



hebridean housing
partnership



Report & Financial Statements For the Year Ended 31 March 2018

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

TABLE OF CONTENTS

BOARD OF MANAGEMENT, DIRECTORS AND ADVISERS	2
OVERVIEW OF BUSINESS	4
CORE VALUES	5
REGULATION	5
STRATEGY & OBJECTIVES.....	6
DYNAMICS OF THE SOCIAL LANDLORD.....	7
KEY RISKS IMPACTING ON THE FUTURE	8
GOVERNANCE & MANAGEMENT	8
INTERNAL FINANCIAL CONTROL.....	11
BOARD STATEMENT ON INTERNAL FINANCIAL CONTROL	14
STATEMENT OF BOARD RESPONSIBILITES	14
STATEMENT OF DISCLOSURE TO AUDITORS	15
PERFORMANCE AND FINANCIAL REVIEW	17
OPERATIONAL REVIEW	18
FINANCIAL REVIEW	19
PLANS FOR THE FUTURE	20
INDEPENDENT AUDITORS REPORT	21
REPORT BY THE AUDITORS TO THE MEMBERS OF HEBRIDEAN HOUSING PARTNERSHIP LIMITED ON CORPORATE GOVERNANCE MATTERS	24
STATEMENT OF COMPREHENSIVE INCOME AS AT YEAR 31 MARCH 2018	27
STATEMENT OF CHANGES IN RESERVE AS AT YEAR 31 MARCH 2018	28
STATEMENT OF FINANCIAL POSITION AS AT YEAR 31 MARCH 2018.....	29
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2018.....	30
NOTES TO THE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2018	31
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018	32

REPORT AND FINANCIAL STATEMENTS

BOARD OF MANAGEMENT, DIRECTORS AND ADVISERS

Name	Category	Changes during the year	
		Appointed	Resigned
Daniel Coyle	Tenant	7 September 2017 (re-appointed)	27 June 2018
Alasdair Mackenzie	Tenant	7 September 2017 (re-appointed)	
Kevin Paterson	Tenant	7 September 2017 (re-appointed)	
Dolene Smith	Tenant	23 May 2018	
Iain Macmillan	Community	7 September 2016 (re-appointed)	
Calum Mackay	Community	7 September 2016 (re-appointed)	
Jane Mackinnon	Community	3 September 2015 (re-appointed)	7 September 2017
Mairi Bremner	Community	7 September 2017 (re-appointed)	
Norman M Macleod	Councillor Community	7 September 2017	3 May 2017
David Blaney	Councillor		3 May 2017
Donald J Macrae	Councillor		3 May 2017
Gordon Murray	Councillor	17 May 2017	7 February 2018
John G Mitchell	Councillor	17 May 2017	
Roddy MacKay	Councillor	17 May 2017	
John MacKay	Councillor	7 February 2018	

Secretary and Registered Office

Dena Macleod BA CA
Creed Court
Gleann Seileach Business Park
Willowglen Road
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
The Ca'd'oro
45 Gordon Street
Glasgow
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

Contact Details

Phone: 0300 123 0773

E-mail: info@hebrideanhousing.co.uk

Web: www.hebrideanhousing.co.uk

Twitter: [HebrideanHousing@HebHousing](https://twitter.com/HebrideanHousing@HebHousing)



REPORT OF BOARD OF MANAGEMENT

The Board of Management presents its report for the year ended 31 March 2018.

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 needs 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 stock at 31 March 2018 was 2,164 with 79 new build units under development.

CORE VALUES

HHP's core value is "Integrity – We honour commitments made to our Tenants and build trust".

The core value is supported by the following five 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.

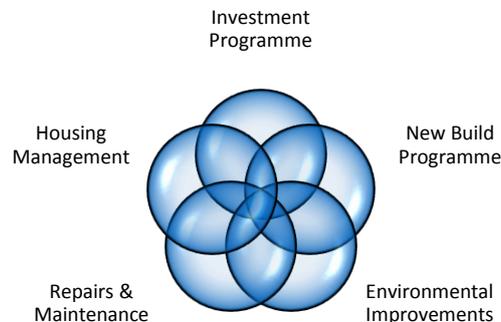
The Regulation Plan sets out the level of engagement. HHP, because of its 'systemic importance' in the Outer Hebrides is categorised as 'medium engagement' by the Scottish Housing Regulator in the 2018 Regulation Plan. Given the level of public money invested by HHP on an annual basis it is important 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 2017/18.

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 invested £3 million in 2017/18 on improvements to tenant's homes. The focus on addressing fuel poverty continued with 172 new heating systems being installed and insulation works were completed in 103 properties. A major stock condition survey was commissioned and this will inform investment plans from 2019 onwards.

Scottish Housing Quality Standard (SHQS)

HHP has met the Scottish Housing Quality Standard but there are a significant number of properties classed as exemptions and abeyances. These are mainly due to energy efficiency driven by the fact that we are in an 'off-gas' area. We are addressing these as the opportunity arises and in addition we are working to achieve the Energy Efficiency Standard for Social Housing (EESH).

