

# **THE HIGHLANDS SMALL COMMUNITIES HOUSING TRUST**

**(COMPANY LIMITED BY GUARANTEE AND NOT HAVING A SHARE CAPITAL)**

**REPORT OF DIRECTORS**

**AND FINANCIAL STATEMENTS**

**31 MARCH 2020**

**Company Number SC182862  
Charity Number SC027544**

**The Highlands Small Communities Housing Trust  
(Company Limited by Guarantee and not having a Share Capital)**

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**The Highlands Small Communities Housing Trust  
(Company Limited by Guarantee and not having a Share Capital)  
Board of Trustees and Advisors  
for the year ended 31 March 2020**

**Board of Trustees**

Julia Campbell  
Alasdair Christie  
John Fotheringham  
David Goodall  
Jennifer Hodgson  
John Laing  
Corrine Mackay  
Ronald Macwilliam  
Alex Matheson  
Maureen McDonald Cooke  
Peter McLuckie  
Audrey Sinclair  
Agnes Slimon  
Neil Cameron                      Appointed 28/10/19  
Brendan O'Hanrahan              Resigned 05/12/19

**Secretary and Registered Office**

Ronald MacRae  
7 Ardross Terrace  
Inverness  
IV3 5NQ

**Bankers**

Triodos Bank  
Brunel House  
11 The Promenade  
Bristol  
BS8 3NN

**Solicitors**

Andrew A Murchison  
5 Ardross Terrace  
Inverness  
IV3 5NQ

**Auditors**

FKF Accounting Limited  
Chartered Accountants and Statutory Auditors  
Metropolitan House  
Inverness  
IV1 1HT

**The Highlands Small Communities Housing Trust**  
**(Company Limited by Guarantee and not having a Share Capital)**  
**The Report of the Trustees**  
**for the year ended 31 March 2020**

The Trustees present their report and the audited financial statements for the year to 31 March 2020. The Company is recognised by the Inland Revenue as a Scottish Charity (charity reference number SC027544).

### **Principal Activities**

To provide, or assist in the provision of housing for persons in necessitous circumstances, in the Highlands and Islands Electoral Region of the Scottish Parliament or such other area that may replace it (“the Primary Operating Area”) and outside the said Highlands and Islands Electoral Region but always within Scotland (“the Secondary Operating Area”)

(2) To relieve the needs of persons suffering from mental or physical disability, illness or impairment or old age, through the provision, or assistance in the provision, of housing specially adapted to meet their requirements, primarily, but not exclusively, in the Primary Operating Area.

(3) To promote education, particularly in the field of housing, primarily, but not exclusively, in the Primary Operating Area.

(4) To promote, establish, operate and/or support schemes and projects of a charitable nature, which promote inclusion, sustainability and wellbeing, provided always that these are not dealt with on a commercial basis, for the benefit of communities in the Primary and Secondary Operating Areas.

(5) To promote the advancement of citizenship or community development (including rural or urban regeneration and the promotion of civic responsibility, volunteering, the voluntary sector or the effectiveness or efficiency of charities) in the Primary and Secondary Operating Area.

To achieve this, the Trust works in partnership with the public sector, housing associations, the communities we seek to support and the private sector. The Outputs and Performance Report is enclosed within these papers on pages 6 to 11.

### **Reserves Policy**

The Trust has undertaken a review of its reserves policy during the year. The Trust has set up as a restricted reserve, the grants it has received for “the purchase of land for development purposes”. This reserve, being restricted, can only be spent in the furtherance of affordable housing provision.

The Trust has also identified as a designated reserve the surpluses made on the sale of land over the past few years. This reserve is able to be utilised by the Board of Trustees to meet HSCHT’s core objectives.

### **Risk Management**

The Trust’s Board of Trustees and Advisers are fully committed to managing, and taking effective steps to deal with, all known risks to the Trust and its business operations.

**The Highlands Small Communities Housing Trust**  
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**The Report of the Trustees**  
**for the year ended 31 March 2020**

**State of Affairs**

The results for the year are set out in the attached accounts and explained in the following Output and Performance Report.

**Review of year-end financial position**

HSCHT continues to expand its scope of work in its progress towards sustainability and reducing its reliance in grant aid.

**Unrestricted reserves policy:**

Unrestricted reserves comprise

- Designated Reserve – Landbanking Fund: comprises the surpluses made on the sale of land over the years. This reserve can be utilised by the Board of Trustees to meet HSCHT’s core objectives to assist communities and their associated housing need.
- Revenue Reserve: comprises the surpluses made on rental properties and on activities other than landbanking and other distinct projects

Provision within this reserve is made to cover the following:

- Minimum of three months’ salary, associated pension costs and potential redundancy costs
- Office rent and equipment rent as required by contracts
- Rental properties maintenance and sinking funds
- Any other such cost that may arise in connection with HSCHT’s activities

**Nature of governing documents**

The main documents which set out the operational framework for the charity are the Articles of Association.

**Plans for future period**

We will continue to work with fragile communities and people vulnerable to issues such as increasing house prices, homelessness, lack of tenancy security, fuel poverty, special needs and age related challenges. We will work with key stakeholders to ensure the best outcomes for communities.

We will support community-led organisations to address the unique needs of their area, from the initial recognition of housing requirement and its link to economic and social viability, through to the completion of required housing with appropriate tenures for local incomes and making the best use of available grants.

It is HSCHT’s objective to provide its services to a greater number of communities. The current opportunities arising from recent legislation on community empowerment and the availability of community specific grants has resulted in a growing demand for our expertise and we are confident in our ability to provide the support required.

**The Highlands Small Communities Housing Trust**  
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**The Report of the Trustees for the year ended 31 March 2020**

We aim to develop land-banked sites to provide rental properties in some of the more remote communities and to explore the most efficient use of land that has proved difficult to develop in the past as well as secure new development opportunities to make the most effective use of current grant funding opportunities.

We aim to explore options which can support our drive towards sustainability.

**Levels of funds held**

Reserves currently stand at £3,827,977 (2019: £3,254,669), of this £2,988,966 are restricted (2019: £2,541,093).

The unrestricted reserves, excluding Cashback reserve (as required by the Rent to Buy Scheme), and Sinking Fund for properties, provides 6 months cover for costs as required by the Reserves Policy.

**Board of Trustees**

The Board of Trustees who served during the year are as follows:-

Julia Campbell  
Alasdair Christie  
John Fotheringham  
David Goodall  
Jennifer Hodgson  
John Laing  
Corrine Mackay  
Ronald Macwilliam  
Alex Matheson  
Maureen McDonald Cooke  
Peter McLuckie  
Audrey Sinclair  
Agnes Slimon  
Neil Cameron  
Brendan O’Hanrahan

None of the trustees have an interest in the Trust as the Company is limited by Guarantee.

**Recruitment and Appointment of Trustees**

Various organisations have the right to nominate Trustees to the Trust. These are the Highland Council, Albyn Housing Society Limited, Lochaber Housing Association Limited, Lochalsh and Skye Housing Association Limited, Pentland Housing Association Limited, the Scottish Crofting Foundation and Scottish Land and Estates. Community

Councils may nominate members of Community Councils and vote for six Trustees to be appointed annually at the AGM. Up to an additional four independent Trustees can be appointed by the members at AGM.

**The Highlands Small Communities Housing Trust  
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The Report of the Trustees  
for the year ended 31 March 2020**

**Induction and Training of Trustees**

The Trust undertakes an induction process for all new Trustees and regularly reviews the skills and training requirements of the Trustees.

**Auditors**

Frame Kennedy have been reappointed in accordance with Section 487(2) of the Companies Act 2006.

