

ANNUAL REPORT & ACCOUNTS

Hebridean Housing
Partnership Ltd

Industrial & Provident Society No: 2644R(S)

Registered Charity No: SCO 35767

Registration No: 359

*For the Year Ended
31 March 2011*



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Review by the Board of Management

The Board of Management presents its business review and the audited accounts for the year ended 31 March 2011.

Overview of Business

The principal activity of HHP is to provide and manage good quality affordable accommodation for people in housing need in the Western Isles. HHP is a charitable RSL set up to receive the housing stock owned by Comhairle Nan Eilean Siar as a result of a whole stock transfer in September 2006. HHP owns and manages a range of houses for rent, primarily general need accommodation but also some sheltered houses 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.

Core Values

HHP is committed to:

- Tenant participation and a customer centred housing service
- Transparent, open decision making
- Sound financial management practices throughout the organisation
- Realising the highest professional standards in all areas of activities
- Integrity in all that we do
- Promoting innovation and learning from mistakes
- Valuing our staff
- Working in partnership with other organisations
- Equal opportunities

HHP began its operation in September 2006 when 1800 houses were transferred from Comhairle Nan Eilean Siar. Subsequently in April 2007 a transfer of engagement took place involving the 5 small locally based housing associations resulting in an additional 300 houses coming under the ownership of HHP. Since then HHP has built 162 new houses and acquired 10 under the Government's Rent off the Shelf scheme. HHP's housing stock at 31 March 2011 was 2177.

Regulation

HHP is regulated by the Scottish Housing Regulator. The Regulator carried out its first baseline inspection of HHP in August 2008. The Regulator awarded HHP a "C" grade – fair.

An Improvement Plan was drawn up to address the recommendations in the report and was approved by the Regulator. The Regulator has monitored progress on the Improvement Plan and will complete its audit of the Plan in June 2011.

The Regulator's engagement with HHP is categorised as 'Medium'

Strategy and Objectives

HHP's strategy and objectives are detailed in its 30 Year Business Plan which was prepared at the point of Transfer. The Business Plan highlights 6 core business activities which will shape the future of HHP and the way housing services are delivered to tenants:

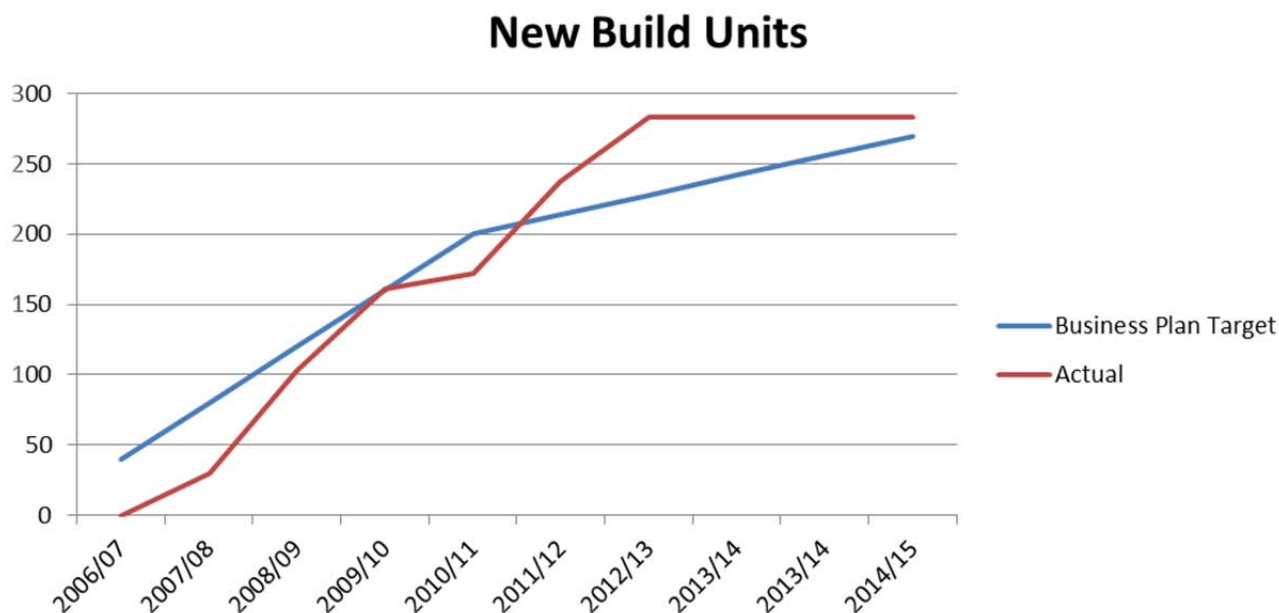


Delivering on the promises made leading up to the Tenant Ballot in 2005 is the most important aim for HHP. A key objective therefore is to meet the 2015 Scottish Housing Quality Standard.

A four year Investment Programme worth £13.3m was approved by HHP's Board in November 2010 to ensure that the Standard in relation to kitchens, bathrooms, windows and modern central heating systems is achieved.

The Repairs and Maintenance Contract has been let to FES (FM) for five years following a very competitive procurement process. HHP's Board is looking forward to significant improvement in service delivery whilst achieving value for money for tenants.

HHP has a new build programme of 275 houses over a 10 year period from April 2007 agreed with the then Scottish Government. That target will be achieved by 2013 four years ahead of the programme.



However, the Scottish Government has indicated that there is an expectation that housing associations will deliver new build programmes for significantly less grant. This drive for reduced subsidy has been underlined by the Innovation and Investment fund announced in January 2011.

Housing associations are invited to bid for funding to provide new affordable housing based on a benchmark of £40k per unit. Whilst HHP is working in partnership with Comhairle Nan Eilean Siar to see if a project can be submitted this level of subsidy is not sustainable in the Western Isles and HHP may find that notwithstanding a strong desire by the Board to continue to develop consistent with core business objectives this activity may cease.

Key Plans for 2011/12 and Beyond

Each year the Board approves an Internal Management Plan which includes a review of HHP's Business Plan. The Business Plan approved by The Scottish Government (previously the Scottish Executive) and Comhairle Nan Eilean Siar prior to the tenant ballot is the key strategic document providing a 30 year planning framework.

However the delivery of the Business Plan needs shorter term planning. The Internal Management Plan contains a 2 year action plan linking the shorter term to HHP's Business Plan strategic objective.

The Internal Management Plan therefore includes a 2 year development plan, a four year investment plan and cyclical maintenance programme taking HHP up to April 2015 the date when the Scottish Housing Quality Standard has to be achieved.

Performance in the Year

HHP achieved significant investment in new houses and in improvements during 2010/11. In total £6.206 million was spent on new houses completing 11 units, continuing work on 32 units and commencing work on 79 units. The amount of expenditure has had a significant impact on sustaining

jobs throughout the Western Isles not just for large contractors but also for small contractors, suppliers and service providers.

