

Annual Report & Accounts

FOR THE
YEAR
ENDED 31
MARCH
2015

A Registered Society under the
Co-operative & Community Benefit Societies Act 2014 No: 2644R (S)

Registered Charity No: SCO 35767

Scottish Housing Regulator registration: No 359

Property Factor Act: No PF000183



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BOARD OF MANAGEMENT, DIRECTOR AND ADVISERS

Name	Category	Changes during the year	
		Appointed	Resigned
David Blaney (Chair)	Councillor	11 May 2012	
George Lonie (Vice-Chair)	Community	16 Sept 2010	
Kevin Paterson (Treasurer)	Tenant	10 Sept 2014 (re-appointed)	28 Jan 2015
Daniel Coyle	Tenant	10 Sept 2014 (re-appointed)	
Alasdair Mackenzie	Tenant	13 Sept 2012	
Calum Mackay	Community	10 Sept 2014 (re-appointed)	
Jane Mackinnon	Community	15 Sept 2011	
Mairi Bremner	Community	10 Sept 2014 (re-appointed)	
Donald J Macrae	Councillor	11 May 2012	
Norman Macleod	Councillor	11 May 2012	
John A Maciver	Councillor	11 May 2012	27 Nov 13
Gordon Murray	Councillor	28 Nov 13	
Iain Macmillan	Co-optee	10 Sept 2014 (reappointed)	

Secretary and Registered Office

Dena Macleod BA CA
 Creed Court
 Gleann Seileach Business Park
 STORNOWAY
 Isle of Lewis
 HS1 2QP

Funders

Royal Bank Of Scotland plc
 RBS Global Banking & Markets
 Kirkstane House, 139 St Vincent Street, Glasgow,
 G2 5JF

External Auditors

Wylie & Bisset LLP
168 Bath Street
GLASGOW
G2 4TP

Solicitors

Harper Macleod	HBJ Gateley Wareing
The Ca'd'oro	19 Canning Street
45 Gordon Street	EDINBURGH
GLASGOW	EH3 8EH
G1 3PE	

Bankers

Royal Bank of Scotland plc
17 North Beach Street
STORNOWAY
Isle of Lewis
HS1 2XH

Directors

Chief Executive : Angus Lamont BA DIHS MCIH
Director of Operations: John Maciver BSc MPHIL, FCIH
Director of Resources: Dena Macleod BA CA

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REPORT OF BOARD OF MANAGEMENT

REPORT OF BOARD OF MANAGEMENT

The Board of Management presents its report for the year ended 31 March 2015.

OVERVIEW OF BUSINESS

The principal activity of HHP is to provide and manage good quality, affordable accommodation for people in housing need in the Western Isles. HHP is a charitable RSL and owns and manages a range of houses for rent, primarily general need accommodation but also some sheltered and supported accommodation. HHP provides accommodation for homeless people who are referred as statutory homeless and requiring permanent secure accommodation by Comhairle Nan Eilean Siar.

HHP began its operations in September 2006 with 1,800 houses and since then has acquired an additional 300 houses from 5 locally based RSL's, 10 houses under the Government's Rent of the Shelf scheme and has built more than 300 new affordable houses. The stock at 31 March 2015 was 2,228.

CORE VALUES

HHP is committed to:

Customer Focus

- We focus on positive outcomes for our customers. Their views will inform the provision and development of services.

Equal Opportunities

- We will strive to ensure that there is no discrimination evident in the way we deliver services. All customers will be treated with respect. We shall treat people the way we like to be treated.

Quality of Service- Excellence

- We shall seek to 'do it right' at the first time of asking

Integrity

- We honour commitments made to our tenants and build trust.

Sustainability

- We aim to promote sustainable communities where people want to live now and in the future.

REGULATION

The Scottish Housing Regulator publishes a Regulation Plan for all social landlords on an annual basis.

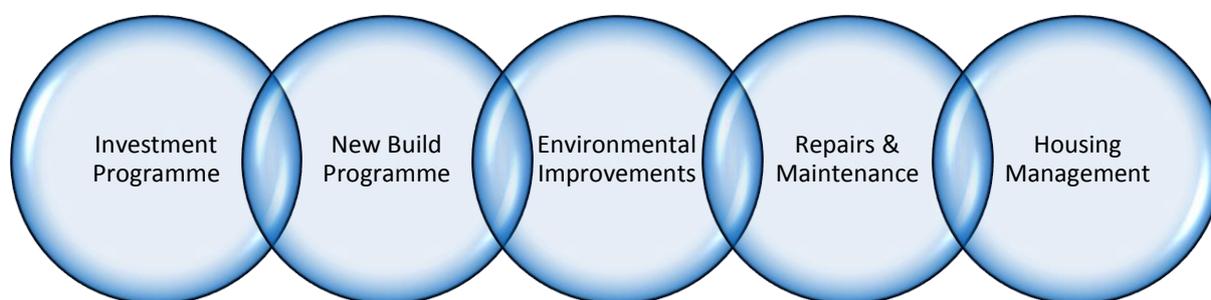
The Regulation Plan sets out the level of engagement. HHP, because of its 'systemic importance' in the Western Isles is categorised as 'medium engagement' by the Scottish Housing Regulator in the 2015 Regulation Plan. Given the level of public money invested by HHP on an annual basis it is important that the Regulator has assurance that the organisation is well managed and achieves value for money.

Two meetings a year take place with the Regulator to review the risks and challenges facing the business and progress against the Business Plan. 30 year and 5 year financial projections are submitted to the Regulator in June.

The Regulator has expressed satisfaction with HHP's progress in the past year.

STRATEGY & OBJECTIVES

HHP's strategy and objectives are detailed in its 30 Year Business Plan. The Business Plan highlights 5 core business activities which have shaped and will continue to shape the future of HHP and the way housing services are delivered to tenants:



Investment Programme

HHP continued to invest in tenants homes with over £3 million spent on improvements to homes including new bathrooms and kitchens. There was a particular focus on works to alleviate fuel poverty. Over 100 new heating systems were installed and the window replacement reached a major milestone with all homes now having double glazing.

Scottish Housing Quality Standard

The Scottish Housing Quality Standard was achieved by the target. There are a number of properties where exemptions will be appropriate, mainly on the grounds of energy efficiency, due to the challenges posed by being in an 'off-gas' area.

Repairs and Maintenance

The Board took a decision to extend the current Repairs and Maintenance contract with FES for a further 2 years until 2018. This reflects the positive partnership working between HHP and FES and the mutual goal of maximising the benefit to tenants. Work is ongoing to improve services and the value for money delivered through the contract.

New Build Programme

HHP has completed more than 300 new houses since Transfer Day in 2006 which is ahead of the 275 in ten years target. There was a total of 49 houses on site during 2014/15.

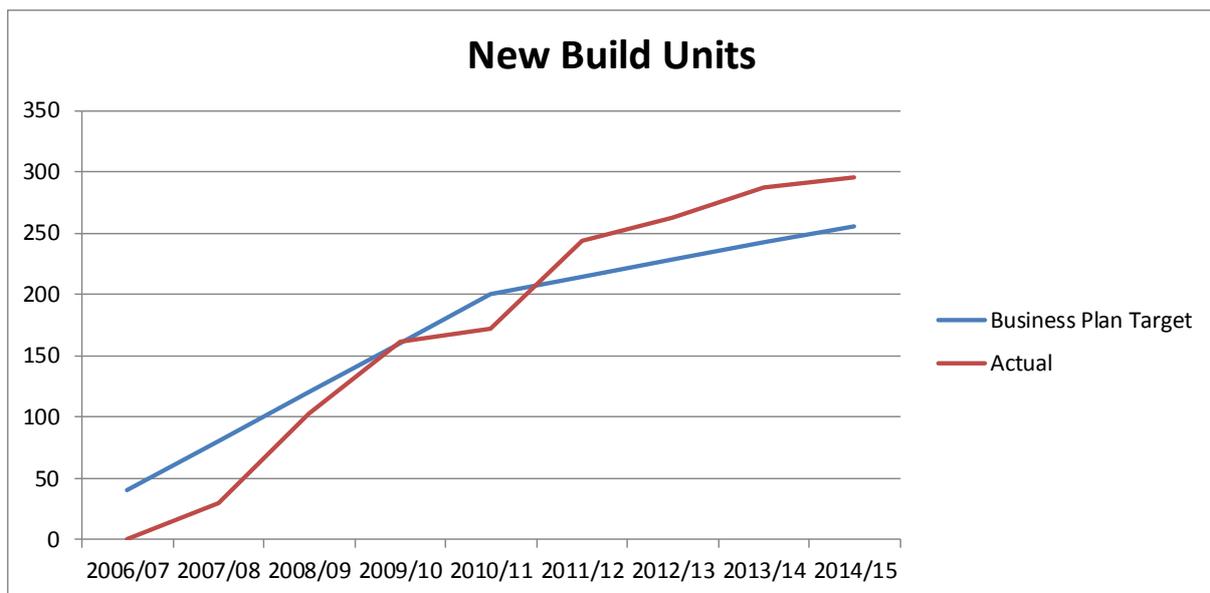
Coming off site in May 2015 are 7 Shared Equity houses at Memorial View, Marybank and 10 Shared Equity houses and 4 for affordable rent at Mackenzie Crescent, Parkend.

