

# Housing, Homelessness and Fair Work Committee

10.00am, Thursday, 14 January 2021

## Edinburgh Living Annual Report 2019

Executive/routine Wards Council Commitments	Executive All
---	------------------

### 1. Recommendations

---

- 1.1 The Housing, Homelessness and Fair Work Committee is asked to:
  - 1.1.1 note the contents of the 2019 Annual report;
  - 1.1.2 note the progress made to establish Edinburgh Living over 2019;
  - 1.1.3 note that the 2020 Annual Report will be submitted to Committee following completion of the 2020 financial audit in 2021; and
  - 1.1.4 refer this report to the Governance, Risk and Best Value Committee in line with Edinburgh Living's governance arrangements.

**Paul Lawrence**

Executive Director of Place

Contact: Elaine Scott, Housing Services Manager

E-mail: [elaine.scott@edinburgh.gov.uk](mailto:elaine.scott@edinburgh.gov.uk) | Tel: 0131 529 2277

# Report

## Edinburgh Living Annual Report 2019

### 2. Executive Summary

---

- 2.1 In line with the agreed governance structure set out for the Council's housing delivery Limited Liability Partnerships (LLPs), known as Edinburgh Living, an annual report providing an overview of each financial year is required to be submitted to the Governance, Risk and Best Value Committee. This report should be noted by the Housing, Homelessness and Fair Work Committee and referred on.
- 2.2 The report sets out the activities carried out by Edinburgh Living over the financial year 2019, the financial position at the end of the year and key areas of work for 2020. Due to the Covid-19 pandemic, the external audit of the financial statements for 2019 has been delayed resulting in late drafting of this report. The annual report for 2020 will be prepared for Committee in 2021.
- 2.3 Edinburgh Living was established in 2019 and owned 131 homes by the end of the year. This is the first annual report to be produced.

### 3. Background

---

- 3.1 In February 2018, the City of Edinburgh Council agreed to establish two new LLPs which would own and manage homes for rent to households on low to moderate income; one offering mid-market rent (MMR) homes and the second offering market rent homes. The Business Case for the implementation of the LLPs was agreed by Scottish Government under the Edinburgh and South East Scotland City Deal (City Deal). The LLPs are known under the single banner of Edinburgh Living.
- 3.2 The Council agreed the Edinburgh Living governance structure and reporting requirements for the LLPs at the same meeting in February 2018. The annual reporting cycle includes the requirement for bi-annual updates to the Housing, Homelessness and Fair Work Committee and an annual update to the Governance, Risk and Best Value Committee.
- 3.3 The annual report includes an overview of the relevant financial year, a summary of the financial statements and a note of key areas of work for the forthcoming year.

- 3.4 Edinburgh Living MMR LLP became operational in January 2019, with the purchase of the first home at Clermiston. As a result, this is the first annual report to be presented and covers the financial year January to December 2019.
- 3.5 As a result of the global Covid-19 pandemic, the timetable for the completion of the financial statements for the year 2019 has been altered in line with the Council's audit timetable and reporting deadlines issued by Companies House. This has resulted in the later than expected drafting of the annual report.
- 3.6 Edinburgh Living's financial statements have been audited by Azets (formerly Scott-Moncrieff).
- 3.7 This report is specific to the activities of the LLPs during 2019. However, as of 10 December 2020, the MMR LLP owns 243 homes.

## 4. Main report

---

- 4.1 The following report sets out a summary of the day to day governance of the LLPs, the financial position, an update of the key milestones in 2019 and workstreams taking place in 2020.

### Governance

- 4.2 The Council owns 99.99% of the Edinburgh Living MMR LLP and 99% of the market rent LLP. Scottish Futures Trust (SFT) owns the remaining shares.
- 4.3 Edinburgh Living is managed on a day to day basis by a Senior Management Team (SMT) made up of five senior Council officers and one staff member from SFT. Oversight is provided by a Corporate Body which comprises four elected members, the Executive Director of Place and a Director from SFT.
- 4.4 Risk and financial management are integral to the SMT's work plan throughout the year and updates are reported to the Corporate Body through quarterly business updates and annual business plan update.
- 4.5 Edinburgh Living's governance is aligned to that of the Council and major decisions including the sale of homes to Edinburgh Living and funding for the LLPs are agreed by the Council and its Committees.
- 4.6 Edinburgh Living has no staff and, in order to provide a consistent level of service, the Council supplies the services which allows Edinburgh Living to operate.
- 4.7 Where the Council cannot supply a required service, it procures them on behalf of Edinburgh Living. These services are paid for by Edinburgh Living through the collection of rent.
- 4.8 The Council does not currently have the requisite experience in delivering management and maintenance services to mid-market and market rent homes let under a Private Rented Tenancy (PRT) agreement. As a result, a service provider experienced in this field was required. In 2018, Lowther Homes was procured to provide day to day letting and management services for the homes owned by Edinburgh Living.

