2006/07

Annual Reports & Accounts

hebridean housing partnership

Registered under the Industrial and Provident Societies Act:	Reg No 2644RS
Registered Charity No:	SCO35767
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CONTENTS

Board Report including Operating and Financial Review

Introduction

On 12 September 2006 the housing stock of Comhairle Nan Eilean Siar was transferred to Hebridean Housing Partnership. The Board members present their report and the audited financial statements for Hebridean Housing Partnership Limited (HHP) for the year to 31 March 2007.

The principal activities of HHP are the provision of affordable social rented housing and the promotion of community ownership throughout the Western Isles. HHP's broad objectives are:

- Placing tenants at the centre of everything we do, and engaging with the wider community
- Investing in a sustainable way in tenants' homes
- Delivering continuous improvement over time
- Providing efficient, effective housing management services of the highest quality whilst keeping rents affordable
- Being a good employer that attracts and retains high quality staff
- Delivering value for money
- Managing the operational aspects of a first class homelessness service on behalf of Comhairle Nan Eilean Siar
- Contributing to economic development and social inclusion in the Western Isles

Operating Review

Key Headlines

HHP's 30 Year Business Plan highlights 6 core business activities which will shape the future of HHP and the way housing services are delivered to our tenants:

1. Investment Programme
2. Environmental Improvements
3. New Build Programme
4. Repairs and Maintenance
5. Housing Management
6. Management of the Homeless Service

The Key outputs of the Business Plan for 2006/07 were:

1. 88 Kitchens
2. 45 Bathrooms & Heating Systems
3. 37 Windows and Doors
4. Purchase of 6 Rent of the Shelf properties

Key Plans for 2007/08 and beyond

Each year HHP will communicate its future plans through the publication of two key planning documents: the Business Plan and the Statement of Intent.

Financial Review

Financial results

The turnover for the period to 31 March 2007 was £3.069million against operating costs of £2.848million. Operating costs for the year included £0.474 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 £2.522 million.

Total investment in housing and other assets was £0.454 million. HHP received Scottish Executive grant of £175,000 to support our Business Plan activities.

Balance Sheet

HHP's Balance Sheet is shown on Page 16. The key factor affecting the balance sheet is the development contract entered into with Comhairle Nan Eilean Siar for investment in the properties transferred to HHP amounting to £23 million.

Cash Flow

The Cash Flow is shown on page 17. Our net cash flow from operating activities was £1.103 million which included a Business Plan support grant of £0.175m from The Scottish Executive. The principal cash outflows were operating costs and investment in assets.

Current Liquidity

At 31 March 2007 HHP had cash and short-term deposits of £1.016m. This was £1.287m more than budget. This was mainly due to an under spend on the investment programme. Our future investment programme will see this cash balance reduce significantly over the forthcoming year. We expect to draw down against our loan facilities 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 Executive. The loan facility allows HHP to borrow up to £10 million. In broad terms, our current business plan assumes that we will increase our borrowing each year until we reach a maximum of £10million in 2021 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 and loans of just over £20million. The loan is 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.

HHP Board and Committee Structure and related matters

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 members of the Board.

Name	Category	Changes during the year	
		Appointed	Resigned
George Lonie	Councillor Community	 28 June 2007	3 May 2007
Iain W Reid	Tenant		
Christopher Morrison	Community		
David Blaney	Community Councillor	 20 June 2007	3 May 2007
Alasdair Mackenzie	Tenant		
Angela Quail	Tenant		
Finlay Macsween	Tenant		3 Sept 2006
Calum Mackay	Community		
Jane Mackinnon	Community		
Hamish Fraser	Community		
Neil Campbell	Councillor		
Archie Campbell	Councillor		
Norman Macleod	Councillor		5 May 2006
Donald Manford	Councillor	29 June 2006	3 May 2007
Alexander Mackintosh	Councillor		27 October 2006
Donald Nicolson	Councillor	1 February 2007	3 May 2007
Charles Nicolson	Co-optee Councillor	 20 June 2007	3 May 2007
Gerry Macleod	Councillor	20 June 2007	

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 2007.

