

**ARGYLL COMMUNITY HOUSING  
ASSOCIATION LIMITED AND  
SUBSIDIARIES**



**Report of the Board of Management  
and Financial Statements  
for the year ended  
31<sup>st</sup> March 2018**

**Registration Particulars:**

Scottish Housing Regulator

Registered Number: 360

Co-operative and Community Benefit  
Societies Act 2014

Registered Number: 2661R (S)

Office of the Scottish Charity Regulator

Registered number: SC042713

# **ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES**

**For the year ended 31<sup>st</sup> March 2018**

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# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS

For the year ended 31<sup>st</sup> March 2018

### 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
James Milne	Chair	14 <sup>th</sup> June 2012	
Malcolm Campbell		21 <sup>st</sup> September 2016	14 <sup>th</sup> November 2017
David Carmichael		21 <sup>st</sup> September 2016	
Lorraine-Anne Drysdale		9 <sup>th</sup> September 2010	5 <sup>th</sup> October 2017
Cameron Grant		19 <sup>th</sup> November 2013	2 <sup>nd</sup> August 2018
Alexandra Glazsher		31 <sup>st</sup> March 2016	
Daniel Kelly		5 <sup>th</sup> December 2013	
Neil MacKay		17 <sup>th</sup> September 2015	20 <sup>th</sup> January 2018
Bruce Marshall		12 <sup>th</sup> July 2012	
Ian McIntyre		16 <sup>th</sup> November 2017	
Raymond McIntosh-Walley		2 <sup>nd</sup> August 2017	21 <sup>st</sup> February 2018
Robert Munro		31 <sup>st</sup> March 2016	16 <sup>th</sup> March 2018
John Muir		18 <sup>th</sup> September 2014	18 <sup>th</sup> April 2018
Douglas Prophet	Vice Chair	19 <sup>th</sup> September 2013	

#### Councillors:

Roddy McCuish	Secretary	11 <sup>th</sup> April 2013	
Donald MacMillan		14 <sup>th</sup> November 2013	
Iain Shonny Paterson		25 <sup>th</sup> May 2017	
Richard Trail		14 <sup>th</sup> June 2012	25 <sup>th</sup> May 2017

#### Executive Officers

Alastair MacGregor	Chief Executive
Colette Benham	Director of Human Resources and Corporate Services
Linda Haig	Director of Investment and Regeneration – to 30 <sup>th</sup> September 2017
Kirsteen McGinn	Director of Investment and Regeneration – from 22 <sup>nd</sup> January 2018
Christine Johnston	Director of Housing and Neighbourhood Services
Bruce West	Director of Finance and IT

**ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES**

**BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS**

**For the year ended 31<sup>st</sup> March 2018**

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

**Auditors:** Alexander Sloan  
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

# **ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES**

## **STRATEGIC REPORT OF THE BOARD OF MANAGEMENT**

**For the year ended 31<sup>st</sup> March 2018**

### **ABOUT ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED GROUP**

The Board of Management present their report and audited financial statements for the year ended 31<sup>st</sup> March 2018.

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

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

These accounts represent the financial period 1<sup>st</sup> April 2017 to 31<sup>st</sup> March 2018.

### **PRINCIPAL ACTIVITIES**

ACHA's principal activity is to provide and manage quality affordable housing accommodation for people in housing need across the Argyll and Bute region. ACHA received 5,398 homes from Argyll and Bute Council as a result of the whole stock transfer on 21<sup>st</sup> November 2006 and now has 5,160 homes as a result of both right to buy sales and new development. ACHA owns and manages a range of housing for rent in primarily general needs accommodation, some sheltered accommodation and a small number of travelling people sites. It provides accommodation for the homeless through tenancies with Argyll and Bute Council.

The emphasis of ACHA's activities is the provision of quality housing at affordable rents, with tenants and communities being involved at each stage in this provision. To this end the Board of Management of ACHA comprises tenants, Argyll and Bute Council representatives and independent representatives of the wider community. As well as including tenants in the governance structure, there are detailed mechanisms for consultation and opinion seeking.

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

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

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

AHFA's principal activity is property repairs and maintenance for ACHA.

### **GOVERNANCE AND DECISION MAKING**

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

# **ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES**

## **STRATEGIC REPORT OF THE BOARD OF MANAGEMENT**

**For the year ended 31<sup>st</sup> March 2018**

The Board of Management has places for members as follows:

Ten Tenants  
Three Council nominees  
Five Independent Members

During the year the Board of Management had six leavers and recruited three new members. At the year end, 31<sup>st</sup> March 2018 there were four tenant vacancies and two independent vacancies on the Board of Management of ACHA.

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

All Board members and staff operate within a set of standing orders, policies and financial regulations. Decisions relating to ACHA's strategic objectives are taken at regular Board of Management meetings whilst operational matters are dealt with by the staff Senior Management Team. ACHA also has standing committees, which are the Audit Committee, Policy Committee, Remuneration Committee and Health and Safety Committee and has delegated powers to these. The Audit Committee's remit included all aspects of audit compliance and internal controls assurance and the annual accounts and financial statements. The Policy Committee which has delegated powers to consider the approval of ACHA's operating policies thus enabling the Board of Management meetings to focus on strategic matters. ACHA also has a Health and Safety Committee in recognition of the key strategic importance of health and safety compliance.

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

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

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 the Rules. Decisions that would have been taken locally are referred to the main Board of Management.

AHFA is a company limited by shares and operates according to its memorandum and articles. AHFA has a Board of Management and Board members operate according to established standing orders, policies and financial regulations. AHFA has no sub committees. AHFA has a Board of Management comprising six members, three of whom are Board members of ACHA, one who is an independent member and two current vacancies. AHFA operates across the whole of the Argyll and Bute region with two principal office locations being Oban and Helensburgh.

### **RECRUITMENT AND TRAINING OF BOARD MEMBERS**

Governing Body Members are drawn from a wide range of backgrounds and experience to maintain the necessary mix of skills, experience, knowledge and independence required to govern and control a complex organisation. Vacancies on the Board of Management are filled from members of the community, in accordance with ACHA's Rules, who have a commitment to the furtherance of social housing and the aims and objectives of ACHA. All Board of Management Members receive initial induction training and then attend internal and external training events which not only build on existing experience but provide an opportunity to develop new skills. We have developed a Governing Body Succession Strategy which sets out the required process for attracting and recruiting future governing body members, developing the knowledge and experience of existing members and up skilling individuals for the future.

All Governing Body Members received an annual appraisal carried out by the Chairperson in 2017/18, and as a result a succession plan template has been developed.

# **ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES**

## **STRATEGIC REPORT OF THE BOARD OF MANAGEMENT**

### **For the year ended 31<sup>st</sup> March 2018**

The Group Board of Management completed a training programme during 2017/18 which included training on Business Planning and Budgeting, Chairing skills, Code of Conduct, Confidence and effective questioning, Development of new housing, Effective risk management, Equalities, Governance, Health & Safety, Legal and regulatory issues, and mental toughness. The following is planned and scheduled for 2018 onwards: Employment and HR, Performance Management, Legal and regulatory issues, Complaints, Finance, Business Planning, Health & Safety, Development, Asking Questions, Maintenance and repairs, Governance, Housing Management, 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 had the facility of trialling a number of IT solutions.

### **RISK MANAGEMENT**

ACHA has a Risk Management Strategy determined by its Board of Management based on the known risks. ACHA also has a risk management policy, which remains under review by the Senior Management Team. The internal audit needs assessment completed during the previous year determines the workflow of ACHA's independent internal auditors. Our internal audit regime, undertaken by TIAA, has been running successfully throughout the year. The internal audit service completed their review of all planned work during the period amounting to nine individual pieces of completed work totalling 32 days, which also includes follow up, annual plan, annual report and audit management. There is one outstanding report due. 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 Board and Committee Training & Development, Complaints Management, HR Management, including succession planning, IT security networks, Non rental Income Management, Financial Management Reporting, Cyclical and Planned Maintenance, Tenancy Sustainment, and void management. All recommendations are quarterly monitored until completion.

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

The Scottish Housing Regulator regulation plan for ACHA remains at medium engagement due to the systemic risk that ACHA poses. This is a continuation of the existing engagement level with standard returns and submissions being made.

### **HEALTH AND SAFETY**

An annual audit of Health & Safety Management systems is undertaken by ACS, to assess compliance with current Health & Safety legislation and good practice. The latest results indicated that overall, ACHA is taking a pro-active approach to delivering an effective Safety Management System, and places ACHA in a very satisfactory position to meet its Health and Safety obligations. 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.

### **STAFF**

ACHA employed 192 full time equivalent staff during 2017/18, an increase from the 181 full time equivalent staff during 2016/17. This is an increase of 11 full time equivalent staff over the course of the year. Due to resilience issues some additional recruitment will take place in 2018.

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

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

Staff turnover is currently 9.38 % against a target of 14.0%. Staff turnover has decreased on the previous year by 1% and ACHA continues to encourage all leavers to complete an exit survey.

# **ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES**

## **STRATEGIC REPORT OF THE BOARD OF MANAGEMENT**

### **For the year ended 31<sup>st</sup> March 2018**

Sickness absence rates have worsened from 2.95% during 2016/17 to 5.10% in 2017/18 against a target of 3.0%. Eight people left the business due to ill health / death in service last year which impacted on long term sickness levels. Senior management review absence levels, costs and causes regularly. Attendance management trigger points are used to deal with short term persistent absence cases, and work is being carried out in respect of long term sickness cases, on a case management basis.

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

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

### **OBJECTIVES, OPERATIONS AND PERFORMANCE**

#### **Performance Management**

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

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

Each year we 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, we 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 we publish our "Landlord Report" which provides details of performance and satisfaction levels achieved during the previous year along with our 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. We help facilitate this in a number of ways, including: -

- Satisfaction surveys 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. Areas of concern are also reviewed and considered by the Board of Management 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 Operational Plan which clearly identifies expected performance and satisfaction levels.

#### **Tenant Participation and Customer Involvement**

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

Our Governing Body (Board of Management 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: -



# **ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES**

## **STRATEGIC REPORT OF THE BOARD OF MANAGEMENT**

**For the year ended 31<sup>st</sup> March 2018**

- Joining 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 2018 we held our first 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 of Management set objectives for service delivery in the coming year.

The "Your Voice" tenant scrutiny group undertook its second service review during the year, "the life of a repair". Their review included interviewing staff and tenants and acting as mystery shoppers in order to fully test the process. Their findings were presented to the Board of Management who agreed to implement a number of recommendations from the group for improved service delivery.