**Small company provisions**

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

On Behalf of the Board



Ronald MacRae  
Secretary

11 September 2020

**The Highlands Small Communities Housing Trust**  
**(Company Limited by Guarantee and not having a Share Capital)**  
**Output and Performance Report**  
**for the year ended 31 March 2020**

As a community focused organisation, communities remain at the heart of what we do. Over the last year, we have successfully supported over 20 community organisations to secure funding from the Scottish Land Fund (SLF) and the Rural & Islands Housing Fund (RIHF) to take forward their housing developments. We will continue working with them through to the completion of their projects. With many other communities following their path and using our expertise this has been an extraordinarily busy and highly productive year.

We are now working with more communities than ever before. This has been possible due an extension of our operating area and ability to provide services out with Highland thanks to the support of The Nationwide Foundation's grant of £380,000 over 5 years. Trading as Community Housing Scotland for this out of area work, we have completed the second year of this funded work.

The availability of the SLF and RIHF has been the main driver in communities taking forward their own developments. With the deadline for applications fast approaching we have undertaken considerable lobbying work on the need to retain both funds as they are key to giving communities the confidence to actively engage in community led housing developments which will in turn lead to stronger sustainable communities.

In this year the RHF has supported our own construction of 15 homes; 3 in Abriachan, 5 in Gairloch, 3 in Durness and 4 in Aultbea. Handover of the Durness and Aultbea properties was delayed due to COVID 19.

The RIHF is also vital to our ability to develop further houses for discounted sales or rent.

The Rothiemurchus development was completed and all 4 self-build plots have been sold with the house builds well underway. This project has aroused considerable interest as a model that could be extensively used with private landowners. The development was completed without any public grant funding.

A major milestone was passed this year having now sold a total of 101 discounted properties with a Rural Housing Burden (RHB) and right of pre-emption. Spread over 31 remote and rural communities from Glenachullish to Gairloch these are important community assets. Three properties were bought back through our right of pre-emption, bringing the total of buy backs to 11. All of these properties were re-allocated to people with strong local connections to their community and emphasises the strength of the RHB as a means of retaining these properties' affordability and the control over resale.

Work is almost complete on our new 3 year business plan to ensure that we continue to meet our core functions and objectives going forward, however, following the COVID 19 outbreak, the business plan and risk assessment for the organisation will have to be updated further.

Over the past years we have been working towards becoming self-sustaining and there are a number of challenges to achieving that goal. Our work in developing and expanding on innovative solutions to address current challenges and providing general advice or initial engagement with communities can be resource intensive but we will no longer be receiving any Scottish Government funding to provide this service as the Housing Voluntary Grant scheme has now ceased.



**The Highlands Small Communities Housing Trust**  
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**Output and Performance Report**  
**for the year ended 31 March 2020**

These activities are an important function of our work and allows us to engage with, and inform, communities on the viability of their ambitions and signpost them to relevant information where appropriate. This will be one of the challenges for the coming years.

Demand for our services as Development Agents continues to grow. The third Development Services Agreement with Lochaber Housing Association has been signed for a further 3 year period, confirmation of the quality of service we provide in delivering their development programme. Their development programme remains strong, having committed finances for a further 75 units to 2021, in addition to the 86 units which have been completed or already have funding approval, since the start of our Agency Agreement in 2014. We also continue to act as Agents for the Highland Council in a range of rural developments, such as the recently completed development of Lochyside side (31 units). We are also taking on the development agent role for the communities we have supported through the pre-development phase with a number of projects due to start on site in the coming months.

We continue to review the public facing element of the organisation and following in-depth discussion and consultation, the next financial year will see the re-branding of the organisation and name change to Communities Housing Trust. This will provide a marketing opportunity to carry out a brand refresh and campaign to increase awareness throughout Scotland on what we do. Our social media presence remains strong with increased followers and interaction year on year. As well as social media platforms to inform and raise awareness, staff have attended various events and exhibited and presented at some to these events and conferences.

The Scotland wide Self Build Loan fund, which HSCHT administers on behalf of The Scottish Government, launched in 2018 runs until August 2021. The level of enquiries to the fund continues to be encouraging; with enquiries coming from a variety of backgrounds showing a continued demand for this Fund where the mainstream self-build market does not provide support. Following feedback and consultation with the Scottish Government, the SBLF was opened up to a wider audience in May 2019, with applications sought from existing home owners. In doing so, the fund hopes to accommodate retired people who wish to downsize and use the equity from their existing home to repay the loan. The fund can also accommodate families with special needs looking to build a home with the required adaptations, again utilising equity from their existing home. These changes to the criteria have been met with a positive response with, 9 loans have been agreed worth £ 1,212,500, 30 Stage 1 applications received and 159 enquiries.

HSCHT continues to operate the Woodland Trust's bridging finance facility for woodland creation and/or management schemes to qualifying crofters and land managers. The loan fund has been increased and it is possible that this scheme will be extended.

HSCHT remains a partner in the Forest Croft Partnership leading the promotion of the forest croft agenda from FCS.

**The Highlands Small Communities Housing Trust**  
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**Output and Performance Report**  
**for the year ended 31 March 2020**

Annual Outputs	
1. Housing Need & Feasibility Studies	<ul style="list-style-type: none"> <li>• During the last year, we have carried out Housing &amp; Community Needs surveys in Colonsay, Gigha, Laggan, Canna, Stronsay, Strathdearn and Glendale.</li> <li>• Feasibility studies have been carried out in over 20 communities including: Applecross, Canna, Colonsay, Invergarry, Tarland and Tomintoul.</li> <li>• The evidence gathered in these surveys support applications to the Scottish Land Fund, Rural &amp; Islands Housing Fund and other funding bodies as well as informing the size and tenures of housing developments.</li> </ul>
2. Community Housing Surgeries/ Advice	<ul style="list-style-type: none"> <li>• Increase in enquiries from both groups and individuals in both our primary and secondary operating areas</li> <li>• We have provided advice to over 1000 individuals through the year and the number of enquiries received, through our website, email and telephone as well as exhibiting at a number of events, continues to increase. The increase in enquiries has been partly due to the availability of the Scottish Land Fund and Rural &amp; Islands Fund which facilitate community led developments.</li> <li>• Provided advice and support to over 112 different community groups in the pre-development stage</li> <li>• Whilst most enquiries come from community groups or organisations, we also receive enquiries from landowners, individuals, local authorities, RSL's, developers and a range of other organisations.</li> <li>• Attended 11 events and exhibited /provided advice: DTAS Conference. Rural Housing Scotland Conference, The Gathering 2020, Scotland's Housing Festival, Scottish Self Build &amp; Renovation Shows, Self &amp; Custom Build Challenge Workshop, Scottish Land Commission Conference, Urban Communities Land Gathering, Housing Development Stakeholder Conference, Resilient Communities Conference and Rural Population Workshop event.</li> </ul>
3. Innovative Housing Projects developed	<p>Ongoing projects include:</p> <ul style="list-style-type: none"> <li>• Staffin: Joint development with Staffin Development Trust and Lochalsh &amp; Skye Housing Association for 6 units of mixed tenure, – 2 for HSCHT, 2 for LSHA and 2 for SDT is progressing along with development of new health facility and business units.</li> <li>• Lochcarron: Phase 1 of a joint mixed tenure development of 18 units with Highland Council progressing. 6 units for Highland Council and 12 for HSCHT</li> <li>• Scalasaig, Colonsay – Successful awards from Scottish Land Fund and HIE to allow this 12 unit and 2 business unit project to progress with HSCHT providing project development support.</li> <li>• Lochinver – Joint project with Assynt Development Trust for 8 units. SLF secured for development for first phase of feasibility study and site investigations due to start soon.</li> </ul>

**The Highlands Small Communities Housing Trust**  
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**Output and Performance Report**  
**for the year ended 31 March 2020**

