



# ANNUAL REPORT & ACCOUNTS

For the Year Ended 31  
March 2013

Industrial & Provident Society  
No:2644R (S)

Registered Charity No:SCO 35767

Registration No:359





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## BOARD OF MANAGEMENT, DIRECTOR AND ADVISERS

Name	Category	Changes during the year	
		Appointed	Resigned
<b>David Blaney (Chair)</b>	Councillor	11 May 2012	
<b>George Lonie (Vice-Chair)</b>	Community	16 Sept 2010	
<b>Kevin Paterson (Treasurer)</b>	Tenant	13 Sept 2012 (re-appointed)	
<b>Angela Quail</b>	Tenant	20 March 2013 (re-appointed)	
<b>Daniel Coyle</b>	Tenant	13 Sept 2012 (re-appointed)	
<b>Alasdair Mackenzie</b>	Tenant	13 Sept 2012 (re-appointed)	
<b>Calum Mackay</b>	Community	13 Sept 2012	
<b>Jane Mackinnon</b>	Community	15 Sept 2011 (re-appointed)	
<b>Mairi Bremner</b>	Community	13 Sept 2013 (re-appointed)	
<b>Helen Smith</b>	Community	16 Sept 2010 (re-appointed)	12 Oct 2012
<b>Neil Campbell</b>	Councillor	28 June 2007	4 May 2012
<b>Gerry Macleod</b>	Councillor	28 June 2007	4 May 2012
<b>Donald J Macrae</b>	Councillor	11 May 2012	
<b>Norman Macleod</b>	Councillor	11 May 2012	
<b>John A Maciver</b>	Councillor	11 May 2012	
<b>Iain Macmillan</b>	Co-optee	13 Sept 2012	

### Secretary and Registered Office

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

### Auditors

Wylie & Bisset LLP  
168 Bath Street  
GLASGOW  
G2 4TP

### Bankers

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

### Funders

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

### Solicitors

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

### 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

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## REPORT OF BOARD OF MANAGEMENT

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The Board of Management presents its report for the year ended 31 March 2013.

### OVERVIEW OF BUSINESS

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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 1800 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 built 267 new affordable houses. The stock at 31 March 2013 was 2227.

### CORE VALUES

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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 Services- 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

### REGULATION

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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's level of engagement for 2012/13 was set at 'medium' because the Regulator considers the organisation to be of 'systemic' importance because of turnover, debt, the scale of investment activity and the role as the only general needs social landlord in the Western Isles.

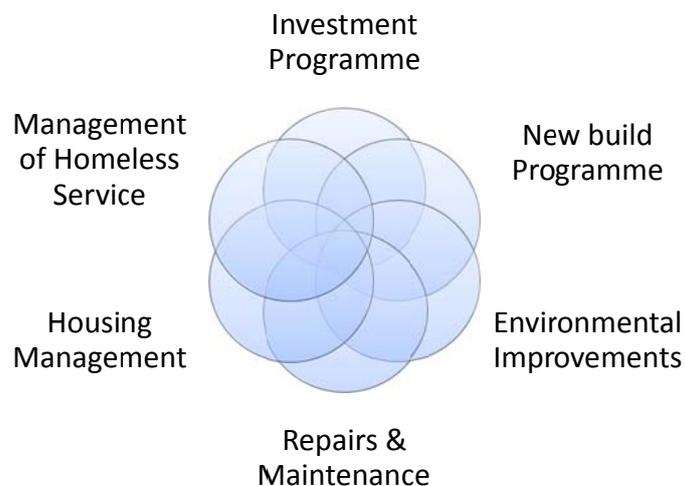
Bi annual meetings are arranged to review HHP's financial information, its future investment plans and progress with the Scottish Housing Quality Standard.

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

## STRATEGY & OBJECTIVES

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HHP's strategy and objectives are detailed in its 30 Year Business Plan. The Business Plan highlights 6 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**

The most important aim and key objective of HHP is to meet the 2015 Scottish Housing Quality Standard as this will ensure delivery on the promises made leading up to the Tenant Ballot in 2005.

HHP's Board approved a four year Investment Programme worth £13.3m in November 2010 to ensure that the Standard in relation to kitchens, bathrooms, windows and modern central heating systems is achieved. A framework contract was procured and 11 contractors were appointed to deliver the programme. This programme is now entering its 3<sup>rd</sup> year and is ahead of schedule and within approved budgets.

### **Repairs and Maintenance**

HHP's Board has seen continuing improvement during the year in service delivery on the Repairs and Maintenance Contract which was let to FES (FM) in April 2011 for five years. The contract is based on a culture of partnership to maximise the service and to deliver value for money for tenants.

### **New build Programme**

Despite the sharp reduction in grant levels HHP continued to develop in 2012/13. 15 houses for affordable rent and 6 as part of the Scottish Government shared equity scheme were completed at Mackenzie Park, Sandwickhill.

In central Stornoway 22 homes for affordable rent were under construction at Gibson Gardens as well as a further 4 for affordable rent being built at Mackenzie Park.

It was possible for HHP to continue developing because of the financial support from Scottish Government in the form of grant and Comhairle Nan Eilean Siar from second home Council Tax.

The shared equity properties were front funded by the Comhairle by means of a repayable grant.

HHP is grateful for the Comhairle's partnership working and financial contribution which helped meet housing need in the Western Isles and boosted the local economy.

