

**REPORT TO MANAGEMENT COMMITTEE**

**AGENDA ITEM: 7**

**14th NOVEMBER 2019**

**SUBJECT: BUDGET REVIEW 2019/20**

**PREPARED BY GARY WATSON FINANCE MANAGER**

**NOTES**

**Overheads**

**1. Employee costs- Budget £680,840 Review £788,170 Increase £107,870**

Budget increased to reflect new accounting treatment for Pension Deficit costs which are now allocated to Employee Costs. No difference to overall cashflow as a result of Pension changes.

Increased staff costs relate to regrading of Compliance Manager/DPO from April 2019.

No change to all other overhead costs.

**Direct Costs**

**2. Cyclical Repairs - Budget £199,500 Review £174,500 Reduction £25,000**

Costs reduced by £15,000 re Smoke Alarm program.

**3. Major Repairs- Budget £215,000 Review £115,000 Reduction £100,000**

Budget reduced due to stone work repairs program (£120,000) anticipated for this financial year being rescheduled for later date. However budget increased re Deafening/Sound Insulation works (£20,000).

**4. Consultancy Costs Budget £10,000 Review £16,000 Increase £6,000**

Costs increased to include fees for Financial Consultants and anticipated IT Consultant re forthcoming review.

No change to all other direct costs.

**Statement of Comprehensive Income**

**5. Depreciation costs- Budget £496,654 Review £494,278 Reduction £2,376**

Reduction in Component costs will result in less Depreciation charges incurred in the year.

**6. Interest Payments- Budget £38,000 Review £35,529 Reduction £2,741**

Less Interest payments will be incurred due to repayment of Nationwide loan in September 2019.

**7. Surplus- Budget £3,518 Review £20,305 Increase £16,787**

Increased surplus of £16,787 projected to 31st March 2020.

**Statement of Financial Position**

- 8. Components replacement costs-** The Association will continue with capital investment program in 19/20, this includes replacement kitchens, bathrooms, gas boilers and windows. The anticipated spend will be £376,000 which is a slight reduction from original budget figure of £401,000.
  
- 9. Other Fixed Assets-** The cost of the other fixed assets for the year will remain at £20,000. This includes consultancy costs for new computer system and other equipment as required.
  
- 10. Cash Balances-** Cash balances are expected to reduce to £1,922,839 at 31<sup>st</sup> March 2020, a significant reduction from £2,508,547 at the beginning of the year.
  
- 11. Loan Repayments-** The Association will continue to make capital repayments towards outstanding loan balances. It was budgeted that £68,000 was to be repaid in 19/20, however the Nationwide Loan was settled in September 2019. Total payment towards loans in the year will be £308,105 with Auditor adjustment required at year end.
  
- 12. Pension Deficit Liability** - SHAPS (Scottish Housing Association Pension Scheme) has historically been accounted for as a defined contribution scheme whereby the assets and liabilities could not be separated between individual members.

The pension scheme can now separate the assets and liabilities and thus SHAPS will be accounted for as a defined pension scheme in all financial statements from 2018/19. The Revised budget for 2019/20 has now been changed to reflect this update.

<b>Operating Costs</b>	<b>HM</b>	<b>D-D</b>	<b>CYC</b>	<b>FACT</b>	<b>MAJ REP</b>	<b>Admin</b>	<b>TOTAL</b>	<b>Original 2019/20</b>	<b>Note</b>
<b>Employee Costs</b>	183,877 23%	122,123 15%	20,119 3%	44,139 6%	28,965 4%	388,947 49%	788,170 100%	680,840	1
<b>Overheads</b>									
Rent Rates & Insurance	1,983	1,317	217	476	312	4,195	8,500	8,500	
Heating, Lighting, Cleaning	2,916	1,937	319	700	459	6,169	12,500	12,500	
Telephones	1,166	775	128	280	184	2,467	5,000	5,000	
Office Repairs & Supplies	1,166	775	128	280	184	2,467	5,000	5,000	
Recruitment Costs	233	155	26	56	37	493	1,000	1,000	
Travel	233	155	26	56	37	493	1,000	1,000	
Subscriptions	3,966	2,634	434	952	625	8,389	17,000	17,000	
Course & Conf Exp	2,683	1,782	294	644	423	5,675	11,500	11,500	
Audit Fees	4,666	3,099	511	1,120	735	9,870	20,000	20,000	
Postage, Stationery, Printing	2,683	1,782	294	644	423	5,675	11,500	11,500	
Computer Costs	6,112	4,060	669	1,467	963	12,929	26,200	26,200	
Bank Charges	1,633	1,085	179	392	257	3,454	7,000	7,000	
Depreciation on fixtures and fittings	3,569	2,371	391	857	562	7,550	15,300	15,300	
Depreciation Office Premises	2,216	1,472	242	532	349	4,688	9,500	9,500	
Sundry Expenses	2,916	1,937	319	700	459	6,169	12,500	12,500	
Legal Expenses	700	465	77	168	110	1,480	3,000	3,000	
Marketing & Tenant Participation	1,330	883	145	319	209	2,813	5,700	5,700	
	<u>40,174</u>	<u>26,682</u>	<u>4,396</u>	<u>9,644</u>	<u>6,328</u>	<u>84,977</u>	<u>172,200</u>	<u>172,200</u>	
<b>Finance and Admin</b>	139,761	94,785	94,785	49,809	94,785	473,925	-		
<b>Total Admin Costs</b>	<u>363,811</u>	<u>243,590</u>	<u>119,299</u>	<u>103,592</u>	<u>130,078</u>	<u>0</u>	<u>960,370</u>	<u>853,040</u>	