	<ul style="list-style-type: none"> <li>• Ongoing work on Kilbeg project (Sabhal Mor Ostaig) Phase 2 on multi partner development with Highland Council to provide 8 units for HSCHT, 6 for HC and 12 private units. Tender and contract negotiations being finalized.</li> <li>• Community led development by Tomintoul &amp; Glenlivet Development Trust for 12 units. Funding secured under SLF and CARES for energy options appraisal.</li> </ul>
4. Self Build Discounted Plot Enquiries	<ul style="list-style-type: none"> <li>• Advertising 8 different locations for self-build plots on our website</li> <li>• 159 people registered interest in plots via our website</li> <li>• A total of 14 loans were provided under the pilot Highland Self Build Loan Fund. This loan fund is currently being wound up on the final loan repayments.</li> <li>• The nationwide SBLF, 9 loans have been agreed worth £ 1,212,500</li> <li>• 30 Stage 1 applications received and 159 enquiries</li> <li>• Maintain Scotland's Self Build &amp; Custom Portal to provide information to potential self and custom builders.</li> </ul>
5. Self Build Discounted Plots	<ul style="list-style-type: none"> <li>• Sold 5 discounted, serviced self-build plots in 2 communities. This brings the total of discounted self-build plots with a Rural Housing Burden sold to 50 in 16 different Highland communities.</li> <li>• HSCHT services sites prior to selling plots, reducing the risk to self-builders. This is being facilitated by the new fund administered by HSCHT, the Dr &amp; Mrs. Steven Fauld's Memorial Fund is dedicated to buying land, servicing plots and facilitating self-builds in rural Scotland.</li> <li>• 3 discounted, serviced self-build plots available in Achabeag</li> <li>• Acting as Rural Housing Body on behalf of Sleat Community Trust to sell 2 discounted plots.</li> <li>• Acting as Rural Housing Body on behalf of Knoydart Foundation to sell 5 discounted plots.</li> </ul>
6. Advice to Landowners and Developers	<ul style="list-style-type: none"> <li>• Provided advice and support to over 30 landowners and developers to provide affordable housing</li> <li>• Development agent for LHA, further 3 year agreement in place.</li> <li>• Providing development agency services to the Highland Council, Lochalsh &amp; Skye Housing Association</li> <li>• Onsite at Lochyside School in a 31 Unit project for Highland Council and LHA</li> </ul>
7. Advice and support to communities	<p>Ongoing examples include:</p> <ul style="list-style-type: none"> <li>• Working with Strathdearn Community Developments Ltd to provide 6 homes and 4 plots. Carried out housing surveys and business survey in the community. Land negotiations are underway. Rural Housing Fund application submitted and completed feasibility study.</li> <li>• Ongoing discussions with a Culbokie landowner re a possible project and liaising with the community on the project.</li> </ul>

**The Highlands Small Communities Housing Trust**  
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**Output and Performance Report**  
**for the year ended 31 March 2020**

	<ul style="list-style-type: none"> <li>• Feasibility study underway re possible conversion of a flat owned by Bettyhill Telecentre group into 2 or 3 bed accommodation.</li> <li>• Assisted Glengarry Community Woodland group with applications to Scottish Land Fund and Rural Housing Fund in connection with a proposed project for 6 Woodland Crofts and attended regular meetings with Forestry Land Scotland and community re CATs transfer. Feasibility study completed.</li> <li>• Submitted Stage 1 Scottish Land Fund application on behalf of Coigach Community Development Company for property renovation and croft land purchase for multi-community use</li> <li>• Undertaken a new feasibility study on Glendale (Long term empty property) Borrodale school and schoolhouse) to determine project viability</li> <li>• Meetings with Boat of Garten Community Council and local Estate on proposal for two community owned houses to rent. RHF feasibility grant secured and feasibility and pre-app undertaken.</li> <li>• Regular meetings with Knoydart Foundation regarding a possible project for 1 renovation and 4 units.</li> <li>• Following on from demand and feasibility work, working with Tomintoul and Glenivet Development Trust on 12 unit project.</li> <li>• Working as Development Agents in community led projects in Arisaig, Applecross and Cannich and have assisted with a range of other work including demand, funding and feasibility studies</li> </ul>
<p>8. Partnership Working &amp; Policy</p>	<ul style="list-style-type: none"> <li>• Attend weekly meetings at held by The Highland Council and Scottish Government to discuss delivery of the Strategic Housing Investment Plan and enabling more housing in Highland.</li> <li>• Attended Planning Bill Steering Group Repopulation &amp; Regeneration partners meetings</li> <li>• Working with HIE, have undertaken preparatory work with local MSP's and Ministers on Business Housing and lack of options for business</li> <li>• Provided in-depth feedback at all stages in the Scottish Governments Housing Beyond 2020 consultation</li> <li>• Lobbying around the need to retain both the Scottish Land Fund and the Rural and Islands Housing Fund</li> <li>• Meeting with Scottish Land Commission to provide feedback on Land for Rural Housing Report</li> </ul>
<p>9. Negotiations with developers</p>	<ul style="list-style-type: none"> <li>• Negotiation with developers of the Kilbeg village site for 12 private units</li> <li>• Ongoing discussions re potential development in Tomatin.</li> <li>• Head of Terms have been agreed with a developer to provide 5 serviced plots in Nethy Bridge subject to planning approval. This would provide 3 self-build plots and two new properties for long term rent.</li> <li>• Negotiations with developers in Marybank, Edderton</li> </ul>

**The Highlands Small Communities Housing Trust**  
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**Output and Performance Report**  
**for the year ended 31 March 2020**

10. Housing Land Identification and Release	<ul style="list-style-type: none"> <li>• Undertook extensive study for Canna Development Trust to identify suitable sites for development.</li> <li>• Land audit in Lochinver</li> <li>• Colonsay – negotiated the land purchase on behalf of Colonsay Community Development Company</li> </ul>
11. Site investigations/Feasibility Studies	<ul style="list-style-type: none"> <li>• Undertaken 20 feasibility studies and 51 site investigations.</li> </ul>
12. Land Acquisition (Sites)	<ul style="list-style-type: none"> <li>• Purchases in progress: Dornoch, Lochcarron, Stoer, Staffin and Kilbeg</li> </ul>
13. Land Sales to RSL's (capacity)	<ul style="list-style-type: none"> <li>• Discussing the sale of a site with a local RSL that would see the development of up to 12 homes</li> </ul>
14. Low cost houses developed for sale/rent	<ul style="list-style-type: none"> <li>• 3 homes bought back through the RHB pre-emption right retaining control over the onward sale of these properties to people who met the required criteria. One was allocated prior to the lockdown which prohibited the advertisement of properties for sale.</li> <li>• 18 homes developed under our Rent to Buy and Greener Homes Schemes have now been sold. Providing low cost home ownership opportunities to families in 11 communities.</li> <li>• 3 homes in Abriachan, with RHF grant assistance, were completed and sold with a RHB and discounted.</li> <li>• 5 serviced self-build plots were sold, discounted on average by 31% with no grant funding</li> <li>• With funding assistance through the Rural and Islands Housing Fund, the handover of 7 homes has been delayed due to Covid 19: Aultbea (4 units), Durness (3 units).</li> <li>• The final parcel of the Achtercairn development has been completed with the handover of 5 properties in Gairloch, 3 for long term social rent and 2 for Rent to Buy.</li> </ul>
15. Annual Conference and Regional Seminars	<ul style="list-style-type: none"> <li>• Annual Conference &amp; AGM held in September 2019 and attended by over 75 delegates.</li> <li>• Exhibited and presented at a range of events</li> </ul>

**The Highlands Small Communities Housing Trust**  
**(Company Limited by Guarantee and not having a Share Capital)**  
**Statement of Board of Directors' Responsibilities**  
**for the year ended 31 March 2020**

The trustees are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year. Under that law the trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the trustees 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 charity and of the surplus or deficit of the charity for that year. In preparing these financial statements, the trustees are required to:

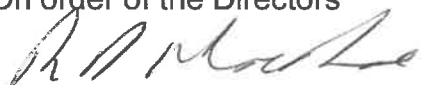
- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed , subject to any material departures disclosed and explained in the financial statements; and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

