

ANNUAL REPORT & ACCOUNTS

For the Year Ended 31
March 2014

Industrial & Provident Society No:2644R (S)

Registered Charity No:SCO 35767

Scottish Housing Regulator
registration:No:359

Property Factor Act: No PF000183



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BOARD OF MANAGEMENT, DIRECTOR AND ADVISERS

Name	Category	Changes during the year	
		Appointed	Resigned
David Blaney (Chair)	Councillor	11 May 2012	
George Lonie (Vice-Chair)	Community	16 Sept 2010	
Kevin Paterson (Treasurer)	Tenant	13 Sept 2012 (re-appointed)	
Angela Quail	Tenant	20 March 2013 (re-appointed)	12 Sept 2013
Daniel Coyle	Tenant	13 Sept 2012 (re-appointed)	
Alasdair Mackenzie	Tenant	13 Sept 2012 (re-appointed)	
Calum Mackay	Community	13 Sept 2012	
Jane Mackinnon	Community	15 Sept 2011 (re-appointed)	
Mairi Bremner	Community	13 Sept 2013 (re-appointed)	
Donald J Macrae	Councillor	11 May 2012	
Norman Macleod	Councillor	11 May 2012	
John A Maciver	Councillor	11 May 2012	27 Nov 13
Gordon Murray	Councillor	28 Nov 13	
Iain Macmillan	Co-optee	13 Sept 2012	27 Nov 13 (re-appointed)

Secretary and Registered Office

Dena Macleod BA CA

Creed Court

Gleann Seileach Business Park

STORNOWAY

Isle of Lewis

HS1 2QP

Funders

Royal Bank Of Scotland plc

RBS Global Banking & Markets

Kirkstane House, 139 St Vincent Street, Glasgow,
G2 5JF

External Auditors

Wylie & Bisset LLP
168 Bath Street
GLASGOW
G2 4TP

Solicitors

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

Bankers

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

Directors

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

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REPORT OF BOARD OF MANAGEMENT

REPORT OF BOARD OF MANAGEMENT

The Board of Management presents its report for the year ended 31 March 2014.

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 and owns and manages a range of houses for rent, primarily general need accommodation but also some sheltered and supported accommodation. HHP provides accommodation for homeless people who are referred as statutory homeless and requiring permanent secure accommodation by Comhairle Nan Eilean Siar.

HHP began its operations in September 2006 with 1800 houses and since then has acquired an additional 300 houses from 5 locally based RSL's, 10 houses under the Government's Rent of the Shelf scheme and has built more than 300 new affordable houses. The stock at 31 March 2014 was 2237.

CORE VALUES

HHP is committed to:

Customer Focus

- We focus on positive outcomes for our customers. Their views will inform the provision and development of services.

Equal Opportunities

- We will strive to ensure that there is no discrimination evident in the way we deliver services. All customers will be treated with respect. We shall treat people the way we like to be treated.

Quality of Service-Excellence

- We shall seek to 'do it right' at the first time of asking.

Integrity

- We honour commitments made to our tenants and build trust

REGULATION

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

The Regulation Plan sets out the level of engagement.

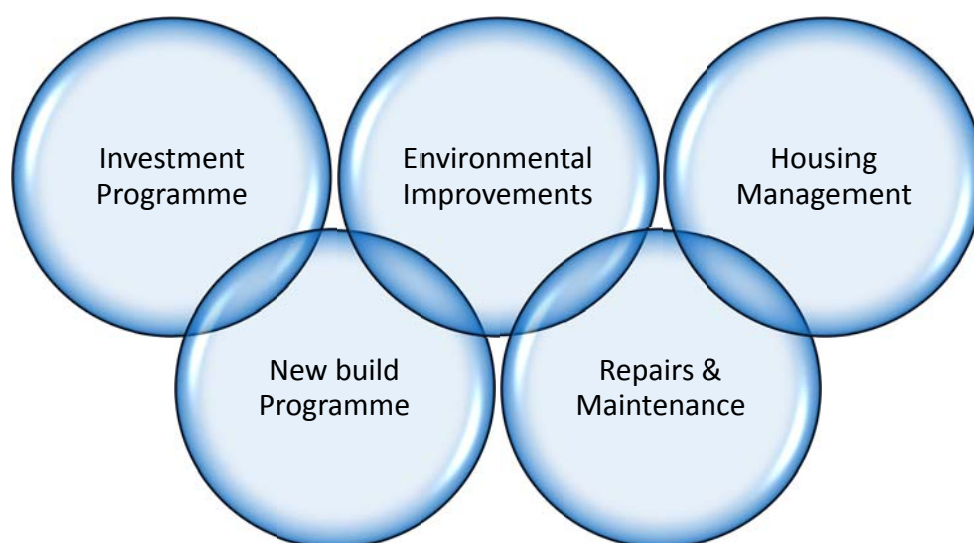
HHP's level of engagement for 2013/14 was set at 'medium' because the Regulator has taken the view "that given HHP's key role as the main landlord in the Western Isles we consider it to be of systemic importance". During 2013/14 the Regulator received assurance about HHP's financial and risk management.

Two meetings a year take place with the Regulator to review HHP's financial information, its future investment plans and progress with the Scottish Housing Quality Standard.

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

STRATEGY & OBJECTIVES

HHP's strategy and objectives are detailed in its 30 Year Business Plan. The Business Plan highlights 5 core business activities which have shaped and will continue to shape the future of HHP and the way housing services are delivered to tenants:



Investment Programme

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

HHP's Board approved a four year Investment Programme worth £13.3m in November 2010 to ensure that the Standard in relation to kitchens, bathrooms, windows and modern central heating systems is achieved. A framework contract was procured and 11 contractors were appointed to deliver the programme. This programme is now entering its 4th year and is ahead of schedule and within approved budgets.

Repairs and Maintenance

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

New build Programme

HHP has out performed Business Plan targets in building new houses since transfer. There was a commitment in 2006 to build 275 houses over the first 10 years. In September 2013 HHP completed house number 300 at the Gibson Gardens development.

Following a short period of time after the completion of Gibson Gardens in September 2013 when there were no projects under development a new programme of house building commenced in November 2013.

8 houses for affordable rent at Leurbost and 16 at Mackenzie Crescent (Melbost Farm) are under construction. There are also two shared equity developments of 7 homes at Allt Na Broige, Marybank and 16 at Mackenzie Crescent.

Partnership work and joint funding by HHP, the Comhairle and Scottish Government was required to ensure that a new build programme could be restarted.