In June 2015 4 houses for rent at Leana Ruadh, Crowlista Uig and 4 at Winfield Place Balivanich will be completed.

Future New Build Projects

The plans for 2015/16 include, 6 for affordable rent at Barvas Old School and 4 for affordable rent at Habost, Ness. It is also possible a site start will take place early in 2016 at Horgabost, West Harris for 4 rent and 2 shared equity depending on progress with the community facility on the same site.

MACKENZIE CRESCENT



DYNAMICS OF THE SOCIAL LANDLORD

The Partnership is focused on providing housing within the Western Isles and recent figures show that there is a demand in most areas for socially rented properties and also for the shared equity model in Stornoway. The population decline of the last 30 years seems to be continuing and the proportion of young people and children is worryingly low. The proportion of elderly people is forecast to increase significantly. Demand is high in Stornoway and to a lesser extent in Tarbert, Balivanich and Castlebay. However there is concern that the 'bedroom tax' may adversely impact on letting larger properties in more remote rural areas, although this is being mitigated in full at present.

KEY RISKS IMPACTING ON THE FUTURE

HHP's 30 year business plan is extremely sensitive to changes in the operating environment and in an effort to minimise that risk, a risk strategy and risk register has been prepared. The strategy is updated annually and the register is reviewed quarterly and updated as necessary.

Any risk which materially jeopardises the Partnership's ability to achieve its Mission and Objectives or conduct its business is not accepted.

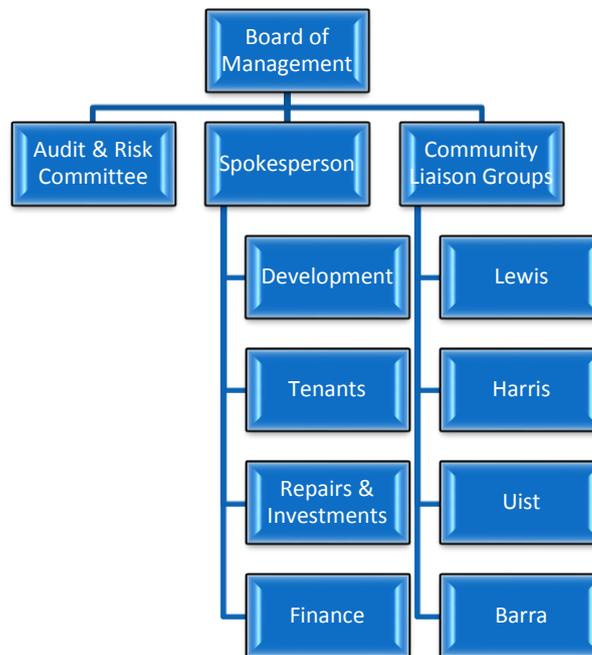
GOVERNANCE & MANAGEMENT

HHP is a registered Co-operative and Communities Benefit Society and is governed by a set of Rules appropriate for a Registered Social Landlord. The Partnership is governed by a voluntary Board of Management which is supported by a Chief Executive, Executive Team and staff. A full list of Board Members is at page 3.

All Board Members and staff are required to operate within a set of Standing Orders, policies and financial regulations.

The composition of the Board includes four tenant representatives. The Board's skill mix is regularly reviewed, and where gaps are identified, Board Members seek to identify individuals from within the Partnership's existing membership and wider environment to strengthen the range of expertise on the Board. The Governance structure is shown in Figure 1.

Figure 1 Board of Management



New Board Members undergo induction training which includes a “buddy” system where an experienced Board Member will make themselves available to assist a new Board member.

The Partnership’s Standing Orders allow for one Standing Committee and four Community Liaison Groups.

The Board comprises up to 12 members - 4 tenant members, 4 Comhairle Nan Eilean Siar nominees, 4 community representatives and up to 3 co-optees. There are currently 11 Board members including 1 co-optee.

HHP’s Rules require that two community and two tenant members step down each year. There will be elections for the vacant positions at the Annual General Meeting in September 2015.

Tenant and Community members of the Board hold one fully paid £1 share.

During 2014/15 two shares were issued to new members.

The Board is responsible for the overall strategic direction and objectives of HHP. Key responsibilities include overseeing:

- Approval of Business Plan
- Delivery of Business Plan
- Ensuring compliance with our values and key objectives
- Establishing strategic plans to achieve objectives
- Appraising the annual financial statement
- Establishing a framework of delegation and system of internal control
- Achieving the highest standards of governance

Currently, HHP's Board has delegated responsibility to the following Standing Committee:

AUDIT & RISK

The Audit & Risk Committee is responsible for ensuring that the activities of the Board are within the law and regulations which govern the Board, and that an effective internal control system is maintained. Specifically this Committee:

- Reviews HHP's systems of internal control and risk management
- Provides an overview of the internal and external audit functions
- Scrutinises the financial statements
- Monitors the implementation of internal audit recommendations, external audit reports and management letters
- Reviews the internal audit plan and scope of work
- Reviews the effectiveness of the overall risk strategy

TENANT PARTICIPATION

The Board took a decision during the year to further develop the approach to Tenant Participation with a view to broadening and strengthening opportunities for tenants to engage with HHP and to actively participate in a way that suits them.

TPAS were appointed, following competitive procurement to provide a Tenant Participation Development Service to HHP and a worker was appointed in March 2015. This service will support existing tenants and residents groups and will reach out to all tenants to help them to become involved in the planning and monitoring of services.

HEALTH & SAFETY

The Board places the highest priority on the Health and Safety of tenants, staff and contractors. A Health and Safety group chaired by the Director of Operations meets regularly with a remit to ensure the Health and Safety requirements are being met by the Partnership.

POLITICAL AND CHARITABLE DONATIONS

There were no political donations made by HHP during the financial year. A total of £3,000 was donated during the year to the following local charities:

- £750 Crossroads
- £750 CRY (The Andrew Macleod Fund)
- £750 The Salvation Army
- £750 Tagsa Uibhist

DISCLOSURE OF INFORMATION TO AUDITORS

The Board Members who held office at the date of approval of this Board report confirm that, so far as they are each aware, there is no relevant audit information of which the Partnership's auditors are unaware; and each Board Member has taken all the steps that he/she ought to have taken as a Board Member to make himself/herself aware of any relevant audit information and to establish that the Partnership's auditors are aware of that information.

AUDITORS

A resolution to re-appoint Wylie & Bisset as auditors of HHP will be proposed at the Annual General Meeting in September 2015.

EMPLOYEE POLICIES

The 30 year Business Plan recognises that the well-being of staff is critical to successful service delivery. A core objective is to be a good employer that attracts and retains high quality staff. HHP will ensure that there is sufficient and well trained staff to deliver high quality services.

RECRUITMENT

HHP want staff to feel safe in their working environment and that they are treated fairly irrespective of colour, age, disability, religion or sexual orientation. A Recruitment Policy has been developed which aims to:

- Recruit and select the best candidate for every vacancy;
- Ensure that access to employment opportunities is based on fair, objective and consistent criteria

TRAINING

HHP is committed to the training and development of all its employees and Board Members. Regular training needs assessments are carried out for Board Members which feed into Training Plans. During 2014/15 all HHP managers started Level 5 Leadership and Management ILM. A training programme for staff for 2015/16 is being compiled from training needs highlighted during the staff performance appraisal system.

