

Annual Report & Financial Statements

FOR THE
YEAR
ENDED 31
MARCH
2017

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



CONTENTS

| | |
|---|----|
| BOARD OF MANAGEMENT, DIRECTOR AND ADVISERS | 2 |
| REPORT OF BOARD OF MANAGEMENT | 5 |
| BOARD STATEMENT ON INTERNAL FINANCIAL CONTROL | 14 |
| STATEMENT OF BOARD RESPONSIBILITIES | 14 |
| OPERATING AND FINANCIAL REVIEW | 17 |
| INDEPENDENT AUDITOR'S REPORT | 22 |
| REPORT BY THE AUDITORS TO THE MEMBERS OF HEBRIDEAN HOUSING PARTNERSHIP LIMITED ON CORPORATE GOVERNANCE MATTERS | 22 |
| STATEMENT OF COMPREHENSIVE INCOME | 26 |
| STATEMENT OF CHANGES IN RESERVES | 27 |
| STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017 | 28 |
| STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2017 | 29 |
| NOTES TO THE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2017 | 30 |
| NOTES TO THE FINANCIAL STATEMENTS | 31 |

BOARD OF MANAGEMENT, DIRECTOR AND ADVISERS

| Name | Category | Changes during the year | |
|-----------------------------|------------|----------------------------|------------|
| | | Appointed | Resigned |
| George Lonie | Community | 3 Sept 2015 (re-appointed) | 6 May 2016 |
| Ian Macmillan | Community | 7 Sept 2016 (re-appointed) | |
| Daniel Coyle | Tenant | 7 Sept 2016 (re-appointed) | |
| Alasdair Mackenzie | Tenant | 7 Sept 2016 (re-appointed) | |
| Calum Mackay | Community | 7 Sept 2016 (re-appointed) | |
| Jane Mackinnon | Community | 3 Sept 2015 (re-appointed) | |
| Mairi Bremner | Community | 7 Sept 2016 (re-appointed) | |
| Kevin P Paterson | Tenant | 7 Sept 2016 (appointed) | |
| David Blaney | Councillor | 11 May 2012 | 3 May 2017 |
| Donald J Macrae | Councillor | 11 May 2012 | 3 May 2017 |
| Norman Macleod | Councillor | 11 May 2012 | 3 May 2017 |
| | Community | 24 May 2017 (appointed) | |
| Gordon Murray | Councillor | 4 May 2017 | 3 May 2017 |
| Roddy Mackay | Councillor | 4 May 2017 (appointed) | |
| John Graham Mitchell | Councillor | 4 May 2017 (appointed) | |

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 : Dena Macleod BA CA
Director of Operations: John Maciver BSc MPHIL, FCIH
Director of Finance & Corporate Services: Donald
Macleod BAcc, FCCA

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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 2017.

OVERVIEW OF BUSINESS

The principal activity of HHP is to provide and manage good quality, affordable accommodation for people in housing need in the Outer Hebrides. 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 350 new affordable houses. 267 houses have been disposed of since September 2006 leaving a stock at 31 March 2017 of 2,193.

CORE VALUES

HHP's core value is:

Integrity

- We honour commitments made to our tenants and build trust.
- Our decision making processes are open and transparent.

The core value is underpinned by five supporting values:

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

Sustainability

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

Supporting Staff

- We Provide a challenging, supportive and rewarding work environment.

REGULATION

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

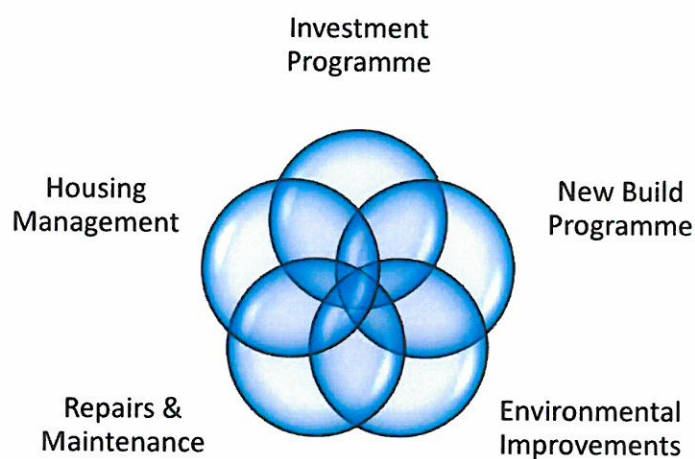
The Regulation Plan sets out the level of engagement. HHP, because of its 'systemic importance' in the Outer Hebrides is categorised as 'medium engagement' by the Scottish Housing Regulator in the 2017 Regulation Plan. Given the level of public money invested by HHP on an annual basis it is important 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 for 2016/17.

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 £4 million spent in 2016/17 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 (SHQS)

HHP has met the Scottish Housing Quality Standard. There were however a number of exemptions and abeyances granted, mainly on the grounds of energy efficiency, due to the challenges posed by being in an 'off-gas' area. Plans are now in place through the 4 year Investment Programme to deliver the new Energy Efficiency Standard for Social Housing (EEESH). SHQS exemptions and abeyances are being addressed over the same time period.

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. A review is now being undertaken to look at the best model for taking forward the repairs and maintenance service including the option of taking the service in house.

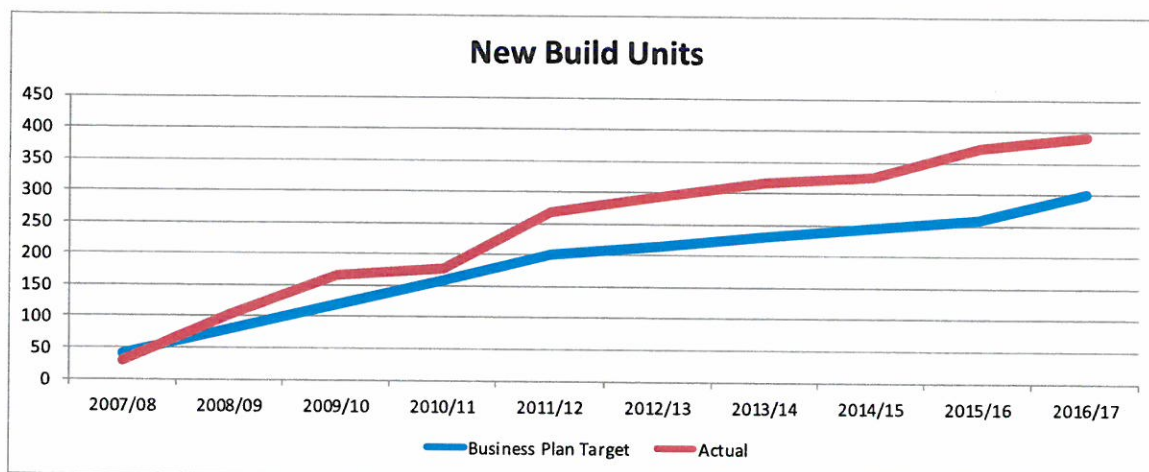
New Build Programme

HHP has completed more than 370 new houses (325 for Rent and 47 LIFT) since Transfer Day in 2006 which is ahead of the 275 ten year target. At April 2017 there were 74 houses on site at the MacKenzie Farm development, 24 of the properties were completed in May 2017 with the remainder due for completion by September 2019.