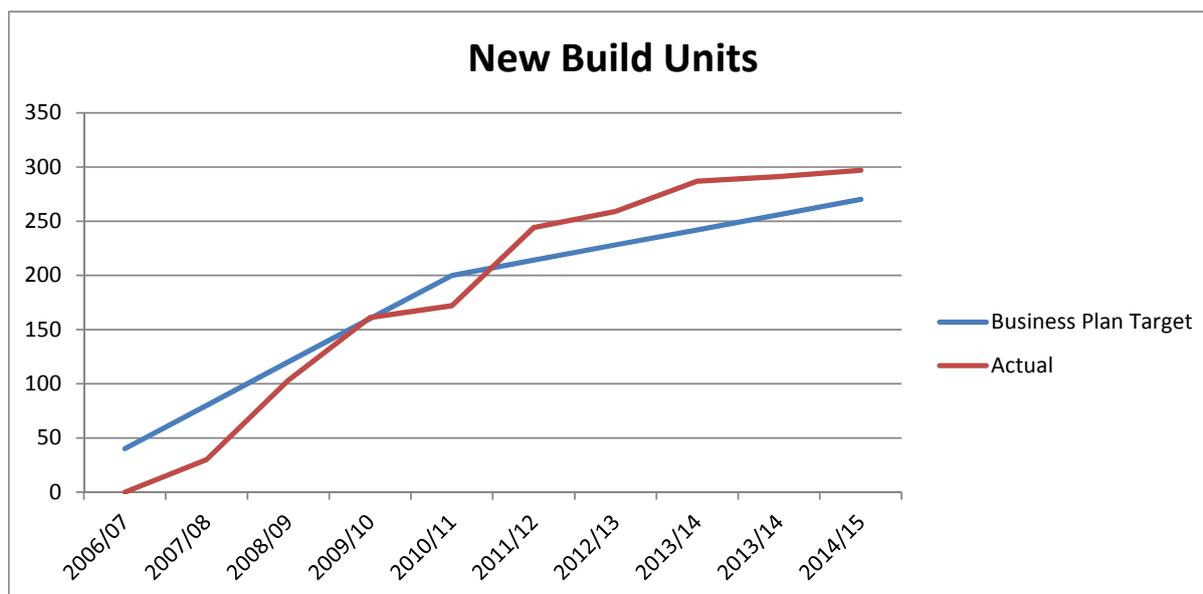
#### MACKENZIE PARK



#### **FUTURE NEW BUILD PROJECTS**

CNES has received funding from Scottish Government of more than £4million to progress more houses for rent in Leurbost, Lewis (4), Benbecula (4) and Craigston in Barra (6) along with shared equity at Anderson Road Stornoway (18) and potentially Melbost Farm (10). The Scottish Government and the Comhairle are also looking to HHP to build a further 4 rented properties at Melbost and 4 in a rural site.

The represents a considerable increase in resources from initial allocation but brings with it pressure on HHP's capacity to deliver this level of new build over the next two years.



## DYNAMICS OF THE SOCIAL LANDLORD

The Partnership is focused on providing housing within the Western Isles and recent figures show that there is a continuing demand for socially rented properties and for the shared equity model. Emerging Census data indicates that the population decline of the last 30 years seems to have reversed slightly although the proportion of young people and children is worryingly low. Demand is particularly high in Stornoway, Tarbert, Balivanich and Castlebay. However there is concern that the 'bedroom tax' may impact on larger properties in more remote rural areas .

## 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.

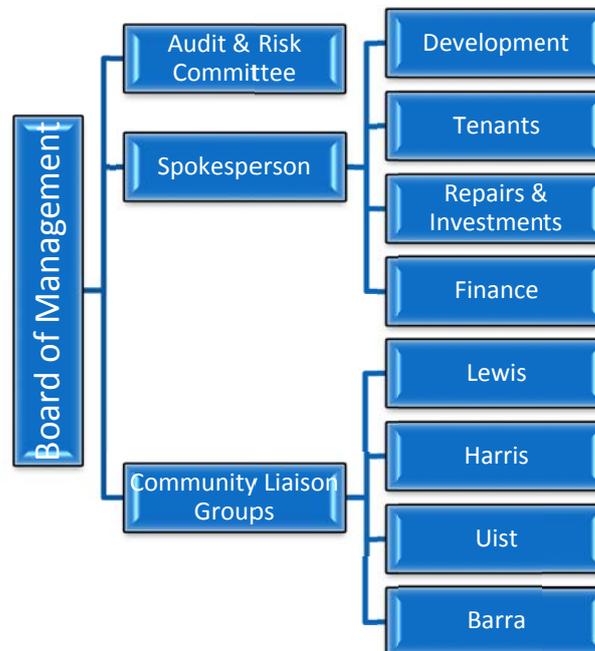
## GOVERNANCE & MANAGEMENT

HHP is an Industrial and Provident 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 4.

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 Committees and four Community Liaison Groups. The Board took the decision to reduce the Standing Committees from three to one and replace the Area Committees with informal 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 12 Board members.

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 2013.

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

During 2012/13 four 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:

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### Audit & Risk

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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

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### Tenant Participation

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Placing tenants at the centre of what we do is a key objective for HHP. We continued to work closely with WIFTRA and to provide opportunities for our tenants to engage with us. We hosted events for tenants during the year in Stornoway, Tarbert and Balivanich. Rent consultation meetings were organised in Stornoway, Tarbert, Balivanich and Barra. A rent consultation meeting was held with WIFTRA and with our individual tenants groups in South Uist and all tenants were invited to contribute to a review of our Allocation Policy. We also continued to seek tenants views on our services, particularly repairs and investment and used the feedback to improve how we do things.