We carry out consultation each year on a variety of topics and the feedback is used to assist the Board of Management make decisions on future service delivery. Consultation during 2017/18 included: -

- Changes to Mid-Market Rent properties
- Customer Care Charter
- Annual rent review
- Content and Layout of the Landlord Report

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. The partnership is made up of 5 partners which include Dunbritton Housing Association, Fyne Homes, West Highland Housing Association and Argyll & Bute Council. We operate a common housing register and a common allocations policy, which means applicants only have one on-line application form to complete. This can be accessed from any of the partners' websites. They can choose to be rehoused by any of the Registered Social Landlords (RSL's). Applicants are also required to complete a Housing Options questionnaire. There is a series of questions that applicants are guided through, explaining the different options they can explore to enhance their housing situation. The questions asked are to ensure applicants are provided with the correct information in relation to their personal circumstances. This helps them make informed decisions regarding their housing options.

As at 31<sup>st</sup> March 2018 there were a total of 2,731 applicants on the HOME Argyll waiting list.

At the end of 2017 ACHA introduced a new process whereby applicants are contacted by telephone to verify their areas of choice for rehousing, prior to a written offer of housing being made. This has resulted in a reduction in offer refusals from applicants who often inadvertently choose areas for rehousing via their on-line application that they have no intention or wish of moving to. During 2017/18 53.25% offers of ACHA accommodation were refused by applicants. Over the 3 month period since being introduced, this is a reduction of just under 10% from the last financial year.

During 2017/18 ACHA rehoused a total of 498 applicants:

- 116 were deemed as statutory homeless by Argyll & Bute Council
- 275 were applicants who had applied via the Direct Waiting List
- 107 were tenants who transferred to another RSL property

# **ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES**

## **STRATEGIC REPORT OF THE BOARD OF MANAGEMENT**

### **For the year ended 31<sup>st</sup> March 2018**

In addition, 30 existing ACHA tenants were rehoused via the Mutual Exchange route.

ACHA aim to carry out a settling in visit with all new tenants within 6 weeks of them moving into their new home. 93% of new tenants who were visited told us that they were satisfied with the standard of their home when moving in.

#### **Estate Management and Anti-Social Behaviour**

During 2017/18 ACHA Area Committees approved a number of local projects as part of our Estate Management Action Plans. These projects were mainly external works to common areas or gardens and have been undertaken to help improve the appearance of our estates and provide better facilities for our tenants.

The Area Committee's also hold annual 'Garden in Bloom' competitions in each area. This is an opportunity to recognise the hard work and commitment from tenants in maintaining their garden. Winners will receive a trophy and vouchers from a garden centre of their choice.

Our staff complete regular inspections of our estates and play parks and encourage all of our tenants to take pride in the community in which they live. ACHA is not the sole landowner or landlord with responsibilities for maintenance of open spaces such as grass cutting or fencing for example. Whenever possible, we will work with other owners for the benefit of our estates and the wider community.

Our tenant satisfaction survey for 2016 revealed that almost 88% of our tenants were satisfied with the management of the neighbourhood they live in.

During 2017 ACHA's tenant scrutiny group "Your Voice" looked at ACHA's Estate Management Service, looking at "A place fit for living". This involved them "shadowing" a member of staff as they carried out estate inspections and allowed them the opportunity to get a greater insight into ACHA's processes and the services it provides. A report on their findings, along with proposed recommendations is currently being developed for consideration by ACHA's Board of Management.

Part of our Estate Management work includes supporting tenants and other members of the community who are experiencing anti-social behaviour and/or neighbour nuisance.

During the year we resolved just over 95% of cases within locally agreed targets. ACHA continue to have a zero tolerance to anti-social behaviour and, whenever possible, will take action against perpetrators. ACHA does not have sole responsibility for dealing with anti-social behaviour and very often will rely on the assistance of Police Scotland or other agencies to either take direct action against those who commit anti-social acts or, at the very least, assist ACHA to take action. During the year we dealt with 256 cases, ranging from minor nuisance to reports of drug dealing from ACHA properties. One ACHA tenant was evicted.

#### **Factoring and Private Owners**

Private owners form an integral part of ACHA's principal activities as owners are resident in blocks shared with ACHA or within estates or communities which we all have an interest in. Owners have a shared responsibility and influence over decisions with regard to maintenance, upkeep and repair of common property.

318 owners have entered into a comprehensive and formalised factoring arrangement with ACHA to provide a maintenance and repairs service to shared blocks and Factoring Agreements have been put in place. The numbers by area are: -

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## STRATEGIC REPORT OF THE BOARD OF MANAGEMENT

### For the year ended 31<sup>st</sup> March 2018

AREA	NO OF FLATS	NO OF BLOCKS
Bute	11	7
Cowal	30	10
Kintyre	43	18
Lomond	155	32
Lorn	52	19
Mid Argyll	27	12
Totals	318	98

ACHA values the views of customers and welcomes owners input to positively influence the service we deliver. To ensure we do this we carry out an Annual Factoring Survey to monitor satisfaction, and invite feedback, which enables owners to give first-hand views on the services they receive.

Satisfaction with the overall service continues to be higher than the national average which has been the case for the last three consecutive years. 70% of customers are either very or fairly satisfied with the overall service as follows: -

Very satisfied	33
Fairly satisfied	38
Neither satisfied or dissatisfied	18
Fairly dissatisfied	9
Very dissatisfied	3
Total (Note: 3 did not answer question)	101

This year welcomed an increase in the number of customers agreeing to take part in the survey and, as a result, the overall percentage of satisfaction has been reduced - physical numbers have still increased from 64 in 2017 to 71 in 2018.

79% of customers responding were satisfied with the ease in contacting the right person to deal with their queries; 85% were satisfied with the friendliness and helpfulness of staff.

Training and support is available to local staff to ensure they are sufficiently skilled and confident to deal with customer queries and 61% are satisfied with the feedback they receive; 75% satisfaction has been expressed with staff knowledge and 82% satisfied with the level of information provided to them.

A further consultation has taken place with all formally factored owners to consult, request feedback and encourage comments on the Factoring Policy Review as proposed changes could impact on owners for the costs and charges of the service.

A Factored Owners Newsletter was issued in July – this included local contacts for both ACHA and other local services; reminders about the factoring service; feedback from previous consultations; information about new consultations and updates on inspections and major work.

A new service was introduced to invite factored owners to make use of our Welfare Rights Team – we developed our service as part of the Money Skills Argyll project and contacted formally factored owners to offer confidential support and advice from our Welfare Rights Team on income maximisation, money management, and income maximisation with advocacy and referrals made through the Money Skill Argyll project to debt advice, computers skills and fuel poverty.

ACHA continues to comply with the Property Factors (Scotland) Act 2011 and took part in the recent review of the Code of Conduct to provide feedback to the Scottish Government on proposed changes and effects this would have on service and operational issues.

# **ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES**

## **STRATEGIC REPORT OF THE BOARD OF MANAGEMENT**

### **For the year ended 31<sup>st</sup> March 2018**

A total of 7,312 properties are included in the Property Factors Register for 2017/18 which includes 3,851 private owners, where we provide services either through a formal factoring arrangement, by custom and practice or in relation to common ground and 3,461 ACHA owned properties in mixed tenure blocks or communities sharing common ground.

#### **Customer Service Centre**

Towards the end of March 2018 we introduced a new Call Management System into our Customer Service Centre (CSC). This system will allow us to monitor the volume of incoming calls to our 3 main lines – repairs, payments and general enquiries. It will also allow us to accurately assess how long calls are waiting before they are answered, which allows staff to manage the build of queues more effectively.

ACHA's "Your Voice" group undertook a scrutiny exercise on the "life of a repair" which involved them scrutinising the management of calls received via the CSC 0800 number. The group felt that the level of customer service provided by front line ACHA staff was excellent and noted that staff are very friendly, efficient and accommodating of requests for services from ACHA customers.

#### **Welfare Rights Service**

In 2017/18 ACHA provided Welfare Rights Services to tenants. We were involved in the Money Skills Argyll 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 helps 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 ran a small project in 2017/18 concurrently funded by People and Communities Fund to ensure that tenants who did not meet the eligibility of the Money Skills Argyll project could be helped.

Our service to tenants through our Welfare Rights projects has been successful. In 2017/18 our Welfare Rights team brought in client gain to tenants (that is payments previously unclaimed) of £1.6 million. Within that there was significant benefit to ACHA, with £312k of Housing Benefit, £27k of Discretionary Housing Payments and £43k of Universal Credit Housing Cost Element successfully claimed for tenants to pay ACHA rent.

Additionally, 24 surgeries were held at our Gypsy/Traveller sites, 10 Doctors surgeries were provided with advertising material for our welfare rights service, 4 Job Fairs were attended to give tenants on the spot advice about benefits if taking up employment and 92 ACHA staff at seven locations were trained in basic welfare rights advice.

#### **HOUSING STOCK AND ASSETS**

##### **Housing Stock**

At the start of the financial year, 1<sup>st</sup> April 2017 ACHA owned 5,153 homes. As a result of the right to buy ACHA sold 15 homes and developed 22 new homes during the year. At the financial year end 31<sup>st</sup> March 2018 ACHA therefore owned 5,160 homes.

The expected number of house sales under right to buy was greater than was originally anticipated in our business plan. This was primarily due to the end of right to buy on 31<sup>st</sup> July 2016 and the related increase in applications during 2016/17 as a result of this, with a number of sales not concluding until after 31<sup>st</sup> March 2017 (when it was originally anticipated all sales would be complete by this date).

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## STRATEGIC REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31<sup>st</sup> March 2018

The housing stock at 31<sup>st</sup> March 2018 is broken down by type as follows:

<u>Rentable Stock</u>	<u>2018</u>	<u>2017</u>
General Needs Houses	4,959	4,952
Sheltered Housing	201	201
	<u>5,160</u>	<u>5,153</u>

The housing stock at 31<sup>st</sup> March 2018 is broken down by geographical area as follows:

<u>Houses</u>	<u>2018</u>	<u>2017</u>
Bute	489	488
Cowal	914	921
Helensburgh and Lomond	988	989
Islay	360	363
Kintyre	825	824
Lorn and the Isles	980	960
Mid Argyll	604	608
	<u>5,160</u>	<u>5,153</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

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 2017 86% of respondents rated living in ACHA Sheltered Housing as Excellent or Very Good. We also ask tenants family members and carers to contribute to an annual survey regarding our sheltered housing service. In 2017 81% of those respondents rated ACHA's Sheltered Housing service overall as Excellent or Very Good.