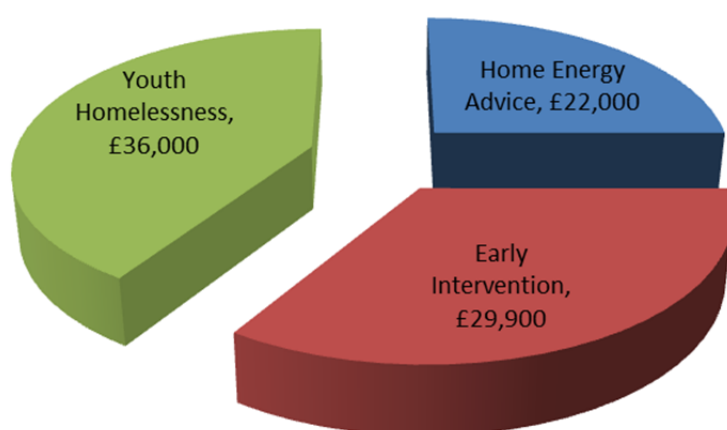
Spend on Wider Role

Work continued with other agencies beyond the role as a landlord to support individuals and communities across the Western Isles. Scottish Government funding was received for the following projects which have been established with partners.

Home Energy Advice – Partnership with Tighean Innse Gall

Early Intervention – Partnership with Citizens Advice Bureau

Youth Homelessness – Partnership with Sgailean, Western Isles Foyer

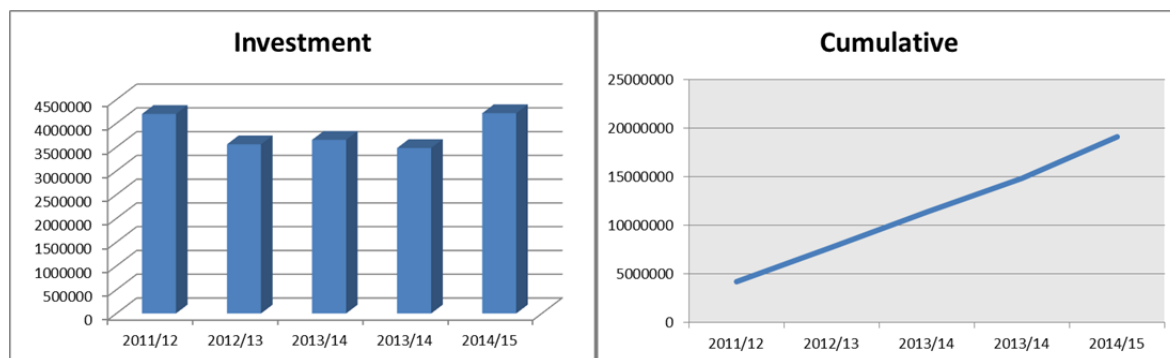


Dynamics of the Social Landlord

The Partnership is focused on providing housing within the Western Isles and recent figures show that despite a declining population, there is a continuing demand for socially rented properties. HHP is the key partner for the Comhairle in the delivery of its Homeless service.

Investment for the Future

HHP plans to invest £19.1 million over the next 5 years in bringing its houses up to the Scottish Housing Quality Standard. £2.5 million of private finance will need to be earmarked for new build projects over the same period. The number of units delivered will be dependent on the funding available from the Scottish Government.



Key Risks impacting on Future Performance

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 be accepted.

Operational Review

Planned and Cyclical Maintenance

A new approach to planned maintenance was introduced during 2010/11. A 5 year cyclical programme was established which focuses on external maintenance, including painting of houses and their environment. The approach to cyclical maintenance has been reviewed and improved resulting in the introduction of an annual service regime for door entry systems, fire alarm systems and stair lifts. The communal lighting system in 10 blocks of flats were also upgraded. A total of £0.515m was spent on planned and cyclical works.

Investment Programme

The investment programme delivered a further £1.679m of improvement works to houses contributing to achieving the Scottish Housing Quality Standard by 2015. The following were achieved:

Kitchens	128
Bathrooms	70
Heating	34
Windows	19
Insulation (Cavity)	254
Insulation (Loft)	513

In addition £68K was invested in unadopted infrastructure of which Comhairle Nan Eilean Siar contributed £23K to the overall costs. The works included drainage, car parks and footpaths. A further £54k was spent on Grounds Maintenance.

The major challenge to HHP in achieving the Scottish Housing Quality Standard is in the energy efficiency requirements of the Standard. The focus of investment has been changed towards insulation works which seeks to ease the difficulties experienced by many tenants in heating their homes. Progress towards achieving the Scottish Housing Quality Standard will continue to be monitored.

Renewable heating systems will continue to be installed as HHP believes they provide a more efficient and cost effective solution for tenants. However the uncertain grant funding regime for these systems continues to pose a challenge. During the year a total of £143k in grant funding was received.

Awarding body		£
British Gas	Carbon Emission Reduction Target (CERT)	22,500
Government	Low Carbon Building Programme (LCBG)	115,884
Energy Action Scotland		4,250
TOTAL		142,634

The percentage of stock which fully meets the Scottish Housing Quality Standard is 40%.

The targets for the next few years will see a steady increase towards achieving the SHQS in 2015. However, the Energy Efficiency criteria will be closely monitored and applications for exemptions will be made where appropriate.

Grant funding of £102,200 (2009/10: £285,412) was also made available from the Government to deliver aids and adaptations for tenants with health and mobility problems.

Development Programme

HHP had another very successful year with its housing development programme. A total of 11 new homes were completed in 2010/11.

HHP continues to use new technology to try and drive down the cost to our tenants of heating their homes. The developments completed this year had a range of heating systems fitted – air source heat pumps, ground source heat pumps, heat recovery units, solar panels and gas. Survey data from tenants indicate good levels of satisfaction with these innovative heating systems. High levels of insulation in these properties also helps drive down fuel bills.

HHP's development programme continues apace and the following projects are on site:

- ◆ 42 units at Manor Drive, Stornoway (1st phase completion June 2011)
- ◆ 12 units at Ardanmhor Court, Stornoway (completion April 2011)
- ◆ 18 units at Bridge Cottages Stornoway (completion April 2011)
- ◆ 8 units at Bunnavoneadar Harris (completion April 2011)

The programmes at Manor Drive and Ardanmhor Court include a total of 18 units which will be sold (6 at Ardanmhor Court in April 2011 and 12 at Manor Drive in June 2011) under the Government's New Supply LIFT initiative.

A total of 49 units were approved and went on site during April 2011. The developments are:

- ◆ 6 houses at Claddach Kirkibost, North Uist
- ◆ 4 houses at Cnoc A' Runaire, North Tolsta
- ◆ 15 at the Melbost Farm site in Stornoway
- ◆ 24 at the former Gibson Hostel site in Stornoway

The Scottish Government's low cost ownership LIFT scheme aims to assist people on low to moderate incomes who want to own their own house but cannot afford to pay the full price for the house.

The buyer normally pays between 60% and 80% of the price of the house while the remainder is paid for by the Scottish Government. The buyer owns the property although the Government holds a security over the proportion of equity stake it has funded. This means that if the owner sells their property, the Government will receive the value at the time of sale of the percentage equity stake funded.

