

**ARGYLL COMMUNITY HOUSING
ASSOCIATION LIMITED AND
SUBSIDIARIES**



**Report of the Board of Management
and Financial Statements
for the year ended
31st March 2020**

Registration Particulars:

Scottish Housing Regulator

Registered Number: 360

Co-operative and Community Benefit
Societies Act 2014

Registered Number: 2661R (S)

Office of the Scottish Charity Regulator

Registered number: SC042713

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

For the year ended 31st March 2020

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ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES**BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS****For the year ended 31st March 2020****The Board of Management**

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

Board of Management Members		Appointed	Resigned	Deceased
James Milne	Chair	14 th June 2012		
Sonja Aitken		19 th September 2019		
David Carmichael		21 st September 2016		
Cameron Grant	Vice Chair	19 th November 2013		
Catherine Grant		22 nd August 2019		
Daniel Kelly		5 th December 2013		4 th June 2019
Nancy MacDonald		7 th February 2019		
Bruce Marshall		12 th July 2012		
Ian McIntyre		16 th November 2017		
Pat McVey		28 th March 2019		
Elizabeth Rhodick		24 th May 2018		
Brian Tester		19 th September 2019		

Councillors:

Roddy McCuish	Secretary	11 th April 2013
Donald MacMillan		14 th November 2013
Iain Shonny Paterson		25 th May 2017

Executive Officers

Alastair MacGregor	Chief Executive
Colette Benham	Director of Human Resources and Corporate Services
Christine Gannon	Director of Housing and Neighbourhood Services
Kirsteen McGinn	Director of Investment and Regeneration
Bruce West	Director of Finance and IT

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BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS

For the year ended 31st March 2020

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

Auditors: Alexander Sloan
Accountants and Business Advisors
180 St Vincent Street
Glasgow
G2 5SG

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

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STRATEGIC REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31st March 2020

ABOUT ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED GROUP

The Board of Management present their report and audited financial statements for the year ended 31st March 2020.

Argyll Community Housing Association Limited (ACHA) was incorporated on 27th 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 21st 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 4th November 2011, registered No. SC042713.

Argyll Homes For All Limited (AHFA) is a wholly owned subsidiary of ACHA incorporated on 27th 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 1st April 2019 to 31st March 2020.

PRINCIPAL ACTIVITIES

ACHA's principal activity is to provide and manage quality affordable housing accommodation for people in housing need across the Argyll and Bute region. ACHA received 5,398 homes from Argyll and Bute Council as a result of the whole stock transfer on 21st November 2006 and now has 5,198 homes as a result of previous right to buy sales, stock harmonisation 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 gypsy traveller 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.

While ACHA's primary purpose is to improve and maintain the quality of its 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 major repairs and new build programme, together with the empowerment of staff to deliver excellent services that are tenant-focused.

The principal activity of the wholly owned subsidiary, AHFA, is property repairs and maintenance for ACHA.

GOVERNANCE AND DECISION MAKING

ACHA's organisational structure consists of a voluntary Board of Management ('Board') supported by a Senior Management Team ('SMT'). The Board has places for members as follows:

Tenants – 10 Council Nominees – 3 Independent Members – 5

During the year the Board had 1 leaver and recruited 3 new members. At the year-end, 31st March 2020 there were 4 tenant vacancies on ACHA's Board.

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The SMT comprises the Chief Executive and each of the directors heading the four functional departments of Housing & Neighbourhood Services, Investment & Regeneration, Human Resources & Corporate Services, and Finance & IT.

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 meetings whilst operational matters are dealt with by the staff SMT. 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 includes all aspects of audit compliance and internal controls assurance and also the annual accounts and financial statements. The Policy Committee has delegated powers to consider the approval of ACHA's operating policies thus enabling the Board 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 across the Group.

ACHA has four Area Committees who deal with operational matters locally and have a clearly defined scheme of delegated authority. These Area Committees are established along the following geographical areas: Oban, Lorn & the Isles, Mid Argyll & Kintyre, Helensburgh & Lomond and Bute & Cowal. The Bute & Cowall Area Committee recommenced in September 2019 after a period where it had been disbanded due to insufficient interest.

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 comprising of 6 members, 2 of whom are Board members of ACHA, 2 who are independent members and 2 current vacancies. AHFA operates across the whole of the Argyll and Bute region with 2 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 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 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 Chair in 2019/20 and as a result a succession plan template has been developed. A Board Development Action Plan has also been developed.

The Group Board completed a training programme during 2019/20 which included training on Asking Questions, Maintenance and Repairs, Governance, Housing, Strategy, Risk and Equalities. The following is planned for 2020/21; Employment & HR Issues, Treasury, Performance Management, Legal & Regulatory, Health, Safety & Environmental, Finance, Business Planning, Development, Maintenance & Repairs, Governance and Strategy & Equalities.

RISK MANAGEMENT

ACHA has a Risk Management Strategy determined by its Board based on known risks. ACHA also has a risk management policy, which remains under review by the SMT. 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 eight individual pieces of completed work totalling 33 days on site. The outcomes of the internal audit reviews were considered by officers and reported to Audit Committee of the Group.

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The Group business continuity plans have been established and undergone testing in relation to cyber security and a number of training sessions have been conducted on this topic, via the Scottish Business Resilience Centre, who ACHA are members of.

The Scottish Housing Regulator regulation plan for ACHA remains at medium engagement due to the systemic risk that ACHA poses as a result of the size of the organisation. 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. Fire Risk Assessments have also been undertaken at all sites by Clarity Solutions and any follow up actions have been progressed, with a further review due next year. ACHA now have an internal health and safety advisor who also ensures that all follow up actions are progressed in a timely manner. The advisor also audits the health and safety management systems in place throughout the year and highlights any areas of non-compliance. The health and safety advisor's role also includes the reviewing of risk assessments throughout the association. Finally, the advisor as part of his role advises and coaches managers on their responsibilities for health and safety duties, provides guidance and practical solutions to ensure legal compliance and best practice.

STAFF

ACHA employed 221 full time equivalent staff during 2019/20, an increase of 17 on the 204 full time equivalent staff during 2018/19. This was due to an increase in staff numbers within AHFA in line with their business development and additional staff within Investment & Regeneration to support the Warm Homes Fund project.

An employee engagement survey was undertaken by People Insight on behalf of ACHA and AHFA, in late 2019. A total of 79% of employees provided a response. (80% is considered to be a good response rate). The overall 2019 average satisfaction Group scores were 72% for the ACHA Group, with a target of 80% and a benchmark of 79%. An action plan is being put in place, in conjunction with the People Plan/Strategy to address any areas for improvement.

Chief Executive staff roadshows are held three times a year to assist staff engagement and development opportunities.

Staff turnover at the end of March 2020 was 7.97% (2019 - 10.97%) against a target of 14.0%. ACHA encourages all leavers to complete an exit questionnaire to review for emerging trends.

Sickness absence rates have improved from 3.77% in 2018/19 to 2.30% in 2019/20 against a target of 3.0%. Senior management review absence levels, costs and causes regularly and attendance management trigger points are used to deal with short term persistent absence cases, with work carried out in respect of long term sickness cases on a case management basis.

ACHA is continuing to develop its online training and development capabilities by embracing e-learning, due to the geographical challenges and the need to become more effective and efficient. We recognise that in some cases, face to face training will still be required, and have adopted a blended learning approach to suit. We have also moved towards further employee self-service functionality in terms of our software packages.

OBJECTIVES, OPERATIONS AND PERFORMANCE

Performance Management

ACHA strives to improve performance and customer satisfaction year on year and have cultivated an ethos of continuous improvement across all aspects of service delivery.

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Performance levels are routinely monitored by staff delivering services, the SMT and Board. Key Performance Indicator information is also reviewed by ACHA's Local Area Committees.

The Scottish Housing Regulator monitors and reports on ACHA's performance using the Annual Return on the Charter (ARC). For the ARC, ACHA submits 45 performance indicators which are measured against other social housing providers in Scotland. ACHA use these comparisons to help set our own performance targets which, as a minimum, will be to at least meet the Scottish National Average.

In October of each year ACHA publishes our Landlord Report to show how we are performing against the standards set out in the Scottish Social Housing Charter, ensuring tenants and others can assess the effectiveness of our work and allowing us to identify where improvement can be made. Every year ACHA develops our Landlord report in consultation with our tenants and other stakeholders.

The Scottish Housing Regulator also requires ACHA to submit an Annual Assurance Statement each year. The purpose of this statement is for the ACHA's Board to declare that they are assured our organisation complies with regulatory requirements.

Each year the Scottish Housing Regulator publishes an Engagement Plan for each Landlord. This outlines what they will do and details Regulatory returns which we must provide in order for the Scottish Housing Regulator to monitor our performance.

It is important that tenants and other customers have the opportunity to provide feedback on the services they receive. ACHA help facilitate this in a number of ways, including:

- Satisfaction surveys via telephone, post and on-site inspections following major and routine repairs
- Biennial telephone surveys on Scottish Social Housing Charter satisfaction indicators
- Factored Owners survey
- Annual Sheltered Housing survey
- Gypsy/Traveller survey

We value positive and negative feedback from customers to help improve and develop services. Complaints information is used as a learning tool, coupled with other performance information such as satisfaction surveys and benchmarking of performance indicators, help to build an accurate picture of how services are performing and develop improvements. Areas of concern are also reviewed and considered by the Board as part of their Strategic Planning role and may be included in the Corporate Strategic Plan, which sets out ACHA's aims and objectives going forward. Each of the four departments within ACHA also develops and maintains a departmental operating plan which clearly identifies expected performance and satisfaction levels.

Tenant Participation and Customer Involvement

ACHA seeks to involve our tenants and customers in the running of the organisation and the development of services in as many ways as possible.