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

During 2006/07 7 shares were issued.

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 annual financial statement
- Establishing a framework of delegation and system of internal control
- Achieving the highest standards of governance

In order that it can deliver its role effectively, HHP's Board has delegated responsibility to the following 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
- Scrutinizes 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 suitable personnel arrangements in place to ensure that the Partnership fulfils its responsibility as a good employer.

Area Committees

The Partnership has committed to setting up four Area Committees whose responsibilities will be to ensure that suitable arrangements are in place within their defined area to enable as many decisions as possible to be taken within the area. The four areas are Lewis, Harris, Uist and Barra.

Tenant Participation

HHP is fully committed to Tenant Participation and to work with the Western Isles Residents Forum to develop and encourage involvement in the work of HHP. Tenants make up a third of the Board and will make up the majority of Area Committees. Through regular consultation exercises and the provision of clear written information tenants and residents will be encouraged to influence policy and practice leading to improvements in the quality of housing services provided by HHP.

Health and Safety

The Board place the highest priority on the Health and Safety of tenants and staff and this is demonstrated in the Health and Safety policy approved by the Board. The Board receives regular reports with regard to Health and Safety.

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

A resolution to re-appoint CIB Audit as auditors of HHP will be proposed at the Annual General Meeting in September 2007.

Employee Policies

The 30 year Business Plan recognized 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. We have developed a recruitment policy 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. There is also a commitment to lifelong learning and a recognition that, in time of change, the adaptability and flexibility of the workforce will to a significant extent help determine whether HHP thrives or fails.

HHP will strive to:

- Offer high quality learning opportunities
- Promote equality and the widening of access to training and development opportunities
- Seek out new methods and forms of learning
- Seek opportunities to work with local training providers and UHI where appropriate

Internal Financial Control

The Board of HHP is responsible for establishing and maintaining systems of internal financial control within the organization. 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 organizational 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 organization 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 eight 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 implication of major business risks are controlled through delegated authorities which reserve significant matters to the Board for decision.

Corporate Risk

Prior to Transfer the Board developed a Risk Register. The Board are currently updating the Risk Register taking into account the experience gained since Transfer. The intension is to produce an organisation wide risk register which identifies significant risks, the probability of these risks occurring and their impact 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 are being established which will 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 management 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

The Board has appointed The Internal Audit Association (TIAA) as their internal auditors who 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.

Post Balance Sheet Events

On 1st April 2007 a transfer of engagements took place for the following housing associations:

a) Muirneag Housing Association No 2465R(S)
b) Taighean Ceann A'Tuath Na'Hearadh Limited No 2419R(S)
c) Berneray Housing Association Limited No 2434R(S)
d) Buidheann Taigheahais Na Meadhanan Limited No 2406R(S)
e) Barra and Vatersay Housing Association Limited No 2424R(S)

A total of 299 properties were transferred along with £3.7million of loans outstanding.

Statement

The Board, through the Audit and Risk Committee, has reviewed the effectiveness of HHP's internal control for the period ended 31 March 2007. 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

Iain Reid

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 to2002, the Housing (Scotland) Act 2001 and the Registered Housing Associations (Accounting Requirements) (Scotland) Order 1999.

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 2007 which comprise the Income and Expenditure Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Schedule 7 paragraph 13 of the Housing (Scotland) Act 2001 and 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 company'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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board and auditors

As described on page 12 the Board are responsible for the preparation of the Board report, and the preparation of financial statements in accordance with applicable United Kingdom law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001, the Registered Housing Associations (Accounting Requirements) (Scotland) Order 1999. We also report to you if, in our opinion, the Board Report is not consistent with the financial statements, if the company has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Board Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Board in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31 March 2007and of its surplus 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 Housing Associations (Accounting Requirements) (Scotland) Order 1999.