Future New Build Projects

4 sites are being progressed at present. 2 in Tarbert, 1 in Leurbost and 1 in Barra. Feasibility works are to be carried out on a number of other sites. In addition we are working with the Comhairle and other partners to Masterplan the HHP site at Goathill Farm.

MACKENZIE LANE, STORNOWAY



DYNAMICS OF THE SOCIAL LANDLORD

The Partnership is focused on providing housing within the Outer Hebrides. The population decline of the last 30 years is continuing and the proportion of young people and children is worryingly low. The proportion of elderly people is forecast to increase significantly. Demand is higher in Stornoway and to a lesser extent in Tarbert, Balivanich and Castlebay. However there is weakening demand in many areas, particularly South Lochs, Bernera & Uig and South Uist. This will impact on future strategy for new build programmes.

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. Additional resources such as making the housing officer roles permanent have been made to mitigate the impact of the highest scoring risk - the roll out of Universal Credit. This has helped in driving a reduction in our arrears balance compared to prior year.

Any risk which materially jeopardises the Partnership's ability to achieve its Strategic Objectives or conduct its business is not accepted. HHP's risk appetite is assessed annually at Board Business Planning days.

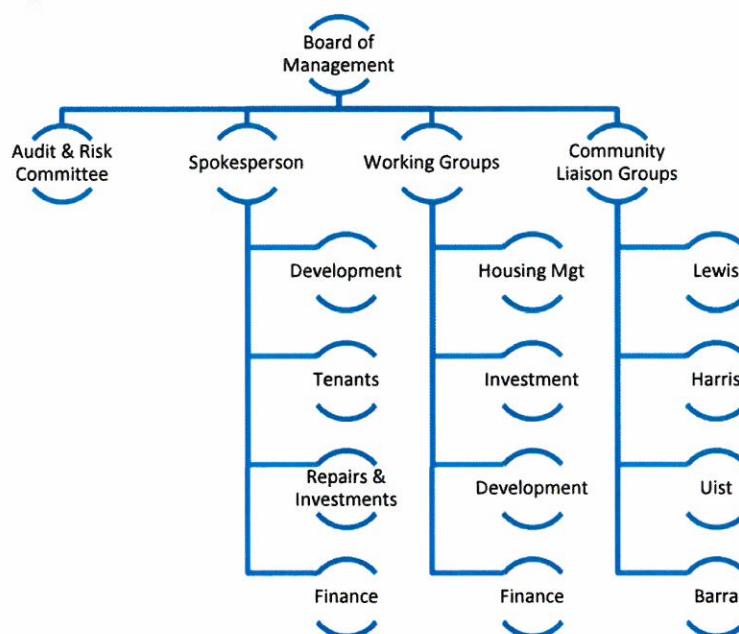
GOVERNANCE & MANAGEMENT

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. As at the 31st March there were 11 Board members.

HHP’s Rules require that two community and two tenant members step down each year. The current rules are under review and proposals to amend the rules were presented to the board in May 2017. There will be elections for the vacant positions at the Annual General Meeting in September 2017.

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

During 2016/17 one share was issued to a new member.

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 statements
- 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 continue to broaden and strengthen opportunities for tenants to engage with HHP and to actively participate in a way that suits them.

TPAS were re-appointed, following competitive procurement to provide a Tenant Participation Development Service to HHP. This service will continue to 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 £5,000 was donated during the year to the following local charities:

£1,000 Marie Curie Western Isles

£1,000 Befriending Lewis

£1,000 Action for Children

£1,000 Bethesda

£1,000 Garadh a Bagh a Tuath

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 2017.

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 2016/17 two HHP managers completed Level 5 Leadership and Management ILM. A training programme for staff for 2017/18 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 Finance & Corporate Services.

AUDIT & RISK COMMITTEE

The Audit & Risk Committee consists of six members. Meetings are normally held six times a year 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 Executive 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 most significant risks identified during 2016/17 were the wider economic uncertainty in the Outer Hebrides (including population decline), impact of weather events on insurance and rent affordability issues for tenants.

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 2016/17. 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. HHP's Executive Team continually 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 2016/17 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 2017. 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 2014. 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

A handwritten signature in blue ink, appearing to read 'Iain Macmillan', with a stylized flourish at the end.

Iain Macmillan

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

The strong performance on reducing arrears was sustained with an improvement for the 7th year in a row. This was achieved despite the ongoing challenges being presented by Welfare Reform. Universal Credit was rolled out in the Outer Hebrides in May 2015 and although the number of cases has been small this is increasing and the full roll out is due in May 2018.

Additional Housing Officers were put in place in our Stornoway and Balivanich offices to meet the challenges being presented by Universal Credit as the roll out continues and these posts were made permanent this year.

The 'bedroom tax' continued to be mitigated in full through Discretionary Housing Payments (DHP) and we acknowledge the continued support of the Comhairle with this.

Weakening demand for housing across the most rural areas of our islands is a continuing concern and one which the Board is monitoring closely. We will continue to explore options to address this and will work with the Comhairle to assess the implications of this trend for the Local Housing Strategy.

Void rent loss increased significantly to over 1% as a result of weak demand. Properties were let in an average of 17 days (excluding low demand properties). This continues the strong performance of previous years but has dropped slightly.

The level of anti social behaviour continued to be low and we did not take any legal enforcement action during the year. This also reflects the strong partnership working between HHP, Police Scotland and the Comhairle which focusses on a proactive and preventative approach.

Partnership working continues to be very important to us and we work through the Community Planning Partnership and other multi-agency partnerships including Domestic Abuse Forum and Poverty Action Group to deliver good outcomes for our tenants and communities.

TENANT PARTICIPATION

The Tenant Participation Advisory Service (TPAS) was re-appointed in May 2017 to continue to provide tenant participation support and development services to HHP. Activity has focussed on developing links with interested tenants across the islands and supporting existing tenant groups and encouraging new ones. A new Umbrella group, the Western Isles Housing Association Communities Forum, has been formed and this is working to establish itself as a focus for participation across the islands. Providing a variety of means of participation is important particularly since the housing stock is spread over a large geographic area such as the Outer Hebrides. We have a high number of small schemes consisting of 6 – 20 houses in most cases which makes participation challenging. Annual events were again held in Stornoway, Balivanich, Tarbert and Castlebay during the year and these were viewed very positively by those attending. They were also heavily supported by partners for which we are grateful.