- 4.9 The contract is managed by the Council and includes monthly contract meetings and quarterly management reports to the SMT.
- 4.10 The Corporate Body meet quarterly to review progress and agree the audited financial statements on an annual basis. A summary of the financial statements is included below.

#### Strategic Alignment

- 4.11 The delivery of homes aligns closely with Council commitments. The following objectives were developed for Edinburgh Living and approved as part of the Business Case:
- 4.11.1 deliver quality new homes for rent in places where people choose to live;
  - 4.11.2 operate commercially and at scale;
  - 4.11.3 provide stable and good value rents and tenancy security;
  - 4.11.4 accelerate house building in the city;
  - 4.11.5 have a positive impact on the local economy, through creating opportunities for local businesses and supporting jobs in construction and housing related services;
  - 4.11.6 deliver a value for money service to customers; and
  - 4.11.7 support development of housing on brownfield sites
- 4.12 In addition to the above objectives, delivering affordable housing through this initiative makes a contribution to the prevention of homelessness by offering people on low to middle incomes, affordable, high quality, professionally managed homes and security of tenure.
- 4.13 In 2019/20 officers from Housing and Homelessness services worked together, and with the EdIndex Board, to raise the profile of the mid-market rent as a housing option for working homeless households. There was mixed success to this new initiative during 2019, with a total of six working homeless households finding new homes with Edinburgh Living.
- 4.14 With a focus on homelessness prevention, the developing relationship with the new Private Residential Sector (PRS) team within the homelessness service has resulted in more households finding homes within mid-market rent tenancies this year. Between October and December 2020, 12 working households have found new homes with Edinburgh Living.
- 4.15 The Council is continuing to work with Edinburgh Living's letting agent, Lowther Homes, to directly signpost clients to homes being delivered through Edinburgh Living. This approach is also being developed with other MMR housing providers in the city.

## Operations

- 4.16 The current Edinburgh Living pipeline focuses on purchasing homes delivered through the Council's mixed tenure housebuilding programme. Purchases are funded through a mixture of Council on-lending and a grant funding package of £16.1m, both of which were agreed by Scottish Government under the City Deal.
- 4.17 Following the implementation of the new Edinburgh Living LLPs, the first MMR tenants were welcomed into their new homes at Clermiston in January 2019. The development was opened by Kevin Stewart MSP.
- 4.18 Before the end of 2019, Edinburgh Living had purchased 131 new homes across six developments. Homes were generally let quickly, particularly in the first three quarters of the year and feedback received from tenants was positive throughout the year. Tenants were particularly pleased with the size and standard of their new homes and the service being provided by Lowther Homes.
- 4.19 Details of the new homes purchased during the year and their location is provided in Appendix 1 and Appendix 2.
- 4.20 Rents within the year 2019 were charged at no more than 100% of Local Housing Allowance, in line with Scottish Government grant conditions and demand for MMR homes was high throughout the year. Rent increases will be implemented in 2020 at CPI, in line with business case assumptions.
- 4.21 Over the course of the first year of operation, Council officers met regularly with staff from Lowther Homes to ensure that key performance indicators in the contract were met. During Covid-19 Lowther's approach to communication with tenants; including calls to check on tenants' wellbeing have been aligned to the Council's own approach. Throughout the year, arrears and voids remained low and within Business Plan assumptions.
- 4.22 The Senior Management Team met on a monthly basis throughout 2019 and the Corporate Body met on a quarterly basis. During 2019 the Corporate Body approved the draft five year Business Plan and instructed the development of a Performance Framework for the LLPs to be included in future updates of the Business Plan.

