522)</b>	<b>(1,153)</b>	<b>(425)</b>	<b>(41)</b>
<b>Total from other activities for previous period of account</b>	<b>762</b>	<b>188</b>	<b>1,457</b>	<b>2,407</b>	<b>(335)</b>	<b>(2,113)</b>	<b>(41)</b>	

**ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31<sup>st</sup> March 2017**

**5. Housing stock**

	Units under development		Units under management	
	2017	2016	2017	2016
Housing accommodation for letting:				
General Needs	116	54	4,952	4,954
Sheltered housing	-	-	201	201
	<u>116</u>	<u>54</u>	<u>5,153</u>	<u>5,155</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.

	2017 £000	2016 £000
Total emoluments payable to directors and benefits in kind	415	408
Pension contributions	72	72
	<u>487</u>	<u>480</u>
Emoluments payable to the highest paid director (excluding pension contributions)	<u>91</u>	<u>90</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 £16,315 (2016: £15,698).

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

	2017	2016
More than £50,000 but not more than £60,000	1	-
More than £60,000 but not more than £70,000	-	1
More than £70,000 but not more than £80,000	-	4
More than £80,000 but not more than £90,000	4	-
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 2017**

**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	
	2017	2016
Housing & Neighbourhood Services	75	74
Finance & IT	15	14
Human Resources & Corporate Services	12	12
Investment & Regeneration	29	29
Argyll Homes For All	50	48
	<u>181</u>	<u>177</u>

The aggregate payroll costs of these persons were as follows:

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Wages and salaries	4,707	4,445	3,180	3,008
Social security costs	453	357	301	223
Other pension costs	568	646	508	570
	<u>5,728</u>	<u>5,448</u>	<u>3,989</u>	<u>3,801</u>

During the year 53% of investment staff costs were capitalised amounting to £689k (2016 – 73% or £775k)

**8. Operating surplus on ordinary activities - Group**

	2017 £000	2016 £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	29
Other services from bodies related to external audit	1	2
Operating lease rentals:		
Buildings	223	263
Other	130	110
Depreciation	<u>5,181</u>	<u>4,818</u>

**Operating surplus on ordinary activities - Company**

	2017 £000	2016 £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)	17	20
Other services from bodies related to external audit	-	1
Operating lease rentals:		
Buildings	223	263
Other	-	-
Depreciation	<u>5,176</u>	<u>4,746</u>

**ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31<sup>st</sup> March 2017**

<b>9.</b>	<b>Finance income - Group</b>	<b>2017</b>	<b>2016</b>
		<b>£000</b>	<b>£000</b>
	Bank interest receivable	27	35
	Interest on pension fund ( <i>Note 29</i> )	-	-
		<u>27</u>	<u>35</u>
	<b>Finance income - Company</b>		
		<b>2017</b>	<b>2016</b>
		<b>£000</b>	<b>£000</b>
	Bank interest receivable	37	34
	Interest on pension fund ( <i>Note 29</i> )	-	-
		<u>37</u>	<u>34</u>
<b>10.</b>	<b>Finance charges - Group</b>	<b>2017</b>	<b>2016</b>
		<b>£000</b>	<b>£000</b>
	On bank loans	1,661	1,632
	Interest on pension fund ( <i>Note 29</i> )	170	228
		<u>1,831</u>	<u>1,860</u>
	<b>Finance charges - Company</b>		
		<b>2017</b>	<b>2016</b>
		<b>£000</b>	<b>£000</b>
	On bank loans	1,662	1,625
	Interest on pension fund ( <i>Note 29</i> )	143	202
		<u>1,805</u>	<u>1,827</u>

**11. Taxation**

Due to ACHA's charitable status, no tax liability arose in the year to 31<sup>st</sup> March 2017 (2016: £ Nil).

AHFA is liable for UK Corporation Tax on its retained profits which amounted to £ Nil in the year (2016: £ Nil).

**ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31<sup>st</sup> March 2017**

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

	Housing properties held for letting £000	Housing properties in course of construction £000	Total 2017 £000	Total 2016 £000
<b>Cost</b>				
At start of year	151,670	6,175	157,845	139,590
Additions during year new build	3,215	4,561	7,776	6,081
Additions during year existing properties	10,927	-	10,927	12,552
Transfers	5,533	(5,533)	-	-
Office Transfer		(149)	(149)	
Disposals	(1,163)	-	(1,163)	(378)
Impairment	(1,596)	-	(1,596)	-
At end of year	<u>168,586</u>	<u>5,054</u>	<u>173,640</u>	<u>157,845</u>
<b>Depreciation</b>				
At start of year	(21,949)	-	(21,949)	(17,546)
Charge during year	(4,851)	-	(4,851)	(4,466)
Disposals	191	-	191	63
Impairment	375	-	375	-
At end of year	<u>(26,234)</u>	<u>-</u>	<u>(26,234)</u>	<u>(21,949)</u>
<b>Net book value</b>				
<b>At 31 March 2017</b>	<u>142,352</u>	<u>5,054</u>	<u>147,406</u>	<u>135,895</u>
<b>At 31 March 2016</b>	<u>129,721</u>	<u>6,175</u>	<u>135,895</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 54 properties have been sold under Right to Buy resulting in a gain on sale of £471k (2016 - £48k). 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.

A decision was taken to process an impairment loss for 94 properties where the Board of Management have taken a decision to either demolish or mothball due to long term low demand. This resulted in £1.59 million of cost and £375k of accumulated depreciation being removed.

ACHA has included in housing properties held for letting £4.82 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 end of the financial year there were 180 properties which were unencumbered.

During the year 53% of investment staff costs were capitalised amounting to £689k (2016 – 73% or £775k)

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2017

13. Property, plant & equipment – other - Group

	Computer hardware & software	Offices	Bute stores	Furniture	Total non housing
	£000	£000	£000	£000	£000
<b>Cost</b>					
At start of year	1,910	1,551	21	33	3,515
Additions during year	87	241	-	-	328
Disposals	(13)	-	-	-	(13)
At end of year	<u>1,984</u>	<u>1,792</u>	<u>21</u>	<u>33</u>	<u>3,830</u>
<b>Depreciation</b>					
At start of year	(1,443)	(137)	(2)	(18)	(1,600)
Provided during year	(278)	(48)	(1)	(2)	(329)
Disposals	13	-	-	-	13
At end of year	<u>(1,708)</u>	<u>(185)</u>	<u>(3)</u>	<u>(20)</u>	<u>(1,916)</u>
<b>Net book value</b>					
At 31 March 2017	<u>276</u>	<u>1,607</u>	<u>18</u>	<u>13</u>	<u>1,914</u>
At 31 March 2016	<u>467</u>	<u>1,414</u>	<u>19</u>	<u>15</u>	<u>1,915</u>

Property, plant & equipment – other - Company

	Computer hardware & software	Offices	Bute stores	Furniture	Total non housing
	£000	£000	£000	£000	£000
<b>Cost</b>					
At start of year	1,696	1,551	21	33	3,301
Additions during year	87	241	-	-	328
Disposals	(13)	-	-	-	(13)
At end of year	<u>1,770</u>	<u>1,792</u>	<u>21</u>	<u>33</u>	<u>3,616</u>
<b>Depreciation</b>					
At start of year	(1,233)	(137)	(2)	(18)	(1,390)
Provided during year	(274)	(48)	(1)	(2)	(325)
Disposals	13	-	-	-	13
At end of year	<u>(1,494)</u>	<u>(185)</u>	<u>(3)</u>	<u>(20)</u>	<u>(1,702)</u>
<b>Net book value</b>					
At 31 March 2017	<u>276</u>	<u>1,607</u>	<u>18</u>	<u>13</u>	<u>1,914</u>
At 31 March 2016	<u>463</u>	<u>1,414</u>	<u>19</u>	<u>15</u>	<u>1,911</u>

**ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31<sup>st</sup> March 2017**

<b>14. Investments</b>		<b>Group</b>			<b>Company</b>	
		<b>2017</b>	<b>2016</b>		<b>2017</b>	<b>2016</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 2017 was that of property maintenance. As at 31<sup>st</sup> March 2017 the capital and reserves of AHFA were (£1,262k) (2016: (£649k)) with a loss for the year of £109k (2016: £2k profit)

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

Class of shares:                      % holding  
 Ordinary                                      100.00

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Aggregate capital and reserves	(1,262)	(578)
Profit/ (loss) for the year	(109)	2

<b>15. Stocks and work in progress</b>		<b>Group</b>			<b>Company</b>	
		<b>2017</b>	<b>2016</b>		<b>2017</b>	<b>2016</b>
		<b>£000</b>	<b>£000</b>		<b>£000</b>	<b>£000</b>
Stock		21	22		-	-
		21	22		-	-
		<u>21</u>	<u>22</u>		<u>-</u>	<u>-</u>