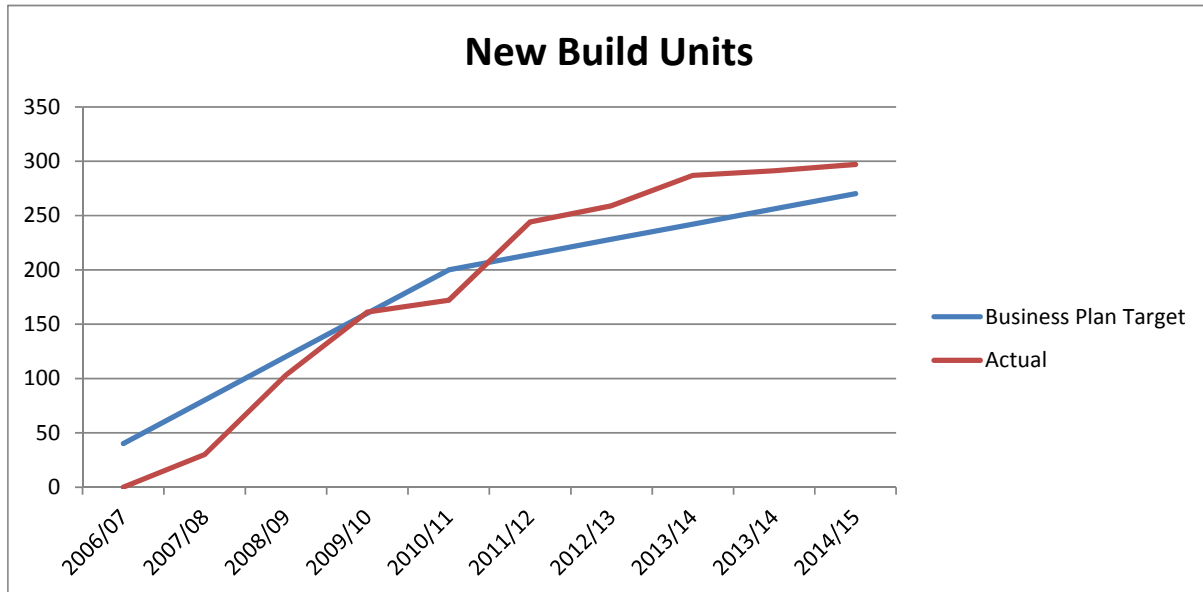
HHP has also been supported by Scottish Government in acquiring a land bank of two sites in Stornoway – Melbost Farm Top Field and part of Goathill Farm which will provide sufficient land for more than 100 new houses. A site was also acquired from the West Harris Community Trust at Horgabost to enable HHP to build 6 houses of affordable rent as part of the community project being undertaken by the Trust.

MACKENZIE PARK



FUTURE NEW BUILD PROJECTS

A programme for 2015-2018 is being progressed. Projects for affordable rent will be undertaken at Crowlista Uig (4), Balivanich (4) and Craigston (6). Further projects are also planned for Horgabost, Barvas and Habost Ness in 2016-18 along with additional houses at Mackenzie Crescent



DYNAMICS OF THE SOCIAL LANDLORD

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

KEY RISKS IMPACTING ON THE FUTURE

HHP's 30 year business plan is extremely sensitive to changes in the operating environment and in an effort to minimise that risk, a risk strategy and risk register has been prepared. The strategy is updated annually and the register is reviewed quarterly and updated as necessary.

Any risk which materially jeopardises the Partnership's ability to achieve its Mission and Objectives or conduct its business is not accepted.

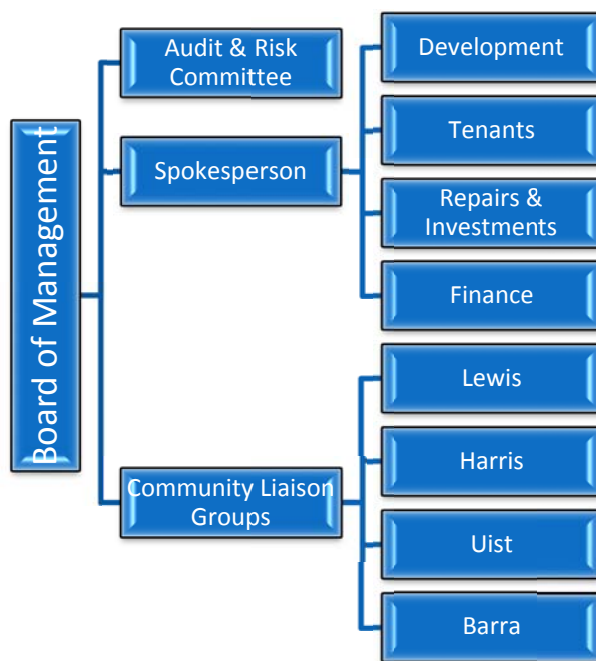
GOVERNANCE & MANAGEMENT

HHP is an Industrial and Provident Society and is governed by a set of Rules appropriate for a Registered Social Landlord. The Partnership is governed by a voluntary Board of Management which is supported by a Chief Executive, Executive Team and staff. A full list of Board Members is at page 4.

All Board Members and staff are required to operate within a set of Standing Orders, policies and financial regulations.

The composition of the Board includes four tenant representatives. The Board's skill mix is regularly reviewed, and where gaps are identified, Board Members seek to identify individuals from within the Partnership's existing membership and wider environment to strengthen the range of expertise on the Board. The Governance structure is shown in Figure 1

Figure 1 Board of Management



New Board Members undergo induction training which includes a “buddy” system where an experienced Board Member will make themselves available to assist a new Board member.

The Partnership's Standing Orders allow for one Standing Committee and four Community Liaison Groups.

The Board comprises up to 12 members - 4 tenant members, 4 Comhairle Nan Eilean Siar nominees, 4 community representatives and up to 3 co-optees. There are currently 12 Board members.

HHP's Rules require that two community and two tenant members step down each year. There will be elections for the vacant positions at the Annual General Meeting in September 2014.

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

During 2013/14 one share was issued to a new member.

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

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

Currently, HHP's Board has delegated responsibility to the following Standing Committee:

AUDIT & RISK

The Audit & Risk Committee is responsible for ensuring that the activities of the Board are within the law and regulations which govern the Board, and that an effective internal control system is maintained. Specifically this Committee:

- Reviews HHP's systems of internal control and risk management
- Provides an overview of the internal and external audit functions
- Scrutinises the financial statements
- Monitors the implementation of internal audit recommendations, external audit reports and management letters
- Reviews the internal audit plan and scope of work
- Reviews the effectiveness of the overall risk strategy

TENANT PARTICIPATION

Placing tenants at the centre of what we do is a key objective for HHP. We continued to work closely with WIFTRA and to provide opportunities for our tenants to engage with us. We hosted events for tenants during the year in Stornoway, Tarbert, Balivanich and Barra. We also continued to seek tenants' views on our services, particularly repairs and investment and used the feedback to improve how we do things.

