

# **annual report and financial statements**

Bridge Homes LLP

for the year to 31 March 2021

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## MEMBERS' ANNUAL REPORT

The Members present their Annual Report and the Financial Statements for the year ended 31 March 2021.

### 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.

**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 with Orchard and Shipman by a further 2 years on the same terms and conditions. During 2019/20, there were subsequent discussions between the parties which culminated in the contract being extended for a further 3 years, with the fee being increased slightly, starting from 31 August 2020.

Following the decision by Borders Property Maintenance to withdraw from its relationship with Orchard and Shipman for the provision of response repairs, a range of alternative contractors covering all trades has been secured. Response repairs and other Key Performance Indicator reporting arrangements continue as per the contract.

The Covid-19 pandemic has prompted concerns regarding potentially adverse impact on the response repairs and rent collection performance. These have been monitored closely since the start of the pandemic. The latter was a particular concern since it could potentially impact by triggering the Scottish Government rental guarantee. Scottish Futures Trust developed and implemented an additional standard monthly rent monitoring template which has been implemented by all the LLPs established through the National Housing Trust / Local Authority Initiative. Orchard and Shipman has been providing the requested information. Fortunately repairs performance and rental income collected have remained at a high level.

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. Council Officers have met with the Scottish Government More Homes Division and Scottish Futures Trust counterparts in order to identify and agree a preferred way forward for a potential disposal strategy. This has been made more complex given the numbers of other LLPs established elsewhere in Scotland. This matter is still under discussion.

**David Robertson CPFA**  
**Designated Member**  
**Scottish Borders Council**  
**28 October 2021**

## 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 2021

2019/20		2020/21	Notes
£		£	
247,809	Turnover	275,055	1
(50,609)	Cost of Sales	(70,666)	2
<b>197,200</b>	<b>Gross Profit</b>	<b>204,390</b>	
(12,253)	Administrative Expenses	(14,023)	3
(72,843)	Revaluations	0	
<b>112,104</b>	<b>Operating Profit</b>	<b>190,366</b>	
(111,213)	Interest Payable & Similar Expenses	(110,873)	4
<b>891</b>	<b>Profit For The Financial Year Available For Discretionary Division Among Members</b>	<b>79,493</b>	<b>5</b>
(567,843)	<b>Other Comprehensive Income</b> Revaluation Gain/(Loss) on Property	140,000	
<b>(568,734)</b>	<b>Total Comprehensive Income</b>	<b>219,493</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 2021

2019/20		2020/21
£		£
891	Profit For The Financial Year	79,493
<b>891</b>	<b>Total Recognised Gains For The Financial Year</b>	<b>79,493</b>

## BALANCE SHEET as at 31 March 2021

2019/20		2020/2021		Notes
£		£	£	
<b>7,737,889</b>	<b>Fixed Assets</b>			
	Property, Plant and Equipment		<b>7,877,889</b>	5
	<b>Current Assets</b>			
52,874	Debtors	37,249		6
204,327	Cash at Bank	298,710		
<b>257,201</b>		<b>335,959</b>		
	<b>Creditors</b>			
<b>(26,173)</b>	Amounts falling due within 1 year	<b>(25,438)</b>		7
<b>231,028</b>	<b>Net Current Assets</b>		<b>310,520</b>	
<b>7,968,917</b>	<b>Net Assets attributable to Members</b>		<b>8,188.409</b>	
	<b>Represented By:</b>			
5,611,982	Loans and Other Debts due to Members		<b>5,611,982</b>	8
	<b>Members' Other Interests</b>			9
894,002	Capital Account	894,002		
(8,346)	Profit and Loss Reserve	71,146		
1,471,279	Revaluation Reserve	1,611,279	<b>2,576,427</b>	
<b>7,968,917</b>	<b>Total Members' Interests</b>		<b>8,188.409</b>	

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 28 October 2021 and are signed on their behalf by:

**David Robertson CPFA**  
Designated Member  
Scottish Borders Council  
28 October 2021

Company Registered Number: SO304775



## CASH FLOW STATEMENT for the year ended 31 March 2021

2019/20 £		2020/21 £
	<b>Reconciliation of Profit to Net Cash Flow from Operating Activities</b>	
891	Profit for the Financial Year	79,493
184,056	Adjustments to Profit for Non Cash Movements	110,873
45,638	(Increase)/Decrease in Debtors	15,625
(128,494)	Increase/(Decrease) in Creditors due within 1 year	(735)
<b>102,091</b>	<b>Net Cash Inflow from Operating Activities</b>	<b>205,256</b>

2019/20 £		2020/21 £
	<b>Cash Flow Statement</b>	
<b>102,091</b>	<b>Net Cash Inflow from Operating Activities</b>	<b>205,256</b>
	<b>Investing Activities</b>	
0	Purchase of investment property	0
<b>0</b>	<b>Net Cash Inflow/(Outflow) from Investing Activities</b>	<b>0</b>
	<b>Financing Activities</b>	
0	Capital Received	0
0	Cash received from loans and other borrowing	0
(111,213)	Interest Payable	(110,873)
<b>(111,213)</b>	<b>Net Cash Inflow/(Outflow) from Financing Activities</b>	<b>(110,873)</b>
<b>(9,122)</b>	<b>Increase/(Decrease) in Cash</b>	<b>94,383</b>
<b>(9,122)</b>	<b>Movement in Cash in Period</b>	<b>94,383</b>