Repairs & Maintenance

The Board agreed to exercise the final 2 year contract extension option on the current Repairs and Maintenance contract with FES. The contract expires in 2020 and the Board further agreed to retender the contract. The preparatory work will commence in 2018/19. The strong working partnership between HHP and FES has continued with the mutual goal of maximising the benefit to tenants. Further service and performance improvements were delivered in the year.

New Build Programme

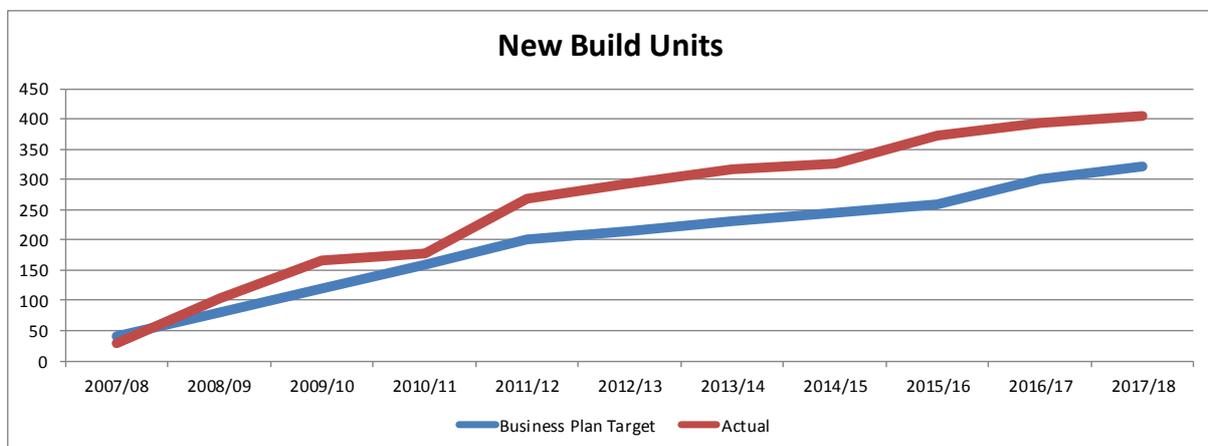
The Comhairle received a major increase in funding for new build housing over the 3 year period to 2021. We are working closely with the Comhairle to plan and deliver this significantly increased programme including the development of a new care provision in Stornoway on the Goathill site owned by HHP. A masterplan was completed which will see HHP deliver a 50 bed housing with care development and around 75 houses on the site.

At April 2018 there were 79 houses under construction across a number of sites with a further 34 either due to start or at tendering stage.

Future New Build Projects

We are carrying out feasibility studies on around 20 sites as we seek to deliver the Comhairle's housing strategy. We are working with local communities and the construction sector to identify potential sites and to try to ensure that we maximise this opportunity.

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.

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

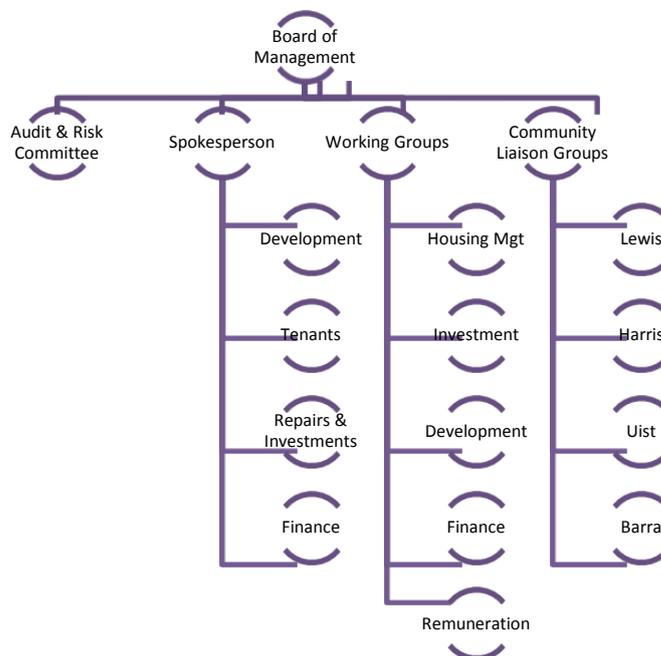
GOVERNANCE & MANAGEMENT

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 2.

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, 3 Comhairle Nan Eilean Siar nominees, 5 Community Representatives and up to 3 Co-optees. There are currently 11 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 2018.

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

During 2017/18 six 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 statements;
- Establishing a framework of delegation and system of internal control; and
- 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; and
- 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.

Tenant Participation Advisory Service (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 & 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 MacMillan Nurses;
- £1,000 Western Isles Community Carers Support Network;
- £1,000 Western Isles Community Care Forum;
- £1,000 Young Musicians Hebrides; and
- £1,000 Stornoway Phab Club.

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 2018.

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; and

- 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. A training programme for staff for 2017/18 has been compiled from training needs highlighted during the staff performance appraisal system. All managers who undertook ILM training have now successfully completed their training and received the appropriate accreditation.

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; and
- 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 the 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 three most significant risks identified during 2017/18 were the failure of a major contractor, the health of the local economy and rent affordability. Other significant risk factors include the impact of Universal Credit and the potential impact from a severe weather event.

