

**UNAUDITED MEMBERS' REPORT AND  
FINANCIAL STATEMENTS**

**BRIDGE HOMES LLP**  
**Registration Number: SO304775**

**FOR THE YEAR TO 31 MARCH 2017**

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## MEMBERS' ANNUAL REPORT

The Members present their Annual Report and the Financial Statements for the year ended 31 March 2017.

### Reference and Administrative Information

<b>Company Name</b>	Bridge Homes LLP
<b>Company Registration Number</b>	SO304775
<b>Registered Office</b>	Council HQ Newtown St Boswells Melrose Scottish Borders TD6 0SA

### Designated Members

The members who held office during the year and to the date of these financial statements were as follows:

Scottish Borders Council

Scottish Future Trust Investments Ltd

The members who held office at the date of approval of this members report confirm that, so far as they are each aware, there is no relevant audit information of which Bridge Homes' auditor is unaware; and each member has taken all the steps they ought to have taken as a member to make themselves aware of any relevant audit information and to establish that Bridge Homes' auditor is aware of that information.

<b>Auditor</b>	KPMG LLP 191 West George Street Glasgow G2 2LJ
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Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore remain in office.

### Professional support

The Council provides the Administrative, Legal and Financial support and advice to Bridge Homes.

### Principal Activity

The principal activity of Bridge Homes during the year was investment in mid-market residential property for domestic rental to meet an identified social need within the Scottish Borders.

## **Policy with respect to members' drawings and subscription and repayments of amounts subscribed or otherwise contributed by members**

1. Cash received by Bridge Homes, excluding property disposal proceeds, will be allocated firstly to pay any operating costs, secondly in payment of any accrued interest charges on loan advances, thirdly to reimburse any amounts paid out under the Scottish Government guarantee (see below) and fourthly to establish and maintain the required Reserve Account balance. Any residual balances after making the above payments will be held to apply in early repayment of loan advances. Such balances will not be distributed without the unanimous approval of members and where any payment under the Facility Agreement (between Bridge Homes and Scottish Borders Council) has not been made in accordance with its terms.
2. Cash received from property disposals will be allocated firstly to reimburse any amounts paid out under the Scottish Government guarantee, secondly to pay any operating costs relating to the property disposed, thirdly in payment of any accrued interest charges on loan advances, fourthly to establish and maintain the Reserve Account balance, fifthly to repay any loan principal, sixth to pay any residual disposal proceeds to Scottish Borders Council and finally, following disposal of the final property, to repay the initial capital.

## **Business Review**

### **Background**

Scottish Borders Council (the Council) in partnership with Scottish Futures Trust Investments Ltd (SFT) have established a Council Led House Building Programme (National Housing Trust (NHT) Local Authority (LA) Variant in order to deliver more affordable housing in the Scottish Borders in line with the Local Housing Strategy. This NHT LA Variant, Bridge homes LLP aims to deliver up to 200 homes for mid-market rent.

Bridge Homes is 99.999% owned by the Council and is financed under a Facility Agreement with the Council to borrow up to £18.8m along with a £3.3m contribution from the Councils' Affordable Housing Investment Budget.

The Scottish Government provides a guarantee of rent to cover the loan of up to £3,000 per housing unit delivered.

SFT monitors the projects as a result of the Scottish Government guarantee for the loans.

### **Governance**

The Bridge Homes Board has been established with 2 Council Senior Officers and 1 SFT Senior Officer on the Board. The Board meets quarterly and the financial viability of projects require to be signed off by all 3 Directors.

A Project Board, supported through the Council, has been established and meets regularly to oversee the development and delivery of the initiative. A Project Team, consisting of officers from the Council, has also been established to identify properties, secure property management service providers, develop systems and deliver the project.

### **Activity Summary**

During 2016/17, Bridge Homes acquired additional programmed properties at Croft Field Court, Denholm [8 x 2 bedroom houses], Henderson's Court, Kelso [8 x 2 bedroomed flats], and Waverley Road, Innerleithen [ 6 x 2 bedroomed flats]. This increased Bridge Homes' property portfolio up to 45 units. These are all now being managed by Orchard and Shipman on behalf of Bridge Homes.