CIB Audit

Registered Auditor

63 Kenneth Street

STORNOWAY

Isle of Lewis

Dated: 23 August 2007

Financial Statements

Income and Expenditure Account for the year ended 31 March 2007

	Notes	31 March 2007 £	31 March 2006 £
Turnover:continuing activities	3	3,069,190	605,991
Less: Operating costs	3	(2,848,097)	(608,441)
Operating surplus		221,093	(2,450)
Surplus on sale of fixed assets			
-housing properties	8	68,100	-
Interest receivable and other income	9	31,011	-
Interest payable and similar charges	10	(92)	-
		320,112	(2,450)
Surplus on ordinary activities before taxation			
Tax on surplus on ordinary activities	11	-	-
Surplus for the period		320,112	(2,450)
Revenue Reserve at 1 April 2006	20	(2,450)	-
Revenue Reserve at 31 March 2007	20	317,662	(2,450)

There are no recognised gains or losses other than those stated above in the income and expenditure account. The notes on pages 18 to 31 form part of these financial statements.

Balance Sheet as at 31 March 2007

	Notes		31 March 2007 £	31 March 2006 £
Tangible Fixed Assets				
Housing Properties at valuation	14		5,294	-
Other tangible fixed assets	14		191,076	36,499
			196,370	36,499
Debtors due after more than one year	15		22,941,574	-
Current Assets				
Debtors due within one year	15	514,078		-
Short-term deposits		757,837		-
Cash at bank and in hand		258,434		12
			1,530,349	12
Creditors: amounts falling due within one year	16		(1,224,337)	(38,949)
Net current assets			306,012	(38,937)
Total assets less current liabilities			23,443,956	(2,438)
Creditors: amounts falling due after more than one year	17		(184,701)	-
			23,259,255	(2,438)
Provisions for liabilites and charges	18		(22,941,574)	-
Net Assets			317,681	(2,438)
Capital and Reserves				
Share Capital	19		19	12
Revenue Reserve	20		317,662	(2,450)
			317,681	(2,438)

These financial statements were approved by the Board on 23rd August 2007 and were signed on its behalf by:

Ian Reid
Chair

David Blaney
Treasurer

The notes on pages 18 to 31 form part of these financial statements.

Cash Flow Statement for the Year ended 31 March 2007

	Notes	31 March 2007 £	31 March 2006 £
Net Cash (outflow)/inflow from operating activities	**24**	1,103,088	36,499
Returns on investment and servicing of finance			
Right to Buy proceeds		68,100	-
Payment to CNES for their share of proceeds		-	-
Interest received		31,011	-
Interest Paid		(92)	-
		1,202,107	36,499
Taxation			
Corporation Tax paid		-	
		1,202,107	36,499
Capital expenditure and financial investment			
Improvement of properties		-	
Purchase of other fixed assets		(520,536)	(36,499)
Grants received		334,681	
Management of liquid resources			
Cash lodged on deposit account		(757,837)	
Financing			
Shares issued		7	12
(Reduction)/increase in cash	**24**	258,422	12

The notes on pages 18 to 31 form part of these financial statements

Notes to the financial statements for the Year ended 31 March 2007

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 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 1999, 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 2005, issued by National Housing Federation.

Turnover

Turnover, which is stated net of value added tax, represents income receivable from lettings and service charges, fee 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 know 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 capitalizes repairs and improvement expenditure on housing properties that results 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 recognized in the income and expenditure account.

Commercial Properties

Commercial properties and 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	2%
Offices	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.