INTERNAL FINANCIAL CONTROL

The Board of HHP is responsible for establishing and maintaining systems of internal financial control within the organisation. By their nature these systems can provide reasonable, but not absolute, assurance against material mis-statement or loss. The internal control framework is supported by organisational control measures including, financial and business planning, performance monitoring and reporting, project management and communication systems. The internal control framework also relies on formal governance measures including a structure of corporate policies, authorities and responsibilities delegated from the Board to the Executive Team.

FRAMEWORK OF INTERNAL CONTROL

The key methods by which the Board establishes the framework for providing effective internal financial controls are dealt with in the next part of this report.

MANAGEMENT STRUCTURE

The organisation for which the Board has overall responsibility is governed by a set of Standing Orders, which reserves specific powers to the Board and delegates functions and powers to its Officers, Committee and Working Groups. The Executive Team, comprising of the Chief Executive and the Directors, has two main functions; Operations and Resources.

AUDIT & RISK COMMITTEE

The Audit & Risk Committee consists of six members. Meetings are normally held quarterly to review and approve annual internal and external audit plans, reports and the action taken on issues raised by audit. In addition the Audit and Risk Committee reviews the corporate risk management arrangements including the Risk Register.

SYSTEM OF INTERNAL CONTROL

The key elements of the system of internal control are as follows:

- Regular meetings of the Board, which has a schedule of matters specifically reserved for its approval and which are the subject of regular standard reports as required
- Appointment of Internal Auditors who work to the standards of the Institute of Internal Auditors and produce an annual internal audit plan and regular internal audit reports
- The review of reports prepared by Internal Auditors by the Audit and Risk Committee on a regular basis
- A corporate financial plan with a detailed annual budget, regularly revised forecasts, a comparison of actual with budget and key performance indicators all of which are reviewed by the Board

IDENTIFICATION OF BUSINESS RISK

Risk management lies with the Board supported by Management Team. Key risks have been identified as part of the business planning process and scored to reflect the likelihood of this occurring. Mitigation strategies are put in place to minimise the impact of identified risk on the organisation.

The three most significant risks identified during 2014/15 were Welfare Reform particularly the roll out of Universal Credit, legislative and regulatory changes and changing relationships with partners. Other significant risk factors include additional pressure on pension costs and wider economic uncertainty in the Western Isles.

Increased costs are also being experienced by local contractors on supplies which will inevitably lead to increased costs in maintenance and new build. The local economy continues to be fragile with risk of contractors experiencing cash flow problems and the potential for business failure.

CORPORATE RISK

The Risk Register has been updated for 2015/16. The Risk Register is organisation wide and shows each risk, the significance of the risk and the probability of these risks occurring. The Register also details the impact of the risks should they occur and who will have responsibility for devising and implementing suitable controls and mitigating actions.

MANAGEMENT INFORMATION SYSTEMS

Management Information Systems have been established which provide monthly information on key aspects of the business. Management accounts comparing actual results against budget are presented to the Board along with performance against key financial and non-financial indicators. Over the next year HHP's Executive Team will continue to develop the management information produced to provide managers with reliable and up to date information which enables them to respond quickly to service delivery issues as they arise whilst continuing to achieve the strategic objectives and goals of the organisation.

INTERNAL AUDIT

On 1 April 2015 the Board re-appointed Scott-Moncrieff as their Internal Auditors. The Internal Auditors report directly to the Audit and Risk Committee.

The External Auditors have placed reliance on the work carried out by the Internal Auditors on the accounting systems.

INVESTMENT APPRAISAL

The Financial Regulations provide the framework and procedures for investment appraisal. Expenditure beyond certain levels requires to be approved by the Board. A Fixed Asset Register is in place which details all the assets owned by the Partnership.

INVESTMENT

On 1 June 2010 HHP Community Housing Limited was formed as a non-charitable subsidiary of the Partnership. During 2014/15 there was no activity. The Board during its business planning session have asked officers to explore potential new areas of business activity. The majority of the proposed areas of activity would need to be undertaken by the subsidiary due to their nature.

BOARD STATEMENT ON INTERNAL FINANCIAL CONTROL

The Board acknowledges its ultimate responsibility for ensuring that the RSL has in place a system of controls that is appropriate for the business environment in which it operates. These controls are designed to give reasonable assurance with respect to:-

- the reliability of financial information used within the Partnership, or for publication;
- the maintenance of proper accounting records;
- the safeguarding of assets against unauthorised use or disposition.

STATEMENT OF BOARD RESPONSIBILITIES

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

- formal policies and procedures are in place, including the ongoing documentation of key system and rules in relation to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of the Partnership's assets;
- experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared which allow the Management Team and the Board to monitor the key business risks, financial objectives and progress being made towards achieving the financial plans set for the year and for the medium term;
- monthly financial management reports are prepared promptly, providing relevant, reliable and up to date financial and other information, with significant variances from budget being investigated as appropriate;
- 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 the Board;
- the Audit Committee/Board received reports from management and from external and internal auditors to provide reasonable assurance that control procedures are in place and are being followed and that a general review of the major risks facing the Partnership is undertaken;
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

The Board has reviewed the effectiveness of the system of internal financial control in existence in the Partnership for the year end 31 March 2015. No weaknesses were found in internal financial controls which results in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

The Board of Management is responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Partnership and to enable them to ensure the Financial statements comply with the Co-operative & Community Benefits Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2012. It is also responsible for safeguarding the assets of the Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is also responsible for ensuring the Partnership's suppliers are paid promptly.

STATEMENT OF DISCLOSURES TO AUDITORS

In so far as the Board of Management are aware:

- There is no relevant audit information (information needed by the Partnership's auditors in connection with preparing their report) of which the Partnership's auditors are unaware, and
- The Board of Management have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Partnership's auditors are aware of that information.

On behalf of the Board



David Blaney

Chair



OPERATING AND FINANCIAL REVIEW

OPERATING AND FINANCIAL REVIEW

PERFORMANCE IN THE YEAR

A summary of the key performance areas for the year are detailed in the following paragraphs.

HOUSING SERVICES

Arrears performance continued to improve and was again the best level of performance since HHP was established.

The impact of the 'bedroom tax' was mitigated throughout the year by Discretionary Housing Payments made to tenants by the Comhairle and we are grateful for this support. The amount of arrears due to the bedroom tax was reduced to £3k.

We are experiencing weakening demand for housing, as evidenced by waiting lists, throughout many of the rural areas in our islands which are unlet due to lack of demand and we are continuing to explore options to address this. During the year we entered into an agreement with Lews Castle College to provide student accommodation in Lochboisdale where demand for one scheme was very low. This has proved to be very successful both for the students and the surrounding residents.

Despite the demand issues void rent loss was contained at 0.7% and the average days to let (excluding difficult to let properties) was 17 days which continued the good performance of previous years.

Welfare Reform is a significant risk to the business and work continued to collect data which will help us to identify where help will be most needed as Universal Credit is rolled out in the Outer Hebrides. Provision was made for additional resources to be deployed to support tenants with these changes.

The level of anti-social behaviour in the islands remains low and we did not need to take direct legal action against any tenants in 2014/15.

We continue to work in partnership with many local agencies particularly through multi-agency partnerships such as the Community Planning Partnership, Domestic Abuse Forum, Poverty Action Group and the Welfare Reform Group.

TENANT PARTICIPATION

Our annual events were once again held in Stornoway, Balivanich, Tarbert and Castlebay. These allowed tenants to chat informally to staff and to receive information from other agencies. We are grateful to our contractors and partners who supported these events.

We appointed TPAS to work with tenants and to develop their engagement with HHP and this service is now underway.

Unfortunately, WIFTRA ceased to be active during the year and lost some key members. The new TPAS service will work with tenants to try and re-launch a representative forum for tenants and the other Registered Tenant Organisations and more informal groupings.

OPERATIONAL REVIEW

PLANNED & CYCLICAL MAINTENANCE

The first full 5 year cycle of our planned maintenance programme was completed and we will continue with this approach which seeks to ensure that the external fabric of houses and the wider environment is maintained in good condition. However, the maintenance of fencing continues to be a challenge due to the huge amounts within the housing stock.

Annual servicing programmes were also carried out. This covered areas such as gas and air source heat pumps, fire alarms, stair lighting, door entry systems and chimney cleaning.

We continue to work with FES FM Ltd to maximise the resources spend on this planned approach which provide the best value for money to tenants and HHP.

INVESTMENT PROGRAMME

The 4 year investment programme agreed in 2011 was completed ahead of target and within budget.