In so far as the trustees are aware:

- there is no relevant audit information of which the charitable company's auditors are unaware; and
- The trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charity's transactions and disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On order of the Directors



Ronald MacRae  
Secretary

Date: 11 September 2020

**The Highlands Small Communities Housing Trust**  
**(A company limited by guarantee)**  
**Independent auditor's report to the members of The Highlands Small**  
**Communities Housing Trust**

**Opinion**

We have audited the financial statements of The Highlands Small Communities Housing Trust (the 'charity') for the year ended 31 March 2020 which comprise the statement of financial activities (including income and expenditure account), statement of financial position, statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charity's members, as a body, in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the charity'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 charity and the charity's members as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2020 and of its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**The Highlands Small Communities Housing Trust**  
**(A company limited by guarantee)**  
**Independent auditor's report to the members of The Highlands Small**  
**Communities Housing Trust**

**Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the trustees' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the trustees' report has been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the charity and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 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
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Responsibilities of trustees**

As explained more fully in the trustees' responsibilities statement, the trustees (who are also the directors for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charity'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 the trustees either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.



**The Highlands Small Communities Housing Trust**  
**(A company limited by guarantee)**  
**Independent auditor's report to the members of The Highlands Small**  
**Communities Housing Trust**

**Auditor's responsibilities for the audit of the financial statements**

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

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees.
- Conclude on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the charity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the charity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Colin Gray B.Com QA (Senior Statutory Auditor)

For and on behalf of  
FKF Accounting Limited  
Chartered accountant & statutory auditor  
Metropolitan House  
31-33 High Street  
Inverness  
IV1 1HT

11 September 2020



**The Highlands Small Communities Housing Trust**  
**Statement of Financial Activities Incorporating Income and Expenditure Account and Statement of Total Recognised Gains and Losses**  
**For the Year ended 31 March 2020**

Notes	2019/20												2018/19												
	Unrestricted Funds				Restricted Funds				Total				Unrestricted Funds				Restricted Funds				Total				
	Operational Activity	Rental Properties	Sale of Houses and Land	Pension fund	CHS	Faids Reserve	Restricted Reserve	Total	Operational Activity	Rental Properties	Sale of Houses and Land	Pension fund	CHS	Faids Reserve	Restricted Reserve	Total	Operational Activity	Rental Properties	Sale of Houses and Land	Pension fund	CHS	Faids Reserve	Restricted Reserve	Total	
£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	
<b>Income Resources</b>																									
Incoming resources from charitable activities																									
Revenue Grants	4	120,141	-	-	120,000	-	838,833	106,001	-	-	-	-	146,199	-	507,563	759,763									
Rental Income	5	-	365,283	-	-	-	365,283	-	438,653	-	-	-	-	-	-	438,653									
Sale Proceeds on Land Disposals	6	-	-	2,968,110	-	-	2,968,110	-	-	1,119,162	-	-	-	-	-	1,119,162									
Fee Income	7	342,188	-	-	-	-	342,188	255,635	-	-	-	-	-	-	-	255,635									
Investment Income	8	704	-	-	-	-	704	2,823	-	-	-	-	14	-	-	2,837									
<b>Total Incoming Resources</b>		463,033	365,283	2,968,110	-	120,000	4,515,119	364,459	438,653	1,119,162	-	-	146,213	-	507,563	2,576,050									
<b>Resources Expended</b>																									
Charitable Activities																									
Administration and Management	9	423,665	89,705	84,695	-	158,819	758,884	263,128	116,150	75,262	72,035	196,140	-	-	-	722,715									
Rental Expenditure	5	-	86,003	-	-	-	86,003	-	82,877	-	-	-	-	-	-	82,877									
Cost of sale of Land Disposals	6	-	-	3,024,110	-	-	3,024,110	-	-	1,086,402	-	-	-	-	-	1,086,402									
Bank and Loan Interest Payable	5/15	904	122,410	-	-	-	123,314	140	135,321	500	-	20,000	-	-	-	135,981									
Cash Backs on Rent to Buy Sales		-	81,500	-	-	-	81,500	-	104,000	-	-	-	-	-	-	104,000									
Loss on Disposal of Assets																									
<b>Total Resources Expended</b>		424,569	379,618	3,108,805	-	158,819	4,071,811	263,268	438,348	1,162,164	72,035	196,160	-	-	-	2,131,975									
<b>Income/(expenditure) and net movement in</b>	12	38,464	(14,334)	(140,695)	-	(38,819)	443,308	101,191	305	(43,002)	(72,035)	(49,947)	-	-	507,563	444,075									
Transfer Between funds		(38,464)	38,464	112,000	-	-	-	(101,191)	101,191	-	-	-	-	-	-	-									
Net Movement in funds		-	24,130	(28,695)	-	(38,819)	443,308	101,496	101,496	(49,002)	(72,035)	(49,947)	-	-	507,563	444,075									
<b>Other recognised gains/losses</b>																									
Actuarial gains/(losses) on defined benefit pension schemes		-	24,130	(28,695)	130,000	(38,819)	130,000	-	101,496	(43,002)	(86,035)	(49,947)	-	-	507,563	(14,000)									
<b>Funds at 31 March 2019</b>			721,972	121,604	(130,000)	40,000	2,368,925	89,947	620,476	164,606	(43,965)	89,947	132,168	1,861,362	2,824,594										
<b>Funds at 31 March 2020</b>		746,102	92,909	92,909	-	1,181	3,927,977	2,855,617	721,972	121,604	(130,000)	40,000	132,168	2,368,925	3,254,669										
									721,972	121,604	(130,000)	40,000	132,168	2,368,925	3,254,669										
									721,972	121,604	(130,000)	40,000	132,168	2,368,925	3,254,669										

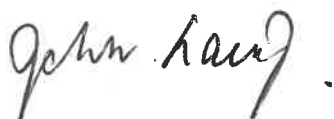
(The notes on pages 19 to 37 form part of these financial statements)

**The Highlands Small Communities Housing Trust**  
**Balance Sheet**  
**As at 31 March 2020**

	Note:	2020		2019	
		£	£	£	£
<b>Tangible fixed assets</b>	17		1,653,366		1,322,204
<b>Current assets</b>					
Land banking and Development properties	18	7,316,106		8,545,629	
Debtors	19	205,339		133,845	
Cash in hand		668,225		1,094,375	
		<u>8,189,670</u>		<u>9,773,849</u>	
<b>Current liabilities</b>					
Creditors due within one year	20	<u>(1,919,034)</u>		<u>(3,277,590)</u>	
<b>Net current assets</b>			6,270,636		6,496,259
Total assets less current liabilities			<u>7,924,002</u>		<u>7,818,463</u>
<b>Creditors:</b>	21				
amounts falling due after more than one year			(4,096,025)		(4,433,794)
<b>Net assets excluding pension liability</b>			<u>3,827,977</u>		<u>3,384,669</u>
Defined Pension Liability			-		(130,000)
<b>Net Assets</b>			<u><u>3,827,977</u></u>		<u><u>3,254,669</u></u>
<b>Capital and reserves</b>					
<b>Restricted Reserves</b>					
- Properties and Development	23		2,855,617		2,368,925
- CHS	23		1,181		40,000
- Faulds Memorial Reserve	23		132,168		132,168
Designated reserves - land banking fund	23		92,909		121,604
Revenue reserves	23		746,102		721,972
Pension Reserves	23		-		(130,000)
			<u><u>3,827,977</u></u>		<u><u>3,254,669</u></u>

These accounts are prepared in accordance with the special provisions of Part 15 of the Companies Act relating to small companies and constitute the annual accounts required by the Companies Act 2006 and are for circulation to members of the company.