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. During the Business Planning session on 31 January 2018, the Board reviewed and set the Partnership's risk appetite for the coming year.

Corporate Risk

The Risk Register, which is updated and reviewed at each Audit & Risk Committee, 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.

Internal Audit

On 1 April 2016 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 2017/18 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; and
- 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; and
- 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 2018. 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 DISCLOSURE TO AUDITORS

In so far as the Board of Management is 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

Norman M Macleod
Chair



OPERATING AND FINANCIAL REVIEW

PERFORMANCE AND FINANCIAL REVIEW

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

Housing Services

Despite the ongoing challenges being presented by Welfare Reform, we continue to see arrears reducing year on year. Preparatory work for the full roll-out of Universal Credit (UC) in the Outer Hebrides is continued. The date was amended again and is now due in September 2018. We have revised and updated our systems and processes to adapt as the UC system changes. The number of cases continues to be low ahead of the full roll out.

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

Weakening demand for housing across most areas of our islands is an on-going concern and one which the Board is monitoring closely. We will continue to explore options to address this and have taken the decision to dispose of stock which is not delivering good solutions for tenants and which impact negatively on the business. We must stress the need for partnership working to address the demographic challenges which contribute to the weakening demand.

Void rent loss is increasing as demand in certain areas continues to decline and the average days taken to let properties increased. If the remaining difficult to let properties are excluded, properties were let in an average of 18 days. This is a reasonable performance but has dropped slightly from previous years.

The level of anti social behaviour remains low and we did not take any legal enforcement action during the year. This good partnership working between HHP, Police Scotland and the Comhairle continued focusing on a preventative approach.

Partnership working is 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

Tenant Participation activity has focused on developing links with interested tenants across the islands and supporting existing tenant groups and encouraging new ones. The Western Isles Housing Association Communities forum is working to establish itself as a focus for participation across the islands supported by our partnership with TPAS. We aim to provide a variety of means of participation which is particularly important in a large geographic area such as the Outer Hebrides. We have a high number of small schemes consisting of less than 20 houses which makes participation challenging. Annual events were again held in Stornoway, Balivanich, and Castlebay during the year and these were viewed very positively by those attending. We sought to reach out in Uist through representation at many of the local summer events. We have been supported by partners for which we are grateful.

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. However, we have now commenced a programme of environmental works through our Investment Programme.

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

Investment Programme

This was the third year of our 4 year framework contract and £3m was invested in tenant's homes delivering the following improvements during 2017/18:

Heating Systems	172	Kitchens:	116
Bathrooms:	34	Windows:	91
Roughcasting:	6	Roofing:	15
Environmental/Fencing Work	60		
Insulation works	103 (room in roof)		

Alleviating fuel poverty remains a key priority and this is demonstrated by our investment in new heating systems. We installed 44 Air Source Heat Pumps in off-gas areas which deliver a good affordable solution for our tenants. However, we also examined other heating options and installed a further 42 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. They are currently assessed as exemptions.

Aids & Adaptations

We were awarded £246K of funding from the Scottish Government which delivered 233 different measures benefiting 102 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 to a minimum for those requiring assistance.

Fuel Poverty & EESSH

Levels of fuel poverty in the Outer Hebrides are the highest in the UK along with those in Orkney and we remain committed to doing all that we can to address this. As noted previously we invest heavily in tenants homes to improve energy efficiency particularly through replacing solid fuel heating systems with Air Source Heating and installing new gas combi boilers where gas supply is available.

We established a partnership with Citrus to provide impartial advice and assistance to tenants on switching energy suppliers.

On the wider scale we worked with partners to establish an Energy Supply Company (ESCO) which was launched in February 2018. This company, Hebrides Energy, has partnered with Our Power to supply electricity.

Work continued with other Highland Housing Associations and Councils on lobbying MSPs, the Government, OFGEM and SSE on prices within the Highlands & Islands which are the highest in the UK. Most recently we have made strong representations to the Scottish Governments on their fuel poverty consultation and stressing our concerns at the proposed new definition.

FINANCIAL REVIEW

Comprehensive Income

The turnover for the year to 31 March 2018 was £11.194 million (2017: £9.989m) against operating costs of £8.590 million (2017: £6.792m). Operating costs for the year included £0.371 million (2017: £0.332m) of capital investment written off against expenditure and £1.086M of construction costs on LIFT properties. The main source of income was from rental income of £8.423 million (2017: £8.400m) with £0.930 million (2017: £0.886m) received in grant from The Scottish Government. Turnover on other activities included factoring, reflecting the requirements of the Property Factors Act 2011. There were 8 LIFT properties sold during the year (2017: none).

The operating surplus on Letting Activities was £2.639 million, 32% of Net Rental Income (2017: £3.228 million, 38% of Net Rental Income).

Funds are being transferred into designated reserves for:

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

Financial Position

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

- a) The value of housing properties under construction has increased as a result of the increase in the Partnership's development plan;
- b) The addition of 12 new units for rent funded largely from Affordable Housing Supply Programme (AHSP) Grant from the Scottish Government;
- c) Stock increased to reflect the Work in Progress on the Mackenzie Avenue LIFT scheme; and
- d) Increase in creditors less than one year due to the increased retained Right To Buy (RTB) receipts as the RTB scheme closes and increased Trade Payables due to high value development invoices.