Our Governing Body (Board and Local Area Committees) is entirely made up of tenants, members of the local community and representatives from Argyll & Bute Council. ACHA staff do not form part of the Governing Body. In addition to the Board and Area Committees, tenants and other interested parties are able to participate and get involved with ACHA in the following ways:

- Joining our Feedb@ck Forum
- Becoming a member of ACHA for just £1 for life and attending our Annual General Meeting
- Becoming a member of a local Registered Tenant Organisation - ACHA currently supports two such groups, one in Cardross and the other in Campbeltown
- Joining the "Your Voice" tenant scrutiny group
- Taking part in consultation and other surveys
- Attending our Tenant and Member Conference

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In February 2020 ACHA held its third Tenant and Member conference in Inveraray. Attendees were able to put questions to senior ACHA staff and participate in the planning of future conferences. There were three interactive sessions during the conference where attendees were asked in groups to consider questions on "Involving young people", "How do we improve performance" and "Investing in your home". Almost 300 comments and suggestions were received during these sessions and the summary of themes were considered by the Board during ACHA's Strategic Planning days in late February 2020 when setting the Associations objectives for the coming year.

The "Your Voice" tenant scrutiny group attended the Tenant Information Service Annual conference in June 2019. The members heard presentations from a number of key policymakers and had the opportunity to network with tenants with similar interests from across Scotland. In the autumn the group chose to look at ACHA's New Build programme. They considered a wide range of ACHA's publications and interviewed the Director of Investment & Regeneration. Several group members visited site openings of new build properties. The group are looking forward to completing this scrutiny exercise in the coming year.

Consultation is carried out each year on a variety of topics and the feedback is used to assist the Board make decisions on future service delivery. Consultation during 2019/20 included:

- Annual rent review
- Content and layout of the Landlord Report
- Exemplar Estates projects across Argyll & Bute
- Service charge consultant for grounds maintenance
- Three interactive consultations from the Tenant & Member Conference - "Involving young people", "How do we improve performance" and "Investing in your home".

A rolling programme of policy, strategy and procedural review is in place and tenants and other service users are actively encouraged to take part in the consultation processes

Housing Allocations

ACHA is one of the main Social Housing providers in the Argyll & Bute area. 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 and Argyll & Bute Council. Having a common housing register means that applicants seeking rehousing only have to complete one on line application form which can be accessed via any of the Partners websites. Applicants are also required to complete a Housing Options questionnaire, which is aimed at helping applicants make informed decisions regarding their housing requirements.

As at 31st March 2020 there were a total of 2,769 applicants on the HOME Argyll waiting lists.

During 2019/20 ACHA let 509 properties to applicants from the following waiting list categories:

Statutory Homeless	119 (23%)
Direct Waiting List	268 (53%)
Transfer Waiting List	122 (24%)

Tenants from the partner organisations are also able to "swap" houses via our mutual exchange facility. During 2019/20, 28 tenants were able to move into more suitable accommodation via this scheme.

ACHA aim to carry out a settling in visit with all new tenants within 6 weeks of them moving into their new home. 85% of new tenants who were visited told us they were satisfied with the standard of their home when they moved in.

Estate Management and Anti-Social Behaviour

Our staff complete regular inspections of our estates and play parks and encourage all our tenants to take pride in the community in which they live. ACHA is not the sole landowner or landlord with

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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. An example of this is the work undertaken via our Exemplar Estates project.

In recent years much of our housing stock has been improved, however, relatively small impacts have been achieved in improving the immediate environment and landscape setting to the estates managed by ACHA. The Board approved annual funding of £300k, for the next 5 years, to improve these estates. During Year 1 (2019/20) 5 estates benefited from this investment.

ACHA's Area Committee's approved a number of local projects as part of our Estate Management Acton Plans. These projects are mainly external works to common areas or gardens. The Area Committee's continue to hold their annual 'Garden in Bloom' competitions in each area. This is an opportunity to recognise the hard work and commitment from tenants in maintaining their garden.

Our last tenant satisfaction survey revealed that 82% of our tenants were satisfied with the management of the neighbourhood that they lived in.

Part of our Estate Management work includes supporting tenants and other members of the community who are experiencing anti-social behaviour and/or neighbour nuisance. We continue to have a zero tolerance to anti-social behaviour and during the year we resolved 95% of cases within locally agreed targets. 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 take action. ACHA did not need to raise any court proceedings against tenants in respect of anti-social behaviour, in the reporting year.

Factoring and Private Owners

At the end of 2019/20, 331 private owners were part of ACHA's comprehensive factoring service. This covered 102 blocks in Argyll & Bute, as follows:

AREA	NO FLATS	OF	NO BLOCKS	OF
Bute and Cowal		45		19
Mid Argyll, Kintyre and Islay		70		30
Lorn and the Isles		52		19
Helensburgh and Lomond		164		34
Totals		331		102

The Factoring Policy, which underwent a substantial review in 2018/19, was implemented on 1st April 2019 and information and updated documentation issued to customers on service changes. A series of staff training sessions were carried out to detail changes in the Policy and refresher training on private owner involvement.

As a result of previous years' customer comments some new services are being considered to be offered to owners – these include development of a close cleaning service and grounds maintenance service. Colleagues in local offices have been carrying out pilot consultations with some owners where works would be of benefit to blocks and areas

A review of the Block Inspection process has taken place to ensure the information produced to owners is easy to understand, detailed and allows for a planned approach to work to help customers to plan ahead for future costs. Testing is taking place before being rolled out to all customers.

ACHA continues to comply with the Property Factors (Scotland) Act 2011 and took part in a Government consultation review of the Code of Conduct. Services continue to be provided to owners through formal agreements and custom and practice where owners are in blocks or an estate which has common ground.

The Annual Property Factors update was completed before the deadline of 30th June 2019 and a total of 7,280 properties were registered contained 3,843 privately owned and 3,437 ACHA owned

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Customer Service Centre

Our Customer Service Centre continues to provide a wide range of telephone and internet based services and is effectively a 'one stop shop' for tenants, owners and other customers. Customers can also communicate via text messaging and social media.

Welfare Rights Service

ACHA participated in the Money Skills Argyll project during 2019/20, which aimed to help those aged 16 or over, living in a jobless household, living in a single adult household with dependent children, or low income employed people. The projects help individuals be more in control of their money with help, advice and support with Debt Advice, Money Advice, Computer Skills, Money Management, Income Maximisation and Fuel Poverty advice. The project was funded by the European Social Fund and the Big Lottery. ACHA provided three strands of work for the project – Money Management, Income Maximisation and Income Maximisation including advocacy.

ACHA also concurrently ran a small project in 2019/20 funded by the People and Communities Fund to ensure that tenants who did not meet the eligibility of the Money Skills Argyll project could also be helped.

Total client gain for the year was £2.96 million. Within that figure, Universal Credit Housing Cost elements of £326k were secured, Housing Benefit payments of £569k were paid and Discretionary Housing Payments of £88k were awarded. Therefore, a total of £983k was available to fund tenant's rental costs to ACHA. Full Universal Credit rolled out across Argyll and Bute in 2019/20 and the capacity provided by the Welfare Rights Service is invaluable in providing assistance for claims and this has been ongoing. Welfare Rights staff continue to train and update other housing staff on the complexities of Universal Credit. Staff were also trained to use the "Sum it up" calculator to be able to provide tenants with a realistic arrears balance for their rent accounts, taking into account Universal Credit Housing Cost payments.

In addition, 7 welfare rights surgeries were carried out at each of the tenanted Gypsy/Traveller sites. Information regarding the Welfare Rights Service was also advertised in the Gypsy/Traveller newsletter.

HOUSING STOCK AND ASSETS

Housing Stock

At the start of the financial year, 1st April 2019, ACHA owned 5,142 homes. In addition to 52 new homes being completed and brought into rental during the year the impact of the stock rationalisation programme saw a net increase in the housing stock of 4 properties through planned sales and purchases. At the financial year-end 31st March 2020 ACHA therefore owned 5,198 homes.

The housing stock at 31st March 2020 is broken down by type as follows:

<u>Rentable Stock</u>	<u>2020</u>	<u>2019</u>
General Needs Houses	4,997	4,941
Sheltered Housing	201	201
	<u>5,198</u>	<u>5,142</u>

The housing stock at 31st March 2020 is broken down by geographical area as follows:

<u>Houses</u>	<u>2020</u>	<u>2019</u>
Bute & Cowal	1,376	1,376
Lorn & the Isles	1,014	981
Mid Argyll, Kintyre & Islay	1,789	1,782
Helensburgh & Lomond	1,019	1,003
	<u>5,198</u>	<u>5,142</u>

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Sheltered Housing

ACHA has 201 Sheltered Houses spread across 11 complexes:

- Ferfadd Court, Bute
- Cragroy, Dunoon
- Ford Spence Court, Benderloch
- Elder Crescent, Islay
- Caledonia Court, Mid Argyll
- McCracken Court, Mid Argyll
- Wallace Court, Dunoon
- Dunmar Court, Oban
- MacDougall Place, Mull
- Chalmers Court, Inveraray
- Lochgair Place, 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 housing support needs are met. ACHA carries out an annual survey of our sheltered housing tenants. In 2019 93% of respondents rated living in ACHA Sheltered Housing as Excellent or Very Good. Tenants family members and carers are also asked to contribute to an annual survey regarding our sheltered housing service. In 2019 100% of those respondents rated ACHA's Sheltered Housing service overall as Excellent or Very Good.

Garages and Garage Sites

As a result of the stock transfer ACHA owns other assets that include a number of garages and garage sites, let primarily to tenants but also owners who have bought under the right to buy.