The LIFT scheme is administered in the Western Isles by HHP and is aimed at first time buyers. There has been a very high level of interest in the properties being marketed both at Ardanmhor Court and Manor Drive Stornoway. HHP will look to work with the Scottish Government and Comhairle Nan Eilean Siar to see if this scheme can be replicated in other new build HHP developments should HHP continue to develop.

Housing Services

There was another marked improvement in the performance on re-letting properties and minimising void periods. The average length of time to let houses was further reduced to 31 days. Excluding houses which were difficult to let reduces the time to let to an average of 19.8 days. 80% were let within 28 days. The amount of rent lost due to houses being empty was reduced by £17.7K.

HHP continued to support the Comhairle in addressing homelessness and let 36% of empty houses to applicants referred by the Comhairle. A total of 31 houses are provided to the Comhairle's Homeless Service for use as temporary accommodation.

Arrears levels were broadly static with a small decrease of 0.1%. This is a critical area for HHP and there will be a continuing focus on achieving reductions in the level of arrears.

The focus on keeping housing areas in good condition and continuing our annual inspection of estates was maintained. This coupled with the introduction of the 5 year planned maintenance cycle seeks to ensure that the estates are well looked after and are attractive places in which to live. In addition the commitment to work with partners to deal effectively with Anti-Social Behaviour has been continued.

The Customer Services team has been strengthened to further improve service delivery and a new 0300 telephone number was introduced to reduce costs for customers. The approach to dealing with complaints was improved to ensure these are dealt with effectively.

Financial Review

Financial Results

The turnover for the year to 31 March 2011 was £7.458 million against operating costs of £5.680 million. Operating costs for the year included £1.686 million of capital investment written off against expenditure. Investment expenditure, which is greater than valuation in any one year, will be written off against income and expenditure. The main source of income was from rental income of £6.481 million with £0.746 million received in grant from The Scottish Government. £0.272 million of the grant received was to support our Business Plan activities.

The operating surplus on Letting Activities was £1.722 million, 26.6% of Net Rental Income (2010: £1.414 million, 22.5% of Net Rental Income). The main reason for the increase in the Operating surplus from 2009/10 is due to the postponement of investment works to enable the front funding of the LIFT projects.

The funds are being used to create designated reserves for:

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

Balance Sheet

HHP's Balance Sheet is shown on Page 24. The key factors affecting the balance sheet are:

- a) The addition of 11 new units for rent funded largely from Housing Association Grant from the Scottish Government;
- b) The development contract entered into with Comhairle Nan Eilean Siar for investment in the properties transferred to HHP amounting to £16.445 million. This is shown under Long Term debtors and Long Term creditors;
- c) The cost of LIFT properties included within stock;
- d) The decrease in prepayments and accrued income for the reduction in Debtors due within one year.

Cash Flow

The Cash Flow is shown on page 25. The net cash flow from operating activities was £1.918 million which included a Business Plan support grant of £0.200 million from The Scottish Government. The principal cash outflows were operating costs and investment in assets.

Current Liquidity

At 31 March 2011 HHP had cash and short-term deposits of £2.382 million. This was £1.4 million more than budget which was due to the slippage on the private finance requirement for development, slippage and savings on the management costs and income on Right to Buy being slightly higher than forecast. The future investment and development programme will see this cash balance reduce significantly over the forthcoming year. It is anticipated there will be a requirement to drawdown £2 million during the forthcoming year.

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, deficit funding and loan facilities provided by The Scottish Government. The loan facility allows HHP to borrow up to £10 million. In broad terms, the current Business Plan assumes that borrowing will increase each year until the maximum of £9 million is reached in 2026 reflecting the significant investment programme in the first ten years of the plan. Debt is progressively paid off in subsequent years and is projected to be fully paid off by 2032.

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

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

The Treasury Management Policy was approved in April 2006. 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.

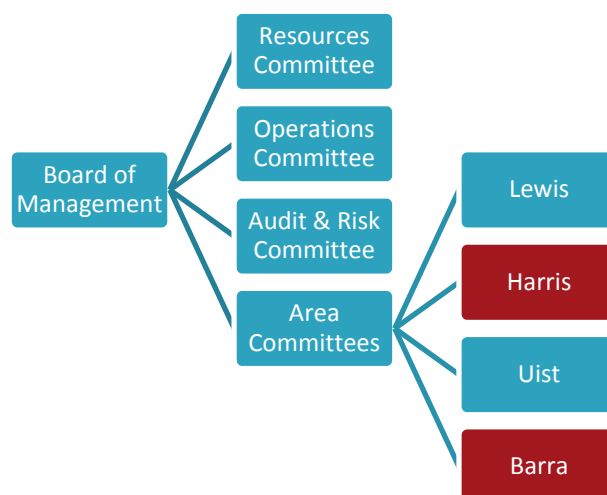
Governance & Management

HHP is an Industrial and Provident Society and is governed by a set of Rules appropriate for a Registered Social Landlord. The Partnership is governed by a voluntary Board of Management which is supported by a Chief Executive, Management Team and staff. A full list of Board Members is at page 44.

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 five 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 three Standing Committees and four Area Committees. The Standing Committees are all operational and the Board has recently taken the decision to replace the Area Committees with informal Area meetings with tenants.

The Board comprises up to 15 members - 5 tenant members, 5 Comhairle Nan Eilean Siar nominees, 5 community representatives and up to 3 co-optees. There are currently 13 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 2011.

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

During 2010/11 four shares were issued to new members.

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

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

Currently, HHP’s Board has delegated responsibility to the following Standing Committees:

Audit and Risk

The Audit and 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

Operations

The Operations Committee is responsible for ensuring that suitable arrangements are in place for the provision of as high a quality of affordable houses and housing services as is possible having regard to policy, legal, financial and other constraints, and for the regular review of such arrangements. Specifically this Committee:

- Manages the investment for the housing stock
- Manages the development of new homes
- Establishes targets and performance indicators for housing management
- Establishes and arranges tenant consultation and participation

Resources

The Resources Committee is responsible for ensuring that suitable arrangements are in place for the planning, setting and monitoring of all budgets and establishing value for money. The Committee ensures that there are appropriate personnel arrangements in place to enable the Partnership to fulfil its responsibility as a good employer.

Governance Review

A Governance Review has been undertaken during 2010 by members of the Audit & Risk Committee and the Executive Team.

The following changes have been approved by the Board:

1. Abolition of the Area Committees to be replaced by more informal arrangements to ensure the views of communities feed into the decision making process of HHP. For example the well-attended quarterly meeting with HHP members and the wider community in Harris will continue.
Senior management will undertake regular surgeries in Uist and Barra. The Area Committees were very poorly attended despite significant effort to encourage HHP members and tenants to come along and participate in discussions on issues relating to investment, new build, rent increases and repairs and maintenance.
2. Implementing a trial period for reports going to the Board rather than two Standing Committees (Resources and Operations) and the Board. This has now been tested and the

views of Board Members are being considered on whether all three Standing Committees should continue.

