

**ARGYLL COMMUNITY HOUSING
ASSOCIATION LIMITED AND
SUBSIDIARIES**



**Report of the Board of Management
and Financial Statements
for the year ended
31st March 2019**

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 2019

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ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS

For the year ended 31st March 2019

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		
Mike Brown		21 st June 2018	7 th December 2018	
David Carmichael		21 st September 2016		
Cameron Grant	Vice Chair	19 th November 2013		
Alexandra Glazsher		31 st March 2016	23 rd January 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		
John Muir		18 th September 2014	18 th April 2018	
Douglas Prophet		19 th September 2013	5 th March 2019	
Elizabeth Rhodick		24 th May 2018		

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 Johnston	Director of Housing and Neighbourhood Services
Kirsteen McGinn	Director of Investment and Regeneration
Bruce West	Director of Finance and IT

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS

For the year ended 31st March 2019

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 2019

ABOUT ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED GROUP

The Board of Management present their report and audited financial statements for the year ended 31st March 2019.

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 2018 to 31st March 2019.

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 5,142 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.

In addition to ongoing improvements with the current housing stock, ACHA is committed to regenerating communities through the development of new housing stock. In terms of services, ACHA aims to deliver a high quality service to all customers. ACHA's staff and office structure is organised with this aim in mind and there is a comprehensive staff training and development programme to support this approach.

While ACHA's primary purpose is to improve and maintain the housing stock it also seeks to link housing investment and service to wider community needs. It is additionally intended that the economic regeneration of communities will be encouraged and facilitated, with local benefit in terms of employment and career opportunities. To this end, ACHA is committed to working with Argyll and Bute Council, other local housing associations and statutory and voluntary agencies.

ACHA therefore aims to improve the quality of life of the residents of Argyll and Bute. One of its main purposes is to provide quality houses where people want to live. It intends to achieve this through the delivery of a considerable investment programme, together with the empowerment of staff to deliver excellent services that are tenant-focused.

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

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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 4 leavers and recruited 4 new members. At the year-end, 31st March 2019 there were 5 tenant vacancies and 1 independent vacancy on ACHA's Board.

The SMT comprises the Chief Executive and each of the directors heading the four functional departments of Housing and 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 three Area Committees who deal with operational matters locally and have a clearly defined scheme of delegated authority. These Area Committees are established along the following geographical areas:

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

In January 2016 the Bute and Cowal Area Committee was disbanded due to insufficient interest from members to sustain the Area Committee in accordance with ACHA's Rules. Decisions that would have been taken locally are referred to the full Board. Following a successful recruitment campaign during 2018/19 a new Bute and Cowal Area Committee has been established and will resume functions during 2019/20.

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.

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All Governing Body Members received an annual appraisal carried out by the an external agency in 2018/19, 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 2018/19 which included training on Employment and HR, Health & Safety, Legal and Regulatory issues, Complaints, Performance Management, Finance, Business Planning and Housing Development. The following is planned and scheduled for 2019 onwards: Asking Questions, Maintenance and Repairs, Governance, Housing, Strategy, Risk and Equalities.

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

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 16 days on site. The outcomes of the internal audit reviews were considered by officers and reported to Audit Committee of the Group. During the year reviews of processes and procedures were conducted in relation to ARC compliance and validation, General Data Protection Regulations, Strategic Planning, Payroll, Development – Contract Management, ICT Management Controls and Rent Setting and Collection. All recommendations are monitored on a quarterly basis until completion.

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. During 2019 a Health, Safety and Environmental Officer post has been added to the staffing establishment.

STAFF

ACHA employed 204 full time equivalent staff during 2018/19, an increase of 12 on the 192 full time equivalent staff during 2017/18. This was due to an increase in staff numbers within AHFA in line with their business development.

Staff satisfaction in 2016 showed 84% of people enjoy working for the Group against a target of 85%. An action plan was put in place, in conjunction with the People Plan/Strategy to address any areas for improvement. A further survey has been commissioned for 2019.

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

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Staff turnover is currently 10.97 % against a target of 14.0% and ACHA continues to encourage all leavers to complete an exit survey.

Sickness absence rates have improved from 5.10% in 2017/18 to 3.77% in 2018/19 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.

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

OBJECTIVES, OPERATIONS AND PERFORMANCE

Performance Management

ACHA strives to make positive performance and customer satisfaction improvements year on year and have developed an ethos of continuous improvement across all aspects of service delivery.

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

Each year ACHA submit 63 items of performance, satisfaction and contextual information to the Scottish Housing Regulator who uses this data to assess and compare ACHA's performance and progress against other Registered Social Landlords. In turn, ACHA use these comparisons to help set our own performance targets which, as a minimum, will be to at least meet the Scottish average. In October of each year our Landlord Report is published, which provides details of performance and satisfaction levels achieved during the previous year along with proposals for service delivery for the coming year.

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
- Annual Factored Owners survey
- Annual Sheltered Housing survey
- Annual Gypsy/Traveller survey

Feedback, whether it be positive or negative, is used to help improve and develop services. Complaints information is also used as a learning tool to help improve services. 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 Plan which also 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.

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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 (previously known as the Tenant Consultation Register)
- 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 Argyll Tenants Panel
- Joining "Your Voice" tenant scrutiny group
- Taking part in consultation and other surveys
- Attending our Tenant and Member Conference

In February 2019 ACHA held its second Tenant and Member conference in Inveraray. Attendees were able to put questions to senior ACHA staff and participate in the planning of future conferences. Feedback from the conference was used to help the Board set objectives for service delivery in the coming year.

The "Your Voice" tenant scrutiny group undertook its third service review during the year, looking at Estate Management. Their review included current service practices and making recommendations for changes. Their findings were presented to the Board who agreed to implement a number of recommendations from the group for improved service delivery. ACHA are also proud to announce that the group won a prestigious award for best scrutiny newcomers in June 2018.

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 2018/19 included:

- Annual rent review
- Content and layout of the Landlord Report
- Changes to leases for Gypsy/Traveller sites
- Changes to parts of the Repairs and Maintenance policy

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 are part of the HOME Argyll partnership (Housing Options Made Easy), which is a partnership approach to providing a common housing register in the Argyll & Bute area. The partnership also includes the 3 other main housing associations operating within the area (West Highland Housing Association, Dunbritton Housing Association and Fyne Homes) along with Argyll and Bute Council.

Applicants can access the online application form from the HOME Argyll website or any of the partner's websites and can choose to be rehoused by any of the housing associations. In addition, they are asked to complete a housing options questionnaire which asks a series of questions to ensure that applicants are provided with the correct information in relation to their option for rehousing.

As at 31st March 2019 there were a total of 2,697 applicants on the HOME Argyll waiting list.

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During 2018/19 ACHA let 532 properties to applicants from the following waiting list categories:

- Statutory Homeless 115 (22%)
- Direct Waiting List 289 (54%)
- Transfer Waiting List 128 (24%)

The website also allows for tenants to advertise for a mutual exchange. In the last year 24 tenants were able to 'swap' houses via the mutual exchange scheme.

ACHA aim to visit all new tenants within 6 weeks of them moving into their new home. During this visit tenants are asked how satisfied they are with the standard of their new home, and are pleased to report that 97.3% of tenants were satisfied with the standard the property was let to them during 2018/19.

Estate Management and Anti-Social Behaviour

Staff carry out regular inspections of our estates and play parks and we understand that the appearance of our estates is important to the people living within our communities. ACHA is not the sole landowner or landlord with responsibilities for maintenance of open spaces such as grass cutting or fencing. Whenever possible we will work with other owners for the benefit of our estates and the wider community.

ACHA's Area Committee's approved a number of local projects during 2018/19 as part of our Estate Management Action Plans. These projects were mainly external works to common areas and gardens and have been undertaken to help improve the appearance of our estates and provide better facilities for our tenants.

ACHA also encourage tenants to enter "garden in bloom" competitions and submit nominations for "good neighbour of the year" awards, both helping to create a positive community spirit. Our tenant satisfaction survey revealed that 82.3% of our tenants were satisfied with the management of the neighbourhood that they live in.

This year ACHA installed 2 new play parks at our Gypsy/Traveller Sites at Duncholgan and Bayview.

ACHA has a zero tolerance to anti-social behaviour and, whenever possible, will take action to prevent or end actions of tenants and others which prove to be disruptive or concerning to the wider community. ACHA do not have sole responsibility for dealing with anti-social behaviour and very often we 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 in taking action. During 2018/19 our staff dealt with 276 reports of anti-social behaviour ranging from minor nuisance to drug dealing from ACHA properties, and successfully took 3 tenants accused of anti-social behaviour to Court and were awarded decrees to evict.

