



hebridean housing
partnership



Report & Financial Statements For the Year Ended 31 March 2020

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
Dolene Smith	Tenant	30 August 2018	29 August 2019
Alasdair Mackenzie	Tenant	29 August 2019 (re-appointed)	
Alex Gardner	Tenant	30 August 2018	
Calum Mackay	Community	30 August 2018	
Mairi Bremner	Community	29 August 2019 (re-appointed)	22 September 2019 (deceased)
Norman M Macleod	Community	29 August 2019 (re-appointed)	
Iain Macmillan	Community	30 August 2018	
David Blaney	Community	30 August 2018	
Roddy Nicolson	Community	19 November 2019	
Roddy Mackay	Councillor	17 May 2017	
Paul Finnegan	Councillor	7 March 2019	
Norman A Macdonald	Councillor	7 March 2019	
Fiona Macleod	Board Appointed	29 August 2018	
Roddy Nicolson	Co-optee	13 February 2019	19 November 2019
Gordon Macleod	Co-optee	18 March 2020	

Secretary and Registered Office

Anna L Coyle LL.B (Hons)
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

CIB Audit
63 Kenneth Street
Stornoway
HS1 2DS

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

OVERVIEW OF BUSINESS

Our principal activity is to provide and manage good quality, affordable accommodation for people in housing need in the Outer Hebrides. We are a charitable RSL and we own and manage a range of houses for rent, primarily general need accommodation but also some sheltered and supported accommodation. We provide accommodation for homeless people who are referred as statutory homeless and requiring permanent secure accommodation by Comhairle Nan Eilean Siar. Our stock at 31 March 2020 was 2,224 with 158 new build units under development.

At the end of 2019/20, the onset of the COVID-19 pandemic brought the country and the world at large to a standstill. Lockdown has impacted every corner of our nation, and we are acutely aware of its effect in the Outer Hebrides, and on our business in particular. Our key performance indicators demonstrate that our performance for 2020/21 will be negatively affected. We have already seen an increase in arrears along with a rise in Universal Credit applications. Social distancing requirements will impact our ability to undertake some of our planned works in tenants' homes.

Our priority is to deliver our vision of, 'making our house, your home' for all our customers and we have put mitigation measures in place to limit the impact of the lockdown. We are currently in a strong financial position to manage identified risks and recognise how quickly those risks can change. Our local supply chain is vital to the economic wellbeing of many families in the Outer Hebrides and we are committed to our investment and development programmes.

Throughout the 'Lockdown' we delivered an emergency service, updated our Risk Register and moved our workforce from our offices to homeworking. Our plans will be amended as we have been very powerfully reminded of how quickly things can change. We will revise our targets once we have a clearer picture of the impact COVID-19 has had on our economy both locally and nationally.

In September 2019 we were saddened to hear of the death of Mairi Bremner who was a long standing and valued member of our Board and Chair of the Audit & Risk Committee.

CORE VALUES

Our 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 our most recent 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 each year. Our first annual assurance statement was filed in 2019 with positive feedback received from the regulator.

The Regulator has expressed satisfaction with HHP’s progress for 2019/20.

STRATEGY & OBJECTIVES

Our strategy and objectives are detailed in our 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

We invested heavily in tenants homes during 2019/20 with £4.58 million being spent on improvements. This was primarily focused on trying to help tenants escape from fuel poverty, which is a huge issue in our islands. 198 new heating systems were installed and we also continued to upgrade insulation where necessary. In addition, we invested in new kitchens, bathrooms, roof works and roughcasting and also began a programme of rewiring. Our 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 which has been communicated to all tenants.

We are delivering this programme through our investment framework with several local contractors carrying out the works.

Scottish Housing Quality Standard (SHQS)

The majority of our homes meet the standard and we are addressing exemptions and abeyances as opportunities arise. Our investment programme ensures that houses continue to meet the standard in the long term. We are also working to achieve the Energy Efficiency Standard for Social Housing (ESSH) and to ensure that homes are as warm and as affordable to heat as possible.

Repairs & Maintenance

We procured a new Repair and Maintenance contract during the year. This was won by FES FM Ltd and the contract began on 1 April 2020. It runs for 5 years with an option to extend for up to a further 4 years. The final year of the contract again delivered high levels of performance with average times to complete repairs being amongst

the best in Scotland. The strong working partnership between HHP and FES continued with high levels of customer satisfaction being reported.

New Build Programme

The Comhairle received a major increase in funding for new build housing over the 3 year period to March 2021. We have worked closely with the Comhairle to plan and deliver this very ambitious programme which seeks to deliver housing across all our islands. Construction began in July 2019 on the development of a new care provision in Stornoway on the Goathill site owned by HHP. This project will see HHP deliver a 50 bed housing with extra care development and 74 houses on the site.

Progress was hampered by particularly wet weather in August and February and disappointingly, we had to cease work on all sites at the end of March due to COVID-19. We also experienced problems on 2 sites where a contractor ceased work and we had to retender these works.

Despite these setbacks we delivered a record amount of investment in new houses during the year with £11.24M being spent.

At the 31st of March 2020 there were 158 houses under construction across 11 sites with a further 30 either due to start or at tendering stage.

26 houses were completed during the year.