**Yorkhill Housing Association Revised Budget 19/20**

	HM	D-D	CYC	FACT	MAJ REP	Admin	TOTAL	Original 2019/20	Note
<b>Direct Costs</b>									
Property Insurance		63,000					63,000	63,000	
Legal fees-Rents	5,000						5,000	5,000	
Council tax Vacant Flats	600						600	600	
Other Factoring Costs				1,560			1,560	1,560	
Legal fees - Factoring				3,896			3,896	3,896	
Factoring Write Offs				300			300	300	
Reactive Repairs		120,000					120,000	120,000	
Cyclical Repairs			174,500				174,500	199,500	2
Void Reactive Repairs		35,000					35,000	35,000	
Void Major Repairs		20,000					20,000	20,000	
Major Repairs					115,000		115,000	215,000	3
Legal Fees - Gas Servicing			1,070				1,070	1,070	
Key Purchase		300					300	300	
Welfare Rights	20,000						20,000	20,000	
Consultancy fees	16,000						16,000	10,000	4
<b>Total Direct Costs</b>	<b>41,600</b>	<b>238,300</b>	<b>175,570</b>	<b>5,756</b>	<b>115,000</b>	<b>0</b>	<b>576,226</b>	<b>695,226</b>	
	405,411	481,890	294,869	109,348	245,078	0	1,536,596	1,548,266	

<b>Yorkhill Housing Association Statement of Comprehensive Income</b>	<b>Original 2019/20</b>	<b>Revised 2019/20</b>	<b>Note</b>
Rents Receivable	1,724,500	1,724,500	
Service Income	88,300	88,300	
Rent Overnewton St. Office	12,000	12,000	
	<u>1,824,800</u>	<u>1,824,800</u>	
Voids -	-14,658	-14,658	
Voids - Services	-2,540	-2,540	
	<u>1,807,602</u>	<u>1,807,602</u>	
Amortisation of HAG	292,779	292,779	
Management Fees	70,857	70,857	
Admin fee - Major Repairs	2,000	2,000	
Admin fee - Processing Sales	4,000	4,000	
Admin fee - fire alarm Testing	1,000	1,000	
Maintenance Allowances	1,500	1,500	
	<u>2,179,738</u>	<u>2,179,738</u>	
<b>Total Income</b>			
Less: <b>Operating Costs</b>	1,548,266	1,536,596	
Service Costs - General Lettings	88,300	88,300	
Bad Debts	25,000	25,000	
Depcn. HLB	496,654	494,278	5
	<u>2,158,220</u>	<u>2,144,174</u>	
<b>Total Expenditure</b>			
<b>Operating Surplus/Deficit</b>	21,518	35,564	
Loss/Gain on Sale of Fixed Assets			
Interest on investments	20,000	20,000	
Interest payable	-38,000	-35,259	6
	<u>3,518</u>	<u>20,305</u>	7
<b>Surplus before TAX</b>			