## Financial results 2019

- 4.23 The financial statements for 2019 have been prepared in accordance with the relevant accounting standards and audited by Azets and are included in full at Appendix 4. Edinburgh Living Corporate Body approved the statements at its meeting on 16 December 2020.
- 4.24 The main transactions reflected in the accounts are: the loan funding from the Council for the acquisitions of homes; interest on the loans; the bi-annual loan repayments; payment of legal fees pertaining to the acquisitions; payment of management and maintenance fees; administration costs and rental income. As part of the annual accounts process, the properties were revalued as at 31 December 2019 (the balance sheet date) and this showed an increase in value.

- 4.25 The Profit and Loss Account shows a profit of £8.252m but includes the gain from the increase in the property valuations of £8.235m. Once that adjustment is stripped out, the underlying position is a small profit of £16,777.
- 4.26 The financial modelling for Edinburgh Living projected that the early years would return relatively small profits. This is largely due to initial void periods before the properties are first let. Approximately four and half months rental income is required to cover the first loan repayment for each acquisition. Therefore, acquisitions made in the last four months of the year do not have long enough to generate sufficient income to cover the loan repayment applicable to the period between acquisition and the end of the financial year, which impacts on the profit. The longer-term picture remains positive and the LLP should return profits once it has a larger portfolio of established income-generating properties.
- 4.27 The Balance Sheet shows negative net current assets of £113,327. However, the LLP's main creditor is the Council and there is a working capital facility in place to help manage the cashflow. As with the Profit and Loss Account, the Balance Sheet position is projected to improve as the LLP matures.

#### The year ahead: 2020

- 4.28 Edinburgh Living has an ambitious programme to deliver 1,500 homes over five years, contribute to the Council's affordable housing delivery targets and make a positive impact on homelessness in the city.
- 4.29 Key areas of focus for the Edinburgh Living SMT in 2020 will be:
- 4.29.1 develop strategies to meet the Council's ambition for Edinburgh Living to operate at scale, accelerate housebuilding in the city and support the development of housing on brownfield sites, through increasing the number of homes available for Edinburgh Living to purchase, beyond the current pipeline;
  - 4.29.2 continue to build relationships with the new PRS Homelessness team;
  - 4.29.3 deliver homes at scale across the city with acquisitions anticipated at North Sighthill, Pennywell and Craigmillar;
  - 4.29.4 develop a dedicated website and establish branding and a presence in the market place; and
  - 4.29.5 continue to implement robust risk management, financial monitoring and reporting with a focus on lessons learned and continuous improvement.
- 4.30 At the time of writing all of the above are progressing.
- 4.31 In the context of reduced grant, limited land supply and increasing construction costs, Council officers are assessing options for the delivery of homes outside the current acquisition model. This includes alternative funding models and the potential for partnership working with the private sector.
- 4.32 The impact of Covid-19 has been mitigated through robust financial monitoring, a reliable emergency repairs service provided by Lowther Homes throughout the lockdown period and limited voids.

- 4.33 In addition, Edinburgh Living was able to support the city-wide effort to provide additional accommodation for homeless households during the pandemic through the leasing of homes that were left void when Lowther Homes ceased letting as part of the nationwide lockdown. In total 12 homes across three developments have been made available to the Temporary Accommodation team. Homeless households will be able to occupy the homes until they find a permanent home.
- 4.34 While MMR will not be the most suitable long term option for all the households who are currently occupying the homes, it is anticipated that some households will become Edinburgh Living tenants.
- 4.35 The Corporate Body has not met on a quarterly basis during 2020, meeting on a six monthly basis instead, in June and December. However, the Corporate Body has been updated through interim management updates where meetings have not been possible.
- 4.36 Settlements resumed at the end of October and Edinburgh Living has purchased an additional 112 homes in 2020.

## **5. Next Steps**

---

- 5.1 Edinburgh Living will continue to report progress in line with existing governance arrangements.
- 5.2 An annual report for the year 2020 will be prepared for Committee towards the end of 2021, following completion of the external audit process for that year.

## **6. Financial impact**

---

- 6.1 There are no direct financial implications arising directly from this report.