<u>Rentable Stock</u>	<u>2020</u>	<u>2019</u>
Garages	15	15
Garage sites	<u>127</u>	<u>127</u>
	<u>142</u>	<u>142</u>

Gypsy Traveller Sites

ACHA owns and operates 2 sites for Gypsy/Travellers, currently offering 22 pitches. There are sites at:

<u>Gypsy Traveller Sites</u>	<u>2020</u>	<u>2019</u>
Lochgilphead, Duncholgan	14	14
Oban, Bayview	<u>8</u>	<u>8</u>
	<u>22</u>	<u>22</u>

Each pitch offers an amenity unit with kitchen and bathroom facilities, and an electricity hook up for our residents. ACHA have undertaken annual surveys of residents on the sites seeking their views on service provision and future requirements. Overall tenant satisfaction was 100% in 2018/2019. In 2019/2020 taking account of the launch of "Improving the Lives of Scotland's Gypsy Travellers (2019-2021)" we have embarked on a series of discussions with the Scottish Government, Local Authority partners and MECOPP, along with former, current and potential residents of our sites. This is to ensure we understand the accommodation needs and preferences of Gypsy /Travellers to inform future provision.

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Non Rentable Stock

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

<u>Non-Rentable Stock</u>	<u>2020</u>	<u>2019</u>
Play areas	35	35
Private water supplies	12	12
Private sewage systems	43	44
Offices	6	6

These elements give rise to maintenance obligations but do not attract any rental income stream.

ACHA owns its registered office at Menzies House in Oban, Lamont House in Helensburgh, Haig House in Rothesay and at 11 Flora Street on Islay. ACHA also own a store in Rothesay and a former office building in Ardrishaig.

ACHA also has 8 allotment sites within its Campbeltown development with plots being let at an economic rent. At 31st March 2020 we had 4 applicants on the waiting list. There were no allotment vacancies arising during 2019/20.

Maintaining Our Houses

ACHA seeks to maintain its properties to the highest standards. To this end, programmes of cyclical repairs are carried out in the medium term to deal with the gradual and predictable deterioration of building components. ACHA also undertakes reactive or responsive repairs and maintenance based on emergency and routine works requests from its tenants and factored owners. It is expected that the cost of all of these repairs is to be charged to revenue within the Comprehensive Income Statement. In addition, ACHA has a long-term programme of major repairs which have become necessary since the original developments were completed, including works required by subsequent legislative changes. This includes replacement or repairs to components of the properties, which have come to the end of their economic lives. The cost of these repairs is capitalised on the Statement of Financial Position in accordance with the 2018 SORP and the requirements for component accounting.

From 1st April 2013 our subsidiary company, AHFA, took over our day to day repairs and maintenance service and the contract has been running successfully for 7 years, with 2019/20 being the third year of a four-year contract which was negotiated to secure the long term stable delivery of the responsive repairs service.

Repairs Category (Average Completion Time)

Emergency	2 hours	(2018/19 - 3 hours)
Non-Emergency	8 days	(2018/19 - 8 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 98% 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 Energy Efficiency Standard for Social Housing (ESSH). We aim to continue to improve our performance and continue to reduce any current exemptions and abeyances. Our framework expired last year and we have been carrying out tender exercises to obtain costs for all of our investment contracts this year. This has given us the opportunity to assess Value for Money and assess the best procurement framework for future years. After completing a procurement audit it was decided that a Dynamic Purchasing Scheme was the best vehicle for procuring goods and services going forward. This will be implemented in May 2020.

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ACHA has delivered the following elements of work during 2019/20:

Investment programme – Element completions	Planned	Outturn	Percentage
No of kitchen/bathrooms	40	69	173%
No of window/door	200	294	147%
No of heating/rewire	250	248	99%
No of roof/roughcast	180	159	88%
No of energy efficiency upgrades	110	113	103%

The total number of elements required for completion this year of all types was 780, ACHA delivered 883 elements equating to 113% of the targeted objective. The planned target expenditure was 113% against budget forecast overall.

After carrying out a 100% stock condition survey in 2019, further fails in the Scottish Housing Quality Standard were identified, a substantial number of these fails were energy efficiency fails, which has also impacted on our performance in meeting the EESSH target. This will be our focus for the next 3 years to address all of these fails and improve the energy efficiency of our homes. ACHA were awarded Warm Homes Funding through the National Grid that will enable to upgrade 845 of our homes with a highly efficient new heating system. We have also been successful in being awarded a substantial amount of HEEPS / ABS funding through the Scottish Government and Argyll and Bute Council that will enable us to install insulation measures to mixed tenure blocks.

Developing New Housing Stock

Regeneration or new build development activity has continued on the sites started last year, with the following sites progressing and due for completion in 2020/21.

Cairnbaan	5 units
Garelochhead	10 units
Inveraray	10 units
Glenshellach Oban	12 units (final handover)
Dunoon	1 unit

During 2019/20 the following completions were achieved

Helensburgh	16 units
Kilmartin	4 units
Connel	2 units
Oban	30 units

The final 12 units in Oban are complete and were due to be handed over to ACHA at the end of March, however Covid-19 restrictions delayed this from taking place.

The Scottish Government have continued to support a substantial development programme, ACHA 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. ACHA plan to deliver a further 38 units for March 2021 and a possible 43 units by March 2022. We have been developing other sites that could provide another 150 units.

ARGYLL HOMES FOR ALL LIMITED (AHFA)

AHFA is a subsidiary company of ACHA developed to carry out repairs, maintenance and small capital works on its 5,198 properties, with operational centres predominantly in Oban and Helensburgh.

During the last year AHFA has carried out around 23,000 reactive repair jobs in addition to works associated with servicing and refurbishment throughout Argyll and Bute. At the year-end AHFA had an employee complement of 69 Operatives and 21 Administrative Staff strategically sited across Argyll & Bute. In more remote regions, in times of high demand and where specialist skills are required this

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

STRATEGIC REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31st March 2020

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 & Servicing.
- Gutter Cleaning.
- Gas Servicing & Maintenance.
- Electrical Periodic Inspections.
- Fire Alarm Service & Testing.
- External Painting & Pre-Painting Repairs.
- Grounds Maintenance

The Grounds Maintenance contract was a new addition for this year and has been delivered successfully with many compliments from our customers. Income from these contracts is augmented by additional works carried out in the following areas;

- Small Capital Works such as Bathroom & Kitchen installations, Heating & Re-Wires.
- Insurance claim reinstatement works.
- Aids & adaptation work.

Overall the service provided can be regarded as good and demonstrates value for money. This is borne out by the customer satisfaction surveys carried out by ACHA and feedback received from tenants giving an overall satisfaction rating of around 99%. Average Repair times are 3 hours for an emergency and 8 days for non-emergency's despite the challenges of covering a large rural area.

There are relatively few significant 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 99% pass rate but also by reports provided by external auditors who monitor the works associated with the gas and solid fuel contracts. TIAA, an independent auditor with significant experience in the Social Housing sector were also appointed to carry out a number of audits across the business during the year.

Our operatives are provided with modern and economical vans which are racked out and stocked to enable them to operate efficiently and travel throughout the working areas as and when necessary. These operatives are recognisable, not only by the vehicles with company livery, but by their branded uniforms and personal identification badges which promote a tidy and professional image. During the year AHFA continued a training regime which saw the following delivered;

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

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

AHFA reported a loss of £15k before taxation for 2019/20 (loss of £13k in 2018/19) and made a repayment of £95k to reduce the balance on the intercompany loan with ACHA.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

STRATEGIC REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31st March 2020

FINANCIAL REVIEW

Rent Policy and Rental Income

ACHA aims to house those in need in affordable rented housing and to improve, develop and manage quality affordable homes across Argyll and Bute. Rents are our main source of income and are a key factor in what we can spend on services in future years. ACHA increased rents during the period by 3.7% with the average rent across all stock being £86.81 for 2019/20. In February 2020 the Board approved a rent increase of 3% for 2020/21.

Rent receivable for 2019/20 was £23.30 million, an increase of £1.07 million from the £22.23 million in 2018/19. This was in line with the budget for the year.

Rent Arrears and Bad Debt

Rent arrears at 31st March 2020 is set out below.

Rent Arrears	Amount £000	%	Written Off £000
Current Tenants	986	4.2	-
Former Tenants	294	1.3	146
Total	1,280		

The year-end figure for current tenants is 4.2% against a target of 2.5%, which is calculated by taking the current tenant arrears at the year-end of £986k and dividing this by the Gross Rent Charge £23.30 million. The timing of receipt of housing benefit and universal credit, which is paid in arrears, will mean this current tenant value is higher than in reality.

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 for Works and Pensions to ensure that our tenants have applied for and are receiving appropriate and correct income.

During the last year we received 74 Orders for Recovery of Possession of properties, of which 15 ended with court resulting in eviction. Therefore, we were able to resolve around 80% of serious cases without resorting to eviction.

Voids (Empty Houses)

ACHA aims to limit the length of time that our properties remain empty. Wherever possible we will pre-allocate properties in order to reduce the length of time that they are empty to maximise our potential income. On average it took 35 days to re-let a property (this includes low and no demand properties). Excluding low/no demand properties we took 22 days to re-let.

During 2019/20 ACHA lost rental income to the value of £865k due to properties not being re-let. This is an increase of £167k on the previous year's rent loss. Within this, a number of properties were retained as void to assist with further stock harmonisation work. Based on work done for the ARC, once exclusions are taken into account the void rent loss reported in the ARC is £283k due to properties not being re-let. This is a decrease of £41k on the previous year's rent loss

Sundry Debt Income and Bad Debts

A total of £582k of sundry debtor invoices were issued within 2019/20 compared to £827k in 2018/19. In total the amount of outstanding debt as at 31st March 2020 decreased to £2.02 million compared to £2.04 million at the previous year-end. Bad debts written off during the year amounted to £145k compared to £263k in 2018/19. Sundry debt provided for during 2019/20 reduced by £20k on the previous year.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

STRATEGIC REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31st March 2020

Grant Income

During 2019/20 ACHA received Housing Association Grant (HAG) of £1.47 million and Strategic Housing Fund (SHF) grant of £264k to support new build development. A grant of £451k was received relating to expenditure on Aids and Adaptions and £13k for a Welfare Rights project.