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### Health & Safety

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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.

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## Political and Charitable Donations

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There were no political donations made by HHP during the financial year. A total of £2,000 was donated during the year to the following local charities

- £500 Crossroads Lewis Care Attendant Scheme
- £500 Stornoway PHAB Club
- £500 Western Isles Carers Users and Supporters Network (WICUSN)
- £500 RNLI

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## Disclosure of Information to Auditors

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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.

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## Auditors

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A resolution to re-appoint Wylie & Bisset as auditors of HHP will be proposed at the Annual General Meeting in September 2013.

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## Employee Policies

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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.

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## Recruitment

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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

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## Training

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HHP is committed to the training and development of all its employees and Board Members. The Regulator highlighted in the Inspection Report that Board Members training was a particular strength. Regular training needs assessments are carried out for Board Members which feed into Training Plans. A training programme for staff for 2013-14 is being compiled from training needs highlighted during the staff performance appraisal system.

## INTERNAL FINANCIAL CONTROL

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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.

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### Framework of Internal control

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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.

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### Management Structure

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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.

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### Audit & Risk Committee

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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.

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### System of Internal Control

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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

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### Identification of Business Risk

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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 2012/13 were Welfare Reform, legislative and regulatory changes and changing relationships with partners. Other significant risk factors include changes to pensions resulting in increased costs to contractors and suppliers, fragile local economy, contractors experiencing cashflow difficulties and resultant business failure.

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### Corporate Risk

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The Risk Register has been updated for 2012/13. 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 prime responsibility for the design and operation of suitable controls and mitigating actions.

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### Management Information Systems

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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 two years HHP's Executive Team will further 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.

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### Internal audit

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On 1 April 2011 the Board 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.

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### Investment Appraisal

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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.

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### Investment

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On 1 June 2010 HHP Community Housing Limited was formed as a non-charitable subsidiary of the Partnership.

## BOARD STATEMENT ON INTERNAL FINANCIAL CONTROL

The Board, through the Audit and Risk Committee, has reviewed the effectiveness of HHP's internal control for the Year ended 31 March 2013. This review was informed by the work of Internal Audit and by the Executive Team, which has responsibility for the development and maintenance of the internal control framework. It was also informed by comments made by the External Auditors in their management reports. Such a system can only provide reasonable, and not absolute, assurance against material mis-statement or loss, as it is designed to manage rather than eliminate the risk of failure to achieve business objectives.

The Board and Executive Team continue to transform the business through organisational changes which impact upon structures and systems. These changes highlight the need for effective systems and efficient resource management. The Board has reviewed the effectiveness of the systems of internal financial controls which have been in operation during the year. No weaknesses have been found which resulted in material losses, contingencies or uncertainties that require disclosure.

On behalf of the Board



David Blaney

Chair

## STATEMENT OF BOARD RESPONSIBILITIES

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The Industrial Provident Societies Act 1965 to 2002 require the Board to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Partnership and of the surplus or deficit of the Partnership for that period. In preparing those Financial Statements, the Board of Management is required to :-

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Partnership will continue in business;
- prepare a statement on Internal Financial Control.

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 Industrial and Provident Societies Act 1965 to 2002, 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

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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.



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## OPERATING AND FINANCIAL REVIEW

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## OPERATING AND FINANCIAL REVIEW

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### PERFORMANCE IN THE YEAR

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

#### Housing Services

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- 80% of properties let within 28 days
- Average time to let (excluding difficult to let properties) reduced from 19.05 to 14.22 days
- Arrears marginally increased from 3.21% to 3.29% of gross debit
- Void loss reduced from £52.7K to £46.9K

#### Investment

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- 106 heating systems installed
- 49 bathrooms installed
- 141 kitchens installed
- 33 properties re-roofed
- 159 new windows installed
- Stock condition survey completed
- Energy efficiency study completed
- £171.5k anticipated for heating in successful bid to DECC

## OPERATIONAL REVIEW

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### Planned & Cyclical Maintenance

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We completed year 3 of our 5 year planned maintenance programme focusing on external maintenance such as, painting, fabric repairs, gutter cleaning and environmental upgrading. We continued our annual cyclical programme with servicing being carried out on gas and air source heating systems, door entry systems, communal lighting and fire protection systems.

Over £500K was spent on planned and cyclical maintenance.

### Investment Programme

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Over £3.5m was invested directly into tenants' homes as we continue to work towards the Scottish Housing Quality Standard. There was a continued focus on improving the energy efficiency of homes through an accelerated insulation programme and the installation of Air Source Heat Pumps (ASHPs). We completed the second year of our 4 year investment programme which saw double glazed windows being installed to all properties in Uist and Barra. In addition we were able to accelerate our window and central heating programmes as a result of grant income secured from DECC and savings being generated from our investment programme framework contract.

A small scale in-depth study of a sample of properties was commissioned from Greenspace Ltd to assess in more detail the energy efficiency of properties using thermal imaging and air tightness testing. These findings are being used to inform our investment going forward as we continue to strive to reduce the very high levels of fuel poverty amongst our tenants. In particular we are evaluating low cost works which can make a significant difference to the comfort of tenants homes.

This issue of fuel poverty continues to be a huge challenge in the islands across all tenures and we continue to seek opportunities with partners to address this.

A major stock condition survey was also completed in March 2013 and the findings of this will be used during 2013/14 to plan our investment over the next 5 years and beyond

Grant funding of £200,475 (2011/12: £173,422) was also made available from the Government to deliver aids and adaptations to 87 tenants with health and mobility problems during the year.