HEALTH & SAFETY

The Board places the highest priority on the Health and Safety of tenants, staff and contractors. A Health and Safety group chaired by the Director of Operations meets regularly with a remit to ensure the Health and Safety requirements are being met by the Partnership.

POLITICAL AND CHARITABLE DONATIONS

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

£500	Caraidean Uibhist
£500	Cobhair Bharraigh
£500	Eilean Siar Foodbank
£500	Western Isles Kidney Associations

DISCLOSURE OF INFORMATION TO AUDITORS

The Board Members who held office at the date of approval of this Board report confirm that, so far as they are each aware, there is no relevant audit information of which the Partnership's auditors are unaware; and each Board Member has taken all the steps that he/she ought to have taken as a Board Member to make himself/herself aware of any relevant audit information and to establish that the Partnership's auditors are aware of that information.

AUDITORS

A resolution to re-appoint Wylie & Bisset as auditors of HHP will be proposed at the Annual General Meeting in September 2014.

EMPLOYEE POLICIES

The 30 year Business Plan recognises that the well-being of staff is critical to successful service delivery. A core objective is to be a good employer that attracts and retains high quality staff. HHP will ensure that there is sufficient and well trained staff to deliver high quality services.

RECRUITMENT

HHP want staff to feel safe in their working environment and that they are treated fairly irrespective of colour, age, disability, religion or sexual orientation. A Recruitment Policy has been developed which aims to:

- Recruit and select the best candidate for every vacancy;
- Ensure that access to employment opportunities is based on fair, objective and consistent criteria

TRAINING

HHP is committed to the training and development of all its employees and Board Members. Regular training needs assessments are carried out for Board Members which feed into Training Plans. A training programme for staff for 2014/15 is being compiled from training needs highlighted during the staff performance appraisal system.

INTERNAL FINANCIAL CONTROL

The Board of HHP is responsible for establishing and maintaining systems of internal financial control within the organisation. By their nature these systems can provide reasonable, but not absolute, assurance against material mis-statement or loss. The internal control framework is supported by organisational control measures including, financial and business planning, performance monitoring and reporting, project management and communication systems. The internal control framework also relies on formal governance measures including a structure of corporate policies, authorities and responsibilities delegated from the Board to the Executive Team.

FRAMEWORK OF INTERNAL CONTROL

The key methods by which the Board establishes the framework for providing effective internal financial controls are dealt with in the next part of this report.

MANAGEMENT STRUCTURE

The organisation for which the Board has overall responsibility is governed by a set of Standing Orders, which reserves specific powers to the Board and delegates functions and powers to its Officers, Committee and Working Groups. The Executive Team, comprising of the Chief Executive and the Directors, has two main functions, Operations and Resources.

AUDIT & RISK COMMITTEE

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

SYSTEM OF INTERNAL CONTROL

The key elements of the system of internal control are as follows:

- Regular meetings of the Board, which has a schedule of matters specifically reserved for its approval and which are the subject of regular standard reports as required
- Appointment of Internal Auditors who work to the standards of the Institute of Internal Auditors and produce an annual internal audit plan and regular internal audit reports
- The review of reports prepared by Internal Auditors by the Audit and Risk Committee on a regular basis
- A corporate financial plan with a detailed annual budget, regularly revised forecasts, a comparison of actual with budget and key performance indicators all of which are reviewed by the Board

IDENTIFICATION OF BUSINESS RISK

Risk management lies with the Board supported by Management Team. Key risks have been identified as part of the business planning process and scored to reflect the likelihood of this occurring. Mitigation strategies are put in place to minimise the impact of identified risk on the organisation.

The three most significant risks identified during 2013/14 were Welfare Reform particularly the roll out of Universal Credit, legislative and regulatory changes and changing relationships with partners. Other significant risk factors include additional pressure on pension costs and wider economic uncertainty in the Western Isles.

Increased costs are also being experienced by local contractors on supplies which will inevitably lead to increased costs in maintenance and new build. The local economy continues to be fragile with risk of contractors experiencing cash flow problems and the potential for business failure.

CORPORATE RISK

The Risk Register has been updated for 2014/15. The Risk Register is organisation wide and shows each risk, the significance of the risk, and the probability of these risks occurring. The Register also details the impact of the risks should they occur and who will have responsibility for devising and implementing suitable controls and mitigating actions.

MANAGEMENT INFORMATION SYSTEMS

Management Information Systems have been established which provide monthly information on key aspects of the business. Management accounts comparing actual results against budget are presented to the Board along with performance against key financial and non-financial indicators. Over the next year HHP's Executive Team will continue to 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 as their Internal Auditors. The Internal Auditors report directly to the Audit and Risk Committee.

The External Auditors have placed reliance on the work carried out by the Internal Auditors on the accounting systems.

INVESTMENT APPRAISAL

The Financial Regulations provide the framework and procedures for investment appraisal. Expenditure beyond certain levels requires to be approved by the Board. A Fixed Asset Register is in place which details all the assets owned by the Partnership.

INVESTMENT

On 1 June 2010 HHP Community Housing Limited was formed as a non-charitable subsidiary of the Partnership. During 2013/14 progress was made by the subsidiary exploring potential trading opportunities for the ultimate benefit of HHP's tenants. The main area explored was leasing land from HHP to place small wind turbines.

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 2014. This review was informed by the work of Internal Audit and by the Executive Team, which has responsibility for the development and maintenance of the internal control framework. It was also informed by comments made by the External Auditors in their management reports. Such a system can only provide reasonable, and not absolute, assurance against material mis-statement or loss, as it is designed to manage rather than eliminate the risk of failure to achieve business objectives.

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

On behalf of the Board



David Blaney

Chair



STATEMENT OF BOARD RESPONSIBILITIES

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

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

The Board of Management is responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Partnership and to enable them to ensure the Financial statements comply with the Industrial and Provident Societies Act 1965 to 2002, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2012. It is also responsible for safeguarding the assets of the Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is also responsible for ensuring the Partnership's suppliers are paid promptly.

STATEMENT OF DISCLOSURES TO AUDITORS

In so far as the Board of Management are aware:

- There is no relevant audit information (information needed by the Partnership's auditors in connection with preparing their report) of which the Partnership's auditors are unaware, and
- The Board of Management have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Partnership's auditors are aware of that information.



OPERATING AND FINANCIAL REVIEW

OPERATING AND FINANCIAL REVIEW

PERFORMANCE IN THE YEAR

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

HOUSING SERVICES

The year was a very successful one in terms of performance despite the introduction of the 'Bedroom Tax' in April 2013. This presented a huge challenge to HHP and considerable efforts were made during the year to help tenants hit by this change.