<b>16. Debtors</b>		<b>Group</b>			<b>Company</b>	
		<b>2017</b>	<b>2016</b>		<b>2017</b>	<b>2016</b>
		<b>£000</b>	<b>£000</b>		<b>£000</b>	<b>£000</b>
Rental debtors		1,065	1,337		1,065	1,337
Less bad debt provision		(452)	(1,054)		(452)	(1,054)
		<u>613</u>	<u>283</u>		<u>613</u>	<u>283</u>
Prepayments and accrued income		610	921		592	903
Housing Association Grant receivable		1,430	352		1,430	352
Other debtors		1,872	1,658		2,172	1,940
Less bad debt provision		(1,812)	(1,528)		(1,812)	(1,528)
Long Term Debtor – Subsidiary Loan		-	-		300	300
		<u>2,713</u>	<u>1,686</u>		<u>3,295</u>	<u>2,250</u>

**ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31<sup>st</sup> March 2017**

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

	<b>Debtor £000</b>	<b>Provided £000</b>	<b>2017 Net Debtor £000</b>
Due from current tenants	757	(144)	613
Due from former tenants	308	(308)	-
	<u>1,065</u>	<u>(452)</u>	<u>613</u>

Rental Bad debts of £765k were written off during the period (2016 £81k). This included where Board approval was given during the year to formally write off a batch of former tenant arrears where the debt related to periods up to December 2016 (all fully provided for previously), this amounted to £751k Rental Bad debts provided for in the year were £149k (2016 £81k).

Sundry debts of £111k were written off during the period (2016 £53k) Sundry debtors provided for in the year were £411k (2016 £282k).

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>2017 £000</b>	<b>2016 £000</b>	<b>2017 £000</b>	<b>2016 £000</b>
Bank	10,162	10,452	9,827	10,258
Cash	1	1	1	1
	<u>10,163</u>	<u>10,453</u>	<u>9,828</u>	<u>10,259</u>

<b>18. Creditors: amounts falling due within one year</b>	<b>Group</b>		<b>Company</b>	
	<b>2017 £000</b>	<b>2016 £000</b>	<b>2017 £000</b>	<b>2016 £000</b>
Loans (secured)	125	119	125	119
Trade creditors	5,028	5,271	5,187	5,582
Housing Association Grant in advance	-	-	-	-
Other grants in advance	-	-	-	-
Other creditors	649	703	646	700
Accruals and deferred income	1,342	1,580	1,260	1,518
Deferred grant income	2,773	2,750	2,773	2,750
	<u>9,917</u>	<u>10,423</u>	<u>9,991</u>	<u>10,669</u>



**ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31<sup>st</sup> March 2017**

19. Creditors: amounts falling due after one year	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Loan (secured)	44,437	37,562	44,437	37,562
Deferred Grant (Note 20)	80,741	79,346	80,741	79,346
	<u>125,178</u>	<u>116,908</u>	<u>125,178</u>	<u>116,908</u>

An office development loan of £481k 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	49
Due between 1 and 2 years	51
Due between 2 and 5 years	174
Over 5 years	<u>207</u>
	<u><u>481</u></u>

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

	Glenshellach £000	Bonawe £000	Helensburgh £000	Total £000
Due within one year	59	3	15	77
Due between 1 and 2 years	62	3	16	81
Due between 2 and 5 years	352	14	51	417
Over 5 years	<u>1,671</u>	<u>95</u>	<u>490</u>	<u>2,256</u>
	<u><u>2,144</u></u>	<u><u>115</u></u>	<u><u>572</u></u>	<u><u>2,831</u></u>

The remainder of loans drawn, amounting to £41.25 million with Lloyds Banking Group, are repayable by bullet repayment.

A summary of all fixed rate loans as at 31<sup>st</sup> March 2017 is as follows:

Fixed Rate Hedging	Value (£000's)	End date	Rate %
Tranche A	£3,000	29/03/2018	1.640
Tranche A	£7,000	18/11/2024	1.535
Tranche A	£3,950	30/12/2024	1.515
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	£481	11/03/2025	5.955
Tranche D	£5,000	30/09/2021	5.505
Tranche D	<u>£2,300</u>	<u>31/03/2023</u>	<u>4.365</u>
<b>Total</b>	<b>£41,731</b>		

**ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31<sup>st</sup> March 2017**

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

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. At the year end there were 4,919 housing properties secured to Lloyds Banking Group in addition to 54 housing properties secured to Argyll and Bute Council.