### Mid-Market Rents

ACHA owns two Mid-Market Rent properties. These were completed in 2013 in the village of Dalmally in Lorn. The properties are leased to our subsidiary company AHFA who manage them on behalf of ACHA. The properties are let at 85% of Local Housing Allowance, as per the grant agreement and they have their own allocation policy, which is available at [www.acha.co.uk](http://www.acha.co.uk). The allocation policy was developed along with the community. In 2017 new legislation was announced by the Scottish Government which will mean that ACHA will become a Registered Letting Agent in order to meet the requirements of the arrangement detailed above. ACHA will therefore review our holdings of Mid-Market rent properties.

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## STRATEGIC REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31<sup>st</sup> March 2018

### Garages and Garage Sites

In addition, ACHA owns other assets as a result of the stock transfer. These include a number of garages and garage sites which are let primarily to tenants but also owners who have bought under the right to buy.

<u>Rentable Stock</u>	<u>2018</u>	<u>2017</u>
Garages	15	17
Garage sites	127	127
	<u>142</u>	<u>144</u>

### Travelling People Sites

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

<u>Gypsy Traveller Sites</u>	<u>2018</u>	<u>2017</u>
Dunoon, Torlochan	0	8
Lochgilphead, Duncholgan	14	14
Oban, Ledaig	8	8
	<u>22</u>	<u>30</u>

Each pitch offers an amenity unit with kitchen and bathroom facilities, and an electricity hook up for our residents. We undertake annual surveys of residents on the sites seeking their views on service provision and future requirements. Overall tenant satisfaction went up 8% this year from 92% to 100%, additionally satisfaction with repairs went up 16% from 84% to 100%.

Torlochan Gypsy Traveller site in Dunoon is now closed due to no demand in that area.

### Non Rentable Stock

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

<u>Non-Rentable Stock</u>	<u>2018</u>	<u>2017</u>
Play areas	33	30
Private water supplies	12	12
Private sewage systems	44	44
Offices	6	6
	<u>95</u>	<u>92</u>

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

ACHA owns its registered office at Menzies House in Oban, 63-65 Chalmers Street in Ardrishaig, Lamont House in Helensburgh, 13-16 Longhill Crescent in Rothesay and at 11 Flora Street on Islay. ACHA also own a store in Rothesay.

ACHA also has 8 allotment sites within its Campbeltown development with plots being let at an economic rent.

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## STRATEGIC REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31<sup>st</sup> March 2018

### Maintaining Our Houses

ACHA seeks to maintain its properties to the highest standards. To this end, programmes of cyclical repairs are carried out in the medium term to deal with the gradual and predictable deterioration of building components. ACHA also undertakes reactive or responsive repairs and maintenance based on emergency and routine works requests from its tenants and factored owners. It is expected that the cost of all of these repairs is to be charged to revenue within the Comprehensive Income Statement. In addition, ACHA has a long-term programme of major repairs which have become necessary since the original developments were completed, including works required by subsequent legislative changes. This includes replacement or repairs to components of the properties, which have come to the end of their economic lives. The cost of these repairs is to be capitalised on the Statement of Financial Position in accordance with the 2014 SORP and the requirements for component accounting.

From 1<sup>st</sup> April 2013 our subsidiary company, AHFA took over our day to day repairs and maintenance service and the contract has been running successfully for four years. 2017/18 was the first 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 – 3.52 hours (2016/17 3.87 hours)

Non-Emergency – 8.79 days (2016/17 8.37 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 99.64% of respondents confirming that they were happy with our repairs service.

### Investing to Improve the Housing Stock

ACHA has progressed delivering its main programme of works to maintain our houses at the Scottish Housing Quality Standard (SHQS) and to reduce exemptions and abeyances. A panel of contractors on a framework undertake the main elemental renewal contracts for windows and doors, heating and rewire, kitchens and bathrooms and energy efficiency upgrades. All large scale work is subject to mini tenders to the framework contractors.

ACHA has delivered the following elements of work during 2017/18:

Investment programme	Planned	Outturn	Percentage
No of kitchen/bathrooms completions – Elements	50	92	184%
No of window/door completions – Elements	363	495	136%
No of heating/rewire completions – Elements	326	294	90%
No of roof/roughcast completions – Elements	255	291	114%
No. of energy efficiency upgrades – Elements	84	117	139%

The total number of elements required for completion this year of all types was 1,078, ACHA delivered 1,289 elements equating to 120% of the targeted objective. The planned target expenditure was 104% against budget forecast overall.

ACHA has met the Scottish Housing Quality Standard but there are individual exemptions and abeyances on criteria on 16.5% of our property, a reduction 3.5% since March 2017. 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.

# **ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES**

## **STRATEGIC REPORT OF THE BOARD OF MANAGEMENT**

**For the year ended 31<sup>st</sup> March 2018**

### **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 2018/19.

Bowmore Ph3	20 units
Castlewood Court Helensburgh	32 units
Glenshellach Ph 11/12/13	42 units
North Connel	1 unit

During 2017/18 the following completions were achieved

Glenshellach Ph8	2 units
Coll	2 units
Connel Ph3	10 units
Glenshellach Ph10	8 units

The Scottish Government increased their investment levels in 2017/18 and we have increased our programme to assist with the delivery of these objectives. Significant work has also been undertaken in evaluating and feasibility assessing sites for development for inclusion ACHA's planned future regeneration programme and in bids for Housing Association Grant. ACHA plan to deliver a further 65 units for March 2019 and 200 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 5,160 properties.

During 2017/18 AHFA carried out over 30,000 jobs throughout Argyll and Bute. Work is predominately undertaken by around 45 operatives directly employed by AHFA who are strategically placed and trained to deal with the volumes and types of work anticipated. In more remote regions, in times of high demand and where specialist skills are required this labour resource is supplemented by selected and approved contractors. This enables the business to successfully deliver the contracts held with ACHA which included;

- Term Maintenance & Repair
- Solid Fuel Maintenance and Servicing
- Gutter Cleaning
- Gas Servicing & Maintenance
- Electrical Periodic Inspections
- Fire Alarm Service and Testing
- Cyclical External Paint Maintenance
- Mid-Market Rental Properties

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

- Private owners in accommodation with aspects common to ACHA properties such as closes, external envelopes and roofs
- Insurance works instructed by ACHA
- Work undertaken for ACHA out with the agreed scope of works
- Former tenant repairs
- Aids and adaptation work to properties

Overall the service provided can be regarded as good and demonstrates excellent 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 circa 98%. Average Repair times are under 4 hours for an emergency and less than 9 days for non-emergency's despite the challenges of covering a large rural area.



# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## STRATEGIC REPORT OF THE BOARD OF MANAGEMENT

**For the year ended 31<sup>st</sup> March 2018**

There are relatively few material issues reported relating to the quality of work provided and this is demonstrated not only by the post inspections carried out by ACHA and AHFA which have a 98% pass rate but also by reports provided by auditors who monitor the works associated with the gas and solid fuel contracts. TIAA, an independent auditor with significant experience in the Social Housing sector were also appointed to carry out a number of audits across the business during the year.

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

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

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

Managerially there was no significant changes during the course of the year. The company's operational centres continue to be predominantly in Oban and Helensburgh.

AHFA reported a loss of £80k before taxation for 2017/18 whilst this is disappointing, it occurred during a period of significant challenges around recruitment of staff and substantially increasing workloads. A review of the Operation was started in November 2017 which resulted in a renegotiation of contracts the conclusion of which led to additional income being received which is utilised to expand the staffing numbers to support the additional volumes of work and provide a resilience to the aforementioned challenges.

### FINANCIAL REVIEW

#### Rent Policy and Rental Income

ACHA aims to house those in need in affordable rented housing and to improve, develop and manage quality affordable homes across Argyll and Bute. Rents are our main source of income and are a key factor in what we can spend on services in future years. ACHA increased rents during the period by 3.5%. The average rent across all stock in the current year rose to £79.20. The 2018/19 financial year rent increase was approved by the Board of Management at 4.2%. A programme of rent harmonisation was agreed during 2015/16 based on property size and type with average rent levels increasing by approximately 1.6% in 2016/17, 2017/8 and 2018/19 (due to the Board of Management agreeing a 3 year phased approach to this rent harmonisation).

Rent receivable for 2017/18 was £21.04 million, an increase of £850k from the £20.2 million in 2016/17. This increase includes the annual rent increase, year 2 of the rent restructure / harmonisation and also new development stock coming into rental. This was in line with the budget for the year.

#### Rent Arrears and Bad Debt

Rent arrears at 31<sup>st</sup> March 2018 is set out below.

Rent Arrears	Amount £'000	%	Written Off in Year £'000
Current Tenants	750	3.6	-
Former Tenants	326	1.5	201
Total	1,076		

# **ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES**

## **STRATEGIC REPORT OF THE BOARD OF MANAGEMENT**

### **For the year ended 31<sup>st</sup> March 2018**

The year end figure for current tenants is 3.6% against a target of 2.5%, which is calculated by taking the current tenant arrears at the year end of £750k and dividing this by the Gross Rent Charge £21.04 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 of Works and Pensions to ensure that our tenants have applied for and are receiving appropriate and correct income.

During the last year we received 25 Orders for Recovery of Possession of properties. 36.59% of court actions which were raised resulted in eviction. Therefore, we were able to resolve nearly two thirds of serious cases without resorting to eviction.

### **Voids (Empty Houses)**

ACHA aims to limit the length of time our properties remain empty. Where possible, we will pre-allocate these properties in order to reduce the length of time that they are empty.

At the end of March 2018 ACHA's void performance was as follows:-

- 87 properties were empty
- of these 27 had been empty for more than 6 months
- on average it took 73.17 days to re-let a property (this includes low and no demand properties)
- excluding low/no demand properties we took 23 days to re-let properties

During 2017/18 ACHA lost rental income to the value of £657k due to properties not being re-let. This is a decrease of £144k on the previous year's rent loss with the reduction being due to the decision to demolish a number of properties in Campbeltown and in Bute and as such these properties were removed from the properties available to let.

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 £362k due to properties not being re-let. This is a decrease of £225k on the previous year's rent loss.

In terms of our Low and no Demand properties, at their meeting in May 2017, ACHA's Board of Management agreed to demolish a total of 74 properties – 27 in Campbeltown and 47 on the island of Bute. This followed consultation with affected tenants and owners. Demolitions will commence during 2018. These properties were classed as low demand as ACHA had been unable to re-let them. This was despite various incentive schemes being introduced.

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

A total of £656k of tenant and owner recharges were issued within 2017/18 compared to £460k in 2016/17. In total the amount of outstanding debt as at 31<sup>st</sup> March 2018 remained at £1.87 million, the same as the previous year end. Bad debts written off during the year amounted to £226k compared to £111k in 2016/17. Sundry debt provided for during 2017/18 reduced by £30k on the previous year.