OPERATIONAL REVIEW

PLANNED & CYCLICAL MAINTENANCE

The 5 year planned maintenance programme continued to protect homes and the wider environment. As in previous years the large amount of fencing within housing areas poses a challenge and work to these has been limited as priority is given to the fabric of the houses themselves.

Cyclical maintenance programmes were completed during the year including ensuring that all gas systems were serviced within a 12 month period. Servicing of fire alarms, stair lighting, door entry systems and other heating systems was also carried out.

INVESTMENT PROGRAMME

This was the second year of our new 4 year framework contract and £4m was invested in tenant's homes delivering the following improvements during 2016/17:

| | | | |
|-----------------|-----|-----------|-----|
| Heating Systems | 133 | Kitchens: | 106 |
| Bathrooms: | 57 | Windows: | 55 |
| Roughcasting: | 27 | Roofing: | 18 |

Addressing fuel poverty continues to be a key priority and this is demonstrated by the investment in new heating systems. In particular we installed 43 Air Source Heat Pumps in off-gas areas which deliver a good affordable solution for our tenants. However, we also continue to examine other heating options and installed a further 25 infra-red heating systems primarily in one bedroom properties during the year. These are being evaluated to ascertain tenant's experiences and whether they will meet EESSH requirements. 65 highly efficient combination gas boilers were installed in the Stornoway area.

SCOTTISH HOUSING QUALITY STANDARD

While the housing stock met the Scottish Housing Quality Standard (SHQS) by the target date of March 2015 there was a significant number of properties covered by exemptions and abeyances. Work continues to address these as the opportunity arises and 335 were resolved during the year.

AIDS AND ADAPTATIONS

We bid successfully for funding from the Scottish Government and a grant of £254k enabled us to deliver 229 different measures benefiting 128 tenants with health and mobility problems. We worked closely with the Occupational Therapy Service in assessing need and determining priorities and waiting time was kept as low as possible for those requiring assistance.

FUEL POVERTY AND EESSH

Fuel poverty continues to be a major issue in the Outer Hebrides. The Scottish Government has set energy targets under the EESSH scheme and currently, 75% of HHP homes meet this target. HHP will continue to work towards 100% compliance by the 2020 deadline.

On the wider scale we continued to support the Comhairle as they established an Energy Supply Company (ESCO). A company called Hebrides Energy has been established and positive progress has been made on this but unfortunately the preferred partner ceased trading in December 2016, shortly before the full launch was due. Discussions are now underway with other potential partners and there is significant interest from suppliers.

Work continues with other Highland Housing Associations and Councils to lobby on and to highlight the impact of fuel poverty in the Highlands and Islands. For Example there has been significant input into the Scottish Government Rural Fuel Poverty Task Force and the Competition and Markets Authority (CMA) report on the energy market reflected the concerns raised by HHP and other partners.

FINANCIAL REVIEW

COMPREHENSIVE INCOME

The turnover for the year to 31 March 2017 was £9.989 million (2016: £12.710m) against operating costs of £6.792 million (2016: £9.624m). Operating costs for the year included £0.332 million (2016: £0.334m) of capital investment written off against expenditure. The main source of income was from rental income of £8.400 million (2016: £8.226m) with £0.886 million (2016: £0.573m) received in grant from The Scottish Government. None (2016: £0.150m) 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 (2016: 23 LIFT).

The operating surplus on Letting Activities was £3.228 million, 38% of Net Rental Income (2016: £3.106 million, 37% 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.

FINANCIAL POSITION

HHP's Financial Position is shown on Page 28. The key factors affecting the balance sheet are:

- a) The addition of 22 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 has now been fully utilised.
- c) Stock increased to reflect the Work in Progress on the Mackenzie Lane LIFT scheme;
- d) Significant increase in creditors (Both greater than and less than one year) due to the increased Right To Buy (RTB) receipts as the RTB scheme comes to a close.

CASH FLOW

The Cash Flow is shown on page 29. The net change in cash equivalents was £1.706 million (2016: £2.295m). The principal cash outflows were operating costs and investment in assets with cash inflow bolstered by RTB receipts and RHI Income.

CURRENT LIQUIDITY

At 31 March 2017 HHP had cash and short-term deposits of £7.231 million (2016: £5.524m). This was £4.068 million more than forecast in the Annual Financial Strategy for 2016/17 due to opening balances at 1 April 2016 being £1.3 million higher than forecast and incremental RTB receipts in the year of £1.4m. It is not anticipated that there will be a requirement to draw down funds during 2017/18.

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 £15 million. In broad terms, the current Business Plan assumes that borrowing will increase each year until the maximum of £15 million is reached in 2024 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.

The Business Plan assumes capital grants for new build and loans of just under £20 million. The loans are repayable by year 2036.

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 £20.1 million over the next 5 years ensuring the Scottish Housing Quality Standard is maintained in all its properties. £9.895 million of private finance has been earmarked for the 15 new build projects due for completion in the next 5 years. HHP funding with RBS, 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 2017 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 2017 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Statement of Recommended Practice for Social Housing Providers issued in 2014; 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 2014 issued by the Scottish Housing Regulator.

Matters on which we are required to report by exception

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

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: 28 June 2017

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 15 concerning 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 15 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: 28 June 2017



FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2017

| | | 31 March 2017 | 31 March 2016 |
|--|----------|------------------|------------------|
| | | £ | £ |
| | Notes | | |
| Turnover | 3 | 9,989,189 | 12,710,418 |
| Operating expenditure | 3 | (6,792,497) | (9,624,596) |
| Operating surplus | 3 | 3,196,692 | 3,085,822 |
| Loss on disposal of property, plant & equipment | | (218,318) | (123,606) |
| Interest receivable | 6 | 9,568 | 11,567 |
| Interest payable and financing costs | 7 | (354,611) | (336,222) |
| Surplus before tax | | 2,633,330 | 2,637,561 |
| Actuarial (loss)/gain in respect of pension scheme | 22 | (1,502,000) | 982,000 |
| Total comprehensive income for the year | | 1,131,330 | 3,619,561 |

The results for the year relate wholly to continuing activities.

