

YORKHILL HOUSING ASSOCIATION

AGENDA ITEM 7.2

REPORT TO MANAGEMENT COMMITTEE

12th DECEMBER 2019

SUBJECT: DRAFT BUDGET 2020/21

PREPARED AND PRESENTED BY: G. WATSON FINANCE MANAGER

Draft Budget Assumptions 2020/21

Employee Costs £808,367

1. Employee costs have increased by 1.6% based on October 2019 CPI + 0.1% as per EVH (Employers Voluntary Housing) three year pay agreement.
2. Staffing structure includes full time Finance/Governance Assistant position. All annual increments that were due have been applied. No further recruitment planned in this financial year.
3. Pension costs- The Association offers CARE (Career Average Revalued Earnings) 1/120th scheme for all new members whilst existing members benefit from the Final Salary scheme.

Based on the results from December 2018 SHAPS (Scottish Housing Association Pension Scheme) valuation the contribution rates are set to increase from 01/04/2020. The draft budget assumed the current 50:50 split between employer and staff contributions. The final budget will be revised to take account of any changes subject to Management Committee approval and employee consultation exercise.

The Association will continue to pay the deficit contribution which includes an annual 3.5% increase. The costs for 20/21 will be £94,000.

Overheads £187,456

An inflational increase of 2% has been applied to all overhead costs.

1. Rent, Rates and Insurance costs include insurance provision for the year for office combined and water services.
2. Heating, Lighting and cleaning costs include Office Cleaning (£6,300), Electricity and gas costs for office (£4,550) and window cleaning (£600) plus miscellaneous.
3. Staff Recruitment costs (£1,100) allow for the recruitment of replacement staff should the need arise.

4. Major subscriptions include SHARE (£3,200), EVH (£4,100), GWSF (£2,400) and SFHA (£5,125).
5. Audit fees include provision for External Audit Fees (£14,500) and internal audit fees (£5,700).
6. Staff and committee training allows for the cost of courses and seminars throughout the course of the year and the attendance at conferences.
7. Marketing costs include the cost of three newsletters in the year (£3,900) and annual report (£1,300).

Direct Costs £637,142

The property services team have provided costing program for 20/21.

An inflational increase of 2% has been applied to the other direct costs.

1. Property Insurance costs are estimated to be £50,000 for the year based on recent tender prices.
2. Legal Fees in respect of Rent Arrears/Recovery is £5,100 for the year.
3. Reactive Repairs £123,600 includes the cost of day to day repairs.
4. Cyclical Repairs costs of £155,000 are based on program provided by Property Services Team. Costs include painting and gutter cleaning programs. The Association will continued with a program to replace smoke alarms as per compliance with recent change in legislation. The replacement program will be completed in 20/21 at a cost of £32,000.
5. Void Reactive Repairs/Major Repairs budget has now been combined and has been set at £50,000 for the year based on anticipated void levels.
6. Major repairs program of £215,000 for the year includes costs relating to Stonework's at 1291-1317 Argyle Street and other miscellaneous works.
7. Welfare Rights cost of £20,500 for the year include a provision for Welfare Rights (£16,250) and Money Advisor services (£4,250).
8. Consultancy costs includes a provision for £10,000 for the year.

Statement of Comprehensive Income

Income

1. An annual rent increase of 2.1% is assumed based on October 2019 RPI. The rent consultation exercise has now been completed and the proposed rent increase is subject to Management Committee approval.
2. Service Income of £90,100 is expected and is based on anticipated costs that will be incurred subject to costing exercise in January 2020.
3. The Association previously arranged a valuation of the commercial rent for the property at Overnewton Street in 2019/20. The annual rent increase has been based on October RPI of 2.1%. The rent expected is £12,250.
4. Void levels are estimated at 0.85% of rental income.
5. Deferred Income Amortised in the year amount's to £293,000.
6. Management Fees of £73,700 for 20/21 were approved by Management Committee at the November meeting.
7. Admin fees £7,500 –relates to Major Repairs, Processing Sales and Fire Alarm Testing. A revised schedule of fees will be included in final budget.
8. Maintenance Allowance £1,500 – Based on income of £15,000 received from Scottish Government for STG3 Aids and Adaptations.
9. Interest receipts for the year will be £16,000 based on a return of 1% on investment deposits.
10. Interest payments on the Triodos Bank loan will continue at a cost of £30,733.
11. The Association has budgeted to incur a deficit of £47,396 to 31st March 2021.