We worked directly and with other partners, particularly the Comhairle to lobby Government to highlight the unfairness and inappropriateness of the Bedroom Tax in the islands. This campaigning was successful and the Comhairle were awarded additional funding to enable them to make Discretionary Housing Payments (DHP) to tenants who were affected by the tax. This help was however conditional on tenants applying to transfer house which many were reluctant to do. We are pleased that the Comhairle has now agreed to remove this requirement from April 2014.

Although tenants affected by the bedroom tax accrued arrears of around £12k we were able to reduce arrears overall to 2.85 % of gross debit (3.29%) which is the best performance since HHP was established.

Such performance was very pleasing but the Welfare Reform agenda and the introduction of Universal Credit pose high risks to the business and will almost inevitably impact on future performance.

We also maintained the amount of money lost when houses are empty at 0.63 %. To round of a successful year the average time taken to let houses (excluding difficult to let properties) was reduced to 15 days. Again an HHP best performance.

Levels of anti social behaviour remain low although we had to evict one tenant due to their behaviour. We continued to work with the Police and the Community Safety Partnership to address issues.

TENANT PARTICIPATION

Involving tenants in how we plan and deliver services continues to be very important to HHP. We continued to work with WIFTRA in particular, as the key partner in engaging with tenants and supported them in their direct activities.

We again held informal lunch events in Stornoway, Balivanich, Tarbert and Barra where tenants could drop in, chat to staff and give their views on issues which are important to them. Partner agencies also supported these events and used them as an opportunity to provide information on their services.

INVESTMENT

- 121 heating systems installed
- 79 bathrooms installed
- 92 kitchens installed
- 26 properties re-roofed
- 128 new windows installed

- Stock condition report completed
- £300k awarded for heating in successful bid to DECC

OPERATIONAL REVIEW

PLANNED & CYCLICAL MAINTENANCE

Our planned and cyclical maintenance programmes continued. This proactive approach to maintenance seeks to ensure tenants safety and to maximise the lifespan of the various components of houses.

The cyclical programme covers issues such as gas and air source heating servicing and servicing of fire alarm and door entry systems. We also introduced a chimney cleaning service for properties with solid fuel heating systems to reduce any risk to tenants.

We completed year 4 of our 5 year planned maintenance programme. This continued to focus on monitoring the external fabric of houses. Priorities included roughcast and roof repairs, gutter repairs and cleaning and the repair of pathways. Over £500k was spent on these programmes.

INVESTMENT PROGRAMME

A further £3m was invested in improving and upgrading tenants homes. We were successful in obtaining grant support of £300k from the Department of Environmental and Climate Change (DECC). This enabled us to install a further 86 air source heating systems. We also continued to seek to alleviate fuel poverty through further insulation works and through the window replacement programme.

In addition we continued to improve tenants' homes internally through kitchen and bathroom replacement programmes and we also re-roofed and re-rendered a small number of properties.

We completed a stock condition survey in 2013. This information vastly improves our knowledge of the housing stock. The information is now being used to develop our future investment plans to make sure that money is spend where most appropriate.

Fuel poverty continues to be a major concern for our Board with 61% of tenants being in fuel poverty. We are doing all we can to address this from our own resources and making representations to other individuals and bodies such as OFGEM to seek help and to raise awareness of the situation in the islands.

SCOTTISH HOUSING QUALITY STANDARD

The stock condition survey carried out in 2013 reported that 85% of the housing stock met the 2015 Scottish Housing Quality Standard. This includes properties which are subject to exemptions or abeyances for a number of reasons. The remainder of the properties will be addressed through the 2014/15 investment programme.

AIDS AND ADAPTATIONS

We were successful in obtaining a considerably higher funding allocation £425k (£200k in 2012/13) from Scottish Government. This enabled us to deliver aids and adaptations to 103 tenants with health and mobility problems. It was particularly pleasing that these monies allowed us to clear the waiting list that had developed over previous years.

2020 CLIMATE CHANGE TARGET

We continued to look ahead to the 2020 climate change targets and to build on our knowledge of the energy efficiency performance of its housing stock.

We also finalised a household survey which showed that over 60% of our tenants are in fuel poverty which rises to over 80% for the elderly and unemployed. This information is being used to highlight the desperate situation in the islands and we have issued this study widely and met with OFGEM. We are also exploring options with other landlords in the Highlands and Islands to develop means to alleviate the situation. The scale of the challenge facing HHP and the Hebrides is clear. HHP will continue to maximise the impact we can make through working with partners seeking additional funding, providing advice and identifying new approaches to improve the air tightness and insulation of properties.

FINANCIAL REVIEW

FINANCIAL RESULTS

The turnover for the year to 31 March 2014 was £8.587 million against operating costs of £4.878 million. Operating costs for the year included £0.474 million of capital investment written off against expenditure. The main source of income was from rental income of £7.734 million with £0.711 million received in grant from The Scottish Government. £0.300 million of the grant received was to support our Business Plan activities. Turnover on other activities included factoring reflecting the requirements of the Property Factors Act 2011. There were no LIFT properties sold during the year (2013: 6 LIFT) resulting in the overall turnover decreasing by £0.358 million from the previous year.

The operating surplus on Letting Activities was £3.700 million, 48% of Net Rental Income (2013: £3.284 million, 44.6% of Net Rental Income).

Funds are being transferred into designated reserves for:

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

BALANCE SHEET

HHP's Balance Sheet is shown on Page 30. The key factors affecting the balance sheet are:

- a) The addition of 30 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 £7.717 million. This is shown under Long Term debtors and Long Term creditors;
- c) Stock increased to reflect the Work in Progress on two LIFT schemes;
- d) Reduction in creditors due to loans being shown under long term creditors

CASH FLOW

The Cash Flow is shown on page 31. The net cash flow from operating activities was £4.750 million which includes a Business Plan support grant of £0.300 million from The Scottish Government. The principal cash outflows were operating costs and investment in assets.

CURRENT LIQUIDITY

At 31 March 2014 HHP had cash and short-term deposits of £2.110million. This was £2 million more than original budget which was due to the slippage on the private finance requirement for development, savings delivered on the investment programme, slippage and savings on the management costs. The future investment and development programme will see this cash balance reduce significantly over the forthcoming year. There is no requirement anticipated to draw down funds in 2014/15.