Future New Build Projects

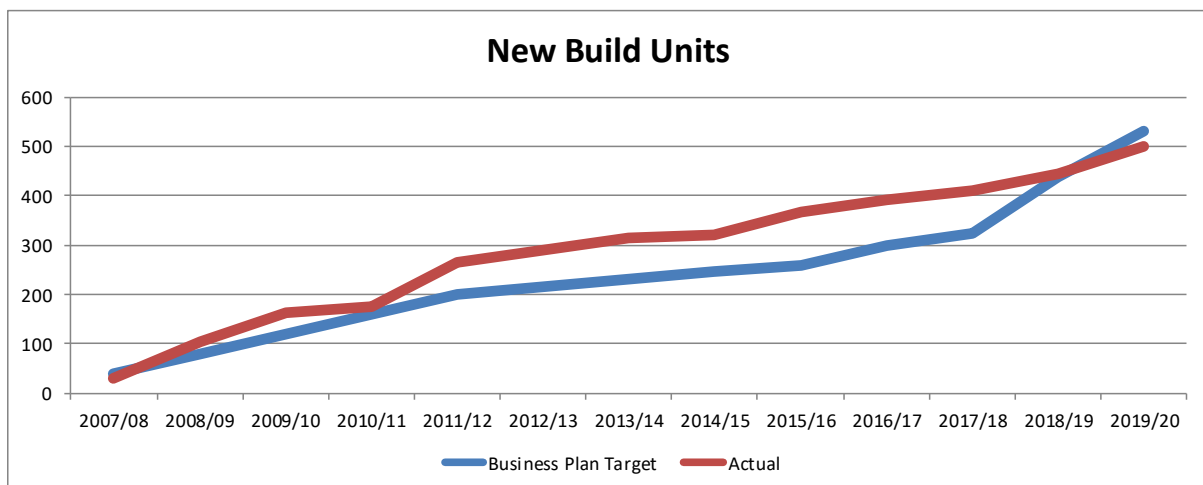
Our Board have agreed a 5 year development plan which is aligned with the Comhairle's Strategic Housing Investment Plan (SHIP). We have carried out feasibility studies on over 30 sites and are working with communities and the construction sector to identify and progress sites for the future and to try to ensure that we maximise the opportunity provided by the Scottish Government funding.

Completed Developments

An Glib – Rural Lewis



Horgabost (Shared Equity) – Harris



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.

The number one risk on our risk register is the impact of COVID-19. The risks the pandemic has on society and the national and local economies will likely have an impact which will take many years to recover from. Where possible, we have mitigating controls in place to minimise risks.

We have assessed these risks and determined that any impact on the financial statements for the period from lockdown until 31 March 2020 is not significant. As a result, no adjustments to the financial statements for the year ended 31 March 2020 are considered necessary.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Partnership for future periods.

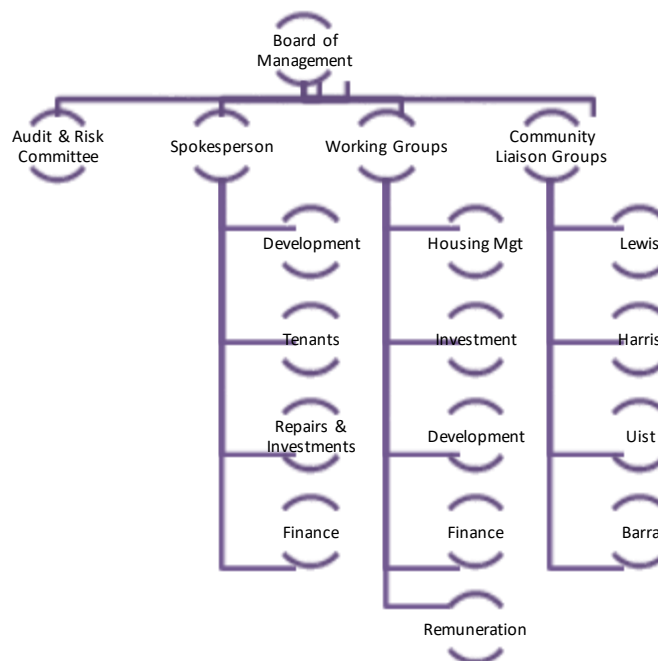
GOVERNANCE & MANAGEMENT

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 two Standing Committees and four Community Liaison Groups. A Joint Consultative Committee was created in 2019/20.

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. The Board may use one of the three co-opted Board Member places to appoint an Appointed Board Member whom the Board considers will enhance the skills, knowledge, diversity and/or objectivity of the Board and its decision-making. 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 August 2020.

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

During 2019/20 two 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 an 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 Committees:

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

Joint Consultative Committee

To establish workable and effective arrangements for good industrial relations, for the avoidance of any misunderstanding and for the promotion of joint participation in all matters of common interest and concern on a genuine consultative and negotiating basis at Organisation level.

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 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.

During the year we were successful in securing £16.3K from Cycling Scotland which is being used to improve cycling facilities in the Cearn community area.

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. 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

- a) There were no political donations made by HHP during the financial year.
- b) A total of £5,200 was donated during the year to the following local charities:
- | | |
|--------|--|
| £1,000 | Andrew Macleod Memorial Trust |
| £1,000 | Speak Out Group (Advocacy Western Isles) |
| £1,000 | Crossroads Lewis & Harris |
| £1,000 | Tagsa Uibhist |
| £1,000 | The Eilidh Macleod Memorial Fund |
| £200 | When You Wish Upon A Star |

Auditors

A resolution to appoint CIB Audit as auditors for the next financial year will be proposed at the Annual General Meeting in August 2020.