Captialisation of development overheads

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

Capital Grants

Where capitalized 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 under-taking 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 or 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

	2007			2006		
	Operating Turnover	Operating Costs	Operating Surplus	Operating Turnover	Operating Costs	Operating Deficit
	£	£	£	£	£	£
Social housing lettings	2,522,256	2,272,293	249,963	-	-	-
Factoring income	64,308	116,355	(52,047)	-	-	-
Other income	46,177	26,000	20,177	-	-	-
Grant Income	436,449	433,449	3,000	605,991	608,441	(2,450)
TOTAL	3,069,190	2,848,097	221,093	605,991	608,441	(2,450)

NOTE 4 Particulars of income and expenditure from social housing lettings

		2006
	£	£
Income from lettings		
Rent receivable net of identifiable service charges	2,555,992	-
Service Charges receivable	8,406	-
Gross Rents receivable	2,564,398	-
Less rent losses from voids	(42,142)	-
Total income from lettings	2,522,256	-
Expenditure on letting activitives		
Services		
Running Costs	376,955	-
Staffing Costs	495,717	-
Planned Maintenance	299,475	-
Routine Maintenance	1,032,517	-
Bad Debts	67,629	-
Total expenditure on lettings	2,272,293	-
Operating surplus on letting activities	249,963	-

NOTE 5 Board members emoluments

Board members received £12,975 (2005 £12,509) by way of reimbursement of expenses. Board members did not receive anything by way of emoluments.

NOTE 6 Executive Directors' emoluments

EXECUTIVE DIRECTORS EMOLUMENTS		
	2007	**2006**
	£	**£**
Aggregate emoluments payable to directors (including pension contributions and benefits in kind)	160,139	76,194
Emoluments payable to the highest paid director (excluding pension contributions)	71,060	65,661

EXECUTIVE DIRECTORS EMOLUMENTS		
	2007	**2006**
	£	**£**
During the period the Directors emoluments (excluding pension contributions) fell within the following band distributions:		
More than £20,000 but not more than £30,000	1	
More than £40,000 but not more than £50,000	**1**	
More than £60,000 but not more than £70,000		**1**
More than £70,000 but not more than £80,000	**1**	
The directors are defined for this purpose as the Chief Executive and any person reporting directly to the Chief Executive earning at the rate of over £40,000 per annum. 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 7 Employees

In the year to 31 March 2007 the average number of employees of the Partnership, including executive directors, was 40 (2006-4).

EMPLOYEE INFORMATION		
	2007	**2006**
	£	**£**
Staff costs (for the above persons)		
Wages and Salaries	578,540	
Social Security costs	44,371	
Employers' pension costs	90,117	
	713,028	307,899
Staff costs capitalised	(87,166)	-
	625,862	307,899

NOTE 8 Surplus on sale of fixed assets-housing properties

This represents net income from the sale of properties under tenant Right to Buy entitlement. Net income amounted to £68,100 (2006 - £nil).

NOTE 9 Interest receivable and other income

Interest Receivable and Other Income		
	Total	**2006**
	£	**£**
	31,011	**-**
Bank interest receivable on deposits in the year	31,011	**-**

NOTE 10 Interest payable and similar charges

Interest Payable and Similar Charges		
	Total	**2006**
	£	**£**
	92	**-**
Bank interest payable	92	**-**

NOTE 11 Tax on ordinary activities

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

NOTE 12 Auditor's remuneration

Auditors' Remuneration		
	Total	**2006**
The remuneration of the auditors is as follows	£	**£**
Auditors' remuneration		
-in their capacity as auditors	7,500	**800**
-in respect of other services	2,600	
	10,100	**800**

NOTE13 Financial Commitments

Capital Commitments		
	Total	**2006**
	£	**£**
Expenditure contracted for, but not provided in the accounts	632,011	**-**
Expenditure authorised by the Board but not contracted	199,748	**-**
	831,759	**-**