Tenant Participation

Engaging effectively with tenants and other customers is a priority for HHP. A satisfaction survey of all tenants was carried out in 2010 and achieved a 30% return rate.

80% of tenants said they were satisfied or very satisfied with the service provided by HHP compared to 76% in 2008 and 93% said they were happy with the area where they lived which was unchanged from 2008.

Tenants also identified areas for improvement. As a result a new complaints process was introduced and information was issued to all tenants on the planned investment to their homes for the period 2011 – 2014.

Tenants Conferences were held in partnership with WIFTRA in Stornoway, Balivanich and Tarbert during the year which were relatively well attended. HHP appreciates the contribution of partner agencies and contractors who supported these events.

The Partnership works with WIFTRA to promote tenant involvement across the Western Isles and also sponsored the TPAS Annual Conference in October 2010 to promote HHP at a national level.

The Tenant Participation Strategy which sets out HHP's approach to Tenant Participation will continue to evolve and adapt to enable tenants to engage with us in ways and at time that suit them.

Health and Safety

The Board places the highest priority on the Health and Safety of tenants, staff and contractors. A full audit of Health and Safety procedures and practices has been undertaken.

Political and Charitable Donations

There were no political donations made by HHP during the financial year. No charitable donations were made during the financial year.

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

External auditors are appointed under a competitive tendering process which is undertaken every five years. The results of the process for the appointment of external auditors for 2011/12 will be presented to the Annual General Meeting in September 2011.

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 opportunity is based on fair, objective and consistent criteria

Training

HHP is committed to the training and development of all its employees and Board Members. The Regulator highlighted in the Inspection Report that Board Members training was a particular strength. Regular training needs assessments are carried out for Board Members' which feed into Training Plans. A training programme for staff for 2011-12 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 control 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, Committees and eventually Area Committees. The Executive Team, comprising of the Chief Executive and the Directors, has two main functions, Operations and Resources.

Audit and Risk Committee

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

Systems 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
- The review of reports prepared by Internal Auditors by the Audit and Risk Committee on a regular basis
- 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
- 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

The Board has reviewed the 'Managing Risks' section of the 30 year Business Plan. A risk analysis was carried out by Internal Audit to identify business significant risks. Key business risks and operational risks were taken into account when preparing the Internal Audit Strategic Plan.

The financial implications of major business risks are controlled through delegated authorities which reserve significant matters to the Board for decision.

Corporate Risk

The Risk Register has been updated for 2011/12. The Risk Register is organisation wide and shows each risk, the significance of the risk, and the probability of these risks occurring. The Register also details the impact of the risks should they occur and who will have prime responsibility for the design and operation of suitable controls and mitigating actions.

Management Information Systems

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

Internal Audit

On 1 April 2011 the Board appointed Scott-Moncrieff to replace TIAA 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 Resources Committee or the Board. A Fixed Asset Register is in place which details all the assets owned by the Partnership.

Investment

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

Board Statement on Internal Financial Control

The Board, through the Audit and Risk Committee, has reviewed the effectiveness of HHP's internal control for the Year ended 31 March 2011. This review was informed by the work of Internal Audit and by the Executive Team, which has responsibility for the development and maintenance of the internal control framework. It was also informed by comments made by the External Auditors in their management reports. Such a system can only provide reasonable, and not absolute, assurance against material mis-statement or loss, as it is designed to manage rather than eliminate the risk of failure to achieve business objectives.

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

On behalf of the Board



George Lonie

Chair

Statement of Board Responsibilities

The Board is responsible for preparing the Board report and the financial statements in accordance with applicable law and regulations.

Industrial and Provident Society law requires the Board to prepare financial statements for each financial year.

The financial statements are required by law to give a true and fair view of the state of affairs of the Partnership and of the surplus or deficit for that period.

In preparing these financial statements, the Board is required to:

- Select suitable accounting policies and then apply them consistently
- Make judgments and estimates that are reasonable and prudent
- State whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going-concern basis unless it is inappropriate to presume that the Partnership will continue in business

The Board is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Partnership and enable it to ensure that its financial statements comply with the Industrial & Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlord (Accounting Requirements) (Scotland) Order 2007.

The Board has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Partnership to prevent and detect fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the Partnership's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditors' Report

We have audited the financial statements of Hebridean Housing Partnership Limited for the year ended 31 March 2011 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Partnership's members, as a body, in accordance with section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Partnership's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Partnership and the Partnership's members as a body, for our audit work, for this report, and for the opinions we have formed.

Respective responsibilities of the Board of Management and Auditors

As explained more fully in the Statement of Board Responsibilities set out on page 19, the Board of Management is responsible for preparation of the financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on 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 ('APB') 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 association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the board; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report & Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications of our report.

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 2011 and of its income and expenditure for the year then ended; and

have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001, the Registered Social Landlords (Accounting Requirements) (Scotland) Order 2007.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts, 1965 to 2002 require us to report to you if, in our opinion:

- A satisfactory system of control over transactions has not been maintained; or
- The association has not kept proper accounting records; or
- The financial statements are not in agreement with the books of account; or
- We have not received all the information and explanations we need for our audit.



Calum Macdonald

Senior Statutory Auditor

for and on behalf of CIB Audit, Statutory Auditor

63 Kenneth Street

Stornoway

Isle of Lewis

Dated: 30 June 2011



Auditors Report on Corporate Governance

Corporate Governance

In addition to our audit of the Financial Statements, we have reviewed the Board of Management's statement on page 16 concerning the Partnership's compliance with the information required by the section on Internal Financial Control within SFHA's publication 'Raising Standards in Housing'.

Basis of Opinion

We carried out our review having regard to Bulletin 1999/5 issued by the Auditing Practices Board, The Bulletin does not require us to review the effectiveness of the Partnership's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for non-compliance.

Opinion

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

CIB Audit
CIB Audit

Registered Auditor

63 Kenneth Street

Stornoway

Isle of Lewis

Dated: 30 June 2011



Financial Statements

Income and Expenditure Account for the year ended 31 March 2011

		31 March 2011	31 March 2010
		£	£
	Notes		
Turnover	3	7,458,758	7,798,473
Operating costs	4 & 5	(5,680,057)	(6,329,737)
Operating surplus		1,778,701	1,468,736
Surplus on sale of fixed assets			
-housing properties	9	75,280	66,522
-other assets	9	-	10,570
Interest receivable and other income	10	11,510	6,281
Interest payable and similar charges	11	(249,094)	(218,177)
Surplus on ordinary activities, before transfers to Reserves		1,616,397	1,333,932

The results for the year relate wholly to continuing activities.

Statement of Total Recognised Surpluses and Deficits

for the year ended 31 March 2011

		31 March 2011	31 March 2010
		£	£
	Notes		
Surplus on ordinary activities, before transfer to Reserves		1,616,397	1,333,932
Transfer to Designated Reserves	21	(372,266)	(419,164)
Total recognised surpluses since the last financial statements		1,244,131	914,768

Total recognised surpluses relate wholly to continuing activities.

The notes on pages 26 to 42 form part of these financial statements.