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 was implemented in 2019/20.

Recruitment

We 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

We are committed to the training and development of all our employees 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. We also appointed

a new Training and Development Officer last year which will allow us to deliver a comprehensive training plan for staff and Board Members.

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, Committees and Working Groups.

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 2019/20 were the implications of the COVID-19 pandemic, climate change and the changing demographics and reducing population. Other significant risk factors include the impact of BREXIT and 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 11 March 2020 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 October 2019 the Board appointed Wylie & Bisset as their Internal Auditors. The Internal Auditors report directly to the Audit and Risk Committee. Scott Moncrieff were the internal auditors in place for the first six months of the last fiscal year and Wylie & Bisset have relied on the work performed by them in arriving at their audit opinion for the full year.

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 2019/20 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 2020. 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.

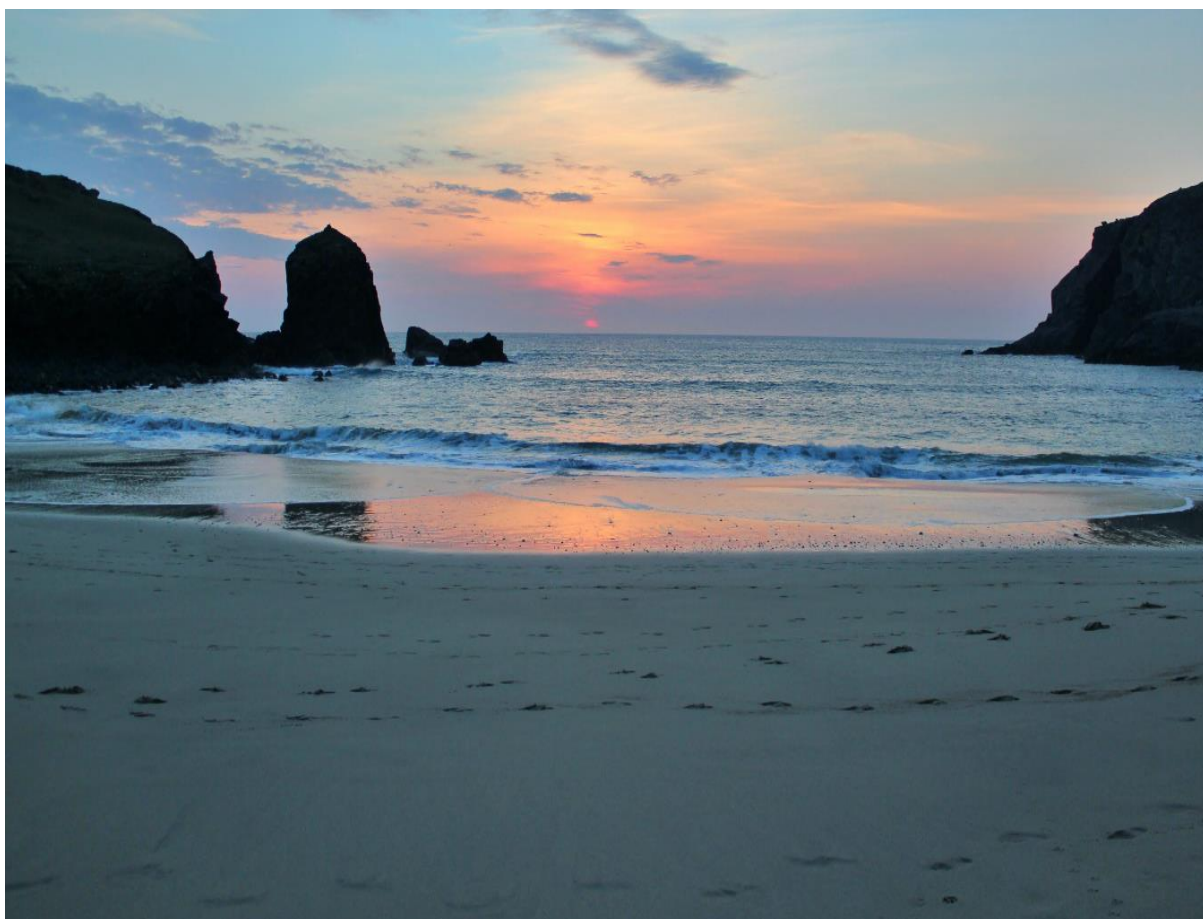
STATEMENT OF DISCLOSURE TO AUDITORS

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 and the number of claimants has steadily increased. This has presented challenges as arrears have increased and claimants have struggled to adapt to the new system. We work closely with our tenants and partners to help them adapt to the new system. Our 'trusted partner' status with DWP has assisted in this and the very good relationship with the local DWP team has been very useful to enable us to provide some additional help to tenants.

The 'bedroom tax' continued to be mitigated in full again this year through Discretionary Housing Payments (DHP) and we acknowledge the role of the Scottish Government and the Comhairle with this.

Void rent loss has reduced as a result of the decision to dispose of some stock. Low demand continues to impact on performance but the average days taken to let properties was reduced to 24.7 days. This is a reasonable performance and we are working to improve on it. Measures have been included in the new Repair and Maintenance contract to seek to assist in this.