Expenditure

Expenditure on management and administration costs during 2019/20 decreased to £7.3 million compared to the previous year total of £7.6 million, in part due to the reduction in service cost relating to the defined benefit pension scheme liabilities and smaller reductions on Council Tax due and also IT related spend. Planned and cyclical maintenance (including major repairs) expenditure in 2019/20 was £2.8 million compared to £2.5 million in 2018/19. This is mainly due to additional approved expenditure on the exemplar estates project. Reactive maintenance expenditure was £3.7 million in 2019/20 compared to £3.6 million in the previous financial year. Depreciation on social housing charged during 2019/20 was £6.1 million compared to £5.5 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. For ACHA, the average creditor payment period for 2019/20 was 24 days against 26 days for the prior year, with 6,037 invoices being processed for payment compared to 5,450 in the prior year. For AHFA the average creditor payment period for 2019/20 was 42 days against 41 for the prior year, with 13,923 invoices processed against 10,568 in the prior year.

Assets

Housing properties, net of depreciation, increased from £169.7 million in 2018/19 to £176.7 million in 2019/20, an increase of £7.0 million. This increase includes £3.4 million of new build expenditure and £9.8 million of investment expenditure, with disposals of £0.3 million, impairment of £0.1 million and a depreciation charge of £5.8 million (after adjustment for disposals and impairment) during the year. Debtors have increased by £666k to £2.05 million in 2019/20, Cash held at the 31st March 2020 was £8.61 million compared to £3.69 million at the previous year-end. This balance was higher due to the final sum of loan funding being drawn down in early March 2020 ahead of the 2020/21 financial year.

Liabilities

The position on creditors due within one year decreased from £7.2 million in 2018/19 to £6.4 million in 2019/20, mainly due to the reduced amount within trade creditors. Creditors due in more than a year increased from £134.4 million to £143.2 million which was due to additional loan funding being drawn down, in accordance with the approved business plan, and the grant received during the year relating to capital assets which is classed as deferred income.

Borrowing

ACHA has a loan facility of £59.6 million with Lloyds Banking Group. This includes a £750k development loan for its office premises in Oban which has a capital and interest repayment profile that is fixed throughout its 15-year life at 5.955% inclusive of lenders' margin and capitalisation charges. The outstanding balance of this loan as at 31st March 2020 is £326k.

ACHA also have an agreed loan facility of up to £6 million for new build development out with Lloyds Banking Group, of which £3 million has been drawn with Argyll and Bute Council (through their Strategic Housing Fund) for 3 specific developments. These loans, drawn at separate points during 2014 and 2015 are 25-year amortising loans, with £2.59 million outstanding at the end of March 2020.

During the year ACHA drew down the remaining £10 million of loan funding from Lloyds Banking Group, in accordance with the approved business plan projections.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

STRATEGIC REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31st March 2020

Under its Rules, ACHA cannot enter into transactions of a speculative nature however it can use basic treasury management measures 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 mitigate risk in relation to the projected borrowings that total £59.33 million and are detailed in note 19.

During the financial year ACHA paid a total of £1.90 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 with all loan funding fully drawn, then there is asset cover in place of 203% which is in excess of the cover required.

A further requirement of the loan agreement with Lloyds Banking Group is to annually agree the net operating cash flow through the business plan, with a +/- 5% tolerance in place on this value. For 2019/20 the approved cashflow was an outflow of £5.074m and the actual cash outflow was £4.947m. This means the approved cashflow covenant has been complied with.

Pensions

The actuarial report for the Strathclyde Pension Fund showed a reduction in the pension liability for the ACHA group of £2.44 million, with the net liability at £3.93million compared to £6.37 million in the previous year.

Reserves

At the year-end 31st March 2020 the revenue reserves balance had moved from a £28.68 million surplus to a surplus of £35.59 million including the pension liability, which had decreased from a £6.37 million deficit to a £3.93 million deficit.

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 the ACHA has sufficient borrowing facilities in place 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 continues to be in a strong financial position to address both current and future challenges within the sector. Like all social landlords ACHA will be working in an environment of risk and uncertainty due to factors relating to the wider economic climate, uncertainty caused by the ongoing Covid-19 pandemic, the continued uncertainty around Brexit and the challenge of building additional homes to meet the target of 35,000 additional social rented homes by March 2021. Like all organisations ACHA recognises the significant impact that Covid-19 has had on all aspects of life. As a registered social landlord ACHA has taken measures in relation to monitoring both rental income received and arrears levels for tenants to understand the impact this is having on tenants ability to pay their rent, and the subsequent impact that is having on ACHA's business plan. Our programme of major repairs works and new build development has also been temporarily halted as a result of Covid-19, with plans in place to recommence these works once Scottish Government advice allows for this.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

STRATEGIC REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31st March 2020

ACHA has its business plan approved annually and the latest 30-year plan was approved by our bankers in June 2020. This business plan, which includes the loan facilities that are currently in place, supports ACHA's core aim of improving, developing and managing quality affordable homes across Argyll and Bute. Key sensitivities have been identified and arrangements are in place to monitor and review these throughout the coming financial year.

ACHA continues to be committed to a significant development programme of new build housing through to March 2021 and beyond. Consideration has been given to the changes in housing demand and deliverability of these new build projects, with a commitment in our corporate plan to deliver 200 new houses between 2017 and 2021.

A full 100% stock condition survey was finalised during 2019 and this will form the basis for ACHA's programme of major investment works over the next period, in particular in relation to addressing SHQS and EESSH compliance. ACHA's business plan is planned at around £10 million per annum for the next 5 years to support this programme of works. This is supported by additional funding from the Warm Homes Fund, where ACHA were awarded £5.1 million to address fuel poverty across Argyll and Bute. This project commenced during late 2019 with £440k of funding claimed during the 2019/20 financial year. These installations will also generate a significant amount of Renewable Heat Incentive funding which ACHA will reinvest in other energy efficiency projects to reduce fuel poverty.

The Covid-19 restrictions have had a significant impact on our ability to take action in relation to reducing void rent loss and reduce the ongoing and future financial commitments on maintenance, repair and council tax charges for these empty properties. The Board agreed in February 2020 to undertake a programme of work focused on bringing 25 void properties, all awaiting significant works or modernisation, back into lettable condition. This programme of work has not yet been commenced due to the Covid-19 restrictions in place. There will also be a delay relating to a number of properties that were due for demolition during the Summer of 2020.

Rent affordability will continue to be a key focus for ACHA, maintaining rents at a sustainable and affordable level for tenants whilst balancing this with the continued investment priorities agreed for the organisation within our corporate plan.

The current business plan has a savings target of £160k per annum which will require to be achieved from 2022/23 on a planned basis.

ACHA's mission statement is "To improve, develop and manage quality affordable homes for across Argyll and Bute by working in partnership" and in our corporate plan our vision is set out as "As a landlord of choice, to work with partners to deliver and strengthen sustainable and mixed communities throughout Argyll and Bute". To achieve this, we have identified 8 objectives:

- Achieving the Scottish Government housing standards and addressing housing need in Argyll and Bute, through development and upgrading;
- Providing quality customer care, communication and equality across all our services;
- Developing the financial strength and capacity to meet current and future objectives;
- Delivering progressive and sustainable business performance and service delivery;
- Addressing challenges in relation to climate change;
- Improving strategic relationships and partnerships;
- Improvement of Scottish Social Housing Charter indicators;
- Delivering the Group's objectives through a resourced trained and developed staff team

We look forward to achieving and delivering these objectives. In doing so we will manage our ambitions within available resources and loan facilities, whilst addressing economic and financial challenges as they arise and continuing to balance performance, customer satisfaction, rent affordability and ACHA's financial strength and capacity.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

STRATEGIC REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31st March 2020

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. This option to extend was approved at the Annual General Meeting in September 2019.

By order of the Board of Management

Chairman
2/9/2020

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

BOARD OF MANAGEMENT'S RESPONSIBILITIES

For the year ended 31st March 2020

Statute requires the Board 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 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 confirms that the financial statements comply with these requirements.

The Board 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 2019. 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 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

Chairman
2/9/2020

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES
BOARD OF MANAGEMENT'S STATEMENT ON INTERNAL FINANCIAL CONTROLS

For the year ended 31st March 2020

The Board 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's responsibility to establish and maintain systems of internal financial control. The Board 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 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 members and Co-optees;
- the Board reviews reports from their SMT, 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 has reviewed the system of internal financial control in ACHA for the year ended 31st March 2020 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

Chairman
2/9/2020

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

INDEPENDENT AUDITORS REPORT

For the year ended 31st March 2020

Corporate Governance

In addition to our audit of the financial statements, we have reviewed the Board of Management's statement on page 20 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 20 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
GLASGOW
2/9/2020



Alexander Sloan
Accountants and Business Advisers

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

INDEPENDENT AUDITORS REPORT

For the year ended 31st March 2020

Opinion

We have audited the financial statements of Argyll Community Housing Association Limited (the 'parent Association') and its subsidiaries (the 'group') for the year ended 31st March 2020 which comprise the group and parent Statement of Comprehensive Income, the group and parent Statement of Financial Position, the group and parent Statement of Cash Flows, and related notes including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent Association's affairs as at 31st March 2020 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 2010 and the Determination of Accounting Requirements 2019.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Board of Management's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board of Management has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Board of Management is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

INDEPENDENT AUDITORS REPORT

For the year ended 31st March 2020

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

- proper books of account have not been kept by the parent Association in accordance with the requirements of the legislation;
- a satisfactory system of control over transactions has not been maintained by the Parent Association in accordance with the requirements of the legislation;
- the Statement of Comprehensive Income and Statement of Financial Position are not in agreement with the books of account of the Parent company or Group; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Board of Management

As explained more fully in the Statement of Board of Management's Responsibilities as set out on page 19, the Board of Management are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board of Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Management is responsible for assessing the Group and parent Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Management either intends to liquidate the Group or the parent Association or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorresponsibilities>. This description forms part of our audit report.