### **Grant Income**

During 2017/18 ACHA received Housing Association Grant (HAG) of £4.82 million and Strategic Housing Fund (SHF) grant of £346k to support new build development. A grant of £223k was received relating to expenditure on Aids and Adaptions and £28k for a Welfare Rights Information Project.

### **Expenditure**

Expenditure on management and administration costs during 2017/18 was £7.1 million compared to £6.3 million in 2016/17. This was due to an increase in the pension servicing costs that are processed

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## STRATEGIC REPORT OF THE BOARD OF MANAGEMENT

### For the year ended 31<sup>st</sup> March 2018

through the statement of comprehensive income of £342k (£667k in 2017/18 compared to £327k in 2016/17), and an increase on IT related services (£281k).

Planned and cyclical maintenance (including major repairs) expenditure in 2017/18 was £1.8 million, consistent with 2016/17.

Reactive maintenance expenditure was £3.6 million compared to £2.8 million in the previous financial year. This increase included an increase of £250k to the term maintenance contract with AHFA which was approved by the Board of Management during the financial year. The remainder reflects additional expenditure on repairs which included £135k on chimney works and £105k on special projects.

Depreciation on social housing charged during 2017/18 was £5.14 million compared to £4.85 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 2017/18 was 25 days against 23 days for the prior year, with 5,267 invoices being processed for payment compared to 5,053 in the prior year. For AHFA the average creditor payment period for 2017/18 was 32 days against 28 for the prior year, with 9,769 invoices processed against 7,449 in the prior year.

### Assets

Housing properties, net of depreciation, increased from £147.4 million in 2016/17 to £159.3 million in 2017/18, an increase of £11.9 million. This increase includes £7.3 million of new build expenditure and £11.0 million of investment expenditure, with disposals of £425k, impairment of £649k and a depreciation charge of £4.87 million (after adjustment for disposals and impairment) during the year. Debtors have reduced by £759k to £1.9 million in 2017/18, mainly due to a reduction in HAG receivable at the year end. Cash held at the 31<sup>st</sup> March 2018 was £4.35 million compared to £10.16 million at the previous year end. A proportion of this cash was used for expenditure relating to 2017/18 that was physically paid during April and May 2018.

### Liabilities

Creditors due within one year decreased from £9.9 million in 2016/17 to £9.3 million in 2017/18, mainly due to the reduced amount within trade creditors relating to Right to Buy receipts due at the year end. Creditors due in more than a year increased from £125.2 million to £127.0 million which was due to the grant received during the year relating to capital assets which is classed as deferred income. These amount reflect the agreement reached with Lloyds Banking Group after the 31<sup>st</sup> March 2018 following a breach of a loan covenant.

In accordance with FRS 102 the statement of financial position and notes 18 and 19 to the accounts reflect the position at 31<sup>st</sup> March 2018, prior to the subsequent agreement reached with LBG, with all loans due to LBG being treated as repayable within one year of 31<sup>st</sup> March 2018. This results in the following position. Creditors due within one year increased from £9.9 million in 2016/17 to £50.9 million in 2017/18 whilst creditors due in more than one year decreased from £125.2 million to £85.4 million.

### Borrowing

ACHA has a loan facility of £59.6 million with Lloyds Banking Group. This includes a £750k development loan for its office premises in Oban which has a capital and interest repayment profile that is fixed throughout its 15-year life at 5.955% inclusive of lenders' margin and capitalisation charges. The outstanding balance of this loan as at 31<sup>st</sup> March 2018 is £432k

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

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## STRATEGIC REPORT OF THE BOARD OF MANAGEMENT

### For the year ended 31<sup>st</sup> March 2018

fund a specific new housing development at Glenshellach in Oban. The loan outstanding as at the financial year end was £2.08 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 £113k and £557k respectively.

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

<b>Fixed Rate Hedging</b>	<b>Value (£000's)</b>	<b>End date</b>	<b>Rate %</b>
Tranche A	£3,000	30/04/2018	0.811
Tranche A	£3,000	30/04/2018	0.811
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	£432	11/03/2025	5.955
Tranche D	£5,000	30/09/2021	5.505
Tranche D	£2,300	31/03/2023	4.350
<b>Total</b>	<b>£41,682</b>		

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 2018/19 there is asset cover in place of 215% 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 2017/18 the approved cashflow was an outflow of £4.919m and the actual cash outflow was £5.688m. This means the approved cashflow has been exceeded by £769k which means the limit including tolerance has been exceeded by £523k. The amount by which the approved cashflow including the tolerance has been exceeded is relatively small, less than 1% of combined income and expenditure. Two of the main factors in this are simply timing issues around the year end rather than underlying issues with the business plan. The historic position over the last 3 years indicates in total over that period ACHA has been well within the approved cashflow on a cumulative basis. ACHA have discussed this with Lloyds Banking Group and currently await a letter of waiver which has not been received at the time of signing. However Lloyds Banking remain supportive of the Association. Under FRS 102, due to this breach of covenant, ACHA are required to disclose all loan balances due to Lloyds Banking Group

# **ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES**

## **STRATEGIC REPORT OF THE BOARD OF MANAGEMENT**

### **For the year ended 31<sup>st</sup> March 2018**

as payable within 1 year (and this is disclosed in note 18 of the accounts). On receipt of the waiver the Association expects the payments to be made in line with the previously agreed terms.

#### **Pensions**

The actuarial report for the Strathclyde Pension Fund showed a decrease in the pension liability for the ACHA group of £6.67 million, with the net liability at £2.77 million compared to £9.44 million in the previous year.

#### **Reserves**

At the year end 31<sup>st</sup> March 2018 the revenue reserves balance had moved from a £17.68 million surplus to a surplus of £28.23 million including the pension reserve. The pension reserve has decreased from a £9.44 million deficit to a £2.77 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 confident that the letter of waiver will be received from Lloyds Banking Group, and therefore the Association will have 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**

On resolution of the covenant issue ACHA is in a strong financial position to address future challenges. In addition, its business plan demonstrates a viable business proposition for the future. Furthermore, there are loan facilities in place to support ACHA's development and the delivery of the business plan. Moving forward there are some challenges for ACHA to address.

ACHA had agreed a significant development programme of new build housing through to March 2021. This supports the Scottish Government commitment to 35,000 new social rented houses. Loan facilities are in place for £10 million of the £13 million required to support this development. The remaining £3 million will be progressed in 2018/19. Consideration has been given to housing demand and deliverability of these new build houses with a proportion of the houses on site and in some case nearing completion. There are still a significant number of the new build house projects to start on site and this process will be carefully managed over the coming years. ACHA has a sound track record in delivering new homes across Argyll and Bute.

The ongoing programme of investment in the existing housing stock will continue at around £10 million for each of the next 5 years. Whilst a large proportion of ACHA houses already meet the energy efficiency standard for social housing these funds include provision to bring the remaining houses in line with the requirements of the energy efficiency standard for social housing

Following approval of stock rationalisation proposals projects are now progressing to address the issues arising from long term low demand housing in Campbeltown and on the Island of Bute where there are significant levels of void rent loss. A small number of acquisitions and disposals are underway and plans are advanced for agreed demolitions. Delivery of this strategy will see a significant reduction in the rates of void rent loss.

Good progress has been made over recent years in terms of rent collection and rent arrears with reduction in the level of rent arrears and bad debt costs for rents. This will continue to be a focus for action.

# **ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES**

## **STRATEGIC REPORT OF THE BOARD OF MANAGEMENT**

**For the year ended 31<sup>st</sup> March 2018**

Whilst inflation is currently low ACHA recognises the need to control its costs and the importance of cost control in delivering against the business plan. The business plan will require ACHA to deliver savings of an additional £160k per annum each year from 2019/20. Continuous improvement and a focus on value for money will be important factors moving forward.

ACHA had at 31<sup>st</sup> March 2018 £38.68 million (86%) of its borrowing at a fixed interest rate with £6.0m (14%) at a variable rate. The overall average rate of interest was 3.78%. This provides a level of protection against rising interest rates but with a further £17.75 million of loans still to be drawn provides for some flexibility should interest rates remain low or reduce.

The key sensitivities to ACHAs business plan have been identified and arrangements are in place to monitor and review these throughout the coming financial year.

In summary ACHA is in a strong financial position and has a sound business plan. The key assumptions and the sensitivity of the business plan to these have been identified and appropriate monitoring arrangements are in place. Whilst there are challenges ACHA can face these from a sound financial footing.

### **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: 19 September 2018

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## BOARD OF MANAGEMENT'S RESPONSIBILITIES

**For the year ended 31<sup>st</sup> March 2018**

Statute requires the Board of Management to prepare financial statements for each financial year which give a true and fair view of the affairs of ACHA and of the surplus or deficit for that period. In preparing those financial statements, the Board of Management is required to fulfil the following obligations:

- select suitable accounting policies and apply them consistently;
- make reasonable and prudent judgements and estimates;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Board of Management confirms that the financial statements comply with these requirements.

The Board of Management is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of ACHA and to enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 as revised, and the Determination of Accounting Requirements 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 of Management members have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the Board members has confirmed that they have taken all the steps that they ought to have taken as Board members in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

By order of the Board of Management



James Milne  
Chairman

Date: 19 September 2018

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

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

### For the year ended 31<sup>st</sup> March 2018

The Board of Management acknowledge their ultimate responsibility for ensuring that ACHA has in place a system of controls that is appropriate to the various business environments in which it operates. These controls are designed to give reasonable assurance with respect to:

- the reliability of financial information used within ACHA or for publication;
- the maintenance of proper accounting records; and
- the safeguarding of assets (against unauthorised use or disposition).

It is the Board of Management's responsibility to establish and maintain systems of internal financial control. The Board of Management can only provide reasonable assurance and not absolute assurance against material financial mis-statement or loss. Key elements of controls include ensuring that:

- formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of ACHA's assets. Core policies have been established and others continue to be developed as ACHA becomes more established;
- experienced and suitably qualified staff take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared regularly which allow the Board of Management and staff to monitor the key business risks and financial objectives, and progress towards financial plans set for the year and the medium term; regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information, and significant variances from budgets are investigated as appropriate;
- ACHA's performance against the business plan is reviewed regularly;
- regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through relevant sub-committees comprising Board of Management members and Co-optees;
- the Board of Management reviews reports from their Senior Management Team, staff and from the internal and external auditors, and from specialised consultants to provide reasonable assurance that control procedures are in place and are being followed. This includes a general review of the major risks facing ACHA;
- formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports;
- an Internal Audit Needs Assessment has been developed by ACHA in accordance with established audit practice and internal audit has been in operation this year.