Cash Flow

The Cash Flow is shown on page 30. The net change in cash equivalents was £2.978 million (2017: £1.706m). The principal cash outflows were operating, development costs and investment in assets with cash inflow bolstered by RTB receipts and RHI Income.

Current Liquidity

At 31 March 2018 HHP had cash and short-term deposits of £10.209 million (2017: £7.231m). It is not anticipated that there will be a requirement to draw down funds during 2018/19.

Capital Structure & 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 loan facility arranged with the Royal Bank of Scotland (RBS) and 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 2021 reflecting the significant investment and development 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 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 £19.3 million over the next 5 years ensuring the Scottish Housing Quality Standard is maintained in all its properties. £17.849 million of private finance has been earmarked for the new build projects due for completion in the next 5 years. There has been a significant increase in the size of the Development Programme as a result of increased grant monies being made available by Scottish Government to Local Authorities as part of the More Homes Scotland programme.

INDEPENDENT AUDITORS REPORT

Opinion

We have audited the financial statements of Hebridean Housing Partnership (the 'Partnership') for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Reserves, the Cashflow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Partnership's affairs as at 31 March 2018 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Co-operative and Communities Benefit Societies Act 2014, the Housing (Scotland) Act 2010, the Determination of Accounting Requirements 2014.

Basis For Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions Relating To Going Concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Board of Managements' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board of Management have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Partnership's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other Information

The Board of Management are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters On Which We Are Required To Report By Exception

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

We have nothing to report in respect of the following matters where The Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- 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.

Responsibilities Of The Board Of Management

As explained more fully in the Boards' Responsibilities Statement set out on page 14 the Board of Management are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board of Management determine is necessary to enable the

preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Management are responsible for assessing the Partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Management either intend to liquidate the Partnership or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities For The Audit Of The Financial Statements

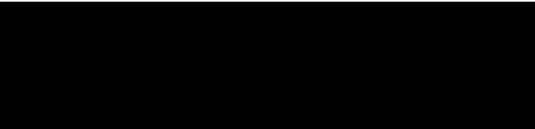
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

<http://www.frc.org.uk/auditorsresponsibilities>.

This description forms part of our auditor's report.

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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Partnership and the Partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.



Wylie & Bisset LLP
Chartered Accountants
Statutory Auditor
Glasgow

Date: 27 June 2018

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 14 concerns the Partnership's compliance with the information required by the Regulatory Standards (for systemically important RSLs) in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

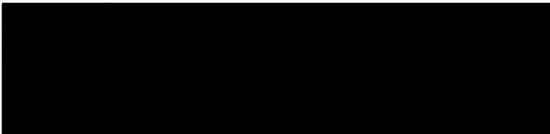
Basis Of Opinion

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

Opinion

In our opinion the Statement on Internal Financial Control on page 14 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: 27 June 2018



FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME AS AT YEAR 31 MARCH 2018

		31 March 2018	31 March 2017
		£	£
	Notes		
Turnover	3	11,194,205	9,989,189
Operating expenditure	3	(8,590,346)	(6,792,497)
Operating surplus	3	2,603,859	3,196,692
Loss on disposal of property, plant & equipment		(173,603)	(218,318)
Interest receivable	6	15,571	9,568
Interest payable and financing costs	7	(367,925)	(354,611)
Surplus before tax		2,077,902	2,633,330
Actuarial gain/(loss) in respect of pension scheme	22	2,425,000	(1,502,000)
Total comprehensive income for the year		4,502,902	1,131,330

The results for the year relate wholly to continuing activities.

These financial statements were approved by the Board on 27 June 2018 and were signed on its behalf by:



Norman Macleod

Chair



Dena Macleod

Secretary



Calum Mackay

Board Member

The notes on pages 32 to 54 form part of these financial statements

STATEMENT OF CHANGES IN RESERVE AS AT YEAR 31 MARCH 2018

	Share Capital £	Unrestricted Fund £	Total Reserves £
Current Year			
Balance at 1 April 2017	197	26,127,291	26,127,488
Movement in Share Capital	6		6
Surplus from statement of comprehensive income		4,502,902	4,502,902
Balance at 31 March 2018	203	30,630,193	30,630,396
Prior Year			
Balance at 1 April 2016	196	24,995,961	24,996,157
Movement in Share Capital	1		1
Surplus from statement of comprehensive income		1,131,330	1,131,330
Balance at 31 March 2017	197	26,127,291	26,127,488