These financial statements were approved by the Board on 28th June 2017 and were signed on its behalf by:



Iain Macmillan

Chair



Dena Macleod

Secretary



Calum Mackay

Board Member

The notes on pages 30 to 54 form part of these financial statements

STATEMENT OF CHANGES IN RESERVES

FOR THE YEAR ENDED 31 MARCH 2017

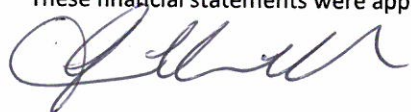
| | Unrestricted Fund £ |
|--|---------------------------|
| Current Year | |
| Balance at 1 April 2016 | 24,995,961 |
| Surplus from statement of comprehensive income | 1,131,330 |
| Balance at 31 March 2017 | <u>26,127,291</u> |
| Prior Year | |
| Balance at 1 April 2015 | 21,376,400 |
| Surplus from statement of comprehensive income | 3,619,561 |
| Balance at 31 March 2016 | <u>24,995,961</u> |

The notes on pages 30 to 54 form part of these financial statements

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

| | | 31 March 2017 | 31 March 2016 |
|--|--------------|--------------------|--------------------|
| | | £ | £ |
| | Notes | | |
| Fixed Assets | | | |
| Tangible Assets-Social Housing | 8 | 73,557,295 | 70,087,014 |
| Tangible Assets-Property, plant & equipment | 9 | 1,528,478 | 1,659,854 |
| Investments | 10 | 2 | 2 |
| | | <u>75,085,775</u> | <u>71,746,870</u> |
| Current Assets | | | |
| Stock | | 388,884 | 37,451 |
| Trade and other debtors | 11 | 1,422,744 | 3,883,992 |
| Investments | | 4,506,628 | 3,564,265 |
| Cash and cash equivalents | | 2,724,142 | 1,959,905 |
| | | <u>9,042,398</u> | <u>9,445,613</u> |
| Less: Creditors amounts falling due within one year | 12 | <u>(2,491,833)</u> | <u>(1,101,194)</u> |
| Net current assets | | <u>6,550,565</u> | <u>8,344,419</u> |
| Total assets less current liabilities | | <u>81,636,340</u> | <u>80,091,289</u> |
| Creditors: amounts falling due after more than one year | 13 | (10,583,000) | (9,840,869) |
| Deferred Capital Grants | 14 | (41,687,852) | (41,162,344) |
| Pension Liability | 15 | (3,238,000) | (1,567,000) |
| Provisions for liabilities | 15 | - | (2,524,919) |
| Net Assets | | <u>26,127,488</u> | <u>24,996,157</u> |
| Reserves | | | |
| Share Capital | 16 | 197 | 196 |
| Income & Expenditure reserve | | <u>26,127,291</u> | <u>24,995,961</u> |
| | | <u>26,127,488</u> | <u>24,996,157</u> |

These financial statements were approved by the Board on 28th June 2017 and were signed on its behalf by:



Iain Macmillan

Chair



Dena Macleod

Secretary



Calum Mackay

Board Member

The notes on pages 30 to 54 form part of these financial statements

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2017

| | | 31 March 2017 | 31 March 2016 |
|--|--------|------------------|------------------|
| | | £ | £ |
| Net Cash inflow from operating activities | Note 1 | 6,226,004 | 6,517,542 |
| Cashflow from investing activities | | | |
| Purchase of tangible assets | | (6,810,162) | (5,714,504) |
| Proceeds from sale of tangible fixed assets | | 733,129 | 481,934 |
| Grants received | | 1,822,064 | 1,291,585 |
| Interest received | | 9,568 | 11,567 |
| Acquisition of Shares | | | (1) |
| Cashflow from financing activities | | | |
| Interest paid | | (258,407) | (234,612) |
| Repayments of borrowings | | (15,595) | (58,233) |
| Net change in cash equivalents | | <u>1,706,600</u> | <u>2,295,278</u> |
| Cash and cash equivalents at the beginning of the year | | 5,524,170 | 3,228,892 |
| Cash and cash equivalents at the end of the year | | <u>7,230,770</u> | <u>5,524,170</u> |
| | | <u>1,706,600</u> | <u>2,295,278</u> |

The notes on pages 30 to 54 form part of these financial statements

NOTES TO THE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2017

1 CASH FLOW FROM OPERATING ACTIVITIES

| Cashflow from Operating Activities | | |
|---|------------------|------------------|
| | 2017 | 2016 |
| | £ | £ |
| Surplus for the year | 3,196,692 | 3,085,822 |
| <i>Adjustments for non-cash items:</i> | | |
| Depreciation of tangible fixed assets | 2,521,583 | 2,345,470 |
| Amortisation of Capital Reserve | - | - |
| Decrease/(increase) in stock | (351,433) | 762,557 |
| Decrease/(increase) in trade and other debtors | (63,669) | (248,128) |
| Increase/(decrease) in trade and other creditors | 3,179,175 | 2,163,404 |
| Receipt of donated land | | - |
| Pension costs less contributions payable | 112,000 | 150,000 |
| Carrying amount of tangible fixed asset disposed | (949,674) | (605,540) |
| <i>Adjustments for investing or financing activities:</i> | | |
| Proceeds from the sale of tangible fixed assets | (218,318) | (123,606) |
| Government grants utilised in the year | (1,296,556) | (1,103,233) |
| Interest payable | 96,205 | 90,796 |
| | <u>6,226,004</u> | <u>6,517,542</u> |

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 MARCH 2017****NOTE 1 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 FRS 102 as issued by the Financial Reporting Council and comply with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010, the Determination of Accounting Requirements 2014 issued by the Scottish Housing Regulator and the Statement of Recommended Practice (SORP) for social housing providers issued in 2014.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments. The principal accounting policies that have been applied consistently to all periods presented in these financial statements are set out below.

The preparation of financial statements in conformity with FRS102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies selected for use by the Partnership. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3. Use of available information and application of judgement are inherent in the formation of estimates. Actual outcomes in the future could differ from such estimates. Hebridean Housing Partnership Ltd is a public benefit entity (PBE).

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 10.

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. Social Housing Grant received as a contribution towards the capital cost of a housing development is recognised in line with the accrual model. The accrual model results in the grant being recognised over the expected useful life of the housing property

structure and its individual components. 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. In accordance with FRS102 the future payments in respect of the past service deficit plan have been discounted and recognised as a provision within the financial statements.

HOUSING PROPERTIES

Housing properties are stated at cost less accumulated depreciation. The cost of properties is their purchase price together with capitalised repairs. 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 cost. The development cost of housing properties includes:-

1. Cost of acquiring land and buildings; and
2. Development expenditure including administration costs

Where it is considered that there has been any impairment in value this is provided for accordingly. 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.

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 Statement of Comprehensive Income.

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 |

| | <i>Years</i> |
|---------------------------|--------------|
| 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.

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.

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.

FINANCIAL INSTRUMENTS

Loans provided to HHP Community Housing Limited are classed as basic under the requirements of FRS102, and are measured at amortised cost. In the case of payment arrangements that exist with customers, these are deemed to constitute financing transactions and are measured at the present value of the future payments discounted at a market rate of interest applicable to similar debt instruments.

NOTE 2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities.

Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

NOTE 3 TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

| | 2017 | | | 2016 | | |
|--------------------------------------|-----------------------|--------------------|----------------------|-----------------------|--------------------|----------------------|
| | Operating Turnover | Operating Costs | Operating Surplus | Operating Turnover | Operating Costs | Operating Surplus |
| | £ | £ | £ | £ | £ | £ |
| Income and Expenditure from Lettings | | | | | | |
| Social Lettings (Note 4) | 9,964,555 | (6,736,206) | 3,228,349 | 9,938,871 | (6,832,963) | 3,105,908 |
| Other Activities (Note 5) | 24,633 | (56,291) | (31,658) | 2,771,547 | (2,791,633) | (20,086) |
| TOTAL | 9,989,189 | (6,792,497) | 3,196,692 | 12,710,418 | (9,624,596) | 3,085,822 |

NOTE 4 PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS FROM SOCIAL LETTING ACTIVITIES

| | General Needs Housing £ | Supported Accommodation £ | Shared Ownership £ | Other £ | Total £ | 2016 £ |
|--|-------------------------------|---------------------------------|--------------------------|------------|------------------|------------------|
| Income from rent and service charges | | | | | | |
| Rent receivable net of service charges | 8,292,729 | 49,604 | 3,397 | - | 8,345,730 | 8,225,892 |
| Service charges | 48,126 | 3,908 | 2,376 | - | 54,410 | 56,107 |
| Gross Income from rents and service charges | 8,340,854 | 53,512 | 5,773 | - | 8,400,139 | 8,281,999 |
| Less voids | (91,570) | - | - | - | (91,570) | (65,887) |
| Net Income from rents and service charges | 8,249,285 | 53,512 | 5,773 | - | 8,308,570 | 8,216,112 |
| Grants from Scottish Ministers | - | - | - | - | - | 150,000 |
| Release of deferred capital grant | 1,209,599 | | | | 1,209,599 | 1,149,173 |
| Other Revenue Grants | 446,387 | - | - | - | 446,387 | 423,586 |
| Total Turnover from social letting activities | 9,905,270 | 53,512 | 5,773 | - | 9,964,555 | 9,938,871 |
| Expenditure | | | | | | |
| Management and Maintenance Administration costs | 1,797,564 | 13,230 | 2,481 | - | 1,813,275 | 1,797,121 |
| Service charges | - | | | | - | - |
| Planned and Cyclical Maintenance including major repairs | 987,724 | 262 | - | - | 987,986 | 1,156,533 |
| Reactive Maintenance | 1,383,458 | 4,735 | 106 | - | 1,388,299 | 1,467,858 |
| Bad Debts-rents and service charges | 25,063 | - | - | - | 25,063 | 65,981 |
| Depreciation of social housing | 2,519,457 | - | 2,126 | - | 2,521,583 | 2,345,470 |
| Impairment of social housing | | | | | | |
| Operating costs for social letting activities | 6,713,267 | 18,227 | 4,713 | - | 6,736,206 | 6,832,963 |
| Operating surplus on letting activities for 31 March 2017 | 3,192,004 | 35,285 | 1,060 | - | 3,228,349 | 3,105,908 |
| Operating surplus on letting activities for 31 March 2016 | 3,065,596 | 40,001 | 311 | - | 3,105,908 | |

NOTE 5 PARTICULAR OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS FROM OTHER ACTIVITIES

| | Grants from Scottish Ministers | Other Revenue Grants | Other Income | Total Turnover | | Other Operating Costs | | Operating Surplus/ Deficit | |
|--|-----------------------------------|-------------------------|------------------|-------------------|------------------|--------------------------|------------------|-------------------------------|-----------------|
| | £ | £ | £ | 2017 £ | 2016 £ | 2017 £ | 2016 £ | 2017 £ | 2016 £ |
| Stage 3 Adaptations | - | - | - | - | - | - | - | - | - |
| Factoring | - | - | 3,089 | 3,089 | 5,059 | 3,096 | 11,654 | (7) | (6,595) |
| Development & construction of Property Activities | - | - | 14,897 | 14,897 | 32,131 | 44,496 | 43,770 | (29,599) | (11,639) |
| Sale of Developments | - | - | - | - | 2,718,646 | - | 2,718,646 | - | - |
| Management Services | - | - | 6,648 | 6,648 | 15,711 | 8,699 | 17,563 | (2,051) | (1,852) |
| Amortization capital reserve | - | - | - | - | - | - | - | - | - |
| Total from other activities 2017 | - | - | 24,633 | 24,633 | | 56,291 | | (31,658) | |
| Total for other activities 2016 | - | - | 2,771,547 | | 2,771,547 | | 2,791,633 | | (20,086) |

NOTE 6 INTEREST RECEIVABLE AND OTHER INCOME

| Interest Receivable and Other Income | | |
|---|--------------|---------------|
| | 2017 | 2016 |
| | £ | £ |
| Interest receivable on deposits | 9,330 | 11,333 |
| Interest receivable on loan to subsidiary | 237 | 234 |
| | <u>9,568</u> | <u>11,567</u> |

NOTE 7 INTEREST PAYABLE AND SIMILAR CHARGES

| Interest Payable and Similar Charges | | |
|---|----------------|----------------|
| | 2017 | 2016 |
| | £ | £ |
| Interest Payable | 213,051 | 219,980 |
| Other Financing costs | 84,560 | 39,242 |
| Net Cost on pension | 57,000 | 77,000 |
| | <u>354,611</u> | <u>336,222</u> |

Other financing costs include commitment, non-utilisation fees, the amortisation of transaction costs on the funding arrangements.

NOTE 8 TANGIBLE FIXED ASSETS-SOCIAL HOUSING

| Tangible Fixed Assets | | | | |
|------------------------------|--|--|--|---------------------|
| SOCIAL HOUSING | Housing Properties held for letting £ | Housing Properties under construction £ | Shared Ownership held for letting £ | Total £ |
| Current Year Cost | | | | |
| At start of the year | 83,170,147 | 2,165,267 | 127,643 | 85,463,057 |
| Additions during the year | 3,632,966 | 3,163,540 | - | 6,796,506 |
| Transfers in year | 3,004,540 | (3,004,540) | - | - |
| Disposals | (1,245,571) | - | - | (1,245,571) |
| At end of year | 88,562,082 | 2,324,267 | 127,643 | 91,013,992 |
| Depreciation | | | | |
| At start of year | (15,305,835) | - | (70,208) | (15,376,043) |
| Provided in year | (2,470,430) | - | (2,126) | (2,472,556) |
| Eliminated on Disposal | 391,903 | - | - | 391,903 |
| At end of year | (17,384,363) | - | (72,334) | (17,456,697) |
| Net Book Value | | | | |
| At end of year | 71,177,719 | 2,324,267 | 55,309 | 73,557,295 |
| Prior Year | | | | |
| At start of the year | 78,203,666 | 2,354,441 | 127,643 | 80,685,750 |
| Additions during the year | 2,686,441 | 3,014,992 | - | 5,701,433 |
| Transfers in year | 3,078,550 | (3,194,520) | - | (115,970) |
| Disposals | (798,510) | (9,646) | - | (808,156) |
| At end of year | 83,170,147 | 2,165,267 | 127,643 | 85,463,057 |
| Depreciation | | | | |
| At start of year | (13,219,001) | - | (68,076) | (13,287,077) |
| Provided in year | (2,289,450) | - | (2,132) | (2,291,582) |
| Eliminated on Disposal | 202,616 | - | - | 202,616 |
| At end of year | (15,305,835) | - | (70,208) | (15,376,043) |
| Net Book Value | | | | |
| At end of year | 67,864,312 | 2,165,267 | 57,435 | 70,087,014 |

Development administration costs capitalised amounted to £58,077 (2016:£53,535) for which Social Housing Grants amounting to £nil (2016:£nil) were received in the year.