Factoring and Private Owners

During 2018/19 ACHA provided a comprehensive factoring service to 327 owners in 101 blocks in the following areas:

AREA	NO FLATS	OF	NO BLOCKS	OF
Bute		20		10
Cowal		30		10
Kintyre		43		18
Lomond		155		32
Lorn		52		19
Mid Argyll		27		12
Totals		327		101

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An annual survey is carried out with factored customers to enable ACHA to continue monitoring the services provided and identify how well improvements and changes are being received. As well as monitoring our own performance, it allows us to get feedback from customers and look at ways to change our existing service, or introduce new services to owners.

The level of overall satisfaction of the factoring service is 74% and remains higher than the national average, demonstrating service delivery has been above the national average of 66% for the last four years. This consistency, and the increase in numbers of customers taking part in surveys, has proved invaluable to service delivery. The levels of overall satisfaction for the factoring service are:

Very satisfied	38
Fairly satisfied	56
Neither satisfied or dissatisfied	22
Fairly dissatisfied	3
Very dissatisfied	8
Total (Note: 3 did not answer question)	127

Feedback from customers enables ACHA to prioritise their requirements for block inspections and information provided to customers, and this will be developed further with cross-departmental discussions reviewing the existing process. There were 51% of customers who indicated their interest in a close cleaning service.

Following consultation on the Factoring Policy a full review of the policy and related documentation has taken place. The amendments will streamline the administrative process and documentation will be reviewed to prepare for policy implementation.

Compliance with the Property Factors (Scotland) Act 2011 is ongoing and ACHA provides services by way of formal arrangements, custom and practice and where there is estate common ground to owners. There are 7,280 properties on the register, of which 3,843 are privately owned.

In addition to the annual update of the Register, the renewal took place in August 2018, with the next renewal scheduled for 2021.

Customer Service Centre

Our Customer Service Centre provides a wide range of telephone and internet based services and is effectively a 'one stop shop' for tenants, owners and other customers. We recently developed a Facebook page to provide another option for customers to communicate with ACHA. The Facebook page is also used to promote ACHA's initiatives and activities and is also used for emergency messages to assist ACHA tenants and other service users.

Welfare Rights Service

In 2018/19 ACHA provided Welfare Rights Services to tenants, through the Money Skills Argyll project 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 is 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 2018/19 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.

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Total client gain for the year was £2.02 million. Within that figure, Universal Credit Housing Cost elements of £51k were secured and Housing Benefit payments of £639k were paid. Therefore, a total of £690k was available to fund tenant's rental costs to ACHA. Full Universal Credit rolled out across Argyll and Bute in 2018/19 and the capacity provided by the welfare rights service is invaluable in providing assistance for claims.

In addition, 12 welfare rights surgeries were carried out at each of the tenanted Gypsy/Traveller sites. Tenant satisfaction with these is monitored in our annual Gypsy/Traveller survey. In this year's survey all our tenant respondents told us that they were aware of this service and they didn't have any comments on actions we needed to take to improve the service.

The welfare rights team also rolled out e-learning to colleagues on Universal Credit. In total 80 staff completed the training.

HOUSING STOCK AND ASSETS

Housing Stock

At the start of the financial year, 1st April 2018, ACHA owned 5,160 homes. In addition to 37 new homes being completed and brought into rental during the year the impact of the stock rationalisation programme saw a reduction in the housing stock of 55 properties through planned demolition. At the financial year-end 31st March 2019 ACHA therefore owned 5,142 homes.

The housing stock at 31st March 2019 is broken down by type as follows:

<u>Rentable Stock</u>	<u>2019</u>	<u>2018</u>
General Needs Houses	4,941	4,959
Sheltered Housing	201	201
	<u>5,142</u>	<u>5,160</u>

The housing stock at 31st March 2019 is broken down by geographical area as follows:

<u>Houses</u>	<u>2019</u>	<u>2018</u>
Bute	460	489
Cowal	916	914
Helensburgh and Lomond	1,003	988
Islay	380	360
Kintyre	799	825
Lorn and the Isles	981	980
Mid Argyll	603	604
	<u>5,142</u>	<u>5,160</u>

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

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These complexes offer a self-contained home, with additional services to help support elderly people live independently within the community for as long as possible. A Community Support Assistant is on site each day and a Personal Support Plan is developed for each tenant to ensure that their support needs are met at home. ACHA carries out an annual survey of our sheltered housing tenants. In 2018 69% 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 2018 80% of those respondents rated ACHA's Sheltered Housing service overall as Excellent or Very Good.

Mid-Market Rents

During 2018/19 ACHA converted both of the Mid Market Rent properties it owned back to affordable housing stock. ACHA now no longer owns any Mid Market Rent properties.

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>2019</u>	<u>2018</u>
Garages	15	15
Garage sites	127	127
	<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>2019</u>	<u>2018</u>
Lochgilphead, Duncholgan	14	14
Oban, Bayview	8	8
	<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 undertake annual surveys of residents on the sites seeking their views on service provision and future requirements. Overall tenant satisfaction remained at 100% in 2018/19.

Non Rentable Stock

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

<u>Non-Rentable Stock</u>	<u>2019</u>	<u>2018</u>
Play areas	35	33
Private water supplies	12	12
Private sewage systems	44	44
Offices	6	6

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

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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.

Maintaining Our Houses

ACHA seeks to maintain its properties to the highest standards. To this end, programmes of cyclical repairs are carried out in the medium term to deal with the gradual and predictable deterioration of building components. ACHA also undertakes reactive or responsive repairs and maintenance based on emergency and routine works requests from its tenants and factored owners. It is expected that the cost of all of these repairs is to be charged to revenue within the Comprehensive Income Statement. In addition, ACHA has a long-term programme of major repairs which have become necessary since the original developments were completed, including works required by subsequent legislative changes. This includes replacement or repairs to components of the properties, which have come to the end of their economic lives. The cost of these repairs is to be capitalised on the Statement of Financial Position in accordance with the 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 6 years, with 2018/19 being the second 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	3 hours	(2017/18 - 3 hours)
Non-Emergency	8 days	(2017/18 - 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 99.18% 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 reduce any current exemptions and abeyances. A panel of contractors on a framework undertake the main elemental renewal contracts for windows and doors, heating and rewire, kitchens and bathrooms and energy efficiency upgrades. All large scale work is subject to mini tenders to the framework contractors.

ACHA has delivered the following elements of work during 2018/19:

Investment programme	Planned	Outturn	Percentage
No of kitchen/bathrooms completions – Elements	40	70	175%
No of window/door completions – Elements	300	175	58%
No of heating/rewire completions – Elements	210	287	137%
No of roof/roughcast completions – Elements	212	246	116%
No. of energy efficiency upgrades – Elements	168	96	57%

The total number of elements required for completion this year of all types was 930, ACHA delivered 874 elements equating to 94% of the targeted objective. The planned target expenditure was 95% against budget forecast overall.

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STRATEGIC REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31st March 2019

ACHA has met the Scottish Housing Quality Standard but there are individual exemptions and abeyances on criteria on 13.5% of our property, a reduction 3% since March 2018. The exemptions and abeyances relate to a small number of tenant refusals, common works where our neighbouring owners do not wish to participate in an upgrade, in particular the upgrading of common doors, and exemptions related to the energy efficiency rating.

Developing New Housing Stock

Regeneration or new stock development activity has continued on the sites started last year, with the following sites progressing and due for completion in 2019/20.

Connel	2 units
Helensburgh	16 units
Kilmartin	4 units
Cairnbaan	5 units
Garelochhead	10 units
Inveraray	10 units
Glenshellach Oban	42 units

During 2018/19 the following completions were achieved

Bowmore Ph3	20 units
Helensburgh	16 units
North Connel	1 unit

The Scottish Government increased their investment levels in 2017/18 and 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 89 units for March 2020 and 150 units by March 2022.

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 5,142 properties.

During the last year AHFA has carried out over 17,500 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 62 Operatives and 14 Administrative Staff strategically sited across Argyll & Bute. In more remote regions, in times of high demand and where specialist skills are required this labour resource is supplemented by selected and approved contractors. This enables the business to successfully deliver the contracts held with ACHA which included:

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

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

- Small capital works such as bathroom and kitchen installations, heating and re-wires.
- Insurance claim reinstatement works.
- Aids and adaptation works.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

STRATEGIC REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31st March 2019

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 99%. Average Repair times are 3 hours for an emergency and 8 days for non-emergencies 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 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.

AHFA's 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.