The notes on pages 32 to 54 form part of these financial statements

STATEMENT OF FINANCIAL POSITION AS AT YEAR 31 MARCH 2018

		31 March 2018	31 March 2017
		£	£
	Notes		
Fixed Assets			
Tangible Assets-Social Housing	8	77,108,646	73,557,295
Tangible Assets-Property, plant & equipment	9	1,514,469	1,528,478
Investments	10	2	2
		<u>78,623,117</u>	<u>75,085,775</u>
Current Assets			
Stock		241,633	388,884
Trade and other debtors	11	1,106,305	1,422,744
Investments		6,164,763	4,506,628
Cash and cash equivalents		4,044,434	2,724,142
		<u>11,557,135</u>	<u>9,042,398</u>
Less: Creditors amounts falling due within one year	12	<u>(3,849,683)</u>	<u>(2,491,833)</u>
Net current assets		<u>7,707,452</u>	<u>6,550,565</u>
Total assets less current liabilities		<u>86,330,569</u>	<u>81,636,340</u>
Creditors: amounts falling due after more than one year			
Deferred Capital Grants	13	(10,529,203)	(10,583,000)
Pension Liability	14	(44,034,970)	(41,687,852)
Provisions for liabilities	15	(1,136,000)	(3,238,000)
		<u>-</u>	<u>-</u>
Net Assets		<u>30,630,396</u>	<u>26,127,488</u>
Reserves			
Share Capital	16	203	197
Income & Expenditure reserve		30,630,193	26,127,291
		<u>30,630,396</u>	<u>26,127,488</u>

These financial statements were approved by the Board on 27 June 2018 and were signed on its behalf by:


Norman Macleod

Chair


Dena Macleod

Secretary


Calum Mackay

Board Member

The notes on pages 32 to 54 form part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2018

		31 March 2018	31 March 2017
		£	£
	Note		
Net Cash inflow from operating activities	1	3,739,210	4,995,004
Cashflow from investing activities			
Purchase of tangible assets		(4,759,095)	(5,956,427)
Proceeds from sale of tangible fixed assets		1,236,582	805,033
Grants received		3,130,235	2,127,425
Interest received		15,571	9,568
Acquisition of Shares			-
Cashflow from financing activities			
Interest paid		(241,543)	(258,407)
Repayments of borrowings		(142,533)	(15,595)
Net change in cash equivalents		<u>2,978,427</u>	<u>1,706,600</u>
Cash and cash equivalents at the beginning of the year		7,230,770	5,524,170
Cash and cash equivalents at the end of the year		<u>10,209,197</u>	<u>7,230,770</u>
		<u>2,978,427</u>	<u>1,706,600</u>

The notes on pages 32 to 54 form part of these financial statements.

NOTES TO THE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2018

Cashflow from Operating Activities

	2018	2017
	£	£
Surplus for the year	2,603,859	3,196,692
<i>Adjustments for non-cash items:</i>		
Depreciation of tangible fixed assets	2,704,817	2,521,583
Amortisation of Capital Reserve	-	-
Decrease/(increase) in stock	(226,558)	(351,433)
Decrease/(increase) in trade and other debtors	316,438	(63,669)
Increase/(decrease) in trade and other creditors	452,318	1,948,175
Pension costs less contributions payable	236,000	112,000
Carrying amount of tangible fixed asset disposed	(847,691)	(949,674)
<i>Adjustments for investing or financing activities:</i>		
Proceeds from the sale of tangible fixed assets	(173,603)	(218,318)
Government grants utilised in the year	(1,452,751)	(1,296,556)
Interest payable	126,382	96,205
Interest receivable		
	3,739,210	4,995,004

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.

Base 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. The Board took the decision in the year to dispose of properties at Cnoc Mor in Lewis and Braehead in South Uist. Regulatory consent has been obtained along with that of our funder. No Impairment has been reflected on these units given their current carrying value.

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 provide for contractual liabilities that exist at the balance sheet date.

Taxation

Income and capital gains are generally exempt from tax if applies 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 & 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:

	Years
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:

	Years
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.

Bad & 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

	2018			2017		
	Operating	Operating	Operating	Operating	Operating	Operating
	Turnover	Costs	Surplus	Turnover	Costs	Surplus
	£	£	£	£	£	£
Income and Expenditure from Lettings						
Social Lettings (Note 4)	10,069,915	(7,430,707)	2,639,208	9,964,555	(6,736,206)	3,228,349
Other Activities (Note 5)	1,124,290	(1,159,639)	(35,349)	24,633	(56,291)	(31,658)
TOTAL	11,194,205	(8,590,346)	2,603,859	9,989,189	(6,792,497)	3,196,692

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

	General Needs Housing £	Supported Accommodation £	Shared Ownership £	Other £	Total £	2017 £
Income from rent and service charges						
Rent receivable net of service charges	8,299,303	73,107	3,506	-	8,375,916	8,345,730
Service charges	41,613	3,994	2,429	-	48,036	54,410
Gross Income from rents and service charges	8,340,916	77,101	5,935	-	8,423,952	8,400,139
Less voids	(93,629)	-	-	-	(93,629)	(91,570)
Net Income from rents and service charges	8,247,287	77,101	5,935	-	8,330,323	8,308,570
Grants from Scottish Ministers	-	-	-	-	-	-
Release of deferred capital grant	1,249,903	-	-	-	1,249,903	1,209,599
Other Revenue Grants	489,690	-	-	-	489,690	446,387
Total Turnover from social letting activities	9,986,880	77,101	5,935	-	10,069,916	9,964,555
Expenditure						
Management and Maintenance Administration costs	2,153,588	24,186	3,023	-	2,180,797	1,813,275
Service charges	-	-	-	-	-	-
Planned and Cyclical Maintenance including major repairs	1,096,793	598	-	-	1,097,391	987,986
Reactive Maintenance	1,360,625	8,155	589	-	1,369,369	1,388,299
Bad Debts-rents and service charges	78,333	-	-	-	78,333	25,063
Depreciation of social housing	2,702,691	-	2,126	-	2,704,817	2,521,583
Impairment of social housing	-	-	-	-	-	-
Operating costs for social letting activities	7,392,030	32,939	5,738	-	7,430,707	6,736,206
Operating surplus on letting activities for 31 March 2018	2,594,850	44,162	197	-	2,639,209	3,228,349
Operating surplus on letting activities for 31 March 2017	3,192,004	35,285	1,060	-	3,228,349	