The proceeds of property disposals in the year was £733,130 (2016: £481,934). These units cost £1,343,350 (2016: £808,156) and had a net book value of £951,447 (2016:£605,540). HAG of £134,537 (2016: £178,240) is due to be repaid in respect of these disposals.

The cost of new components capitalised in the year was £3,900,126 (2016: £2,686,441)

Components with a cost of £264,957 (2016: £47,791), HAG of £211,367 (2016: £42,318) and accumulated depreciation of £133,673 (2016: £31,624) were disposed of in the year.

NOTE 9 TANGIBLE FIXED ASSETS-PROPERTY, PLANT AND EQUIPMENT

| TANGIBLE FIXED ASSETS | | | | | | |
|------------------------------|-------------------------------------|--------------------------------------|-----------------------------------|-------------------------------------|----------------------------------|--------------------|
| | Heritable Property £ | Commerical Property £ | Office Equipment £ | Computer Equipment £ | Other Equipment £ | Total £ |
| Current Year Cost | | | | | | |
| At start of the year | 779,066 | 939,280 | 81,515 | 284,443 | 102,028 | 2,186,332 |
| Additions during the year | - | - | - | 10,717 | 2,939 | 13,656 |
| Transfers in year | - | - | - | - | - | - |
| Disposals | (96,006) | - | - | - | - | (96,006) |
| At end of year | 683,060 | 939,280 | 81,515 | 295,160 | 104,967 | 2,103,982 |
| Depreciation | | | | | | |
| At start of year | - | (121,554) | (74,662) | (249,197) | (81,065) | (526,478) |
| Provided in year | - | (22,498) | (4,682) | (17,337) | (4,509) | (49,026) |
| Eliminated on Disposal | - | - | - | - | - | - |
| At end of year | - | (144,052) | (79,344) | (266,534) | (85,574) | (575,504) |
| Net Book Value | | | | | | |
| At end of year | 683,060 | 795,228 | 2,171 | 28,626 | 19,393 | 1,528,478 |
| Prior Year | | | | | | |
| At start of the year | 915,125 | 939,280 | 81,515 | 278,287 | 95,113 | 2,309,320 |
| Additions during the year | - | - | - | 6,156 | 6,915 | 13,071 |
| Disposals | - | - | - | - | - | - |
| At end of year | 779,066 | 939,280 | 81,515 | 284,443 | 102,028 | 2,186,332 |
| Depreciation | | | | | | |
| At start of year | - | (99,056) | (69,903) | (226,927) | (76,704) | (472,590) |
| Provided in year | - | (22,498) | (4,759) | (22,270) | (4,361) | (53,888) |
| Eliminated on Disposal | - | - | - | - | - | - |
| At end of year | - | (121,554) | (74,662) | (249,197) | (81,065) | (526,478) |
| Net Book Value | | | | | | |
| At end of year | 779,066 | 817,726 | 6,853 | 35,246 | 20,963 | 1,659,854 |

NOTE 10 INVESTMENTS

| Investments | | | |
|--------------------------------------|---------------------------------------|-------------------|---------------------|
| | | 2017 | 2016 |
| | | £ | £ |
| Investment in subsidiary undertaking | | 1 | 1 |
| Investment in Hebrides Energy CIC | | 1 | 1 |
| | | <u>2</u> | <u>2</u> |
| | | | |
| | <u>Activity</u> | <u>Registered</u> | <u>Shareholding</u> |
| HHP Community Housing Ltd | Dormant | Scotland | 100% |
| Hebrides Energy | Offer competitive electricity tariffs | Scotland | 11.1% |

NOTE 11 TRADE AND OTHER RECEIVABLES

| Trade and other receivables | | |
|--|------------------|------------------|
| | 2017 | 2016 |
| | £ | £ |
| Rental Arrears | 132,907 | 173,927 |
| Less: provision for bad debts | (70,420) | (82,512) |
| | <u>62,487</u> | <u>91,415</u> |
| Amounts owed by subsidiary undertaking (due within 1 year) | 16,053 | 15,803 |
| Other debtors | 596,149 | 602,373 |
| Prepayments and accrued income | 535,224 | 489,852 |
| Other debtors (due in more than 1 year) | 212,831 | 2,684,549 |
| Total | <u>1,422,744</u> | <u>3,883,992</u> |

In accordance with the development agreement accounting policy, £2.5 million was included in the 2016 debtors balance with respect to 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. An identical provision was made in the accounts for this expenditure in 2016. The debtor and the associated provision has been fully utilised in 2017.

NOTE 12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| Creditors-Amounts falling due within one year | | |
|---|-----------|-----------|
| | 2017 | 2016 |
| | £ | £ |
| Bank loans and overdrafts | 88,736 | 104,331 |
| Trade payables | 32,523 | 138,899 |
| Contract retentions | 152,820 | 101,486 |
| Accruals and deferred income | 1,294,306 | 645,321 |
| Rent in advance | 55,711 | 53,092 |
| HAG creditor | 43,710 | 58,065 |
| HAG Repayable | 134,537 | - |
| RTB Receipts Repayable on demand | 689,489 | - |
| Total | 2,491,833 | 1,101,194 |

Outstanding retentions will be financed in due course by additional loan funding.

NOTE 13 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| Creditors-Amounts falling due after more than one year | | |
|---|-------------------|------------------|
| | 2017 | 2016 |
| | £ | £ |
| Bank term loans | 5,000,000 | 5,000,000 |
| RTB Receipts due to the Scottish Government | 5,583,000 | 4,840,869 |
| Total | 10,583,000 | 9,840,869 |
| Bank Term loans are secured by specific charges on the Partnership's properties and are repayable at varying rates of interest. | | |
| The above creditors are due are follows: | | |
| | £ | £ |
| Between one and two years | - | - |
| Between two and five years | - | - |
| In five years or more | 10,583,000 | 9,840,869 |
| | 10,583,000 | 9,840,869 |