During the course of the year AHFA recruited a new Planned Maintenance Manager to add to the existing management team. The company's operational centres continue to be predominantly in Oban and Helensburgh. At the year-end AHFA was preparing to start delivering the Grounds Maintenance contract for ACHA for the next 4 years, with directly employed staff comprising an Operations Manager, Supervisor, 5 permanent operatives and 3 seasonal operatives.

AHFA reported a loss of £13k before taxation for 2018/19 (loss of £80k in 2017/18) and made a repayment of £100k to reduce the balance on the intercompany loan with ACHA.

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 4.2% with the average rent across all stock being £83.60 for 2018/19. In February 2019 the Board of Management approved a rent increase of 3.7% for 2019/20.

Rent receivable for 2018/19 was £22.23 million, an increase of £1.19 million from the £21.04 million in 2017/18. This increase includes the approved rent increase, the third and final year of the phased rent restructure / harmonisation and also new development stock coming into rental. This was in line with the budget for the year.

Rent Arrears and Bad Debt

Rent arrears at 31st March 2019 is set out below.

Rent Arrears	Amount £'000	%	Written Off £'000
Current Tenants	572	2.5	-
Former Tenants	338	1.5	201
Total	910		

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

STRATEGIC REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31st March 2019

The year-end figure for current tenants is 2.5% against a target of 2.5%, which is calculated by taking the current tenant arrears at the year-end of £572k and dividing this by the Gross Rent Charge £22.27 million. The timing of receipt of housing benefit, which is paid in arrears, will mean this current tenant value is higher than in reality. Overall, our arrears performance compares favourably to that of peer and national comparisons.

ACHA operates a robust but fair arrears management policy and staff work closely with our tenants and external agencies such as Argyll & Bute Council's Housing Benefit section and the Department 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 80 Orders for Recovery of Possession of properties, of which 30 ended with court resulting in eviction. Therefore, we were able to resolve nearly 63% of serious cases without resorting to eviction.

Voids (Empty Houses)

As a social housing provider ACHA will always aim to re-let our empty properties as quickly as possible in order to reduce the HOME Argyll waiting lists and also to maximise our potential rental income.

At the end of March 2019 ACHA's void performance was as follows:

- 63 properties were empty
- of these 9 had been empty for more than 6 months
- on average it took 56 days to re-let a property (this includes low and no demand properties)
- excluding low/no demand properties we took 28 days to re-let properties

Following the decision made during 2017/18 by Board to demolish a small number of long term void properties, a total of 55 properties were demolished during 2018/19 across Kintyre and Bute.

During 2018/19 ACHA lost rental income to the value of £698k due to properties not being re-let. This is an increase of £41k on the previous year's rent loss, mainly being the result of a decision to retain a number of void properties to assist with future stock remodelling.

Based on work done for the Annual Return on the Charter (ARC), once exclusions are taken into account the void rent loss reported in the ARC is £324k due to properties not being re-let. This is a decrease of £38k on the previous year's rent loss.

During 2018/19 ACHA started reviewing the Letting Standard for vacant properties. It is expected a new Standard will be in place by end March 2020.

Sundry Debt Income and Bad Debts

A total of £827k of sundry debtor invoices were issued within 2018/19 compared to £656k in 2017/18. In total the amount of outstanding debt as at 31st March 2019 increased to £2.04 million compared to £1.87 million at the previous year-end. Bad debts written off during the year amounted to £263k compared to £226k in 2017/18. Sundry debt provided for during 2018/19 increased by £215k on the previous year (although £111k of this was automatically provided for because of the invoice value but was subsequently paid during April 2019 which will reduce the provision by this amount).

Grant Income

During 2018/19 ACHA received Housing Association Grant (HAG) of £1.35 million and Strategic Housing Fund (SHF) grant of £1.16 million to support new build development. A grant of £352k was received relating to expenditure on Aids and Adaptions and £27k for a Welfare Rights project.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

STRATEGIC REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31st March 2019

Expenditure

Expenditure on management and administration costs during 2018/19 increased to £7.6 million compared to the previous year total of £7.1 million, mainly due to the increase in service cost relating to the defined benefit pension scheme liabilities.

Planned and cyclical maintenance (including major repairs) expenditure in 2018/19 was £2.5 million compared to £1.8 million in 2017/18. This is due to increases in a number of areas including painting and grounds maintenance, in addition to one-off demolition costs incurred as part of the stock rationalisation programme.

Reactive maintenance expenditure was £3.6 million in 2018/19 which was consistent with the previous financial year.

Depreciation on social housing charged during 2018/19 was £5.5 million compared to £5.1 million in the previous year. This increase will relate to the investment and regeneration expenditure capitalised during the financial year.

Creditor Payment Policy

The payment policy, which ACHA follows, is to pay all purchases within 28 days, although some payments are settled in 14 days, and/or in accordance with creditor terms of business. The average creditor payment period for 2018/19 was 26 days against 25 days for the prior year, with 5,450 invoices being processed for payment compared to 5,267 in the prior year. For AHFA the average creditor payment period for 2018/19 was 41 days against 32 for the prior year, with 10,568 invoices processed against 9,769 in the prior year.

Assets

Housing properties, net of depreciation, increased from £159.3 million in 2017/18 to £169.7 million in 2018/19, an increase of £10.4 million. This increase includes £6.1 million of new build expenditure and £10.0 million of investment expenditure, with disposals of £0.3 million and a depreciation charge of £5.5 million (after adjustment for disposals) during the year. Debtors have decreased by £568k to £1.38 million in 2018/19, Cash held at the 31st March 2019 was £3.69 million compared to £4.35 million at the previous year-end. A proportion of this cash was used for expenditure relating to 2018/19 that was physically paid during April and May 2019.

Liabilities

Creditors due within one year were stated at £50.9 million in 2017/18 which included £41.6 million relating to loans with Lloyds Banking Group that, due to a technical covenant breach had to be reported as due within one year. These loans are now included within creditors due in more than one year. As such the position on creditors due within one year decreased from £9.3 million in 2017/18 to £7.2 million in 2018/19, mainly due to the reduced amount within trade creditors. Creditors due in more than a year increased from £127.0 million to £134.4 million which was due to the grant received during the year relating to capital assets which is classed as deferred income.

Borrowing

ACHA has a loan facility of £59.6 million with Lloyds Banking Group. This includes a £750k development loan for its office premises in Oban which has a capital and interest repayment profile that is fixed throughout its 15-year life at 5.955% inclusive of lenders' margin and capitalisation charges. The outstanding balance of this loan as at 31st March 2019 is £381k

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

STRATEGIC REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31st March 2019

ACHA have an agreed loan facility of up to £6 million for new stock development out with Lloyds Banking Group of which £3m has been drawn down with Argyll and Bute Council for 3 specific developments. In February 2014 ACHA entered in to a 25-year amortising loan arrangement with Argyll and Bute Council to fund a specific new housing development at Glenshellach in Oban. The loan outstanding as at the financial year-end was £2.03 million. The loan was fixed at 4.45% for the full term of 25 years. During 2014/15 ACHA entered into two further amortising loan agreements with Argyll and Bute Council to fund specific housing development at Bonawe and in Helensburgh. These loans were fixed at 4.43% for the full 25-year term and were drawn down in September 2014 and November 2014 respectively. The loans outstanding as at the financial year-end were £109k and £530k respectively.

During the year a further £7.75 million of additional loan funding was drawn down, in accordance with the approved business plan projections.

Under its Rules, ACHA cannot enter into transactions of a speculative nature however it can enter into interest rate hedging instruments which may be used to protect ACHA from interest rate risk. ACHA operates an active treasury management policy, which operates in accordance with a treasury strategy approved by the Audit Committee. ACHA, during the year, considered its Treasury Management strategy in line with the approved policy. ACHA has several fixed borrowing arrangements in place at varying interest rates and maturity terms. These fixings hedge forward the projected borrowings in a total amount of £49.38million and were as follows. Please note that these are "loan embedded hedges" and that no free standing derivatives are in place as a result of interest rate hedging activities.

Fixed Rate Hedging	Value (£000's)	End date	Rate %
Tranche A	£3,000	30/04/2019	1.031
Tranche A	£6,000	30/04/2019	1.031
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 B	£5,000	31/03/2020	5.710
Tranche B	£2,000	23/03/2023	5.740
Tranche B	£10,000	30/03/2029	5.430
Tranche C	£381	11/03/2025	5.955
Tranche D	£5,000	30/09/2021	5.505
Tranche D	£2,300	31/03/2023	4.350
Total	£49,381		

During the financial year ACHA paid a total of £1.73 million in relation to loan interest.