### Housing Services

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Performance on re-letting properties improved significantly again with the average number of days to let properties (19.05 days) and the amount of rent lost due to void properties (0.58 %) showing the best performance since HHP was established.

Rent arrears increased marginally with current tenant arrears rising from 2.31 % to 2.39%. Unfortunately we had to evict two tenants during the year. The Welfare Reform agenda poses a major risk to HHP and significant preparatory work has been carried out to try and assist and advise tenants on options available to them. The 'Bedroom Tax' in particular will cause major hardship for a significant number of tenants and we have made personal contact with many of them.

Levels of anti-social behaviour continue to be low. However, we had to evict one tenant who refused to co-operate with extensive efforts to help address their behaviour. We continued to work closely with the Police and the Comhairle's Anti Social Behaviour Officer to address problems. In addition we work with other partners through the Community Safety Partnership to take a pro-active and preventative approach to issues that affect tenants.

We reviewed our approach to dealing with complaints in line with the model system introduced by the Public Services Ombudsman.

The duties imposed through the Property Factors Act were complied with. This legislation represented a significant additional burden for HHP and other RSLs

We continued to inspect all schemes annually to ensure that they are attractive places in which to live. The Board also agreed to introduce a Garden Assistance Scheme in 2013/14 to help the most elderly and disabled people.

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### 2020 Climate Change Target

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We continued to look ahead to the 2020 climate change targets and to build on our knowledge of the energy efficiency performance of its housing stock. We completed a small scale study via Greenspace Ltd of a sample of properties and will use the results to inform future investment planning.

We also carried out a household survey which showed that over 60% of our tenants are in fuel poverty which rises to over 80% for the elderly and unemployed.

This demonstrates the scale of the challenge facing HHP and the Hebrides and we will work to maximise the impact we can make through seeking additional funding, providing advice and identifying new approaches to improve the air tightness and insulation.

## FINANCIAL REVIEW

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### Financial Results

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The turnover for the year to 31 March 2013 was £8.946 million against operating costs of £5.630 million. Operating costs for the year included £0.558 million of capital investment written off against expenditure. The main source of income was from rental income of £7.414 million with £0.666 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 the sale of 6 LIFT properties (2012: 18 LIFT) resulting in the overall turnover decreasing by £0.901 million from the previous year.

The operating surplus on Letting Activities was £3.284 million, 44.6% of Net Rental Income (2012: £2.994 million, 43.02% 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

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HHP's Balance Sheet is shown on Page 29. The key factors affecting the balance sheet are:

- a) Reserves adjustment for ;
- b) The addition of 15 new units for rent funded largely from Housing Association Grant from the Scottish Government;
- c) The development contract entered into with Comhairle Nan Eilean Siar for investment in the properties transferred to HHP amounting to £10.396 million. This is shown under Long Term debtors and Long Term creditors;
- d) Increase in creditors due to orders on new build.

### Cash Flow

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The Cash Flow is shown on page 30. The net cash flow from operating activities was £4.889 million which included a Business Plan support grant of £0.300 million from The Scottish Government. The principal cash outflows were operating costs, investment in assets and the purchase of the main office in Stornoway.

### Current Liquidity

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At 31 March 2013 HHP had cash and short-term deposits of £1.946 million. This was £2 million more than original budget which was due to the slippage on the private finance requirement for development, savings delivered on the investment programme, slippage and savings on the management costs. The future investment and development programme will see this cash

balance reduce significantly over the forthcoming year. It is anticipated there will be a requirement to drawdown a maximum of £2 million during the forthcoming year.

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### Capital Structure and Treasury Management Policy

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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, deficit funding and loan facilities provided by The Scottish Government. The 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 2026 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 2032.

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.

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### PLANS FOR THE FUTURE

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HHP plans to invest £18.43 million over the next 5 years in bringing its houses up to the Scottish Housing Quality Standard. £1.010 million of private finance has been earmarked for the 2 new build projects due for completion in 2013/14. Additional funding is being identified to enable HHP to continue developing and the number of units delivered will be dependent on the funding available from the Scottish Government and Comhairle Nan Eilean Siar.

## INDEPENDENT AUDITOR'S REPORT

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We have audited the financial statements of Hebridean Housing Partnership for the year ended 31 March 2013 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 Section 9 of the Friendly and Industrial and Provident Societies Act 1968. 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.

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### ***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.

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### ***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 material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications of our report.

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### ***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 2013 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, 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 Industrial and Provident Societies Act 1965 to 2002 if, in our opinion:

- 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 requirements 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: 26 June 2013

## AUDITORS REPORT ON CORPORATE GOVERNANCE

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### CORPORATE GOVERNANCE

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In addition to our audit of the Financial Statements, we have reviewed the Board of Management's statement on page 15 concerning the Partnership's compliance with the information required by the section on Internal Financial Control within SFHA's publication 'Raising Standards in Housing'.

### BASIS OF OPINION

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We carried out our review having regard to Bulletin 2006/5 issued by the Auditing Practices Board, 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 reasons given for non-compliance.

### OPINION

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In our opinion the statement on internal financial controls on page 16 has provided the disclosures required by the section on Internal Financial Control within SFHA's publication 'Raising Standards in Housing' and is consistent with the information which came to our attention as a result of our audit work on the financial statements.