However, weak demand for housing across most areas remains a concern and one which the Board monitors closely. We are exploring options to address this and are reviewing all our stock to identify any houses or groups of houses which do not deliver good solutions for tenants and which impact negatively on the business. We will then consider the best options for any such stock.

Partnership working is critical if we are to address the demographic challenges which are a concern for the future of our islands and which contribute to this weakening demand. We continue to seek to encourage and develop this debate and promote action to address it.

The level of anti-social behaviour has remained low and we did not take any legal enforcement action during the year. Partnership working between HHP, Police Scotland and the Comhairle continue to focus 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 seeks to provide opportunities for tenants to take part in ways that suit them. We have sought to develop links with interested tenants across the islands and to encourage and support 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 choice in participation is important in a large and sparsely populated area such as the Outer Hebrides where there is a high number of

small schemes consisting of less than 20 houses which makes participation challenging. A highly successful tenant event was again held in Stornoway, during the year and we continue to review our approach to such events. We have been well supported by partners for which we are grateful.

Tenant participation continues in other areas through smaller scale tenant and resident groups. A number of small gardening groups have formed in Tarbert, Howmore, Daliburgh and Lochboisdale. Most of these groups have benefited from our new Community Grant fund. Linking up with other agencies such as the Woodland Trust, Tagas Uibhist and Storas Uibhist has been beneficial and promotes wider community engagement. Staff promote and encourage tenant engagement and actively work with these groups to improve neighbourhoods and build relationships. Events have taken place to plant trees and assist with community clean ups.

A joint event with our Contractor is being planned for Barra later this year with the focus on investment and repairs. However this will be kept under review in light of the current COVID-19 crisis.

We will review our strategy for participation to make it easier for harder to reach groups and members of the community to engage with us.

OPERATIONAL REVIEW

Planned & Cyclical Maintenance

Our 5 year planned maintenance programme continued to protect homes and their wider environment. The benefits of this can be seen as we enter a third cycle of this approach. The large amount of fencing within housing areas poses a challenge in terms of maintenance 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 including fencing replacement 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. Additional landlord safety inspections were undertaken for electrical works, anti-scald valves and legionella inspections.

Investment Programme

This was the first year of our new 4 year framework contract and £4.58M was invested in tenant's homes delivering the following improvements during 2019/20:

	2019/20 Units		2019/20 Units
Heating Systems	198	Kitchens	62
Bathrooms	74	Windows	4
Roughcasting	4	Fire Doors	72
Fencing/ Environmentals	26	Roofing	9
Smoke Detectors	905 (2645 detectors)		

Alleviating fuel poverty remains a key priority and this is demonstrated by our investment in new heating systems. We installed 145 Air Source Heat Pumps in off-gas areas which deliver a good affordable solution for our tenants. 27 gas heating replacements and a further 26 infra-red heating systems were installed, primarily in one bedroom properties or where construction prevented the installation of Air Source Heat Pump systems. The infra-red heating systems 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 £215K of funding from the Scottish Government which delivered 202 different measures benefiting 119 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 continue to be 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 meet the requirements of EESSH and improve energy efficiency. In particular we are replacing solid fuel heating systems with Air Source Heating and installing new gas combi boilers where gas supply is available.

We have continued our partnership with Citrus to provide impartial advice and assistance to tenants on switching energy suppliers. We also work closely with local advice agencies particularly TIG and CAB.

Work also continues 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. This has included representations during the year on the Scottish Government's Fuel Poverty bill and the Hydro Benefit Replacement Scheme & Common Tariff Obligation.

FINANCIAL REVIEW

Comprehensive Income

The turnover for the year to 31 March 2020 was £12.640 million (2019: £11.270m) against operating costs of £9.996 million (2019: £8.356m). Operating costs for the year included £0.366 million (2019: £0.393) of capital investment written off against expenditure and £1.279M of construction costs on Shared Equity properties. The main source of income was from rental income of £9.370 million (2019: £8.911m) with £1.171 million (2019: £0.823m) received in grant from The Scottish Government. Turnover on other activities included factoring, reflecting the requirements of the Property Factors Act 2011. There were 8 Shared Equity properties sold during the year (2019: 3).

The operating surplus on Letting Activities was £2.614 million, 31% of Net Rental Income (2019: £2.919 million, 33% 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 32. 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 26 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 mainly due to the repayment of £500K of retained Right To Buy (RTB) receipts to Scottish Government.

Cash Flow

The Cash Flow is shown on page 30. The net change in cash equivalents was £1.546 million (2019: £3.907m). The principal cash outflows were operating, development costs and investment in assets with cash inflow boosted by RHI Income.

Current Liquidity

At 31 March 2020 HHP had cash and short-term deposits of £4.757 million (2019: £6.302m). It is anticipated that there will be a requirement to draw down funds during 2020/21.

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.

Our 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 £18.51 million over the next 5 years ensuring the Scottish Housing Quality Standard is maintained in all its properties. £13.414 million of private finance has been earmarked for the new build projects due for completion in the next 5 years. The last 2 years have seen unprecedented levels of spend with the increased Affordable Housing Grant allocated to the Outer Hebrides. 2020/21 was forecast to be another big year in terms of the level of monies spent on the development of homes throughout the Outer Hebrides. COVID-19 lockdown measures have resulted in a pause in all development works and our development program will be reviewed to accommodate post COVID-19 cost & timing implications.