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

	Grants from	Other Revenue	Other	Total		Other		Operating	
	Scottish Ministers	Grants	Income	Turnover		Operating Costs		Surplus/ Deficit	
	£	£	£	2018	2017	2018	2017	2018	2017
				£	£	£	£	£	£
Factoring	-	-	4,681	4,681	3,089	4,605	3,096	76	(7)
Development & construction of Property Activities	-	-	27,599	27,599	14,897	61,254	44,496	(33,655)	(29,599)
Sale of Developments	504,981	-	580,650	1,085,631	-	1,085,631	-	-	-
Management Services	-	-	6,379	6,379	6,648	8,149	8,699	(1,770)	(2,051)
Total from other activities 2018	504,981	-	619,309	1,124,290		1,159,639		(35,349)	
Total for other activities 2017	-	-	24,633		24,633		56,291		(31,658)

NOTE 6 - INTEREST RECEIVABLE AND OTHER INCOME

Interest Receivable and Other Income		
	2018	2017
	£	£
Interest receivable on deposits	15,330	9,330
Interest receivable on loan to subsidiary	241	237
	<u>15,571</u>	<u>9,568</u>

NOTE 7 – INTEREST PAYABLE AND SIMILAR CHARGES

Interest Payable and Similar Charges		
	2018	2017
	£	£
Interest Payable	212,023	213,051
Other Financing costs	68,902	84,560
Net Cost on pension	87,000	57,000
	<u>367,925</u>	<u>354,611</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	88,562,082	2,324,267	127,643	91,013,992
Additions during the year	2,979,366	4,066,305	-	7,045,671
Transfers in year	2,030,518	(2,030,518)	-	-
Disposals	(1,222,350)	(6,541)	-	(1,228,891)
At end of year	92,349,616	4,353,513	127,643	96,830,772
Depreciation				
At start of year	(17,384,363)	-	(72,334)	(17,456,697)
Provided in year	(2,644,503)	-	(2,126)	(2,646,629)
Eliminated on Disposal	381,200	-	-	381,200
At end of year	(19,647,666)	-	(74,460)	(19,722,126)
Net Book Value				
At end of year	72,701,950	4,353,513	53,183	77,108,646
Prior Year				
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

Development administration costs capitalised amounted to £73,960 (2017:£58,077) for which Social Housing Grants amounting to £nil (2017:£nil) were received in the year.

The proceeds of property disposals in the year were £655,932 (2017: £733,130). These units cost £1,236,142 (2017: £1,343,350) and had a net book value of £854,942 (2017:£951,447). HAG of £89,410 was repaid in the year with respect to these disposals and £148,149 (2017: £134,537) remained repayable at the balance sheet date.

The cost of new components capitalised in the year was £5,009,884 (2017: £3,900,126)

Components with a cost of £246,516 (2017: £264,957), HAG of £111,150 (2017: £211,367) and accumulated depreciation of £145,645 (2017: £133,673) were disposed of in the year.

NOTE 9 – TANGIBLE FIXED ASSETS – PROPERTY, PLANT & EQUIPMENT

TANGIBLE FIXED ASSETS						
Property, Plant & Equipment	Heritable Property £	Commerical Property £	Office Equipment £	Computer Equipment £	Other Equipment £	Total £
Current Year Cost						
At start of the year	683,060	939,280	81,515	295,160	104,967	2,103,982
Additions during the year	241,134	-	-	28,178	470	269,782
Transfers in year	(233,028)	-	10,325	-	(10,325)	(233,028)
Disposals	-	-	-	-	-	-
At end of year	691,166	939,280	91,840	323,338	95,112	2,140,736
Depreciation						
At start of year	-	(144,052)	(79,344)	(266,534)	(85,574)	(575,504)
Transfers in year	-	-	-	-	-	-
Provided in year	-	(22,499)	(5,092)	(19,040)	(4,133)	(50,764)
Eliminated on Disposal	-	-	-	-	-	-
At end of year	-	(166,551)	(84,436)	(285,574)	(89,707)	(626,268)
Net Book Value						
At end of year	691,166	772,729	7,404	37,764	5,405	1,514,468
Prior Year						
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
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)	(5,649)	(22,661)	(4,513)	(55,321)
Eliminated on Disposal	-	-	967	5,324	4	6,295
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