## **7. Stakeholder/Community Impact**

---

- 7.1 The LLPs have a key role to play in delivering the Council's housing strategy and commitment to deliver 20,000 homes. The development of the LLPs will also have a positive impact on the local economy, through creating opportunities for local businesses as well as jobs in construction.
- 7.2 Edinburgh Living acquires new build homes that are developed through the Council's housebuilding programme to high standards in terms of energy efficiency and sustainability. A strong emphasis placed on providing homes that are cheap to heat and affordable to manage for tenants.
- 7.3 Community benefits are secured through housing contracts and the management and maintenance contract can enhance the local environment. As part of the Lowther Homes contract, the delivery of community benefits was focused on training schemes, apprenticeships and a bursary programme. Lowther Homes is

also committed to delivering benefits across fire safety, tackling fuel poverty and supporting local businesses. Further information on this work will be reported in the 2020 annual report.

## **8. Background reading/external references**

---

- 8.1 [City Deal – New Housing Delivery Partnership Implementation, Housing and Economy Committee, Thursday 18 January 2018](#)
- 8.2 [City Deal – New Housing Delivery Partnership Implementation – Referral from the Housing and Economy Committee, City of Edinburgh Council, 01 February 2018](#)
- 8.3 [City Deal New Housing Delivery Partnership Acquisition of Homes 2018/19, Finance and resource Committee, Thursday 12 June 2018](#)
- 8.4 [Edinburgh Living LLPs: Acquisition of Homes 2019/20, Finance and Resources Committee, Tuesday 04 December 2018](#)
- 8.5 [Edinburgh Living LLPs: Acquisition of Homes 2019/20 – referral from the Finance and Resources Committee](#)

## **9. Appendices**

---

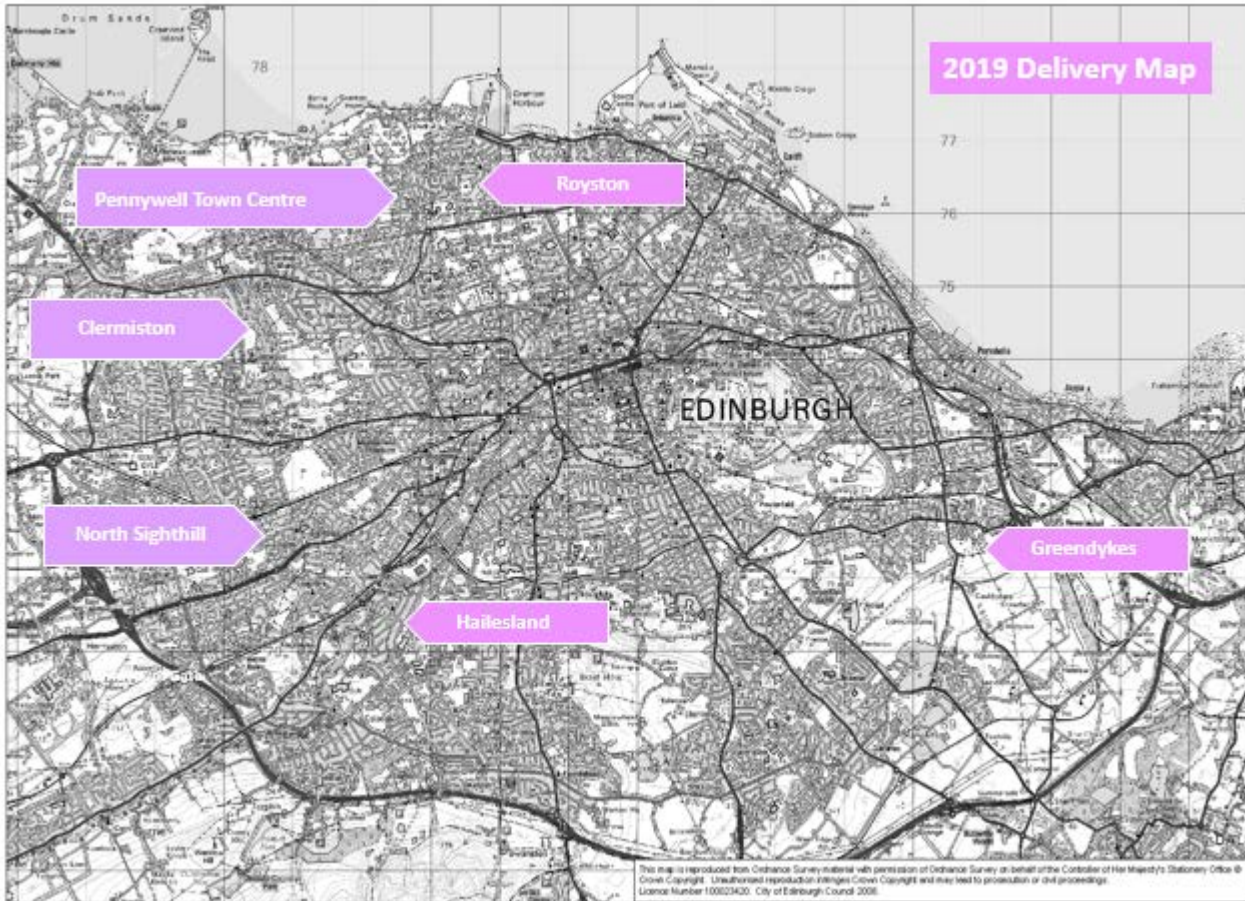
- 9.1 Appendix 1: Unit numbers.
- 9.2 Appendix 2: Map of homes.
- 9.3 Appendix 3: Development Photos.
- 9.4 Appendix 4: Financial Statements