A further £3.5 million was invested in tenants' homes during 2014/15 as we continued to bring houses up to the Scottish Housing Quality Standard (SHQS). Major improvement work included new heating, kitchens, bathrooms and windows. The window programme reached a major milestone with all homes now having double glazing.

The focus on alleviating fuel poverty continued. As well as the heating and window programmes further insulation works were carried out and 4 new infra-red heating systems were installed in Tarbert as a pilot. These will be monitored to see if they provide a good low-cost solution for tenants.

We continued to plan ahead and an investment programme for the next 4 years was agreed by the Board in March 2015. We also procured a framework contract during the year to deliver this investment programme and 9 local contractors have been appointed under the framework.

The following were delivered during the year:

85	Heating Systems	86	Kitchens	8	Door Entry Systems
67	Bathrooms	17	Re-roofing	115	Windows
17	Roughcast				

SCOTTISH HOUSING QUALITY STANDARD

HHP met the Scottish Housing Quality Standard by 31 March 2015. However we will be seeking exemptions for a significant number of properties on the grounds of energy efficiency. This is principally due to the fact that they are in off-gas areas. There are also a number of properties with galley style kitchens where it is not physically possible to carry out the works.

AIDS AND ADAPTATIONS

We were again successful in obtaining a high funding allocation of £400k from the Scottish Government. This enabled us to deliver aids and adaptations to 103 tenants with health and mobility problems based on Occupational Therapy Service recommendations. These monies enabled us to keep waiting time to a minimum for those in need.

FUEL POVERTY AND EESSH

Fuel poverty is a huge problem in the Outer Hebrides. We are exploring all possible options to alleviate this for our tenants and the wider population. On a larger scale we are supporting the Comhairle as they strive to establish a local Energy Supply Company (ESCO) and are also interested in the potential for Our Power to bring benefits to the Highlands & Islands.

We are also working with other Highlands and Islands Housing Associations and Councils to lobby Government, DECC, OFGEM and SSE on the price loading being applied by suppliers and SSE in particular in the islands.

Work is continuing to improve the energy efficiency of the housing stock and we are investing heavily in renewable Air Source Heat Pumps (ASHPs) to provide tenants in off-gas areas with more affordable and controllable heating. We are also exploring other technologies such as Quantum storage heating and most recently infra-red heating. Our drive is to enable tenants to heat houses well at an affordable cost.

The information we hold on the energy efficiency of the housing stock continues to be strengthened and we carried out a further 58 EPC's during the year. We are focussed on the EESSH targets and will maintain and report our progress regularly. The targets present specific challenges to fund landlords such as HHP in off-gas areas.

FINANCIAL REVIEW

FINANCIAL RESULTS

The turnover for the year to 31 March 2015 was £9.005 million against operating costs of £5.259 million. Operating costs for the year included £0.552 million of capital investment written off against expenditure. The main source of income was from rental income of £8.175 million with £0.706 million received in grant from The Scottish Government. £0.300 million of the grant received was to support our Business Plan activities. Turnover on other activities included factoring reflecting the requirements of the Property Factors Act 2011. There were no LIFT properties sold during the year (2014: 0 LIFT).

The operating surplus on Letting Activities was £3.693 million, 46% of Net Rental Income (2014: £3.700 million, 48% of Net Rental Income).

Funds are being transferred into designated reserves for:

- a) Future Repairs and Renewals on new build properties;
- b) Funding costs for removing asbestos from transferred properties which may be incurred as a result of the investment programme;
- c) Pension reserve.

BALANCE SHEET

HHP's Balance Sheet is shown on Page 30. The key factors affecting the balance sheet are:

- a) The addition of 8 new units for rent funded largely from Housing Association Grant from the Scottish Government;
- b) The development contract entered into with Comhairle Nan Eilean Siar for investment in the properties transferred to HHP amounting to £5.021 million. This is shown under Long Term debtors and Long Term creditors;
- c) Stock increased to reflect the Work in Progress on two LIFT schemes;
- d) Reduction in creditors due to loans being shown under long term creditors.

CASH FLOW

The Cash Flow is shown on page 31. The net cash flow from operating activities was £4.527 million which includes a Business Plan support grant of £0.300 million from The Scottish Government. The principal cash outflows were operating costs and investment in assets.

CURRENT LIQUIDITY

At 31 March 2015 HHP had cash and short-term deposits of £3.229 million. This was £2.5 million more than forecast in the Annual Financial Strategy for 2014/15 and was mainly due to opening balances at 1 April 2014 being £2 million higher than forecast. The future investment and development programme will see this cash balance reduce significantly over the forthcoming year. It is not anticipated that there will be a requirement to draw down funds during 2015/16.

CAPITAL STRUCTURE AND TREASURY MANAGEMENT POLICY

HHP's activities are funded on the basis of a Business Plan, which is updated annually. The main elements of HHP's long term funding are a 30 year loan facility arranged with the Royal Bank of Scotland (RBS), deficit funding and loan facilities provided by The Scottish Government. The RBS loan facility allows HHP to borrow up to £10 million. In broad terms, the current Business Plan assumes that borrowing will increase each year until the maximum of £9 million is reached in 2028 reflecting the significant investment programme in the first ten years of the plan. Debt is progressively paid off in subsequent years and is projected to be fully paid off by 2036. During January 2015 the Board entered into discussions with RBS to revise the long term funding facility to enable delivery of the Partnership's objectives. The facility will be increased by £5 million and will be in place by the end of June 2015.

The Business Plan assumes deficit funding grants, capital grants for new build and loans of just over £20 million. The loans are repayable by year 30.

The Board receives updates each quarter which detail the debt, cash and interest received. All proposed changes to banking arrangements and bank signatories are approved by the Board.

The Treasury Management Policy was approved in January 2012. The Treasury Management Policy sets down the framework for investing and managing cash, raising loans, interest rate management and the use of financial derivatives by the Group. A key objective of the Policy is to ensure that the Partnership's loan portfolio represents the optimum balance of risk in interest rate, loan maturity and fixed rate exposure.

PLANS FOR THE FUTURE

HHP plans to invest £18.042 million over the next 5 years ensuring the Scottish Housing Quality Standard is maintained in all its properties. £6.964 million of private finance has been earmarked for the 16 new build projects due for completion in the next 5 years. HHP has secured additional funding with RBS which together with funding from Scottish Government and Comhairle Nan Eilean Siar will enable the planned number of units for development to be delivered.

INDEPENDENT AUDITOR'S REPORT

We have audited the financial statements of Hebridean Housing Partnership for the year ended 31 March 2015 which comprise the Income and Expenditure account, the Balance Sheet, the Cash Flow Statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of the Board of Management and Auditors

As explained more fully in the Board's Responsibilities Statement set out on page 16, the Board of Management are responsible for the preparation of the Financial Statements that give a true and fair view. Our responsibility is to audit and express an opinion the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Partnership's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Management; and the overall presentation of the financial statements. In addition, we read all the financial and non financial information in the Board of Management's report to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications of our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Partnership's affairs as at 31 March 2015 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Communities Benefit Societies Act 2014, the Housing (Scotland) Act 2010, the Determination of Accounting Requirements 2012.

Matters on which we are required to report by exception

We are required to report to you under The Co-operative and Community Benefit Societies Act 2014 if, in our opinion:

- The information given in the Report of the Board of Management is inconsistent with the Financial Statements;
- Proper books of accounts have not been kept by the Partnership in accordance with the requirements of the legislation;
- A satisfactory system of control over transactions has not been maintained by the Partnership in accordance with the requirement of the legislation;
- the financial statements are not in agreement with the books of accounts; or
- we have not received all the information and explanations necessary for the purposes of our audit.

We have nothing to report in respect of these matters.



Wylie & Bisset LLP

Chartered Accountants

Statutory Auditors

Glasgow

Date: 24 June 2015

REPORT BY THE AUDITORS TO THE MEMBERS OF HEBRIDEAN HOUSING PARTNERSHIP LIMITED ON CORPORATE GOVERNANCE MATTERS

CORPORATE GOVERNANCE

In addition to our audit of the Financial Statements, we have reviewed your statement on page 17 concerns the Partnership's compliance with the information required by the Regulatory Standards (for systemically important RSLs) 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.

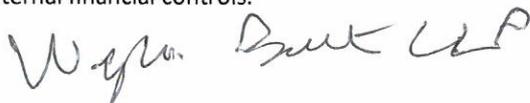
BASIS OF OPINION

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 Partnership'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 17 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 the result of our audit work on the Financial Statements.

