



hebridean housing
partnership



Report & Financial Statements For the Year Ended 31 March 2019

A Registered Society under the
Co-operative & Community Benefit Societies Act 2014 No: 2644R (S)
Registered Charity No: SCO 35767
Scottish Housing Regulator registration: No 359
Property Factor Act: No PF000183

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REPORT AND FINANCIAL STATEMENTS

BOARD OF MANAGEMENT, DIRECTORS AND ADVISERS

Name	Category	Changes during the year	
		Appointed	Resigned
Kevin Paterson	Tenant	7 September 2017 (re-appointed)	29 August 2018
Daniel Coyle	Tenant	7 September 2017 (re-appointed)	27 June 2018
Alasdair Mackenzie	Tenant	30 August 2018 (re-appointed)	
Dolene Smith	Tenant	30 August 2018	
Alex Gardner	Tenant	30 August 2018	
Mairi Bremner	Community	30 August 2018 (re-appointed)	
Calum Mackay	Community	30 August 2018 (re-appointed)	
Norman M Macleod	Community	7 September 2017 (re-appointed)	
Iain Macmillan	Community	30 August 2018 (re-appointed)	
David Blaney	Community	30 August 2018	
John G Mitchell	Councillor	17 May 2017	6 March 2019
Roddy Mackay	Councillor	17 May 2017	
John Mackay	Councillor	7 February 2018	22 January 2019
Paul Finnegan	Councillor	7 March 2019	
Norman A Macdonald	Councillor	7 March 2019	
Fiona Macleod	Board Appointed	29 August 2018	
Roddy Nicolson	Co-opted	13 February 2019	

Secretary and Registered Office

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

Funders

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

External Auditors

Wylie & Bisset LLP
168 Bath Street
Glasgow
G2 4TP

Solicitors

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

Bankers

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

Directors

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

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REPORT OF BOARD OF MANAGEMENT

The Board of Management presents its report for the year ended 31 March 2019.

OVERVIEW OF BUSINESS

The principal activity of HHP is to provide and manage good quality, affordable accommodation for people in housing need in the Outer Hebrides. HHP is a charitable RSL and owns and manages a range of houses for rent, primarily general need accommodation but also some sheltered and supported accommodation. HHP provides accommodation for homeless people who are referred as statutory homeless and requiring permanent secure accommodation by Comhairle Nan Eilean Siar.

HHP stock at 31 March 2019 was 2,193 with 50 new build units under development.

CORE VALUES

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

The core value is supported by the following five values:

Customer Focus

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

Equal Opportunities

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

Quality of Service-Excellence

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

Sustainability

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

Supporting Staff

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

REGULATION

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

The Regulation Plan sets out the level of engagement. HHP, because of its 'systemic importance' in the Outer Hebrides is categorised as 'medium engagement' by the Scottish Housing Regulator in the 2019 Regulation Plan. Given the level of public money invested by HHP on an annual basis it is important that the Regulator has assurance that the organisation is well managed and achieves value for money.

Regular meetings take place with the Regulator to review the risks and challenges facing the business and progress against the Business Plan. 30 year and 5 year financial projections are submitted to the Regulator in April.

The Regulator has expressed satisfaction with HHP's progress for 2018/19.

STRATEGY & OBJECTIVES

HHP's strategy and objectives are detailed in its 30 Year Business Plan. The Business Plan highlights 4 strategic goals which will enable us to deliver our vision over the next five years:



Investment Programme

HHP invested £4.2 million in 2018/19 on improvements to tenant's homes. We continued to combat the high levels of fuel poverty in our islands with 224 new heating systems being installed. In addition, external wall insulation was completed in Dunmore Crescent, Leverburgh which transformed the scheme. The stock condition survey which was carried out in 2018 is informing our investment plan and we have set out a detailed 5 year programme from 2019.

We have procured an investment framework for the delivery of this programme during the year with a number of local contractors being appointed onto the framework.

Scottish Housing Quality Standard (SHQS)

We are addressing exemptions and abeyances as the opportunity arises and in addition we are working to achieve the Energy Efficiency Standard for Social Housing (EESH). Significant investment continues to be made in the housing stock to ensure that the SHQS is maintained.

Repairs & Maintenance

The current Repair and Maintenance contract with FES FM Ltd expires in March 2020. We commenced work to re-procure these services and have appointed consultants to assist us in reviewing the available options. The strong working partnership between HHP and FES has continued with high levels of performance and customer satisfaction being delivered.

New Build Programme

The Comhairle received a major increase in funding for new build housing over the 3 year period to March 2021. We are working closely with the Comhairle to plan and deliver this significantly increased programme including the development of a new

care provision in Stornoway on the Goathill site owned by HHP. Planning approval was obtained in December 2018 for the project which will see HHP deliver a 50 bed housing with care development and 74 houses on the site. Procurement of contractors is underway with a view to a site start being achieved early in 2019/20.

At the 31st of March 2019 there were 50 houses under construction across a number of sites with a further 171 either due to start or at tendering stage.

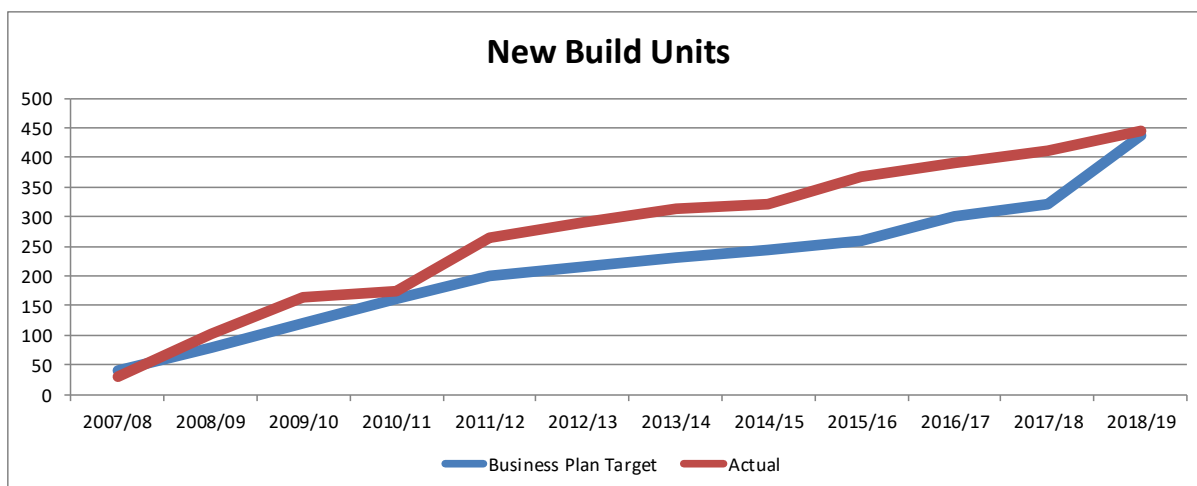
30 houses were completed during the year.

Future New Build Projects

We are carrying out feasibility studies on around 30 sites as we seek to deliver the Comhairle's housing strategy. We are working with local communities and the construction sector to identify potential sites and to try to ensure that we maximise the opportunity provided by this funding.