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

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
<b>Housing Association Grant (HAG)</b>		
At 1 <sup>st</sup> April	21,206	19,199
Received during year	4,132	2,541
Released to income during year	(444)	(534)
At 31 <sup>st</sup> March	<u>24,894</u>	<u>21,206</u>
	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
<b>Other grants</b>		
At 1 <sup>st</sup> April	60,890	53,615
Received during year	1,358	9,628
Released to income during year	(2,335)	(2,353)
Released to income during year - disposals	(550)	-
Released to income during year - Impairment	(743)	-
At 31 <sup>st</sup> March	<u>58,620</u>	<u>60,890</u>
	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Amount to be released within one year	2,773	2,750
Amount to be released in more than one year	80,741	79,346
	<u>83,514</u>	<u>82,096</u>

**21. Share capital**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
<b>Shares of £1 each fully paid</b>		
At 1 <sup>st</sup> April	263	275
Issued in year	15	13
Cancelled in year	(13)	(25)
At 31 <sup>st</sup> March	<u>265</u>	<u>263</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 2017

22. Reconciliation of movements in shareholders' funds

<b>Group</b>	<b>Revenue Reserve £000</b>	<b>Share Capital £000</b>	<b>Total shareholders funds £000</b>
Balance at 1 April 2016	17,940	-	17,940
Accumulated surplus for year	(256)	-	(256)
<b>Balance at 31 March 2017</b>	<b>17,684</b>	<b>-</b>	<b>17,684</b>

<b>Company</b>	<b>Revenue Reserve £000</b>	<b>Share Capital £000</b>	<b>Total shareholders funds £000</b>
Balance at 1 April 2016	18,592	-	18,592
Accumulated surplus for year	356	-	356
<b>Balance at 31 March 2017</b>	<b>18,948</b>	<b>-</b>	<b>18,948</b>

**ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31<sup>st</sup> March 2017**

**23. Commitments – Group and Company**

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

	2017	2016
	£000	£000
<b>Within one year</b>		
Investment programme	5,338	1,146
Regeneration	7,387	3,978
Related Assets	<u>30</u>	<u>117</u>
	12,755	5,241
<b>Within two to five years</b>		
Investment programme	292	115
Regeneration	5,745	681
Related Assets	<u>-</u>	<u>-</u>
	<u>6,037</u>	<u>796</u>

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

(b) At the 31<sup>st</sup> March, the total future minimum lease payments under non-cancellable operating leases were as follows:

	2017	2016
	£000	£000
<b>Land and Buildings</b>		
Due within 1 year	37	40
Due between 1 and 5 years	-	-
Over 5 years	<u>-</u>	<u>-</u>
	<u>37</u>	<u>40</u>
<b>Other</b>		
Due within 1 year	5	120
Due between 1 and 5 years	-	5
Over 5 years	<u>-</u>	<u>-</u>
	<u>5</u>	<u>125</u>

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2017

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

	2017 £000	2016 £000
<b>Operating surplus/deficit</b>	<b>5,291</b>	<b>6,173</b>
<b>Adjustments:</b>		
Depreciation on non-housing fixed assets	329	351
Depreciation on housing fixed assets	4,851	4,466
Impairment on housing fixed assets	479	-
Deferred Grant Amortisation	(2,779)	(2,888)
<b>Movement in working capital:</b>		
Non cash adjustment in pension fund	354	751
Decrease/ (Increase) in stock	1	(4)
Decrease/(Increase) in debtors	(1,027)	227
Increase / (Decrease) in creditors	(535)	1,901
<b>Cash inflow from operating activities</b>	<b>6,964</b>	<b>10,977</b>

25. Analysis of changes in net debt - Group

	At 31 <sup>st</sup> March 2016 £000	Cash flows £000	At 31 <sup>st</sup> March 2017 £000
Cash in hand, at bank	10,453	(290)	10,163
Debt due within one year	(119)	(6)	(125)
Debt due in more than one year	(37,562)	(6,875)	(44,437)
<b>Total</b>	<b>(27,228)</b>	<b>(7,171)</b>	<b>(34,399)</b>

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

	2017 £000	2016 £000
Increase / (Decrease) in cash in the period	(290)	2,282
Cash (inflow) from debt financing	(7,000)	-
Cash outflow from debt financing	119	113
Change in debt resulting from cash flows	(7,171)	2,395
Net debt at beginning of period	(27,228)	(29,623)
<b>Net debt at end of period</b>	<b>(34,399)</b>	<b>(27,228)</b>

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2017

### 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 2017 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 £3.7 million. This is a defined benefit scheme which provides benefits based on the final pensionable salary, the assets of which are held in a separate trustee administered fund. The best estimate of total employer contributions for 2017/18 is £718k

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 2017 % p.a.	31 <sup>st</sup> March 2016 % p.a.	31 <sup>st</sup> March 2015 % p.a.
Pension Increase Rate	2.4%	2.2%	2.4%
Salary Increase Rate	4.4%	4.2%	4.3%
Discount Rate	2.6%	3.5%	3.2%