INDEPENDENT AUDITORS REPORT

Opinion

We have audited the financial statements of Hebridean Housing Partnership (the 'Partnership') for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, 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 2020 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 17, 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.

CIB Audit
Chartered Accountants
Statutory Auditor
Stornoway

Date: 20 June 2020

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

Corporate Governance

In addition to our audit of the Financial Statements, we have reviewed your statement on page 14 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 14 has provided the disclosures required by the relevant Regulatory Standards (for systemically important RSLs) within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as the result of our audit work on the Financial Statements.

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

CIB Audit
Chartered Accountants
Statutory Auditors
Stornoway

Date: 20 June 2020



FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME AS AT YEAR 31 MARCH 2020

		31 March 2020	31 March 2019
		£	£
	Notes		
Turnover	3	12,640,195	11,269,972
Operating expenditure	3	(9,995,807)	(8,355,818)
Other Income			
Operating surplus	3	2,644,388	2,914,154
Loss on disposal of property, plant & equipment		(416,801)	(242,482)
Interest receivable	6	23,511	23,290
Interest payable and financing costs	7	(344,865)	(335,576)
Surplus before tax		1,906,232	2,359,386
Actuarial gain/(loss) in respect of pension scheme	22	1,216,000	(633,000)
Total comprehensive income for the year		3,122,232	1,726,386

The results for the year relate wholly to continuing activities.

These financial statements were approved by the Board on 20th June 2020 and were signed on its behalf by:

Norman Macleod

Chair

Anna Coyle

Secretary

Calum Mackay

Board Member

The notes on pages 34 to 57 form part of these financial statements

STATEMENT OF CHANGES IN RESERVES AS AT YEAR 31 MARCH 2020

	Share Capital £	Unrestricted Fund £	Total Reserves £
Current Year			
Balance at 1 April 2019	206	32,356,579	32,356,785
Movement in Share Capital	2		2
Surplus from statement of comprehensive income		3,122,232	3,122,232
Balance at 31 March 2020	208	35,478,812	35,479,020
Prior 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

The notes on pages 34 to 57 form part of these financial statements

STATEMENT OF FINANCIAL POSITION AS AT YEAR 31 MARCH 2020

		31 March 2020	31 March 2019
		£	£
	Notes		
Fixed Assets			
Tangible Assets-Social Housing	8	93,548,643	83,824,774
Tangible Assets-Property, plant & equipment	9	1,844,031	2,285,271
Investments	10	2	2
		<u>95,392,676</u>	<u>86,110,047</u>
Current Assets			
Stock		1,127,058	672,649
Trade and other debtors	11	1,364,580	2,198,587
Investments		3,109,329	5,681,883
Cash and cash equivalents		<u>1,647,257</u>	<u>620,447</u>
		7,248,223	9,173,566
Less: Creditors amounts falling due within one year	12	<u>(2,373,354)</u>	<u>(2,663,407)</u>
Net current assets		<u>4,874,869</u>	<u>6,510,159</u>
Total assets less current liabilities		100,267,545	92,620,206
Creditors: amounts falling due after more than one year	13	(10,491,996)	(10,877,254)
Deferred Capital Grants	14	(52,943,529)	(47,331,167)
Pension Liability	15	<u>(1,353,000)</u>	<u>(2,055,000)</u>
Net Assets		<u>35,479,020</u>	<u>32,356,785</u>
Reserves			
Share Capital	16	208	206
Income & Expenditure reserve		<u>35,478,812</u>	<u>32,356,579</u>
		<u>35,479,020</u>	<u>32,356,785</u>

These financial statements were approved by the Board on 20th June 2020 and were signed on its behalf by:

**Norman
Macleod**

Chair

**Anna
Coyle**

Secretary

**Calum
Mackay**

Board
Member

The notes on pages 34 to 57 form part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2020

		31 March 2020	31 March 2019
		£	£
Net Cash inflow from operating activities	Note 1	3,243,689	1,699,221
Cashflow from investing activities			
Purchase of tangible assets		(13,119,283)	(10,188,996)
Proceeds from sale of tangible fixed assets		970,280	273,013
Grants received		7,576,858	4,584,978
Interest received		23,511	23,290
Acquisition of Shares			
Cashflow from financing activities			
Interest paid		(240,798)	(261,166)
Repayments of borrowings		-	(37,207)
Net change in cash equivalents		<u>(1,545,744)</u>	<u>(3,906,867)</u>
Cash and cash equivalents at the beginning of the year		6,302,330	10,209,197
Cash and cash equivalents at the end of the year		<u>4,756,586</u>	<u>6,302,330</u>
		<u>(1,545,744)</u>	<u>(3,906,867)</u>

The notes on pages 34 to 57 form part of these financial statements.

NOTES TO THE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2020

Cashflow from Operating Activities

	2020 £	2019 £
Surplus for the year	2,644,388	2,914,154
<i>Adjustments for non-cash items:</i>		
Depreciation of tangible fixed assets	3,242,258	2,921,938
(Increase)/Decrease in stock	(454,408)	(431,016)
Decrease/(Increase) in trade and other debtors	834,007	(1,092,282)
(Decrease)/Increase in trade and other creditors	(1,135,311)	(1,124,225)
Pension costs less contributions payable	460,000	252,000
Carrying amount of tangible fixed asset disposed	(678,351)	(284,495)
<i>Adjustments for investing or financing activities:</i>		
Proceeds from the sale of tangible fixed assets	(416,801)	(242,482)
Government grants utilised in the year	(1,356,161)	(1,288,781)
Interest payable	104,068	74,410
Interest receivable		
	<u>3,243,689</u>	<u>1,699,221</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.