Corran Cismaol, Barra





DYNAMICS OF THE SOCIAL LANDLORD

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

KEY RISKS IMPACTING ON THE FUTURE

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

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

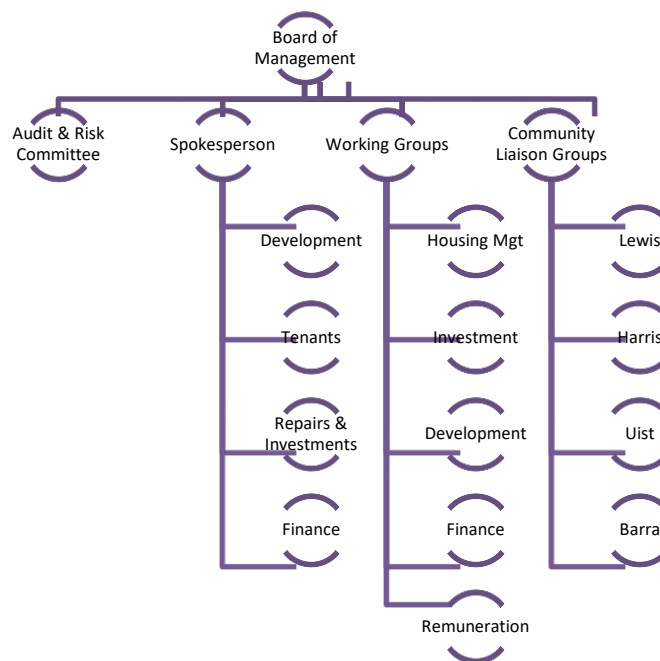
GOVERNANCE & MANAGEMENT

HHP is a registered Co-operative and Communities Benefit Society and is governed by a set of Rules appropriate for a Registered Social Landlord. The Partnership is governed by a voluntary Board of Management which is supported by a Chief Executive, Executive Team and staff. A full list of Board Members is at page 2.

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

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

Figure 1 Board of Management



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

The Partnership's Standing Orders allow for one Standing Committee and four Community Liaison Groups. These are currently under-review with proposals to include an additional Joint Consultative Committee.

The Board comprises up to 15 members - 4 tenant members, 3 Comhairle Nan Eilean Siar nominees, 5 community representatives and up to 3 co-optees. There are currently 13 Board members.

HHP's Rules require that two community and two tenant members step down each year. There will be elections for the vacant positions at the Annual General Meeting in August 2019.

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

During 2018/19 three shares were issued to new members.

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

- Approval of Business Plan
- Delivery of Business Plan
- Publishing and annual Assurance Statement
- Ensuring compliance with our values and key objectives
- Establishing strategic plans to achieve objectives
- Appraising the annual financial statements
- Establishing a framework of delegation and system of internal control

- Achieving the highest standards of governance

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

Audit & Risk

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

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

Tenant Participation

Our partnership with TPAS continued to broaden and strengthen opportunities for tenants to engage with HHP and to actively participate in a way that suits them. We also support the tenants Forum who have contributed to our procurement of an investment framework and the ongoing work to procure a new Repair and Maintenance service.

TPAS and the Forum have established tenant working groups on repairs and our lettable standard and this helps to inform service improvement opportunities. Work has also continued to support existing tenants and resident's groups and to reach out to all tenants to help them to become involved in the planning and monitoring of services.

A community grant fund was established to encourage local groups who are trying to make an impact in their areas.

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. The group commissioned an audit on our landlord responsibilities during the year and an action plan to further strengthen our approach was developed and is being taken forward.

Political & Charitable Donations

There were no political donations made by HHP during the financial year. A total of £5,000 was donated during the year to the following local charities:

£1,000	Autism Eilean Siar
£1,000	Eilean Siar Foodbank
£1,000	Western Isles Kidney Patients Association
£1,000	Caraidhean Uibhist
£1,000	Cobair Bharriagh

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 appoint auditors for the next financial year will be proposed at the Annual General Meeting in August 2019, following a re-tendering exercise.

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. A Pay and Grading review was undertaken during 2018/19 and is being implemented in 2019/20.

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. A new post has been established to support the Training and development of staff and Board members. Regular training needs assessments are carried out for

Board Members which feed into Training Plans and a training programme for staff has been compiled from training needs highlighted during the staff appraisal process.

INTERNAL FINANCIAL CONTROL

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

Framework of Internal Control

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

Management Structure

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

Audit & Risk Committee

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

System of Internal Control

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

- Regular meetings of the Board, which has a schedule of matters specifically reserved for its approval and which are the subject of regular standard reports as required;
- Appointment of Internal Auditors who work to the standards of the Institute of Internal Auditors and produce an annual internal audit plan and regular internal audit reports;
- The review of reports prepared by Internal Auditors by the Audit and Risk Committee on a regular basis;

- A corporate financial plan with a detailed annual budget, regularly revised forecasts, a comparison of actual with budget and key performance indicators all of which are reviewed by the Board.

Identification of Business Risk

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

The three most significant risks identified during 2018/19 were changing demographics and reducing population, not having a competitive contractor market and BREXIT. Other significant risk factors include the impact of Universal Credit and the potential impact from a severe weather event.

Increased costs are also being experienced by local contractors on supplies which will inevitably lead to increased costs in maintenance and new build. The Board met on 6 March 2019 and reviewed and set the partnership's risk appetite for the coming year.

Corporate Risk

The Risk Register, which is updated and reviewed at each Audit & Risk Committee, is organisation wide and shows each risk, the significance of the risk and the probability of these risks occurring. The Register also details the impact of the risks should they occur and who will have responsibility for devising and implementing suitable controls and mitigating actions.

Management Information Systems

Management Information Systems have been established which provide monthly information on key aspects of the business. Management accounts comparing actual results against budget are presented to the Board along with performance against key financial and non-financial indicators.

Internal Audit

On 1 April 2016 the Board re-appointed Scott-Moncrieff as their Internal Auditors. The Internal Auditors report directly to the Audit and Risk Committee.

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

Investment Appraisal

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

Investment

On 1 June 2010 HHP Community Housing Limited was formed as a non-charitable subsidiary of the Partnership. During 2018/19 there was no activity. The Board during its business planning session have asked officers to explore potential new areas of business activity. The majority of the proposed areas of activity would need to be undertaken by the subsidiary due to their nature.

BOARD STATEMENT ON INTERNAL FINANCIAL CONTROL

The Board acknowledges its ultimate responsibility for ensuring that the RSL has in place a system of controls that is appropriate for the business environment in which it operates. These controls are designed to give reasonable assurance with respect to:-

- the reliability of financial information used within the Partnership, or for publication;
- the maintenance of proper accounting records;
- the safeguarding of assets against unauthorised use or disposition.