The Board of Management has reviewed the system of internal financial control in ACHA for the year ended 31<sup>st</sup> March 2018 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: 19 September 2018



# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## INDEPENDENT AUDITORS REPORT

For the year ended 31<sup>st</sup> March 2018

### 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

19 September 2018



**Alexander Sloan**

Accountants and Business Advisers

# **ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES**

## **INDEPENDENT AUDITORS REPORT**

**For the year ended 31<sup>st</sup> March 2018**

### **Opinion**

We have audited the financial statements of Argyll Community Housing Association ("the Association") for the year ended 31<sup>st</sup> March 2018 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 2018 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 2014 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.

### **Material uncertainty related to going concern**

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the Association's ability to continue as a going concern. As more fully described in Note 1 the Association is currently awaiting a letter of waiver from its main lender. The Association is reliant on the continued support of its lender or it would require to obtain alternative funding in order to continue in operation. The financial statements do not include any adjustments that would result from a withdrawal of this financial support. Our opinion is not qualified in this respect.

### **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 31<sup>st</sup> March 2018**

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 4, 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 31<sup>st</sup> March 2018

- 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

19 September 2018



**Alexander Sloan**

Accountants and Business Advisers

**ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES**

**GROUP STATEMENT OF COMPREHENSIVE INCOME**

**For the year ended 31<sup>st</sup> March 2018**

		<b>2018</b>	<b>2017</b>
	<i>Note</i>	<b>£000</b>	<b>£000</b>
<b>Turnover</b>	2	24,329	23,274
Operating costs	2	<u>(19,447)</u>	<u>(17,983)</u>
<b>Operating Surplus</b>	8	<b>4,882</b>	<b>5,291</b>
(Deficit)/surplus on disposal of housing fixed assets	12	(11)	471
Finance income	9	19	27
Finance charges	10	<u>(1,989)</u>	<u>(1,831)</u>
<b>Surplus on ordinary activities before Taxation</b>		<b>2,901</b>	<b>3,958</b>
Taxation	11	<u>-</u>	<u>-</u>
<b>Surplus for the year</b>		<b><u>2,901</u></b>	<b><u>3,958</u></b>
Actuarial gain/(loss) on pension scheme	28	<u>7,641</u>	<u>(4,214)</u>
<b>Total comprehensive income / (expenditure) for the year</b>	22	<b><u>10,542</u></b>	<b><u>(256)</u></b>

All figures relate to continuing operations.

The notes on pages 33 to 59 form part of these financial statements

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## COMPANY STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31<sup>st</sup> March 2018

		<b>2018</b>	<b>2017</b>
	<i>Note</i>	<b>£000</b>	<b>£000</b>
<b>Turnover</b>	2	24,476	23,466
Operating costs	2	<u>(19,554)</u>	<u>(18,103)</u>
<b>Operating Surplus</b>	8	<b>4,922</b>	<b>5,363</b>
(Deficit)/surplus on disposal of housing fixed assets	12	(11)	471
Finance income	9	29	37
Finance charges	10	<u>(1,959)</u>	<u>(1,805)</u>
<b>Surplus on ordinary activities before Taxation</b>		<b>2,981</b>	<b>4,066</b>
Taxation	11	<u>-</u>	<u>-</u>
<b>Surplus for the year</b>		<b>2,981</b>	<b>4,066</b>
Actuarial gain/(loss) on pension scheme		<u>6,596</u>	<u>(3,710)</u>
<b>Total comprehensive income for the year</b>	22	<b>9,577</b>	<b>356</b>

All figures relate to continuing operations.

The notes on pages 33 to 59 form part of these financial statements

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## GROUP STATEMENT OF FINANCIAL POSITION

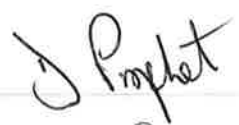
As at 31<sup>st</sup> March 2018

	Note	2018 £000	2017 £000
<b>Property, plant &amp; equipment</b>			
Housing properties	12	159,298	147,406
Other Fixed Assets	13	1,729	1,914
		<u>161,027</u>	<u>149,320</u>
<b>Current assets</b>			
Stock and work in progress	15	35	21
Debtors	16	1,954	2,713
Cash at bank and in hand	17	4,351	10,163
		<u>6,340</u>	<u>12,897</u>
<b>Creditors: amounts falling due within one year</b>	18	<u>(50,951)</u>	<u>(9,917)</u>
<b>Net current (liabilities) / assets</b>		<u>(44,611)</u>	<u>2,980</u>
<b>Total assets less current liabilities</b>		116,416	152,300
<b>Creditors: amounts falling due after one year</b>	19	(85,419)	(125,178)
<b>Provisions for liabilities and charges: Deferred tax</b>	11	-	-
<b>Net assets before pension deficit</b>		30,997	27,122
<b>Pension deficit</b>	28	(2,771)	(9,438)
<b>Net assets after pension deficit</b>		<u>28,226</u>	<u>17,684</u>
<b>Capital and reserves</b>			
Share capital	21	-	-
Revenue Reserves	22	28,226	17,684
<b>Shareholders' funds</b>	22	<u>28,226</u>	<u>17,684</u>

The notes on pages 33 to 59 form part of these financial statements

These financial statements were approved by the Board of Management on 23<sup>rd</sup> August 2018 and authorised for issue and signed on their behalf by:

Chairman of the Board of Management  James Milne

Board member  Douglas Prophet

Secretary  Roddy McCuish

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## COMPANY STATEMENT OF FINANCIAL POSITION

As at 31<sup>st</sup> March 2018

	Note	2018 £000	2017 £000
<b>Property, plant &amp; equipment</b>			
Housing properties	12	159,298	147,406
Other Fixed Assets	13	1,726	1,914
		<u>161,024</u>	<u>149,320</u>
<b>Current assets</b>			
Stock and work in progress	15	-	-
Debtors	16	2,431	3,295
Cash at bank and in hand	17	4,288	9,828
		<u>6,719</u>	<u>13,123</u>
<b>Creditors: amounts falling due within one year</b>	18	<u>(51,176)</u>	<u>(9,991)</u>
<b>Net current (liabilities) / assets</b>		<u>(44,457)</u>	<u>3,132</u>
<b>Total assets less current liabilities</b>		116,567	152,452
<b>Creditors: amounts falling due after one year</b>	19	(85,419)	(125,178)
<b>Provisions for liabilities and charges: Deferred tax</b>	11	-	-
<b>Net assets before pension deficit</b>		31,148	27,274
<b>Pension deficit</b>		(2,623)	(8,326)
<b>Net Surplus after pension deficit</b>		<u>28,525</u>	<u>18,948</u>
<b>Capital and reserves</b>			
Share capital	21	-	-
Revenue Reserves	22	28,525	18,948
<b>Shareholders' funds</b>	22	<u>28,525</u>	<u>18,948</u>

The notes on pages 33 to 59 form part of these financial statements

These financial statements were approved by the Board of Management on 23<sup>rd</sup> August 2018 and authorised for issue and signed on their behalf by:

Chairman of the Board of Management  James Milne

Board member  Douglas Prophet

Secretary  Roddy McCuish



# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## GROUP STATEMENT OF CHANGES IN EQUITY

As at 31<sup>st</sup> March 2018

	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

	Called up share capital £000	Revenue reserve £000	Total equity £000
Balance at 31 March 2016	-	17,940	17,940
Changes in equity			
Total comprehensive income	-	(256)	(256)
Balance at 31 March 2017	-	17,684	17,684

## COMPANY STATEMENT OF CHANGES IN EQUITY

As at 31<sup>st</sup> March 2018

	Called up share capital £000	Revenue reserve £000	Total equity £000
Balance at 31 March 2017	-	18,948	18,948
Changes in equity			
Total comprehensive income	-	9,577	9,577
Balance at 31 March 2018	-	28,525	28,525

	Called up share capital £000	Revenue reserve £000	Total equity £000
Balance at 31 March 2016	-	18,592	18,592
Changes in equity			
Total comprehensive income	-	356	356
Balance at 31 March 2017	-	18,948	18,948

The notes on pages 33 to 59 form part of these financial statements

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

## GROUP STATEMENT OF CASH FLOWS

For the year ended 31<sup>st</sup> March 2018

	Notes	2018		2017	
		£000	£000	£000	£000
<b>Cash flows from operating activities</b>					
Cash generated from operations	24	8,594		6,964	
<b>Net cash from operating activities</b>			<b>8,594</b>		<b>6,964</b>
<b>Cash flow from investing activities</b>					
Improvement of properties	12	(10,968)		(10,927)	
Construction of new properties net of disposals	12	(6,872)		(7,776)	
Purchase of other fixed assets	13	(135)		(179)	
Right-to-buy proceeds		243		892	
Government grants received	20	5,167		5,490	
<b>Net cash flow from investing activities</b>			<b>(12,565)</b>		<b>(12,500)</b>
<b>Cash flow from financing activities</b>					
Finance income	9	19		27	
Finance charges	10	(1,735)		(1,662)	
Bank loans drawn down		-		7,000	
Bank loans repaid	26	(125)		(119)	
<b>Net cash flow from financing activities</b>			<b>(1,841)</b>		<b>5,246</b>
<b>Decrease in cash and cash equivalents</b>			<b>(5,812)</b>		<b>(290)</b>
<b>Cash and cash equivalents at the start of the year</b>			10,163		10,453
<b>Cash and cash equivalents at the end of the year</b>			4,351		10,163

The notes on pages 33 to 59 form part of these financial statements

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2018

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 £4.89 million which when adjusted for disposals, interest receivable and payable resulted in a surplus of £2.90 million prior to the adjustment of the actuarial gain on the pension scheme giving total comprehensive income for the year of £10.54 million. At the financial year end ACHA had net assets of £28.23 million. The going concern basis of accounting is considered appropriate because although ACHA is currently in breach of a loan covenant, Lloyds Banking Group has indicated that they will provide ACHA with a letter of waiver and as such the Board are of the opinion that the Association is a going concern. ACHA has a banking facility with Lloyds Banking Group of £59.6 million under the business plan to meet future requirements. Peak debt is £64.8m, comprising £59.4m Lloyds Banking Group within the banking facility, £2.4m from Argyll and Bute Council and the option for a further £3m from external sources. Repayment is projected by 2035/36.

ACHA's loan asset security ratio requirement is 105%. The most recent security valuation as at March 2018 values ACHA's housing assets at £120.4 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 2014 - Statement of Recommended Practice for social housing providers

#### Basis of consolidation

In accordance with FRS 102, the group financial statements consolidate the financial statements of the parent company and its one subsidiary, Argyll Homes For All Limited, for the year ended 31<sup>st</sup> March 2018. 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 2017 to 31<sup>st</sup> March 2018. 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

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31<sup>st</sup> March 2018

provided by both internal and external professional sources, including guidance from its current external statutory auditors

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

#### Depreciation and Impairment

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

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

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

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

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

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

#### New Build

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

The Association's policy is to capitalise the following:

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

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

#### Non-Housing properties

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

#### Garages

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

#### Travelling People sites

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

# **ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES**

## **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31<sup>st</sup> March 2018**

### **Related Assets**

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

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

Component replacements which are not grant funded will be capitalised.