The managing agent's performance is being monitored by Council Officers, and no issues have been identified.

Council Officers are currently negotiating the anticipated purchase of 4 flats in Peebles which are currently under construction. Subject to market conditions it is hoped that these will be purchased upon completion in late 2017/18.

Unfortunately, the Developer delivering the 7 unit project at Lilliesleaf has gone into liquidation, so it is now considered very unlikely that this project will complete as intended. Council Officers are dealing with the Administrator seeking to recover the deposit paid by Bridge Homes.

As a result of increasing labour and materials costs, fewer financially viable projects are being negotiated and agreed, and potential future pipeline unit numbers are decreasing sharply. Currently 2 sites are classed as being monitored which could potentially deliver 15 units, plus a further 3 sites capable of potentially 30 units are classed as being open. The initiative deadline for unit completions remains 31 March 2019 and Council Officers are now considering the likelihood of these 5 sites delivering additional completed units prior to this deadline.

This report was signed on behalf of the Members by

**David Robertson CPFA**  
**Designated Member**  
**Scottish Borders Council**  
**28 June 2017**

## **STATEMENT OF MEMBERS' RESPONSIBILITIES IN RESPECT OF THE MEMBERS' REPORT AND FINANCIAL STATEMENTS**

The members are responsible for preparing the Members' report and the financial statements in accordance with applicable law and regulations.

The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 require the members to prepare financial statements for each financial period. Under that law the members have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under Regulation 8 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008, the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the LLP and of the profit or loss of the LLP for that year. In preparing these financial statements, the members are required to:

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

Under Regulation 6 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008, the members are responsible for keeping adequate accounting records that are sufficient to show and explain the LLP's transactions and disclose with reasonable accuracy at any time the financial position of the LLP and enable them to ensure that the financial statements comply with those regulations. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the LLP and to prevent and detect fraud and other irregularities.

## PROFIT AND LOSS ACCOUNT for the year ended 31 March 2017

2015/16 £		2016/17 £	Notes
81,472	Turnover	164,504	1
(17,205)	Cost of Sales	(41,045)	2
<b>64,267</b>	<b>Gross Profit</b>	<b>123,459</b>	
(34,451)	Administrative Expenses	(20,569)	3
<b>29,816</b>	<b>Operating Profit/(Loss)</b>	<b>102,890</b>	
(37,663)	Interest Payable & Similar Expenses	82,146	4
<b>(7,847)</b>	<b>Profit/(Loss) For The Financial Year Available For Discretionary Division Among Members</b>	<b>20,744</b>	<b>5</b>
	<b>Other Comprehensive Income</b>		
0	Revaluation Gain/(Loss) on Property	609,140	
<b>(7,847)</b>	<b>Total Comprehensive Income</b>	<b>629,884</b>	

The LLP's turnover and expenses all relate to continuing operations.

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 March 2017

2015/16 £		2016/17 £
(7,847)	Profit/(Loss) For The Financial Year	20,744
<b>(7,847)</b>	<b>Total Recognised Gains/(Losses) For The Financial Year</b>	<b>20,744</b>

## BALANCE SHEET as at 31 March 2017

2015/2016 £		2016/2017		Notes
		£	£	
	<b>Fixed Assets</b>			
2,667,388	Property, Plant and Equipment	5,863,810		6
<b>2,667,388</b>			<b>5,863,810</b>	
	<b>Current Assets</b>			
99,589	Debtors	93,413		7
15,020	Cash at Bank	30,282		
<b>114,609</b>		<b>123,695</b>		
	<b>Creditors</b>			
<b>(29,638)</b>	Amounts falling due within 1 year	<b>17,980</b>		8
<b>84,972</b>	<b>Net Current Assets/(Liabilities)</b>		<b>105,716</b>	
<b>2,752,360</b>	<b>Net Assets/(Liabilities) attributable to Members</b>		<b>5,969,526</b>	
	<b>Represented By:</b>			
2,343,320	Loans and Other Debts due to Members		<b>4,600,602</b>	9
	<b>Members' Other Interests</b>			
429,002	Capital Account	759,002		10
(19,962)	Profit and Loss Reserve	782		
	Revaluation Reserve	609,140		
			<b>1,368,924</b>	
<b>2,752,360</b>	<b>Total Members' Interests</b>		<b>5,969,526</b>	

The Accounting Policies on pages 9 and 10 and the Notes on pages 11 to 13 form part of these Financial Statements.