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
Motor Vehicles	25% reducing balance

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.

Going Concern

The Board has assessed the Partnership's ability to continue as a going concern and have reviewed the 30 year Business Plan and its exposure to key risks through detailed sensitivity analysis.

In the context of the COVID-19 pandemic the specific issues that may affect the Partnership are:

- Increased rent arrears;
- Delays to programmed works;
- Increased costs in delivering our development and investment programmes;
- Increased pension costs due to deteriorating stock market values;
- Increased insurance premiums being charged on housing stock.

Based on these projections and the wider information currently available, the Board consider that the Partnership has sufficient resources to meet any potential concerns and there are no material uncertainties about the Partnership's ability to continue as a going concern.

NOTE 3 – TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	2020			2019		
	Operating Turnover £	Operating Costs £	Operating Surplus £	Operating Turnover £	Operating Costs £	Operating Surplus £
Income and Expenditure from Lettings						
Social Lettings (Note 4)	11,265,878	(8,652,040)	2,613,838	10,767,686	(7,849,027)	2,918,659
Other Activities (Note 5)	1,374,317	(1,343,767)	30,550	502,286	(506,791)	(4,505)
TOTAL	12,640,195	(9,995,807)	2,644,388	11,269,972	(8,355,818)	2,914,154

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

	General Needs Housing £	Supported Accommodation £	Shared Ownership £	Total £	2019 £
Income from rent and service charges					
Rent receivable net of service charges	9,237,507	74,821	3,759	9,316,088	8,862,678
Service charges	50,822	-	2,835	53,656	48,061
Gross Income from rents and service charges	9,288,329	74,821	6,594	9,369,744	8,910,739
Less voids	(60,266)	-	-	(60,266)	(55,873)
Net Income from rents and service charges	9,228,064	74,821	6,594	9,309,478	8,854,867
Release of deferred capital grant	1,356,161	-	-	1,356,161	1,288,781
Other Revenue Grants	600,239	-	-	600,239	624,038
Total Turnover from social letting activities	11,184,464	74,821	6,594	11,265,878	10,767,686
Expenditure					
Management and Maintenance Administration costs	2,423,754	23,380	3,340	2,450,474	2,154,993
Planned and Cyclical Maintenance including major repairs	1,267,566	7,804	-	1,275,370	1,172,934
Reactive Maintenance	1,531,376	6,329	-	1,537,705	1,532,372
Bad Debts-rents and service charges	146,233	-	-	146,233	66,790
Depreciation of social housing	3,209,045	31,086	2,127	3,242,258	2,921,938
Operating costs for social letting activities	8,577,975	68,599	5,467	8,652,040	7,849,027
Operating surplus on letting activities for 31 March 2020	2,606,489	6,223	1,126	2,613,838	2,918,659
Operating surplus on letting activities for 31 March 2019	2,900,050	17,514	1,095	2,918,659	

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	
	£	£	£	2020 £	2019 £	2020 £	2019 £	2020 £	2019 £
Factoring	-	-	4,180	4,180	4,048	3,282	3,796	898	252
Development & construction of Property Activities	-	-	84,754	84,754	62,240	54,469	65,295	30,285	(3,055)
Sale of Developments	570,496	-	708,730	1,279,226	429,546	1,279,226	429,546	-	-
Management Services	-	-	6,157	6,157	6,452	6,790	8,154	(633)	(1,702)
Total from other activities 2020	570,496	-	803,821	1,374,317		1,343,767		30,550	
Total for other activities 2019	198,546	-	303,740		502,286		506,791		(4,505)

NOTE 6 - INTEREST RECEIVABLE AND OTHER INCOME

Interest Receivable and Other Income		
	2020	2019
	£	£
Interest receivable on deposits	22,503	23,045
Interest receivable on loan to subsidiary	1,008	245
	<u>23,511</u>	<u>23,290</u>

NOTE 7 – INTEREST PAYABLE AND SIMILAR CHARGES

Interest Payable and Similar Charges		
	2020	2019
	£	£
Interest Payable	222,944	230,372
Other Financing costs	67,921	71,204
Net Cost on pension	54,000	34,000
	<u>344,865</u>	<u>335,576</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	100,596,509	5,363,147	127,643	106,087,299
Additions during the year	4,412,326	9,127,415	-	13,539,741
Transfers in year	3,377,132	(3,377,132)	-	-
Disposals	(1,394,090)	(17,649)	-	(1,411,738)
At end of year	106,991,877	11,095,781	127,643	118,215,301
Depreciation				
At start of year	(22,185,939)	-	(76,586)	(22,262,525)
Provided in year	(3,135,394)	-	(2,127)	(3,137,521)
Eliminated on Disposal	733,388	-	-	733,388
At end of year	(24,587,945)	-	(78,713)	(24,666,658)
Net Book Value				
At end of year	82,403,931	11,095,781	48,930	93,548,643
Prior Year				
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	-	9,844,869
Transfers in year	5,136,865	(5,136,865)	-	-
Disposals	(570,938)	(17,405)	-	(588,342)
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)
Transfers in year	-	-	-	-
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

Development administration costs capitalised amounted to £218,943 (2019: £146,485) for which Social Housing Grants amounting to £nil (2019: £nil) were received in the year.