### **Housing Association Grant**

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

### **Business Plan Support Grant**

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

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

### **Related Assets Grant**

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

### **Other Grants**

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

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2018

### Other Fixed Assets

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

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

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

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

### Employee Benefits

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

### Pensions

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

The SPF made an actuarial gain for the year ended 31<sup>st</sup> March 2018 of £7.64 million. ACHA has taken account of this gain in the Statement of Comprehensive Income.

### Taxation

The charge or credit for taxation is based on the surplus or deficit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 102. As ACHA is a registered charity it has obtained consent to relief from Corporation Tax from HMRC on its charitable activities.

### VAT

ACHA was registered for VAT on 24<sup>th</sup> 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 £9k 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 31<sup>st</sup> March 2018**

### **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 sequestered or where the debt is prescribed.

### **Estimation and Uncertainty**

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

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

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

#### **Life Cycle of Components**

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

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

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

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

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

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

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

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

# **ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES**

## **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31<sup>st</sup> March 2018**

### **Financial Instruments**

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



# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2018

### 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 <sup>st</sup> March 2018 £000	Operating Surplus / (Deficit) to 31 <sup>st</sup> March 2017 £000
Social Lettings (Note 3)	23,201	18,141	-	5,060	5,716
Other Activities (Note 4)	1,128	1,306	-	(178)	(425)
	24,329	19,447	-	4,882	
Total for year to 31 <sup>st</sup> March 2017	23,274	(17,983)	-	5,291	

#### COMPANY

	Turnover £000	Operating Costs £000	Other income and gains £000	Operating Surplus / (Deficit) to 31 <sup>st</sup> March 2018 £000	Operating Surplus / (Deficit) to 31 <sup>st</sup> March 2017 £000
Social Lettings (Note 3)	23,201	18,101	-	5,100	5,788
Other Activities (Note 4)	1,275	1,453	-	(178)	(425)
	24,476	19,554	-	4,922	
Total for year to 31 <sup>st</sup> March 2017	23,466	(18,103)	-	5,363	

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2018

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

	General Needs Housing	Supported Housing	Total	Total For Previous Period of Account
	£000	£000	£000	£000
Rents receivable net of service charges	19,854	742	20,596	19,773
Rent from garages	21	-	21	20
Rent from travelling people sites	74	-	74	70
Service charges	52	292	344	322
<b>Gross income from rents and service charges</b>	<b>20,001</b>	<b>1,034</b>	<b>21,035</b>	<b>20,185</b>
Less voids	(645)	(12)	(657)	(801)
<b>Net income from rents and service charges</b>	<b>19,356</b>	<b>1,022</b>	<b>20,378</b>	<b>19,384</b>
Grants from the Scottish Ministers	-	-	-	-
Other revenue grants	41	-	41	53
Deferred grant amortisation	2,782	-	2,782	2,779
<b>Total turnover from social letting activities</b>	<b>22,179</b>	<b>1,022</b>	<b>23,201</b>	<b>22,216</b>
Management and maintenance administration costs	6,730	370	7,100	6,305
Planned and cyclical maintenance including major repairs costs	1,841	-	1,841	1,832
Reactive maintenance costs	3,672	-	3,672	2,869
Bad debts – rents and service charges	205	-	205	163
Depreciation of social housing	5,137	-	5,137	4,852
Impairment of social housing	186	-	186	479
<b>Operating costs for social letting activities</b>	<b>17,771</b>	<b>370</b>	<b>18,141</b>	<b>16,500</b>
<b>Other income and gains</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Operating surplus for social lettings</b>	<b>4,408</b>	<b>652</b>	<b>5,060</b>	<b>5,716</b>
<b>Operating surplus for social lettings for previous period of account</b>	<b>5,024</b>	<b>692</b>	<b>5,716</b>	

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 31<sup>st</sup> March 2018

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	19,854	742	20,596	19,773
Rent from garages	21	-	21	20
Rent from travelling people sites	74	-	74	70
Service charges	52	292	344	322
<b>Gross income from rents and service charges</b>	<b>20,001</b>	<b>1,034</b>	<b>21,035</b>	<b>20,185</b>
Less voids	(645)	(12)	(657)	(801)
<b>Net income from rents and service charges</b>	<b>19,356</b>	<b>1,022</b>	<b>20,378</b>	<b>19,384</b>
Grants from the Scottish Ministers	-	-	-	-
Other revenue grants	41	-	41	53
Deferred grant amortisation	2,782	-	2,782	2,779
<b>Total turnover from social letting activities</b>	<b>22,179</b>	<b>1,022</b>	<b>23,201</b>	<b>22,216</b>
Management and maintenance administration costs	6,730	370	7,100	6,305
Planned and cyclical maintenance including major repairs costs	1,841	-	1,841	1,832
Reactive maintenance costs	3,632	-	3,632	2,797
Bad debts – rents and service charges	205	-	205	163
Depreciation of social housing	5,137	-	5,137	4,852
Impairment on social housing	186	-	186	479
<b>Operating costs for social letting activities</b>	<b>17,731</b>	<b>370</b>	<b>18,101</b>	<b>16,428</b>
<b>Other income and gains</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Operating surplus for social lettings</b>	<b>4,448</b>	<b>652</b>	<b>5,100</b>	<b>5,788</b>
<b>Operating surplus for social lettings for previous period of account</b>	<b>5,096</b>	<b>692</b>	<b>5,788</b>	

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 31<sup>st</sup> March 2018

### 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	£000
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	-	-	50	50	-	(229)	(179)	(90)
Related Assets	-	-	-	-	-	-	-	(32)
Aids and Adaptations	223	-	-	223	-	(264)	(41)	40
Tenant and Owner Recharges	-	-	586	586	(196)	(400)	(10)	(381)
Insurance	-	-	192	192	-	(182)	10	2
Other activities	-	-	77	77	-	(35)	42	36
<b>Total from other activities</b>	<b>223</b>	<b>-</b>	<b>905</b>	<b>1,128</b>	<b>(196)</b>	<b>(1,110)</b>	<b>(178)</b>	<b>(425)</b>

Total from other activities for previous period of account

<b>262</b>	<b>170</b>	<b>626</b>	<b>1,058</b>	<b>(522)</b>	<b>(961)</b>	<b>(425)</b>
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# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2018

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

	Grants from Scottish Ministers	Other Revenue Grants	Other Income	Total Turnover	Operating Costs Bad Debts	Other Operating Costs	Operating Surplus / (Deficit)	Operating Surplus / (Deficit) for previous period of account £000
	£000	£000	£000	£000	£000	£000	£000	£000
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	-	-	50	50	-	(229)	(179)	(90)
Related Assets	-	-	-	-	-	-	-	(32)
Aids and Adaptations	223	-	-	223	-	(264)	(41)	40
Tenant and Owner Recharges	-	-	586	586	(196)	(400)	(10)	(381)
AHFA support service income	-	-	136	136	-	(136)	-	-
Insurance	-	-	192	192	-	(182)	10	2
Other activities	-	-	88	88	-	(46)	42	36
<b>Total from other activities</b>	<b>223</b>	<b>-</b>	<b>1,052</b>	<b>1,275</b>	<b>(196)</b>	<b>(1,257)</b>	<b>(178)</b>	<b>(425)</b>
<b>Total from other activities for previous period of account</b>	<b>262</b>	<b>170</b>	<b>818</b>	<b>1,250</b>	<b>(522)</b>	<b>(1,153)</b>	<b>(425)</b>	

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2018

### 5. Housing stock

	Units under development		Units under management	
	2018	2017	2018	2017
Housing accommodation for letting:				
General Needs	95	116	4,959	4,952
Sheltered housing	-	-	201	201
	<u>95</u>	<u>116</u>	<u>5,160</u>	<u>5,153</u>

### 6. Remuneration of members of Board of Management and Directors

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

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

Directors are considered to be key management and are defined to include the Chief Executive and any other person reporting directly to the Chief Executive or the Board whose total annual emoluments excluding pension contributions exceed £60,000 per year.

	2018 £000	2017 £000
Total emoluments payable to directors and benefits in kind	428	434
Pension contributions	65	72
	<u>493</u>	<u>506</u>
Emoluments payable to the highest paid director (excluding pension contributions)	98	94
Pension contributions	17	16
	<u>115</u>	<u>110</u>

The Chief Executive is a member of the Strathclyde Pension Fund defined benefit pension scheme as disclosed in note 30. No enhanced or special terms apply to memberships. ACHA's contributions to the Chief Executive's pension in the year amounted to £17k (2017: £16k).

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

	2018	2017
More than £60,000 but not more than £70,000	-	-
More than £70,000 but not more than £80,000	3	4
More than £80,000 but not more than £90,000	-	-
More than £90,000 but not more than £100,000	1	1
More than £100,000 but not more than £110,000	-	-

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2018

### 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	
	2018	2017
Housing & Neighbourhood Services	77	75
Finance & IT	14	15
Human Resources & Corporate Services	13	12
Investment & Regeneration	31	29
Argyll Homes For All	57	50
	<b>192</b>	<b>181</b>

The aggregate payroll costs of these persons were as follows:

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Wages and salaries	4,959	4,707	3,239	3,180
Social security costs	486	453	311	301
Other pension costs	567	568	523	508
	<b>6,012</b>	<b>5,728</b>	<b>4,073</b>	<b>3,989</b>

During the year 55% of investment staff costs were capitalised amounting to £780k (2017 – 53% or £689k)

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

	2018 £000	2017 £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)	21	20
Other services from bodies related to external audit	1	1
Operating lease rentals:		
Buildings	238	223
Other	163	130
Depreciation	<b>5,457</b>	<b>5,181</b>

### Operating surplus on ordinary activities - Company

	2018 £000	2017 £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)	18	17
Other services from bodies related to external audit	-	-
Operating lease rentals:		
Buildings	238	223
Other	-	-
Depreciation	<b>5,456</b>	<b>5,176</b>

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2018

### 9. Finance income - Group

	2018 £000	2017 £000
Bank interest receivable	19	27
Interest on pension fund (Note 28)	-	-
	<u>19</u>	<u>27</u>

### Finance income - Company

	2018 £000	2017 £000
Bank interest receivable	29	37
Interest on pension fund (Note 28)	-	-
	<u>29</u>	<u>37</u>

### 10. Finance charges - Group

	2018 £000	2017 £000
On bank loans	1,735	1,661
Interest on pension fund (Note 28)	254	170
	<u>1,989</u>	<u>1,831</u>

### Finance charges - Company

	2018 £000	2017 £000
On bank loans	1,735	1,662
Interest on pension fund (Note 28)	224	143
	<u>1,959</u>	<u>1,805</u>

### 11. Taxation

Due to ACHA's charitable status, no tax liability arose in the year to 31<sup>st</sup> March 2018 (2017: £ Nil).