STATEMENT OF BOARD RESPONSIBILITIES

It is the Board's responsibility to establish and maintain the systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial mis-statement or loss. Key elements of the Association's systems include ensuring that:

- formal policies and procedures are in place, including the ongoing documentation of key system and rules in relation to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of the Partnership's assets;
- experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared which allow the Management Team and the Board to monitor the key business risks, financial objectives and progress being made towards achieving the financial plans set for the year and for the medium term;
- monthly financial management reports are prepared promptly, providing relevant, reliable and up to date financial and other information, with significant variances from budget being investigated as appropriate;
- regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Board;
- the Audit Committee/Board received reports from management and from external and internal auditors to provide reasonable assurance that control procedures are in place and are being followed and that a general review of the major risks facing the Partnership is undertaken;
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

The Board has reviewed the effectiveness of the system of internal financial control in existence in the Partnership for the year end 31 March 2019. No weaknesses were found in internal financial controls which results in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

The Board of Management is responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Partnership and to enable them to ensure the Financial statements comply with the Co-operative & Community Benefits Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2014. It is also responsible for safeguarding the assets of the Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is also responsible for ensuring the Partnership's suppliers are paid promptly.

STATEMENT OF DISCLOSURE TO AUDITORS

In so far as the Board of Management are aware:

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

On behalf of the Board
Norman M Macleod
Chair



OPERATING AND FINANCIAL REVIEW

PERFORMANCE AND FINANCIAL REVIEW

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

Housing Services

Universal Credit (UC) full service commenced in the Outer Hebrides in September 2018. We have revised and updated our systems and processes as the UC system changes and continue to do so. The number of cases has steadily increased and as feared there has been some increase in arrears in these cases. We are working closely with our tenants to help them adapt to the new system. We obtained 'trusted partner' status with DWP which enables us to provide some additional help to tenants.

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

Weak demand for housing across most areas has continued to be a concern and one which the Board continues to monitor closely. We continue to explore options to address this and have taken the decision to dispose of stock which is not delivering good solutions for tenants and which impact negatively on the business. Partnership working is critical if we are to address the demographic challenges which contribute to this weakening demand and we continue to seek to encourage and develop this.

Void rent loss has improved as a result of the decision to dispose of some stock. However, low demand in certain areas continues to impact on our void loss performance and the average days taken to let properties is fairly high at 27.7 days. If difficult to let properties are excluded, properties were let in an average of 18 days. This is a reasonable performance and we are working to improve on this.

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

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

Tenant Participation

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

OPERATIONAL REVIEW

Planned & Cyclical Maintenance

The 5 year planned maintenance programme continued to protect homes and the wider environment. As in previous years the large amount of fencing within housing areas poses a challenge and work to these has been limited as priority is given to the fabric of the houses themselves. However, we are now undertaking a programme of environmental works through our investment programme.

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

Investment Programme

This was the final year of our 4 year framework contract and £4.2m was invested in tenant's homes delivering the following improvements during 2018/19:

Heating Systems	224	Kitchens:	64
Bathrooms:	49	Windows:	98
Roughcasting:	30	Roofing:	4
Environmental/Fencing Work	59		

Alleviating fuel poverty remains a key priority and this is demonstrated by our investment in new heating systems. We installed 80 Air Source Heat Pumps in off-gas areas which deliver a good affordable solution for our tenants. However, we also examine other heating options and installed a further 70 infra-red heating systems primarily in one bedroom properties during the year. These are being evaluated to ascertain tenant's experiences and whether they will meet EESSH requirements. They are currently assessed as exemptions.

Aids & Adaptations

We were awarded £324K of funding from the Scottish Government which delivered 261 different measures benefiting 120 tenants with health and mobility problems. We worked closely with the Occupational Therapy Service in assessing need and determining priorities and waiting time was kept to a minimum for those requiring assistance.

Fuel Poverty & EESSH

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

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

On the wider scale we worked with partners to establish an Energy Supply Company (ESCO) which was launched in February 2018. This company, Hebrides Energy partnered with Our Power to supply electricity and we also entered into a void switching arrangement with Our Power. Unfortunately, Our Power ceased trading in January 2019 which was a major disappointment to the housing sector as a whole.

Work continued with other Highland Housing Associations and Councils on lobbying MSPs, the Government, OFGEM and SSE on prices within the Highlands & Islands which are the highest in the UK. Strong representations were made to the Scottish Government on their fuel poverty consultation, stressing our concerns at the proposed new definition. This was successful in achieving amendments to the definition to reflect the particular challenges in remote rural areas.

FINANCIAL REVIEW

Comprehensive Income

The turnover for the year to 31 March 2019 was £11.270 million (2018: £11.194m) against operating costs of £8.356 million (2018: £8.590m). Operating costs for the year included £0.393 million (2018: £0.371) of capital investment written off against expenditure and £0.430M of construction costs on Shared Equity properties. The main source of income was from rental income of £8.911 million (2018: £8.423m) with £0.823 million (2018: £0.930m) received in grant from The Scottish Government. Turnover on other activities included factoring, reflecting the requirements of the Property Factors Act 2011. There were 3 Shared Equity properties sold during the year (2018: 8).

The operating surplus on Letting Activities was £2.919 million, 33% of Net Rental Income (2018: £2.639 million, 32% 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.

Financial Position

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

- a) The value of housing properties under construction has increased as a result of the increase in the Partnership's development plan;
- b) The addition of 30 new units for rent funded largely from Affordable Housing Supply Programme (AHSP) Grant from the Scottish Government;
- c) Stock increased to reflect the Work in Progress on the Mackenzie Avenue Share Equity scheme;
- d) Decrease in creditors less than one year due to the repayment of £500K of retained Right To Buy (RTB) receipts to Scottish Government and a reduction in Trade Payables at the year end.

Cash Flow

The Cash Flow is shown on page 30. The net change in cash equivalents was £3.907 million (2018: £2.978m). The principal cash outflows were operating, development costs and investment in assets with cash inflow bolstered by RTB receipts and RHI Income.

Current Liquidity

At 31 March 2019 HHP had cash and short-term deposits of £6.302 million (2018: £10.209m). It is not anticipated that there will be a requirement to draw down funds during 2019/20.

Capital Structure & Treasury Management Policy

HHP's activities are funded on the basis of a Business Plan, which is updated annually. The main elements of HHP's long term funding are a loan facility arranged with the Royal Bank of Scotland (RBS) and provided by The Scottish Government. The RBS loan facility allows HHP to borrow up to £15 million. In broad terms, the current Business Plan assumes that borrowing will increase each year until the maximum of £15 million is reached in 2021 reflecting the significant investment and development programme in the first ten years of the plan. Debt is progressively paid off in subsequent years and is projected to be fully paid off by 2036.

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

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

PLANS FOR THE FUTURE

HHP plans to invest £19.97 million over the next 5 years ensuring the Scottish Housing Quality Standard is maintained in all its properties. £15.087 million of private finance has been earmarked for the new build projects due for completion in the next 5 years. There has been a significant increase in the size of the development programme as a result of increased grant monies being made available by Scottish Government to Local Authorities as part of the More Homes Scotland programme.

INDEPENDENT AUDITORS REPORT

Opinion

We have audited the financial statements of Hebridean Housing Partnership (the 'Partnership') for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Reserves, the Cashflow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Partnership's affairs as at 31 March 2019 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Co-operative and Communities Benefit Societies Act 2014, the Housing (Scotland) Act 2010, the Determination of Accounting Requirements 2014.