Use of our Report

This report is made solely to the Association's members as a body, in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. The fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

ALEXANDER SLOAN
Accountants and Business Advisers
Statutory Auditors
GLASGOW

2/9/2020



Alexander Sloan
Accountants and Business Advisers

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES**GROUP STATEMENT OF COMPREHENSIVE INCOME****For the year ended 31st March 2020**

	<i>Note</i>	2020 £000	2019 £000
Turnover	2	26,757	25,738
Operating costs	2	<u>(21,422)</u>	<u>(21,246)</u>
Operating Surplus		5,335	4,492
(Deficit)/surplus on disposal of housing fixed assets		(164)	(71)
Finance income	9	21	17
Finance charges	10	<u>(2,064)</u>	<u>(1,824)</u>
Surplus on ordinary activities before Taxation		3,128	2,614
Taxation	11	<u>-</u>	<u>-</u>
Surplus for the year		<u>3,128</u>	<u>2,614</u>
Actuarial gain/(loss) on pension scheme	27	<u>3,781</u>	<u>(2,157)</u>
Total comprehensive income / (expenditure) for the year		<u>6,909</u>	<u>457</u>

All figures relate to continuing operations.

The notes on pages 30 to 54 form part of these financial statements

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES**COMPANY STATEMENT OF COMPREHENSIVE INCOME****For the year ended 31st March 2020**

		2020	2019
	<i>Note</i>	£000	£000
Turnover	2	26,893	25,879
Operating costs	2	<u>(21,557)</u>	<u>(21,387)</u>
Operating Surplus		5,336	4,492
(Deficit)/surplus on disposal of housing fixed assets		(164)	(71)
Finance income	9	26	26
Finance charges	10	<u>(2,055)</u>	<u>(1,820)</u>
Surplus on ordinary activities before Taxation		3,143	2,627
Taxation	11	-	-
Surplus for the year		<u>3,143</u>	<u>2,627</u>
Actuarial gain/(loss) on pension scheme	27	<u>3,609</u>	<u>(2,076)</u>
Total comprehensive income for the year		<u>6,752</u>	<u>551</u>

All figures relate to continuing operations.

The notes on pages 30 to 54 form part of these financial statements

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES**GROUP STATEMENT OF FINANCIAL POSITION****As at 31st March 2020**

	<i>Note</i>	2020 £000	2019 £000
Property, plant & equipment			
Housing properties	12	176,670	169,696
Other Fixed Assets	13	1,730	1,798
		<u>178,400</u>	<u>171,494</u>
Current assets			
Stock and work in progress	15	41	41
Debtors	16	2,054	1,388
Cash at bank and in hand	17	8,607	3,688
		<u>10,702</u>	<u>5,117</u>
Creditors: amounts falling due within one year	18	<u>(6,369)</u>	<u>(7,196)</u>
Net current assets / (liabilities)		<u>4,333</u>	<u>(2,079)</u>
Total assets less current liabilities		182,733	169,415
Creditors: amounts falling due after one year	19	(143,214)	(134,362)
Provisions for liabilities and charges: Deferred tax	11	<u>-</u>	<u>-</u>
Net assets before pension deficit		39,519	35,053
Pension deficit	27	(3,927)	(6,370)
Net assets after pension deficit		<u>35,592</u>	<u>28,683</u>
Capital and reserves			
Share capital	21	-	-
Revenue Reserves		<u>35,592</u>	<u>28,683</u>
Shareholders' funds		<u>35,592</u>	<u>28,683</u>

The notes on pages 30 to 54 form part of these financial statements

These financial statements were approved by the Board of Management, authorised for issue and signed on their behalf by:

Chairman of the Board of Management

Board member

Secretary

2/9/2020

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES**COMPANY STATEMENT OF FINANCIAL POSITION****As at 31st March 2020**

	<i>Note</i>	2020 £000	2019 £000
Property, plant & equipment			
Housing properties	12	176,670	169,696
Other Fixed Assets	13	1,710	1,766
		<u>178,380</u>	<u>171,462</u>
Current assets			
Stock and work in progress	15	-	-
Debtors	16	2,541	1,988
Cash at bank and in hand	17	8,663	3,409
		<u>11,204</u>	<u>5,397</u>
Creditors: amounts falling due within one year	18	<u>(6,839)</u>	<u>(7,371)</u>
Net current assets / (liabilities)		<u>4,365</u>	<u>(1,974)</u>
Total assets less current liabilities		182,745	169,488
Creditors: amounts falling due after one year	19	(143,214)	(134,362)
Provisions for liabilities and charges: Deferred tax	11	<u>-</u>	<u>-</u>
Net assets before pension deficit		39,531	35,126
Pension deficit	27	(3,704)	(6,051)
Net Surplus after pension deficit		<u>35,827</u>	<u>29,075</u>
Capital and reserves			
Share capital	21	-	-
Revenue Reserves		<u>35,827</u>	<u>29,075</u>
Shareholders' funds		<u>35,827</u>	<u>29,075</u>

The notes on pages 30 to 54 form part of these financial statements

These financial statements were approved by the Board of Management, authorised for issue and signed on their behalf by:

Chairman of the Board of Management

Board member

Secretary

2/9/2020

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES**GROUP STATEMENT OF CHANGES IN EQUITY****As at 31st March 2020**

	Called up share capital £000	Revenue reserve £000	Total equity £000
Balance at 31 March 2019	-	28,683	28,683
Changes in equity			
Total comprehensive income	-	6,909	6,909
Balance at 31 March 2020	-	35,592	35,592

	Called up share capital £000	Revenue reserve £000	Total equity £000
Balance at 31 March 2018	-	28,226	28,226
Changes in equity			
Total comprehensive income	-	457	457
Balance at 31 March 2019	-	28,683	28,683

COMPANY STATEMENT OF CHANGES IN EQUITY**As at 31st March 2020**

	Called up share capital £000	Revenue reserve £000	Total equity £000
Balance at 31 March 2019	-	29,075	29,075
Changes in equity			
Total comprehensive income	-	6,752	6,752
Balance at 31 March 2020	-	35,827	35,827

	Called up share capital £000	Revenue reserve £000	Total equity £000
Balance at 31 March 2018	-	28,524	28,524
Changes in equity			
Total comprehensive income	-	551	551
Balance at 31 March 2019	-	29,075	29,075

The notes on pages 30 to 54 form part of these financial statements

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

GROUP STATEMENT OF CASH FLOWS

For the year ended 31st March 2020

	<i>Notes</i>	2020		2019	
		£000	£000	£000	£000
Cash flows from operating activities					
Cash generated from operations	23	8,036		7,102	
Net cash from operating activities			8,036		7,102
Cash flow from investing activities					
Improvement of properties	12	(9,804)		(9,985)	
Construction of new properties net of disposals	12	(3,366)		(6,135)	
Purchase of other fixed assets	13	(107)		(238)	
Right-to-buy proceeds		-		15	
Government grants received	20	2,174		2,675	
Net cash flow from investing activities			(11,100)		(13,668)
Cash flow from financing activities					
Finance income	9	21		17	
Finance charges	10	(1,897)		(1,732)	
Bank loans drawn down		10,000		7,750	
Bank loans repaid	25	(138)		(132)	
Net cash flow from financing activities			7,986		5,903
Increase / (decrease) in cash and cash equivalents			4,919		(663)
Cash and cash equivalents at the start of the year			3,688		4,351
Cash and cash equivalents at the end of the year			8,607		3,688

The notes on pages 30 to 54 form part of these financial statements

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2020

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 £5.34 million which when adjusted for disposals, interest receivable and payable resulted in a surplus of £3.13 million prior to the adjustment of the actuarial gain on the pension scheme giving total comprehensive income for the year of £6.91 million. At the financial year-end ACHA had net assets of £35.59 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 £64.6 million, comprising £59.2 million Lloyds Banking Group within the banking facility, £2.4 million from Argyll and Bute Council and the option for a further £3 million from external sources. Repayment is projected by 2034/35 for Lloyds Banking Group, 2038/39 for Argyll and Bute Council and 2035/36 for any other borrowing.

ACHA's loan asset security ratio requirement is 105%. The most recent security valuation as at March 2020 values ACHA's housing assets at £134.2 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 2019 and with the SORP 2018 - Statement of Recommended Practice for social housing providers

Basis of consolidation

In accordance with FRS 102, the group financial statements consolidate the financial statements of the parent company and its one subsidiary, Argyll Homes For All Limited, for the year ended 31st March 2020. 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 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 2019 to 31st March 2020. Cash and cash equivalents comprise cash on hand and in deposit and are subject to an insignificant risk of change in value.

Tangible fixed assets - housing properties

The Association operates a full component accounting policy in relation to the capitalisation and depreciation of its completed housing stock. Housing properties are stated at cost; all properties acquired under the stock transfer agreement were acquired at nil value.

Housing properties

Housing properties are split between land, structure and major components which require periodic replacement. Replacement or refurbishment of such major components is capitalised and depreciated over the estimated useful life which has been set taking into account professional advice, the association's asset management strategy and the requirement of Scottish Housing Quality Standard. In determining the remaining useful lives for the housing stock, the Association has taken account of views provided by both internal and external professional sources, including guidance from its current external statutory auditors. Components with a de minimis value of £1,000 are written off in the year in which they are incurred.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2020

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
Insulation (IWI/CWI)	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. 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.