These accounts were approved by the Board of Directors on 11 September 2020



John Laing - Chair

(The notes on pages 19 to 37 form part of these financial statements)

**The Highlands Small Communities Housing Trust**  
**(A company limited by guarantee)**

**Statement of cash flows**  
**For the year ended 31 March 2020**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
<b>Cash flows from operating activities</b>		
Net (expenditure)/income	443,308	444,075
<i>Adjustments for:</i>		
Depreciation of tangible fixed assets	16,208	19,090
(Profit)/Loss on sale of tangible fixed assets	-	-
Other interest receivable and similar income	(704)	(2,837)
Defined benefit pension charges	-	72,035
<i>Changes in:</i>		
Trade and other debtors	(71,494)	(26,007)
Stock	1,229,523	(308,062)
Trade and other creditors	(139,521)	206,411
Cash generated from operations	<u>1,477,320</u>	<u>404,705</u>
Interest received	704	2,837
<b>Net cash generated from/(used in) operating activities</b>	<u><u>1,478,024</u></u>	<u><u>407,542</u></u>
<b>Cash flows from investing activities</b>		
Purchase of tangible assets	(458,915)	(16,454)
Proceeds from sale of tangible assets	111,546	-
	<u>(347,369)</u>	<u>(16,454)</u>
<b>Cash flows from financing activities</b>		
Repayment of borrowing	(1,559,800)	(355,266)
Cash inflows from new borrowing	2,995	-
	<u>(1,556,805)</u>	<u>(355,266)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	(426,150)	35,822
<b>Cash and cash equivalents at beginning of year</b>	<u>1,094,375</u>	<u>1,058,553</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>668,225</u></u>	<u><u>1,094,375</u></u>

(The notes on pages 19 to 37 form part of these financial statements)

# The Highlands Small Communities Housing Trust (A company limited by guarantee)

## Notes to the accounts Year ended 31 March 2020

- 1 General information**  
The charity is a private company limited by guarantee, registered in Scotland and a registered charity in Scotland. The address of the registered office is 7 Ardross Terrace, Inverness, IV3 5NQ.
- 2 Statement of compliance**  
These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland', the Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)) and the Charities and Trustee Investment (Scotland) Act 2005 and the Charity Accounts (Scotland) Regulations 2006.
- 3 Principal Accounting Policies**  
The Trust is a company limited by guarantee and does not have share capital. On winding up of the Trust every member has undertaken to contribute to the assets of the Trust for the payments of the debts and liabilities and of the cost of winding up the trust, such amount as may be required not exceeding one pound. If winding up occurs within one year of a member ceasing to be a member, then the above applies for debts and liabilities of the company contracted for before he/she ceased to be a member. The company has had charitable status since its inception on 10 February 1998.
- The principal accounting policies adopted, judgement and key sources of estimation uncertainty in the preparation of the financial statements are as follows.
- a Basis of Preparation**  
The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through income or expenditure.
- The financial statements are prepared in sterling, which is the functional currency of the entity.
- b Going concern**  
The trustees have considered the financial position of the charity and assessed the risks facing its business. In making this assessment they have considered the charity's ability to meet its future liabilities as they fall due and to comply with the financial covenants that the charity has entered into. The trustees have concluded that it is appropriate to use the going concern concept in preparing these financial statements.
- c Income Recognition Policies**  
Items of income, including income from government grants, is recognised and included in the accounts when all of the following criteria are met:
- The charity has entitlement to the funds;
  - any performance conditions attached to the item(s) of income have been met or are fully within the control of the charity;
  - there is sufficient certainty that receipt of the income is considered probable; and
  - the amount can be measured reliably.
- Other income from charitable activities is recognised at the point of delivery of the goods and services, net of VAT where applicable.
- Investment income is recognised when receivable.

**The Highlands Small Communities Housing Trust  
(A company limited by guarantee)**

**Notes to the accounts  
Year ended 31 March 2020**

**3 Principal Accounting Policies (Continued)**

**d Resources Expended**

Resources expended are included on an accruals basis. It is recognised when there is a legal or constructive obligation to pay, when it is probable that a transfer of economic benefits will arise and when the amount can be measured reliably. Resources expended is inclusive of VAT which cannot be fully recovered. Certain expenditure is directly attributable to specific activities and has been included under these cost categories:

- Community engagement;
- Rental activity;
- Landbanking activities;
- SDP; and
- Pension fund.

Governance costs include costs associated with the charity's constitutional and statutory requirements.

**e Fund accounting**

Funds are classified as restricted or unrestricted as defined below:

- Restricted funds are funds for specific purposes, which may be declared by the donor or with their authority.
- Unrestricted funds are those which can be expended at the discretion of the board for the furtherance of their charitable objectives.

Within designated reserves the board has designated funds for the purpose of providing funds for investing in land banking opportunities.

**f Tangible Fixed Assets – Housing Properties**

Housing properties are stated at cost less depreciation. See note 3n

**g Tangible Fixed Assets – Depreciation**

Depreciation is charged so as to write off the cost, net of grants, of fixed assets over their estimated useful economic lives at the following rates

Land and buildings	-	straight line over 50 years
Furnishings and fittings	-	15% straight line
Equipment	-	20% straight line

**h Capital Grants**

**Housing Properties**

Capital Grants are receivable from Communities Scotland and the Highland Council for the provision of housing properties for rent. These grants are utilised to reduce the capital costs of housing properties and are recognised as income in the SOFA in accordance with note 3c and carried to Restricted Reserves.

**Landbanking Grants**

Grants are receivable from Communities Scotland and the Highland Council for the acquisition of land for future sale and development for affordable housing. These grants are included as Restricted Reserves.

**The Highlands Small Communities Housing Trust**  
**(A company limited by guarantee)**

**Notes to the accounts**  
**Year ended 31 March 2020**

**3 Principal Accounting Policies (Continued)**

**i Stocks**

Land banking stocks are valued at the lower of cost and net realisable value.

Feasibility studies are included at cost unless they are not to be developed into projects. The cost of a study is written off to the Statement of Financial Activities as soon as it is recognised that a project will not be developed.

**j Financial Instruments**

The trust only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at the carrying value plus accrued interest less repayments. The financing charge to expenditure is at a constant rate calculated using the effective interest method.

Concessionary loans made or received as a social investment are initially recognised at the amount received or paid with the carrying amount adjusted in subsequent years to reflect repayments and any accrued interest and adjusted if necessary for any impairment.

**k Taxation**

The Trust is a registered charity and therefore is not liable to tax on its charitable activities.

**l Employee benefits**

Employee benefits are recognised as an expense and a liability in the period in which the employee services are delivered.

**m Pension Schemes**

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. The Trust also participates in the SFHA pension scheme as stated in Note 26.

Until 31 March 2018, the regular cost of providing retirement pensions and related benefits was charged to the SOFA annually on the basis of a constant percentage of earnings. The present value of future contributions payable under the deficit recovery agreement agreed with the pension fund trustee was recognised in the financial statements as a liability. Expenses relating to the unwinding of the discount rate on these contributions was shown as a finance cost in the SOFA in the period in which it arose.

Following structural changes at the SFHA pension scheme it has become possible for the first time to identify sufficient information to fully account for the pension fund as a defined benefit scheme in accordance with the Charities SORP. In accordance with section 28 of FRS102 the change in accounting treatment has been applied from 1 April 2018. The difference between the deficit funding liability brought forward and the defined benefit scheme liability is recognised as an operating expense within charitable activities in the SOFA.

From 1 April 2018 the charity recognises a defined net benefit pension asset or liability in the statement of financial position as the net total of the present value of its obligations and the fair value of the plan assets out of which the obligations are to be settled. The defined benefit liability is measured on a discounted present value basis using a rate determined by reference to market yields at the reporting date on high quality corporate bonds. Defined benefit obligations and the related expenses are measured using the projected unit credit method. Changes in the net defined benefit asset or liability arising from employee service are recognised in the SOFA as a current service cost where it relates to services in the current period and as a past service cost where it relates to services in prior periods. Costs relating to plan introductions, benefit changes, curtailments and settlements are recognised in the SOFA in the period in which they occur. Net interest is determined by multiplying the net defined benefit liability by the discount rate, both as determined at the start of the reporting period, taking account of any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. Net interest is recognised in the SOFA.