**Yorkhill Housing Association  
Statement of Financial Position 2019/2020**

	<b>2018/19</b>	<b>2019/20</b>	Note
<b>TANGIBLE FIXED ASSETS</b>			
Housing properties	7,696,030	7,577,446	8
Other Fixed Assets	466,635	461,835	9
	<u>8,162,665</u>	<u>8,039,281</u>	
<b>CURRENT ASSETS</b>			
Debtors	221,303	202,475	
Cash at bank and in hand	2,508,547	1,921,839	10
	<u>2,729,850</u>	<u>2,124,314</u>	
<b>CREDITORS</b>			
Amounts falling due within one year	1,129,843	981,502	
<b>NET CURRENT ASSETS</b>	<u>1,600,007</u>	<u>1,142,812</u>	
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
	<u>9,762,672</u>	<u>9,182,093</u>	
<b>CREDITORS</b>			
Amounts falling due after more than one year	6,590,025	5,989,141	11
Pension Liability	348,000	348,000	
<b>NET ASSETS</b>	<u>2,824,647</u>	<u>2,844,952</u>	
<b>CAPITAL AND RESERVES</b>			
Called up share capital	126	126	
Revenue reserves	2,824,521	2,844,826	
	<u>2,824,647</u>	<u>2,844,952</u>	

**Yorkhill Housing Association  
Statement of cash flows**

	<b>2018/19</b>	<b>2019/20</b>
Operating Surplus	261,256.0	35,563.7
Depcn & Amort	195,201.0	226,299
Inc/(Dec) in payables	93,524.0	-148,341
(Inc)/Dec in receivables	(20,481.0)	18,828
<b>Net Cash from Operating Activities</b>	<b>529,500</b>	<b>132,350</b>
Interest Received	10,493.0	20,000
Interest Paid	(39,017.0)	(35,259.0)
<b>Return on Investment</b>	<b>-28,524</b>	<b>-15,259</b>
<b>Capital Expenditure &amp; Financial Investment</b>		
Construction or acquisition of Housing properties		
Improvement of Housing	(181,713.0)	(375,694.0)
Construction or acquisition of other Non-Current Assets	(11,678.0)	(20,000.0)
Sale of Social Housing Properties	0	0
Grants (Repaid) / Received	7909	
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>	<b>-185,482</b>	<b>-395,694</b>
<b>NET CASH BEFORE FINANCING</b>	<b>315,494</b>	<b>(278,603.4)</b>
<b>Financing</b>		
Equity drawdown		
Debt drawdown		
Debt repayment	(154,082.0)	(308,105.0)
Working Capital (Cash) - Drawn / (Repaid)		
<b>NET CASH FROM FINANCING</b>	<b>(154,082.0)</b>	<b>(308,105.0)</b>
<b>INCREASE / (DECREASE) IN NET CASH</b>	<b>161,412</b>	<b>(586,708.4)</b>
<b>Cash Balance</b>		
Balance Brought Forward	2,347,135.0	2,508,547
Increase / (Decrease) in Net Cash	161,412.0	-586,708
<b>CLOSING BALANCE</b>	<b>2,508,547</b>	<b>1,921,839</b>



**TRIODOS LOAN COVENANT REPORT****Triodos Covenants at 31st March 2020**

The Association will satisfy the loan covenants with Triodos as at 31.03.20.

Payment deduction towards Pension deficit to be reviewed with Triodos bank in respect of recent change to Accounting regulation regarding treatment of SHAPS Pension.

**1. Interest Cover**

The interest cover ratio is the measure of the Association`s ability to meet its interest payments:

Operating Surplus	35,564
Add back depreciation of housing properties	494,478
Add back gain/deduct loss on disposals of properties	0
Deduct amortisation of public sector grant	-293,000
Deduct any payment made in year towards Pension deficit	-91,000
<b>Adjusted Operating Surplus</b>	<b>146,042</b>
Interest Payable	35,259
Interest Receivable	-20,000
<b>Net Interest payable</b>	<b>15,259</b>
Interest Cover	9.57
Covenant	1.1

**2. Debt Service Cover**

The debt service coverage ratio is the ration of cash available for debt servicing to interest, principal and lease:

Adjusted Operating Surplus	146,042
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Net Interest Paid	35,259
Loan Repayments	46,782
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	82,041
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<b>DSC</b>	1.78

**3. Asset Cover**

Asset Cover shows that the valuation of properties cover the loan balances Outstanding.

Bank Indebtedness	982,060
Security Cover MV-T	2,250,000
<b>Asset Cover</b>	<b>2.29</b>
Covenant	1.25