

UNAUDITED MEMBERS' REPORT AND FINANCIAL STATEMENTS

BRIDGE HOMES LLP
Registration Number: SO304775

FOR THE YEAR TO 31 MARCH 2019

Contents

	Page
Members' Annual Report	2
Statement of Members' Responsibilities for the Members' Report and Financial Statements	5
Financial Statements	
Profit and Loss Account	6
Statement of Total Recognised Gains and Losses	6
Balance Sheet	7
Cash Flow Statement	8
Statement of Changes in Equity	9
Accounting Policies	10
Notes to the Accounts	12
Independent Auditor's Report to the Members of Bridge Homes LLP	15
Contact Information	17

MEMBERS' ANNUAL REPORT

The Members present their Annual Report and the Financial Statements for the year ended 31 March 2019.

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

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

Bridge Homes was legally established in 2014/15 as a Limited Liability Partnership between Scottish Borders Council and Scottish Futures Trust in order to provide additional affordable housing for mid-market rent via the National Housing Trust / Local Authority Variant initiative. By 31 March 2018 Bridge Homes owned 45 homes at Castle View Ayton, Queen Elizabeth Drive Galashiels,

Standalane Way Peebles, Croft Field Court Denholm, Henderson's Court Kelso, and Waverley Road Innerleithen.

During 2018/19 Bridge Homes acquired an additional 4 flats at Hydro Gardens Peebles and 5 houses at Washington Avenue Kelso. Therefore by year end 31 March 2019 Bridge Homes owned 54 affordable homes across Scottish Borders. These final 9 acquisitions effectively brought an end to the development or acquisition phase of Bridge Homes activity. The 31 March 2019 was also the extended initiative deadline for completed homes delivery agreed between the Council and Scottish Government. In August 2018, Bridge Homes agreed to extend the existing 3 year Managing Agent contract by a further 2 years on the same terms and conditions. This was done on the basis of option conditions set out within the original contract.

Existing response repairs reporting to the Managing Agent and repairs delivery by Borders Property Maintenance, and Key Performance Indicator reporting arrangements continue.

The National Housing Trust / Local Authority Variant model is predicated on the disposal of Bridge Homes properties sometime between their fifth and tenth year anniversaries in order to repay the loan capital to the Council. It is intended that Council Officers will bring forward a report to The Council's Executive Committee outlining a potential disposal strategy in autumn 2019.

This report was signed on behalf of the Members by

David Robertson CPFA
Designated Member
Scottish Borders Council
25 June 2019

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 2019

2017/18 Restated £		2018/19 £	Notes
222,549	Turnover	239,485	1
(47,943)	Cost of Sales	(46,601)	2
174,606	Gross Profit	192,884	
(24,935)	Administrative Expenses	(98,749)	3
(13,686)	Revaluations	(58,686)	
135,985	Operating Profit	35,449	
(90,733)	Interest Payable & Similar Expenses	(100,639)	4
45,252	Profit For The Financial Year Available For Discretionary Division Among Members	(65,190)	5
	Other Comprehensive Income		
315,486	Revaluation Gain on Property	(11,314)	
360,738	Total Comprehensive Income	(76,504)	

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

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 March 2019

2016/17 Restated £		2017/18 £
45,252	Profit For The Financial Year	(65,190)
45,252	Total Recognised Gains For The Financial Year	(65,190)

BALANCE SHEET as at 31 March 2019

2017/2018 Restated £		2018/2019		Notes
		£	£	
6,165,609	Fixed Assets Property, Plant and Equipment		7,242,889	5
	Current Assets			
114,185	Debtors	98,512		6
124,413	Cash at Bank	213,449		
238,598		311,961		
	Creditors			
(73,898)	Amounts falling due within 1 year	(70,665)		7
	Provisions			
0	Provisions for Bad Debt	(84,000)		3
164,700	Net Current Assets		157,296	
6,330,309	Net Assets attributable to Members		7,400,184	
	Represented By:			
4,600,602	Loans and Other Debts due to Members		5,611,982	8
	Members' Other Interests			9
759,002	Capital Account	894,002		
55,955	Profit and Loss Reserve	(9,236)		
914,750	Revaluation Reserve	903,436		
6,330,309	Total Members' Interests		7,400,184	

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 25 June 2019 and are signed on their behalf by:

David Robertson CPFA
Designated Member
Scottish Borders Council
25 June 2019

Company Registered Number: SO304775

CASH FLOW STATEMENT for the year ended 31 March 2019

2017/18 Restated £		2018/19 £
	Reconciliation of Profit to Net Cash Flow from Operating Activities	
45,252	Profit for the Financial Year	(65,190)
104,421	Adjustments to Profit for Non Cash Movements	159,325
(20,772)	(Increase)/Decrease in Debtors	15,673
55,918	Increase/(Decrease) in Creditors due within 1 year	80,767
184,819	Net Cash Inflow from Operating Activities	190,574