A requirement of the loan agreement with Lloyds Banking Group is to ensure that sufficient asset cover is in place to meet Covenant compliance. The asset cover required is equal to 105% of the current drawn loans in addition to projected borrowing for the next financial year. Based on the latest stock valuation and estimated borrowing requirements for 2019/20 there is asset cover in place of 212% 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 2018/19 the approved cashflow was an outflow of £8.320m and the actual cash outflow was £8.295m. This means the approved cashflow covenant has been complied with.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

STRATEGIC REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31st March 2019

Pensions

The actuarial report for the Strathclyde Pension Fund showed an increase in the pension liability for the ACHA group of £3.60 million, with the net liability at £6.37 million compared to £2.77 million in the previous year.

Reserves

At the year-end 31st March 2019 the revenue reserves balance had moved from a £28.23 million surplus to a surplus of £28.68 million including the pension liability, which had increased from a £2.77 million deficit to a £6.37 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 with risk and uncertainty, due to factors relating to the wider economic climate, uncertainty caused by the prolonged Brexit negotiations and the continued challenge of building additional homes to meet the target of 35,000 additional social rented homes by March 2021. There is also continued challenges and risks related to welfare reform as well as significant work and cost in relation to meeting the Energy Efficiency Standard for Social Housing (ESSH) and also looking towards post 2020 with ESSH2.

ACHA has its business plan approved annually and the latest 30-year plan was approved by our bankers in June 2019. 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.

The ongoing programme of investment in the existing housing stock is planned at around £10 million for each of the next 5 years which accounts for our commitment to continued investment in our existing homes, to bring the remaining housing stock in line with ESSH requirements and to replace components that are at the end of their useful life. ACHA has been successful in a bid to the Warm Homes Fund and has been awarded £5.1 million to fund a scheme to address fuel poverty across Argyll and Bute. ACHA have committed approximately £5.6 million of its own funds to the project as match funding which will have a substantial impact. 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.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

STRATEGIC REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31st March 2019

Good progress has already been made on stock rationalisation to address the issues of long term low demand properties in Campbeltown and in Bute where there were significant levels of void rent loss. Further demolition work will take place during 2019/20 to deliver a further reduction on void rent loss and reduce the ongoing and future financial commitments on maintenance, repair and council tax charges for these empty properties. In addition, a further £100k per annum, was committed to as part of the 2019/20 budget to support a new letting standard across ACHA properties, again to assist in reducing further void rent loss.

ACHA will look to maintain rents at an affordable and sustainable level for tenants, whilst balancing this with the continued investment priorities agreed for the organisation within its corporate plan.

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 6 objectives:

- Achieving the Scottish Government housing standards and addressing housing need in Argyll & Bute, through development and upgrading;
- Providing quality customer care and equality across all our services;
- Developing the financial strength and capacity to meet current and future objectives;
- Deliver progressive and sustainable business performance and service delivery;
- Improving strategic relationships and partnerships;
- Continuous improvement of Scottish Social Housing Charter indicators


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 ACHAs financial strength and capacity.

AUDITORS

ACHA tendered for the external audit service during 2016 and appointed Alexander Sloan at the 2016 Annual General Meeting. Alexander Sloan have been contracted for a period of three years with an option to extend for a further two years. A resolution for the appointment of external auditors will be proposed at the Annual General Meeting.

By order of the Board of Management

James Milne
Chairman



Date: 22 August 2019

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

BOARD OF MANAGEMENT'S RESPONSIBILITIES

For the year ended 31st March 2019

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 2015. 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


James McNe
Chairman

Date: 22 August 2019

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

For the year ended 31st March 2019

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 2019 and until the below date. To the best of its knowledge no weaknesses were found in internal financial controls which could result in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditors' report on the financial statements.

These arrangements comply with the requirements contained in the Scottish Housing Regulator's regulatory standards.

By order of the Board of Management

James Milne
Chairman



Date: 22 August 2019

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

INDEPENDENT AUDITORS REPORT

For the year ended 31st March 2019

Corporate Governance

In addition to our audit of the financial statements, we have reviewed the Board of Management's statement on page 21 concerning the Association's compliance with the information required by the Regulatory Standards for systemically important RSL's in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.


Basis of Opinion

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

Opinion

In our opinion the statement on internal financial control on page 21 has provided the disclosures required by the relevant Regulatory Standards for systemically important RSLs within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes, issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

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



ALEXANDER SLOAN
Accountants and Business Advisers
Statutory Auditors
GLASGOW
23 August 2019



Alexander Sloan
Accountants and Business Advisers

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

INDEPENDENT AUDITORS REPORT

For the year ended 31st March 2019

Opinion

We have audited the financial statements of Argyll Community Housing Association ("the Association") for the year ended 31st March 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity 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 and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members, as a body, in accordance with the Co-operative and Community Benefit Society 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. To 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.

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2019 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 Benefits Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2015.

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 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.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

INDEPENDENT AUDITORS REPORT

For the year ended 31st March 2019

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

In the light of our knowledge and understanding of the Association and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Board of Management.

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 Association in accordance with the requirements of the legislation;
- a satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirements of the legislation;
- the Statement of Comprehensive Income and Statement of Financial Position are not in agreement with the books of account of the Association; 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 20, 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 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 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.

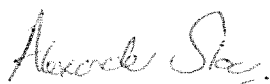
As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

INDEPENDENT AUDITORS REPORT

For the year ended 31st March 2019

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Management.
- Conclude on the appropriateness of the Board of Management use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Association to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Association's audit. We remain solely responsible for our audit opinion.



ALEXANDER SLOAN

Accountants and Business Advisers

Statutory Auditors

GLASGOW

23. August 2019



Alexander Sloan

Accountants and Business Advisers

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March 2019

	<i>Note</i>	2019 £000	2018 £000
Turnover	2	25,738	24,329
Operating costs	2	<u>(21,246)</u>	<u>(19,447)</u>
Operating Surplus	8	4,492	4,882
(Deficit)/surplus on disposal of housing fixed assets	12	(71)	(11)
Finance income	9	17	19
Finance charges	10	<u>(1,824)</u>	<u>(1,989)</u>
Surplus on ordinary activities before Taxation		2,614	2,901
Taxation	11	<u>-</u>	<u>-</u>
Surplus for the year		2,614	2,901
Actuarial gain/(loss) on pension scheme	28	<u>(2,157)</u>	<u>7,641</u>
Total comprehensive income / (expenditure) for the year	22	<u>457</u>	<u>10,542</u>

All figures relate to continuing operations.

The notes on pages 32 to 58 form part of these financial statements

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

COMPANY STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March 2019

		2019	2018
	<i>Note</i>	£000	£000
Turnover	2	25,879	24,476
Operating costs	2	<u>(21,387)</u>	<u>(19,554)</u>
Operating Surplus	8	4,492	4,922
(Deficit)/surplus on disposal of housing fixed assets	12	(71)	(11)
Finance income	9	26	29
Finance charges	10	<u>(1,820)</u>	<u>(1,959)</u>
Surplus on ordinary activities before Taxation		2,627	2,981
Taxation	11	<u>-</u>	<u>-</u>
Surplus for the year		2,627	2,981
Actuarial gain/(loss) on pension scheme		<u>(2,076)</u>	<u>6,596</u>
Total comprehensive income for the year	22	<u><u>551</u></u>	<u><u>9,577</u></u>

All figures relate to continuing operations.

The notes on pages 32 to 58 form part of these financial statements

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

GROUP STATEMENT OF FINANCIAL POSITION

As at 31st March 2019

	Note	2019 £000	2018 £000
Property, plant & equipment			
Housing properties	12	169,696	159,298
Other Fixed Assets	13	1,798	1,729
		<u>171,494</u>	<u>161,027</u>
Current assets			
Stock and work in progress	15	41	35
Debtors	16	1,388	1,954
Cash at bank and in hand	17	3,688	4,351
		<u>5,117</u>	<u>6,340</u>
Creditors: amounts falling due within one year	18	<u>(7,196)</u>	<u>(50,951)</u>
Net current (liabilities) / assets		<u>(2,079)</u>	<u>(44,611)</u>
Total assets less current liabilities		169,415	116,416
Creditors: amounts falling due after one year	19	(134,362)	(85,419)
Provisions for liabilities and charges: Deferred tax	11	-	-
Net assets before pension deficit		35,053	30,997
Pension deficit	28	(6,370)	(2,771)
Net assets after pension deficit		<u>28,683</u>	<u>28,226</u>
Capital and reserves			
Share capital	21	-	-
Revenue Reserves	22	28,683	28,226
Shareholders' funds	22	<u>28,683</u>	<u>28,226</u>

The notes on pages 32 to 58 form part of these financial statements

These financial statements were approved by the Board of Management on 22 August 2019 and authorised for issue and signed on their behalf by:

Chairman of the Board of Management

James Milne



Board member

Cameron Grant



Secretary

Roddy McCuish



ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31st March 2019

	Note	2019 £000	2018 £000
Property, plant & equipment			
Housing properties	12	169,696	159,298
Other Fixed Assets	13	1,766	1,726
		<u>171,462</u>	<u>161,024</u>
Current assets			
Stock and work in progress	15	-	-
Debtors	16	1,988	2,431
Cash at bank and in hand	17	3,409	4,288
		<u>5,397</u>	<u>6,719</u>
Creditors: amounts falling due within one year	18	<u>(7,371)</u>	<u>(51,176)</u>
Net current (liabilities) / assets		<u>(1,974)</u>	<u>(44,457)</u>
Total assets less current liabilities		169,488	116,567
Creditors: amounts falling due after one year	19	(134,362)	(85,419)
Provisions for liabilities and charges: Deferred tax	11	-	-
Net assets before pension deficit		35,126	31,148
Pension deficit		(6,051)	(2,623)
Net Surplus after pension deficit		<u>29,074</u>	<u>28,525</u>
Capital and reserves			
Share capital	21	-	-
Revenue Reserves	22	29,075	28,525
Shareholders' funds	22	<u>29,075</u>	<u>28,525</u>

The notes on pages 32 to 58 form part of these financial statements

These financial statements were approved by the Board of Management on 22 August 2019 and authorised for issue and signed on their behalf by:

Chairman of the Board of Management

James Milne



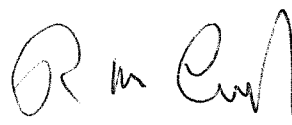
Board member

Cameron Grant



Secretary

Roddy McCuish



ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

GROUP STATEMENT OF CHANGES IN EQUITY

As at 31st March 2019

	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

	Called up share capital £000	Revenue reserve £000	Total equity £000
Balance at 31 March 2017	-	17,684	17,684
Changes in equity			
Total comprehensive income	-	10,542	10,542
Balance at 31 March 2018	-	28,226	28,226

COMPANY STATEMENT OF CHANGES IN EQUITY

As at 31st March 2019

	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

	Called up share capital £000	Revenue reserve £000	Total equity £000
Balance at 31 March 2017	-	18,947	18,947
Changes in equity			
Total comprehensive income	-	9,577	9,577
Balance at 31 March 2018	-	28,524	28,524

The notes on pages 32 to 58 form part of these financial statements

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

GROUP STATEMENT OF CASH FLOWS

For the year ended 31st March 2019

	<i>Notes</i>	2019 £000	£000	2018 £000	£000
Cash flows from operating activities					
Cash generated from operations	24	7,102		8,594	
Net cash from operating activities			7,102		8,594
Cash flow from investing activities					
Improvement of properties	12	(9,985)		(10,968)	
Construction of new properties net of disposals	12	(6,135)		(6,872)	
Purchase of other fixed assets	13	(238)		(135)	
Right-to-buy proceeds		15		243	
Government grants received	20	2,675		5,167	
Net cash flow from investing activities			(13,668)		(12,565)
Cash flow from financing activities					
Finance income	9	17		19	
Finance charges	10	(1,732)		(1,735)	
Bank loans drawn down		7,750		-	
Bank loans repaid	26	(132)		(125)	
Net cash flow from financing activities			5,903		(1,841)
Decrease in cash and cash equivalents			(663)		(5,812)
Cash and cash equivalents at the start of the year			4,351		10,163
Cash and cash equivalents at the end of the year			3,688		4,351

The notes on pages 32 to 58 form part of these financial statements

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2019

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 £4.49 million which when adjusted for disposals, interest receivable and payable resulted in a surplus of £2.61 million prior to the adjustment of the actuarial loss on the pension scheme giving total comprehensive income for the year of £457k. At the financial year-end ACHA had net assets of £28.68 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 £64.5m, comprising £59.2m Lloyds Banking Group within the banking facility, £2.3m from Argyll and Bute Council and the option for a further £3m from external sources. Repayment is projected by 2035/36 for Lloyds Banking Group, 2039/40 for Argyll and Bute Council and 2036/37 for any other borrowing.

ACHA's loan asset security ratio requirement is 105%. The most recent security valuation as at March 2019 values ACHA's housing assets at £124.9 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 2015 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 2019. 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 2018 to 31st March 2019. Cash and cash equivalents comprise cash on hand and in deposit and are subject to an insignificant risk of change in value.

Tangible fixed assets - housing properties

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

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

Housing properties

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

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2019

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

Depreciation and Impairment

Land is not subject to depreciation. Depreciation is charged so as to write down the cost of the housing properties and major components on a straight line basis over their expected useful economic lives.

Major components are treated as separable assets and depreciated over their expected useful economic lives or the lives of the structure to which they relate, if shorter, at the following annual rates:

	Depreciation Rate	Economic Life
Land	Nil	Nil
Structure	2.0%	50 years
Wall finishes	2.0%	50 years
Kitchen	4.0%	25 years
Roofs	2.0%	50 years
Bathroom	4.0%	25 years
Windows and doors	3.3%	30 years
Heating System	3.3%	30 years
Electrics	3.3%	30 years
Plumbing	2.5%	40 years
Solar Panels	4.0%	25 years

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

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

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

New Build

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

The Association's policy is to capitalise the following:

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

Expenditure on schemes which are subsequently aborted will be written off in the year in which it is recognised that the schemes will not be developed to completion. Land is not depreciated.

Non-Housing properties

ACHA owns a number of non-housing properties. ACHA applies the same capitalisation and component life approach as stated under Housing Properties unless otherwise stated below.

Garages

Garages are stated at cost; all garages acquired under the stock transfer agreement were acquired at nil value. The estimated useful economic life of related assets built after transfer will be 15 years.

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.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2019

Related Assets

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

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

Component replacements which are not grant funded will be capitalised.

Housing Association Grant

Housing Association Grant (HAG) is received from central government agencies and local authorities and is utilised to reduce the capital costs of housing properties. Grants received in respect of capital expenditure are credited to the comprehensive statement of income under the accruals method in line with the depreciation rates adopted for the underlying asset to which the expenditure relates. HAG due or received in advance is included as a current asset or liability. HAG received in respect of revenue expenditure is credited to the Statement of Comprehensive Income in the same period as the expenditure to which it relates, in line with the performance model. Properties are disposed of under the appropriate legislation and guidance. All HAG relating to the share of property sold are removed from the financial statements at the date of sale. Any HAG received that cannot be repaid from the proceeds of sale is abated and the grant removed from the financial statements. Where a disposal is deemed to have taken place for accounting purposes, but the repayment conditions have not been met in relation to the grant funding, the potential future obligation to repay is disclosed as a contingent liability.

Business Plan Support Grant

Business Plan Support Grant (BPSG) relates to the £68 million grant provided by Scottish Government in respect of improvements required to the transferring properties to achieve the Scottish Housing Quality Standard. BPSG received in respect of capital expenditure is credited to the comprehensive statement of income under the accruals method in line with the depreciation rates adopted for the underlying asset to which the expenditure relates. Unamortised BPSG is held within creditors due after one year.

Properties are disposed of under the appropriate legislation and guidance. All business plan support grants relating to the share of property sold are removed from the financial statements at the date of sale and written off. Any residual business plan support grant held at the point of component replacement is written off in the year of sale.

Related Assets Grant

Related Assets Grant refers to the £11.25 million in Related Assets or Early Action Fund (EAF) Grant to improve the related assets in the environ of the properties which were transferred to ACHA under the stock transfer. All EAF or related assets grant will be treated as revenue grant in the period in which the expenditure occurred.

Other Grants

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

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2019

Other Fixed Assets

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

Computer hardware	3 years
Computer software	3 years
Furniture and fittings	10 years

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

Offices are stated at cost; all offices acquired under the stock transfer agreement were acquired at nil value. Depreciation on offices is calculated on a component basis using the same components and economic useful lives as the housing properties. Bute store is depreciated over a 50-year economic useful life, consistent with the economic useful life for structure under housing assets.