Basis For Opinion

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

Conclusions Relating To Going Concern

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

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

Other Information

The Board of Management are responsible for the other information. The other information comprises the information included in the annual report, other than the

financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Matters On Which We Are Required To Report By Exception

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

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

- The information given in the Report of the Board of Management is inconsistent with the Financial Statements;
- Proper books of accounts have not been kept by the Partnership in accordance with the requirements of the legislation;
- A satisfactory system of control over transactions has not been maintained by the Partnership in accordance with the requirement of the legislation;
- The financial statements are not in agreement with the books of accounts; or
- We have not received all the information and explanations necessary for the purposes of our audit.

We have nothing to report in respect of these matters.

Responsibilities Of The Board Of Management

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

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

Auditor's Responsibilities For The Audit Of The Financial Statements

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

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

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

This description forms part of our auditor's report.

This report is made solely to the Partnership's members, as a body, in accordance with the Co-operative and Communities Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Partnership's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Partnership and the Partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

Wylie & Bisset LLP
Chartered Accountants
Statutory Auditor
Glasgow

Date: 19 June 2019

REPORT BY THE AUDITORS TO THE MEMBERS OF HEBRIDEAN HOUSING PARTNERSHIP LIMITED ON CORPORATE GOVERNANCE MATTERS

Corporate Governance

In addition to our audit of the Financial Statements, we have reviewed your statement on page 15 concerning the Partnership's compliance with the information required by the Regulatory Standards (for systemically important RSLs) in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

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

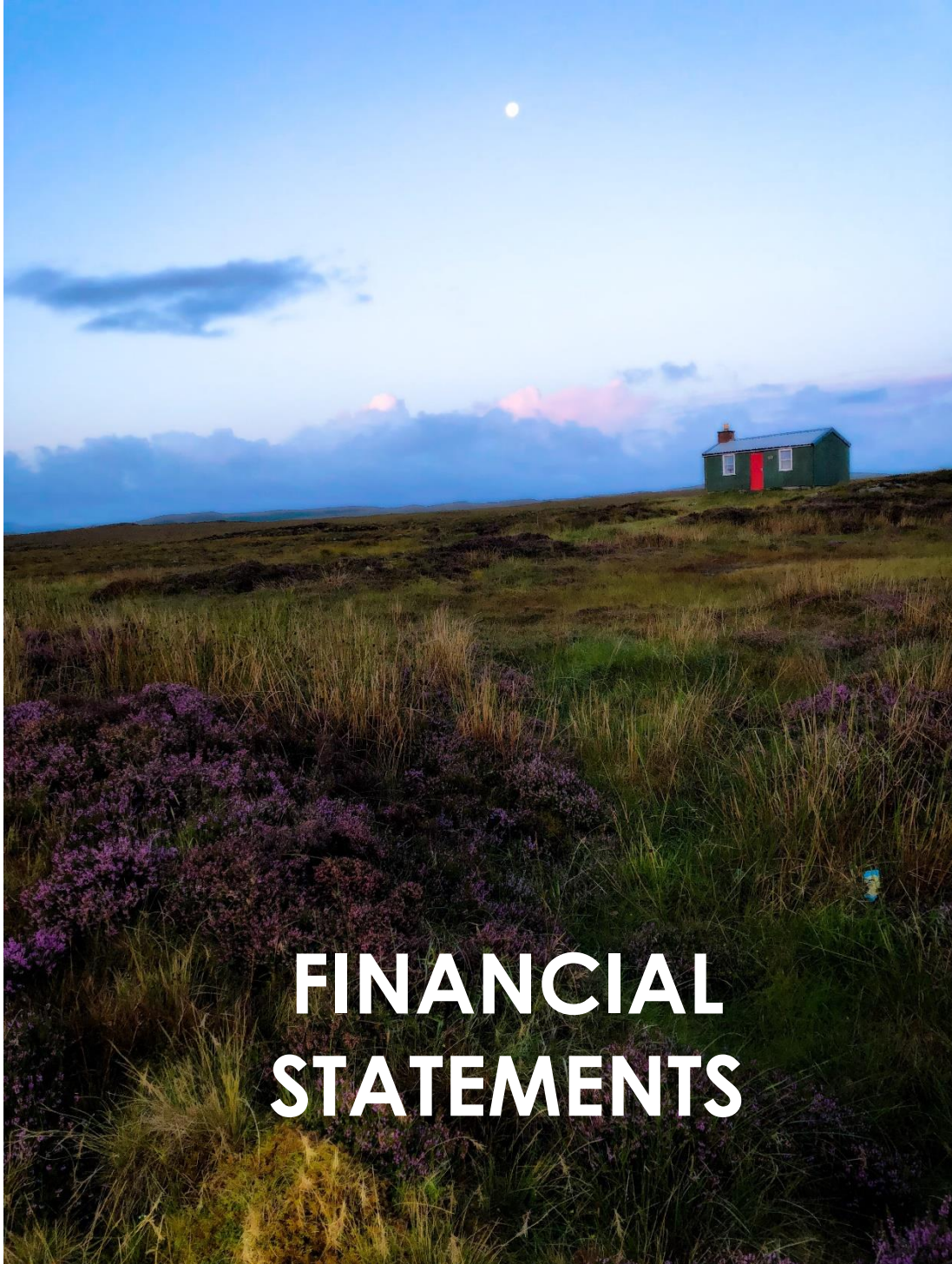
Opinion

In our opinion the Statement on Internal Financial Control on page 12 has provided the disclosures required by the relevant Regulatory Standards (for systemically important RSLs) within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as the result of our audit work on the Financial Statements.

Through enquiry of certain members of the Board and Officers of the Partnership and examination of relevant documents, we have satisfied ourselves that the Board's Statement on Internal Financial Control appropriately reflects the Partnership's compliance with the information required by the relevant Regulatory Standards (for systemically important RSLs) in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls.

Wylie & Bisset LLP
Chartered Accountants
Statutory Auditors
Glasgow

Date: 19 June 2019



FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME AS AT YEAR 31 MARCH 2019

		31 March 2019	31 March 2018
		£	£
	Notes		
Turnover	3	11,269,972	11,194,205
Operating expenditure	3	(8,355,818)	(8,590,346)
Operating surplus	3	2,914,154	2,603,859
Loss on disposal of property, plant & equipment		(242,482)	(173,603)
Interest receivable	6	23,290	15,571
Interest payable and financing costs	7	(335,576)	(367,925)
Surplus before tax		2,359,386	2,077,902
Actuarial (loss)/gain in respect of pension scheme	22	(633,000)	2,425,000
Total comprehensive income for the year		1,726,386	4,502,902

The results for the year relate wholly to continuing activities.