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

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 cost of acquiring land and buildings and all 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.

Gypsy / Traveller sites

Gypsy / traveller sites are stated at cost: all sites acquired under the stock transfer agreement were acquired at nil value. The estimated useful economic life of the structures built after transfer will be 20 years.

Related Assets

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

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

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2020

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 replacement.

Other Grants

These include grants from Scottish Government and/or local authorities and/or other organisations. Grants received in respect of capital expenditure are credited to the comprehensive statement of income under the accruals method in line with the depreciation rates adopted for the underlying asset to which the expenditure relates. Grants due or received in advance are included as a current asset or liability. Grants received in respect of revenue expenditure are credited to the income and expenditure account in the same period as the expenditure to which it relates, in line with the performance model.

Other Fixed Assets

Other fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated to write down the cost of other fixed assets on a straight line basis over their expected useful lives as follows:

	Depreciation Rate	Economic Life
IT hardware and software	33.3%	3 years
Furniture and fittings	10%	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.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2020

Pensions

ACHA participates in one multi-employer pension scheme and accounts for this in accordance with the requirements of FRS 102. Strathclyde Pension Fund (SPF) is a defined benefit scheme as defined by the Local Government Pension Scheme (Scotland) regulations 1998. Contributions are charged to Statement of Comprehensive Income so as to spread the cost of pensions over the employees' working lives within ACHA. The SPF made an actuarial gain for the year ended 31st March 2020 of £3.781 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 £26k during the period. ACHA created a 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 & Social Justice Directorate or local authorities are payable to subsidise the capital cost of housing developments. Grants from Scottish Government's Housing & Social Justice 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 & Social Justice Directorate. Under certain circumstances HAG is repayable. Business Plan Support Grant and Related Assets or EAF grant is not normally repayable under the terms of the stock transfer agreement. Grants in respect of revenue expenditure are credited to the Statement of Comprehensive Income in the same period as the expenditure to which they relate.

Financial Instruments

ACHA has given consideration under FRS 102 in relation to accounting for Financial Instruments. Having reviewed all relevant financial assets and liabilities ACHA have agreed with our external auditors that all financial instruments and transactions are defined as 'basic'. Loans provided to ACHA are classed as basic under FRS 102 and are measured at amortised cost. A loan provided by ACHA to its subsidiary AHFA is classed and measured in the same manner.

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

Operating Leases

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

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

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2020

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.

Financial Instruments

Following 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.

Pensions

Determining the value of the Association's share of defined benefit pension scheme assets and obligations, the valuation prepared by the Scheme actuary includes estimates of life expectancy, salary growth, inflation and the discount rate on corporate bonds. For further information on the pension estimates please see Note 27 of the accounts.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2020

2. Particulars of turnover, operating costs and operating deficit

GROUP

	Turnover	Operating Costs	Other income and gains	Operating Surplus / (Deficit) to 31st March 2020	Operating Surplus / (Deficit) to 31st March 2019
	£000	£000	£000	£000	£000
Social Lettings <i>(Note 3)</i>	25,466	(20,144)	-	5,322	5,026
Other Activities <i>(Note 4)</i>	1,291	(1,278)	-	13	(534)
	<u>26,757</u>	<u>(21,422)</u>	-	<u>5,335</u>	
Total for year to 31 st March 2019	<u>25,738</u>	<u>21,246</u>	-	<u>4,492</u>	

COMPANY

	Turnover	Operating Costs	Other income and gains	Operating Surplus / (Deficit) to 31st March 2020	Operating Surplus / (Deficit) to 31st March 2019
	£000	£000	£000	£000	£000
Social Lettings <i>(Note 3)</i>	25,466	(20,143)	-	5,323	5,026
Other Activities <i>(Note 4)</i>	1,427	(1,414)	-	13	(534)
	<u>26,893</u>	<u>(21,557)</u>	-	<u>5,336</u>	
Total for year to 31 st March 2019	<u>25,879</u>	<u>21,387</u>	-	<u>4,492</u>	

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2020

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	21,908	898	22,806	21,800
Rent from garages	21	-	21	21
Rent from travelling people sites	80	-	80	58
Service charges	58	338	396	355
Gross income from rents and service charges	22,067	1,236	23,303	22,234
Less voids	(855)	(10)	(865)	(698)
Net income from rents and service charges	21,212	1,226	22,438	21,536
Grants from the Scottish Ministers	-	-	-	-
Other revenue grants	47	-	47	40
Deferred grant amortisation	2,981	-	2,981	2,829
Total turnover from social letting activities	24,240	1,226	25,466	24,405
Management and maintenance administration costs	6,961	357	7,318	7,603
Planned and cyclical maintenance including major repairs costs	2,761	-	2,761	2,477
Reactive maintenance costs	3,718	-	3,718	3,610
Bad debts – rents and service charges	208	-	208	152
Depreciation of social housing	6,103	-	6,103	5,537
Impairment of social housing	36	-	36	-
Operating costs for social letting activities	19,787	357	20,144	19,379
Other income and gains	-	-	-	-
Operating surplus for social lettings	4,453	869	5,322	5,026
Operating surplus for social lettings for previous period of account	4,213	813	5,026	

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

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2020

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

	General Needs Housing	Supported Housing	Total	Total For Previous Period of Account
	£000	£000	£000	£000
Rents receivable net of service charges	21,908	898	22,806	21,800
Rent from garages	21	-	21	21
Rent from travelling people sites	80	-	80	58
Service charges	58	338	396	355
Gross income from rents and service charges	22,067	1,236	23,303	22,234
Less voids	(855)	(10)	(865)	(698)
Net income from rents and service charges	21,212	1,226	22,438	21,536
Grants from the Scottish Ministers	-	-	-	-
Other revenue grants	47	-	47	40
Deferred grant amortisation	2,981	-	2,981	2,829
Total turnover from social letting activities	24,240	1,226	25,466	24,405
Management and maintenance administration costs	6,961	357	7,318	7,603
Planned and cyclical maintenance including major repairs costs	2,761	-	2,761	2,477
Reactive maintenance costs	3,717	-	3,717	3,610
Bad debts – rents and service charges	208	-	208	152
Depreciation of social housing	6,103	-	6,103	5,537
Impairment on social housing	36	-	36	-
Operating costs for social letting activities	19,786	357	20,143	19,379
Other income and gains	-	-	-	-
Operating surplus for social lettings	4,454	869	5,323	5,026
Operating surplus for social lettings for previous period of account	4,213	813	5,026	

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

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2020

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
	-	13	84	97	-	(226)	(129)	(105)
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	-	-	-	-	-	-	-	(61)
Related Assets	451	-	-	451	-	(409)	42	22
Aids and Adaptations	-	-	416	416	(124)	(262)	30	(438)
Tenant and Owner Recharges	-	-	184	184	-	(210)	(26)	-
Insurance	-	-	143	143	-	(47)	96	48
Other activities	-	-	-	-	-	-	-	-
Total from other activities	451	13	827	1,291	(124)	(1,154)	13	(534)
Total from other activities for previous period of account	352	27	954	1,333	(479)	(1,388)	(534)	

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2020

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
	-	13	84	97	-	(226)	(129)	(179)
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	-	-	-	-	-	-	-	-
Related Assets	451	-	-	451	-	(409)	42	(61)
Aids and Adaptations	-	-	416	416	(124)	(262)	30	(438)
Tenant and Owner Recharges	-	-	136	136	-	(136)	-	-
AHFA support service income	-	-	184	184	-	(210)	(26)	-
Insurance	-	-	143	143	-	(47)	96	48
Other activities	-	-	-	-	-	-	-	-
Total from other activities	451	13	963	1,427	(124)	(1,290)	13	(534)
Total from other activities for previous period of account	352	27	1,095	1,474	(479)	(1,529)	(534)	

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2020

5. Housing stock

	Units under development		Units under management	
	2020	2019	2020	2019
Housing accommodation for letting:				
General Needs	27	69	4,997	4,941
Sheltered Housing	-	-	201	201
	<u>27</u>	<u>69</u>	<u>5,198</u>	<u>5,142</u>

6. Remuneration of members of Board of Management and Key Management Personnel

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

Key management personnel are defined to include the Chief Executive, Strategic Directors and any other officer whose total annual emoluments, excluding pension contributions, exceed £60k during the reporting year.

	2020 £000	2019 £000
Total emoluments payable to directors and benefits in kind	538	525
Pension contributions	73	78
	<u>611</u>	<u>603</u>
Emoluments payable to the highest paid director (excluding pension contributions)	101	100
Pension contributions	15	17
	<u>116</u>	<u>117</u>

The Chief Executive is a member of the Strathclyde Pension Fund defined benefit pension scheme as disclosed in note 27. No enhanced or special terms apply to memberships. ACHA's contributions to the Chief Executive's pension in the year amounted to £15k (2019: £17k).

ACHA's key management emoluments (excluding pension contributions) fell within the following band distributions:

	2020	2019
More than £60,000 but not more than £70,000	1	2
More than £70,000 but not more than £80,000	3	3
More than £80,000 but not more than £90,000	1	-
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 31st March 2020

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	
	2020	2019
Housing & Neighbourhood Services	75	75
Finance & IT	16	15
Human Resources & Corporate Services	13	12
Investment & Regeneration	36	34
Argyll Homes For All	81	68
	<u>221</u>	<u>204</u>

The aggregate payroll costs of these persons were as follows:

	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Wages and salaries	5,915	5,565	3,405	3,487
Social security costs	586	554	334	346
Other pension costs	588	616	506	560
	<u>7,089</u>	<u>6,735</u>	<u>4,245</u>	<u>4,393</u>

During the year the value of Investment & Regeneration staff costs that were capitalised amounted to £942k (2019 - £659k). This increase is consistent with additional staff costs relating to capital works on energy efficiency through the Warm Homes Fund.