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 Assets 31 <sup>st</sup> March 2017	Assets at 31 <sup>st</sup> March 2017 £000	% Split of Assets 31 <sup>st</sup> March 2016	Assets at 31 <sup>st</sup> March 2016 £000
Equities	73%	18,570	72%	14,556
Bonds	12%	3,052	15%	3,032
Property	10%	2,544	13%	2,628
Cash	5%	1,272	0%	-
<b>Total</b>		<b>25,438</b>		<b>20,216</b>

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2017

Analysis of the amount charged in arriving at the operating surplus

	Period to 31 <sup>st</sup> March 2017 £000	Period to 31 <sup>st</sup> March 2016 £000
Service cost	1,008	1,120
Past service costs	-	108
<b>Amounts charged to finance charge</b>	<b>1,008</b>	<b>1,228</b>

	Period to 31 <sup>st</sup> March 2017 £000	Period to 31 <sup>st</sup> March 2016 £000
Net interest	170	228
<b>Amounts charged to finance charge</b>	<b>170</b>	<b>228</b>

Analysis of the amount recognised in the statement of comprehensive income

	Period to 31 <sup>st</sup> March 2017 £000	Period to 31 <sup>st</sup> March 2016 £000
Actual return	4,030	(116)
Changes in financial assumptions underlying the present value of scheme liabilities	(8,243)	2,934
Changes in demographic assumptions underlying the present value of scheme liabilities	(1)	82
<b>Amounts charged to finance charge</b>	<b>(4,214)</b>	<b>2,900</b>

**ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31<sup>st</sup> March 2017**

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

	<b>2017</b>
	<b>£000</b>
Opening scheme liabilities	24,916
Current service cost	1,008
Past service cost	-
Interest cost	886
Re-measurements	8,244
Benefits paid	(413)
Contributions	235
Closing scheme liabilities	<u>34,876</u>

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

	<b>2017</b>
	<b>£000</b>
Opening fair value of plan assets	20,216
Interest income	716
Return on plan assets (in excess of interest income)	4,030
Contributions by employer	654
Plan participants contributions	235
Benefits paid	(413)
Closing scheme liabilities	<u>25,438</u>

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Pension deficit at end of year	<u>(9,438)</u>	<u>(4,700)</u>



# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2017

### 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 £299k which related to a balance of support service charges and assigned staff costs due to ACHA. At the balance sheet date, income accrued by AHFA but not yet paid by ACHA amounted to £327k. 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. Four 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 £31,704 (2015/16: £24,945) with total rent arrears at the year end of nil (2015/16: nil)

Payments made to members of the Board of Management during 2016/17 amounted to £14k. 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 in relation to Capita Housing, print services and environmental services provision. ACHA also lets houses to Argyll and Bute Council under a special letting agreement relating to homelessness.

ACHA paid £958k to the Council for services relating to service level agreements, premises leases, council tax, IT, loan repayments, building warrants, environmental and other services received during the period.

Included in the above amount ACHA paid to the Council £498k during the period in respect of Right to Buy sales for the financial period 2015/16 and £201k in relation to the three Strategic Housing Fund (SHF) loans.

During the period ACHA received from the Council £8.28 million in housing benefit payments and homelessness leases of £51k. ACHA also received £1.07 million of SHF grant income during the period.

At the period end there was a creditor of £1.1 million outstanding in respect of Right to Buy receipts for the financial period 2016/17 and creditors totalling £40k 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 2017

31. Financial Instruments

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

	2017 £'000	2016 £'000
<i>Financial assets</i>		
<b>Debt instruments measured at amortised cost:</b>		
- Trade debtors (note 16)	613	283
- Accrued income (note 16)	500	677
- Other debtors (note 16)	60	130
- Cash and cash equivalents (note 17)	10,163	10,453
	<u>11,336</u>	<u>11,543</u>
 <i>Financial liabilities</i>		
<b>Measured at amortised cost:</b>		
- Bank loans and overdraft (notes 18-19)	44,561	37,681
- Trade creditors (note 18)	5,028	5,271
- Accrued expenses (note 18)	1,296	1,471
- Other creditors (note 18)	649	703
	<u>51,534</u>	<u>45,126</u>

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

	2017 £'000	2016 £'000
<i>Income and expense</i>		
Financial assets measured at amortised cost	37	35
Financial liabilities measured at amortised cost	(1,671)	(1,632)

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 £37,000 (2016 - £35,000) and £1,671,000 (2016 - £1,632,000) respectively.