These financial statements were approved by the Board on 19th June 2019 and were signed on its behalf by:

Norman Macleod
Chair

Dena Macleod
Secretary

Calum Mackay
Board Member

The notes on pages 31 to 53 form part of these financial statements

STATEMENT OF CHANGES IN RESERVE AS AT YEAR 31 MARCH 2019

	Share Capital £	Unrestricted Fund £	Total Reserves £
Current Year			
Balance at 1 April 2018	203	30,630,193	30,630,396
Movement in Share Capital	3		3
Surplus from statement of comprehensive income		1,726,386	1,726,386
Balance at 31 March 2019	206	32,356,579	32,356,785
Prior Year			
Balance at 1 April 2017	197	26,127,291	26,127,488
Movement in Share Capital	6		6
Surplus from statement of comprehensive income		4,502,902	4,502,902
Balance at 31 March 2018	203	30,630,193	30,630,396

The notes on pages 31 to 53 form part of these financial statements

STATEMENT OF FINANCIAL POSITION AS AT YEAR 31 MARCH 2019

		31 March 2019	31 March 2018
		£	£
	Notes		
Fixed Assets			
Tangible Assets-Social Housing	8	83,824,774	77,108,646
Tangible Assets-Property, plant & equipment	9	2,285,271	1,514,469
Investments	10	2	2
		<u>86,110,047</u>	<u>78,623,117</u>
Current Assets			
Stock		672,649	241,633
Trade and other debtors	11	2,198,587	1,106,305
Investments		5,681,883	6,164,763
Cash and cash equivalents		620,447	4,044,434
		<u>9,173,566</u>	<u>11,557,135</u>
Less: Creditors amounts falling due within one year	12	<u>(2,663,407)</u>	<u>(3,849,683)</u>
Net current assets		<u>6,510,159</u>	<u>7,707,452</u>
Total assets less current liabilities		<u>92,620,206</u>	<u>86,330,569</u>
Creditors: amounts falling due after more than one year	13	(10,877,254)	(10,529,203)
Deferred Capital Grants	14	(47,331,167)	(44,034,970)
Pension Liability	15	(2,055,000)	(1,136,000)
Net Assets		<u>32,356,785</u>	<u>30,630,396</u>
Reserves			
Share Capital	16	206	203
Income & Expenditure reserve		32,356,579	30,630,193
		<u>32,356,785</u>	<u>30,630,396</u>

These financial statements were approved by the Board on 19th June 2019 and were signed on its behalf by:

**Norman
Macleod**

Chair

Dena Macleod

Secretary

**Calum
Mackay**

Board
Member

The notes on pages 31 to 53 form part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

		31 March 2019	31 March 2018
		£	£
Net Cash inflow from operating activities	Note 1	1,699,221	3,739,210
Cashflow from investing activities			
Purchase of tangible assets		(10,188,996)	(4,759,095)
Proceeds from sale of tangible fixed assets		273,013	1,236,582
Grants received		4,584,978	3,130,235
Interest received		23,290	15,571
Acquisition of Shares			
Cashflow from financing activities			
Interest paid		(261,166)	(241,543)
Repayments of borrowings		(37,207)	(142,533)
Net change in cash equivalents		<u>(3,906,867)</u>	<u>2,978,427</u>
Cash and cash equivalents at the beginning of the year		10,209,197	7,230,770
Cash and cash equivalents at the end of the year		<u>6,302,330</u>	<u>10,209,197</u>
		<u>(3,906,867)</u>	<u>2,978,427</u>

The notes on pages 31 to 53 form part of these financial statements.

NOTES TO THE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

Cashflow from Operating Activities

	2019	2018
	£	£
Surplus for the year	2,914,154	2,603,859
<i>Adjustments for non-cash items:</i>		
Depreciation of tangible fixed assets	2,921,938	2,704,817
(Increase)/Decrease in stock	(431,016)	(226,558)
(Increase)/Decrease in trade and other debtors	(1,092,282)	316,438
(Decrease)/Increase in trade and other creditors	(1,124,225)	452,318
Pension costs less contributions payable	252,000	236,000
Carrying amount of tangible fixed asset disposed	(284,495)	(847,691)
<i>Adjustments for investing or financing activities:</i>		
Proceeds from the sale of tangible fixed assets	(242,482)	(173,603)
Government grants utilised in the year	(1,288,781)	(1,452,751)
Interest payable	74,410	126,382
	<u>1,699,221</u>	<u>3,739,210</u>

NOTE 1 - ACCOUNTING POLICIES

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

Base Of Accounting

The Financial Statements of the Partnership are prepared in accordance with FRS 102 as issued by the Financial Reporting Council and comply with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010, the Determination of Accounting Requirements 2014 issued by the Scottish Housing Regulator and the Statement of Recommended Practice (SORP) for social housing providers issued in 2014.

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

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

Preparation Of Consolidated Financial Statements

The Financial Statements contain information about Hebridean Housing Partnership as an individual company and do not contain consolidated financial information as the parent of a group. The Partnership has taken the option not to prepare consolidated Financial Statements due to the immateriality of the results of its subsidiary, HHP Community Housing Limited as detailed in Note 10.

Turnover

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

Grant Income

Grant Income received is matched with the expenditure to which it relates. Social Housing Grant received as a contribution towards the capital cost of a housing development is recognised in line with the accrual model. The accrual model results in the grant being recognised over the expected useful life of the housing property structure and its individual components. Where grant is paid as a contribution towards revenue expenditure, it is included in turnover.

Deposit And Liquid Resources

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

Pension Costs

The Partnership participates in the Highland Superannuation Scheme and contributions to the pension scheme are calculated as a percentage of pensionable salaries of the employees, determined in accordance with actuarial advice. The actual pension cost is charged to the income and expenditure account based on contributions to the fund. In accordance with FRS102 the future payments in respect of the past service deficit plan have been discounted and recognised as a provision within the financial statements.

Housing Properties

Housing properties are stated at cost less accumulated depreciation. The cost of properties is their purchase price together with capitalised repairs. Housing properties in the course of construction are stated at cost and are not depreciated. Housing properties are transferred to completed properties when they are ready for letting and are stated at cost. The development cost of housing properties includes:-

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

Where it is considered that there has been any impairment in value this is provided for accordingly. Expenditure on schemes that are subsequently aborted is written off in the year in which it is recognised that the schemes will not be developed to completion.

Improvements To Housing Properties

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

Impairment

Reviews for any impairment of housing properties are carried out on an annual basis where the estimated remaining economic life of those properties exceeds 50 years. Impairment is recognised where the carrying value of an income generating unit exceeds the higher of its net realisable value or its value in use. Value in use represents the net present value of expected future cash flows expected from the continued use of these assets. Any impairment of assets would be recognised in the Statement of Comprehensive Income. The Board took the decision last year to dispose of properties at Cnoc Mor in Lewis and Braehead in South Uist. Regulatory consent has been obtained along with that of our funder. No Impairment has been reflected on these units given their current carrying value.

Shared Ownership

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

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

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

Commercial Properties

Commercial Properties are valued at existing use value.