**Wylie & Bisset LLP**  
**Chartered Accountants**  
**Statutory Auditors**  
**Glasgow**

Date: 26 June 2013





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## FINANCIAL STATEMENTS

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## INCOME & EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2013

		31 March 2013	31 March 2012
		£	£
	<b>Notes</b>		
Turnover	3	8,945,790	9,846,975
Operating costs	4 & 5	(5,630,182)	(6,831,858)
<b>Operating surplus</b>		<b>3,315,608</b>	<b>3,015,117</b>
Surplus on sale of fixed assets			
-housing properties	9	(16,866)	26,263
Interest receivable and other income	10	4,366	9,200
Interest payable and similar charges	11	(252,421)	(253,566)
<b>Surplus on ordinary activities, before transfers to Reserves</b>		<b>3,050,687</b>	<b>2,797,014</b>

The results for the year relate wholly to continuing activities.

## STATEMENT OF RECOGNISED SURPLUSES AND DEFICITS

FOR THE YEAR ENDED 31 MARCH 2013

		31 March 2013	31 March 2012
		£	£
	<b>Notes</b>		
Surplus on ordinary activities, before transfer to Reserves		3,050,687	2,797,014
Transfer to Designated Reserves	21	(432,185)	(372,266)
<b>Total recognised surpluses since the last financial statements</b>		<b>2,618,502</b>	<b>2,424,748</b>

Total recognised surpluses relate wholly to continuing activities.

The notes on pages 31 to 48 form part of these financial statements.

## BALANCE SHEET AT 31 MARCH 2013

		31 March 2013	31 March 2012
		£	£
	<b>Notes</b>		
<b>Tangible Fixed Assets</b>			
Housing Properties at cost	15	21,597,270	18,436,501
Other tangible fixed assets	15	827,374	854,882
Investments	15	1	1
		<u>22,424,645</u>	<u>19,291,384</u>
Debtors due after more than one year	16	10,485,583	13,935,442
 <b>Current Assets</b>			
Stock		15,567	18,182
Debtors due within one year	16	750,538	981,547
Short-term deposits		1,225,905	861,313
Cash at bank and in hand		<u>720,853</u>	<u>392,443</u>
		2,712,863	2,253,485
Creditors: amounts falling due within one year	17	<u>(2,686,967)</u>	<u>(933,158)</u>
Net current assets		25,896	1,320,327
Total assets less current liabilities		<u>32,936,124</u>	<u>34,547,153</u>
Creditors: amounts falling due after more than one year	18	<u>(6,179,915)</u>	<u>(7,328,047)</u>
		26,756,209	27,219,106
Provisions for liabilities and charges	19	<u>(10,396,565)</u>	<u>(13,841,595)</u>
Net Assets		<u>16,359,644</u>	<u>13,377,511</u>
 <b>Capital and Reserves</b>			
Share Capital	20	192	188
Designated Reserve	21	2,024,120	1,591,935
Capital Reserve	22	178,607	247,165
Revenue Reserve	21	<u>14,156,725</u>	<u>11,538,223</u>
		<u>16,359,644</u>	<u>13,377,511</u>

These financial statements were approved by the Board on 26<sup>th</sup> June 2013 and were signed on its behalf by:



**David Blaney**  
Chair



**Dena Macleod**  
Secretary



**George Lonie**  
Vice Chair

The notes on pages 31 to 48 form part of these financial statements.

## CASHFLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

		31 March 2013	31 March 2012
		£	£
Net Cash inflow from operating activities	26	4,889,779	4,098,522
Returns on investment and servicing of finance			
Right to Buy Proceeds + Sale of Assets		(16,866)	26,263
Interest Received		4,366	9,200
Interest Paid		(252,421)	(253,566)
Net Cash (outflow) from returns on investment and servicing of finance		(264,921)	(218,103)
Taxation			
Net Cash outflow from Taxation		-	-
Capital expenditure and financial investment			
Acquisition and construction of properties		(5,343,335)	(8,336,086)
Purchase of other fixed assets & investment		(27,458)	(477,839)
Grants received		1,342,104	3,767,315
Sales of properties		97,352	44,576
Sale of other assets		1,615	-
Net Cash outflow from capital expenditure		(3,929,722)	(5,002,034)
Net Cash inflow/(outflow) before use of liquid resources and financing		695,136	(1,121,615)
Management of liquid resources		(364,592)	437,628
Financing			
Loan advances received		-	-
Loan principal repaid		(2,138)	(6,415)
Shares issued		4	2
		(2,134)	(6,413)
Increase/(Decrease) in cash in the year	26	328,410	(690,400)

The notes on pages 31 to 48 form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

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FOR THE YEAR ENDED 31 MARCH 2013

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### NOTE 1      Legal Status

Hebridean Housing Partnership Limited (“HHP” or “The Partnership”) is registered under 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 accordance with the accounting requirements included with the Registered Housing Associations (Accounting Requirements) (Scotland) Order 2007, 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 company has taken the option not to prepare consolidated Financial Statements as its subsidiary, HHP Community Housing Limited, is a dormant company and is not considered material for the purpose of giving a true and fair view of the state of affairs of the company.

#### 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

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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

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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

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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

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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

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Commercial properties are valued at existing use value.