**The Highlands Small Communities Housing Trust**  
**(A company limited by guarantee)**

**n Prior year adjustment**

In previous financial statements, heritable property held as fixed assets was stated in the balance sheet net of capital grants received.

As this did not comply with the Statement of Recommended Practice a prior year adjustment has been made in these accounts to reflect capital grants received in respect of heritable property as charitable reserves. Hence charitable reserves and the value of heritable property at 1 April 2019 were increased by £688,312.

**o True and fair override**

Heritable property is rented out and UK GAAP states that such property should be treated as investment property in accordance with the FRS 102. However, as the properties are not held for capital appreciation but to provide in rural areas accommodation which might not otherwise be available the directors have decided to comply with the Companies Act 2006 treatment and depreciate these properties annually. The directors consider that this treatment is more relevant to showing a true and fair view.

**4 Income from Charitable activities**

Revenue Grants

	<b>2020</b>		
	<b>Unrestricted</b>	<b>Restricted</b>	<b>Total</b>
	£	£	£
Scottish Executive - Voluntary Organisation Grant	65,000	-	65,000
SG Woodland Croft Grant	33,000	-	33,000
Nationwide Foundation	12,029	120,000	132,029
HIE Digital Development Grant	6,527	-	6,527
SG Rural Housing Fund	-	573,692	507,563
SSE	-	25,000	25,000
HIE - Employment Grants	3,585	-	3,585
	<u>120,141</u>	<u>718,692</u>	<u>838,833</u>

	<b>2019</b>		
	<b>Unrestricted</b>	<b>Restricted</b>	<b>Total</b>
	£	£	£
Scottish Executive - Voluntary Organisation Grant	65,000	-	65,000
The Tudor Trust	10,000	-	10,000
Nationwide Foundation	5,338	120,000	125,338
The Robertson Trust	18,000	-	18,000
SG Rural Housing Fund	-	507,563	507,563
SDP Highland Council ESF	-	26,199	26,199
HIE – Employment Grants	7,663	-	7,663
	<u>106,001</u>	<u>653,762</u>	<u>759,763</u>

**The Highlands Small Communities Housing Trust**  
**(A company limited by guarantee)**

**5 Particulars of income and expenditure from lettings**

Income from lettings	<b>2020</b>	<b>2019</b>
	<b>Unrestricted</b>	<b>Unrestricted</b>
	<b>£</b>	<b>£</b>
Rents received	365,283	438,653
Expenditure on lettings activities	<b>2020</b>	<b>2019</b>
	<b>Unrestricted</b>	<b>Unrestricted</b>
	<b>£</b>	<b>£</b>
Maintenance Costs	44,547	28,740
Void Costs	217	80
Lease & Legal Fees	7,799	13,850
Depreciation	16,208	19,090
Insurance	17,232	21,117
	86,003	82,877
Loan interest	122,410	135,321
Total expenditure on lettings	208,413	218,198
Operating surplus on lettings activities	156,870	220,455

**6 Sale of Land**

	<b>2020</b>	<b>2019</b>
	<b>Unrestricted</b>	<b>Unrestricted</b>
	<b>£</b>	<b>£</b>
Sale proceeds	2,968,110	1,119,162
Cost of sales	(3,024,110)	(1,086,402)
(Deficit)/surplus on disposal	(56,000)	32,760

**7 Fee Income**

	<b>2020</b>	<b>2019</b>
	<b>Unrestricted</b>	<b>Unrestricted</b>
	<b>£</b>	<b>£</b>
Other Fees	342,188	255,635

**8 Investment Income**

	<b>2020</b>		
	<b>Unrestricted</b>	<b>Restricted</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Interest receivable from banks	704	-	704
All the trust's investment income arises from money held in interest bearing deposit accounts.			
	<b>2019</b>		
	<b>Unrestricted</b>	<b>Restricted</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Interest receivable from banks	2,823	14	2,837

**The Highlands Small Communities Housing Trust**  
(A company limited by guarantee)

**9 Administration and Management**

	2020					Total £
	Community Engagement £	Rental Activity £	Landbanking Activities £	CHS SDP £	Pension Fund £	
Staff Costs (see note 13)	318,555	65,457	52,365	119,462	-	555,839
Rent	16,058	3,706	4,941	12,596	-	37,301
Travel Costs	16,670	3,847	5,129	10,633	-	36,279
Recruitment Costs	40	-	-	-	-	40
Publicity	6,424	1,482	1,977	2,276	-	12,159
Post Stationery and Office Costs	11,226	2,591	3,454	3,095	-	20,366
Telephone and IT	10,475	2,417	3,223	3,569	-	19,684
Consultancy - Innovative Projects	34,989	8,074	10,766	4,913	-	58,742
Insurance	2,641	610	813	452	-	4,516
Meetings, Training & Venues	323	75	100	238	-	736
Irrecoverable VAT	1,498	346	461	256	-	2,561
Board and Members Expenses	2,361	545	726	404	-	4,036
Audit Fees	2,405	555	740	925	-	4,625
	<b>423,665</b>	<b>89,705</b>	<b>84,695</b>	<b>158,819</b>	<b>-</b>	<b>756,884</b>

The above expenditure on charitable activities was £756,884 (2019: £722,715) of which £598,065 was unrestricted (2019: £526,575) and £158,819 was restricted (2019: £196,140).

	2019					Total £
	Community Engagement £	Rental Activity £	Landbanking Activities £	CHS SDP £	Pension Fund £	
Staff Costs (see note 13)	193,343	80,560	48,336	141,931	72,035	536,205
Rent	7,420	3,373	2,698	8,998	-	22,489
Travel Costs	13,774	6,261	5,009	8,870	-	33,914
Recruitment Costs	725	330	264	-	-	1,319
Publicity	2,942	1,335	1,069	1,337	-	6,683
Post Stationery and Office Costs	11,267	5,121	4,097	9,475	-	29,960
Telephone and IT	4,406	2,003	1,602	7,769	-	15,780
Consultancy – Innovative Projects	19,831	9,014	7,211	4,006	-	40,062
Insurance	792	360	288	254	-	1,694
Meetings, Training & Venues	249	-	-	8,971	-	9,220
Irrecoverable VAT	2,578	5,156	2,578	2,578	-	12,890
Board and Members Expenses	3,728	1,695	1,356	1,286	-	8,065
Audit Fees	2,073	942	754	665	-	4,434
	<b>263,128</b>	<b>116,150</b>	<b>75,262</b>	<b>196,140</b>	<b>72,035</b>	<b>722,715</b>

**The Highlands Small Communities Housing Trust**  
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**10 Summary analysis of expenditure related to income for charitable activities**

This table shows the cost of the four main charitable activities and the sources of income directly to support those activities.