Through enquiry of certain members of the Board and Officers of the Partnership and examination of relevant documents, we have satisfied ourselves that the Board's Statement on Internal Financial Control appropriately reflects the Partnership'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.



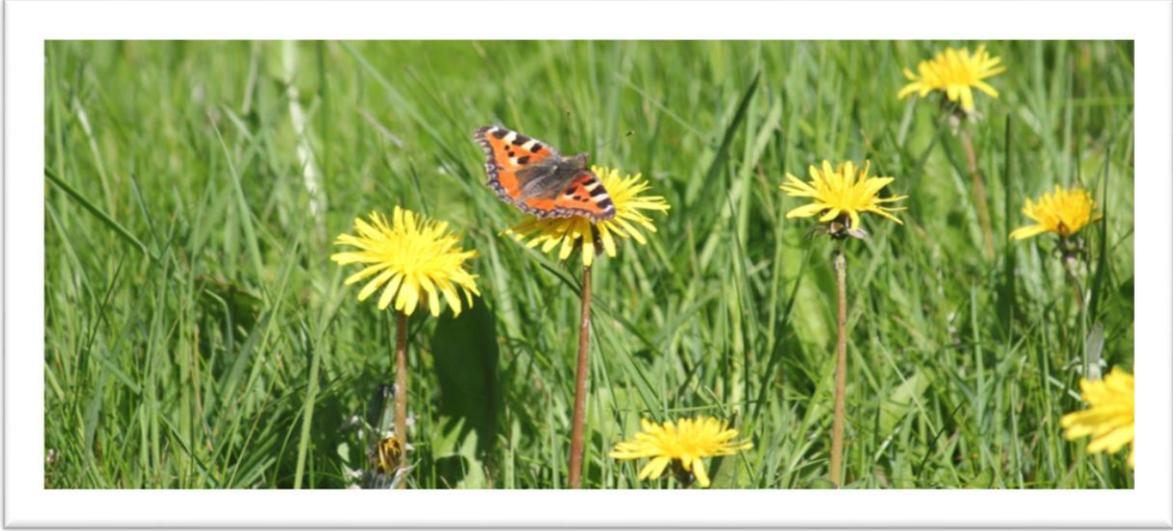
Wylie & Bisset LLP

Chartered Accountants

Statutory Auditors

Glasgow

Date: 24 June 2015



FINANCIAL STATEMENTS

INCOME & EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2015

		31 March 2015	31 March 2014
		£	£
	Notes		
Turnover	3	9,005,365	8,587,373
Operating costs	4 & 5	(5,259,721)	(4,877,750)
Operating surplus		3,745,644	3,709,623
Surplus/(Loss) on sale of fixed assets			
-housing properties	9	3,549	(11,437)
-other assets	9	(33,884)	-
Interest receivable and other income	10	7,899	7,027
Interest payable and similar charges	11	(220,775)	(260,359)
Surplus on ordinary activities, before transfers to Reserves		3,502,433	3,444,854

The results for the year relate wholly to continuing activities.

STATEMENT OF RECOGNISED SURPLUSES AND DEFICITS

FOR THE YEAR ENDED 31 MARCH 2015

		31 March 2015	31 March 2014
		£	£
Surplus on ordinary activities, before transfer to Reserves		3,502,433	3,444,854
Transfer to Designated Reserves	21	(490,535)	(505,156)
Total recognised surpluses since the last financial statements		3,011,898	2,939,698

Total recognised surpluses relate wholly to continuing activities.

The notes on pages 32 to 51 form part of these financial statements.

BALANCE SHEET AT 31 MARCH 2015

		31 March 2015	31 March 2014
		£	£
Tangible Fixed Assets	Notes		
Housing Properties at cost	15	26,810,060	24,787,262
Other tangible fixed assets	15	911,145	928,231
Investments	15	1	1
		<u>27,721,206</u>	<u>25,715,494</u>
Debtors due after more than one year	16	5,099,934	7,801,719
Current Assets			
Stock		800,008	123,777
Debtors due within one year	16	1,031,583	904,916
Short-term deposits		1,814,750	1,271,550
Cash at bank and in hand		<u>1,414,142</u>	<u>838,262</u>
		5,060,483	3,138,505
Creditors: amounts falling due within one year	17	<u>(1,031,648)</u>	<u>(1,037,140)</u>
Net current assets		<u>4,028,835</u>	<u>2,101,365</u>
Total assets less current liabilities		<u>36,849,975</u>	<u>35,618,578</u>
Creditors: amounts falling due after more than one year	18	<u>(8,659,584)</u>	<u>(8,165,109)</u>
		28,190,391	27,453,469
Provisions for liabilities and charges	19	<u>(5,020,572)</u>	<u>(7,717,528)</u>
Net Assets		<u>23,169,819</u>	<u>19,735,941</u>
Capital and Reserves			
Share Capital	20	195	193
Designated Reserve	21	3,019,811	2,529,276
Capital Reserve	22	41,492	110,049
Revenue Reserve	21	<u>20,108,321</u>	<u>17,096,423</u>
		<u>23,169,819</u>	<u>19,735,941</u>

These financial statements were approved by the Board on 24th June 2015 and were signed on its behalf by:



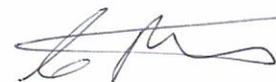
David Blaney

Chair



Dena Macleod

Secretary



Calum Mackay

Board Member

The notes on pages 32 to 51 form part of these financial statements.

CASHFLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2015

	Notes	31 March 2015 £	31 March 2014 £
Net Cash inflow from operating activities	27	4,526,964	4,750,405
Returns on investment and servicing of finance			
Right to Buy Proceeds + Sale of Assets		(30,335)	(11,437)
Interest Received		7,899	7,027
Interest Paid		(220,775)	(260,359)
Net Cash (outflow) from returns on investment and servicing of finance		(243,211)	(264,769)
Taxation			
Net Cash outflow from Taxation		-	-
Capital expenditure and financial investment			
Acquisition and construction of properties		(5,142,119)	(5,631,165)
Purchase of other fixed assets & investment		(31,373)	(159,115)
Grants received		1,943,041	1,399,167
Sales of properties		90,917	87,656
Sale of other assets		2	2,326
Net Cash outflow from capital expenditure		(3,139,532)	(4,301,131)
Net Cash inflow before use of liquid resources and financing		1,144,221	184,505
Management of liquid resources		(543,200)	(45,645)
Financing			
Loan advances received		-	-
Loan principal repaid		(25,143)	(21,452)
Shares issued		2	1
		(25,141)	(21,451)
Increase in cash in the year	27	575,880	117,409

The notes on pages 32 to 51 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

NOTE 1 LEGAL STATUS

Hebridean Housing Partnership Limited (“HHP” or “The Partnership”) is registered under the Co-operative and Community Benefit Societies and Credit Unions Act 2014 (previously known as the Industrial and Provident Societies Act 1965) and is a Housing Association registered with Scottish Housing Regulator (previously Communities Scotland) under the Housing (Scotland) Act 2010. HHP has charitable status and is registered with OSCR.

NOTE 2 ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Financial Statements, except where noted below.

BASIS OF ACCOUNTING

The Financial Statements of the Partnership are prepared in accordance with applicable accounting standards and in compliance with the Determination of Accounting Requirements 2014 and under historical cost accounting rules, modified to include revaluation of properties held for letting and commercial properties. The Financial Statements have also been prepared in accordance with the Statement of Recommended Practice, Accounting by Registered Social Landlords Update 2010, issued by National Housing Federation.

PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Financial Statements contain information about Hebridean Housing Partnership as an individual company and do not contain consolidated financial information as the parent of a group. The Partnership has taken the option not to prepare consolidated Financial Statements due to the immateriality of the results of its subsidiary, HHP Community Housing Limited as detailed in Note 25.

TURNOVER

Turnover, which is stated net of Value Added Tax, represents income receivable from lettings and service charges, fees receivable, revenue grants and other income.

GRANT INCOME

Grant Income received is matched with the expenditure to which it relates. Where grant is paid as a contribution towards the capital cost of housing schemes, it is deducted from the cost of housing properties. Where grant is paid as a contribution towards revenue expenditure, it is included in turnover.

DEPOSIT AND LIQUID RESOURCES

Cash, for the purpose of the cash flow statement comprises cash in hand and deposits repayable on demand, less overdrafts repayable on demand. Liquid resources are current asset investments that are disposable

without curtailing or disrupting the business and are readily convertible into known amounts of cash at, or close to, their carrying value.

