

annual report and financial statements

Bridge Homes LLP

For the year to 31 March 2016

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MEMBERS' ANNUAL REPORT

The Members present their Annual Report and the Financial Statements for the year ended 31 March 2016.

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
191 West George Street
Glasgow
G2 2LJ

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

In the year to 31 March 2016, as a result of a Council-led procurement and selection process, Orchard and Shipman have been appointed Bridge Homes Managing Agents. Their first substantive task was to undertake the marketing and letting of 13 x 2 bedroom houses at Standalane Way, Peebles. These were the only new property acquisitions during 2015/16 and brought the Bridge

Homes portfolio up to 23 properties. All properties have been rented out at mid-market rent, in accordance with the National Housing Trust local authority variant model.

Contracts are now in place with 3 developers and construction work is in progress on sites at Innerleithen, Kelso and Denholm. These consist of 6, 8 and 8 properties respectively. All of which are due to complete in 2016/17. An offer to purchase 10 properties in Cardrona remains in place. A deposit has been paid against 7 properties to be built in Lilliesleaf where work is expected to start in May 2016, with an anticipated completion and handover later in 2016/17. Additional development opportunities continue to be pursued, with 6 sites being monitored which could provide around 35 properties, plus a further 20 sites being classified as "open" which could provide an estimated 147 properties.

This report was signed on behalf of the Members by

David Robertson CPFA
Designated Member
Scottish Borders Council
29th September 2016

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 2016

	2014/15 £	2015/16 £	Notes
Turnover	11,581	81,472	1
Cost of Sales	(3,502)	(17,205)	2
Gross Profit	8,079	64,267	
Administrative Expenses	(10,610)	(34,451)	3
Operating Profit/(Loss)	(2,531)	29,816	
Interest Payable & Similar Expenses	(9,584)	(37,663)	4
Profit/(Loss) For The Financial Year Available For Discretionary Division Among Members	(12,115)	(7,847)	5

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

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 March 2016

	2014/15 £	2015/16 £
Profit/(Loss) For The Financial Year	(12,115)	(7,847)
Total Recognised Gains/(Losses) For The Financial Year	(12,115)	(7,847)

BALANCE SHEET as at 31 March 2016

	2014/2015	2015/2016		Notes
	£	£	£	
Fixed Assets				
Property, Plant and Equipment	1,289,780	2,667,388		6
	1,289,780	2,667,388		
Current Assets				
Debtors	7,583	99,589		7
Cash at Bank	4,086	15,020		
	11,669	114,609		
Creditors				
Amounts falling due within 1 year	(23,782)	(29,638)		8
Net Current Assets/(Liabilities)	(12,113)	84,972		
Net Assets/(Liabilities) attributable to Members	1,277,667	2,752,360		
Represented By:				
Loans and Other Debts due to Members	986,380	2,343,320		9
Members' Other Interests				
Capital Account	303,402	429,002		10
Profit and Loss Reserve	(12,115)	(19,962)		
		409,040		
Total Members' Interests	1,277,667	2,752,360		

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 30 June 2016 and are signed on their behalf by:

David Robertson CPFA
Designated Member
Scottish Borders Council
29th September 2016

CASH FLOW for the year ended 31 March 2016

	2014/15 £	2015/16 £
Reconciliation of Profit/(Loss) to		
Net Cash Flow from Operating Activities		
Profit/(Loss) for the Financial Year	(12,115)	(7,847)
Adjustments to Profit/Loss for Non Cash Movements	0	21,380
Initial Members' Capital	2	0
(Increase)/Decrease in Debtors	(7,583)	(92,006)
Increase/(Decrease) in Creditors due within 1 year	23,782	5,856
Net Cash Inflow/(Outflow) from Operating Activities	4,086	(72,617)

	£	£
Cash Flow Statement		
Net Cash Inflow/(Outflow) from Operating Activities	4,086	(72,617)
Investing Activities		
Purchase of investment property	(1,289,780)	(1,398,989)
Capital received	303,400	125,600
Net Cash Inflow/(Outflow) from Investing Activities	(986,380)	(1,273,389)
Financing Activities		
Cash received from loans and other borrowing	986,380	1,356,940
Net Cash Inflow/(Outflow) from Financing Activities	986,380	1,356,940
Increase / (Decrease) in Cash	4,086	10,934
Movement in Cash in Period	4,086	10,934

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^{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.

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

	2014/15 £	2015/16 £
Rental Income	4,121	72,540
Revenue Grant	7,460	8,932
	11,581	81,472

2 Cost of Sales

	2014/15 £	2015/16 £
Management Charges	2,565	15,650
Insurance	457	1,427
Utilities	480	128
	3,502	17,205

3 Administrative Expenses

	2014/15 £	2015/16 £
Accountancy and Legal	4,046	4,997
Professional Fees	0	800
Revaluations	0	21,380
Audit	3,000	3,935
Estates and Housing	3,415	3,030
Miscellaneous	149	309
	10,610	34,451

4 Interest Payable & Similar Charges

	2014/15 £	2015/16 £
Bank Charges	14	42
Interest Payable to Local Authority	9,570	37,621
	9,584	37,663

5 Members' Interests

	2014/15 £	2015/16 £
Scottish Borders Council	12,115	7,847
Scottish Futures Trust Investments Ltd	-	-
	12,115	7,847

6 Property, Plant and Equipment

	2014/15 £	2015/16 £
Additions at Cost	1,289,780	1,398,989
Revaluations	0	(21,380)
NBV at 31 March	1,289,780	2,667,388

Following a review of Accounting Standards issued under Financial Reporting Standards for Smaller Entities, it has been agreed that properties previously designated as Investment Properties should now be categorised as Property, Plant and Equipment.

7 Debtors

	2014/15 £	2015/16 £
Unpaid Rental Income	121	5,550
Grant for Central Support Costs	7,460	0
Other Debtors	2	94,039
	7,583	99,589

8 Creditors: Amounts Falling Due Within One Year

	2014/15 £	2015/16 £
Management Charges	2,565	433
Professional Fees	0	800
Insurance	457	0
Utilities	480	0
Audit	3,000	3,000
Accountancy	2,254	0
Legal Fees	1,792	0
Miscellaneous	3,664	0
Interest Payable to Local Authority	9,570	25,405
	23,782	29,638

9 Loans & Other Debts Due To Members

	2014/15 £	2015/16 £
Loan from Local Authority	986,380	1,356,940

10 Members' Capital

	2014/15 £	2015/16 £
Initial Capital - Scottish Borders Council	1	
Initial Capital – Scottish Futures Trust Investments Ltd	1	
Capital Grant - Scottish Borders Council	303,400	125,600
	303,402	125,600

11 Reserves

	Members Capital (Classified As Equity) £	Profit & Loss Reserve £	Loans & Other Debts Due To/From Members £	Total £
Balance at 1 April 2015	303,402	(12,115)	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)	2,343,320	2,752,360

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 2016
	£	£
Loan	1,356,940	(1,356,940)
Capital Funding	125,600	-
Revenue Grant	8,932	-
Service Charge	8,932	-
Loan Interest	37,621	(25,405)
	1,538,024	(1,382,345)

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

We have audited the financial statements of Bridge Homes LLP for the year ended 31 March 2016 set out on pages 6 to 14. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including the Financial Reporting Standard for 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 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; 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;
- 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

Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

29 September 2016

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