### PROVISIONS

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

### TAXATION

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

## DEPRECIATION

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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

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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

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

## CAPITAL GRANTS

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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

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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

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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

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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

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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

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

#### DESIGNATED RESERVES

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

### NOTE 3 Turnover, Operating Costs and Operating Surplus

	2013			2012
	Operating Turnover	Operating Costs	Operating Surplus	Operating Surplus
	£	£	£	£
Social housing lettings	8,070,861	4,787,273	3,283,588	2,994,734
Other activities	512,198	480,545	31,653	18,991
Grant Income	362,731	362,364	367	(12,126)
<b>TOTAL</b>	<b>8,945,790</b>	<b>5,630,182</b>	<b>3,315,608</b>	<b>3,001,599</b>

### NOTE 4 Particulars of Income and Expenditure from Social Housing Lettings

	General Needs Housing	Supported Accommodation	Shared Ownership	Other	Total	2012 £
	£	£	£	£	£	
<b>Income from lettings</b>						
Rent receivable net of service Charges	7,375,429	35,429	2,999	-	7,413,857	6,982,354
Service Charges receivable	24,575	3,585	2,180	7,543	37,883	31,462
<b>Gross income from rents and service charges</b>	<b>7,400,004</b>	<b>39,014</b>	<b>5,179</b>	<b>7,543</b>	<b>7,451,740</b>	<b>7,013,816</b>
Less voids	(46,980)	-	-	-	(46,980)	(52,742)
<b>Net Income from rents and service charges</b>	<b>7,353,024</b>	<b>39,014</b>	<b>5,179</b>	<b>7,543</b>	<b>7,404,760</b>	<b>6,961,074</b>
Grants from Scottish Ministers	300,000	-	-	-	300,000	250,000
Other Revenue Grants	366,101	-	-	-	366,101	177,393
<b>Total Turnover from social letting activities</b>	<b>8,019,125</b>	<b>39,014</b>	<b>5,179</b>	<b>7,543</b>	<b>8,070,861</b>	<b>7,388,467</b>
<b>Expenditure on letting activities</b>						
Management and Maintenance Administration costs	1,513,730	10,296	2,059	3,164	1,529,249	1,519,999
Planned and Cyclical Maintenance including major repairs	1,132,089	-	1,751	-	1,133,840	1,126,767
Reactive Maintenance	1,322,273	3,156	-	3,609	1,329,038	1,146,794
Bad Debts -rents and service charges	52,036	-	-	-	52,036	18,116
Depreciation of social housing	743,043	-	67	-	743,110	582,057
<b>Operating costs of social letting activities</b>	<b>4,763,171</b>	<b>13,452</b>	<b>3,877</b>	<b>6,773</b>	<b>4,787,273</b>	<b>4,393,733</b>
<b>Operating surplus on letting activities</b>	<b>3,255,954</b>	<b>25,562</b>	<b>1,302</b>	<b>770</b>	<b>3,283,588</b>	<b>2,994,734</b>

### NOTE 5 Particular of Income and Expenditure on Other Activities

	Grants from Scottish Ministers	Other Income	Total Turnover	Other Operating Costs	Operating Surplus/ Deficit	2012 £
	£	£	£	£	£	
Wider Action	-	-	-	(367)	367	(12,126)
Development	-	-	-	65,291	(65,291)	(65,291)
Sale of Developments	362,731	396,540	759,271	716,985	42,286	13,518
Management Services	-	47,101	47,101	61,000	(13,899)	15,725
Amortization negative goodwill	-	68,557	68,557	-	68,557	68,557
<b>Total from other activities</b>	<b>362,731</b>	<b>512,198</b>	<b>874,929</b>	<b>842,909</b>	<b>32,020</b>	<b>20,383</b>
<b>31 March 2012</b>	<b>1,244,930</b>	<b>1,213,578</b>	<b>2,458,508</b>	<b>2,438,125</b>	<b>20,383</b>	

## NOTE 6 Board Members Emoluments

Board Members received £7,348 (2012 £9,486) 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		
	2013	2012
	£	£
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)	211,814	221,143
Emoluments payable to the highest paid officer (excluding pension contributions)	76,096	76,058

DIRECTORS' EMOLUMENTS		
	2013	2012
	£	£
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	-	-
Emoluments include relocation expenses where appropriate		
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 2013 the average number of employees of the Partnership, including Executive Directors, was 41.5 (FTE), (2012 – 42 FTE).

EMPLOYEE INFORMATION		
	2013	2012
	£	£
Staff costs (for the above persons)		
Wages and Salaries	1,073,627	1,054,909
Social Security costs	77,610	77,436
Employers' pension costs	179,108	175,664
	<u>1,330,345</u>	<u>1,308,009</u>
Staff costs capitalised	<u>(382,811)</u>	<u>(386,534)</u>
	<u>947,534</u>	<u>921,475</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		
	2013	2012
	£	£
Bank interest receivable on deposits in the year	<u>4,366</u>	<u>9,200</u>

## NOTE 11 Interest Payable and Similar Charges

Interest Payable and Similar Charges		
	2013	2012
	£	£
Loan interest Payable	252,421	250,576
HMRC interest payable	-	2,990
	<u>252,421</u>	<u>253,566</u>

## 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		
	2013	2012
	£	£
The remuneration of the auditors is as follows		
Auditors' remuneration		
-in their capacity as auditors	11,760	11,820
-in respect of other services	-	-
	<u>11,760</u>	<u>11,820</u>

## NOTE14 Financial Commitments

Capital Commitments		
	2013	2012
	£	£
Expenditure contracted for, but not provided in the accounts	1,258,505	7,200,204
Expenditure authorised by the Board but not contracted	<u>3,838,300</u>	<u>12,219,440</u>
	<u>5,096,805</u>	<u>19,419,644</u>

Operating leases		
	2013	2012
	£	£
At 31 March 2013 the Partnership had annual commitments under non-cancellable leases as follows		
<i>Operating leases that expire:</i>		
Within one year	18,600	9,043
In the second to fifth year inclusive	26,754	-
	<u>45,354</u>	<u>9,043</u>