Expenditure

1. Service Costs £90,100 – Costs assumed for service provision for 20/21. The Housing Management team will collate costs in January 2020 and the final budget will be updated accordingly.
2. Bad Debts £15,000 – This has been reduced from the previous year's assumption, the figure has been used as a buffer against bad debts increased anticipated by Universal Credit/Welfare Reform.
3. Depreciation Housing Properties £524,500 – Calculation based on projected component's for the year end. The final budget will include revised depreciation costs based on changes to component lifecycles.

Statement of Financial Position

1. Components replacement costs (Asset Investment) - The Association will continue the capital investment program in 20/21, this includes replacement kitchens, bathrooms, gas boilers and central heating systems.

The replacement window program at 46 Overnewton Court will commence in 19/20 at a cost of £120,000. The program will be completed in 20/21 at an estimated cost of £90,000 including consultancy costs. In addition window replacements at 1291- 1317 Argyll Street are due to be completed at an estimated cost of £120,000. Final costs will be confirmed subject to tenders and included in the final budget.

The anticipated total spend for component replacements will be £453,200.

2. The cost of the other fixed assets for the year will be £60,000. This includes costs for new business system and associated consultancy costs.
3. The Association will continue to make capital repayments towards the Triodos bank loan. It has been budgeted that £48,400 will be repaid in 20/21.

Yorkhill Housing Association Draft Budget 20/21

Operating Costs	HM	D-D	CYC	FACT	MAJ REP	Admin	TOTAL	Revised 2019/20
Employee Costs	194,093 24%	136,516 17%	21,098 3%	42,837 5%	30,484 4%	383,339 47%	808,367 100%	788,170
Overheads								
Rent Rates & Insurance	2,449	1,723	266	541	385	4,837	10,200	8,500
Heating, Lighting, Cleaning	3,061	2,153	333	676	481	6,046	12,750	12,500
Telephones	1,225	861	133	270	192	2,418	5,100	5,000
Office Repairs & Supplies	1,225	861	133	270	192	2,418	5,100	5,000
Recruitment Costs	264	186	29	58	41	522	1,100	1,000
Travel	264	186	29	58	41	522	1,100	1,000
Subscriptions	4,370	3,074	475	964	686	8,631	18,200	17,000
Course & Conf Exp	2,576	1,812	280	569	405	5,088	10,730	11,500
Audit Fees	5,570	3,918	606	1,229	875	11,002	23,200	20,000
Postage, Stationery, Printing	3,001	2,111	326	662	471	5,928	12,500	11,500
Computer Costs	6,615	4,653	719	1,460	1,039	13,065	27,550	26,200
Bank Charges	1,717	1,207	187	379	270	3,391	7,150	7,000
Depreciation on fixtures and fittings	5,211	3,665	566	1,150	818	10,292	21,704	15,300
Depreciation Office Premises	2,281	1,605	248	503	358	4,506	9,501	9,500
Sundry Expenses	3,061	2,153	333	676	481	6,046	12,750	12,500
Legal Expenses	720	507	78	159	113	1,423	3,000	3,000
Marketing & Tenant Participation	1,397	983	152	308	219	2,760	5,820	5,700
	<u>45,009</u>	<u>31,657</u>	<u>4,893</u>	<u>9,934</u>	<u>7,069</u>	<u>88,894</u>	<u>187,456</u>	<u>172,200</u>
Finance and Admin	111,802	111,802	111,802	25,024	111,802	472,233	-	
Total Admin Costs	<u>350,905</u>	<u>279,976</u>	<u>137,793</u>	<u>77,795</u>	<u>149,355</u>	<u>0</u>	<u>995,823</u>	<u>960,370</u>

**Yorkhill Housing Association Draft Budget
20/21**

	HM	D-D	CYC	FACT	MAJ REP	Admin	TOTAL	Revised 2019/20
Direct Costs								
Property Insurance		50,000					50,000	63,000
Legal fees-Rents	5,100						5,100	5,000
Council tax Vacant Flats	615						615	600
Other Factoring Costs				1,591			1,591	1,560
Legal fees - Factoring				4,066			4,066	3,896
Factoring Write Offs				300			300	300
Reactive Repairs		123,600					123,600	120,000
Cyclical Repairs			155,000				155,000	174,500
Void Reactive Repairs		50,000					50,000	35,000
Void Major Repairs		0					0	20,000
Major Repairs					215,000		215,000	115,000
Legal Fees - Gas Servicing			1,070				1,070	1,070
Key Purchase		300					300	300
Welfare Rights	20,500						20,500	20,000
Consultancy fees	10,000						10,000	16,000
Total Direct Costs	36,215	223,900	156,070	5,957	215,000	0	637,142	576,226
	387,120	503,876	293,864	83,751	364,355	0	1,632,965	1,536,596