Provisions

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

Taxation

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

Depreciation

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

Housing Properties & Offices

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

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

Other Fixed Assets

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

	Years
Furniture, Fittings and Office Equipment	5
Computer Hardware and Software	4

Sale of Housing Accommodation

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

Capitalisation of Development Overheads

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

Value Added Tax

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

Bad & Doubtful Debts

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

Leased Assets

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

Designated Reserves

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

Financial Instruments

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

NOTE 2 – CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

NOTE 3 – TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	2019			2018		
	Operating Turnover £	Operating Costs £	Operating Surplus £	Operating Turnover £	Operating Costs £	Operating Surplus £
Income and Expenditure from Lettings						
Social Lettings (Note 4)	10,767,686	(7,849,027)	2,918,659	10,069,915	(7,430,707)	2,639,208
Other Activities (Note 5)	502,286	(506,791)	(4,505)	1,124,290	(1,159,639)	(35,349)
TOTAL	11,269,972	(8,355,818)	2,914,154	11,194,205	(8,590,346)	2,603,859

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

	General Needs Housing £	Supported Accommodation £	Shared Ownership £	Other £	Total £	2018 £
Income from rent and service charges						
Rent receivable net of service charges	8,784,756	74,279	3,643	-	8,862,678	8,375,916
Service charges	45,536	-	2,526	-	48,061	48,036
Gross Income from rents and service charges	8,830,292	74,279	6,168	-	8,910,739	8,423,952
Less voids	(55,873)	-	-	-	(55,873)	(93,629)
Net Income from rents and service charges	8,774,419	74,279	6,168	-	8,854,867	8,330,323
Grants from Scottish Ministers	-	-	-	-	-	-
Release of deferred capital grant	1,288,781	-	-	-	1,288,781	1,249,903
Other Revenue Grants	624,038	-	-	-	624,038	489,690
Total Turnover from social letting activities	10,687,238	74,279	6,168	-	10,767,686	10,069,916
Expenditure						
Management and Maintenance Administration costs	2,128,461	23,584	2,948	-	2,154,993	2,180,797
Service charges	-	-	-	-	-	-
Planned and Cyclical Maintenance including major repairs	1,171,533	1,401	-	-	1,172,934	1,097,391
Reactive Maintenance	1,523,458	8,914	-	-	1,532,372	1,369,369
Bad Debts-rents and service charges	66,790	-	-	-	66,790	78,333
Depreciation of social housing	2,896,947	22,866	2,126	-	2,921,938	2,704,817
Impairment of social housing	-	-	-	-	-	-
Operating costs for social letting activities	7,787,188	56,765	5,074	-	7,849,027	7,430,707
Operating surplus on letting activities for 31 March 2019	2,900,050	17,514	1,094	-	2,918,659	2,639,209
Operating surplus on letting activities for 31 March 2018	2,594,850	44,162	197	-	2,639,209	

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

	Grants from Scottish Ministers	Other Revenue Grants	Other Income	Total Turnover		Other Operating Costs		Operating Surplus/ Deficit	
				2019	2018	2019	2018	2019	2018
	£	£	£	£	£	£	£	£	£
Stage 3 Adaptations	-	-	-	-	-	-	-	-	-
Factoring	-	-	4,048	4,048	4,681	3,796	4,605	252	76
Development & construction of Property Activities	-	-	62,240	62,240	27,599	65,295	61,254	(3,055)	(33,655)
Sale of Developments	198,546	-	231,000	429,546	1,085,631	429,546	1,085,631	-	-
Management Services	-	-	6,452	6,452	6,379	8,154	8,149	(1,702)	(1,770)
Amortization capital reserve	-	-	-	-	-	-	-	-	-
Total from other activities 2019	198,546	-	303,740	502,286		506,791		(4,505)	
Total for other activities 2018	504,981	-	619,309		1,124,290		1,159,639		(35,349)

NOTE 6 - INTEREST RECEIVABLE AND OTHER INCOME

Interest Receivable and Other Income		
	2019	2018
	£	£
Interest receivable on deposits	23,045	15,330
Interest receivable on loan to subsidiary	245	241
	<u>23,290</u>	<u>15,571</u>

NOTE 7 – INTEREST PAYABLE AND SIMILAR CHARGES

Interest Payable and Similar Charges		
	2019	2018
	£	£
Interest Payable	230,372	212,023
Other Financing costs	71,204	68,902
Net Cost on pension	34,000	87,000
	<u>335,576</u>	<u>367,925</u>

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

NOTE 8 – TANGIBLE FIXED ASSETS SOCIAL HOUSING

Tangible Fixed Assets				
SOCIAL HOUSING	Housing Properties held for letting £	Housing Properties under construction £	Shared Ownership held for letting £	Total £
Current Year Cost				
At start of the year	92,349,616	4,353,513	127,643	96,830,772
Additions during the year	3,680,966	6,163,904	-	9,844,870
Transfers in year	5,136,865	(5,136,865)	-	-
Disposals	(570,938)	(17,405)	-	(588,343)
At end of year	100,596,509	5,363,147	127,643	106,087,299
Depreciation				
At start of year	(19,647,666)	-	(74,460)	(19,722,126)
Provided in year	(2,842,121)	-	(2,126)	(2,844,247)
Eliminated on Disposal	303,848	-	-	303,848
At end of year	(22,185,939)	-	(76,586)	(22,262,525)
Net Book Value				
At end of year	78,410,570	5,363,147	51,057	83,824,774
Prior Year				
At start of the year	88,562,082	2,324,267	127,643	91,013,992
Additions during the year	2,979,366	4,066,305	-	7,045,671
Transfers in year	2,030,518	(2,030,518)	-	-
Disposals	(1,222,350)	(6,541)	-	(1,228,891)
At end of year	92,349,616	4,353,513	127,643	96,830,772
Depreciation				
At start of year	(17,384,363)	-	(72,334)	(17,456,697)
Provided in year	(2,644,503)	-	(2,126)	(2,646,629)
Eliminated on Disposal	381,200	-	-	381,200
At end of year	(19,647,666)	-	(74,460)	(19,722,126)
Net Book Value				
At end of year	72,701,950	4,353,513	53,183	77,108,646

Development administration costs capitalised amounted to £146,485 (2018: £73,960) for which Social Housing Grants amounting to £nil (2018: £nil) were received in the year.

The proceeds of property disposals in the year were £38,258 (2018: £655,932). These units cost £NIL (2018: £1,236,142) and had a net book value of £NIL (2018: £854,942). HAG of £148,149 (2018: £148,149) was repaid in the year with no further HAG repayable at the balance sheet date.

The cost of new components capitalised in the year was £8,817,831 (2018: £5,009,884)

Components with a cost of £549,745 (2018: £246,516), HAG of £NIL (2018: £111,150) and accumulated depreciation of £309,936 (2018: £145,645) were disposed of in the year.