PENSION COSTS

The Partnership participates in the Highland Superannuation Scheme and contributions to the pension scheme are calculated as a percentage of pensionable salaries of the employees, determined in accordance with actuarial advice. The actual pension cost is charged to the income and expenditure account based on contributions to the fund.

HOUSING PROPERTIES

Housing properties in the course of construction are stated at cost and are not depreciated. Housing properties are transferred to completed properties when they are ready for letting and are stated at valuation. Where it is considered that there has been any impairment in value this is provided for accordingly. The cost of properties is their purchase price together with capitalised repairs. Expenditure on schemes that are subsequently aborted is written off in the year in which it is recognised that the schemes will not be developed to completion.

IMPROVEMENTS TO HOUSING PROPERTIES

The Partnership capitalises repairs and improvement expenditure on its housing properties which result in an enhancement of the economic benefit of the asset. Certain items of Investment expenditure which had been written off in the Partnership's previous Income and Expenditure Accounts up to and including 31 March 2011 will now be capitalised as a result of the requirements of component accounting.

IMPAIRMENT

Reviews for any impairment of housing properties are carried out on an annual basis where the estimated remaining economic life of those properties exceeds 50 years. Impairment is recognised where the carrying value of an income generating unit exceeds the higher of its net realisable value or its value in use. Value in use represents the net present value of expected future cash flows expected from the continued use of these assets. Any impairment of assets would be recognised in the Income and Expenditure Account.

SHARED OWNERSHIP

Shared ownership properties are split proportionately between current and fixed assets based on the first tranche proportion.

First tranche proportions will be accounted for as current assets and the related sales proceeds shown in turnover; and

The remaining element of the share ownership property will be accounted for as a fixed asset and any subsequent sale will be treated as a part disposal of a fixed asset.

COMMERCIAL PROPERTIES

Commercial properties are valued at existing use value.

PROVISIONS

The Partnership only provides for contractual liabilities that exist at the balance sheet date.

TAXATION

Income and capital gains are generally exempt from tax if applied for charitable purposes.

DEPRECIATION

Depreciation is charged on a straight-line basis to write off the cost of each asset, less any estimated residual value, over its expected useful life, as set out below. Assets are depreciated in the year of acquisition, from the date of their acquisition, and in the year of disposal, up to the date of disposal. Land is not depreciated.

Housing Properties and Offices

All of the major components comprised within the Partnership's housing properties and offices are treated as separable assets and their costs (after the deduction of any related social housing grant) are depreciated by reference to the expected useful life of each component, on the following basis:

	<i>Years</i>
Roofs	50
Kitchens	20
Bathrooms	30
Showers	10
Heating Boilers	15
Heating Systems	20
Window & Doors	25
Other External Components	15
Structure	60

Other Fixed Assets

All other Fixed Assets are depreciated by reference to the following expected useful lives:

	<i>Years</i>
Furniture, Fittings and Office Equipment	5
Computer Hardware and Software	4

SALE OF HOUSING ACCOMMODATION

Properties are disposed of under the appropriate legislation and guidance. All costs and grants relating to the share of property sold are removed from the Financial Statements at the date of sale. Any grants received that cannot be repaid from the proceeds of sale are abated and the grant removed from the Financial Statements.

CAPITALISATION OF DEVELOPMENT OVERHEADS

Staff costs that are directly attributable to bringing housing properties into working condition for their intended use are capitalised.

CAPITAL GRANTS

Where capitalised repairs have been financed wholly or partly by grant, the cost of these repairs has been reduced by the amount of the grant received.

VALUE ADDED TAX

The Partnership is registered for VAT. A large proportion of its income, including rental receipts, is exempt for VAT purposes, giving rise to a partial exemption calculation. Expenditure with recoverable VAT is shown net of VAT and expenditure with irrecoverable VAT is shown inclusive of VAT. VAT on refurbishment works expenditure included in the development works agreement with Comhairle Nan Eilean Siar is fully recoverable. Expenditure on these works is shown net of VAT.

DEVELOPMENT AGREEMENT

The Partnership has entered into agreements with Comhairle Nan Eilean Siar whereby the undertaking of catch up repairs and improvement works remains with the Comhairle, with the obligation sub-contracted to HHP. This has been shown on the Partnership's Balance Sheet as a debtor offset by a provision of an equal amount. As work progresses, both sums will be adjusted downwards by the appropriate amount.

BAD AND DOUBTFUL DEBTS

Provision is made against rent arrears for current and former tenants as well as other miscellaneous debts to the extent that they are considered potentially irrecoverable.

INTANGIBLE FIXED ASSETS

Negative goodwill arising from the acquisition of the business will be shown as a negative asset and amortised over the life of the assets acquired.

LEASED ASSETS

Rentals payable under operating leases are charged to the income and expenditure account on a straight line basis over the lease term.

DESIGNATED RESERVES

Designated reserves are unrestricted reserves earmarked by Directors for particular purposes.

NOTE 3 TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	2015			2014
	Operating Turnover	Operating Costs	Operating Surplus	Operating Surplus
	£	£	£	£
Affordable Letting Activities	8,865,448	5,172,243	3,693,205	3,699,960
Other activities	139,917	87,478	52,439	9,663
TOTAL	9,005,365	5,259,721	3,745,644	3,709,623
Total for 31 March 2014	8,587,373	4,877,750	3,709,623	

NOTE 4 PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	General Needs Housing	Supported Accommodation	Shared Ownership	Total	2014
	£	£	£	£	£
Income from Affordable letting activities					
Rent receivable net of service Charges	8,128,131	43,667	3,118	8,174,916	7,734,316
Service Charges receivable	39,605	3,813	2,247	45,665	31,980
Gross Income from rents and service charges	8,167,736	47,480	5,365	8,220,581	7,766,296
Less voids	(60,963)	-	-	(60,963)	(49,247)
Net Income from rents and service charges	8,106,773	47,480	5,365	8,159,618	7,717,049
Revenue Grants from Scottish Ministers	300,000	-	-	300,000	300,000
Other Revenue Grants	405,830	-	-	405,830	410,694
Total Turnover from affordable letting activities	8,812,603	47,480	5,365	8,865,448	8,427,743
Expenditure on affordable letting activities					
Management and Maintenance Administration costs	1,553,389	10,543	2,109	1,566,041	1,493,051
Service Costs					
Planned and Cyclical Maintenance including major repairs	1,113,489	-	1,751	1,115,240	1,075,407
Reactive Maintenance	1,392,768	5,385	147	1,398,300	1,156,272
Bad Debts-rents and service charges	7,300	-	-	7,300	47,480
Depreciation of affordable let properties	1,085,295	-	67	1,085,362	955,573
Impairment of affordable let properties					
Operating costs of affordable letting activities	5,152,241	15,928	4,074	5,172,243	4,727,783
Operating surplus on affordable letting activities	3,660,362	31,552	1,291	3,693,205	3,699,960
Operating surplus for affordable letting activities for 31 March 2014	3,671,009	27,414	1,537	3,699,960	

NOTE 5 PARTICULAR OF INCOME AND EXPENDITURE ON OTHER ACTIVITIES

	Grants from Scottish Ministers Income £	Other Income £	Total Turnover £	Other Operating Costs £	Operating Surplus/ Deficit £	2014 £
Factoring		4,800	4,800	11,192	(6,392)	(2,268)
Development	-	32,788	32,788	38,615	(5,827)	(27,860)
Management Services	-	33,772	33,772	37,671	(3,899)	(28,766)
Amortization negative goodwill	-	68,557	68,557	-	68,557	68,557
Total from other activities	-	139,917	139,917	87,478	52,439	9,663
31 March 2014	-	159,630	159,630	149,967	9,663	

NOTE 6 BOARD MEMBERS EMOLUMENTS

Board Members received £6,447 (2014: £5,731) by way of reimbursement of expenses. Board Members did not receive anything by way of emoluments.