Employee Benefits

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

Pensions

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

The SPF incurred an actuarial loss for the year ended 31st March 2019 of £2.157 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 £25k 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 Regeneration Directorate or local authorities are payable to subsidise the capital cost of housing developments. Grants from Scottish Government's Housing Regeneration Directorate take the form of Housing Association Grant (HAG) funding. Advances are generally available only in respect of those developments which have been given approval by the Scottish Government's Housing Regeneration Directorate. Under certain circumstances HAG is repayable. Business Plan Support Grant and Related Assets or EAF grant is not normally repayable under the terms of the stock transfer agreement. Grants in respect of revenue expenditure are credited to the Statement of Comprehensive Income in the same period as the expenditure to which they relate.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2019

Financial Instruments

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

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

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

Operating Leases

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

Inventories

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

Bad and Doubtful Debts

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

Estimation and Uncertainty

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

Rent Arrears - Bad Debt Provision

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

Life Cycle of Components

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

Useful life of properties, plant and equipment

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

Key Judgements made in the application of Accounting Policies

The Categorisation of Housing Properties

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

Identification of cash generating units

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

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2019

Financial Instruments

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

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 28 of the accounts.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2019

2. Particulars of turnover, operating costs and operating deficit

GROUP

	Turnover £000	Operating Costs £000	Other income and gains £000	Operating Surplus / (Deficit) to 31 st March 2019 £000	Operating Surplus / (Deficit) to 31 st March 2018 £000
Social Lettings (Note 3)	24,405	(19,379)	-	5,026	5,060
Other Activities (Note 4)	1,333	(1,867)	-	(534)	(178)
	25,738	(21,246)	-	4,492	
Total for year to 31 st March 2018	24,329	19,447	-	4,882	

COMPANY

	Turnover £000	Operating Costs £000	Other income and gains £000	Operating Surplus / (Deficit) to 31 st March 2019 £000	Operating Surplus / (Deficit) to 31 st March 2018 £000
Social Lettings (Note 3)	24,405	(19,379)	-	5,026	5,100
Other Activities (Note 4)	1,474	(2,008)	-	(534)	(178)
	25,879	(21,387)	-	4,492	
Total for year to 31 st March 2018	24,476	19,554	-	4,922	

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2019

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	20,932	868	21,800	20,596
Rent from garages	21	-	21	21
Rent from travelling people sites	58	-	58	74
Service charges	53	302	355	344
Gross income from rents and service charges	21,064	1,170	22,234	21,035
Less voids	(694)	(4)	(698)	(657)
Net income from rents and service charges	20,370	1,166	21,536	20,378
Grants from the Scottish Ministers	-	-	-	-
Other revenue grants	40	-	40	41
Deferred grant amortisation	2,829	-	2,829	2,782
Total turnover from social letting activities	23,239	1,166	24,405	23,201
Management and maintenance administration costs	7,250	353	7,603	7,100
Planned and cyclical maintenance including major repairs costs	2,477	-	2,477	1,841
Reactive maintenance costs	3,610	-	3,610	3,672
Bad debts – rents and service charges	152	-	152	205
Depreciation of social housing	5,537	-	5,537	5,137
Impairment of social housing	-	-	-	186
Operating costs for social letting activities	19,026	353	19,379	18,141
Other income and gains	-	-	-	-
Operating surplus for social lettings	4,213	813	5,026	5,060
Operating surplus for social lettings for previous period of account	4,408	652	5,060	

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 2019

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	20,932	868	21,800	20,596
Rent from garages	21	-	21	21
Rent from travelling people sites	58	-	58	74
Service charges	53	302	355	344
Gross income from rents and service charges	21,064	1,170	22,234	21,035
Less voids	(694)	(4)	(698)	(657)
Net income from rents and service charges	20,370	1,166	21,536	20,378
Grants from the Scottish Ministers	-	-	-	-
Other revenue grants	40	-	40	41
Deferred grant amortisation	2,829	-	2,829	2,782
Total turnover from social letting activities	23,239	1,166	24,405	23,201
Management and maintenance administration costs	7,250	353	7,603	7,100
Planned and cyclical maintenance including major repairs costs	2,477	-	2,477	1,841
Reactive maintenance costs	3,610	-	3,610	3,632
Bad debts – rents and service charges	152	-	152	205
Depreciation of social housing	5,537	-	5,537	5,137
Impairment on social housing	-	-	-	186
Operating costs for social letting activities	19,026	353	19,379	18,101
Other income and gains	-	-	-	-
Operating surplus for social lettings	4,213	813	5,026	5,100
Operating surplus for social lettings for previous period of account	4,448	652	5,100	

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 2019

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

	Grants from Scottish Ministers	Other Revenue Grants	Other Income	Total Turnover	Operating Costs Bad Debts	Other Operating Costs	Operating Surplus / (Deficit)	Operating Surplus / (Deficit) for previous period of account
	£000	£000	£000	£000	£000	£000	£000	£000
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	-	27	95	122	-	(227)	(105)	(179)
Related Assets	-	-	-	-	-	(61)	(61)	-
Aids and Adaptations	352	-	-	352	-	(330)	22	(41)
Tenant and Owner Recharges	-	-	515	515	(479)	(474)	(438)	(10)
Insurance	-	-	253	253	-	(253)	-	10
Other activities	-	-	91	91	-	(44)	48	42
Total from other activities	352	27	954	1,333	(479)	(1,388)	(534)	(178)
Total from other activities for previous period of account	223	-	905	1,128	(196)	(1,110)	(178)	

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2019

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 Debits	Other Operating Costs	Operating Surplus / (Deficit)	Operating Surplus / (Deficit) for previous period of account
	£000	£000	£000	£000	£000	£000	£000	£000
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	-	27	95	122	-	(227)	(105)	(179)
Related Assets	-	-	-	-	-	(61)	(61)	-
Aids and Adaptations	352	-	-	352	-	(330)	22	(41)
Tenant and Owner Recharges	-	-	515	515	(479)	(474)	(438)	(10)
AHFA support service income	-	-	136	136	-	(136)	-	-
Insurance	-	-	253	253	-	(253)	-	10
Other activities	-	-	96	96	-	(48)	48	42
Total from other activities	352	27	1,095	1,474	(479)	(1,529)	(534)	(178)
Total from other activities for previous period of account	223	-	1,052	1,275	(196)	(1,257)	(178)	

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2019

5. Housing stock

	Units under development		Units under management	
	2019	2018	2019	2018
Housing accommodation for letting:				
General Needs	69	95	4,941	4,959
Sheltered Housing	-	-	201	201
	<u>69</u>	<u>95</u>	<u>5,142</u>	<u>5,160</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.

	2019 £000	2018 £000
Total emoluments payable to directors and benefits in kind	525	428
Pension contributions	<u>78</u>	<u>65</u>
	<u>603</u>	<u>493</u>
Emoluments payable to the highest paid director (excluding pension contributions)	100	98
Pension contributions	<u>17</u>	<u>17</u>
	<u>117</u>	<u>115</u>

The Chief Executive is a member of the Strathclyde Pension Fund defined benefit pension scheme as disclosed in note 28. No enhanced or special terms apply to memberships. ACHA's contributions to the Chief Executive's pension in the year amounted to £17k (2018: £17k).

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

	2019	2018
More than £60,000 but not more than £70,000	2	-
More than £70,000 but not more than £80,000	3	3
More than £80,000 but not more than £90,000	-	-
More than £90,000 but not more than £100,000	-	1
More than £100,000 but not more than £110,000	1	-

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2019

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	
	2019	2018
Housing & Neighbourhood Services	75	77
Finance & IT	15	14
Human Resources & Corporate Services	12	13
Investment & Regeneration	34	31
Argyll Homes For All	68	57
	<u>204</u>	<u>192</u>

The aggregate payroll costs of these persons were as follows:

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Wages and salaries	5,565	4,959	3,487	3,239
Social security costs	554	486	346	311
Other pension costs	616	567	560	523
	<u>6,735</u>	<u>6,012</u>	<u>4,393</u>	<u>4,073</u>

During the year 44% of investment staff costs were capitalised amounting to £659k (2018 – 55% or £780k)

8. Operating surplus on ordinary activities - Group

	2019 £000	2018 £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	21
Other services from bodies related to external audit	1	1
Operating lease rentals:		
Buildings	151	238
Other	179	163
Depreciation	<u>5,705</u>	<u>5,457</u>

Operating surplus on ordinary activities - Company

	2019 £000	2018 £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	18
Other services from bodies related to external audit	-	-
Operating lease rentals:		
Buildings	151	238
Other	-	-
Depreciation	<u>5,689</u>	<u>5,456</u>

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2019

9. Finance income - Group

	2019 £000	2018 £000
Bank interest receivable	17	19
Interest on pension fund (<i>Note 28</i>)	-	-
	<u>17</u>	<u>19</u>

Finance income - Company

	2019 £000	2018 £000
Bank interest receivable	26	29
Interest on pension fund (<i>Note 28</i>)	-	-
	<u>26</u>	<u>29</u>

10. Finance charges - Group

	2019 £000	2018 £000
On bank loans	1,732	1,735
Interest on pension fund (<i>Note 28</i>)	92	254
	<u>1,824</u>	<u>1,989</u>

Finance charges - Company

	2019 £000	2018 £000
On bank loans	1,732	1,735
Interest on pension fund (<i>Note 28</i>)	88	224
	<u>1,820</u>	<u>1,959</u>

11. Taxation

Due to ACHA's charitable status, no tax liability arose in the year to 31st March 2019 (2018: £ Nil).