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

TANGIBLE FIXED ASSETS						
Property, Plant & Equipment	Heritable Property £	Commercial Property £	Office Equipment £	Computer Equipment £	Other Equipment £	Total £
Current Year Cost						
At start of the year	691,166	939,280	91,840	323,338	95,112	2,140,736
Additions during the year	621,846	-	-	210,783	-	832,629
Transfers in year	-	-	-	-	-	-
Disposals	-	-	-	(74,166)	-	(74,166)
At end of year	1,313,012	939,280	91,840	459,955	95,112	2,899,199
Depreciation						
At start of year	-	(166,551)	(84,436)	(285,574)	(89,707)	(626,268)
Transfers in year	-	-	-	-	-	-
Provided in year	-	(22,498)	(3,357)	(32,155)	(3,816)	(61,826)
Eliminated on Disposal	-	-	-	74,166	-	74,166
At end of year	-	(189,049)	(87,793)	(243,563)	(93,523)	(613,928)
Net Book Value						
At end of year	1,313,012	750,231	4,047	216,392	1,589	2,285,271
Prior Year						
At start of the year	683,060	939,280	81,515	295,160	104,967	2,103,982
Additions during the year	241,134	-	-	28,178	470	269,782
Transfers in year	(233,028)	-	10,325	-	(10,325)	(233,028)
Disposals	-	-	-	-	-	-
At end of year	691,166	939,280	91,840	323,338	95,112	2,140,736
Depreciation						
At start of year	-	(144,052)	(79,344)	(266,534)	(85,574)	(575,504)
Provided in year	-	(22,499)	(5,092)	(19,040)	(4,133)	(50,764)
Eliminated on Disposal	-	-	-	-	-	-
At end of year	-	(166,551)	(84,436)	(285,574)	(89,707)	(626,268)
Net Book Value						
At end of year	691,166	772,729	7,404	37,764	5,405	1,514,468

NOTE 10 – INVESTMENTS

Investments			
		2019	2018
		£	£
Investment in subsidiary undertaking		1	1
Investment in Hebrides Energy CIC		1	1
		<u>2</u>	<u>2</u>
	<u>Activity</u>	<u>Registered</u>	<u>Shareholding</u>
HHP Community Housing Ltd	Dormant	Scotland	100%
Hebrides Energy	Offer competitive electricity tariffs	Scotland	11.1%

NOTE 11 – TRADE & OTHER RECEIVABLES

Trade and other receivables		
	2019	2018
	£	£
Rental Arrears	158,370	137,108
Less: provision for bad debts	(91,476)	(78,663)
	<u>66,894</u>	<u>58,445</u>
Amounts owed by subsidiary undertaking (due within 1 year)	16,552	16,307
Other debtors	113,099	503,373
Prepayments and accrued income	1,834,291	338,069
Other debtors (due in more than 1 year)	167,751	190,111
Total	<u>2,198,587</u>	<u>1,106,305</u>

NOTE 12 – CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

Creditors-Amounts falling due within one year		
	2019	2018
	£	£
Trade payables	560,762	837,361
Contract retentions	242,908	174,908
Accruals and deferred income	1,158,102	1,174,413
Rent in advance	80,334	60,509
HAG creditor	121,301	105,911
HAG Repayable	-	148,149
RTB Receipts Repayable on demand	500,000	1,348,433
Total	<u>2,663,407</u>	<u>3,849,683</u>

Outstanding retentions will be financed initially from cash balances.

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

Creditors-Amounts falling due after more than one year		
	2019	2018
	£	£
Bank term loans	4,908,996	4,946,203
RTB Receipts due to the Scottish Government	5,968,258	5,583,000
Total	10,877,254	10,529,203
Bank Term loans are secured by specific charges on the Partnership's properties and are repayable at varying rates of interest.		
The above creditors are due are follows:		
	£	£
Between one and two years	-	-
Between two and five years	385,258	-
In five years or more	10,491,996	10,529,203
	10,877,254	10,529,203

At the year end the Partnership's outstanding loan balance was £4.908 million. A committed facility of £15 million was available from the Royal Bank of Scotland along with an uncommitted overdraft facility of £0.250 million. Loan arrangement fees incurred in setting up this facility are included in debtors and are being amortised over the period of the loan drawdown. Security over the housing properties has been granted to the Royal Bank for the period of the lending facility. Section 107 consent has been granted.

NOTE 14 – DEFERRED CAPITAL GRANTS

Deferred Capital Grants					
	Housing Properties held for letting £	Housing Properties under construction £	Shared Ownership held for letting £	Property Plant & Equipment £	Total £
Current Year Cost					
At start of the year	(39,880,921)	(3,440,720)	(51,497)	(661,832)	(44,034,970)
Additions during the year	(614)	(3,972,478)	-	(612,500)	(4,585,592)
Disposals during the year	614	-	-	-	614
Transfers in year	(3,074,808)	3,074,808	-	-	-
Amortised in year	1,285,945	-	2,059	777	1,288,781
At end of year	(41,669,784)	(4,338,390)	(49,438)	(1,273,555)	(47,331,167)
Prior Year					
At start of the year	(39,173,175)	(1,818,175)	(53,555)	(642,946)	(41,687,852)
Additions during the year	(1,149,798)	(2,905,235)	-	(225,000)	(4,280,033)
Disposals during the year	480,164	-	-	-	480,164
Transfers in year	(1,282,690)	1,282,690	-	205,337	205,337
Amortised in year	1,244,578	-	2,059	777	1,247,414
At end of year	(39,880,921)	(3,440,720)	(51,497)	(661,832)	(44,034,970)

NOTE 15 – PROVISIONS FOR LIABILITIES & CHARGES

Pension Fund		
	2019 £	2018 £
At 1 April 2018	1,136,000	3,238,000
Created in Year	919,000	(2,102,000)
At 31 March 2019	2,055,000	1,136,000

NOTE 16 – SHARE CAPITAL

Share Capital		
	2019 £	2018 £
Shares of £1 each issued and fully paid		
At 1 April 2018	203	197
issued during period	3	6
At 31 March 2019	206	203

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

Norman Macleod, Calum Mackay, Iain Macmillan, Alasdair Mackenzie, Mairi Bremner, David Blaney, Alex Gardner, Dolene Smith, Fiona Macleod and Roddy Nicolson.

NOTE 17 – KEY MANAGEMENT EMOLUMENTS

OFFICER'S EMOLUMENTS		
	2019 £	2018 £
Senior Officers are defined as the Chief Executive, the Director of Finance & Corporate Services and Director of Operations		
Aggregate emoluments payable to Directors exceeding £60,000 (excluding pension contributions and benefits in kind)	221,125	214,777
Emoluments payable to the highest paid officer (excluding pension contributions)	83,400	79,677
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
More than £80,000 but not more than £90,000	1	-
Pension contributions	15,012	14,820
The directors are members of the Highland Superannuation Fund and employer's contributions are paid on the same basis as other members of staff.		
Total Expenses reimbursed in so far as not chargeable to UK Income Tax		

NOTE 18 – EMPLOYEE INFORMATION

The average number of persons employed during the year was: 52

At 31 March 2019 the number of employees of the Partnership, including Executive Directors, was 43 (FTE), (2018 – 45 FTE).