NOTE 7 EXECUTIVE DIRECTORS' EMOLUMENTS

DIRECTORS' AND EMPLOYEES EMOLUMENTS		
	2015	2014
	£	£
The Directors are defined as the Chief Executive and any other person reporting directly to the Chief Executive whose total emoluments exceed £60,000 per annum.		
Aggregate emoluments payable to Directors exceeding £60,000 (including pension contributions and benefits in kind)	216,000	213,841
Emoluments payable to the highest paid officer (excluding pension contributions)	77,598	76,824

DIRECTORS' EMOLUMENTS		
	2015	2014
	£	£
During the period the Directors' emoluments (excluding pension contributions) fell within the following band distributions:		
More than £60,000 but not more than £70,000	-	-
More than £70,000 but not more than £80,000	1	1
More than £80,000 but not more than £100,000	-	-
Pension contributions	13,812	13,674
The directors are members of the Highland Superannuation Fund and employer's contributions are paid on the same basis as other members of staff.		

NOTE 8 EMPLOYEES

In the year to 31 March 2015 the average number of employees of the Partnership, including Executive Directors, was 42 (FTE), (2014 – 42 FTE).

EMPLOYEE INFORMATION		
	2015	2014
	£	£
Staff costs (for the above persons)		
Wages and Salaries	1,054,329	1,072,511
Social Security costs	71,987	77,088
Employers' pension costs	206,947	196,285
	<u>1,333,263</u>	<u>1,345,884</u>
Staff costs capitalised	<u>(365,011)</u>	<u>(336,968)</u>
	<u>968,252</u>	<u>1,008,916</u>

NOTE 9 SURPLUS ON SALE OF FIXED ASSETS

This represents net income from the sale of assets including properties sold under tenants' Right to Buy.

NOTE 10 INTEREST RECEIVABLE AND OTHER INCOME

Interest Receivable and Other Income		
	2015	2014
	£	£
Bank interest receivable on deposits in the year	<u>7,899</u>	<u>7,027</u>

NOTE 11 INTEREST PAYABLE AND SIMILAR CHARGES

Interest Payable and Similar Charges		
	2015	2014
	£	£
Loan interest Payable	220,775	260,359

NOTE 12 TAX ON ORDINARY ACTIVITIES

The Partnership's charitable status means that no corporation tax is payable on its activities.

NOTE 13 AUDITOR'S REMUNERATION

Auditors' Remuneration		
	2015	2014
	£	£
The remuneration of the auditors is as follows		
Auditors' remuneration		
-in their capacity as auditors	12,276	12,180
-in respect of other services	-	-
	<u>12,276</u>	<u>12,180</u>

NOTE 14 FINANCIAL COMMITMENTS

Capital Commitments		
	2015	2014
	£	£
Expenditure contracted for, but not provided in the accounts	1,946,089	2,227,460
Expenditure authorised by the Board but not contracted	20,638,930	3,476,968
	<u>22,585,019</u>	<u>5,704,428</u>

Operating leases		
	2015	2014
	£	£
At 31 March 2015 the Partnership had annual commitments under non-cancellable leases as follows		
<i>Operating leases that expire:</i>		
Within one year	9,300	18,600
In the second to fifth year inclusive	-	8,154
	<u>9,300</u>	<u>26,754</u>

NOTE 15 TANGIBLE FIXED ASSETS

HOUSING PROPERTIES					
	Land	Housing	Shared	Properties	Total
	£	held for	Ownership	under	£
		letting		construction	
	£	£	£	£	£
Cost or valuation					
At 1 April 2014	914,705	74,733,946	127,643	1,523,741	77,300,035
Additions	420	2,840,541	-	2,301,158	5,142,119
Disposals	-	(213,079)	-	-	(213,079)
Transferred	-	842,258	-	(842,258)	-
At 31 March 2015	915,125	78,203,666	127,643	2,982,641	82,229,075
Grants					
At 1 April 2014	(864,725)	(46,786,225)	(123,596)	(1,046,719)	(48,821,265)
Received during the Year	-	-	-	(1,943,041)	(1,943,041)
Transferred	-	(544,000)	-	544,000	-
Eliminated on disposal	-	99,493	-	-	99,493
At 31 March 2015	(864,725)	(47,230,732)	(123,596)	(2,445,760)	(50,664,813)
Depreciation					
At 1 April 2014	-	(3,688,926)	(2,582)	-	(3,691,508)
Eliminated on Disposal	-	22,668	-	-	22,668
Charge for year	-	(1,085,295)	(67)	-	(1,085,362)
At 31 March 2015	-	(4,751,553)	(2,649)	-	(4,754,202)
Net Book Value					
at 31 March 2015	50,400	26,221,381	1,398	536,881	26,810,060
Net Book Value					
at 31 March 2014	49,980	24,258,795	1,465	477,022	24,787,262

OTHER TANGIBLE FIXED ASSETS

	Commercial property	Furniture Fittings & Equipment	Computer Equipment	Total
	£	£	£	£
Cost or valuation				
At 1 April 2014	927,620	157,560	268,087	1,353,267
Additions	-	20,148	11,225	31,373
Disposals	-	(1,082)	(1,025)	(2,107)
At 31 March 2015	927,620	176,626	278,287	1,382,533
Depreciation				
At 1 April 2014	(77,198)	(138,000)	(209,838)	(425,036)
Eliminated on disposal	-	1,080	1,025	2,105
Charge for year	(20,658)	(9,685)	(18,114)	(48,457)
At 31 March 2015	(97,856)	(146,605)	(226,927)	(471,388)
Net Book Value at 31 March 2015	829,764	30,021	51,360	911,145
Net Book Value at 31 March 2014	850,422	19,560	58,249	928,231

The number of units of accommodation owned and managed at 31 March 2015 by the Partnership was:

Housing Stock		
	2015	2014
Social Housing		
General Needs	2,213	2,212
Shared Ownership	3	3
Supported Housing	12	12
Total Social Housing	2,228	2,227
Investment		
	2015	2014
1 share in HHP Community Housing Ltd	1	1

NOTE 16 DEBTORS

Debtors: Due after more than one year		
	2015	2014
	£	£
Development Agreement (see Note 2)	5,020,571	7,717,527
Loan Arrangement Fee	79,363	84,192
	<u>5,099,934</u>	<u>7,801,719</u>

In accordance with the development agreement accounting policy, included in debtors is a balance of £5.1 million in respect of the expected cost of the development work that Comhairle Nan Eilean Siar has committed to undertake in order to refurbish the properties. The Comhairle has sub-contracted the Partnership to carry out the programme of catch-up repairs to the residential accommodation as part of a development agreement. This balance relates to the identical provision in the accounts for this expenditure and as work progresses both of these balances will be utilised when the work is actually undertaken.

Debtors: Due within one year		
	2015	2014
	£	£
Arrears of rent and service charges	206,223	220,608
Less: provision for bad and doubtful debts	(77,475)	(77,610)
	<u>128,748</u>	<u>142,998</u>
Other debtors	887,266	746,362
Intercompany debtor	15,569	15,556
Total	<u>1,031,583</u>	<u>904,916</u>

NOTE 17 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Creditors: Amounts falling due within one year		
	2015	2014
	£	£
Amounts falling due within one year:		
Trade creditors	60,813	105,667
Rent and service charges received in advance	60,925	64,959
Accruals	747,346	678,807
Loans (see Note 18)	162,564	187,707
Total	<u>1,031,648</u>	<u>1,037,140</u>

NOTE 18 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Creditors: Amounts falling due after more than one year		
	2015	2014
	£	£
Right to Buy receipts due to the Scottish Executive	3,659,584	3,165,109
LOANS		
All loans are advanced by Banks, are repayable in 2027 (Fixed) and are secured by way of standard securities on the Partnership's housing land and buildings.		
a) Fixed Rate	3,500,000	5,000,000
b) Variable Rate	1,662,564	187,707
Analysis of duration of loans and interest rates:		
	2015	2014
	£	£
	0.75% to 5.48%	
Repayable in one year or more	162,564	187,707
Repayable in more than five years	5,000,000	5,000,000
	5,162,564	5,187,707
Being Loans falling due		
-within one year	162,564	187,707
-after more than one year	5,000,000	5,000,000
	5,162,564	5,187,707
Average interest rates at 31 March		
Fixed	4.96%	4.60%
Variable	0.75%	1.21%
Overall	4.83%	4.83%

BANK LENDING FACILITY

At the year end the Partnership had drawn down £5.187 million on the lending facility. A committed facility of £10 million was available from the Royal Bank of Scotland along with an uncommitted overdraft facility of £0.250 million. In setting up this facility the Partnership incurred total arrangement fees of £120,093 which are included in debtors and which are being amortised over the period of the loan drawdown. Security over the housing properties has been granted to the Royal Bank for the period of the lending facility. Section 107 consent has been granted.