AHFA is liable for UK Corporation Tax on its trading profits which amounted to £ Nil in the year (2017: £ Nil).



# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2018

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

	Housing properties held for letting £000	Housing properties in course of construction £000	Total 2018 £000	Total 2017 £000
<b>Cost</b>				
At start of year	168,586	5,054	173,640	157,845
Additions during year new build	1,191	6,136	7,327	7,776
Additions during year existing properties	10,968	-	10,968	10,927
Transfers	1,467	(1,467)	-	-
Office Transfer	-	(93)	(93)	(149)
Disposals	(425)	(362)	(787)	(1,163)
Impairment	(649)	-	(649)	(1,596)
At end of year	181,138	9,268	190,406	173,640
<b>Depreciation</b>				
At start of year	(26,234)	-	(26,234)	(21,949)
Charge during year	(5,136)	-	(5,136)	(4,851)
Disposals	68	-	68	191
Impairment	194	-	194	375
At end of year	(31,108)	-	(31,108)	(26,234)
<b>Net book value</b>				
At 31 March 2018	150,030	9,268	159,298	147,406
At 31 March 2017	142,352	5,054	147,406	

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

Additions to housing properties include capitalised development administration costs of £780k, 55% of relevant staff costs (2017 – 689k, 53%), and capitalised major repair costs to existing properties of £10.19 million (2017 – £10.24 million). All land and properties are heritable.

Total expenditure on existing properties in the year amounted to £16.48 million (2017 – £15.63 million). The amount capitalised is £10.97 million (2017 – £10.93 million) with the balance being charged to the statement of comprehensive income.

During the year 15 properties have been sold under Right to Buy resulting in a loss on sale of £11k (2017 – gain of £471k). The disposals in the current year reflect the disposals of componentised enhancements to disposed stock albeit that the stock sold had no value at transfer.

During the year a decision was made to process 34 properties at Eton Avenue as an impairment. A report to the Board of Management was approved to look at options for the future use of these properties. As a result, £649k of cost and £194k of accumulated depreciation was removed.

ACHA has included in housing properties held for letting £5.62 million of cost relating to the fourth quarter of the year however as this is work in progress and not yet completed it has not been componentised nor depreciated in the current year. The componentisation and depreciation of these works will be completed in the following financial period.

Security has been granted to lenders in respect of housing properties at stock transfer. As at the end of the financial year there were 202 properties which were unencumbered.

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2018

### 13. Property, plant & equipment – other - Group

	Computer hardware & software	Offices	Bute stores	Furniture	Total non housing
	£000	£000	£000	£000	£000
<b>Cost</b>					
At start of year	1,984	1,792	21	33	3,830
Additions during year	42	93	-	-	135
Disposals	(20)	-	-	-	(20)
At end of year	<u>2,006</u>	<u>1,885</u>	<u>21</u>	<u>33</u>	<u>3,945</u>
<b>Depreciation</b>					
At start of year	(1,708)	(185)	(3)	(20)	(1,916)
Provided during year	(274)	(44)	-	(2)	(320)
Disposals	20	-	-	-	20
At end of year	<u>(1,962)</u>	<u>(229)</u>	<u>(3)</u>	<u>(22)</u>	<u>(2,216)</u>
<b>Net book value</b>					
At 31 March 2018	<u>44</u>	<u>1,656</u>	<u>18</u>	<u>11</u>	<u>1,729</u>
At 31 March 2017	<u>276</u>	<u>1,607</u>	<u>18</u>	<u>13</u>	<u>1,914</u>

### Property, plant & equipment – other - Company

	Computer hardware & software	Offices	Bute stores	Furniture	Total non housing
	£000	£000	£000	£000	£000
<b>Cost</b>					
At start of year	1,770	1,792	21	33	3,616
Additions during year	38	93	-	-	131
Disposals	(20)	-	-	-	(20)
At end of year	<u>1,788</u>	<u>1,885</u>	<u>21</u>	<u>33</u>	<u>3,727</u>
<b>Depreciation</b>					
At start of year	(1,494)	(185)	(3)	(20)	(1,702)
Provided during year	(273)	(44)	-	(2)	(319)
Disposals	20	-	-	-	20
At end of year	<u>(1,747)</u>	<u>(229)</u>	<u>(3)</u>	<u>(22)</u>	<u>(2,001)</u>
<b>Net book value</b>					
At 31 March 2018	<u>41</u>	<u>1,656</u>	<u>18</u>	<u>11</u>	<u>1,726</u>
At 31 March 2017	<u>276</u>	<u>1,607</u>	<u>18</u>	<u>13</u>	<u>1,914</u>

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2018

14. Investments	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £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 31<sup>st</sup> March 2017 was that of property maintenance. As at 31<sup>st</sup> March 2018 the capital and reserves of AHFA were (£323k) (2016: (£1,262k)) with a loss for the year of £80k (2017: £109k loss)

### Subsidiary: Argyll Homes For All Limited

Nature of business: Property maintenance and repairs

Class of shares:	% holding
Ordinary	100.00

	2018 £'000	2017 £'000
Aggregate capital and reserves	(323)	(1,262)
Profit/ (loss) for the year	(80)	(109)

15. Stocks and work in progress	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Stock	35	21	-	-
	35	21	-	-

16. Debtors	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Rental debtors	1,076	1,065	1,076	1,065
Less bad debt provision	(453)	(452)	(453)	(452)
	623	613	623	613
Prepayments and accrued income	675	610	650	592
Housing Association Grant receivable	509	1,430	509	1,430
Other debtors	1,928	1,872	2,130	2,172
Less bad debt provision	(1,781)	(1,812)	(1,781)	(1,812)
Long Term Debtor – Subsidiary Loan	-	-	300	300
	1,954	2,713	2,431	3,295

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2018

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

	Debtor £000	Provided £000	2018 Net Debtor £000
Due from current tenants	750	(127)	623
Due from former tenants	326	(326)	-
	<u>1,076</u>	<u>(453)</u>	<u>623</u>

Rental Bad debts of £204k were written off during the period (2017 £765k). The provision for Rental Bad debts increased by £1k during the year (2017 £149k).

Sundry debts of £226k were written off during the period (2017 £111k). The provision for Sundry debtors reduced by £30k during the year (2017 £411k).

AHFA had no debts written off during the year.

17. Cash at bank and in hand	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Bank	4,350	10,162	4,287	9,827
Cash	1	1	1	1
	<u>4,351</u>	<u>10,163</u>	<u>4,288</u>	<u>9,828</u>

18. Creditors: amounts falling due within one year	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Loans (secured)	41,763	125	41,763	125
Trade creditors	4,040	5,028	4,158	5,187
Other creditors	646	649	644	646
Accruals and deferred income	1,720	1,342	1,829	1,260
Deferred grant income	2,782	2,773	2,782	2,773
	<u>50,951</u>	<u>9,917</u>	<u>51,176</u>	<u>9,991</u>

A requirement of ACHA's 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 2017/18 the approved cashflow was an outflow of £4.919m and the actual cash outflow was £5.688m. This means the approved cashflow has been exceeded by £769k which means the limit including tolerance has been exceeded by £523k. The amount by which the approved cashflow including the tolerance has been exceeded is relatively small, less than 1% of combined income and expenditure. Two of the main factors in this are simply timing issues around the year end rather than underlying issues with the business plan. The historic position over the last 3 years indicates in total over that period ACHA has been well within the approved cashflow on a cumulative basis. ACHA have discussed this with Lloyds Banking Group who indicated that they will issue a letter of waiver in respect of the covenant breach.

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31<sup>st</sup> March 2018

Under FRS 102, due to this breach of covenant, ACHA are required to disclose all loan balances due to Lloyds Banking Group as payable within 1 year (and this is disclosed in note 18 of the accounts). On receipt of the waiver the Association expects the payments to be made in line with the previously agreed terms. This accounts for the increase in the amount outstanding for loans (secured) and total creditors falling due within one year. On receipt of the waiver, loans will become repayable on their previously agreed repayment dates. This sees the amounts outstanding for loans (secured) due for repayment at 31<sup>st</sup> March 2018 fall from £41.763m to £0.132m and the total amount of creditors falling due within one year fall from £50.951m to £9.320m. There is a corresponding increase in creditors falling due after one year.

#### 19. Creditors: amounts falling due after one year Group

	Company	
	2018	2017
	£000	£000
Loan (secured)	2,674	44,437
Deferred Grant (Note 20)	82,745	80,741
	<u>85,419</u>	<u>125,178</u>

Due to the breach of covenant then under FRS102 ACHA are required to disclose all loans with Lloyds Banking Group as a creditor falling due within one year. This accounts for the decrease in the amount outstanding for loans (secured) and total creditors falling due after one year. On receipt of the waiver, loans will become repayable on their previously agreed repayment dates. This sees the amounts outstanding for loans (secured) due for repayment at 31<sup>st</sup> March 2018 increase from £2.674m to £44.305m and the total amount of creditors falling due after one year increase from £85.419m to £127.050m. There is a corresponding decrease in creditors falling due within one year

An office development loan of £432k is repayable by 11<sup>th</sup> March 2025 and is repayable on an amortising basis. The repayment profile for the office loan is shown below.

	£000
Due within one year	51
Due between 1 and 2 years	55
Due between 2 and 5 years	184
Over 5 years	142
	<u>432</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	61	3	16	80
Due between 1 and 2 years	64	4	16	84
Due between 2 and 5 years	288	11	53	352
Over 5 years	1,672	95	471	2,238
	<u>2,085</u>	<u>113</u>	<u>556</u>	<u>2,754</u>

The remainder of loans drawn, amounting to £41.25 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 31<sup>st</sup> March 2018

A summary of all fixed rate loans as at 31<sup>st</sup> March 2018 is as follows:

Fixed Rate Hedging	Value (£000's)	End date	Rate %
Tranche A	£3,000	30/04/2018	0.811
Tranche A	£3,000	30/04/2018	0.811
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	£432	11/03/2025	5.955
Tranche D	£5,000	30/09/2021	5.505
Tranche D	£2,300	31/03/2023	4.350
<b>Total</b>	<b>£41,682</b>		

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

Loans are secured by a specific charge against ACHA's properties with the office loan secured against the office development at Menzies House, Glenshellach Business Park, Oban. At the year end there were 4,919 housing properties secured to Lloyds Banking Group in addition to 54 housing properties secured to Argyll and Bute Council.