Balance Sheet as at 31 March 2011

	Notes	31 March 2011 £	31 March 2010 £
Tangible Fixed Assets			
Housing Properties at valuation	15	8,305,331	6,806,783
Other tangible fixed assets	15	449,799	497,744
Investments	15	1	-
		<u>8,755,131</u>	<u>7,304,527</u>
Debtors due after more than one year	16	16,543,707	18,075,469
Current Assets			
Stock		766,433	-
Debtors due within one year	16	443,944	662,506
Short-term deposits		1,298,941	1,261,726
Cash at bank and in hand		1,082,843	1,033,917
		<u>3,592,161</u>	<u>2,958,149</u>
Creditors: amounts falling due within one year	17	<u>(1,103,128)</u>	<u>(968,056)</u>
Net current assets		<u>2,489,033</u>	<u>1,990,093</u>
Total assets less current liabilities		<u>27,787,871</u>	<u>27,370,089</u>
Creditors: amounts falling due after more than one year	18	<u>(6,878,635)</u>	<u>(6,481,764)</u>
		20,909,236	20,888,325
Provisions for liabilities and charges	19	<u>(16,445,030)</u>	<u>(17,971,963)</u>
Net Assets		<u>4,464,206</u>	<u>2,916,362</u>
Capital and Reserves			
Share Capital	20	186	182
Designated Reserve	21	1,174,605	802,339
Capital Reserve	22	315,722	384,279
Revenue Reserve	21	2,973,693	1,729,562
		<u>4,464,206</u>	<u>2,916,362</u>

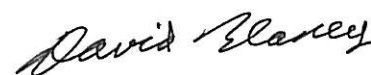
These financial statements were approved by the Board on 30th June 2011 and were signed on its behalf by:



Calum Mackay
Chair of
Resources



Dena Macleod
Secretary



David Blaney
Vice Chair

The notes on pages 26 to 42 form part of these financial statements.

Cash Flow Statement for the Year ended 31 March 2011

		31 March 2011	31 March 2010
		£	£
Net Cash (outflow)/inflow from operating activities	Notes 26	1,918,255	1,663,754
Returns on investment and servicing of finance			
Right to Buy Proceeds + Sale of Assets		75,280	77,092
Interest Received		11,510	6,281
Interest Paid		(249,094)	(218,177)
Net Cash (outflow)/ inflow from returns on investment and servicing of finance		(162,304)	(134,804)
Taxation			
Corporation Tax paid		-	-
less grant received		-	-
Net Cash outflow from Taxation		-	-
Capital expenditure and financial investment			
Acquisition and construction of properties		(4,989,273)	(6,341,418)
Purchase of other fixed assets & investment		(30,759)	(66,440)
Grants received		3,369,187	5,517,820
Sales of properties		12,987	18,759
Transfer of assets		-	-
Net Cash outflow from capital expenditure		(1,637,858)	(871,279)
Net Cash outflow before use of liquid resources and financing		118,093	657,671
Management of liquid resources			
Cash lodged on deposit account		(37,215)	(2,293)
Financing			
Loan advances received		-	-
Loan principal repaid		(31,956)	(8,553)
Shares issued		4	7
		(31,952)	(8,546)
Increase in cash	26	48,926	646,832

The notes on pages 26 to 42 form part of these financial statements

Notes to the financial statements for the Year ended 31 March 2011

NOTE 1 Legal Status

Hebridean Housing Partnership Limited (“HHP” or “The Partnership”) is registered under the Industrial and Provident Societies Act 1965 and is a Housing Association registered with Scottish Housing Regulator (previously Communities Scotland) under the Housing (Scotland) Act 2001. HHP has charitable status and is registered with OSCR.

NOTE 2 Accounting Policies

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

Basis of Accounting

The Financial Statements of the Partnership are prepared in accordance with applicable accounting standards and in accordance with the accounting requirements included with the Registered Housing Associations (Accounting Requirements) (Scotland) Order 2007, and under historical cost accounting rules, modified to include revaluation of properties held for letting and commercial properties. The Financial Statements have also been prepared in accordance with the Statement of Recommended Practice, Accounting by Registered Social Landlords Update 2008, issued by National Housing Federation.

Preparation of consolidated financial statements

The financial statements contain information about Hebridean Housing Partnership as an individual company and do not contain consolidated financial information as the parent of a group. The company has taken the option not to prepare consolidated financial statements as its subsidiary, HHP Community Housing Limited, is a dormant company and is not considered material for the purpose of giving a true and fair view of the state of affairs of the company.

Turnover

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

Grant Income

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

Deposit and Liquid Resources

Cash, for the purpose of the cash flow statement comprises cash in hand and deposits repayable on demand, less overdrafts repayable on demand. Liquid resources are current asset investments that are disposable without curtailing or disrupting the business and are readily convertible into known amounts of cash at, or close to, their carrying value.

Pension Costs

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

Housing Properties

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

Improvements to Housing Properties

The Partnership capitalises repairs and improvement expenditure on housing properties that result in an enhancement of the economic benefit of the asset.

Impairment

Reviews for impairment of housing properties are carried out on an annual basis and any impairment in an income generating unit is recognised by a charge to the income and expenditure account. 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 from these units. Impairment of assets would be recognised in the income and expenditure account.

Shared Ownership

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

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

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

Commercial Properties

Commercial properties are valued at existing use value.

Provisions

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

Taxation

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

Depreciation

Depreciation is charged on a straight-line basis over the expected useful lives of fixed assets to write off the cost less estimated residual values at the following annual rates. Assets are depreciated in the year of acquisition.

Commercial properties	60 years 2%
Offices	60 years 2%
Furniture, Fittings Office Equipment	20%
Computer Hardware and Software	25%

Sale of Housing Accommodation

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

Capitalisation of Development Overheads

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

Capital Grants

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

Value Added Tax

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

Development Agreement

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

Bad and Doubtful Debts

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

NOTE 3 Turnover, Operating Costs and Operating Surplus

	2011			2010
	Operating Turnover	Operating Costs	Operating Surplus	Operating Surplus
	£	£	£	£
Social housing lettings	7,186,791	5,465,196	1,721,595	1,413,550
Other activities	188,193	126,942	61,251	55,186
Grant Income	83,774	87,920	(4,146)	-
TOTAL	7,458,758	5,680,058	1,778,699	1,468,736

NOTE 4 Particulars of Income and Expenditure from Social Housing Lettings

	General Needs Housing	Supported Accommodation	Shared Ownership	Total	2010
	£	£	£	£	£
Income from lettings					
Rent receivable net of service Charges	6,427,505	29,179	2,746	6,459,430	6,479,591
Service Charges receivable	14,487	5,238	2,694	22,419	20,023
Gross income from rents and service charges	6,441,992	34,417	5,440	6,481,849	6,499,614
Less voids	(41,548)	-	-	(41,548)	(59,298)
Net Income from rents and service charges	6,400,444	34,417	5,440	6,440,301	6,440,316
Grants from Scottish Ministers	474,365	-	-	474,365	738,555
Other Revenue Grants	272,125	-	-	272,125	405,704
Total Turnover from social letting activities	7,146,934	34,417	5,440	7,186,791	7,584,575
Expenditure on letting activities					
Management and Maintenance Administration costs	1,779,832	13,267	2,698	1,795,797	1,601,101
Planned and Cyclical Maintenance including major repairs	2,294,883	-	-	2,294,883	3,339,557
Reactive Maintenance	1,195,454	6,328	160	1,201,942	1,105,148
Bad Debts -rents and service charges	48,838	-	-	48,838	10,668
Depreciation of social housing	122,435	1,256	45	123,736	114,551
Operating costs of social letting activities	5,441,442	20,851	2,903	5,465,196	6,171,025
Operating surplus on letting activities	1,705,492	13,566	2,537	1,721,595	1,413,550