NOTE 10 – INVESTMENTS

Investments			
		2018	2017
		£	£
Investment in subsidiary undertaking		1	1
Investment in Hebrides Energy CIC		1	1
		<u>2</u>	<u>2</u>
	<i>Activity</i>	<i>Registered</i>	<i>Shareholding</i>
HHP Community Housing Ltd	Dormant	Scotland	100%
Hebrides Energy	Offer competitive electricity tariffs	Scotland	11.1%

NOTE 11 – TRADE & OTHER RECEIVABLES

Trade and other receivables		
	2018	2017
	£	£
Rental Arrears	137,108	132,907
Less: provision for bad debts	(78,663)	(70,420)
	<u>58,445</u>	<u>62,487</u>
Amounts owed by subsidiary undertaking (due within 1 year)	16,307	16,053
Other debtors	503,373	596,149
Prepayments and accrued income	338,069	535,224
Other debtors (due in more than 1 year)	190,111	212,831
Total	<u>1,106,305</u>	<u>1,422,744</u>

NOTE 12 – CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

Creditors-Amounts falling due within one year		
	2018	2017
	£	£
Bank loans and overdrafts	-	88,736
Trade payables	837,361	32,523
Contract retentions	174,908	152,820
Accruals and deferred income	1,174,413	1,294,306
Rent in advance	60,509	55,711
HAG creditor	105,911	43,710
HAG Repayable	148,149	134,537
RTB Receipts Repayable on demand	1,348,433	689,489
Total	<u>3,849,683</u>	<u>2,491,833</u>

Outstanding retentions will be financed initially from cash balances.

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

Creditors-Amounts falling due after more than one year		
	2018	2017
	£	£
Bank term loans	4,946,203	5,000,000
RTB Receipts due to the Scottish Government	5,583,000	5,583,000
Total	10,529,203	10,583,000
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	10,529,203	10,583,000
	<u>10,529,203</u>	<u>10,583,000</u>

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. Loan arrangement fees incurred in setting up this facility are included in debtors and 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	(39,173,175)	(1,818,175)	(53,555)	(642,946)	(41,687,852)
Additions during the year	(1,149,798)	(2,905,235)		(225,000)	(4,280,033)
Disposals during the year	480,164				480,164
Transfers in year	(1,282,690)	1,282,690		205,337	205,337
Amortised in year	1,244,578		2,059	777	1,247,414
At end of year	(39,880,921)	(3,440,720)	(51,497)	(661,832)	(44,034,970)
Prior Year					
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)

NOTE 15 – PROVISIONS FOR LIABILITIES & CHARGES

Provisions for Liabilities and Charges		
	2018 £	2017 £
At 1 April 2017	-	2,524,919
Created in Year	-	-
Utilised	-	(2,524,919)
At 31 March 2018	-	-

This provision represented the best estimate of the costs of contracted works for the repair of managed properties. This agreement was part of the development agreement and as work progressed the provision was fully utilised in 2017.

Pension Fund		
	2018	2017
	£	£
At 1 April 2017	3,238,000	1,567,000
Created in Year	(2,102,000)	1,671,000
Utilised		
At 31 March 2018	1,136,000	3,238,000

NOTE 16 – SHARE CAPITAL

Share Capital		
	2018	2017
	£	£
Shares of £1 each issued and fully paid		
At 1 April 2017	197	196
issued during period	6	1
At 31 March 2018	203	197

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

Norman Macleod, Calum Mackay, Iain Macmillan, Daniel Coyle, Alasdair Mackenzie, Kevin Paterson, and Mairi Bremner.

NOTE 17 – KEY MANAGEMENT EMOLUMENTS

OFFICER'S EMOLUMENTS		
	2018	2017
	£	£
Senior Officers are defined as the Chief Executive, the Director of Finance & Corporate Services and Director of Operations		
Aggregate emoluments payable to Directors exceeding £60,000 (including pension contributions and benefits in kind)	214,777	148,807
Emoluments payable to the highest paid officer (excluding pension contributions)	79,677	70,206
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	14,820	13,058
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		

NOTE 18 – EMPLOYEE INFORMATION

The number of persons employed during the year was: 48

In the year to 31 March 2018 the average number of employees of the Partnership, including Executive Directors, was 45 (FTE), (2017 – 42 FTE).

EMPLOYEE INFORMATION		
	2018	2017
	£	£
Staff costs (for the above persons)		
Wages and Salaries	1,173,680	1,133,816
Social Security costs	110,828	103,768
Employers' pension costs	222,769	217,953
FRS102 Pension Adjustment (Note 22)	236,000	112,000
	<u>1,743,277</u>	<u>1,567,537</u>
Staff costs capitalised	<u>(297,067)</u>	<u>(368,667)</u>
	<u>1,446,210</u>	<u>1,198,869</u>

NOTE 19 – OPERATING SURPLUS

OPERATING SURPLUS		
	2018	2017
	£	£
Operating surplus is stated after charging:		
Depreciation	2,697,392	2,521,582
Amortised capital grants	(1,247,414)	(1,205,590)
Repairs:cyclical, major, day to day	2,466,760	2,376,285
Auditor's remuneration		
-in their capacity as auditors	13,530	13,530
-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 (2017: nil).