At the year end the Partnership had drawn down £5.88 million on the lending facility. A committed facility of £15 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 £92,738 in 2017 (2016: £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 14 DEFERRED CAPITAL GRANTS

| Deferred Capital Grants | | | | | |
|---------------------------|---|---|---|---------------------------------------|---------------------|
| | Housing Properties held for letting £ | Housing Properties under construction £ | Shared Ownership held for letting £ | Property Plant & Equipment £ | Total £ |
| Current Year Cost | | | | | |
| At start of the year | (38,761,174) | (1,610,866) | (55,614) | (734,690) | (41,162,344) |
| Additions during the year | | (2,036,459) - | - | - | (2,036,459) |
| Disposals during the year | 214,395 - | - | - | - | 214,395 |
| Transfers in year | (1,829,150) | 1,829,150 - | | 90,966 | 90,966 |
| Amortised in year | 1,202,754 - | | 2,059 | 777 | 1,205,590 |
| At end of year | (39,173,175) | (1,818,175) | (53,555) | (642,946) | (41,687,852) |
| Prior Year | | | | | |
| At start of the year | (38,092,093) | (1,952,695) | (57,678) | (871,526) | (40,973,992) |
| Additions during the year | (230,516) | (1,369,981) - | - | - | (1,600,497) |
| Disposals during the year | 306,794 | 2,118 - | - | - | 308,912 |
| Transfers in year | (1,797,317) | 1,709,692 - | | 136,059 | 48,434 |
| Amortised in year | 1,051,958 - | | 2,064 | 777 | 1,054,799 |
| At end of year | (38,761,174) | (1,610,866) | (55,614) | (734,690) | (41,162,344) |

NOTE 15 PROVISIONS FOR LIABILITIES AND CHARGES

| Provisions for Liabilities and Charges | | |
|---|-------------|------------------|
| | 2017 | 2016 |
| | £ | £ |
| At 1 April 2016 | 2,524,919 | 5,020,572 |
| Created in Year | - | - |
| Utilised | (2,524,919) | (2,495,653) |
| At 31 March 2017 | - | 2,524,919 |

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.

| Pension Fund | | |
|-------------------------|------------------|------------------|
| | 2017 | 2016 |
| | £ | £ |
| At 1 April 2016 | 1,567,000 | 2,322,000 |
| Created in Year | 1,671,000 | (755,000) |
| Utilised | | |
| At 31 March 2017 | 3,238,000 | 1,567,000 |

NOTE 16 SHARE CAPITAL

| Share Capital | | |
|---|-------------|-------------|
| | 2017 | 2016 |
| | £ | £ |
| Shares of £1 each issued and fully paid | | |
| At 1 April 2016 | 196 | 195 |
| issued during period | 1 | 1 |
| At 31 March 2017 | 197 | 196 |

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

Iain Macmillan, Calum Mackay, Jane Mackinnon, Daniel Coyle, Alasdair Mackenzie and Mairi Bremner.

NOTE 17 KEY MANAGEMENT EMOLUMENTS

| OFFICER'S EMOLUMENTS | | |
|--|-------------|-------------|
| | 2017 | 2016 |
| | £ | £ |
| Senior Officers are defined as the Chief Executive, the Director of Resources and Director of Operations | | |
| Aggregate emoluments payable to Directors exceeding £60,000 (including pension contributions and benefits in kind) | 163,743 | 220,600 |
| Emoluments payable to the highest paid officer (excluding pension contributions) | 70,206 | 78,724 |
| 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 | 13,058 | 14,645 |
| The directors are members of the Highland Superannuation Fund and employer's contributions are paid on the same basis as other members of staff. | | |
| Total Expenses reimbursed in so far as not chargeable to UK Income Tax | | |
| The Chief Executive retired in July 2016, replaced by the then Director of Resources. | | |
| The Director of Resources post was renamed "Director of Finance & Corporate Services" and this post was filled in December 2016. | | |

NOTE 18 EMPLOYEE INFORMATION

The number of persons (head count) employed during the year was: 48

In the year to 31 March 2017 the average number of employees of the Partnership, including Executive Directors, was 40.75 (FTE), (2016 – 43.5 FTE).

| EMPLOYEE INFORMATION | | |
|--|------------------|------------------|
| | 2017 | 2016 |
| | £ | £ |
| Staff costs (for the above persons) | | |
| Wages and Salaries | 1,133,816 | 1,108,112 |
| Social Security costs | 103,768 | 75,655 |
| Employers' pension costs | 217,953 | 201,793 |
| FRS102 Pension Adjustment (Note 22) | 112,000 | 150,000 |
| | <u>1,567,537</u> | <u>1,535,560</u> |
| Staff costs capitalised | <u>(368,667)</u> | <u>(353,266)</u> |
| | <u>1,198,869</u> | <u>1,182,294</u> |

NOTE 19 OPERATING SURPLUS

| OPERATING SURPLUS | | |
|---|-------------------|-------------------|
| | 2017 | 2016 |
| | £ | £ |
| Operating surplus is stated after charging: | | |
| Depreciation | 2,521,582 | 2,345,470 |
| Amortised capital grants | (1,205,590) | (1,054,799) |
| Repairs:cyclical, major, day to day | 2,376,285 | 2,624,391 |
| Auditor's remuneration | | |
| -in their capacity as auditors | 13,530 | 13,020 |
| -in respect of other services | - | - |
| | <u> </u> | <u> </u> |

NOTE 20 TAXATION

The Partnership is a registered charity and is therefore exempt from Corporation Tax on its charitable activities. No corporation tax was due on the non-charitable activities in the year (2016: nil).

NOTE 21 CAPITAL COMMITMENTS

| CAPITAL COMMITMENTS | | |
|---|-------------------|-------------------|
| | 2017 | 2016 |
| | £ | £ |
| Capital expenditure which has been contracted for but has not been provided for in the financial statements | 6,330,189 | 3,399,088 |
| Capital expenditure which has been authorised by the Board but is not contracted | 40,021,150 | 23,561,380 |
| | <u>46,351,339</u> | <u>26,960,468</u> |
| This is to be funded by: | | |
| Funding from the Scottish Government | 26,539,669 | 15,519,686 |
| Private Finance | 19,811,670 | 11,440,782 |
| | <u>46,351,339</u> | <u>26,960,468</u> |

NOTE 22 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. From 1 April 2011 the scheme has operated the career average revalued earnings with 1/120th accrual benefit rate. 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 takes place every three years, the last valuation was to 31 March 2014. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

The actuarial valuation assess whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period, the Partnership paid contributions at a rate of 19.5% of pensionable salaries. Members contributions ranged from 5.5% to 9.3% averaged 5.9%.

As at the balance sheet date there were 44 active members of the Scheme employed by the Partnership. All new employees join the scheme and have the option to withdrawn after a short period if they so choose.

The fund is administered by Highland Council in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998 as amended.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. As the Scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS102 represents the employer contribution payable.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the scheme as at 31 March 2017. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £8.865 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £3.238 million.

Since the contribution rates payable to the Scheme have been determined by reference to the last full actuarial valuation the following notes relate to the formal actuarial valuation as at 31 March 2014.