NOTE 5 Particular of Income and Expenditure on Other Activities

Other Activities	Grants from Scottish Ministers	Other Income	Total Turnover	Other Operating Costs	Operating Surplus/ Deficit	2010
	£	£	£	£	£	£
Wider Action Development	83,774		83,774	87,920	(4,146)	-
Management Services		51,873	51,873	59,416	(7,543)	(19,060)
Amortization negative goodwill		67,763	67,763	67,526	237	5,346
Total from other activities	83,774	188,193	271,967	214,862	57,105	55,186
31 March 2010	44,530	169,368	213,898	158,712	55,186	

NOTE 6 Board Members Emoluments

Board members received £9,486 (2010 £7,154) by way of reimbursement of expenses. Board members did not receive anything by way of emoluments.

NOTE 7 Executive Directors' Emoluments

DIRECTORS' AND EMPLOYEES EMOLUMENTS		
	2011	2010
	£	£
The Directors are defined as the Chief Executive and any other person reporting directly to the Chief Executive whose total emoluments exceed £60,000 per annum.		
Aggregate emoluments payable to Directors exceeding £60,000 (including pension contributions and benefits in kind)	157,921	216,026
Emoluments payable to the highest paid officer (excluding pension contributions)	75,786	75,540

DIRECTORS' EMOLUMENTS		
	2011	2010
	£	£
During the period the Directors emoluments (excluding pension contributions) fell within the following band distributions:		
More than £60,000 but not more than £70,000	-	-
More than £70,000 but not more than £80,000	1	1
More than £80,000 but not more than £100,000	-	-
Emoluments include relocation expenses where appropriate		
The directors are members of the Highland Superannuation Fund and employer's contributions are paid on the same basis as other members of staff.		

NOTE 8 Employees

In the year to 31 March 2011 the average number of employees of the Partnership, including executive directors, was 40 (FTE), (2010 – 40 FTE).

EMPLOYEE INFORMATION		
	2011	2010
	£	£
Staff costs (for the above persons)		
Wages and Salaries	1,045,932	1,014,045
Social Security costs	78,301	73,982
Employers' pension costs	<u>176,155</u>	<u>159,398</u>
	1,300,388	1,247,425
Staff costs capitalised	<u>(265,650)</u>	<u>(282,363)</u>
	<u>1,034,738</u>	<u>965,062</u>

NOTE 9 Surplus on Sale of Fixed Assets

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

NOTE 10 Interest Receivable and Other Income

Interest Receivable and Other Income		
	2011	2010
	£	£
Bank interest receivable on deposits in the year	11,510	6,281
	<u>11,510</u>	<u>6,281</u>

NOTE 11 Interest Payable and Similar Charges

Interest Payable and Similar Charges		
	2011	2010
	£	£
Loan interest Payable	249,094	218,177
Bank interest payable	-	-
	<u>249,094</u>	<u>218,177</u>

NOTE 12 Tax on Ordinary Activities

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

NOTE 13 Auditor's Remuneration

Auditors' Remuneration		
	2011	2010
	£	£
The remuneration of the auditors is as follows		
Auditors' remuneration		
-in their capacity as auditors	8,400	7,800
-in respect of other services	-	-
	<u>8,400</u>	<u>7,800</u>

NOTE14 Financial Commitments

Capital Commitments		
	2011	2010
	£	£
Expenditure contracted for, but not provided in the accounts	2,143,695	9,469,759
Expenditure authorised by the Board but not contracted	26,287,413	885,834
	<u>28,431,108</u>	<u>10,355,593</u>

Operating leases		
	2011	2010
At 31 March 2011 the Partnership had annual commitments under non-cancellable leases as follows	£	£
<i>Operating leases that expire:</i>		
Within one year	1,395	-
In the second to fifth year inclusive	17,567	19,718
	<u>18,962</u>	<u>19,718</u>

NOTE 15 Tangible Fixed Assets

HOUSING PROPERTIES						
	Housing held for letting	Transferred property	Shared Ownership	Properties under construction	Transferred Property under constr	Total
	£	£	£	£	£	£
Cost or valuation						
At 1 April 2010	18,770,557	22,745,113	127,643	4,881,552	220,826	46,745,691
Additions	72,051	-	-	4,917,222	-	4,989,273
Disposals	(75,133)	-	-	-	-	(75,133)
Transferred	1,529,096	-	-	(2,148,870)	-	(619,774)
At 31 March 2011	20,296,571	22,745,113	127,643	7,649,904	220,826	51,040,057
Grants						
At 1 April 2010	(15,512,177)	(18,611,370)	(123,596)	(4,912,688)	(164,604)	(39,324,435)
Received during the Year	(2,334)	-	-	(3,366,853)	-	(3,369,187)
Transferred	(1,080,346)	-	-	1,716,590	-	636,244
Eliminated on disposal	60,861	-	-	-	-	60,861
At 31 March 2011	(16,533,996)	(18,611,370)	(123,596)	(6,562,951)	(164,604)	(41,996,517)
Depreciation						
At 1 April 2010	(74,687)	(537,588)	(2,198)	-	-	(614,473)
Eliminated on Disposal	1,284	-	-	-	-	1,284
Charge for year	(56,418)	(68,557)	(45)	-	-	(125,020)
At 31 March 2011	(129,821)	(606,145)	(2,243)	-	-	(738,209)
Net Book Value						
at 31 March 2011	<u>3,632,754</u>	<u>3,527,598</u>	<u>1,804</u>	<u>1,086,953</u>	<u>56,222</u>	<u>8,305,331</u>
Net Book Value						
at 31 March 2010	3,183,693	3,596,155	1,849	(31,136)	56,222	6,806,783

NOTE 15 Tangible Fixed Assets

OTHER TANGIBLE FIXED ASSETS				
	Commercial property	Furniture Fittings & Equipment	Computer Equipment	Total
	£	£	£	£
Cost or valuation				
At 1 April 2010	358,902	130,323	227,861	717,086
Additions	10,152	2,257	18,349	30,758
Disposals	-	-	-	-
At 31 March 2011	369,054	132,580	246,210	747,844
Depreciation				
At 1 April 2010	(8,960)	(84,809)	(125,573)	(219,342)
Eliminated on disposal	-	-	-	-
Charge for year	(6,151)	(26,724)	(45,828)	(78,703)
At 31 March 2011	(15,111)	(111,533)	(171,401)	(298,045)
Net Book Value				
at 31 March 2011	353,943	21,047	74,809	449,799
Net Book Value				
at 31 March 2010	349,942	45,514	102,288	497,744