Operating leases

The Partnership did not have any operating leases

NOTE 14 Tangible Fixed Assets

Tangible Fixed Assets	Properties under Construction	Commerical property	Furniture Fittings & Equipment	Computer Equipment	Total
	£	£	£	£	£
Cost or valuation					
At 1 April 2006	-	-	8,872	27,627	36,499
Additions	339,975	-	96,803	83,758	520,536
Disposals	-	-	-	-	-
Less Scottish Executive Grants	(334,681)	-	-	-	(334,681)
Non Specific	-	-	-	-	-
At 31 March 2007	5,294	-	105,675	111,385	222,354
Depreciation					
At 1 April 2006	-	-	-	-	-
Charge for year	-	-	12,535	13,449	25,984
At 31 March 2007	-	-	12,535	13,449	25,984
Net Book Value					
at 31 March 2007	5,294	-	93,140	97,936	196,370
at 31 March 2006	-	-	8,872	27,627	36,499

The number of units of accommodation owned and managed at 31 March 2007 by the Partnership was:

Housing Stock	Total	2006
Social Housing		
General Needs	1,771	-
Supported Housing		-
Total Social Housing	1,771	-

NOTE 15 Debtors

Debtors: Due after more than one year	Total	2006
	£	£
Development Agreement (see Note 2)	22,941,574	-

In accordance with the development agreement accounting policy, included in debtors is a balance of £23m 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 utilized when the work is actually undertaken.

Debtors: Due within one year	Total	2006
	£	£
Arrears of rent and service charges	286,199	-
Less:provision for bad and doubtful debts	(185,883)	-
	100,316	-
other debtors	413,762	-
Total	514,078	-

NOTE 16 Creditors amounts falling due within one year

Creditors: Amounts falling due within one year	Total	2006
	£	£
Amounts falling due within one year:		
Trade creditors	328,722	38,149
Rent and service charges received in advance	28,754	-
Salaries,wages, other taxation and social security	46,931	-
Accruals	819,930	800
Overdraft	-	-
Total	1,224,337	38,949

Bank lending facility

At the year end the Partnership had not drawn down on any lending facility. A committed facility of £10million 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 £60,092 which are included in debtors and which will be 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 17 Creditors amounts falling due after more than one year

Creditors: Amounts falling due after more than one year	Total	2006
	£	£
Right to Buy receipts due to the Scottish Executive	184,701	-
Scottish Executive loan	-	-
Total	184,701	-

NOTE 18 Provisions for liabilities and charges

Provisions for Liabilities and Charges	Development Agreement	Total	2006
	£	£	£
At 1 April 2006	-	-	-
Created in period	23,357,604	23,357,604	-
Utilised	(416,030)	(416,030)	-
At 31 March 2007	22,941,574	22,941,574	-

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 utilized when the work is actually undertaken.

NOTE 19 Share Capital

Share Capital	Total	2006
	£	£
Shares of £1 each issued and fully paid		
At 1 April 2006	12	-
issued during period	7	12
Surrendered during period		
At end of period	19	12

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

Iain Reid, Alasdair Mackenzie, Angela Quail, David Blaney, Hamish Fraser, Christopher Morrison and Calum Mackay

NOTE 20 Reserves

Revenue Reserves	Total	2006
	£	£
Accumulated deficit at 1 April 2006	(2,450)	-
Surplus for the year	317,662	(2,450)
Accumulated surplus at 31 March 2007	317,662	(2,450)

NOTE 21 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 2005. A valuation is currently being carried out as at 31 March 2008. HHP were not in the scheme when the last full valuation was carried out.

FRS 17 states that, where in 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, 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 recognized 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. The Council 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.

Employer's contribution to the scheme was 260% during 2006/07.

Pension Costs in respect of the Fund for 2006/07 were £84,159.

NOTE 22 Scottish Executive Grants

The Scottish Executive 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 £175,000 received during the year has been applied as follows:

Scottish Executive Non-Specific Grants		
		31-Mar 2007 £
Opening balance		**2,500,000**
Grant Funding received		**175,000**
Applied to investment expenditure	**175000**	
Deferred for application against future expenditure		2,325,000

In addition the Scottish Executive has made available a loan to the Partnership of £184,701 being the Comhairle's share of the Right to Buy receipts received this period.

NOTE 23 Related Party Transaction

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' interest. There are no interests in related parties requiring to be declared.