NOTE 19 PROVISIONS FOR LIABILITIES AND CHARGES

Provisions for Liabilities and Charges		
	2015	2014
	£	£
At 1 April 2014	7,717,528	10,396,565
Utilised	(2,696,956)	(2,679,037)
At 31 March 2015	5,020,572	7,717,528

DEVELOPMENT AGREEMENT

The provision represents the best estimate of the costs of contracted works for the repair of managed properties. This agreement is part of the development agreement and as work progresses the provision will be utilised when the work is actually undertaken.

NOTE 20 SHARE CAPITAL

Share Capital		
	2015	2014
	£	£
Shares of £1 each issued and fully paid		
At 1 April 2014	193	192
issued during period	2	1
At 31 March 2015	195	193

Shares were held by the following Board members during the year:

Angela Quail, Calum Mackay, Kevin Paterson, George Lonie, Jane Mackinnon, Daniel Coyle, Alasdair Mackenzie and Mairi Bremner.

NOTE 21 RESERVES

Revenue Reserves		
	2015	2014
	£	£
Accumulated surplus at 1 April 2014	17,096,423	14,156,725
Surplus for the year	3,011,898	2,939,698
Accumulated surplus at 31 March 2015	20,108,321	17,096,423

Revenue Reserve Reconciliation		
	2015	2014
	£	£
Accumulated surplus as at 1 April as previously stated	17,096,423	14,156,725
Prior Year Adjustment	-	-
Accumulated surplus as at 1 April restated	17,096,423	14,156,725
Surplus for the year	3,502,433	3,444,854
Transfer to Designated Reserves	(489,602)	(504,227)
Transfer to Sinking Fund	(933)	(929)
Balance at 31 March 2015	20,108,321	17,096,423

Designated Reserves						
	Asbestos	Pension	Repairs & Renewals	Sinking Fund	2015 Total	2014 Total
	£	£	£	£	£	£
Balance at 1 April 2014	871,261	452,200	1,197,047	8,768	2,529,276	2,024,120
Transferred to Reserve	129,000	140,000	220,602	933	490,535	505,156
Balance at 31 March 2015	1,000,261	592,200	1,417,649	9,701	3,019,811	2,529,276

NOTE 22 CAPITAL RESERVE

On 1 April 2007 Muirneag Housing Association, Taighean Ceann A'Tuath Na Hearadh, Berneray Housing Association Limited, Buidheann Taigheadais Na Meadhanan Limited and Barra and Vatersay Housing Association Limited transferred engagements to Hebridean Housing Partnership. The Partnership has used acquisition accounting to account for the business combination. Negative goodwill arising on the acquisition has been transferred to the capital reserve.

Capital Reserve		
	2015	2014
	£	£
Fixed Assets at net book value	4,089,387	4,089,387
Current Assets	779,095	779,095
Cash	942,849	942,849
Liabilities	(1,459,564)	(1,459,564)
Loans	(3,761,505)	(3,761,505)
Net Assets	<u>590,262</u>	<u>590,262</u>
Amount amortised to Income and Expenditure		
In previous years	(480,213)	(411,655)
In current year	(68,557)	(68,558)
Reserve at 31 March 2015	<u><u>41,492</u></u>	<u><u>110,049</u></u>

NOTE 23 PENSIONS

The Partnership participates in the Highland Superannuation Fund (HSF) which, as part of the Local Government Pension Scheme is a defined benefit statutory scheme based on final pensionable pay. Contributions are charged to the Income and Expenditure Account so as to spread the cost of pension over employees' working lives. These contributions are determined by formal actuarial valuation, which last took place at 31 March 2011.

FRS 17 states that, where in a multi-employer pension scheme an employer may have no obligation other than to pay a contribution that reflects only the benefits earned in the current period, then if this is the case, from the point of view of the employer, the scheme is a defined contribution scheme and is accounted for as such. Therefore, the Partnership has accounted for its participation within the HSF as if it were a defined contribution scheme, and as a result, the cost recognised within the surplus for the year in the Income and Expenditure account is equal to the contributions payable to the scheme for that year.

The fund is administered by Highland Council in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998 as amended. Comhairle Nan Eilean Siar has granted an indemnity to the Partnership in relation to under-funding attributable to the period prior to 12 September 2006. This indemnity lasts until 2016 and no provision is considered necessary at this point but will be subject to review annually.

Major Assumptions		
	31-Mar 2015 % per annum	31-Mar 2014 % per annum
Expected return on assets	3.20%	6.00%
Salary increases	4.30%	5.10%
Pension increases	2.40%	2.80%
Discount rate	3.20%	4.30%

Assets (Employer)				
	Long Term Return at 31-Mar-15 %		Long Term Return at 31-Mar-14 %	
	Assets at 31-Mar-15 £000's	Assets at 31-Mar-14 £000's	Assets at 31-Mar-14 £000's	Assets at 31-Mar-14 £000's
Equities	3.20%	4,890	6.70%	4,214
Bonds	3.20%	1,417	4.00%	1,128
Property	3.20%	709	4.80%	475
Cash	3.20%	71	3.70%	119
TOTAL		7,087		5,936

Net Pension Asset		
	2015 £000's	2014 £000's
Present Value of Funded Obligation	9,378	8,669
Fair Value of Scheme Assets	7,087	5,936
Net Liability	2,291	2,733
Present Value of Unfunded Obligation	31	28
Net Liability	2,322	2,761

NOTE 24 SCOTTISH GOVERNMENT GRANTS

The Scottish Government has made available a non-repayable grant of £2.5 million payable over 10 years. The annual drawdown of the grant is subject to a number of specified conditions. The grant instalment of £0.300m received during the year has been applied as follows:

Scottish Government Non-Specific Grants		
	2015	2014
	£	£
Opening balance	450,000	750,000
Grant Funding received & applied to investment expenditure	300,000	300,000
Deferred for application against future expenditure	<u>150,000</u>	<u>450,000</u>

In addition The Scottish Government has made available a loan to the Partnership of £494,475 being the Comhairle's share of the Right to Buy receipts received this year.

NOTE 25 RELATED PARTY TRANSACTIONS

BOARD MEMBERS

During the period the tenancies held by tenant Board Members were held on normal commercial terms and they are not able to use their position to their advantage.

The Partnership retains a register of Members' interests. There are no interests in related parties requiring to be declared.

COUNCILLORS

David Blaney, Norman Macleod, DJ Macrae and Gordon Murray are councillors with Comhairle Nan Eilean Siar. Any transactions with the Comhairle are made an arm's length, on normal commercial terms and the Councillors cannot use their positions to their personal advantage.

HHP COMMUNITY HOUSING LTD

HHP Community Housing Ltd is a wholly owned subsidiary of Hebridean Housing Partnership, a company incorporated in Scotland. All of the directors are Board Members of HHP.

At the year end HHP Community Housing owed Hebridean Housing Partnership £15,556 which is included in other debtors Note 16.

NOTE 26 POST BALANCE SHEET EVENTS

The Board plan to conclude negotiations with the Royal Bank of Scotland for an additional facility of £5 million to enable the Board to deliver its new business plan which includes a commitment to continue to build new units to meet housing demand over the next 10 years.

NOTE 27 CASH FLOW NOTES

Reconciliation of Operating Surplus to Net Cash Inflow from Operating Activities		
	2015	2014
	£	£
Operating surplus	3,745,644	3,709,623
Movement in Stock	(676,231)	(108,211)
Depreciation charges	1,133,819	1,010,282
Amortisation of Capital Reserve	(68,557)	(68,557)
Decrease/(increase) in debtors	(121,837)	(149,551)
Increase in creditors and provisions (excluding loans)	514,126	356,819
Net Cash inflow from operating activities	4,526,964	4,750,405

Analysis of Net Debt		
	2015	2014
	£	£
Debt due after 1 Year	(5,000,000)	(5,000,000)
Debt due within 1 Year	(162,564)	(187,707)
	(5,162,564)	(5,187,707)
Bank and short term deposits	3,228,892	2,109,812
	(1,933,672)	(3,077,895)

Analysis of Changes in Net Cash			
	At 1 April 2014	Cash Inflow	31-Mar 2015
	£	£	£
Cash at bank and in hand	838,262	575,880	1,414,142
Overdraft	-	-	-
Reduction in cash	838,262	575,880	1,414,142
Deposits	1,271,550	543,200	1,814,750
Debt due after more than one year	-	-	-
	2,109,812	1,119,080	3,228,892