The number of units of accommodation owned and managed at 31 March 2011 by the Partnership was:

Housing Stock		
	2011	2010
Social Housing		
General Needs	2,159	2,165
Shared Ownership	3	3
Supported Housing	15	15
Total Social Housing	2,177	2,183

Investment		
	2011	2010
1 share in HHP Community Housing Ltd	1	-

NOTE 16 Debtors

Debtors: Due after more than one year		
	2011	2010
	£	£
Development Agreement (see Note 2)	16,445,029	17,971,963
Loan Arrangement Fee	98,677	103,506
	<u>16,543,706</u>	<u>18,075,469</u>

In accordance with the development agreement accounting policy, included in debtors is a balance of £16.45 million in respect of the expected cost of the development work that Comhairle nan Eilean Siar has committed to undertake in order to refurbish the properties. The Comhairle has sub-contracted the Partnership to carry out the programme of catch-up repairs to the residential accommodation as part of a development agreement. This balance relates to the identical provision in the accounts for this expenditure and as work progresses both of these balances will be utilised when the work is actually undertaken.

Debtors: Due within one year		
	2011	2010
	£	£
Arrears of rent and service charges	247,220	273,630
Less: provision for bad and doubtful debts	(104,317)	(98,933)
	<u>142,903</u>	<u>174,697</u>
Other debtors	301,041	487,809
Total	<u>443,944</u>	<u>662,506</u>

NOTE 17 Creditors: Amounts Falling Due within One Year

Creditors: Amounts falling due within one year		
	2011	2010
	£	£
Amounts falling due within one year:		
Trade creditors	49,289	148,326
Rent and service charges received in advance	36,341	32,049
Accruals	799,786	538,013
Loans (see Note 18)	217,712	249,668
Total	<u>1,103,128</u>	<u>968,056</u>

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

Creditors: Amounts falling due after more than one year		
	2011	2010
	£	£
Right to Buy receipts due to the Scottish Executive	1,878,635	1,481,764
LOANS		
All loans are advanced by Banks, are repayable in 2027 (Fixed) and are secured by way of standard securities on the Partnership's housing land and buildings.		
a) Fixed Rate	5,000,000	5,000,000
b) Variable Rate	217,712	249,668
Analysis of duration of loans and interest rates:		
	2011	2010
	£	£
	0.85% to 5.48%	
Repayable in one year or more	217,712	1,749,668
Repayable in more than five years	5,000,000	3,500,000
	<u>5,217,712</u>	<u>5,249,668</u>
Being Loans falling due		
-within one year	217,712	249,668
-after more than one year	5,000,000	5,000,000
	<u>5,217,712</u>	<u>5,249,668</u>
Average interest rates at 31 March		
Fixed	4.93%	5.22%
Variable	1.05%	1.00%
Overall	<u>4.76%</u>	<u>5.25%</u>

Bank Lending Facility

At the year end the Partnership had drawn down £5.217 million on the lending facility. A committed facility of £10 million was available from the Royal Bank of Scotland along with an uncommitted overdraft facility of £0.250 million. In setting up this facility the Partnership incurred total arrangement fees of £120,093 which are included in debtors and which are being amortised over the period of the loan drawdown. Security over the housing properties has been granted to the Royal Bank for the period of the lending facility. Section 66 consent has been granted.

NOTE 19 Provisions for Liabilities and Charges

Provisions for Liabilities and Charges		
	2011	2010
	£	£
At 1 April 2010	17,971,963	20,162,797
Created in Year	-	-
Utilised	(1,526,934)	(2,190,834)
At 31 March 2011	16,445,029	17,971,963

Development Agreement

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

NOTE 20 Share Capital

Share Capital		
	2011	2010
	£	£
Shares of £1 each issued and fully paid		
At 1 April 2010	182	175
issued during period	4	7
At 31 March 2011	186	182

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

Angela Quail, Calum Mackay, Kevin Paterson, George Lonie, Jane Mackinnon, Helen Smith, Paul Alldred and Daniel Coyle.

NOTE 21 Reserves

Revenue Reserves		
	2011	2010
	£	£
Accumulated surplus at 1 April 2010	1,729,562	814,794
Surplus for the year	1,244,131	914,768
Accumulated surplus at 31 March 2011	2,973,693	1,729,562

Designated Reserves						
	Asbestos	Pension	Repairs & Renewals	Sinking Fund	2011	2010
	£	£	£	£	£	£
Balance at 1 April 2010	355,261	178,000	269,078	-	802,339	383,175
Transferred to Reserve	129,000	74,200	162,373	6,693	372,266	419,164
Balance at 31 March 2011	484,261	252,200	431,451	6,693	1,174,605	802,339

NOTE 22 Capital Reserve

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

Capital Reserve		
	2011	2010
	£	£
Fixed Assets at net book value	4,089,387	4,089,387
Current Assets	779,095	779,095
Cash	942,849	942,849
Liabilities	(1,459,564)	(1,459,564)
Loans	(3,761,505)	(3,761,505)
Net Assets	590,262	590,262
Amount amortised to Income and Expenditure		
In previous years	(205,983)	(137,083)
In current year	(68,557)	(68,900)
Reserve at 31 March 2011	315,722	384,279

NOTE 23 Pensions

The Partnership participates in the Highland Superannuation Fund (HSF) which, as part of the Local Government Pension Scheme is a defined benefit statutory scheme based on final pensionable pay. Contributions are charged to the Income and Expenditure Account so as to spread the cost of pension over employees' working lives. These contributions are determined by formal actuarial valuation, which last took place at 31 March 2009.

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

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

Major Assumptions		
	31-Mar 2011 % per annum	31-Mar 2010 % per annum
RPI increases	3.50%	3.90%
CPI increases	2.70%	n/a
Salary increases	5.00%	5.40%
Pension increases	2.70%	3.90%
Discount rate	5.50%	5.50%

Assets (Employer)				
	Long Term Return at 31-Mar-11 %	Assets at 31-Mar-11 £000's	Long Term Return at 31-Mar-10 %	Assets at 31-Mar-10 £000's
Equities	7.80%	3,501	7.90%	3,125
Gilts	4.40%	222	4.50%	198
Other Bonds	5.50%	266	5.50%	277
Property	5.80%	399	5.90%	316
Cash	3.00%	44	3.00%	40
TOTAL	7.40%	4,432	7.40%	3,956

Net Pension Asset		
	2011 £000's	2010 £000's
Present Value of Funded Obligation	5,301	5,978
Fair Value of Scheme Assets	4,432	3,956
Net Liability	869	2,022
Present Value of Unfunded Obligation	20	23
Net Liability	889	2,045

NOTE 24 Scottish Government Grants

The Scottish Government has made available a non-repayable grant of £2.5 million payable over 10 years. The annual drawdown of the grant is subject to a number of specified conditions. The grant instalment of £0.200m received during the year has been applied as follows:

Scottish Government Non-Specific Grants		
	2011 £	2010 £
Opening balance	1,500,000	1,725,000
Grant Funding received	200,000	225,000
Applied to investment expenditure		
Deferred for application against future expenditure	<u>1,300,000</u>	<u>1,500,000</u>

In addition The Scottish Government has made available a loan to the Partnership of £396,871 being the Comhairle's share of the Right to Buy receipts received this year.