## NOTE 15 Tangible Fixed Assets

<b>HOUSING PROPERTIES</b>				
	Housing held for letting £	Shared Ownership £	Properties under construction £	Total £
<b>Cost or valuation</b>				
At 1 April 2012	61,948,074	127,643	4,667,959	66,743,676
Additions	3,610,019		1,733,316	5,343,335
Disposals	(245,485)			(245,485)
Transferred	1,783,380		(1,783,380)	-
<b>At 31 March 2013</b>	<b>67,095,988</b>	<b>127,643</b>	<b>4,617,895</b>	<b>71,841,526</b>
<b>Grants</b>				
At 1 April 2012	(42,048,026)	(123,596)	(4,104,010)	(46,275,632)
Received during the Year	(157,374)		(1,184,730)	(1,342,104)
Transferred	(1,132,446)		1,132,446	-
Eliminated on disposal	129,812			129,812
<b>At 31 March 2013</b>	<b>(43,208,034)</b>	<b>(123,596)</b>	<b>(4,156,294)</b>	<b>(47,487,924)</b>
<b>Depreciation</b>				
At 1 April 2012	(2,029,095)	(2,448)		(2,031,543)
Eliminated on Disposal	18,320			18,320
Charge for year	(743,042)	(67)		(743,109)
<b>At 31 March 2013</b>	<b>(2,753,817)</b>	<b>(2,515)</b>	<b>-</b>	<b>(2,756,332)</b>
<b>Net Book Value</b>				
at 31 March 2013	21,134,137	1,532	461,601	21,597,270
<b>Net Book Value</b>				
at 31 March 2012	17,870,953	1,599	563,949	18,436,501

**OTHER TANGIBLE FIXED ASSETS**

	Commercial property	Furniture Fittings & Equipment	Computer Equipment	Total
	£	£	£	£
<b>Cost or valuation</b>				
At 1 April 2012	829,934	142,104	253,645	1,225,683
Additions	-	8,382	19,076	27,458
Disposals	-	(3,229)	-	(3,229)
<b>At 31 March 2013</b>	<b>829,934</b>	<b>147,257</b>	<b>272,721</b>	<b>1,249,912</b>
<b>Depreciation</b>				
At 1 April 2012	(38,325)	(129,223)	(203,253)	(370,801)
Eliminated on disposal	-	1,614	-	1,614
Charge for year	(19,029)	(4,001)	(30,321)	(53,351)
<b>At 31 March 2013</b>	<b>(57,354)</b>	<b>(131,610)</b>	<b>(233,574)</b>	<b>(422,538)</b>
<b>Net Book Value</b>				
at 31 March 2013	<u>772,580</u>	<u>15,647</u>	<u>39,147</u>	<u>827,374</u>
<b>Net Book Value</b>				
at 31 March 2012	<u>791,609</u>	<u>12,881</u>	<u>50,392</u>	<u>854,882</u>

The number of units of accommodation owned and managed at 31 March 2013 by the Partnership was:

<b>Housing Stock</b>		
	2013	2012
<b>Social Housing</b>		
General Needs	2,212	2,213
Shared Ownership	3	3
Supported Housing	12	12
<b>Total Social Housing</b>	<u>2,227</u>	<u>2,228</u>

<b>Investment</b>		
	2013	2012
1 share in HHP Community Housing Ltd	1	1

## NOTE 16 Debtors

Debtors: Due after more than one year		
	2013	2012
	£	£
Development Agreement (see Note 2)	10,396,564	13,841,594
Loan Arrangement Fee	89,019	93,848
	<u>10,485,583</u>	<u>13,935,442</u>

In accordance with the development agreement accounting policy, included in debtors is a balance of £10.39 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		
	2013	2012
	£	£
Arrears of rent and service charges	235,862	227,388
Less: provision for bad and doubtful debts	(92,857)	(88,992)
	<u>143,005</u>	<u>138,396</u>
Other debtors	607,533	843,151
Total	<u>750,538</u>	<u>981,547</u>

## NOTE 17 Creditors: Amounts Falling Due within One Year

Creditors: Amounts falling due within one year		
	2013	2012
	£	£
Amounts falling due within one year:		
Trade creditors	403,945	138,425
Rent and service charges received in advance	46,712	39,526
Accruals	527,151	543,910
Loans (see Note 18)	<u>1,709,159</u>	<u>211,297</u>
Total	<u>2,686,967</u>	<u>933,158</u>

**NOTE 18**      **Creditors: Amounts falling due after more than one year**

<b>Creditors: Amounts falling due after more than one year</b>			<b>2013</b>	<b>2012</b>
			<b>£</b>	<b>£</b>
Right to Buy receipts due to the Scottish Executive			2,679,915	2,328,047
<b>LOANS</b>				
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		5,000,000	5,000,000
b)	Variable Rate		209,159	211,297
<b>Analysis of duration of loans and interest rates:</b>			<b>2013</b>	<b>2012</b>
		<b>1.02% to 5.48%</b>	<b>£</b>	<b>£</b>
Repayable in one year or more		209,159	1,709,159	211,297
Repayable in more than five years		5,000,000	3,500,000	5,000,000
			<b>5,209,159</b>	<b>5,211,297</b>
Being Loans falling due				
-within one year			1,709,159	211,297
-after more than one year			3,500,000	5,000,000
			<b>5,209,159</b>	<b>5,211,297</b>
<b>Average interest rates at 31 March</b>				
Fixed			4.60%	4.60%
Variable			1.21%	1.21%
Overall			<b>4.83%</b>	<b>4.83%</b>