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

	2018 £000	2017 £000
<b>Housing Association Grant (HAG)</b>		
At 1 <sup>st</sup> April	24,894	21,206
Received during year	4,821	4,132
Released to income during year	(637)	(444)
At 31 <sup>st</sup> March	<u>29,078</u>	<u>24,894</u>
	<b>2018 £000</b>	<b>2017 £000</b>
<b>Other grants</b>		
At 1 <sup>st</sup> April	58,620	60,890
Received during year	346	1,358
Released to income during year	(2,145)	(2,335)
Released to income during year - disposals	(103)	(550)
Released to income during year - Impairment	(269)	(743)
At 31 <sup>st</sup> March	<u>56,449</u>	<u>58,620</u>
	<b>2018 £000</b>	<b>2017 £000</b>
Amount to be released within one year	2,782	2,773
Amount to be released in more than one year	<u>82,745</u>	<u>80,741</u>
	<u>85,527</u>	<u>83,514</u>

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2018

### 21. Share capital

	2018 £	2017 £
<b>Shares of £1 each fully paid</b>		
At 1 <sup>st</sup> April	265	263
Issued in year	8	15
Cancelled in year	(24)	(13)
At 31 <sup>st</sup> March	<u>249</u>	<u>265</u>

Shares issued were in respect of new members of ACHA.

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

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

### 22. Reconciliation of movements in shareholders' funds

Group	Revenue Reserve £000	Share Capital £000	Total shareholders funds £000
Balance at 1 April 2017	17,684	-	17,684
Accumulated surplus for year	10,542	-	10,542
<b>Balance at 31 March 2018</b>	<b>28,226</b>	<b>-</b>	<b>28,226</b>

Company	Revenue Reserve £000	Share Capital £000	Total shareholders funds £000
Balance at 1 April 2017	18,948	-	18,948
Accumulated surplus for year	9,577	-	9,577
<b>Balance at 31 March 2018</b>	<b>28,525</b>	<b>-</b>	<b>28,525</b>

### 23. Commitments – Group and Company

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

	2018 £000	2017 £000
<b>Within one year</b>		
Investment programme	4,451	5,338
Regeneration	4,819	7,387
Related Assets	<u>22</u>	<u>30</u>
	9,292	12,755

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2018

<b>Within two to five years</b>		
	£000	£000
Investment programme	24	292
Regeneration	1,489	5,745
Related Assets	-	-
	<u>1,513</u>	<u>6,037</u>

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

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

	2018	2017
	£000	£000
<b>Land and Buildings</b>		
Due within 1 year	22	37
Due between 1 and 5 years	-	-
Over 5 years	-	-
	<u>22</u>	<u>37</u>
<b>Other</b>	£000	£000
Due within 1 year	190	5
Due between 1 and 5 years	786	-
Over 5 years	7	-
	<u>983</u>	<u>5</u>

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

	2018	2017
	£000	£000
<b>Operating surplus/deficit</b>	<b>4,882</b>	<b>5,291</b>
<b>Adjustments:</b>		
Depreciation on non-housing fixed assets	320	329
Depreciation on housing fixed assets	5,136	4,851
Impairment on housing fixed assets	186	479
Deferred Grant Amortisation	(2,782)	(2,779)
<b>Movement in working capital:</b>		
Non cash adjustment in pension fund	720	354
Decrease/ (Increase) in stock	(14)	1
Decrease/(Increase) in debtors	759	(1,027)
Increase / (Decrease) in creditors	(613)	(535)
<b>Cash inflow from operating activities</b>	<b><u>8,594</u></b>	<b><u>6,964</u></b>



# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2018

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

	At 31 <sup>st</sup> March 2017 £000	Cash flows £000	At 31 <sup>st</sup> March 2018 £000
Cash in hand, at bank	10,163	(5,812)	4,351
Debt due within one year	(125)	(6)	(131)
Debt due in more than one year	(44,437)	132	(44,305)
<b>Total</b>	<b>(34,399)</b>	<b>(5,686)</b>	<b>(40,085)</b>

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

	2018 £000	2017 £000
Increase / (Decrease) in cash in the period	(5,812)	(290)
Cash (inflow) from debt financing	-	(7,000)
Cash outflow from debt financing	125	119
Change in debt resulting from cash flows	(5,686)	(7,171)
Net debt at beginning of period	(34,399)	(27,228)
<b>Net debt at end of period</b>	<b>(40,085)</b>	<b>(34,399)</b>

### 27. Group structure

ACHA is a registered social landlord, incorporated in Scotland. ACHA owns one share in Argyll Homes for All Limited (AHFA) which is a wholly owned subsidiary company. The principal activity of AHFA, registered company number SC415603, in the year ended 31<sup>st</sup> March 2018 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 £3.6 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 2018/19 is £698k

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)

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

**For the year ended 31<sup>st</sup> March 2018**

Regulations 1998. If applicable, the assumptions and other data that have the most significant effect on the determination of the contribution levels of the scheme are as follows:

Assumptions as at	31 <sup>st</sup> March 2018 % p.a.	31 <sup>st</sup> March 2017 % p.a.	31 <sup>st</sup> March 2016 % p.a.
Pension Increase Rate	2.4%	2.4%	2.2%
Salary Increase Rate	3.6%	4.4%	4.2%
Discount Rate	2.7%	2.6%	3.5%

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

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

	% Split of Assets 31 <sup>st</sup> March 2018	Assets at 31 <sup>st</sup> March 2018 £000	% Split of Assets 31 <sup>st</sup> March 2017	Assets at 31 <sup>st</sup> March 2017 £000
Equities	62%	16,728	73%	18,570
Bonds	23%	6,206	12%	3,052
Property	11%	2,968	10%	2,544
Cash	4%	1,079	5%	1,272
<b>Total</b>		<b>26,981</b>		<b>25,438</b>

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

	Period to 31 <sup>st</sup> March 2018 £000	Period to 31 <sup>st</sup> March 2017 £000
Service cost	1,371	1,008
Past service costs	-	-
<b>Amounts charged to finance charge</b>	<b>1,371</b>	<b>1,008</b>

	Period to 31 <sup>st</sup> March 2018 £000	Period to 31 <sup>st</sup> March 2017 £000
Net interest	254	170
<b>Amounts charged to finance charge</b>	<b>254</b>	<b>170</b>

**ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31<sup>st</sup> March 2018**

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

	<b>Period to 31<sup>st</sup> March 2018 £000</b>	<b>Period to 31<sup>st</sup> March 2017 £000</b>
Actual return	349	4,030
Changes in financial assumptions underlying the present value of scheme liabilities	1,940	(8,243)
Other experience gains and losses	5,501	
Changes in demographic assumptions underlying the present value of scheme liabilities	(149)	(1)
<b>Amounts charged to finance charge</b>	<b>7,641</b>	<b>(4,214)</b>

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

	<b>2018 £000</b>
Opening scheme liabilities	34,876
Current service cost	1,371
Past service cost	-
Interest cost	922
Re-measurements	(7,292)
Benefits paid	(360)
Contributions	235
Closing scheme liabilities	<b>29,752</b>

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

	<b>2018 £000</b>
Opening fair value of plan assets	25,438
Interest income	668
Return on plan assets (in excess of interest income)	349
Contributions by employer	651
Plan participants contributions	235
Benefits paid	(360)
Closing scheme liabilities	<b>26,981</b>

**2018**

**2017**

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2018

	£000	£000
Pension deficit at end of year	(2,771)	(9,438)

Following the completion of the subsidiary accounts and prior to the completion of the group accounts, the pension actuary have updated their calculation of the pension liability. The subsidiaries share of the pension liabilities reduced by £27k following this revision. The group accounts reflects the revised pension liability.

### 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 £201k (2016/17: £299k) 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 £559k (2016/17: £327k). An inter-company loan was also advanced as per the loan agreement and at the balance sheet date the loan outstanding was £300k (2016/17: £300k).

Eight members of the Board of Management were also tenants during the year (2016/17: eight). Four members of the Board of Management were Argyll and Bute Council Councillors during the year (2016/17: 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 £32k (2016/17: £32k) with total rent arrears at the year end of nil (2016/17: nil)

Payments made to members of the Board of Management during 2017/18 amounted to £10k (2016/17: £14k). This relates to reimbursement of travel expenses and subsistence.

All transactions with local authorities were made at arm's length, on normal commercial terms and no Board members used their position to their advantage.

The tenancy agreements and rents charged for those members of the Board of Management were on standard terms applicable to any other tenant of ACHA.

ACHA has entered premise leases with Argyll and Bute Council and has contractual arrangements for the provision of information technology support services in relation to Capita Housing, print services and environmental services provision. ACHA also lets houses to Argyll and Bute Council under a special letting agreement relating to homelessness and also for additional support needs.

ACHA paid £1.9 million (2016/17: £958k) to the Council for services relating to service level agreements, premises leases, council tax, IT, loan repayments, building warrants, environmental and other services received during the period.

Included in the above amount ACHA paid to the Council £1.1 million during the period in respect of Right to Buy sales for the financial period 2016/17 (2015/16: £498k) and £201k in relation to the three Strategic Housing Fund (SHF) loans (2016/17: £201k).

During the period ACHA received from the Council £8.89 million in housing benefit payments (2016/17: £8.28m), homelessness leases of £47k (2016/17: £51k) and £9k in relation to leases for additional support tenancies (2016/17: £nil). ACHA also received £346k of SHF grant income during the period (2016/17: £1.07 million).

At the period end there was a creditor of £267k outstanding in respect of Right to Buy receipts for the financial period 2017/18 (2016/17: £1.1 million) and creditors totalling £91k outstanding to the Council (2016/17: £40k).

# ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2018

### 30. Financial Instruments

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

	2018 £'000	2017 £'000
<i>Financial assets</i>		
<b>Debt instruments measured at amortised cost:</b>		
- Trade debtors (note 16)	623	613
- Accrued income (note 16)	524	500
- Other debtors (note 16)	146	60
- Cash and cash equivalents (note 17)	4,351	10,163
	<b>5,644</b>	<b>11,336</b>
<i>Financial liabilities</i>		
<b>Measured at amortised cost:</b>		
- Bank loans and overdraft (notes 18-19)	44,436	44,561
- Trade creditors (note 18)	4,040	5,028
- Accrued expenses (note 18)	1,699	1,296
- Other creditors (note 18)	646	649
	<b>50,821</b>	<b>51,534</b>

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

	2018 £'000	2017 £'000
<i>Income and expense</i>		
Financial assets measured at amortised cost	29	37
Financial liabilities measured at amortised cost	(1,745)	(1,671)

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 £29 (2017 - £37k) and £1.75 million (2017 - £1.67 million) respectively.