2017/18 Restated £		2018/19 £
	Cash Flow Statement	
184,819	Net Cash Inflow from Operating Activities	190,574
	Investing Activities	
0	Purchase of investment property	(1,147,280)
0	Net Cash Inflow/(Outflow) from Investing Activities	(1,147,280)
	Financing Activities	
0	Capital Received	135,000
0	Cash received from loans and other borrowing	1,011,380
(90,733)	Interest Payable	(100,639)
(90,733)	Net Cash Inflow/(Outflow) from Financing Activities	(1,045,741)
94,086	Increase in Cash	89,035
94,086	Movement in Cash in Period	89,035

STATEMENT OF CHANGES IN EQUITY for the year ended 31 March 2019

	Members Capital (Classified As Equity)	Profit & Loss Reserve	Revaluation Reserve	Loans & Other Debts Due To Members	Total
	£	£	£	£	£
Balance at 1 April 2018	759,002	55,955	914,750	4,600,602	6,330,309
Profit For The Year Available for Discretionary Division Among Members	0	(65,190)	0	0	(65,190)
Loan Funding Provided By Members	0	0	0	1,011,380	1,011,381
Revaluations	0	0	(11,314)	0	(11,314)
Capital Introduced By Members	135,000	0	0	0	135,000
Balance at 31 March 2019	894,002	(9,236)	903,436	5,611,982	7,400,184

	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

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

2017/18 £		2018/19 £
213,138	Rental Income	230,074
9,411	Revenue Grant	9,411
222,549		239,485

2 Cost of Sales

2017/18 £		2018/19 £
40,636	Management Charges	44,022
5,659	Insurance	2,030
495	Landlord Registration	89
1,153	Utilities	460
47,943		46,601

3 Administrative Expenses

2017/18 £		2018/19 £
12,490	Accountancy and Legal	6,249
3000	Professional Fees	600
5,430	Audit	7,900
4,015	Estates and Housing	0
0	Provision for Bad Debt	84,000
24,935		98,749

4 Interest Payable & Similar Charges

2017/18 £		2018/19 £
40	Bank Charges	77
90,693	Interest Payable to Local Authority	100,563
90,733		100,639

5 Land and Buildings

2017/18 £		2018/19 £
5,863,809	NBV at 31 March 2017	6,165,609
0	Additions at Cost	1,147,280
301,800	Revaluations	(70,000)
6,165,609	NBV at 31 March 2018	7,242,889

6 Debtors

2017/18 £		2018/19 £
20,772	Unpaid Rental Income	5,058
9,411	Grant for Central Support Costs	9,411
84,002	Other Debtors	84,042
114,185		98,512

7 Creditors: Amounts Falling Due Within One Year

2017/18 £		2018/19 £
0	Rent Prepayment	515
1,620	Management Charges	395
3,000	Professional Fees	0
4,500	Audit	7,000
2,349	Accountancy	2,349
13,044	Legal Fees	3,048
4,163	Miscellaneous	4,015
45,222	Interest Payable to Local Authority	53,345
73,898		70,665

8 Loans & Other Debts Due To Members

2017/18 £		2018/19 £
4,600,602	Loan from Local Authority	5,611,982

9 Members' Capital

2017/18 £		2018/19 £
1	Initial Capital - Scottish Borders Council	1
1	Initial Capital – Scottish Futures Trust Investments Ltd	1
0	Capital Grant - Scottish Borders Council	0
2		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 2019
	£	£
Loan	5,611,982	(5,611,982)
Revenue Grant	9,411	9,411
Service Charge	(9,411)	(9,411)
Loan Interest	100,563	(53,345)

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

This page has been left intentionally blank.

CONTACT INFORMATION

For further information on Bridge Homes LLP, please contact

Suzy Douglas	Telephone: 01835 – 825881
Financial Services Manager	E-mail: sdouglas@scotborders.gov.uk
Scottish Borders Council	Council Headquarters Newtown St Boswells MELROSE TD6 0SA

You can get this document on audio CD, in large print, and various other formats by contacting us at the address below. In addition, contact the address below for information on language translations, additional copies, or to arrange for an officer to meet with you to explain any areas of the publication that you would like clarified.

Contact us at Suzy Douglas, Financial Services Manager, Financial Services,
Council Headquarters, Newtown St Boswells Melrose TD6 0SA
Tel: 01835 825881 Fax: 01835 825011 or email: sdouglas@scotborders.gov.uk