	<b>2020</b>						<b>Total</b>
	<b>Community Engagement</b>	<b>Rental Activity</b>	<b>Land Banking Activities</b>	<b>CHS SDP</b>	<b>Pension Fund</b>	<b>Faulds Reserve</b>	
	£	£	£	£	£		£
Costs	424,569	379,618	3,108,805	158,819	-	-	4,071,811
Direct grant support	(120,141)	-	(598,692)	(120,000)	-	-	(838,833)
Net cost funded from other income	<u>304,428</u>	<u>379,618</u>	<u>2,510,113</u>	<u>38,819</u>	<u>-</u>	<u>-</u>	<u>3,232,978</u>

**11 Analysis of governance costs**

	<b>2020</b>	<b>2019</b>
	<b>Unrestricted</b>	<b>Unrestricted</b>
	£	£
Board and Members Expenses	4,036	8,065
Audit Fees	4,625	4,435
	<u>8,661</u>	<u>12,500</u>

**The Highlands Small Communities Housing Trust**  
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<b>12</b>	<b>Operating surplus</b>	<b>2020</b>	<b>2019</b>
		£	£
	Operating surplus is stated after charging		
	Auditors' fees	4,625	4,435
	Depreciation	16,208	19,090
		16,208	19,090

<b>13</b>	<b>Directors and employees</b>	<b>2020</b>	<b>2019</b>
		£	£
	Staff costs (see note 9)		
	Wages	465,905	389,193
	Social security	42,796	35,372
	Other pension costs	47,138	39,605
		555,839	464,170

The number of employees, including the Chief Executive Officer, who received remuneration during the year (excluding superannuation contributions) in the following ranges:

	2020 Number	2019 Number
£60,000 - £69,999	1	1

In 2018 no employees received remuneration in excess of £60,000.

Average number of persons employed	15	15
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Expenses paid to Community Elected Directors on the Trust Board totalled £1,246 (2019 - £473).

Other than reimbursement of their legitimately incurred expenses, Board Directors are not entitled to receive any other payment for the services they give to the Trust.

**Pension Scheme**

The staff are able to become members of the SFHA Pension Scheme details of which are given in Note 26.

The Pension Charge represents contributions paid by the Trust during the year which amounted to £47,138 (2019 - £39,605).

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<b>14 Trustees' remuneration and costs of key management personnel</b>	<b>2020</b>	<b>2019</b>
	£	£
Staff costs		
Wages	97,947	95,507
Social security	11,529	10,855
Other pension costs	8,333	7,895
	<u>117,809</u>	<u>114,257</u>

The key management personnel are the Chief Executive Officer and Principal Officer.

<b>15 Interest payable and other charges</b>	<b>2020</b>		
	Unrestricted £	Restricted £	Total £
Bank interest and charges	122,410	904	123,314
Defined benefit pension fund charge (note 27)	-	-	-
	<u>122,410</u>	<u>904</u>	<u>123,314</u>

	<b>2019</b>		
	Unrestricted £	Restricted £	Total £
Bank Interest and charges	135,961	20	135,981
Defined benefit pension fund charge (note 27)	-	-	-
	<u>135,961</u>	<u>20</u>	<u>135,981</u>

**16 Corporation Tax**

The Trust is recognised by HM Revenue & Customs as a Scottish Charity. All income is applicable and applied to charitable purposes and relief is given to the Trust under Section 478 of the Corporation Tax Act 2010.

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**17 Fixed Assets**

	Heritable Property £	Equipment £	Furniture & Fittings £	Total £
<b>Cost</b>				
At 31 March 2019	1,439,355	6,849	4,157	1,450,541
Additions	458,915	-	-	458,915
Disposals	(177,366)	-	-	(117,366)
At 31 March 2020	<u>1,781,084</u>	<u>6,849</u>	<u>4,157</u>	<u>1,792,090</u>
<b>Depreciation</b>				
At 31 March 2019 (as restated)	117,331	6,849	4,157	128,337
Charge for year	16,208	-	-	16,208
	(5,821)	-	-	(5,821)
At 31 March 2020	<u>127,718</u>	<u>6,849</u>	<u>4,157</u>	<u>138,724</u>
<b>Net Book Value</b>				
As at 31 March 2020	<u>1,653,366</u>	<u>-</u>	<u>-</u>	<u>1,653,366</u>
As at 31 March 2019 (as restated)	<u>1,322,204</u>	<u>-</u>	<u>-</u>	<u>1,322,204</u>

All assets are held for charitable purposes.

All of these properties have been valued as at 31 March 2015 by the District Valuer. The valuation was based on the open market value and was undertaken in accordance with the RICS Statement of Assets Practice and Guidance Notes.

Most of the properties are on long term lease to Housing Associations based in the Highlands  
The valuation has not been incorporated in the financial statements.

	Valuation £	Cost £	Increase in Value £
As at 31 March 2015	<u>1,583,362</u>	<u>1,439,532</u>	<u>143,830</u>

The directors consider that there has been no material impairment in the market value of heritable property in the year ended 31 March 2020 and the market value at 31 March 2020 remains in excess of historic costs.

# The Highlands Small Communities Housing Trust

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## 18 Land Banking and Development Properties

	Land Banking £	Feasibility Studies £	Total £
<b>Cost</b>			
As at 31 March 2019	8,496,929	48,700	8,545,629
Additions	1,416,844	6,192	1,423,036
Disposals/Written Off	(2,652,559)	-	(2,652,559)
As at 31 March 2020	7,261,214	54,892	7,316,106

## 19 Debtors

	2020 £	2019 £
Other debtors	205,339	133,845

## 20 Creditors due within one year

	2020 £	2019 £
Highland Council Loans	674,000	612,823
Scottish Gov Loan– Rent to Buy	1,067,696	2,347,909
Trade Creditors	106,840	254,673
Other taxation and social security	22,688	14,375
Other creditors	43,800	43,800
Accruals	4,010	4,010
	1,919,034	3,277,590

## 21 Creditors:

### Amounts falling due after more than one year

	2020 £	2019 £
Scottish Government loan - Rent to Buy	3,994,130	4,334,894
Highland Council	40,000	40,000
Nationwide Foundation Loan	61,895	58,900
Lochaber Housing Association	-	-
	4,096,025	4,433,794

The Rent to Buy loans are secured by specific charges on land owned by HSCHT and are repayable in full on 31 March 2021, 2022 or the sixth anniversary of the completion date. Interest is chargeable on this loan from 1 April 2013 at 2.2% per annum.

The Highland Council loan is secured over the land at former Lady Ross Hotel, Ardgay.

The Nationwide loan is unsecured. The Highland Council loan is considered to be a concessionary loan, it is secured by specific charges on land owned by HSCHT and is interest free.



**The Highlands Small Communities Housing Trust**  
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	2020 £	2019 £
Analysis of loan repayments In the next year	1,785,496	3,004,532
In the second year	1,359,405	944,470
In the third to fifth year	2,674,725	3,430,424
In more than five years	61,895	58,900
	4,096,025	4,433,794
	5,881,521	7,438,326

**22 Analysis of Net Assets between funds**

	Unrestricted Funds £	Restricted Funds £	Total £
Tangible Fixed Assets	965,054	688,312	1,653,366
Net Current Assets	3,969,982	2,300,654	6,270,636
Creditors falling due after more than one year	(4,096,025)	-	(4,096,025)
	839,011	2,988,966	3,827,977

**The Highlands Small Communities Housing Trust**  
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23 Funds	Restricted Funds		Unrestricted Funds			Total	
	Properties & Development £	CHS £	Faulds Memorial £	Landbanking Reserve	Revenue Reserve		Pension Reserve £
Balance at 31 March 2019 as previously reported	1,680,613	40,000	132,168	121,604	721,972	(130,000)	2,566,357
Prior year adjustment	688,312	-	-	-	-	-	688,312
Balance at 31 March 2019 as restated	2,368,925	40,000	132,168	121,604	721,972	(130,000)	3,254,669
Result for the Year	486,692	(38,819)	-	(28,695)	24,130	130,000	573,308
Balance at 31 March 2020	2,855,617	1,181	132,168	92,909	746,102	-	3,827,977

**Revenue Reserve**

	2020 £	2019 £
General Activities	543,444	493,329
Sinking Fund Properties	100,643	87,643
Cashback reserve	102,015	141,000
	<u>746,102</u>	<u>721,972</u>

Properties & Development fund – The fund comprises grants specifically received to purchase and develop land and properties.

CHS – Communities Housing Scotland is an expansion of our services outwith Highlands funded through grant support from the Nationwide Foundation.

Faulds Memorial – A fund to help individuals/families access affordable self-build plots.