The loss on sale of property disposals in the year were £6,121 (2019: profit of £38,258).

The cost of new components capitalised in the year was £7,789,458 (2019: £8,817,831). Components with a cost of £1,394,090 (2019: £549,745), HAG of £227,715 (2019: £nil) and accumulated depreciation of £733,388 (2019: £309,936) were disposed of in the year.

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

TANGIBLE FIXED ASSETS							
Property, Plant & Equipment	Heritable Property £	Commerical Property £	Office Equipment £	Computer Equipment £	Motor Vans £	Other Equipment £	Total £
Current Year Cost							
At start of the year	1,313,012	939,280	91,840	459,955	-	95,112	2,899,199
Additions during the year	27,905	-	-	57,644	38,950	-	124,499
Transfers in year	(461,002)	-	646	(646)	-	-	(461,002)
Disposals	-	-	-	-	-	-	-
At end of year	879,915	939,280	92,486	516,952	38,950	95,112	2,562,696
Depreciation							
At start of year	-	(189,049)	(87,793)	(243,563)	-	(93,523)	(613,928)
Transfers in year	-	-	-	-	-	-	-
Provided in year	-	(22,499)	(2,390)	(75,013)	(3,246)	(1,590)	(104,737)
Eliminated on Disposal	-	-	-	-	-	-	-
At end of year	-	(211,548)	(90,183)	(318,575)	(3,246)	(95,113)	(718,665)
Net Book Value							
At end of year	879,915	727,732	2,303	198,377	35,704	(0)	1,844,031
Prior Year							
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
Disposals	-	-	-	(74,166)	-	-	(74,166)
At end of year	1,313,012	939,280	91,840	459,954	-	95,112	2,899,199
Depreciation							
At start of year	-	(166,551)	(84,436)	(285,574)	-	(89,707)	(626,268)
Provided in year	-	(22,498)	(3,357)	(32,155)	-	(3,816)	(61,826)
Eliminated on Disposal	-	-	-	74,166	-	-	74,166
At end of year	-	(189,050)	(87,793)	(243,562)	-	(93,523)	(613,927)
Net Book Value							
At end of year	1,313,012	750,231	4,047	216,392	-	1,589	2,285,271

NOTE 10 – INVESTMENTS

Investments			
		2020	2019
		£	£
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		
	2020	2019
	£	£
Rental Arrears	252,477	158,370
Less: provision for bad debts	(191,195)	(91,476)
	<u>61,283</u>	<u>66,894</u>
Amounts owed by subsidiary undertaking (due within 1 year)	17,560	16,552
Other debtors	722,141	113,099
Prepayments and accrued income	418,624	1,834,291
Other debtors (due in more than 1 year)	144,972	167,751
Total	<u>1,364,580</u>	<u>2,198,587</u>

NOTE 12 – CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

Creditors-Amounts falling due within one year		
	2020	2019
	£	£
Trade payables	629,755	560,762
Contract retentions	267,151	242,908
Accruals and deferred income	899,124	1,158,102
Rent in advance	55,905	80,334
HAG creditor	136,642	121,301
RTB Receipts Repayable on demand	384,778	500,000
Total	<u>2,373,354</u>	<u>2,663,407</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		
	2020	2019
	£	£
Bank term loans	4,908,996	4,908,996
RTB Receipts due to the Scottish Government	5,583,000	5,968,258
Total	10,491,996	10,877,254
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	10,491,996
	10,491,996	10,877,254

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.

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	(41,669,784)	(4,338,390)	(49,438)	(1,273,555)	(47,331,167)
Additions during the year	(114,320)	(7,163,712)	-	-	(7,278,032)
Disposals during the year	227,715	-	-	-	227,715
Transfers in year	(2,377,769)	1,959,062	-	500,502	81,795
Amortised in year	1,353,324	-	2,060	777	1,356,161
At end of year	(42,580,834)	(9,543,041)	(47,378)	(772,276)	(52,943,529)
Prior Year					
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)

NOTE 15 – PROVISIONS FOR LIABILITIES & CHARGES

Pension Fund		
	2020 £	2019 £
At 1 April 2019	2,055,000	1,136,000
Created in Year	(702,000)	919,000
At 31 March 2020	1,353,000	2,055,000

NOTE 16 – SHARE CAPITAL

Share Capital		
	2020 £	2019 £
Shares of £1 each issued and fully paid		
At 1 April 2019	206	203
issued during period	2	3
At 31 March 2020	208	206

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

Norman Macleod

Calum Mackay

Iain Macmillan

Alasdair Mackenzie

David Blaney

Alex Gardner

Fiona Macleod

Roddy Nicolson

Mairi Bremner*

Dolene Smith**

* Mairi Bremner passed away on 22 September 2019

** Dolene Smith resigned from the Board on 29 August 2019

NOTE 17 – KEY MANAGEMENT EMOLUMENTS

OFFICER'S EMOLUMENTS		
	2020 £	2019 £
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)	212,027	197,400
<i>*Amount reported in 2019 restated to exclude Employers NI contributions.</i>		
Emoluments payable to the highest paid officer (excluding pension contributions)	87,078	83,400
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	2	-
More than £70,000 but not more than £80,000	-	-
More than £80,000 but not more than £100,000	1	1
Pension contributions	37,913	15,012
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: 51

At 31 March 2020 the number of employees of the Partnership, including Executive Directors, was 45 (FTE), (2019 – 43 FTE).