EMPLOYER MEMBERSHIP STATISTICS

| Employer Membership Statistics | | | |
|---------------------------------------|------------------|---|--------------------|
| | Number | Total Salaries/Pensions £000's | Average Age |
| | 31-Mar-14 | 31-Mar-14 | 31-Mar-14 |
| Actives | 44 | 982 | 52 |
| Deferred Pensioners | 18 | 44 | 50 |
| Pensioners | 7 | 87 | 61 |

INVESTMENT RETURNS

The return on the Fund in market value terms for the period to 31 March 2017 is estimated below based on actual Fund returns as provided by the Administering Authority and index returns where necessary. Details are below:

| | |
|--|--------|
| Actual returns from 1 April 2016 to 31 December 2016 | 15.00% |
| Total returns from 1 April 2016 to 31 March 2017 | 19.90% |

MAJOR CATEGORIES OF PLAN ASSETS AS A % OF TOTAL PLAN ASSETS

The bid value of the Fund's assets are estimated to be £1,743,000,000 based on information provided by the Administering Authority.

| Period Ended | 31-Mar-17 | 31-Mar-16 |
|--------------|-----------|-----------|
| Equities | 70.00% | 67.00% |
| Bonds | 17.00% | 18.00% |
| Property | 11.00% | 11.00% |
| Cash | 2.00% | 4.00% |

FINANCIAL ASSUMPTIONS

| Period Ended | 31-Mar-17 | 31-Mar-16 |
|-----------------------|-----------|-----------|
| Pension increase Rate | 2.40% | 2.20% |
| Salary increase Rate | 4.40% | 4.20% |
| Discount Rate | 2.60% | 3.50% |

HISTORIC MORTALITY

| Period Ended | Prospective Pensioners | Pensioners |
|--------------|---|---|
| 31-Mar-17 | CMI2012 model assuming current rates of improvement have peaked and will converge to a long term rate of 1.25% p.a. | CMI2012 model assuming current rates of improvement have peaked and will converge to a long term rate of 1.25% p.a. |

COMMUTATION

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2009 service and 75% of the maximum tax-free cash for post-April 2009 service.

CHANGES IN FAIR VALUE OF PLAN ASSETS, DEFINED BENEFIT OBLIGATION AND NET LIABILITY FOR THE YEAR ENDED 31 MARCH 2017

| Period ended 31 March 2017 | Assets £000's | Obligations £000's | Net Liability/ Asset £000's |
|--|------------------|-----------------------|-----------------------------------|
| Fair Value of Plan Assets | 7,305 | - | 7,305 |
| Present Value of liabilities | - | 8,844 | (8,844) |
| Present value of unfunded liabilities | - | 28 | (28) |
| Opening Position at 31 March 2016 | 7,305 | 8,872 | (1,567) |
| Service Cost | - | 331 | (331) |
| Net Interest | | | |
| Interest on income on plan assets | 257 | - | 257 |
| Interest cost on defined benefit obligation | - | 314 | (314) |
| Total Net interest | 257 | 314 | (57) |
| Total defined benefit cost recognised in P & L | 257 | 645 | (388) |
| Cashflows | | | |
| Plan Participants contributions | 70 | 70 | - |
| Employers contributions | 218 | - | 218 |
| Contributions in respect of unfunded benefits | 1 | - | 1 |
| Benefits paid | (190) | (190) | - |
| Unfunded benefits paid | (1) | (1) | - |
| Expected closing position | 7,660 | 9,396 | (1,736) |
| Remeasurements | | | |
| Changes in demographic assumptions | - | - | - |
| Changes in financial assumptions | - | 2,706 | (2,706) |
| Other experience | - | 1 | (1) |
| Return on assets excluding amounts in net interest | 1,205 | - | 1,205 |
| Total remeasurements recognised in Other Comprehensive Income (OCI) | 1,205 | 2,707 | (1,502) |
| Fair Value of plan assets | 8,865 | - | 8,865 |
| Present value of funded liabilities | - | 12,070 | (12,070) |
| Present value of unfunded liabilities | - | 33 | (33) |
| Closing position at 31 March 2017 | 8,865 | 12,103 | (3,238) |

NOTE 23 PROPERTY STOCK

The number of units of accommodation owned by the Partnership was as follows:

| Property Stock | | | | |
|---|----------------------------|--------------|--------------------------------|-------------|
| The number of units of accommodation owned by the Partnership was as follows: | | | | |
| | Units in Management | | Units under Development | |
| | 2017 | 2016 | 2017 | 2016 |
| Unimproved | | | | |
| New Build | 347 | 325 | 74 | 26 |
| Improved | 1,831 | 1,865 | | |
| General Needs Housing | 2,178 | 2,190 | 74 | 26 |
| Shared Ownership Accommodation | 3 | 3 | - | - |
| Supported Housing Accommodation | 12 | 12 | - | - |
| Total Housing Stock | 2,193 | 2,205 | 74 | 26 |
| Other Property | | | | |
| Garages | 42 | 42 | | |
| Commercial | 7 | 7 | - | - |
| Heritable-Partnership's offices | 2 | 2 | - | - |
| Total Other Property | 51 | 51 | - | - |

NOTE 24 REVENUE COMMITMENTS

| Operating Leases | | |
|---|---------------|---------------|
| | 2017 | 2016 |
| At 31 March 2017 the Partnership had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows: | £ | £ |
| Within one year | 11,271 | 11,685 |
| In the second to fifth year inclusive | 18,449 | 29,212 |
| | 29,720 | 40,897 |

NOTE 25 SCOTTISH GOVERNMENT GRANTS

The Scottish Government had made available a non-repayable grant of £2.5 million payable over 10 years with 2015/16 being the last year of the grant. As a result there was no drawdown in 2017 as shown:

| Scottish Government Non-Specific Grants | | |
|--|-------------|-------------|
| | 2017 | 2016 |
| | £ | £ |
| Opening balance | - | 150,000 |
| Grant Funding received & applied to investment expenditure | | 150,000 |
| Deferred for application against future expenditure | - | - |

In addition The Scottish Government has made available a loan to the Partnership of £1,431,620 being the Comhairle's share of the Right to Buy receipts received this year.

NOTE 26 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.

Transactions entered into with members and rent arrear balances at 31 March are as follows:

| | |
|--------------|---------|
| Rent Charges | £10,638 |
| Arrears | £37 |

COUNCILLORS

David Blaney, Norman Macleod, DJ Macrae and Gordon Murray were councillors with Comhairle Nan Eilean Siar but only Gordon Murray was re-elected on the 4th of May 2017. 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 £16,053 (2016: £15,803) which is included in other debtors Note 11.

NOTE 27 LEGISLATIVE PROVISIONS

Hebridean Housing Partnership Limited ("HHP" or "The Partnership") is registered under the Co-operative and Community Benefit Societies 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.

POST BALANCE SHEET EVENTS

At the year end, Hebridean Housing Partnership had one active legal case which it was pursuing with regards to structural issues with one of its housing developments. HHP have appointed an Independent expert to review the case but their final report was not available at the time of signing the accounts. At present the assets concerned are held with a lower Net Book Value than their Estimated Value in Use (taking into consideration they may have a useful life lower than what is currently assumed in the financial statements).