## STATEMENT OF CHANGES IN EQUITY for the year ended 31 March 2021

	Members Capital (Classified As Equity) £	Profit & Loss Reserve £	Revaluation Reserve £	Loans & Other Debts Due To Members £	Total £
Balance at 1 April 2020	894,002	(8,346)	1,471,279	5,611,982	<b>7,968,917</b>
Profit For The Year Available for Discretionary Division Among Members	0	79,493	0	0	<b>74,493</b>
Loan Funding Provided By Members	0	0	0	0	<b>0</b>
Revaluations	0	0	140,000	0	<b>140,000</b>
Capital Introduced By Members	0	0	0	0	<b>0</b>
<b>Balance at 31 March 2021</b>	<b>894,002</b>	<b>71,146</b>	<b>1,611,279</b>	<b>5,611,982</b>	<b>8,188,409</b>

	Members Capital (Classified As Equity) £	Profit & Loss Reserve £	Revaluation Reserve £	Loans & Other Debts Due To Members £	Total £
Balance at 1 April 2019	894,002	(9,235)	903,436	5,611,982	<b>7,400,184</b>
Profit For The Year Available for Discretionary Division Among Members	0	891	0	0	<b>891</b>
Revaluations	0	0	567,843	0	<b>567,843</b>
<b>Balance at 31 March 2020</b>	<b>894,002</b>	<b>(8,344)</b>	<b>1,471,279</b>	<b>5,611,982</b>	<b>7,968,917</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 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<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.

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 2021 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

2019/20 £		2020/21 £
247,809	Rental Income/Grant	275,055
<b>247,809</b>		<b>275,055</b>

### 2 Cost of Sales

2019/20 £		2020/21 £
47,905	Management Charges	68,314
1,841	Insurance	669
0	Landlord Registration	876
540	Other	(152)
322	Utilities	960
<b>50,609</b>		<b>70,666</b>

### 3 Administrative Expenses

2019/20 £		2020/21 £
1,013	Accountancy and Legal	543
0	Professional Fees	0
11,240	Audit	13,480
0	Estates and Housing	0
0	Provision for Bad Debt	0
<b>12,253</b>		<b>14,023</b>

### 4 Interest Payable & Similar Charges

2019/20 £		2020/21 £
86	Bank Charges	49
111,128	Interest Payable to Local Authority	110,824
<b>111,213</b>		<b>110,873</b>

## 5 Property, Plant and Equipment

(Property, Plant and Equipment consists of Land and Buildings)

2019/20 £		2020/21 £
7,242,889	NBV at 31 March 2020	7,737,889
0	Additions at Cost	0
(72,843)	Revaluation Losses charged to the Profit & Loss Account	0
567,843	Revaluation Gains/(losses) charged to the Revaluation Reserve	140,000
<b>7,737,889</b>	NBV at 31 March 2021	<b>7,877,889</b>

The historic cost of Land & Buildings as at 31 March 2021 is £6.361m (2019/20 £6.361m).

## 6 Debtors

2019/20 £		2020/21 £
43,180	Unpaid Rental Income	27,264
9,694	Grant for Central Support Costs	9,985
0	Other Debtors	0
<b>52,874</b>		<b>37,249</b>

## 7 Creditors: Amounts Falling Due Within One Year

2019/20 £		2020/21 £
0	Rent Prepayment	0
7,065	Management Charges	2,454
0	Professional Fees	0
295	Utilities	0
9,120	Audit	13,000
2,419	Accountancy	2,492
3,140	Legal Fees	3,234
4,135	Miscellaneous	4,259
0	Interest Payable to Local Authority	0
<b>26,173</b>		<b>25,438</b>

## 8 Loans & Other Debts Due To Members

2019/20 £		2020/21 £
5,611,982	Loan from Local Authority	5,611,982

In the event of liquidation of the LLP, Loans & other debts due to Members will be repaid following settlement of other unsecured creditors, including reimbursement of amounts paid out under the Scottish Government Guarantee in respect of any Interest Payment Shortfalls, projected costs of liquidation and payment of accrued interest charges per Paragraph 6 Part 6 of the Members Agreement.

## 9 Members' Capital

2019/20 £		2020/21 £
1	Initial Capital - Scottish Borders Council	1
1	Initial Capital – Scottish Futures Trust Investments Ltd	1
894,000	Capital Grant - Scottish Borders Council	894,000
<b>894,002</b>		<b>894,002</b>

## 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 2021 £
<b>Loan</b>	5,611,982	(5,611,982)
<b>Capital Grant</b>	2	2
<b>Revenue Grant</b>	9,694	9,985
<b>Service Charge</b>	(9,694)	(9,985)
<b>Loan Interest</b>	(111,128)	0
	<b>5,500,856</b>	<b>(5,611,984)</b>

## 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

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## CONTACT INFORMATION

For further information on Bridge Homes LLP, please contact

Suzy Douglas	Telephone: 01835 – 825881
Financial Services Manager	E-mail: <a href="mailto:sdouglas@scotborders.gov.uk">sdouglas@scotborders.gov.uk</a>
Scottish Borders Council	Council Headquarters Newtown St Boswells MELROSE TD6 0SA

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