EMPLOYEE INFORMATION		
	2020	2019
	£	£
Staff costs (for the above persons)		
Wages and Salaries	1,463,109	1,266,816
Social Security costs	139,443	114,939
Employers' pension costs	271,905	241,960
FRS102 Pension Adjustment (Note 22)	460,000	252,000
	2,334,457	1,875,715
Staff costs capitalised	(580,573)	(516,413)
	<u>1,753,884</u>	<u>1,359,302</u>

NOTE 19 – OPERATING SURPLUS

OPERATING SURPLUS		
	2020	2019
	£	£
Operating surplus is stated after charging:		
Depreciation	3,242,259	2,906,073
Amortised capital grants	(1,356,161)	(1,288,781)
Repairs:cyclical, major, day to day	2,813,073	2,705,306
Auditor's remuneration		
-in their capacity as auditors	11,340	13,530
-in respect of other services	<u>-</u>	<u>-</u>

NOTE 20 – TAXATION

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

NOTE 21 – CAPITAL COMMITMENTS

CAPITAL COMMITMENTS		
	2020	2019
	£	£
Capital expenditure which has been contracted for but has not been provided for in the financial statements	27,167,633	28,504,787
Capital expenditure which has been authorised by the Board but is not contracted	<u>22,846,067</u>	<u>28,622,213</u>
	<u>50,013,700</u>	<u>57,127,000</u>
This is to be funded by:		
Funding from the Scottish Government	16,317,500	20,357,400
Private Finance	<u>33,696,200</u>	<u>36,769,600</u>
	<u>50,013,700</u>	<u>57,127,000</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 18% of pensionable salaries.

As at the balance sheet date there were 51 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 2020. The funding update revealed an increase in the assets of the Scheme to £11.145 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £1.353 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/Pension: £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 2020 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 2019 to 31 March 2020	(3.90%)
Total returns from 1 April 2019 to 31 March 2020	(3.90%)

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

The bid value of the Fund's assets are estimated to be £1,885,254,592 based on information provided by the Administering Authority.

Period Ended	31-Mar-20	31-Mar-19
Equities	66%	70%
Bonds	16%	15%
Property	12%	12%
Cash	6%	3%

Financial Assumptions

Period Ended	31-Mar-20	31-Mar-19
Pension increase Rate	1.90%	2.50%
Salary increase Rate	2.80%	3.50%
Discount Rate	2.30%	2.40%

Historic Mortality

Period Ended	Prospective Pensioners	Pensioners
31-Mar-20	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 2020

Period ended 31 March 2020	Assets £000's	Obligations £000's	Net Liability/ Asset £000's
Fair Value of Plan Assets	10,052	-	10,052
Present Value of liabilities	-	12,075	(12,075)
Present value of unfunded liabilities	-	32	(32)
Opening Position at 31 March 2019	10,052	12,107	(2,055)
Service Cost	-	729	(729)
Net Interest			
Interest on income on plan assets	243	-	243
Interest cost on defined benefit obligation	-	297	(297)
Total Net interest	243	297	(54)
Total defined benefit cost recognised in P & L	243	1,026	(783)
Cashflows			
Plan Participants contributions	91	91	-
Employers contributions	268	-	268
Contributions in respect of unfunded benefits	1	-	1
Benefits paid	(194)	(194)	-
Unfunded benefits paid	(1)	(1)	-
Expected closing position	10,460	13,029	(2,569)
Remeasurements			
Changes in demographic assumptions	-	(425)	425
Changes in financial assumptions	-	(1,366)	1,366
Other experience	-	(64)	64
Return on assets excluding amounts in net interest	(639)	-	(639)
Total remeasurements recognised in Other Comprehensive Income (OCI)	(639)	(1,855)	1,216
Fair Value of plan assets	9,821	-	9,821
Present value of funded liabilities	-	11,145	(11,145)
Present value of unfunded liabilities	-	29	(29)
Closing position at 31 March 2020	9,821	11,174	(1,353)

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	
	2020	2019	2020	2019
Unimproved				
New Build	440	389	158	50
Improved	1,761	1,777	-	-
General Needs Housing	<u>2,201</u>	<u>2,166</u>	<u>158</u>	<u>50</u>
Shared Ownership Accommodation	3	3	-	-
Supported Housing Accommodation	20	24	-	-
Total Housing Stock	<u>2,224</u>	<u>2,193</u>	<u>158</u>	<u>50</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		
	2020	2019
At 31 March 2020 the Partnership had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:	£	£
Within one year	4,851	6,721
In the second to fifth year inclusive	4,851	-
	<u>9,702</u>	<u>6,721</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 £10,084.91

Arrears £278.88

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 £17,560 (2019: £16,552) 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, STORNOW AY, Isle of Lewis HS1 2QP. It is a charity registered in Scotland, Charity Number: SC035767, registered as Registered Social Landlord with the Scottish Housing Regulator, Registration Number: 359 and registered as a Property Factor, Registration Number PF000183

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