## Appendix 1 – Unit Numbers 2019

	<b>2019 actual</b>
Total Number of Units owned as at 31 December	131
Number of Units completed during that Financial Year	131
Number of Units in pipeline and under construction as 31 December 2019	320
Number of Units in pipeline and not yet under construction as at 31 December 2019	857

## Appendix 2 – Edinburgh Living Locations 2019



**Appendix 3 – Edinburgh Living Photos**



Royston



North Sighthill

## **Appendix 4 – Financial Statements**

### **Edinburgh Living MMR LLP**

#### **Members' report and financial statements**

Registered number SO306071

For the year ended 31 December 2019

## **Contents**

Members' report	1
Statement of members' responsibilities in respect of the members' report and the financial statements	3
Independent auditor's report to the members of Edinburgh Living LLP	4
Profit and loss account	6
Balance sheet	7
Statement of changes in equity	8
Notes	9

## **Members' report**

The members present their members' report and financial statements for the year ended 31 December 2019.

### **Principal activities**

The principal activity of the LLP during the year was investment in residential property for rental purposes.

### **Business review**

Edinburgh Living is a housing delivery partnership created to address housing need in Edinburgh. The initiative is a partnership between the City of Edinburgh Council (The Council) and Scottish Futures Trust (SFT). The Limited Liability Partnership will deliver homes for mid-market rent to let households in housing need.

Edinburgh Living bought its first homes in January 2019 and over the course of its first year purchased 150 homes.

Edinburgh Living is 99.999% owned by the Council and is financed under a Facility Agreement with the Council to borrow up to £248m along with a contribution of up to £16.1m from a Scottish Government grant.

### **Results**

The results for the year are shown on the profit and loss account on page 6.

### **Members**

The members who held office during the year were as follows:

Scottish Futures Trust Investments Limited  
The City of Edinburgh Council

### **Policy with respect to members' drawings and subscription and repayments of amounts subscribed or otherwise contributed by members**

Cash received by Edinburgh Living, excluding property disposal proceeds, will be allocated firstly to pay any operating costs, secondly in payment of any loan advances and associated accrued interest charges, thirdly to fund the Lifecycle Account as necessary to establish and maintain the Maintenance Fund and fourthly to establish and maintain the required Reserve Account balance. Any residual balances after making the above allocations 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 Edinburgh Living and the Council) has not been made in accordance with its terms.

Cash received from property disposals will be allocated firstly to reimburse any subsidy paid out under the Scottish Government Grant, secondly in payment of any accrued interest charges on loan advances, thirdly to repay the outstanding balance of the principal of the loan advances, fourthly to pay any operating costs including any disposal costs, to establish and maintain the Reserve Account balance, fifthly to pay for the acquisition of any replacement units, sixthly to fund the Lifecycle Account, seventhly to the Reserve Account as necessary and finally, following disposal of the final property, to repay the initial capital.