These financial statements were approved by the members and authorised for issue on 28 June 2017 and are signed on their behalf by:

**David Robertson CPFA**  
 Designated Member  
 Scottish Borders Council  
 28 June 2017



## CASH FLOW for the year ended 31 March 2017

2015/16 £		2016/17 £
	<b>Reconciliation of Profit/(Loss) to</b>	
	<b>Net Cash Flow from Operating Activities</b>	
(7,847)	Profit/(Loss) for the Financial Year	20,744
21,380	Adjustments to Profit/Loss for Non Cash Movements	
0	Initial Members Capital	0
(92,006)	(Increase)/Decrease in Debtors	6,176
5,856	Increase/(Decrease) in Creditors due within 1 year	(11,658)
<b>(72,617)</b>	<b>Net Cash Inflow/(Outflow) from Operating Activities</b>	<b>15,262</b>

2015/16 £		2016/17 £
	<b>Cash Flow Statement</b>	
<b>(72,617)</b>	<b>Net Cash Inflow/(Outflow) from Operating Activities</b>	<b>15,262</b>
	<b>Investing Activities</b>	
(1,398,989)	Purchase of investment property	(2,587,282)
125,600	Capital received	330,000
<b>(1,273,389)</b>	<b>Net Cash Inflow/(Outflow) from Investing Activities</b>	<b>(2,257,282)</b>
	<b>Financing Activities</b>	
1,356,940	Cash received from loans and other borrowing	2,257,282
<b>1,356,940</b>	<b>Net Cash Inflow/(Outflow) from Financing Activities</b>	<b>2,257,282</b>
<b>10,934</b>	<b>Increase / (Decrease) in Cash</b>	<b>15,262</b>
<b>10,934</b>	<b>Movement in Cash in Period</b>	<b>15,262</b>

## ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material to the financial statements.

### Basis of Preparation

The financial statements have been prepared under historic cost accounting rules modified for the revaluation of certain fixed assets and in accordance with the Financial Reporting Standards for Smaller Entities (effective April 2008) and the Statement of Recommended Practice: Accounting by Limited Liability Partnerships (effective January 2010) issued by the CCAB (Consultative Committee of Accountancy Bodies).

### Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Fees, charges and rents due from tenants are accounted for as income at the date the relevant service is provided.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
- Interest payable on capital advances is accounted for based on the applicable 4<sup>1/2</sup> - 5 year PWLB (Public Works Loan Board) fixed interest rate applicable at the date the borrowing was initially incurred.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet.
- Income and expenditure are credited and debited to the revenue account, unless they properly represent capital receipts or capital expenditure.

### Turnover

Turnover represents invoiced rental income from tenanted investment properties. This rental income is exempt from value added tax.

### Tangible Fixed Assets

Tangible fixed assets, with a value greater than £1,000, having a value to the business greater than one year, other than those acquired for the purpose of specific projects, are capitalised.

Property, Plant and Equipment is shown at most recent valuation. Any aggregate surplus or deficit arising from changes in market value is transferred to a revaluation reserve.

Under the Revaluation Policy, Property, Plant and Equipment are subject to revaluation every year. Depreciation is charged on all tangible fixed assets other than land at a rate which will reduce the current value of the asset to its residual value over the remaining effective life of the asset.

### Cash and Liquid Assets

Cash, for the purposes of the cash flow statement, comprises cash in hand and deposits repayable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either convertible into known amounts of cash at or close to their carrying values. Liquid resources comprise term deposits of less than one year.

### **Inventories**

Any inventories are included in the Balance Sheet at the lower of cost and net realisable value.

