

Accounting Policies

1. ACHA Accounting Policies

ACHA's accounting policies are to be drafted to ensure that they comply with the statutory obligation placed upon it by statute in the Companies Act 1985 and as amended 1989 the Industrial and Provident Societies Acts 1965 – 1978.

ACHA's accounting policies are also required to comply with the requirements of the Scottish Accounting order 1999 and thereby the relevant Accounting Standards Board requirements which are contained within the Statement of Recommended Practice (SORP) 2005.

These policies take account of the Statements of Standard Accounting Practice (SSAPs) currently in force, the Financial Reporting Standards (FRSs) currently in force and Urgent Issues Task Force (UITF) Abstracts. In addition the policies reflect the association's compliance with best practice in the social housing sector.

- 1.0 The policies also intend to ensure compliance with the regulatory standards currently in force through the Housing Act Scotland (2001) and the requirements laid down in the Scottish Federation of Housing Associations (SFHA) Performance Standards and Raising Standards documents.

1. Ownership of the policies

The policies contained herein are considered to be appropriate for ACHA's purposes, reflect the nature of the business entity as a Registered Social Landlord and have been approved by the Association's Board of Management and/or the delegated Finance and Audit sub committee.

- 1.0 The policies are under the direct operational control and responsibility of the Director of Finance and IT.

1. Review and Period of Review

ACHA's accounting policies will be subject to regular formal review on a biennial basis by the Director of Finance and IT.

The policies will be agreed with the Board of Management and/or the delegated Finance and Audit sub committee. Policies will also be reviewed by the Association's external auditor in terms of their applicability and appropriateness.

- 1.0 These policies may however be subject to amendment as and when required if the underlying body of law or accounting standards, SORP, SSAPs, FRSs, UITFs and regulatory guidance changes and or their application changes during the intervening period.

Accounting Policies

4. The Policies

1.0 Basis of accounting

4.1.1 ACHA will maintain accounting records based on the “going concern” concept.

4.1.2 ACHA will prepare accounting records on the basis of an accruals concept which appropriately accounts for the substance of the transaction in the period in which it occurs

1.0 Stock valuation

4.2.1 ACHA holds stock in its repairs and maintenance stores for use by repairs staff in carrying out responsive repairs works.

4.2.2 ACHA operates a policy of stock management which is covered under a specific policy, Appendix I

1.0 Fixed asset valuation

4.3.1 ACHA’s fixed assets generally consist of the following items;

- Houses
- Land
- Garages
- Garage sites
- Lock up sites
- Offices
- Traveling people sites

4.3.2 These assets will be maintained in a fixed asset register on the basis of historic cost.

4.3.3 The Association will ensure that the fixed asset register appropriately records additions and disposals.

1.0 Depreciation of fixed assets

4.4.1 Depreciation will be charged in accordance with the current Registered Social Landlord Statement of Recommended Practice and agreed with external auditors as appropriate.

4.4.2 ACHA assumes that its fixed asset classes will have the following useful life for accounting depreciation purposes.

- Houses – 50 years
- Garages – 10 years
- Offices – 50 years

Accounting Policies

4.4.3 ACHA does not have a useful life for the following classes of asset as depreciation is not charged on land or similar items

- Garage sites
- Lock up sites
- Traveling people sites

4.4.4 All IT equipment will be depreciated over a 3 year life using a straight line method of depreciation to a nil residual value. IT software costs will similarly be depreciated over a 3 year life using a straight line method of depreciation to a nil residual value

4.4.5 Small items of capital expenditure with a purchase value of less than £500 will be treated as repairs and replacements and therefore written down in the year of purchase

1.0 Reserves

4.5.1 The Association may determine that it will operate a reserves policy which includes designated and restricted reserves. This will be determined in accordance with the Registered Social Landlords Statement of Recommended Practice.

4.5.2 The Association will not normally designate reserves unless a surplus is generated in any given financial year. The Association will therefore if a surplus is generated create a designated reserve for future expenditures not already planned for in the business plan.

1.0 Works to existing housing stock

4.6.1 Works carried out to existing housing stock will only be capitalized where those works are deemed to result in an enhancement to the economic benefit of the stock in accordance with the relevant Registered Social Landlords Statement of Recommended Practice

4.6.2 An enhancement to the economic benefits of the housing stock will be determined as an increase in the rental, a reduction in voids or a reduction in planned maintenance costs which extend the useful economic life of the property.

4.6.3 The Association will develop a list of works which qualify for capitalization.

1.0 Development

4.7.1 The Association will treat new development costs in accordance with the relevant Registered Social landlords Statement of Recommended Practice. This means that where the development leads to or has an expectation of leading to an increase in income then that cost may be capitalized in the balance sheet.

Accounting Policies

4.7.2 In all other cases costs will be treated as revenue costs in the income and expenditure account

1.0 Grants

4.8.1 The accounting treatment of grants received by the Association will be in accordance with the Registered Social landlords Statement of Recommended Practice

4.8.2 Capital grants will be appropriately accounted for within the Association's balance sheet

4.8.3 Revenue grants will be included within the Association's income and expenditure account.

1.0 Accruals

4.9.1 The Association will accrue both income and expenditure items. This will result in an increase in expenditure resulting in a balance sheet current liability and/or an increase in the income resulting in an increase in the current assets of the balance sheet.

1.0 Prepayments

4.10.1 The Association will account for prepayments of both income and expenditure where appropriate. This will result in a reduction in expenditure resulting in a balance sheet current asset and/or a reduction in income leading to an increase in the current liabilities of the balance sheet.

1.0 Providing for bad debts

4.11.1 The Association's Director of Finance & IT will review quarterly the current tenant arrears. A provision for bad debts will be taken on the basis of all current arrears outstanding greater than £1,000 in value.

4.11.2 The Association will provide for all former tenant arrears on a quarterly basis.

4.11.3 The Association will on a quarterly basis provide for all general debtors outstanding for more than 3 months which are more than £1,000.

1.0 Bad debts written off

4.12.1 The Association's Director of Finance & IT will review quarterly the former tenant arrears and debtors aged analysis to determine which debts have a likelihood of recovery.

4.12.2 Where the it is determined that there is no likely prospect of recovery then it will charge the full value of that debt directly to the profit and loss account for that period having adjusted the provision for bad debts account accordingly.

Accounting Policies

Policy Owner	Director of Finance & IT
Policy Creation Date	13 September 2007
Version Number	1
Date Last Amended	13 September 2007
Review Period	1 Years
Previous Review Dates	N/A
Review Committee	Finance and Audit Committee
Review Date	August 2008