### **Disclosure of information to auditor**

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 the LLP's auditor is unaware; and each member has taken all the steps that they ought to have taken as a member to make themselves aware of any relevant audit information and to establish that the LLP's auditor is aware of that information.

**Members' report** *(continued)*

**Auditor**

Following the acquisition of Scott-Moncrieff Chartered Accountants by Azets, Scott-Moncrieff Chartered Accountants resigned as auditor and were replaced by Azets Audit Services Limited, a company owned by Azets.

The above report has been prepared in accordance with the special provisions relating to limited liability partnerships subject to the small limited liability partnerships' regime within Part 15 of the Companies Act 2006, as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008

Signed on behalf of the members

**Paul Lawrence** *on behalf of The City of Edinburgh Council*  
*Designated member*

Waverley Court  
4 East Market Street  
Edinburgh  
EH8 8BG  
16 December 2020

## **Statement of members' responsibilities in respect of the Members' report and the 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 applicable law and Section 1A of FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (UK Generally Accepted Accounting Practice applicable to Smaller Entities).

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;
- 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.



## **Independent auditor's report to the members of Edinburgh Living MMR LLP**

### **Opinion**

We have audited the financial statements of Edinburgh Living MMR LLP ("the LLP") for the year ended 31 December 2019 which comprise the Profit and loss account, Balance sheet, Statement of changes in equity and related notes, including a summary of significant accounting policies to the financial statements.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view, of the state of affairs of the LLP as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

### **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 LLP in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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 audit 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 members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the LLP'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.

### **Other information**

The members are responsible for the other information. The other information comprises the information included in the Members' report, other than the financial statements and our Auditor's Report thereon. 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.

## **Independent auditor's report** *(continued)*

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 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.

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 as applied to limited liability partnerships requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us or the financial statement are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of the members**

As explained more fully in the Members' responsibilities statement in page 3, the members 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 members 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 members are responsible for assessing the LLP's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the members either intend to liquidate the LLP or to cease operation, or have no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the financial statement 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). The description forms part of our Auditor's Report.

### **Use of our report**

This report is made solely to the LLP's members in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as applied to limited liability partnerships. Our audit work has been undertaken so that we might state to the LLP's members, as a body, those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the LLP and the LLP's members for our audit work, for this report, or for the opinions we have formed.

**Nick Bennett (Senior Statutory Auditor)**  
**For and on behalf of**  
**Azets Audit Services, Statutory Auditor**  
Chartered Accountants  
Exchange Place 3  
Semple Street  
Edinburgh  
EH3 8BL

Date:

**Profit and loss account**  
 for the year ended 31 December 2019

	<i>Note</i>	<b>2019</b> £	<b>2018</b> £
<b>Turnover</b>		224,830	-
Cost of sales		(76,423)	-
		148,407	-
<b>Gross profit</b>		148,407	-
Government grant release	8	23,065	-
Administrative expenses		(12,996)	-
Net gain from fair value adjustment on investment properties		8,235,245	-
		8,393,722	-
<b>Operating profit</b>		8,393,722	-
Interest payable and similar charges	4	(141,699)	-
		8,252,022	-
<b>Profit before tax</b>		8,252,022	-
		8,252,022	-
<b>Profit for the financial year available for discretionary division among members</b>	3	8,252,022	-

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

There are no items of other comprehensive income for the current or previous year and therefore no separate statement of other comprehensive income has been presented.

**Balance sheet**

at 31 December 2019

	Note	2019 £	2018 £
<b>Fixed assets</b>			
Investment properties	4	27,747,852	-
<b>Current assets</b>			
Debtors	6	51,807	2
Cash at bank and in hand		335,908	-
		<hr/>	<hr/>
<b>Current assets</b>		387,715	2
<b>Creditors: amounts falling due within one year</b>			
Trade and other payables	7	(428,991)	-
Deferred income	8	(72,050)	-
		<hr/>	<hr/>
<b>Net current assets</b>		(113,326)	2
<b>Creditors: amounts falling due in more than one year</b>			
	7 & 8	(2,786,885)	-
		<hr/>	<hr/>
<b>Net assets attributable to members</b>		24,847,641	2
		<hr/> <hr/>	<hr/> <hr/>
<b>Represented by:</b>			
<b>Loans and other debts due to members</b>			
Other amounts	10	16,595,617	-
<b>Members' equity</b>			
Members' capital	11	2	2
Revaluation reserve		8,235,245	-
Profit and loss reserve		16,777	-
		<hr/>	<hr/>
		24,847,641	2
		<hr/> <hr/>	<hr/> <hr/>

These financial statements have been prepared in accordance with the special provisions relating to Limited Liability Partnerships subject to the small Limited Liability Partnerships' regime within Part 15 of the Companies Act 2006, as applied by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008, and in accordance with Section 1A "Small Entities" of FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice applicable to Small Entities), and the Statement of Recommended Practice Accounting by Limited Liability Partnerships.