AHFA is liable for UK Corporation Tax on its trading profits which amounted to £ Nil in the year (2018: £ Nil).

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2019

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

	Housing properties held for letting £000	Housing properties in course of construction £000	Total 2019 £000	Total 2018 £000
Cost				
At start of year	181,139	9,267	190,406	173,640
Additions during year new build	875	5,260	6,135	7,327
Additions during year existing properties	9,985	-	9,985	10,968
Transfers	6,256	(6,256)	-	-
Office Transfer	-	-	-	(93)
Disposals	(271)	-	(271)	(787)
Impairment	-	-	-	(649)
At end of year	197,984	8,271	206,255	190,406
Depreciation				
At start of year	(31,108)	-	(31,108)	(26,234)
Charge during year	(5,537)	-	(5,537)	(5,136)
Disposals	86	-	86	68
Impairment	-	-	-	194
At end of year	(36,559)	-	(36,559)	(31,108)
Net book value				
At 31 March 2019	161,425	8,271	169,696	159,298
At 31 March 2018	150,030	9,268	159,298	

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 £659k, 44% of relevant staff costs (2018 – 780k, 55%), and capitalised major repair costs to existing properties of £9.33 million (2018 - £10.19 million). All land and properties are heritable.

Total expenditure on existing properties in the year amounted to £16.04 million (2018 – £16.48 million). The amount capitalised is £9.99 million (2018 - £10.97 million) with the balance being charged to the statement of comprehensive income.

During the year the one outstanding Right to Buy sale was completed, and a number of components were replaced, resulting in a loss £71k (2018 – loss of £11k).

ACHA has included in housing properties held for letting £3.6 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 240 properties which were unencumbered.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2019

13. Property, plant & equipment – other - Group

	Computer hardware & software	Offices	Bute stores	Furniture	Total non housing
	£000	£000	£000	£000	£000
Cost					
At start of year	2,006	1,885	21	33	3,945
Additions during year	238	-	-	-	238
Disposals	-	-	-	-	-
At end of year	<u>2,244</u>	<u>1,885</u>	<u>21</u>	<u>33</u>	<u>4,183</u>
Depreciation					
At start of year	(1,962)	(229)	(3)	(22)	(2,216)
Provided during year	(122)	(44)	-	(2)	(168)
Disposals	-	-	-	-	-
At end of year	<u>(2,084)</u>	<u>(273)</u>	<u>(3)</u>	<u>(24)</u>	<u>(2,384)</u>
Net book value					
At 31 March 2019	<u>160</u>	<u>1,612</u>	<u>18</u>	<u>9</u>	<u>1,799</u>
At 31 March 2018	<u>44</u>	<u>1,656</u>	<u>18</u>	<u>11</u>	<u>1,729</u>

Property, plant & equipment – other - Company

	Computer hardware & software	Offices	Bute stores	Furniture	Total non housing
	£000	£000	£000	£000	£000
Cost					
At start of year	1,788	1,885	21	33	3,727
Additions during year	192	-	-	-	192
Disposals	-	-	-	-	-
At end of year	<u>1,980</u>	<u>1,885</u>	<u>21</u>	<u>33</u>	<u>3,919</u>
Depreciation					
At start of year	(1,747)	(229)	(3)	(22)	(2,001)
Provided during year	(106)	(44)	-	(2)	(152)
Disposals	-	-	-	-	-
At end of year	<u>(1,853)</u>	<u>(273)</u>	<u>(3)</u>	<u>(24)</u>	<u>(2,153)</u>
Net book value					
At 31 March 2019	<u>127</u>	<u>1,612</u>	<u>18</u>	<u>9</u>	<u>1,766</u>
At 31 March 2018	<u>41</u>	<u>1,656</u>	<u>18</u>	<u>11</u>	<u>1,726</u>

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2019

14. Investments	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £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 2019 was that of property maintenance. As at 31st March 2019 the capital and reserves of AHFA were (£390k) (2018: (£296k)) with a loss for the year of £13k (2018: £80k loss)

Subsidiary: Argyll Homes For All Limited

Nature of business: Property maintenance and repairs

Class of shares:	% holding
Ordinary	100.00

	2019 £'000	2018 £'000
Aggregate capital and reserves	(390)	(296)
Profit/ (loss) for the year	(13)	(80)

15. Stocks and work in progress	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Stock	41	35	-	-
	41	35	-	-

16. Debtors	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Rental debtors	910	1,076	910	1,076
Less bad debt provision	(404)	(453)	(404)	(453)
	506	623	506	623
Prepayments and accrued income	835	675	801	650
Housing Association Grant receivable	-	509	-	509
Other debtors	2,044	1,928	2,478	2,130
Less bad debt provision	(1,997)	(1,781)	(1,997)	(1,781)
Long Term Debtor – Subsidiary Loan	-	-	200	300
	1,388	1,954	1,988	2,431

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2019

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

	Debtor £000	Provided £000	2019 Net Debtor £000
Due from current tenants	572	(66)	506
Due from former tenants	338	(338)	-
	<u>910</u>	<u>(404)</u>	<u>506</u>

Rental Bad debts of £201k were written off during the period (2018 £204k). The provision for Rental Bad debts decreased by £49k during the year (2018 £1k increase).

Sundry debts of £263k were written off during the period (2018 £226k). The provision for Sundry debtors increased by £215k during the year (2018 £30k decrease). Within this provision, £111k was automatically provided for because of the value of the invoice but was subsequently paid in April 2019.

AHFA had no debts written off during the year.

17. Cash at bank and in hand

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Bank	3,687	4,350	3,408	4,287
Cash	1	1	1	1
	<u>3,688</u>	<u>4,351</u>	<u>3,409</u>	<u>4,288</u>

18. Creditors: amounts falling due within one year

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Loans (secured)	138	41,763	138	41,763
Trade creditors	1,427	4,040	1,587	4,158
Other creditors	531	646	520	644
Accruals and deferred income	2,271	1,720	2,297	1,829
Deferred grant income	2,829	2,782	2,829	2,782
	<u>7,196</u>	<u>50,951</u>	<u>7,371</u>	<u>51,176</u>

As reported in last year's financial statements, all loans with Lloyds Banking Group were required to be disclosed as a creditor falling due within one year, due to a breach of covenant at the year-end. On receipt of a waiver letter these loans are now disclosed on their original agreed repayment dates and as such revert back to being reported as a creditor falling due after one year.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2019

19. Creditors: amounts falling due after one year	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
Loan (secured)	51,916	2,674	51,916	2,674
Deferred Grant (Note 20)	82,446	82,745	82,446	82,745
	<u>134,362</u>	<u>85,419</u>	<u>134,362</u>	<u>85,419</u>

As reported in last year's financial statements, all loans with Lloyds Banking Group were required to be disclosed as a creditor falling due within one year, due to a breach of covenant at the year-end. On receipt of a waiver letter these loans are now disclosed on their original agreed repayment dates and as such revert back to being reported as a creditor falling due after one year. The loans with Lloyds Banking Group increased by £7.618m during 2018/19 due to the net effect of loan drawdown and capital repayments.

An office development loan of £432k 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	55
Due between 1 and 2 years	58
Due between 2 and 5 years	195
Over 5 years	73
	<u>381</u>

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

	Glenshellach	Bonawe	Helensburgh	Total
	£000	£000	£000	£000
Due within one year	64	4	16	84
Due between 1 and 2 years	67	4	17	88
Due between 2 and 5 years	220	12	56	288
Over 5 years	1,671	91	452	2,214
	<u>2,022</u>	<u>111</u>	<u>541</u>	<u>2,674</u>

The remainder of loans drawn, amounting to £49.0 million with Lloyds Banking Group, are repayable by bullet repayment.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2019

A summary of all fixed rate loans as at 31st March 2019 is as follows:

Fixed Rate Hedging	Value (£000's)	End date	Rate %
Tranche A	3,000	30/04/2019	1.031
Tranche A	6,000	30/04/2019	1.031
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 B	5,000	31/03/2020	5.710
Tranche B	2,000	23/03/2023	5.740
Tranche B	10,000	30/03/2029	5.430
Tranche C	381	11/03/2025	5.955
Tranche D	5,000	30/09/2021	5.505
Tranche D	2,300	31/03/2023	4.350
Total	49,381		

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.

