

annual report and financial statements

Bridge Homes LLP

For the year to 31 March 2018

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MEMBERS' ANNUAL REPORT

The Members present their Annual Report and the Financial Statements for the year ended 31 March 2018.

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 20 Castle Terrace Saltire Court Edinburgh EH1 2EG
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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 2017/18, Bridge Homes did not acquire any more properties, so the property portfolio remains 45 houses and flats. Orchard and Shipman continues to manage these on behalf of Bridge Homes.

The managing agent's performance is being monitored by Council Officers, and some minor issues have experienced due to staff turnover within the managing agent's local Edinburgh office. However these have been successfully resolved.

Council Officers have been negotiating the intended acquisition upon completion of 5 x 2 bedroom houses at Broomlands Kelso. It is anticipated that these will be completed around October 2018. Unfortunately the bad winter weather conditions have adversely impacted on the construction of 4 flats in Peebles which did not complete on programme during 2017/18. It is anticipated that these will now be completed and acquired by Bridge Homes in May and July 2018.

There has been no further progress made towards the delivery of the proposed Lilliesleaf project. The Administrator is dealing with winding up the developer's business.

As a result of increasing labour and materials costs, the constraints of the funding mechanism, and the impending initiative deadline of 31 March 2019 for completion of units, it is now considered extremely unlikely that Bridge Homes will be able to acquire additional units. Therefore it is anticipated that the acquisition of the above 9 properties will complete the end of the development phase of Bridge Homes activity, by delivering a total of 54 homes.

This report was signed on behalf of the Members by

David Robertson CPFA
Designated Member
Scottish Borders Council
25 September 2018

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 year. 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 *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 its profit or loss 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;
- assess the LLP's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the LLP or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

The members are responsible for the maintenance and integrity of the corporate and financial information included on the LLP's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdiction

PROFIT AND LOSS ACCOUNT for the year ended 31 March 2018

2016/17 Restated £		2017/18 £	Notes
164,549	Turnover	222,549	1
(41,045)	Cost of Sales	(47,943)	2
123,504	Gross Profit	174,606	
(20,569)	Administrative Expenses	(24,935)	3
27,373	Revaluations	(13,686)	
130,308	Operating Profit	135,985	
(82,146)	Interest Payable & Similar Expenses	(90,733)	4
48,162	Profit For The Financial Year Available For Discretionary Division Among Members	45,252	5
581,767	Other Comprehensive Income Revaluation Gain on Property	315,486	
629,929	Total Comprehensive Income	360,738	

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

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 March 2018

2016/17 Restated £		2017/18 £
48,162	Profit For The Financial Year	45,252
48,162	Total Recognised Gains For The Financial Year	45,252

BALANCE SHEET as at 31 March 2018

2016/2017 Restated £		2017/2018		Notes
		£	£	
5,863,810	Fixed Assets Property, Plant and Equipment		6,165,609	5
	Current Assets			
93,414	Debtors	114,185		6
30,327	Cash at Bank	124,413		
123,741		238,598		
	Creditors			
(17,980)	Amounts falling due within 1 year	(73,898)		7
105,761	Net Current Assets		164,700	
5,969,571	Net Assets attributable to Members		6,330,309	
	Represented By:			
4,600,602	Loans and Other Debts due to Members		4,600,602	8
	Members' Other Interests			9
759,002	Capital Account	759,002		
10,703	Profit and Loss Reserve	55,955		
599,264	Revaluation Reserve	914,750		
5,969,571	Total Members' Interests		6,330,309	

The Accounting Policies on pages 10 and 11 and the Notes on pages 12 to 14 form part of these Financial Statements.

These financial statements were approved by the members and authorised for issue on 26 June 2018 and are signed on their behalf by:

David Robertson CPFA
Designated Member
Scottish Borders Council
25 September 2018

Company Registered Number: SO304775

CASH FLOW STATEMENT for the year ended 31 March 2018

2016/17 Restated £		2017/18 £
	Reconciliation of Profit to Net Cash Flow from Operating Activities	
48,162	Profit for the Financial Year	45,252
54,773	Adjustments to Profit for Non Cash Movements	104,421
6,176	(Increase)/Decrease in Debtors	(20,772)
(11,658)	Increase/(Decrease) in Creditors due within 1 year	55,918
97,453	Net Cash Inflow from Operating Activities	184,819

2016/17 Restated £		2017/18 £
	Cash Flow Statement	
97,453	Net Cash Inflow from Operating Activities	184,819
	Investing Activities	
(2,587,282)	Purchase of investment property	0
(2,587,282)	Net Cash Inflow/(Outflow) from Investing Activities	0
	Financing Activities	
330,000	Capital Received	0
2,257,282	Cash received from loans and other borrowing	0
(82,146)	Interest Payable	(90,733)
2,505,136	Net Cash Inflow/(Outflow) from Financing Activities	(90,733)
15,307	Increase in Cash	94,086
15,307	Movement in Cash in Period	94,086