The notes on pages 9 to 13 form part of these financial statements.

These financial statements were approved by the members and authorised for issue on 16 December 2020 and are signed on their behalf by:

**Paul Lawrence** on behalf of The City of Edinburgh Council  
Designated member

**Statement of changes in Members' interests**  
 for the year ended 31 December 2019

	Members' Capital (classified as equity)	Profit & Loss Reserve	Revaluation Reserve £	Loans & Other Debts Due to Members £	Total Members' interests £
Balance at 1 January 2018	2	-	-	-	2
Profit for the financial year	-	-	-	-	-
Balance at 31 December 2018	2	-	-	-	2
New loans from Members during year	-	-	-	16,595,617	16,595,617
(Loss/)/Profit for the financial year	-	16,777	-	-	16,777
Revaluations	-	-	8,235,245	-	8,235,245
<b>Balance at 31 December 2019</b>	<b>2</b>	<b>16,777</b>	<b>8,235,245</b>	<b>16,595,617</b>	<b>24,847,641</b>

The notes on pages 9 to 13 form part of these financial statements.

The revaluation element of Members' other interests is non-distributable.

## Notes

(forming part of the financial statements)

### 1. General information

Edinburgh Living MMR LLP (the "Partnership") is a Limited Liability Partnership, incorporated and domiciled in the Scotland. The address of the registered office is Waverley Court, East Market Street, Edinburgh, EH8 8BG.

### 2. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material to the LLP's financial statements.

#### ***Basis of preparation***

These financial statements were prepared in accordance with Section 1A small entities of Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014 and the LLP Statement of Recommended Practice (SORP) as issued in December 2018. The presentation currency of these financial statements is sterling.

#### ***Going concern***

In relation to the LLP's working capital requirements, the members have prepared cash flow forecasts which indicate that the LLP will continue to have sufficient resources available to it to enable it to continue in operational existence by meeting its day to day liabilities as they fall due for payment for a period of at least twelve months from the date of approval of these financial statements. The LLP finances its day to day working capital requirements through funds advanced to the LLP by its members, as detailed in note 8.

Covid-19 may impact upon future rental income and acquisitions of properties. The Board has considered the potential impact and has reviewed some scenario modelling showing the financial implications. The Board concluded that there were sufficient resources available to the LLP to withstand a reasonable level of negative impact on the rental income. The LLP has a working capital facility arrangement in place with the Council to help manage its day-to-day cashflow in the early years as it builds up reserves.

Based upon the reasons outlined above, and after making appropriate enquiries, the members have a reasonable expectation that the LLP has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the members continue to adopt the going concern basis in preparing the annual financial statements.

#### ***Cash flow statement***

Under Section 1A Small entities of FRS 102, the company is not required to prepare a cash flow statement.

#### ***Turnover***

The turnover shown in the profit and loss account represents rental income, exclusive of value added tax, and is recognised as it accrues.

#### ***Investment properties***

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are recognised initially at cost.

Subsequent to initial recognition:

- i. Investment properties whose fair value can be measured reliably without undue cost or effort are held at fair value. Any gains or losses arising from changes in the fair value are recognised in profit or loss in the period that they arise; and
- ii. No depreciation is provided in respect of investment properties applying the fair value model.

**Notes** *(continued)*

**2. Accounting policies** *(continued)*

**Investment properties** *(continued)*

If a reliable measure is not available with undue cost or effort for an item of investment property, this item is thereafter accounted for as tangible fixed assets until a reliable measure of fair value becomes available.

**Interest**

Interest payable and similar charges comprises interest payable on loans from members. Interest payable is recognised in the profit and loss account as it accrues.