20. Deferred Grant Income – Group and Company

	2019 £000	2018 £000
Housing Association Grant (HAG)		
At 1 st April	29,078	24,894
Received during year	1,352	4,821
Released to income during year	(687)	(637)
At 31 st March	29,743	29,078
Other grants		
At 1 st April	56,449	58,620
Received during year	1,322	346
Released to income during year	(2,139)	(2,145)
Released to income during year - disposals	(100)	(103)
Released to income during year - Impairment	-	(269)
At 31 st March	55,532	56,449
	2019 £000	2018 £000
Amount to be released within one year	2,829	2,782
Amount to be released in more than one year	82,446	82,745
	85,275	85,527

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2019

21. Share capital

	2019 £	2018 £
Shares of £1 each fully paid		
At 1 st April	249	265
Issued in year	29	8
Cancelled in year	(15)	(24)
At 31 st March	<u>263</u>	<u>249</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.

22. Reconciliation of movements in shareholders' funds

Group	Revenue Reserve £000	Share Capital £000	Total shareholders funds £000
Balance at 1 April 2018	28,226	-	28,226
Accumulated surplus for year	457	-	457
Balance at 31 March 2019	<u>28,683</u>	<u>-</u>	<u>28,683</u>

Company	Revenue Reserve £000	Share Capital £000	Total shareholders funds £000
Balance at 1 April 2018	28,524	-	28,524
Accumulated surplus for year	551	-	551
Balance at 31 March 2019	<u>29,075</u>	<u>-</u>	<u>29,075</u>

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2019

23. Commitments – Group and Company

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

	2019	2018
	£000	£000
Within one year		
Investment programme	47	4,451
Regeneration	3,609	4,819
Related Assets	10	22
	<u>3,666</u>	<u>9,292</u>
 Within two to five years		
	£000	£000
Investment programme	-	24
Regeneration	438	1,489
Related Assets	-	-
	<u>438</u>	<u>1,513</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:

	2019	2018
	£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		
	£000	£000
Due within 1 year	247	190
Due between 1 and 5 years	854	786
Over 5 years	14	7
	<u>1,115</u>	<u>983</u>

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2019

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

	2019 £000	2018 £000
Operating surplus/deficit	4,492	4,882
Adjustments:		
Depreciation on non-housing fixed assets	168	320
Depreciation on housing fixed assets	5,537	5,136
Impairment on housing fixed assets	-	186
Deferred Grant Amortisation	(2,829)	(2,782)
Movement in working capital:		
Non cash adjustment in pension fund	1,349	720
Decrease/ (Increase) in stock	(5)	(14)
Decrease/(Increase) in debtors	568	759
Increase / (Decrease) in creditors	(2,178)	(613)
Cash inflow from operating activities	7,102	8,594

25. Analysis of changes in net debt - Group

	At 31 st March 2018 £000	Cash flows £000	At 31 st March 2019 £000
Cash in hand, at bank	4,351	(663)	3,688
Debt due within one year	(131)	(7)	(138)
Debt due in more than one year	(44,305)	(7,611)	(51,916)
Total	(40,085)	(8,281)	(48,366)

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

	2019 £000	2018 £000
Increase / (Decrease) in cash in the period	(663)	(5,812)
Cash (inflow) from debt financing	(7,750)	-
Cash outflow from debt financing	132	125
Change in debt resulting from cash flows	(8,281)	(5,686)
Net debt at beginning of period	(40,085)	(34,399)
Net debt at end of period	(48,366)	(40,085)

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

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For the year ended 31st March 2019

27. Group structure

ACHA is a registered social landlord, incorporated in Scotland. ACHA owns one share in Argyll Homes for All Limited (AHFA) which is a wholly owned subsidiary company. The principal activity of AHFA, registered company number SC415603, in the year ended 31st March 2019 was that of property maintenance.

28. 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 £3.77 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 2019/20 is £727k.

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

Assumptions as at	31 st March 2019 % p.a.	31 st March 2018 % p.a.	31 st March 2017 % p.a.
Pension Increase Rate	2.5%	2.4%	2.4%
Salary Increase Rate	3.7%	3.6%	4.4%
Discount Rate	2.4%	2.7%	2.6%

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. Updated actuarial valuation reports were instructed in July 2019, with the impact of this being an increase in the pension liability of £518k from the original actuarial reports. The figures contained both within the financial statements and notes to the accounts take account of the updated position.

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

	% Split of Assets 31 st March 2019	Assets at 31 st March 2019 £000	% Split of Assets 31 st March 2018	Assets at 31 st March 2018 £000
Equities	64%	18,643	62%	16,728
Bonds	24%	6,991	23%	6,206
Property	10%	2,913	11%	2,968
Cash	2%	583	4%	1,079
Total		29,129		26,981

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2019

Analysis of the amount charged in arriving at the operating surplus

	Period to 31 st March 2019 £000	Period to 31 st March 2018 £000
Service cost	1,503	1,371
Past service costs	511	-
Amounts charged to finance charge	<u>2,014</u>	<u>1,371</u>

	Period to 31 st March 2019 £000	Period to 31 st March 2018 £000
Net interest	92	254
Amounts charged to finance charge	<u>92</u>	<u>254</u>

Analysis of the amount recognised in the statement of comprehensive income

	Period to 31 st March 2019 £000	Period to 31 st March 2018 £000
Actual return	884	349
Changes in financial assumptions underlying the present value of scheme liabilities	(3,040)	1,940
Other experience gains and losses	(1)	5,501
Changes in demographic assumptions underlying the present value of scheme liabilities	-	(149)
Amounts charged to finance charge	<u>(2,157)</u>	<u>7,641</u>

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

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For the year ended 31st March 2019

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

	2019
	£000
Opening scheme liabilities	29,752
Current service cost	1,503
Past service cost	511
Interest cost	828
Re-measurements	3,041
Benefits paid	(381)
Contributions	245
Closing scheme liabilities	<u>35,499</u>

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

	2019
	£000
Opening fair value of plan assets	26,981
Interest income	735
Return on plan assets (in excess of interest income)	884
Contributions by employer	665
Plan participants contributions	245
Benefits paid	(381)
Closing scheme liabilities	<u>29,129</u>

	2019	2018
	£000	£000
Pension deficit at end of year	<u>(6,370)</u>	<u>(2,771)</u>

29. 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 £433k (2017/18: £201k) 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 £713k (2017/18: £559k). An inter-company loan was also advanced as per the loan agreement and at the balance sheet date the loan outstanding was £200k (2017/18: £300k), with £100k being repaid within the year.

Eight members of the Board of Management were also tenants during the year (2017/18: eight). Three members of the Board of Management were Argyll and Bute Council Councillors during the year (2017/18: four). 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 £30k (2017/18: £32k) with total rent arrears at the year-end of nil (2017/18: nil).

Payments made to members of the Board of Management during 2018/19 amounted to £9k (2017/18: £10k). 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.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

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For the year ended 31st March 2019

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 £0.9 million (2017/18: £1.9m) 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 £0.26 million during the period in respect of Right to Buy sales for the financial period 2017/18 (2016/17: £1.1 million) and £201k in relation to the three Strategic Housing Fund (SHF) loans (2017/18: £201k).

During the period ACHA received from the Council £9.6 million in housing benefit payments (2017/18: £8.89m), rental income for homeless and additional support needs tenancies of £68k (2017/18: £56k). ACHA also received £1.16 million of SHF grant income during the period (2017/18: £346k).

At the period end there was a creditor of £21k outstanding in respect of Right to Buy receipts for the financial period 2018/19 (2017/18: £267k) and creditors totalling £52k outstanding to the Council (2017/18: £91k).

30. Financial Instruments

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

	2019 £'000	2018 £'000
<i>Financial assets</i>		
Debt instruments measured at amortised cost:		
- Trade debtors (note 16)	506	623
- Accrued income (note 16)	594	524
- Other debtors (note 16)	44	146
- Cash and cash equivalents (note 17)	3,688	4,351
	4,832	5,644
<i>Financial liabilities</i>		
Measured at amortised cost:		
- Bank loans and overdraft (notes 18-19)	52,055	44,436
- Trade creditors (note 18)	1,427	4,040
- Accrued expenses (note 18)	2,248	1,699
- Other creditors (note 18)	531	646
	56,261	50,821

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

	2019 £'000	2018 £'000
<i>Income and expense</i>		
Financial assets measured at amortised cost	26	29
Financial liabilities measured at amortised cost	(1,741)	(1,745)

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 £26k (2018 - £29k) and £1.74 million (2018 - £1.75 million) respectively.