CAPITAL STRUCTURE AND TREASURY MANAGEMENT POLICY

HHP's activities are funded on the basis of a Business Plan, which is updated annually. The main elements of HHP's long term funding are a 30 year loan facility arranged with the Royal Bank of Scotland (RBS), deficit funding and loan facilities provided by The Scottish Government. The RBS loan facility allows HHP to borrow up to £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 2028 reflecting the significant investment programme in the first ten years of the plan. Debt is progressively paid off in subsequent years and is projected to be fully paid off by 2036

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

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

The Treasury Management Policy was approved in January 2012. The Treasury Management Policy sets down the framework for investing and managing cash, raising loans, interest rate management and the use of financial derivatives by the Group. A key objective of the Policy is to ensure that the Partnership's loan portfolio represents the optimum balance of risk in interest rate, loan maturity and fixed rate exposure.

PLANS FOR THE FUTURE

HHP plans to invest £18.582 million over the next 5 years in bringing its houses up to the Scottish Housing Quality Standard. £3.788 million of private finance has been earmarked for the 9 new build projects due for completion in the next 4 years. Additional funding is being identified to enable HHP to continue developing and the number of units delivered will be dependent on the funding available from the Scottish Government and Comhairle Nan Eilean Siar.

INDEPENDENT AUDITOR'S REPORT

We have audited the financial statements of Hebridean Housing Partnership for the year ended 31 March 2014 which comprise the Income and Expenditure account, the Balance Sheet, the Cash Flow Statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of the Board of Management and Auditors

As explained more fully in the Board's Responsibilities Statement set out on page 17, the Board of Management are responsible for the preparation of the Financial Statements that give a true and fair view. Our responsibility is to audit and express an opinion the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Partnership's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Management; and the overall presentation of the financial statements. In addition, we read all the financial and non financial information in the Board of Management's report to identify 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:

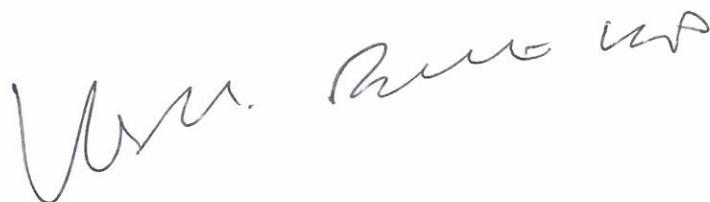
- give a true and fair view of the state of the Partnership's affairs as at 31 March 2014 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2010, the Determination of Accounting Requirements 2012.

Matters on which we are required to report by exception

We are required to report to you under the Industrial and Provident Societies Act 1965 to 2002 if, in our opinion:

- proper books of accounts have not been kept by the Partnership in accordance with the requirements of the legislation;
- a satisfactory system of control over transactions has not been maintained by the Partnership in accordance with the requirements of the legislation;
- the financial statements are not in agreement with the books of accounts; or
- we have not received all the information and explanations necessary for the purposes of our audit;

We have nothing to report in respect of these matters.



Wylie & Bisset LLP

Chartered Accountants

Statutory Auditors

Glasgow

Date: 25 June 2014

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 17 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 2006/5 issued by the Auditing Practices Board, The Bulletin does not require us to review the effectiveness of the Partnership's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for non-compliance.

OPINION

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

Wylie & Bisset LLP

Chartered Accountants

Statutory Auditors

Glasgow

Date: 25 June 2014



FINANCIAL STATEMENTS

INCOME & EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2014

		31 March 2014	31 March 2013
		£	£
	Notes		
Turnover	3	8,587,373	8,945,790
Operating costs	4 & 5	(4,877,750)	(5,630,182)
Operating surplus		3,709,623	3,315,608
Surplus on sale of fixed assets			
-housing properties	9	(11,437)	(16,866)
Interest receivable and other income	10	7,027	4,366
Interest payable and similar charges	11	(260,359)	(252,421)
Surplus on ordinary activities, before transfers to Reserves		3,444,854	3,050,687

The results for the year relate wholly to continuing activities.

STATEMENT OF RECOGNISED SURPLUSES AND DEFICITS

FOR THE YEAR ENDED 31 MARCH 2014

		31 March 2014	31 March 2013
		£	£
	Notes		
Surplus on ordinary activities, before transfer to Reserves		3,444,854	3,050,687
Transfer to Designated Reserves	21	(505,156)	(432,185)
Total recognised surpluses since the last financial statements		2,939,698	2,618,502

Total recognised surpluses relate wholly to continuing activities.

The notes on pages 33 to 52 form part of these financial statements.

BALANCE SHEET AT 31 MARCH 2014

		31 March 2014	31 March 2013
		£	£
	Notes		
Tangible Fixed Assets			
Housing Properties at cost	15	24,787,262	21,597,270
Other tangible fixed assets	15	928,231	827,374
Investments	15	1	1
		<u>25,715,494</u>	<u>22,424,645</u>
Debtors due after more than one year	16	7,801,719	10,485,583
Current Assets			
Stock		123,777	15,567
Debtors due within one year	16	904,916	750,538
Short-term deposits		1,271,550	1,225,905
Cash at bank and in hand		<u>838,262</u>	<u>720,853</u>
		3,138,505	2,712,863
Creditors: amounts falling due within one year	17	<u>(1,037,140)</u>	<u>(1,186,967)</u>
Net current assets		2,101,365	1,525,896
Total assets less current liabilities		<u>35,618,578</u>	<u>34,436,124</u>
Creditors: amounts falling due after more than one year	18	<u>(8,165,109)</u>	<u>(7,679,915)</u>
		27,453,469	26,756,209
Provisions for liabilities and charges	19	<u>(7,717,528)</u>	<u>(10,396,565)</u>
Net Assets		<u>19,735,941</u>	<u>16,359,644</u>
Capital and Reserves			
Share Capital	20	193	192
Designated Reserve	21	2,529,276	2,024,120
Capital Reserve	22	110,049	178,607
Revenue Reserve	21	<u>17,096,423</u>	<u>14,156,725</u>
		<u>19,735,941</u>	<u>16,359,644</u>

These financial statements were approved by the Board on 25th June 2014 and were signed on its behalf by:



David Blaney

Chair



Dena Macleod

Secretary



Kevin Paterson

Board Member

The notes on pages 33 to 52 form part of these financial statements.

CASHFLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

		31 March 2014	31 March 2013
		£	£
Net Cash inflow from operating activities	Notes		
	26	4,750,405	4,658,770
Returns on investment and servicing of finance			
Right to Buy Proceeds + Sale of Assets		(11,437)	(16,866)
Interest Received		7,027	4,366
Interest Paid		(260,359)	(252,421)
Net Cash (outflow) from returns on investment and servicing of finance		(264,769)	(264,921)
Taxation			
Net Cash outflow from Taxation		-	-
Capital expenditure and financial investment			
Acquisition and construction of properties		(5,631,165)	(5,343,335)
Purchase of other fixed assets & investment		(159,115)	(27,458)
Grants received		1,399,167	1,342,104
Sales of properties		87,656	97,352
Sale of other assets		2,326	1,615
Net Cash outflow from capital expenditure		(4,301,131)	(3,929,722)
Net Cash inflow before use of liquid resources and financing		184,505	464,127
Management of liquid resources		(45,645)	(364,592)
Financing			
Loan advances received		-	-
Loan principal repaid		(21,452)	(2,138)
Shares issued		1	4
		(21,451)	(2,134)
Increase in cash in the year	26	117,409	97,401

The notes on pages 33 to 52 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

NOTE 1 LEGAL STATUS

Hebridean Housing Partnership Limited ("HHP" or "The Partnership") is registered under the Co-operative and Community Benefit Societies and Credit Unions Act 1965 (previously known as the Industrial and Provident Societies Act 1965) and is a Housing Association registered with Scottish Housing Regulator (previously Communities Scotland) under the Housing (Scotland) Act 2010. HHP has charitable status and is registered with OSCR.

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 compliance with the Determination of Accounting Requirements 2012 and under historical cost accounting rules, modified to include revaluation of properties held for letting and commercial properties. The Financial Statements have also been prepared in accordance with the Statement of Recommended Practice, Accounting by Registered Social Landlords Update 2010, issued by National Housing Federation.

PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Financial Statements contain information about Hebridean Housing Partnership as an individual company and do not contain consolidated financial information as the parent of a group. The Partnership has taken the option not to prepare consolidated Financial Statements due to the immateriality of the results of its subsidiary, HHP Community Housing Limited as detailed in Note 25.

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 its housing properties which result in an enhancement of the economic benefit of the asset. Certain items of Investment expenditure which had been written off in the Partnership's previous Income and Expenditure Accounts up to and including 31 March 2011 will now be capitalised as a result of the requirements of component accounting.

IMPAIRMENT

Reviews for any impairment of housing properties are carried out on an annual basis where the estimated remaining economic life of those properties exceeds 50 years. Impairment is recognised where the carrying value of an income generating unit exceeds the higher of its net realisable value or its value in use. Value in use represents the net present value of expected future cash flows expected from the continued use of these assets. Any impairment of assets would be recognised in the Income and Expenditure Account.

SHARED OWNERSHIP

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

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

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

COMMERCIAL PROPERTIES

Commercial properties are valued at existing use value.

PROVISIONS

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

TAXATION

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

DEPRECIATION

Depreciation is charged on a straight-line basis to write off the cost of each asset, less any estimated residual value, over its expected useful life, as set out below. Assets are depreciated in the year of acquisition, from the date of their acquisition, and in the year of disposal, up to the date of disposal. Land is not depreciated.

Housing Properties and Offices

All of the major components comprised within the Partnership's housing properties and offices are treated as separable assets and their costs (after the deduction of any related social housing grant) are depreciated by reference to the expected useful life of each component, on the following basis:

	<i>Years</i>
Roofs	50
Kitchens	20
Bathrooms	30
Showers	10
Heating Boilers	15
Heating Systems	20
Window & Doors	25
Other External Components	15
Structure	60

Other Fixed Assets

All other Fixed Assets are depreciated by reference to the following expected useful lives:

	<i>Years</i>
Furniture, Fittings and Office Equipment	5
Computer Hardware and Software	4

SALE OF HOUSING ACCOMMODATION

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

CAPITALISATION OF DEVELOPMENT OVERHEADS

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

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.

INTANGIBLE FIXED ASSETS

Negative goodwill arising from the acquisition of the business will be shown as a negative asset and amortised over the life of the assets acquired.

LEASED ASSETS

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

DESIGNATED RESERVES

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

NOTE 3 TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	2014			2013
	Operating Turnover	Operating Costs	Operating Surplus	Operating Surplus
	£	£	£	£
Social housing lettings	8,427,743	4,727,783	3,699,960	3,283,588
Other activities	159,630	149,967	9,663	31,653
Grant Income	-	-	-	367
TOTAL	8,587,373	4,877,750	3,709,623	3,315,608
31 March 2013	8,945,790	5,630,182	3,315,608	

NOTE 4 PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	General Needs Housing	Supported Accommodation	Shared Ownership	Other	Total	2013
	£	£	£	£	£	£
Income from lettings						
Rent receivable net of service Charges	7,694,332	36,866	3,118	-	7,734,316	7,413,857
Service Charges receivable	25,977	3,756	2,247	-	31,980	37,883
Gross income from rents and service charges	7,720,309	40,622	5,365	-	7,766,296	7,451,740
Less voids	(49,247)	-	-	-	(49,247)	(46,980)
Net Income from rents and service charges	7,671,062	40,622	5,365	-	7,717,049	7,404,760
Grants from Scottish Ministers	300,000	-	-	-	300,000	300,000
Other Revenue Grants	410,694	-	-	-	410,694	366,101
Total Turnover from social letting activities	8,381,756	40,622	5,365	-	8,427,743	8,070,861
Expenditure on letting activities						
Management and Maintenance Administration costs	1,480,989	10,052	2,010	-	1,493,051	1,529,249
Service Costs						
Planned and Cyclical Maintenance including major repairs	1,073,656	-	1,751	-	1,075,407	1,133,840
Reactive Maintenance	1,153,116	3,156	-	-	1,156,272	1,329,038
Bad Debts -rents and service charges	47,480	-	-	-	47,480	52,036
Depreciation of social housing	955,506	-	67	-	955,573	743,110
Operating costs of social letting activities	4,710,747	13,208	3,828	-	4,727,783	4,787,273
Operating surplus on letting activities	3,671,009	27,414	1,537	-	3,699,960	3,283,588

NOTE 5 PARTICULAR OF INCOME AND EXPENDITURE ON OTHER ACTIVITIES

	Grants from Scottish Ministers	Other Income	Total Turnover	Other Operating Costs	Operating Surplus/ Deficit	2013
	£	£	£	£	£	£
Wider Action	-	-	-	-	-	367
Factoring	-	13,771	13,771	16,039	(2,268)	-
Development	-	42,076	42,076	69,936	(27,860)	(65,291)
Sale of Developments	-	-	-	-	-	42,286
Management Services	-	35,226	35,226	63,992	(28,766)	(13,899)
Amortization negative goodwill	-	68,557	68,557	-	68,557	68,557
Total from other activities	-	159,630	159,630	149,967	9,663	32,020
31 March 2013	362,731	512,198	874,929	842,909	32,020	

NOTE 6 BOARD MEMBERS EMOLUMENTS

Board Members received £5,731 (2013: £7,348) 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		
	2014 £	2013 £
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)	213,841	211,814
Emoluments payable to the highest paid officer (excluding pension contributions)	76,824	76,096

DIRECTORS' EMOLUMENTS		
	2014 £	2013 £
During the period the Directors emoluments (excluding pension contributions) fell within the following band distributions:		
More than £60,000 but not more than £70,000	-	-
More than £70,000 but not more than £80,000	1	1
More than £80,000 but not more than £100,000	-	-
Pension contributions	13,674	13,545
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 2014 the average number of employees of the Partnership, including Executive Directors, was 42 (FTE), (2013 – 41.5 FTE).