Yorkhill Housing Association		
Statement of Comprehensive Income	2019/20	2020/21
Rents Receivable	1,724,500	1,769,475
Service Income	88,300	90,116
Rent Overnewton St. Office	12,000	12,250
	<u>1,824,800</u>	<u>1,871,842</u>
Voids -	-14,658	-15,040
Voids - Services	-2,540	-2,591
	<u>1,807,602</u>	<u>1,854,211</u>
Amortisation of Housing Grant	292,779	293,001
Management Fees	70,857	73,700
Admin fee - Major Repairs	2,000	2,000
Admin fee - Processing Sales	4,000	4,000
Admin fee - fire alarm Testing	1,000	1,500
Maintenance Allowances	1,500	1,500
	<u>2,179,738</u>	<u>2,229,912</u>
Total Income		
Less: Operating Costs	1,536,596	1,632,965
Service Costs - General Lettings	88,300	90,116
Bad Debts	25,000	15,000
Depreciation Housing Properties	494,278	524,494
	<u>2,144,174</u>	<u>2,262,575</u>
Total Expenditure		
Operating Surplus/Deficit	35,564	-32,663
Loss/Gain on Sale of Fixed Assets		
Interest on investments	20,000	16,000
Interest payable	-35,259	-30,733
	<u>20,305</u>	<u>-47,396</u>
Surplus before TAX		

Yorkhill Housing Association
Statement of Financial Position Draft Budget 20/21

	2019/20	2020/21
TANGIBLE FIXED ASSETS		
Housing properties	7,577,446	7,506,188
Other Fixed Assets	461,835	490,630
	<u>8,039,281</u>	<u>7,996,818</u>
CURRENT ASSETS		
Debtors	202,475	207,700
Cash at bank and in hand	1,921,839	1,571,193
	<u>2,124,314</u>	<u>1,778,893</u>
CREDITORS		
Amounts falling due within one year	981,502	982,420
NET CURRENT ASSETS	<u>1,142,812</u>	<u>796,473</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>9,182,093</u>	<u>8,793,290</u>
CREDITORS		
Amounts falling due after more than one year	5,989,141	5,647,734
Pension Liability	348,000	348,000
NET ASSETS	<u>2,844,952</u>	<u>2,797,556</u>
CAPITAL AND RESERVES		
Called up share capital	126	126
Revenue reserves	2,844,826	2,797,430
	<u>2,844,952</u>	<u>2,797,556</u>

Yorkhill Housing Association		
Statement of Cash flows Draft Budget 20/21	2019/20	2020/21
Operating Surplus	35,564.0	(32,662.7)
Depreciation & Amortisation	226,299.0	262,698
Inc/(Dec) in payables	(148,341.0)	918
(Inc)/Dec in receivables	18,828.0	(5,225.0)
Net Cash from Operating Activities	132,350	225,728
Interest Received	20,000.0	16,000
Interest Paid	(35,259.0)	(30,733.0)
Return on Investment	-15,259	-14,733
Capital Expenditure & Financial Investment		
Construction or acquisition of Housing properties		
Improvement of Housing	(375,694.0)	(453,235.5)
Construction or acquisition of other Non-Current Assets	(20,000.0)	(60,000.0)
Sale of Social Housing Properties	0	0
Grants (Repaid) / Received	0	0
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	-395,694	-513,236
NET CASH BEFORE FINANCING	(278,603.0)	(302,240.4)
Financing		
Equity drawdown		
Debt drawdown		
Debt repayment	(308,105.0)	(48,406.0)
Working Capital (Cash) - Drawn / (Repaid)		
NET CASH FROM FINANCING	(308,105.0)	(48,406.0)
INCREASE / (DECREASE) IN NET CASH	-586,708	-350,646
Cash Balance		
Balance Brought Forward	2,508,547.0	1,921,839
Increase / (Decrease) in Net Cash	(586,708.0)	(350,646.4)
CLOSING BALANCE	1,921,839	1,571,193