8. Operating surplus on ordinary activities - Group

	2020	2019
	£000	£000
<i>Operating surplus on ordinary activities before taxation is stated after charging:</i>		
Auditors' remuneration:		
Audit (including expenses and excluding VAT for the year)	22	22
Other services from bodies related to external audit	1	1
Operating lease rentals:		
Buildings	159	151
Other	279	179
Depreciation	<u>6,123</u>	<u>5,705</u>

Operating surplus on ordinary activities - Company

	2020	2019
	£000	£000
<i>Operating surplus on ordinary activities before taxation is stated after charging:</i>		
Auditors' remuneration:		
Audit (including expenses and excluding VAT for the year)	19	19
Other services from bodies related to external audit	-	-
Operating lease rentals:		
Buildings	159	151
Other	-	-
Depreciation	<u>6,104</u>	<u>5,689</u>

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31st March 2020****9. Finance income - Group**

	2020	2019
	£000	£000
Bank interest receivable	21	17
Interest on pension fund (Note 27)	-	-
	<u>21</u>	<u>17</u>

Finance income - Company

	2020	2019
	£000	£000
Bank interest receivable	26	26
Interest on pension fund (Note 27)	-	-
	<u>26</u>	<u>26</u>

10. Finance charges - Group

	2020	2019
	£000	£000
On bank loans	1,897	1,732
Interest on pension fund (Note 27)	167	92
	<u>2,064</u>	<u>1,824</u>

Finance charges - Company

	2020	2019
	£000	£000
On bank loans	1,897	1,732
Interest on pension fund (Note 27)	158	88
	<u>2,055</u>	<u>1,820</u>

11. Taxation

Due to ACHA's charitable status, no tax liability arose in the year to 31st March 2020 (2019: £ Nil).

AHFA is liable for UK Corporation Tax on its trading profits which amounted to £ Nil in the year (2019: £ Nil).

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2020

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

	Housing properties held for letting £000	Housing properties in course of construction £000	Total 2020 £000	Total 2019 £000
Cost				
At start of year	197,984	8,271	206,255	190,406
Additions during year new build	841	2,525	3,366	6,135
Additions during year existing	9,804	-	9,804	9,985
Transfers	6,488	(6,488)	-	-
Disposals	(256)	-	(256)	(271)
Impairment	(119)	-	(119)	-
At end of year	<u>214,742</u>	<u>4,308</u>	<u>219,050</u>	<u>206,255</u>
Depreciation				
At start of year	(36,559)	-	(36,559)	(31,108)
Charge during year	(5,947)	-	(5,947)	(5,537)
Disposals	92	-	92	86
Impairment	34	-	34	-
At end of year	<u>(42,380)</u>	<u>-</u>	<u>(42,380)</u>	<u>(36,559)</u>
Net book value				
At 31 March 2020	<u>172,362</u>	<u>4,308</u>	<u>176,670</u>	<u>169,696</u>
At 31 March 2019	<u>161,425</u>	<u>8,271</u>	<u>169,696</u>	

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

Additions to housing properties include capitalised development administration costs of £942k, (2019 – £659k), and capitalised major repair costs to existing properties of £8.86 million (2019 - £9.33 million). All land and properties are heritable.

Total expenditure on existing properties in the year amounted to £16.28 million (2019 – £16.04 million). The amount capitalised is £9.80 million (2019 - £9.99 million) with the balance being charged to the statement of comprehensive income.

During the year a number of components were replaced, resulting in a loss £164k (2019 – loss of £71k).

ACHA has included in housing properties held for letting £3.53 million (2019 – £3.60 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 and specific loans granted for new build development. As at the end of the financial year there were also 292 properties which were unencumbered.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2020

13. Property, plant & equipment – other - Group

	IT	Offices / Store	Furniture	Total Other non housing
	£000	£000	£000	£000
Cost				
At start of year	2,244	1,906	33	4,183
Additions during year	107	-	-	107
Disposals	(36)	-	-	(36)
At end of year	<u>2,315</u>	<u>1,906</u>	<u>33</u>	<u>4,254</u>
Depreciation				
At start of year	(2,084)	(276)	(24)	(2,384)
Provided during year	(129)	(44)	(3)	(176)
Disposals	36	-	-	36
At end of year	<u>(2,177)</u>	<u>(320)</u>	<u>(27)</u>	<u>(2,524)</u>
Net book value				
At 31 March 2020	<u>138</u>	<u>1,586</u>	<u>6</u>	<u>1,730</u>
At 31 March 2019	<u>160</u>	<u>1,629</u>	<u>9</u>	<u>1,798</u>

Property, plant & equipment – other - Company

	IT	Offices	Furniture	Total Other non housing
	£000	£000	£000	£000
Cost				
At start of year	1,980	1,906	33	3,919
Additions during year	101	-	-	101
Disposals	(36)	-	-	(36)
At end of year	<u>2,045</u>	<u>1,906</u>	<u>33</u>	<u>3,984</u>
Depreciation				
At start of year	(1,853)	(276)	(24)	(2,153)
Provided during year	(110)	(44)	(3)	(157)
Disposals	36	-	-	36
At end of year	<u>(1,927)</u>	<u>(320)</u>	<u>(27)</u>	<u>(2,274)</u>
Net book value				
At 31 March 2020	<u>118</u>	<u>1,586</u>	<u>6</u>	<u>1,710</u>
At 31 March 2019	<u>127</u>	<u>1,630</u>	<u>9</u>	<u>1,766</u>

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31st March 2020**

14. Investments	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Investment in Subsidiary Companies	-	-	-	-
	-	-	-	-

ACHA owns one share in Argyll Homes For All Limited (AHFA), which is a wholly owned subsidiary company. The principal activity of AHFA, registered company number SC415603, for the year ended 31st March 2020 was that of property maintenance. As at 31st March 2020 the capital and reserves of AHFA were (£233k) (2019: (£390k)) with a loss for the year of £15k (2019: £13k loss)

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

Class of shares: % holding
 Ordinary 100.00

	2020	2019
	£000	£000
Aggregate capital and reserves	(233)	(390)
Profit/ (loss) for the year	(15)	(13)

15. Stocks and work in progress	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Stock	41	41	-	-
	41	41	-	-

Due to Covid-19 restrictions no year-end stock take took place as at 31st March 2020.

16. Debtors	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Rental debtors	1,280	910	1,280	910
Less bad debt provision	(465)	(404)	(465)	(404)
	815	506	815	506
Prepayments and accrued income	1,193	835	1,136	801
Other debtors	2,022	2,044	2,461	2,478
Less bad debt provision	(1,976)	(1,997)	(1,976)	(1,997)
Subsidiary Loan	-	-	105	200
	2,054	1,388	2,541	1,988

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2020

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

	Debtor £000	Provided £000	2020 Net Debtor £000
Due from current tenants	986	(171)	815
Due from former tenants	294	(294)	-
	<u>1,280</u>	<u>(465)</u>	<u>815</u>

Rental Bad debts of £146k were written off during the period (2019 £201k). The provision for Rental Bad debts increased by £61k during the year (2019 £49k decrease).

Sundry debts of £144k were written off during the period (2019 £263k). The provision for Sundry debtors reduced by £20k during the year (2019 £215k increase).

AHFA had no debts written off during the year.

17. Cash at bank and in hand	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
Bank	8,606	3,687	8,662	3,408
Cash	1	1	1	1
	<u>8,607</u>	<u>3,688</u>	<u>8,663</u>	<u>3,409</u>

18. Creditors: amounts falling due within one year	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
Loans (secured)	145	138	145	138
Trade creditors	961	1,427	934	1,587
Other creditors	1,049	531	1,005	520
Accruals and deferred income	1,236	2,271	1,777	2,297
Deferred grant income	2,978	2,829	2,978	2,829
	<u>6,369</u>	<u>7,196</u>	<u>6,839</u>	<u>7,371</u>

19. Creditors: amounts falling due after one year	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
Loan (secured)	61,771	51,916	61,771	51,916
Deferred Grant (Note 20)	81,443	82,446	81,443	82,446
	<u>143,214</u>	<u>134,362</u>	<u>143,214</u>	<u>134,362</u>

The loans with Lloyds Banking Group increased by £9.855 million during 2019/20 due to the net effect of loan drawdown and capital repayments.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2020

An office development loan of £326k is repayable by 11th March 2025 and is repayable on an amortising basis. The repayment profile for the office loan is shown below.