**Bank Lending Facility**

At the year end the Partnership had drawn down £5.209 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		
	2013	2012
	£	£
At 1 April 2012	13,841,595	16,445,030
Created in Year	-	-
Utilised	(3,445,030)	(2,603,435)
<b>At 31 March 2013</b>	<b>10,396,565</b>	<b>13,841,595</b>

### 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		
	2013	2012
	£	£
Shares of £1 each issued and fully paid		
At 1 April 2012	188	186
issued during period	4	2
<b>At 31 March 2013</b>	<b>192</b>	<b>188</b>

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

Angela Quail, Calum Mackay, Kevin Paterson, George Lonie, Jane Mackinnon, and Daniel Coyle.

## NOTE 21 Reserves

Revenue Reserves		
	2013	2012
	£	£
Accumulated surplus at 1 April 2012	11,538,223	9,158,539
Surplus for the year	2,618,502	2,379,684
<b>Accumulated surplus at 31 March 2013</b>	<b>14,156,725</b>	<b>11,538,223</b>

Revenue Reserve Reconciliation		
	2013	2012
	£	£
Accumulated surplus as at 1 April as previously stated	11,538,223	2,973,693
Prior Year Adjustment	(55,798)	6,184,846
Accumulated surplus as at 1 April restated	11,482,425	9,158,539
Surplus for the year	3,106,485	2,797,014
Transfer to Designated Reserves	(431,302)	(417,067)
Transfer to Sinking Fund	(883)	(263)
<b>Balance at 31 March 2013</b>	<b>14,156,725</b>	<b>11,538,223</b>

Designated Reserves						
	Asbestos	Pension	Repairs & Renewals	Sinking Fund	2013	2012
	£	£	£	£	£	£
Balance at 1 April 2012	613,261	302,200	669,518	6,956	1,591,935	1,174,605
Transferred to Reserve	129,000	50,000	252,302	883	432,185	417,330
<b>Balance at 31 March 2013</b>	<b>742,261</b>	<b>352,200</b>	<b>921,820</b>	<b>7,839</b>	<b>2,024,120</b>	<b>1,591,935</b>

## 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		
	2013	2012
	£	£
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	590,262	590,262
Amount amortised to Income and Expenditure		
In previous years	(343,097)	(274,540)
In current year	(68,558)	(68,557)
Reserve at 31 March 2013	178,607	247,165

## 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 2009.

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 2013 % per annum	31-Mar 2012 % per annum
RPI increases	3.40%	3.30%
CPI increases	2.60%	2.50%
Salary increases	4.80%	4.80%
Pension increases	2.60%	2.50%
Discount rate	4.60%	4.60%

Assets (Employer)				
	Long Term		Long Term	
	Return at 31-Mar-13 %	Assets at 31-Mar-13 £000's	Return at 31-Mar-12 %	Assets at 31-Mar-12 £000's
Equities	6.40%	4,133	6.70%	3,480
Gilts	3.00%	376	3.30%	321
Other Bonds	4.10%	376	4.60%	321
Property	4.40%	429	4.70%	412
Cash	0.50%	54	3.00%	46
<b>TOTAL</b>	<b>6.10%</b>	<b>5,368</b>	<b>7.40%</b>	<b>4,580</b>

Net Pension Asset		
	2013 £000's	2012 £000's
Present Value of Funded Obligation	7,236	6,580
Fair Value of Scheme Assets	5,368	4,580
<b>Net Liability</b>	<b>1,868</b>	<b>2,000</b>
Present Value of Unfunded Obligation	26	24
<b>Net Liability</b>	<b>1,894</b>	<b>2,024</b>

#### 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		
	2013	2012
	£	£
Opening balance	1,050,000	1,300,000
Grant Funding received	300,000	250,000
Applied to investment expenditure		
Deferred for application against future expenditure	<u>750,000</u>	<u>1,050,000</u>

In addition The Scottish Government has made available a loan to the Partnership of £351,868 being the Comhairle's share of the Right to Buy receipts received this year.

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#### NOTE 25      Related Party Transactions

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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.

## NOTE 26 Cash flow Notes

Reconciliation of Operating Surplus to Net Cash Inflow from Operating Activities		
	2013	2012
	£	£
Operating surplus	3,315,608	3,015,117
Movement in Stock	2,615	748,251
Depreciation charges	796,460	650,628
Amortisation of Capital Reserve	(68,557)	(68,557)
Decrease/(increase) in debtors	235,838	(532,774)
(Decrease)/Increase in creditors and provisions (excluding loans)	607,815	285,857
<b>Net Cash inflow from operating activities</b>	<b>4,889,779</b>	<b>4,098,522</b>

Analysis of Net Debt		
	2013	2012
	£	£
Debt due after 1 Year	(3,500,000)	(5,000,000)
Debt due within 1 Year	(1,709,159)	(211,297)
	(5,209,159)	(5,211,297)
Bank and short term deposits	1,946,758	1,253,756
	(3,262,401)	(3,957,541)

Analysis of Changes in Net Cash			
	At 1 April 2012	Cash Inflow	31-Mar 2013
	£	£	£
Cash at bank and in hand	392,443	328,410	720,853
Overdraft			-
Reduction in cash	392,443	328,410	720,853
Deposits	861,313	364,592	1,225,905
Debt due after more than one year		-	-
	1,253,756	693,002	1,946,758