### **Support Services**

The costs of support services provided by Scottish Borders Council are charged to Bridge Homes LLP in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2014/15 (SeRCOP).

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Turnover

2015/16 £		2016/17 £
72,540	Rental Income	155,093
8,932	Revenue Grant	9,411
<b>81,472</b>		<b>164,504</b>

### 2 Cost of Sales

2015/16 £		2016/17 £
15,650	Management Charges	40,619
1,427	Insurance	0
0	Landlord Registration	218
128	Utilities	208
<b>17,205</b>		<b>41,045</b>

### 3 Administrative Expenses

2015/16 £		2016/17 £
4,997	Accountancy and Legal	11,007
800	Professional Fees	0
21,380	Revaluations	0
3,935	Audit	5130
3,030	Estates and Housing	4,015
309	Miscellaneous	418
<b>34,451</b>		<b>16,069</b>

### 4 Interest Payable & Similar Charges

2015/16 £		2016/17 £
42	Bank Charges	192
37,621	Interest Payable to Local Authority	81,955
<b>37,663</b>		<b>82,146</b>

## 5 Members' Interests

2015/16 £		2016/17 £
7,847	Scottish Borders Council	20,744
-	Scottish Futures Trust Investments Ltd	-
<b>7,847</b>		<b>20,744</b>

## 6 Property, Plant and Equipment

2015/16 £		2016/17 £
1,398,989	Additions at Cost	2,587,282
(21,380)	Revaluations	609,140
<b>2,667,388</b>	NBV at 31 March	<b>5,863,810</b>

## 7 Debtors

2015/16 £		2016/17 £
5,550	Unpaid Rental Income	0
0	Grant for Central Support Costs	9,411
94,039	Other Debtors	84,002
<b>99,589</b>		<b>93,413</b>

## 8 Creditors: Amounts Falling Due Within One Year

2015/16 £		2016/17 £
433	Management Charges	0
800	Professional Fees	0
0	Insurance	0
0	Utilities	0
3,000	Audit	4,500
0	Accountancy	2,349
0	Legal Fees	6,968
0	Miscellaneous	4,163
25,405	Interest Payable to Local Authority	0
<b>29,638</b>		<b>17,980</b>

## 9 Loans & Other Debts Due To Members

2015/16 £		2016/17 £
1,356,940	Loan from Local Authority	2,257,282

## 10 Members' Capital

2015/16 £		2016/17 £
	Initial Capital - Scottish Borders Council	1
	Initial Capital – Scottish Futures Trust Investments Ltd	1
125,600	Capital Grant - Scottish Borders Council	330,000
<b>125,600</b>		<b>330,002</b>

## 11 Reserves

	Members Capital (Classified As Equity) £	Profit & Loss Reserve £	Revaluation Reserve £	Loans & Other Debts Due To/From Members £	Total £
Balance at 1 April 2016	429,002	(19,962)	0	2,343,320	2,752,360
Profit/(Loss) For The Year Available for Discretionary Division Among Members		20,744			20,744
Loan Funding Provided By Members				2,257,282	2,257,282
Revaluations			609,140		609,140
Capital Introduced By Members	330,000				330,000
<b>Balance at 31 March 2017</b>	<b>759,002</b>	<b>782</b>	<b>609,140</b>	<b>4,600,602</b>	<b>5,969,526</b>

## 12 Related Party Transactions

Throughout the year Bridge Homes was controlled by the members. During the year, Bridge Homes entered into the following transactions with Scottish Borders Council:

	Transaction	Debtor/ (Creditor) At 31 March 2017
	£	£
<b>Loan</b>	2,257,282	
<b>Capital Funding</b>	330,002	-
<b>Revenue Grant</b>		9,411
<b>Service Charge</b>		(9,411)
<b>Loan Interest</b>	81,995	
	<b>2,669,339</b>	

## 13 Ultimate Controlling Party

The Bridge Homes is controlled by the Designated Members as detailed on page 2.

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRIDGE HOMES LLP**

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## CONTACT INFORMATION

For further information on Bridge Homes LLP, please contact

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