	£000
Due within one year	58
Due between 1 and 2 years	61
Due between 2 and 5 years	207
Over 5 years	-
	326

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	67	4	17	88
Due between 1 and 2 years	70	4	18	92
Due between 2 and 5 years	230	12	58	300
Over 5 years	1,591	87	432	2,110
	1,958	107	525	2,590

The Glenshellach loan is fixed at 4.45% and the Bonawe and Helensburgh loans are fixed at 4.43%, all for a 25 year term from drawdown. The remainder of loans drawn, amounting to £59.0 million with Lloyds Banking Group, are repayable by bullet repayment. A summary of all fixed rate loans with Lloyds Banking Group as at 31st March 2020 is as follows:

Fixed Rate Hedging	Value (£000's)	End date	Rate %
Tranche A	£6,000	28/06/2021	1.181
Tranche A	£3,000	28/06/2022	1.209
Tranche A	£3,000	19/06/2023	2.952
Tranche A	£4,750	18/12/2023	1.620
Tranche A	£7,000	18/11/2024	1.535
Tranche A	£3,950	30/12/2024	1.515
Tranche A	£7,000	30/06/2025	2.636
Tranche B	£2,000	31/03/2023	5.740
Tranche B	£5,000	28/03/2024	0.927
Tranche B	£10,000	30/03/2029	5.430
Tranche C	£326	11/03/2025	5.955
Tranche D	£5,000	30/09/2021	5.490
Tranche D	£2,300	31/03/2023	4.350
Total	£59,326		

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 4,848 housing properties secured to Lloyds Banking Group in addition to 54 housing properties secured to Argyll and Bute Council.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2020

20. Deferred Grant Income – Group and Company

	2020	2019
	£000	£000
Housing Association Grant (HAG)		
At 1 st April	29,743	29,078
Received during year	1,470	1,352
Released to income during year	(838)	(687)
At 31 st March	<u>30,375</u>	<u>29,743</u>
Other grants	2020	2019
	£000	£000
At 1 st April	55,532	56,449
Received during year	704	1,322
Released to income during year	(2,142)	(2,139)
Released to income during year - disposals	-	(100)
Released to income during year - Impairment	(48)	-
At 31 st March	<u>54,046</u>	<u>55,532</u>
	2020	2019
	£000	£000
Amount to be released within one year	2,978	2,829
Amount to be released in more than one year	81,443	82,446
	<u>84,421</u>	<u>85,275</u>

21. Share capital

	2020	2019
	£	£
Shares of £1 each fully paid		
At 1 st April	263	249
Issued in year	8	29
Cancelled in year	(14)	(15)
At 31 st March	<u>257</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.

ACHA 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 31st March 2020****22. Commitments – Group and Company**(a) Capital commitments authorised and contracted for at 31st March amounted to:

	2020	2019
	£000	£000
Within one year		
Investment programme	2,785	47
Regeneration	1,588	3,609
Related Assets	-	10
IT	-	-
	<u>4,373</u>	<u>3,666</u>
Within two to five years		
Investment programme	100	-
Regeneration	281	438
Related Assets	-	-
IT	243	-
	<u>624</u>	<u>438</u>

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

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

	2020	2019
	£000	£000
Land and Buildings		
Due within 1 year	22	22
Due between 1 and 5 years	-	-
Over 5 years	-	-
	<u>22</u>	<u>22</u>
Other		
Due within 1 year	277	247
Due between 1 and 5 years	755	854
Over 5 years	-	14
	<u>1,032</u>	<u>1,115</u>

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2020

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

	2020	2019
	£000	£000
Operating surplus/deficit	5,335	4,492
Adjustments:		
Depreciation on non-housing fixed assets	176	168
Depreciation on housing fixed assets	5,947	5,537
Impairment on housing fixed assets	34	-
Deferred Grant Amortisation	(2,978)	(2,829)
Movement in working capital:		
Non cash adjustment in pension fund	1,173	1,349
Decrease/ (Increase) in stock	-	(5)
Decrease/(Increase) in debtors	(666)	568
Increase / (Decrease) in creditors	(985)	(2,178)
Cash inflow from operating activities	<u>8,036</u>	<u>7,102</u>

24. Analysis of changes in net debt - Group

	At 31st March	Cash flows	At 31st March
	2019		2020
	£000	£000	£000
Cash in hand, at bank	3,688	4,919	8,607
Debt due within one year	(138)	(8)	(146)
Debt due in more than one year	(51,916)	(9,054)	(61,770)
Total	<u>(48,366)</u>	<u>(4,943)</u>	<u>(53,309)</u>

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

	2020	2019
	£000	£000
Increase / (Decrease) in cash in the period	4,919	(663)
Cash (inflow) from debt financing	(10,000)	(7,750)
Cash outflow from debt financing	138	132
Change in debt resulting from cash flows	<u>(4,943)</u>	<u>(8,281)</u>
Net debt at beginning of period	<u>(48,366)</u>	<u>(40,085)</u>
Net debt at end of period	<u><u>(53,309)</u></u>	<u><u>(48,366)</u></u>

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2020

26. Group structure

ACHA is a registered social landlord, incorporated in Scotland. ACHA owns one share in Argyll Homes for All Limited (AHFA) which is a wholly owned subsidiary company. The principal activity of AHFA, registered company number SC415603, in the year ended 31st March 2020 was that of property maintenance.

27. 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 £3.95 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 2020/21 is £762k.

As noted in note 1, Argyll and Bute Council have guaranteed to accept liability for any unfunded costs which may arise with regard to ACHA relating to its membership of the Local Government Pension Scheme (LGPS) administered by Glasgow City Council should it cease to exist, withdraw from the LGPS or otherwise become unable to continue covering any unfunded liabilities with regard to the Local Government Pension Scheme (Scotland) Regulations 1998, as amended, or the Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998. If applicable, the assumptions and other data that have the most significant effect on the determination of the contribution levels of the scheme are as follows:

Assumptions as at	31st March 2020 % p.a.	31st March 2019 % p.a.	31st March 2018 % p.a.
Pension Increase Rate	1.9%	2.5%	2.4%
Salary Increase Rate	3.0%	3.7%	3.6%
Discount Rate	2.3%	2.4%	2.7%

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 have taken consideration of the ruling made regarding age discrimination arising from public sector pension scheme transition arrangements (referred to as the 'McCloud' court case), which have implications for LGPS since similar reforms were implemented, in addition to the potential impact of Guaranteed Minimum Pension (GMP) equalisation. The impact of both are included within the actuarial reports and these notes to the accounts.

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

	% Split of Assets 31st March 2020	Assets at 31st March 2020 £000	% Split of Assets 31st March 2019	Assets at 31st March 2019 £000
Equities	59%	16,730	64%	18,643
Bonds	26%	7,373	24%	6,991
Property	13%	3,686	10%	2,913
Cash	2%	567	2%	582
Total		<u>28,356</u>		<u>29,129</u>

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31st March 2020****Analysis of the amount charged in arriving at the operating surplus**

	Period to 31 st March 2020 £000	Period to 31 st March 2019 £000
Service cost	1,801	1,503
Past service costs	-	511
Amounts charged to finance charge	<u>1,801</u>	<u>2,014</u>

	Period to 31 st March 2020 £000	Period to 31 st March 2019 £000
Net interest	167	92
Amounts charged to finance charge	<u>167</u>	<u>92</u>

Analysis of the amount recognised in the statement of comprehensive income

	Period to 31 st March 2020 £000	Period to 31 st March 2019 £000
Actual return	(1,951)	884
Changes in financial assumptions	4,276	(3,040)
Other experience gains and losses	147	(1)
Changes in demographic assumptions	1,309	-
Amounts charged to finance charge	<u>3,781</u>	<u>(2,157)</u>

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

	2020 £000
Opening scheme liabilities	(35,499)
Current service cost	(1,801)
Past service cost	-
Interest cost	(872)
Re-measurements	5,732
Benefits paid	414
Contributions	(257)
Closing scheme liabilities	<u>(32,283)</u>

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31st March 2020**

Reconciliation of opening and closing balances of the fair value of plan assets		2020
		£000
Opening fair value of plan assets		29,129
Interest income		705
Return on plan assets (in excess of interest income)		(1,951)
Contributions by employer		628
Plan participants contributions		257
Benefits paid		(412)
Closing scheme assets		<u>28,356</u>
	2020	2019
	£000	£000
Pension deficit at end of year	<u>(3,927)</u>	<u>(6,370)</u>

28. 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 £439k (2018/19: £433k) which related to a balance of support service charges and assigned staff costs due to ACHA. At the year-end, income accrued by AHFA but not yet paid by ACHA amounted to £985k (2018/19: £713k). An inter-company loan was also advanced as per the loan agreement and at the balance sheet date the loan outstanding was £105k (2018/19: £200k), with £95k being repaid within the year.

Six members of the Board of Management were also tenants during the year (2019/20: eight). Three members of the Board of Management were Argyll and Bute Council Councillors during the year (2018/19: three). 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 £27k (2018/19: £30k) with total rent arrears at the year-end of nil (2018/19: nil)

Payments made to members of the Board of Management during 2019/20 amounted to £8k (2018/19: £9k). 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 and also for additional support needs.

ACHA paid £0.6 million (2019/20: £0.9m) 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 £0.02 million during the period in respect of Right to Buy sales for the financial period 2018/19 (2018/19: £0.26 million for the financial period 2017/18) and £201k in relation to the three Strategic Housing Fund (SHF) loans (2018/19: £201k).

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2020

During the period ACHA received from the Council £8.5 million in housing benefit payments (2018/19: £9.6m), rental income for homeless and additional support needs tenancies of £69k (2018/19: £68k). ACHA also received £0.264 million of SHF grant income during the period (2018/19: £1.164 million).

At the period end there was a creditor of nil outstanding in respect of Right to Buy receipts for the previous financial period (2018/19: £21k) and creditors totalling £3k outstanding to the Council (2018/19: £52k).

29. Financial Instruments

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

	2020	2019
	£000	£000
<i>Financial assets</i>		
Debt instruments measured at amortised cost:		
- Trade debtors (note 16)	815	506
- Accrued income (note 16)	946	594
- Other debtors (note 16)	46	44
- Cash and cash equivalents (note 17)	8,607	3,688
	10,414	4,832
<i>Financial liabilities</i>		
Measured at amortised cost:		
- Bank loans and overdraft (notes 18-19)	61,916	52,055
- Trade creditors (note 18)	961	1,427
- Accrued expenses (note 18)	1,232	2,248
- Other creditors (note 18)	1,049	531
	65,158	56,261

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

	2020	2019
	£000	£000
<i>Income and expense</i>		
Financial assets measured at amortised cost	27	26
Financial liabilities measured at amortised cost	(1,903)	(1,741)

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 £27k (2019 - £26k) and £1.90 million (2019 - £1.74 million) respectively.