NOTE 25 Related Party Transactions

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

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

NOTE 26 Cash Flow Notes

Reconciliation of Operating Surplus to Net Cash Inflow from Operating Activities		
	2011	2010
	£	£
Operating surplus	1,778,701	1,468,736
Movement in Stock	(782,902)	-
Depreciation charges	203,723	196,333
Amortisation of Capital Reserve	(68,557)	(68,900)
(Increase)/Decrease in debtors	223,391	252,654
(Decrease)/Increase in creditors and provisions (excluding loans)	563,899	(185,069)
Net Cash inflow from operating activities	1,918,255	1,663,754

Analysis of Net Debt		
	2011	2010
	£	£
Debt due after 1 Year	(5,000,000)	(5,000,000)
Debt due within 1 Year	(217,712)	(249,668)
	<u>(5,217,712)</u>	<u>(5,249,668)</u>
Bank and short term deposits	2,381,784	2,295,643
	<u>(2,835,928)</u>	<u>(2,954,025)</u>

Analysis of Changes in Net Cash			
	At 1 April 2010	Cash Inflow	31-Mar 2011
	£	£	£
Cash at bank and in hand	1,033,917	48,926	1,082,843
Overdraft			-
Reduction in cash	<u>1,033,917</u>	<u>48,926</u>	<u>1,082,843</u>
Deposits	1,261,726	37,215	1,298,941
Debt due after more than one year		-	-
	<u>2,295,643</u>	<u>86,141</u>	<u>2,381,784</u>

Detailed Income & Expenditure Account

	2011				2010			
	Lettings	Other	Grant	Total	Lettings	Other	Grant	Total
	£	£	£	£	£	£	£	£
Income								
Net Rental Income	6,440,301			6,440,301	6,440,316			6,440,316
Factoring Fee		6,330		6,330		6,417		6,417
Fee income for Services		61,433		61,433		57,279		57,279
Fees charged to Investment		265,650		265,650		282,363		282,363
Negative Goodwill amortised		68,557		68,557		68,900		68,900
Other Grants			630,264	630,264			963,789	963,789
Deficit Funding Grant			200,000	200,000			225,000	225,000
	6,440,301	401,970	830,264	7,672,535	6,440,316	414,959	1,188,789	8,044,064
Operating costs								
Employee costs	1,127,007	136,183	-	1,263,190	1,090,045	123,296	-	1,213,341
Premises Costs	83,761	12,229	-	95,990	91,103	12,229	-	103,332
IT & Telecoms	161,832	-	-	161,832	159,977	-	-	159,977
Area Offices	42,607	-	400	43,007	42,978	-	-	42,978
Internal Audit	6,059	-	-	6,059	10,591	-	-	10,591
Payroll & Cashdesk	23,266	-	-	23,266	17,735	-	-	17,735
Finance Services	-	-	-	-	-	-	-	-
Supplies & Services	317,525	12,229	400	330,154	322,384	12,229	-	334,613
Postage, printing & stationery	43,706	744	-	44,450	37,419	744	-	38,163
Admin, Furniture & equipment	89	-	-	89	1,914	-	-	1,914
Training	27,503	-	-	27,503	24,023	-	-	24,023
Community Support	10,593	-	-	10,593	9,064	-	-	9,064
Misc Admin	5,120	-	-	5,120	4,639	-	-	4,639
Recruitment costs	10,263	-	-	10,263	3,233	-	-	3,233
Administration Costs	97,274	744	-	98,018	80,292	744	-	81,036
Consultants + Audit Fees	169,335	16,740	-	186,075	67,238	30,668	-	97,906
Insurance	160,603	-	632	161,235	146,866	-	-	146,866
Affiliation Fees	25,791	-	-	25,791	17,842	-	-	17,842
Governance	13,252	-	-	13,252	12,727	-	-	12,727
Wider Role Grant	-	-	87,920	87,920	-	-	44,530	44,530
Bank Charges & Fees	11,243	-	-	11,243	10,503	-	-	10,503
Public Relations/Marketing	7,743	-	-	7,743	13,172	-	-	13,172
Corporate Expenses	387,967	16,740	88,552	493,259	268,348	30,668	44,530	343,546
Supervision & Management	1,929,773	165,896	88,952	2,184,621	1,761,069	166,937	44,530	1,972,536
Bad Debt provision movement	38,872			38,872	10,668			10,668
Response Repairs	1,201,753			1,201,753	1,108,990		-	1,108,990
Planned/Cyclical Maintenance	615,270			615,270	554,788			554,788
Investment Programme	1,182,488		497,125	1,679,613	2,154,065		630,704	2,784,769
Total investment in properties	2,999,511	-	497,125	3,496,636	3,817,843	-	630,704	4,448,547
Abortive Developments			-	-				-
Depreciation	203,723			203,723	196,332			196,332
Total Operating Costs	5,171,879	165,896	586,077	5,923,852	5,785,912	166,937	675,234	6,628,083
Operating surplus/deficit	1,268,422	236,074	244,187	1,748,683	654,404	248,022	513,555	1,415,981

This page does not form part of the audited financial statements

Board of Management

Name	Category	Changes during the year	
		Appointed	Resigned
George Lonie (Chair)	Community	16 Sept 2010 (re-appointed)	
David Blaney (Vice-Chair)	Councillor	28 June 2007	
Kevin Paterson (Treasurer)	Tenant	16 Sept 2010 (re-appointed)	
Angela Quail	Tenant	16 Sept 2010 (re-appointed)	
Paul Alldred	Tenant	17 Sept 2009 (re-appointed)	27 March 2011
Daniel Coyle	Tenant	17 Sept 2009 (re-appointed)	
Calum Mackay	Community	18 Sept 2008 (re-appointed)	
Jane Mackinnon	Community	17 Sept 2009 (re-appointed)	
Helen Smith	Community	16 Sept 2010 (re-appointed)	
Mairi Bremner	Community	17 Sept 2009	
Neil Campbell	Councillor	28 June 2007	
Archie Campbell	Councillor	28 June 2007	
Gerry Macleod	Councillor	28 June 2007	
Donald Nicolson	Councillor	29 April 2010	

Supplementary Information

Secretary and Registered Office

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

Auditors

CIB Audit
63 Kenneth Street
STORNOWAY
Isle of Lewis

Bankers

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

Contact Details

Phone: 0300 123 0773
E-mail: info@hebrideanhousing.co.uk
Web: www.hebrideanhousing.co.uk

Funders

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

Solicitors

Harper Macleod
The Ca'd'oro
45 Gordon Street
GLASGOW
G1 3PE

HBJ Gateley Wareing

19 Canning Street
EDINBURGH
EH3 8EH

Directors

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