EMPLOYEE INFORMATION		
	2019	2018
	£	£
Staff costs (for the above persons)		
Wages and Salaries	1,266,816	1,173,680
Social Security costs	114,939	110,828
Employers' pension costs	241,960	222,769
FRS102 Pension Adjustment (Note 22)	252,000	236,000
	1,875,715	1,743,277
Staff costs capitalised	(516,413)	(297,067)
	<u>1,359,302</u>	<u>1,446,210</u>

NOTE 19 – OPERATING SURPLUS

OPERATING SURPLUS		
	2019	2018
	£	£
Operating surplus is stated after charging:		
Depreciation	2,906,073	2,697,392
Amortised capital grants	(1,288,781)	(1,247,414)
Repairs:cyclical, major, day to day	2,705,306	2,466,760
Auditor's remuneration		
-in their capacity as auditors	13,530	13,530
-in respect of other services	-	-

NOTE 20 – TAXATION

The Partnership is a registered charity and is therefore exempt from Corporation Tax on its charitable activities. No corporation tax was due on the non-charitable activities in the year (2018: nil).

NOTE 21 – CAPITAL COMMITMENTS

CAPITAL COMMITMENTS		
	2019	2018
	£	£
Capital expenditure which has been contracted for but has not been provided for in the financial statements	28,504,787	10,453,943
Capital expenditure which has been authorised by the Board but is not contracted	28,622,213	41,415,127
	<u>57,127,000</u>	<u>51,869,070</u>
This is to be funded by:		
Funding from the Scottish Government	20,357,400	24,908,500
Private Finance	36,769,600	26,960,570
	<u>57,127,000</u>	<u>51,869,070</u>

NOTE 22 – PENSIONS

The Partnership participates in the Highland Superannuation Fund (HSF) which, as part of the Local Government Pension Scheme is a defined benefit statutory scheme based. From 1 April 2011 the scheme has operated the career average revalued earnings with 1/120th accrual benefit rate. Contributions are charged to the Income and Expenditure Account so as to spread the cost of pension over employees' working lives. These contributions are determined by formal actuarial valuation which takes place every three years, the last valuation was to 31 March 2017. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

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

During the accounting period, the Partnership paid contributions at a rate of 19% of pensionable salaries.

As at the balance sheet date there were 50 active members of the Scheme employed by the Partnership. All new employees join the scheme and have the option to withdrawn after a short period if they so choose.

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

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. As the Scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the scheme as at 31 March 2019. The funding update revealed an increase in the assets of the Scheme to £10.052 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £2.055 million.

Since the contribution rates payable to the Scheme have been determined by reference to the last full actuarial valuation the following notes relate to the formal actuarial valuation as at 31 March 2017.

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

Investment Returns

The return on the Fund in market value terms for the period to 31 March 2019 is estimated below based on actual Fund returns as provided by the Administering Authority and index returns where necessary. Details are below:

Actual returns from 1 April 2018 to 31 March 2019	6.40%
Total returns from 1 April 2018 to 31 March 2019	6.40%

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

The bid value of the Fund's assets are estimated to be £1,990,571,462 based on information provided by the Administering Authority.

Period Ended	31-Mar-19	31-Mar-18
Equities	70%	68%
Bonds	15%	16%
Property	12%	13%
Cash	3%	3%

Financial Assumptions

Period Ended	31-Mar-19	31-Mar-18
Pension increase Rate	2.50%	2.40%
Salary increase Rate	3.50%	3.40%
Discount Rate	2.40%	2.70%

Historic Mortality

Period Ended	Prospective Pensioners	Pensioners
31-Mar-19	CMI2016 model assuming current rates of improvement have peaked and will converge to a long term rate of 1.25% p.a.	CMI2016 model assuming current rates of improvement have peaked and will converge to a long term rate of 1.25% p.a.

Commutation

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

Changes In Fair Value Of Plan Assets Defined Obligation & Net Liability For The Year Ended 31 March 2019

Period ended 31 March 2019	Assets £000's	Obligations £000's	Net Liability/ Asset £000's
Fair Value of Plan Assets	9,307	-	9,307
Present Value of liabilities	-	10,413	(10,413)
Present value of unfunded liabilities	-	30	(30)
Opening Position at 31 March 2018	9,307	10,443	(1,136)
Service Cost	-	486	(486)
Net Interest			
Interest on income on plan assets	253	-	253
Interest cost on defined benefit obligation	-	287	(287)
Total Net interest	253	287	(34)
Total defined benefit cost recognised in P & L	253	773	(520)
Cashflows			
Plan Participants contributions	78	78	-
Employers contributions	233	-	233
Contributions in respect of unfunded benefits	1	-	1
Benefits paid	(163)	(163)	-
Unfunded benefits paid	(1)	(1)	-
Expected closing position	9,708	11,130	(1,422)
Remeasurements			
Changes in demographic assumptions	-	-	-
Changes in financial assumptions	-	975	(975)
Other experience	-	2	(2)
Return on assets excluding amounts in net interest	344	-	344
Total remeasurements recognised in Other Comprehensive Income (OCI)	344	977	(633)
Fair Value of plan assets	10,052	-	10,052
Present value of funded liabilities	-	12,075	(12,075)
Present value of unfunded liabilities	-	32	(32)
Closing position at 31 March 2019	10,052	12,107	(2,055)

NOTE 23 – PROPERTY STOCK

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

Property Stock				
The number of units of accommodation owned by the Partnership was as follows:				
	Units in Management		Units under Development	
	2019	2018	2019	2018
Unimproved				
New Build	389	359	50	79
Improved	1,777	1,778	-	-
General Needs Housing	<u>2,166</u>	<u>2,137</u>	<u>50</u>	<u>79</u>
Shared Ownership Accommodation	3	3	-	-
Supported Housing Accommodation	24	24	-	-
Total Housing Stock	<u>2,193</u>	<u>2,164</u>	<u>50</u>	<u>79</u>
Other Property				
Garages	42	42	-	-
Commercial	6	6	-	-
Heritable-Partnership's offices	3	3	-	-
Total Other Property	<u>51</u>	<u>51</u>	<u>-</u>	<u>-</u>

NOTE 24 – REVENUE COMMITMENTS

Operating Leases		
	2019	2018
At 31 March 2019 the Partnership had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:	£	£
Within one year	6,721	8,066
In the second to fifth year inclusive	-	6,721
	<u>6,721</u>	<u>14,787</u>

NOTE 25 – RELATED PARTY TRANSACTIONS

Board Members

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

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

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

Rent Charges	£12,291
Arrears	£150

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.

At the year end HHP Community Housing owed Hebridean Housing Partnership £16,552 (2017: £16,307) which is included in other debtors Note 11.

NOTE 26 – LEGISLATIVE PROVISIONS

Hebridean Housing Partnership Limited ("HHP" or "The Partnership") is registered under the Co-operative and Community Benefit Societies Act 2014 (previously known as the Industrial and Provident Societies Act 1965) and is a Housing Association registered with Scottish Housing Regulator (previously Communities Scotland) under the Housing (Scotland) Act 2010. HHP has charitable status and is registered with OSCR.



HHP is a registered society under the Co-operative and Community Benefit Societies Act 2014, Registered Number: 2644R(S), Registered Office: Creed Court, Gleann Seileach Business Park, Willowglen Road, STORNOWAY, Isle of Lewis HS1 2QP. It is a charity registered in Scotland, Charity Number:SCO35767, registered as Registered Social Landlord with the Scottish Housing Regulator, Registration Number:359 and registered as a Property Factor, Registration Number PF000183

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