

annual report and financial statements

Bridge Homes LLP

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

Company Name	Bridge Homes LLP
Company Registration Number	SO304775
Registered Office	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.

Auditor KPMG LLP
319 St Vincent Street
Glasgow
G2 5AS

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 bedrooomed flats], and Waverley Road, Innerleithen [6 x 2 bedrooomed 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 September 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), including FRS 102 1A, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

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.

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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
64,267	Gross Profit	123,459	
(34,451)	Administrative Expenses	(20,569)	3
29,816	Operating Profit	102,890	
(37,663)	Interest Payable & Similar Expenses	(82,146)	4
(7,847)	Profit/ (Loss) For The Financial Year Available For Discretionary Division Among Members	20,744	
	Other Comprehensive Income		
0	Reversal of Previous Impairment on Property	27,373	
0	Revaluation Gain on Property	581,767	
(7,847)	Total Comprehensive Income	629,884	

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
(7,847)	Total Recognised Gains/(Losses) For The Financial Year	20,744

BALANCE SHEET as at 31 March 2017

2015/2016		2016/2017		Notes
£		£	£	
2,667,388	Fixed Assets			
	Land and Buildings		5,863,810	5
	Current Assets			
99,589	Debtors	93,413		6
15,020	Cash at Bank	30,282		
114,609		123,695		
	Creditors			
(29,638)	Amounts falling due within 1 year	(17,980)		7
84,972	Net Current Assets		105,716	
2,752,360	Net Assets attributable to Members		5,969,526	
	Represented By:			
2,343,320	Loans and Other Debts due to Members		4,600,602	8
	Members' Other Interests			
429,002	Capital Account	759,002		
(19,962)	Profit and Loss Reserve	28,155		
0	Revaluation Reserve	581,767		
			1,368,924	
2,752,360	Total Members' Interests		5,969,526	

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

Company Registered Number: SO304775

CASH FLOW for the year ended 31 March 2017

Restated 2015/16 £		2016/17 £
	Reconciliation of Profit/(Loss) to Net Cash Flow from Operating Activities	
(7,847)	Profit/(Loss) for the Financial Year	20,744
59,043	Adjustments to Profit/Loss for Non Cash Movements/Non-Operating Activities: Interest paid	82,146
(92,006)	(Increase)/Decrease in Debtors	6,176
5,856	Increase/(Decrease) in Creditors due within 1 year	(11,658)
(34,954)	Net Cash Inflow/(Outflow) from Operating Activities	97,408

2015/16 £		2016/17 £
	Cash Flow Statement	
(34,954)	Net Cash Inflow/(Outflow) from Operating Activities	97,408
	Investing Activities	
(1,398,989)	Purchase of Property, Plant and Equipment	(2,587,282)
(1,398,989)	Net Cash Outflow from Investing Activities	(2,587,282)
	Financing Activities	
125,600	Capital Received	330,000
1,356,940	Cash received from loans and other borrowing	2,257,282
(37,663)	Interest Payable	(82,146)
1,444,877	Net Cash Inflow from Financing Activities	2,505,136
10,934	Increase in Cash	15,262
10,934	Movement in Cash in Period	15,262

STATEMENT OF CHANGES IN EQUITY for the year ended 31 March 2017

	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		27,373	581,767		609,140
Capital Introduced By Members	330,000				330,000
Balance at 31 March 2017	759,002	28,155	581,767	4,600,602	5,969,526

	Members Capital (Classified As Equity) £	Profit & Loss Reserve £	Revaluation Reserve	Loans & Other Debts Due To/From Members £	Total £
Balance at 1 April 2015	303,402	(12,115)	0	986,380	1,277,667
Profit/(Loss) For The Year Available for Discretionary Division Among Members		(7,847)			(7,847)
Loan Funding Provided By Members				1,356,940	1,356,940
Capital Introduced By Members	125,600				125,600
Balance at 31 March 2016	429,002	(19,962)	0	2,343,320	2,752,360

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 FRS 102 1A, the Financial Reporting Standard applicable in the UK and Republic of Ireland, and the Statement of Recommended Practice: Accounting by Limited Liability Partnerships (effective 2017) 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^{1/2} - 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.

Land and Buildings are 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. The fixed assets were revalued as at 31 March 2017 by Shepherd Chartered Surveyors, Independent Valuers.

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 2016/17 (SeRCOP).

NOTES TO THE FINANCIAL STATEMENTS

1 Turnover

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

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
17,205		41,045

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	5,130
3,030	Estates and Housing	4,015
309	Miscellaneous	418
34,451		20,569

4 Interest Payable & Similar Charges

2015/16 £		2016/17 £
42	Bank Charges	192
37,621	Interest Payable on loan from Local Authority	81,955
37,663		82,146

5 Land and Buildings

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

6 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
99,589		93,413

7 Creditors: Amounts Falling Due Within One Year

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

8 Loans & Other Debts Due To Members

Loan advances shall be repaid in full on the Final Repayment Date. Interest is payable on each Advance at a fixed rate per annum, based on the prevailing PWLB interest rate.

2015/16 £		2016/17 £	Cumulative Total £
1,356,940	Loan from Local Authority	2,257,282	4,600,602

9 Members' Capital

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

10 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:

Debtor/ (Creditor) At 31 March 2016 (Restated) £		Transaction £	Debtor/ (Creditor) At 31 March 2017 £
(2,343,320)	Loan	2,257,282	(4,600,602)
-	Capital Funding	330,002	-
-	Revenue Grant		9,411
-	Service Charge		(9,411)
(25,405)	Loan Interest	81,995	-
		2,669,339	

11 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

We have audited the financial statements of Bridge Homes LLP for the year ended 31 March 2017 set out on pages 6 to 16. The financial reporting framework that has been applied in their preparation is applicable law and Section 1A of FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (UK Generally Accepted Accounting Practice applicable to Smaller Entities).

This report is made solely to the members of the limited liability partnership (LLP), as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as required by Regulation 39 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the LLP'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 LLP and the LLP's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of members and auditor

As explained more fully in the Members' Responsibilities Statement set out on page 5, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, of the state of affairs of the LLP as at 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 as applied to limited liability partnerships requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit; or

- the members were not entitled to prepare financial statements in accordance with the small limited liability partnerships' regime.

Hugh Harvie (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EG
29th September 2017

Statement of members' responsibilities in respect of the Members' Report and the 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 year. Under that law the members have elected to prepare the financial statements in accordance with applicable law and Section 1A of FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (UK Generally Accepted Accounting Practice applicable to Smaller Entities).

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 for that period. 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 its 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.

CONTACT INFORMATION

For further information on Bridge Homes LLP, please contact

Lynn Mirley	Telephone: 01835 – 825016
Corporate Finance Manager	E-mail: lmirley@scotborders.gov.uk
Scottish Borders Council	Council Headquarters Newtown St Boswells MELROSE TD6 0SA