STATEMENT OF CHANGES IN EQUITY for the year ended 31 March 2018

	Members Capital (Classified As Equity)	Profit & Loss Reserve	Revaluation Reserve	Loans & Other Debts Due To Members	Total
	£	£	£	£	£
Balance at 1 April 2017	759,002	10,703	599,264	4,600,602	5,969,571
Profit For The Year Available for Discretionary Division Among Members	0	45,252	0	0	45,252
Loan Funding Provided By Members	0	0	0	0	0
Revaluations	0	0	315,486	0	315,486
Capital Introduced By Members	0	0	0	0	0
Balance at 31 March 2018	759,002	55,955	914,750	4,600,602	6,330,309

Restated	Members Capital (Classified As Equity)	Profit & Loss Reserve	Revaluation Reserve	Loans & Other Debts Due To Members	Total
	£	£	£	£	£
Balance at 1 April 2016, as previously reported	429,002	(19,962)	0	2,343,320	2,752,360
Impact of correction or errors*	0	(17,497)	17,497	0	0
Restated balance at 1 April 2016	429,002	(37,459)	17,497	2,343,320	2,752,360
Profit For The Year Available for Discretionary Division Among Members	0	48,162	0	0	48,162
Loan Funding Provided By Members	0	0	0	2,257,282	2,257,282
Revaluations	0	0	581,767	0	581,767
Capital Introduced By Members	330,000	0	0	0	330,000
Balance at 31 March 2017	759,002	10,703	599,264	4,600,602	5,969,571

*Refer to note 12 for details

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 2018 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

2016/17 £		2017/18 £
155,138	Rental Income	213,138
9,411	Revenue Grant	9,411
164,549		222,549

2 Cost of Sales

2016/17 £		2017/18 £
40,619	Management Charges	40,636
0	Insurance	5,659
218	Landlord Registration	495
208	Utilities	1,153
41,045		47,943

3 Administrative Expenses

2016/17 £		2017/18 £
11,007	Accountancy and Legal	12,490
0	Professional Fees	3,000
5,130	Audit	5,430
4,015	Estates and Housing	4,015
418	Miscellaneous	0
20,569		24,935

4 Interest Payable & Similar Charges

2016/17 £		2017/18 £
192	Bank Charges	40
81,955	Interest Payable to Local Authority	90,693
82,146		90,733

5 Land and Buildings

2016/17 £		2017/18 £
2,667,388	NBV at 31 March 2017	5,863,809
2,587,282	Additions at Cost	0
609,140	Revaluations	301,800
5,863,810	NBV at 31 March 2018	6,165,609

6 Debtors

2016/17 £		2017/18 £
0	Unpaid Rental Income	20,772
9,411	Grant for Central Support Costs	9,411
84,003	Other Debtors	84,002
93,414		114,185

7 Creditors: Amounts Falling Due Within One Year

2016/17 £		2017/18 £
0	Management Charges	1,620
0	Professional Fees	3,000
4,500	Audit	4,500
2,349	Accountancy	2,349
6,968	Legal Fees	13,044
4,163	Miscellaneous	4,163
0	Interest Payable to Local Authority	45,222
17,980		73,898

8 Loans & Other Debts Due To Members

2016/17 £		2017/18 £
2,257,282	Loan from Local Authority	4,600,602

9 Members' Capital

2016/17 £		2017/18 £
1	Initial Capital - Scottish Borders Council	1
1	Initial Capital – Scottish Futures Trust Investments Ltd	1
330,000	Capital Grant - Scottish Borders Council	0
330,002		2

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:

	Transaction £	Debtor/ (Creditor) At 31 March 2018 £
Loan	0	(4,600,602)
Legal Recharge	6,076	(6,076)
Revenue Grant	9,411	9,411
Service Charge	9,411	(9,411)
Loan Interest	90,693	(45,222)

11 Ultimate Controlling Party

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

12 Prior Year Restatement

It should be noted that various core statements for 2016/17 have been restated. These statements have been amended to reflect the reversal of prior year's impairment which was previously shown within Other Comprehensive Income but is now reported as part of operating profit in the 2016/17 restated figures. Within the Profit and Loss Statement this has resulted in an increase in Profit for the Financial Year Available for Discretionary Division Among Members of £27,418 with a corresponding decrease in Other Comprehensive Income. There has also been an adjustment to the 2016 opening balances on the Balance Sheet, the Revaluation Reserve has increased by £17,497 with an equivalent movement in the Profit and Loss Reserve – see restated Changes in Equity Statement. This restatement does not have a material impact on the current or prior year result or financial position.

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

Opinion

We have audited the financial statements of Bridge Homes LLP ("the LLP") for the year ended 31 March 2018 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, Cash Flow Statement, Statement of Changes in Equity and related notes, including the accounting policies.

In our opinion the financial statements:

- give a true and fair view, of the state of affairs of the LLP as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the LLP in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The members are responsible for the other information, which comprises the members' report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Matters on which we are required to report by exception

Under the Companies Act 2006 as applied to limited liability partnerships we are required 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.

We have nothing to report in these respects.

Members' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the LLP'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 they either intend to liquidate the LLP or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the members of the 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.

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

27 September 2018

CONTACT INFORMATION

For further information on Bridge Homes LLP, please contact

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Financial Services Manager	E-mail: sdouglas@scotborders.gov.uk
Scottish Borders Council	Council Headquarters Newtown St Boswells MELROSE TD6 0SA

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