EMPLOYEE INFORMATION		
	2014	2013
	£	£
Staff costs (for the above persons)		
Wages and Salaries	1,072,511	1,073,627
Social Security costs	77,088	77,610
Employers' pension costs	196,285	179,108
	<u>1,345,884</u>	<u>1,330,345</u>
Staff costs capitalised	<u>(336,968)</u>	<u>(382,811)</u>
	<u>1,008,916</u>	<u>947,534</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		
	2014	2013
	£	£
Bank interest receivable on deposits in the year	<u>7,027</u>	<u>4,366</u>

NOTE 11 INTEREST PAYABLE AND SIMILAR CHARGES

Interest Payable and Similar Charges		
	2014	2013
	£	£
Loan interest Payable	260,359	252,421

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		
	2014	2013
	£	£
The remuneration of the auditors is as follows		
Auditors' remuneration		
-in their capacity as auditors	12,180	11,760
-in respect of other services	-	-
	<u>12,180</u>	<u>11,760</u>

NOTE 14 FINANCIAL COMMITMENTS

Capital Commitments		
	2014	2013
	£	£
Expenditure contracted for, but not provided in the accounts	2,227,460	1,258,505
Expenditure authorised by the Board but not contracted	<u>3,476,968</u>	<u>3,838,300</u>
	<u>5,704,428</u>	<u>5,096,805</u>

Operating leases		
	2014	2013
At 31 March 2014 the Partnership had annual commitments under non-cancellable leases as follows	£	£
<i>Operating leases that expire:</i>		
Within one year	18,600	18,600
In the second to fifth year inclusive	8,154	26,754
	<u>26,754</u>	<u>45,354</u>

NOTE 15 TANGIBLE FIXED ASSETS

HOUSING PROPERTIES

	Land £	Housing held for letting £	Shared Ownership £	Properties under construction £	Total £
Cost or valuation					
At 1 April 2013	-	67,095,988	127,643	4,617,895	71,841,526
Additions	556,334	3,235,641	-	1,839,190	5,631,165
Disposals	-	(172,656)	-	-	(172,656)
Transferred	358,371	4,574,973	-	(4,933,344)	-
At 31 March 2014	914,705	74,733,946	127,643	1,523,741	77,300,035
Grants					
At 1 April 2013	-	(43,208,034)	(123,596)	(4,156,294)	(47,487,924)
Received during the Year	(542,652)	(369,339)	-	(487,176)	(1,399,167)
Transferred	(322,073)	(3,274,678)	-	3,596,751	-
Eliminated on disposal	-	65,826	-	-	65,826
At 31 March 2014	(864,725)	(46,786,225)	(123,596)	(1,046,719)	(48,821,265)
Depreciation					
At 1 April 2013	-	(2,753,817)	(2,515)	-	(2,756,332)
Eliminated on Disposal	-	19,173	-	-	19,173
Charge for year	-	(954,282)	(67)	-	(954,349)
At 31 March 2014	-	(3,688,926)	(2,582)	-	(3,691,508)
Net Book Value					
at 31 March 2014	49,980	24,258,795	1,465	477,022	24,787,262
Net Book Value					
at 31 March 2013	-	21,134,137	1,532	461,601	21,597,270

OTHER TANGIBLE FIXED ASSETS

	Commercial property	Furniture Fittings & Equipment	Computer Equipment	Total
	£	£	£	£
Cost or valuation				
At 1 April 2013	829,934	147,257	272,721	1,249,912
Additions	97,686	11,240	50,189	159,115
Disposals	-	(937)	(54,823)	(55,760)
At 31 March 2014	927,620	157,560	268,087	1,353,267
Depreciation				
At 1 April 2013	(57,354)	(131,610)	(233,574)	(422,538)
Eliminated on disposal	-	498	52,937	53,435
Charge for year	(19,844)	(6,888)	(29,201)	(55,933)
At 31 March 2014	(77,198)	(138,000)	(209,838)	(425,036)
Net Book Value				
at 31 March 2014	850,422	19,560	58,249	928,231
Net Book Value				
at 31 March 2013	772,580	15,647	39,147	827,374

The number of units of accommodation owned and managed at 31 March 2014 by the Partnership was:

Housing Stock		
	2014	2013
Social Housing		
General Needs	2,222	2,212
Shared Ownership	3	3
Supported Housing	12	12
Total Social Housing	2,237	2,227
Investment		
	2014	2013
1 share in HHP Community Housing Ltd	1	1

NOTE 16 DEBTORS

Debtors: Due after more than one year		
	2014	2013
	£	£
Development Agreement (see Note 2)	7,717,527	10,396,564
Loan Arrangement Fee	84,192	89,019
	<u>7,801,719</u>	<u>10,485,583</u>

In accordance with the development agreement accounting policy, included in debtors is a balance of £7.7 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		
	2014	2013
	£	£
Arrears of rent and service charges	220,608	235,862
Less: provision for bad and doubtful debts	(77,610)	(92,857)
	<u>142,998</u>	<u>143,005</u>
Other debtors	746,362	607,533
Intercompany debtor	15,556	-
Total	<u>904,916</u>	<u>750,538</u>

NOTE 17 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Creditors: Amounts falling due within one year		
	2014	2013
	£	£
Amounts falling due within one year:		
Trade creditors	105,667	403,945
Rent and service charges received in advance	64,959	46,712
Accruals	678,807	527,151
Loans (see Note 18)	187,707	209,159
Total	<u>1,037,140</u>	<u>1,186,967</u>

NOTE 18 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Creditors: Amounts falling due after more than one year		
	2014	2013
	£	£
Right to Buy receipts due to the Scottish Executive	3,165,109	2,679,915
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	187,707	209,159
Analysis of duration of loans and interest rates:		
	0.75% to 5.48%	
	£	£
Repayable in one year or more	187,707	209,159
Repayable in more than five years	5,000,000	5,000,000
	5,187,707	5,209,159
Being Loans falling due		
-within one year	187,707	209,159
-after more than one year	5,000,000	5,000,000
	5,187,707	5,209,159
Average interest rates at 31 March		
Fixed	4.96%	4.60%
Variable	0.75%	1.21%
Overall	4.83%	4.83%

BANK LENDING FACILITY

At the year end the Partnership had drawn down £5.187 million on the lending facility. A committed facility of £10 million was available from the Royal Bank of Scotland along with an uncommitted overdraft facility of £0.250 million. In setting up this facility the Partnership incurred total arrangement fees of £120,093 which are included in debtors and which are being amortised over the period of the loan drawdown. Security over the housing properties has been granted to the Royal Bank for the period of the lending facility. Section 107 consent has been granted.