**The Highlands Small Communities Housing Trust**  
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**24 Capital Commitments**

At 31 March 2020 the charity had capital commitments as follows:

Contracted for but not provided in the financial statements:

	2020	2019
	£	£
Developments at:		
Durness	22,380	304,744
Gairloch	15,872	415,632
Aultbea	13,726	421,886
Rothiemurcus	-	93,892
Edderton	196,694	225,207
Abriachan	-	93,048
Flodigarry	-	182,188
Inverfarigaig	796,735	
	1,045,407	1,736,597

**25 Related Party Transactions**

The Trust has various transactions with parties who have the right to nominate directors. These parties are the Highland Council, Albyn Housing Society Limited, Lochaber Housing Association Limited, Lochalsh & Skye Housing Association Limited and Pentland Housing Association Limited.

All transactions between the Trust and the organisations noted are at normal commercial rates.

	2020			
	<u>Transactions</u>		<u>Balances as at 31 March 2020</u>	
	Sold to	Purchased	Due to	Due from
	£	from	the Trust	the Trust
	£	£	£	£
Highland Council	57,152	2,970	53,585	-
Lochaber Housing Association Ltd	80,097	2,836	53,325	-
Lochalsh & Skye Ltd	2,843	-	-	-
Pentland Housing Association Ltd	4,888	-	-	-

	2019			
	<u>Transactions</u>		<u>Balances as at 31 March 2019</u>	
	Sold to	Purchased	Due to	Due from
	£	from	the Trust	the Trust
	£	£	£	£
Highland Council	35,224	-	6,715	-
Lochaber Housing Association Ltd	44,871	-	-	-
Lochalsh & Skye Ltd	1,881	-	-	-
Pentland Housing Association Ltd	2,559	2,852	-	-

All transactions between the Trust and the organisations noted are at normal commercial rates.

**26 Legal status of the trust**

The Highlands Small Communities Housing Trust is a charitable company limited by guarantee not having a share capital. The liability of members is limited and is not to exceed £1 per member. As a result, no single party has control of the Trust.

**The Highlands Small Communities Housing Trust**  
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**27 Scottish Housing Associations' Pension Scheme**

**TPT Retirement Solutions – Scottish Housing Associations' Pension Scheme**

The company participates in the scheme, a multi-employer scheme which provides benefits to some 155 non-associated employers. The scheme is a defined benefit scheme in the UK.

Until 1 April 2018, it was not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore, it accounted for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore, the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out at 30 September 2015. This actuarial valuation showed assets of £616m, liabilities of £814m and a deficit of £198m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

**Deficit contributions**

From 1 April 2017 to 28 February 2022:	£25,735,092 per annum (payable monthly and increasing by 3% each on 1st April)
From 1 April 2017 to 30 June 2025:	£727,217 per annum (payable monthly and increasing by 3% each on 1st April)
From 1 April 2017 to 31 October 2026:	£1,239,033 per annum (payable monthly and increasing by 3% each on 1st April)

Unless a concession has been agreed with the Trustee the term to 28 February 2022 applies.

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the scheme liabilities.

Up to 31 March 2018, where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company recognised a liability for this obligation. The amount recognised was the net present value of the deficit reduction contributions payable under the agreement that related to the deficit. The present value was calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate was recognised as a finance cost.

**The Highlands Small Communities Housing Trust**  
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**27 Scottish Housing Associations' Pension Scheme (continued)**

**Disclosures related to the defined benefit fund liability**

**Present values of defined benefit obligation, fair value of assets and defined benefit liability**

	Year Ending	Year Ending
	31 March 2020	31 March 2019
	(£'000)	(£'000)
Fair value of plan assets	599	485
Present value of defined benefit obligation	589	615
Surplus/(deficit) in plan	10	(130)
Unrecognised surplus	10	-
Defined benefit liability recognised	-	(130)

**Reconciliation of the impact of the asset ceiling**

	Year Ending
	31 March 2020
	(£'000)
Impact of the asset ceiling at the start of the year	-
Effect of the asset ceiling included in net interest cost	-
Actuarial losses/(gains) on asset ceiling	10
Impact of the asset ceiling at the end of the year	10

**The Highlands Small Communities Housing Trust  
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**27 Scottish Housing Associations' Pension Scheme (continued)**

**Defined benefit costs recognised in Statement of Financial Activities**

	Year Ending	Year Ending
	31 March 2020	31 March 2019
	(£'000)	(£'000)
Net interest expense	2	3
Transition from deficit funding liability to defined benefit liability	-	69
Defined benefit cost recognised in SOFA	2	72

**Reconciliation of opening and closing balances of the defined benefit obligation**

	Year Ending	Year Ending
	31 March 2020	31 March 2019
	(£'000)	(£'000)
Defined benefit obligation at start of period	615	579
Interest expense	14	15
Actuarial losses/(gains) due to scheme experience	36	(23)
Actuarial losses/(gains) due to changes in demographic assumptions	(3)	1
Actuarial losses/(gains) due to changes in financial assumptions	(72)	44
Benefits paid and expenses	(1)	(1)
Defined benefit obligation at end of period	589	615

**Reconciliation of opening and closing balances of the fair value of plan assets**

	Year Ending	Year Ending
	31 March 2020	31 March 2019
	(\$'000)	(£'000)
Fair value of plan assets at start of period	485	456
Interest income	12	12
Experience on plan assets (excluding amounts included in interest income) – gain/(loss)	91	8
Member contributions	-	10
Benefits paid and expenses	(1)	(1)
Fair value of plan assets at end of period	599	485

**The Highlands Small Communities Housing Trust**  
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**27 Scottish Housing Associations' Pension Scheme (continued)**

**Defined benefit cost recognised in other comprehensive income**

	Year Ending	Year Ending
	31 March 2020	31 March 2019
	(£'000)	(£'000)
Experience on plan assets (excluding amounts included in net interest cost) – gain/(loss)	91	8
Experience gains and losses arising on the plan liabilities – gain/(loss)	(36)	23
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation -gain/(loss)	3	(1)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain/(loss)	72	(44)
Total actuarial gains and losses – gain/(loss)	130	(14)
Effects of changes in the amount of surplus that is not recoverable - gain (loss)	(10)	-
Total amount recognised in other comprehensive income – gain/(loss)	120	(14)

**Key Assumptions**

	31 March 2020	31 March 2019
	% per annum	% per annum
Discount rate	2.35	2.35
Inflation (RPI)	2.55	3.25
Inflation (CPI)	1.55	2.25
Salary Growth	2.55	3.25
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

**The mortality assumptions adopted at 31 March 2020 imply the following life expectancies:**

	Life expectancy
	At age 65
	(Years)
Male retiring in 2020	21.5
Female retiring in 2020	23.2
Male retiring in 2040	22.8
Female retiring in 2040	24.5

**The Highlands Small Communities Housing Trust**  
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**27 Scottish Housing Associations' Pension Scheme (continued)**

**Assets**

Year ending		31 March 2020	31 March 2019
		(£'000)	(£'000)
Global equity		82	78
Absolute return		37	41
Distressed Opportunities		11	8
Credit Relative Value		14	8
Alternative Risk Premia		48	27
Fund of Hedge Funds		-	1
Emerging Markets Debt		21	16
Risk Sharing		19	14
Insurance-Linked Securities		16	13
Property		11	10
Infrastructure		35	20
Private Debt		12	6
Opportunistic Illiquid Credit		15	-
Corporate Bond Fund		44	34
Liquid Credit		16	-
Long Lease Property		15	6
Secured Income		33	17
Over 15 Year Gilts		8	12
Index Linked All Stock Gilts		-	-
Liability Driven Investment		157	173
Net Current Assets		5	1
<b>Total assets</b>		<b>599</b>	<b>485</b>

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

**28 Controlling interest**

The charity is controlled by the trustees.