NOTE 24 Cash flow notes

Reconciliation of Operating Surplus to Net Cash Inflow from Operating Activities

	31-Mar 2007 £	2006 £
Operating surplus	221,093	(2,450)
Depreciation charges	25,984	-
Increase in debtors	(514,078)	-
Increase in creditors and provisions	1,367,896	38,949
Net Cash inflow from operating activities	1,100,895	36,499

Reconciliation of Net Cash Flow to Movement in Net Cash/(debt)

	31-Mar 2007 £	2006 £
Net Cash at 1 April 2006	**12**	-
(Reduction)/increase in cash in year	258,422	12
Deposits	757,837	-
Cash (inflow)/outflow from debt		-
Net Cash at 31 March	1,016,271	12

Analysis of Changes in Net Cash

	At 1 April 2006 £	Cash Inflow £	31-Mar 2007 £
Cash at bank and in hand	12	258,422	258,434
Overdraft			-
Reduction in cash	12	258,422	258,434
Deposits		757,837	757,837
Debt due after more than an year		-	-
	12	1,016,259	1,016,271

Detailed Income & Expenditure Account

	2007				2006			
	Lettings	Other	Grant	Total	Lettings	Other	Grant	Total
Income	£	£	£	£	£	£	£	£
Net Rental Income	2,522,256			2,522,256			605,991	605,991
Factoring Fee		64,308		64,308				
Fee income for Services		31,635		31,635				
Fees charged to Investment		39,862		39,862				
RTB Administration		14,542		14,542				
Grant from RBS			3,000	3,000				
NHP Grant			258,449	258,449				
Deficit Funding Grant			175,000	175,000				
	2,522,256	150,347	436,449	3,109,052	-	-	605,991	605,991
Operating costs								
Employee costs	495,717	109,205	99,292	704,214			330,782	330,782
								-
Premises Costs	56,036	4,000	4,605	64,641			20,851	20,851
IT & Telecoms	104,806	18,495	1,744	125,045			7,753	7,753
Area Offices	19,565	3,453	-	23,018				-
Internal Audit	3,215	-	-	3,215				-
Payroll & Cashdesk	8,245	1,455	-	9,700				-
Finance Services	-	-	-	-				-
Supplies & Services	191,867	27,403	6,349	225,619	-	-	28,604	28,604
Postage, printing & stationery	14,317	2,527	1,064	17,908			10,622	10,622
Admin, Furniture & equipment	4,209	743	74	5,026				-
Training	9,364	1,653	2,080	13,097			7,269	7,269
Community Support	1,354	239	-	1,593				-
Misc Admin	780	138	-	918			3,600	3,600
Recruitment costs	2,535	447	-	2,982				-
Administration Costs	32,559	5,747	3,218	41,524	-	-	21,491	21,491
Consultants + Audit Fees	76,048	-	141,184	217,232			210,954	210,954
Insurance	67,869	-	-	67,869				-
Affliation Fees	7,687	-	940	8,627			1,587	1,587
Governance	9,042	-	7,465	16,507			12,509	12,509
Bank Charges & Fees	3,580	-	-	3,580			64	64
Public Relations/Marketing	2,181	-	-	2,181				-
Corporate Expenses	166,407	-	149,589	315,996	-	-	225,114	225,114
Supervision & Management	886,550	142,355	258,448	1,287,353				-
								-
Bad debts movement in provisio	67,630			67,630				-
								-
Response Repairs	862,587			862,587				-
Planned/Cyclical Maintenance	169,930			169,930				-
Investment Programme	299,475		175,000	474,475				-
Total investment in properties	1,331,992	-	175,000	1,506,992	-	-	-	-
Depreciation	25,984			25,984				-
Total Operating Costs	2,312,156	142,355	433,448	2,887,959	-	-	605,991	605,991
Operating surplus/deficit	**210,100**	**7,992**	**3,001**	**221,093**	-	-	-	-

This page does not form part of the audited financial statements

Supplementary Information

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