NOTE 19 PROVISIONS FOR LIABILITIES AND CHARGES

Provisions for Liabilities and Charges		
	2014	2013
	£	£
At 1 April 2013	10,396,565	13,841,595
Utilised	(2,679,037)	(3,445,030)
At 31 March 2014	7,717,528	10,396,565

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		
	2014	2013
	£	£
Shares of £1 each issued and fully paid		
At 1 April 2013	192	188
issued during period	1	4
At 31 March 2014	193	192

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

Angela Quail, Calum Mackay, Kevin Paterson, George Lonie, Jane Mackinnon, Daniel Coyle, Alasdair Mackenzie and Mairi Bremner.

NOTE 21 RESERVES

Revenue Reserves		
	2014 £	2013 £
Accumulated surplus at 1 April 2013	14,156,725	11,538,223
Surplus for the year	2,939,698	2,618,502
Accumulated surplus at 31 March 2014	17,096,423	14,156,725

Revenue Reserve Reconciliation		
	2014 £	2013 £
Accumulated surplus as at 1 April as previously stated	14,156,725	11,538,223
Prior Year Adjustment	-	(55,798)
Accumulated surplus as at 1 April restated	14,156,725	11,482,425
Surplus for the year	3,444,854	3,106,485
Transfer to Designated Reserves	(504,227)	(431,302)
Transfer to Sinking Fund	(929)	(883)
Balance at 31 March 2014	17,096,423	14,156,725

Designated Reserves						
	Asbestos £	Pension £	Repairs & Renewals £	Sinking Fund £	2014 £	2013 £
Balance at 1 April 2013	742,261	352,200	921,820	7,839	2,024,120	1,591,935
Transferred to Reserve	129,000	100,000	275,227	929	505,156	432,185
Balance at 31 March 2014	871,261	452,200	1,197,047	8,768	2,529,276	2,024,120

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		
	2014	2013
	£	£
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	(411,655)	(343,097)
In current year	(68,558)	(68,558)
Reserve at 31 March 2014	110,049	178,607

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 2011.

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 2014	31-Mar 2013
	% per annum	% per annum
Expected return on assets	6.00%	5.80%
Salary increases	5.10%	4.80%
Pension increases	2.80%	2.60%
Discount rate	4.30%	4.60%

Assets (Employer)				
	Long Term Return at 31-Mar-14 %	Assets at 31-Mar-14 £000's	Long Term Return at 31-Mar-13 %	Assets at 31-Mar-13 £000's
Equities	6.70%	4,214	6.40%	4,133
Bonds	4.00%	1,128	3.60%	752
Property	4.80%	475	4.40%	429
Cash	3.70%	119	0.50%	54
TOTAL	6.10%	5,936	6.10%	5,368

Net Pension Asset		
	2014 £000's	2013 £000's
Present Value of Funded Obligation	8,669	7,236
Fair Value of Scheme Assets	5,936	5,368
Net Liability	2,733	1,868
Present Value of Unfunded Obligation	28	26
Net Liability	2,761	1,894

NOTE 24 SCOTTISH GOVERNMENT GRANTS

The Scottish Government has made available a non-repayable grant of £2.5 million payable over 10 years. The annual drawdown of the grant is subject to a number of specified conditions. The grant instalment of £0.300m received during the year has been applied as follows:

Scottish Government Non-Specific Grants		
	2014 £	2013 £
Opening balance	750,000	1,050,000
Grant Funding received & applied to investment expenditure	300,000	300,000
Deferred for application against future expenditure	<u>450,000</u>	<u>750,000</u>

In addition The Scottish Government has made available a loan to the Partnership of £485,194 being the Comhairle's share of the Right to Buy receipts received this year.

NOTE 25 RELATED PARTY TRANSACTIONS**BOARD MEMBERS**

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

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

COUNCILLORS

David Blaney, Norman Macleod, DJ Macrae and Gordon Murray are councillors with Comhairle Nan Eilean Siar. Any transactions with the Comhairle are made at arm's length, on normal commercial terms and the Councillors cannot use their positions to their personal advantage.

HHP COMMUNITY HOUSING LTD

HHP Community Housing Ltd is a wholly owned subsidiary of Hebridean Housing Partnership, a company incorporated in Scotland. All of the directors are Board Members of HHP.

During the year HHP Community Housing commissioned feasibility works resulting in a loss after taxation of £16,621.

At the year end HHP Community Housing owed Hebridean Housing Partnership £15,556 which is included in other debtors Note 16.

A repayable grant of £10,000 was provided during the year to the Western Isles Foyer, Registered Charity Number: SCO 35440. The Western Isles Foyer has a number of tenancies with the Partnership. The Board agreed to assist the Foyer during a period of organisational change to enable them to continue providing a vital support service to the young people in the Western Isles.

NOTE 26 CASH FLOW NOTES

Reconciliation of Operating Surplus to Net Cash Inflow from Operating Activities		
	2014	2013
	£	£
Operating surplus	3,709,623	3,315,608
Movement in Stock	(108,211)	2,615
Depreciation charges	1,010,282	796,460
Amortisation of Capital Reserve	(68,557)	(68,557)
Decrease/(increase) in debtors	(149,551)	4,829
(Decrease)/Increase in creditors and provisions (excluding loans)	356,819	607,815
Net Cash inflow from operating activities	4,750,405	4,658,770

Analysis of Net Debt		
	2014	2013
	£	£
Debt due after 1 Year	(5,000,000)	(3,500,000)
Debt due within 1 Year	(187,707)	(1,709,159)
	(5,187,707)	(5,209,159)
Bank and short term deposits	2,109,812	1,946,758
	(3,077,895)	(3,262,401)

Analysis of Changes in Net Cash			
	At 1 April 2013	Cash Inflow	31-Mar 2014
	£	£	£
Cash at bank and in hand	720,853	117,409	838,262
Overdraft			-
Reduction in cash	720,853	117,409	838,262
Deposits	1,225,905	45,645	1,271,550
Debt due after more than one year		-	-
	1,946,758	163,054	2,109,812