**Taxation**

As members are personally liable for taxation on their share of the profits of the LLP there is no corporation or deferred tax charges.

The LLP is not making taxable supplies therefore is not required to register for VAT.

**Government grants**

The accrual model is applied to government grants relating to assets. Grants are recognised when receivable and measured at fair value.

Grants receivable in respect of contributions to fixed assets are initially credited to deferred income and released to the profit and loss account over the useful life of the asset which is deemed to be 40 years.

**Key sources of estimation uncertainty**

*Valuation of Investment Property*

The company believes that the most significant judgement applied is the valuation of investment properties. As described above investment properties are held at fair value. The investment property portfolio has been valued by the members and any valuation movement will be reflected in the profit and loss account. This results in inherent volatility in the expected results.

*Critical accounting judgements in applying the company's accounting policies*

The company believes that the major judgement applied is the use of the going concern principle which supports the valuation of the assets included in the Balance sheet.

**3. Profit for the financial year available for discretionary division among members**

	<b>2019</b>	<b>2018</b>
	£	£
<b>This is stated after charging:</b>		
Auditor's remuneration:		
Audit of these financial statements	7,000	-
	7,000	-

**Notes** (continued)

**4. Interest payable and similar charges**

	2019 £	2018 £
On members' loans	141,699	-
	141,699	-

**5. Investment properties**

		£
Balance at 1 January 2019	-	-
Acquisition cost	19,512,607	-
Change in fair value	8,235,245	-
Balance at 31 December 2019	27,747,852	-

The last valuation was carried out by a registered valuer and qualified Chartered Surveyor from the City of Edinburgh Council, in December 2019 and is based on market value.

The valuation report has been used to inform the measurement of assets in these financial statements. Although, due to COVID-19 impacts, the valuer has declared that the valuation be reviewed when the housing market resumes to normality and more information comes to light given the anticipated change in values. Despite this, the valuer has continued to exercise professional judgement in preparing the valuation and, therefore, this is the best information available to Edinburgh Living MMR LLP as at 31 December 2019 and thus can be relied upon.

**6. Debtors**

	2019 £	2018 £
Other debtors	49,713	-
Unpaid members' capital	2	2
Prepayments	2,092	-
	51,807	2



**Notes** (continued)

**7. Creditors**

	2019 £	2018 £
<b>Amounts falling due within one year:</b>		
Amounts due to The City of Edinburgh Council	89,138	-
Retentions	250,629	-
Accruals	84,916	-
Other creditors	4,308	-
Deferred income	72,050	-
	501,041	-
	501,041	-
<b>Amounts falling due in more than one year:</b>		
Deferred income	2,786,885	-
	2,786,885	-
	2,786,885	-

**8. Deferred income**

	2019 £	2018 £
Grant received during the year	2,882,000	-
Grant released to profit and loss account	(23,065)	-
	2,858,935	-
	2,858,935	-

**9. Related party transactions**

Throughout the year the partnership was controlled by the members.

During the year the LLP entered into transactions with related parties as follows:

		Transactions £	Creditor at year end £
<b>Related party</b>			
The City of Edinburgh Council	Management fees	42,654	42,654
The City of Edinburgh Council	Interest	141,699	89,138
		184,353	131,792
		184,353	131,792

**Notes** (continued)

**10. Loans and other debts due to members**

On liquidation of the LLP, loan advances and related accrued interest will be repaid second after any required repayment of Scottish Government Grant.

	2019 £	2018 £
Due to The City of Edinburgh Council	16,595,617	-
	16,595,617	-
	16,595,617	-

**11. Members' capital**

	2019 £	2018 £
The City of Edinburgh Council	1	1
Scottish Futures Trust Investments Limited	1	1
	2	2
	2	2

**12. Ultimate controlling party**

The City of Edinburgh Council, Waverley Court, 4 East Market St Edinburgh, EH8 8BG is the ultimate controlling party.

**13. Subsequent events**

Covid-19 may impact upon rental income. The Senior Management Team (SMT) has considered the potential impact and has reviewed some scenario modelling showing the financial implications. The SMT concluded that there were measures in place to enable to LLP to mitigate a reasonable level of negative impact on the rental income, therefore it is not considered to change the assessment of the LLP as a going concern.

The LLP has acquired a further 112 properties during 2020.