NOTE 21 – CAPITAL COMMITMENTS

CAPITAL COMMITMENTS		
	2018	2017
	£	£
Capital expenditure which has been contracted for but has not been provided for in the financial statements	10,453,943	6,330,189
Capital expenditure which has been authorised by the Board but is not contracted	41,415,127	40,021,150
	<u>51,869,070</u>	<u>46,351,339</u>
This is to be funded by:		
Funding from the Scottish Government	24,908,500	26,539,669
Private Finance	26,960,570	19,811,670
	<u>51,869,070</u>	<u>46,351,339</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 2017. 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 19.4% of pensionable salaries.

As at the balance sheet date there were 50 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 FRS17 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 2018. The funding update revealed an increase in the assets of the Scheme to £9.307 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £1.136 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 2017.

Employer Membership Statistics			
	Number	Total Salaries/Pensions £000's	Average Age
	31-Mar-17	31-Mar-17	31-Mar-17
Actives	50	1095	50
Deferred Pensioners	31	50	49
Pensioners	13	146	63

Investment Returns

The return on the Fund in market value terms for the period to 31 March 2018 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 2017 to 31 December 2017	9.20%
Total returns from 1 April 2017 to 31 March 2018	5.40%

Major Categories Of Plan Assets As A % Of Total Plan Assets

The bid value of the Fund's assets are estimated to be £1,849,000,000 based on information provided by the Administering Authority.

Period Ended	31-Mar-18	31-Mar-17
Equities	68%	70%
Bonds	16%	17%
Property	13%	11%
Cash	3%	2%

Financial Assumptions

Period Ended	31-Mar-18	31-Mar-17
Pension increase Rate	2.40%	2.40%
Salary increase Rate	3.40%	4.40%
Discount Rate	2.70%	2.60%

Historic Mortality

Period Ended	Prospective Pensioners	Pensioners
31-Mar-18	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 Obligation & Net Liability For The Year Ended 31 March 2018

Period ended 31 March 2018	Assets £000's	Obligations £000's	Net Liability/ Asset £000's
Fair Value of Plan Assets	8,865	-	8,865
Present Value of liabilities	-	12,070	(12,070)
Present value of unfunded liabilities	-	33	(33)
Opening Position at 31 March 2017	8,865	12,103	(3,238)
Service Cost	-	465	(465)
Net Interest			
Interest on income on plan assets	232	-	232
Interest cost on defined benefit obligation	-	319	(319)
Total Net interest	232	319	(87)
Total defined benefit cost recognised in P & L	232	784	(552)
Cashflows			
Plan Participants contributions	74	74	-
Employers contributions	228	-	228
Contributions in respect of unfunded benefits	1	-	1
Benefits paid	(158)	(158)	-
Unfunded benefits paid	(1)	(1)	-
Expected closing position	9,241	12,802	(3,561)
Remeasurements			
Changes in demographic assumptions	-	(36)	36
Changes in financial assumptions	-	(676)	676
Other experience	-	(1,647)	1,647
Return on assets excluding amounts in net interest	66	-	66
Total remeasurements recognised in Other Comprehensive Income (OCI)	66	(2,359)	2,425
Fair Value of plan assets	9,307	-	9,307
Present value of funded liabilities	-	10,413	(10,413)
Present value of unfunded liabilities	-	30	(30)
Closing position at 31 March 2018	9,307	10,443	(1,136)

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	
	2018	2017	2018	2017
Unimproved				
New Build	359	347	79	74
Improved	<u>1,778</u>	<u>1,831</u>		-
General Needs Housing	<u>2,137</u>	<u>2,178</u>	<u>79</u>	<u>74</u>
Shared Ownership Accommodation	3	3	-	-
Supported Housing Accommodation	<u>24</u>	<u>12</u>	-	-
Total Housing Stock	<u>2,164</u>	<u>2,193</u>	<u>79</u>	<u>74</u>
Other Property				
Garages	42	42	-	-
Commerical	6	7	-	-
Heritable-Partnership's offices	<u>3</u>	<u>2</u>	-	-
Total Other Property	<u>51</u>	<u>51</u>	-	-

NOTE 24 – REVENUE COMMITMENTS

Operating Leases		
	2018	2017
At 31 March 2018 the Partnership had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:	£	£
Within one year	8,066	11,271
In the second to fifth year inclusive	6,721	18,449
	<u>14,787</u>	<u>29,720</u>

NOTE 25 – RELATED PARTY TRANSACTIONS

Board Members

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

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

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

Rent Charges	£21,205
Arrears	£128

Councillors

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 £16,307 (2017: £16,053) which is included in other debtors Note 11.

NOTE 26 – 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.



HHP is a registered society under the Co-operative and Community Benefit Societies Act 2014, Registered Number: 2644R(S), Registered Office: Creed Court, Gleann Seileach Business Park, Willowglen Road, STORNOWAY, Isle of Lewis HS1 2QP. It is a charity registered in Scotland, Charity Number: SC035767, registered as Registered Social Landlord with the Scottish Housing Regulator, Registration Number: 359 and registered as a Property Factor, Registration Number PF000183

Email: info@hebrideanhousing.co.uk

Web: www.hebrideanhousing.co.uk

Phone: 0300 123 0773
