

YORKHILL HOUSING ASSOCIATION

AGENDA ITEM 4

REPORT TO MANAGEMENT COMMITTEE

10th DECEMBER 2020

SUBJECT: DRAFT BUDGET 2021/22

PREPARED AND PRESENTED BY: G. WATSON FINANCE MANAGER

Draft Budget Assumptions 2021/22

Employee Costs £744,068

1. Employee costs have been increased by 1.0% (CPI October +0.1%). The final budget will be updated subject to confirmation from EVH.
2. Revised staffing structure includes permanent regrading of Housing Officers. All annual increments that were due have been applied. Costs relating to the homeworking allowance have been included for the year.
3. Pension costs- In July 2020 the Association closed the Defined Benefit structure to all existing staff members and new entrants and now offer the Defined Contribution pension.

The Association will continue to pay the deficit contribution which includes an annual 3.5% increase. The costs for 21/22 will be £95,000.

Overheads £210,501

An inflation 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 (£7,500), Electricity/Gas costs for office (£5,500) plus miscellaneous.
3. Staff Recruitment costs (£2,000) allow for the recruitment of replacement staff should the need arise.
4. Major subscriptions include SHARE (£3,300), EVH (£4,200), GWSF (£2,500) and SFHA (£5,225).
5. Audit fees include provision for external Audit Fees (£14,800) and internal audit fees (£5,800).
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 (£4,000) and annual report (£1,400).

Direct Costs £637,131

The property services team have provided costing program for 21/22.

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

1. Property Insurance costs are estimated to be £51,000 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 £133,000 includes the cost of day to day repairs. A provision of £25,000 has been included this year for the costs relating to possible bulk uplifts.
4. Cyclical Repairs costs of £149,700 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 21/22 at a cost of £26,000.
5. Void Reactive Repairs/Major Repairs budget has now been combined and has been set at £55,000 for the year based on anticipated void levels.
6. Major repairs program of £205,400 for the year includes costs relating to Stonework's at 1291-1317 Argyle Street and other miscellaneous works.
7. Welfare Rights cost of £20,000 for the year include a provision for Welfare Rights (£16,000) and Money Advisor services (£4,000).
8. Consultancy costs includes a provision for £10,000 for the year.

Statement of Comprehensive Income

Income

1. Given the impact of the pandemic the draft budget for 21/22 assumes a rent freeze for all Scottish Secure Tenants. A review of the Fair Rent tenants will be completed and revised figure included in the final Budget.
2. Service Income of £92,835 is expected and is based on anticipated costs subject to costing exercise in January 2021.
3. An inflation increase has been applied to rental Income for the Investment property but will be reviewed and confirmed for the final budget.
4. Void levels are estimated at 0.85% of rental income.
5. Deferred Income Amortised in the year amount's to £287,400.
6. Management Fees for 21/22 are currently under review and will be confirmed for the Final Budget. The Management fees may have to include a charge relating to bulk uplifts. In the meantime an inflation increase has been applied to the draft budget.
7. Admin fees £7,500 –relates to Major Repairs, Processing Sales and Fire Alarm Testing.
8. Maintenance Allowance £2,500 – Based on income of £25,000 received from Scottish Government for STG3 Aids and Adaptations.
9. Interest receipts for the year will be £2,200 based on a return of 0.1% on investment deposits.
10. Interest payments on the Triodos Bank loan will continue at a cost of £29,176.
11. The Association has budgeted to report a small deficit of £22,044 to 31st March 2022.

Expenditure

1. Service Costs £92,561 – Costs assumed for service provision for 21/22.
The Housing Management team will collate costs in January 2021 and the final budget will be updated accordingly.
2. Bad Debts £25,000 – This budget has been used as a buffer against anticipated bad debts as a result of Universal Credit/Welfare Reform and Covid 19.
3. Depreciation Housing Properties £515,695 – Calculation based on projected component's for the year end.

Statement of Financial Position

1. Components replacement costs (Asset Investment) - The Association will continue the capital investment program in 21/22, this includes replacement kitchens, bathrooms, gas boilers and central heating systems.

The replacement window program at 46 Overnewton Court will be completed in full in 21/22 and window replacements at 1291- 1317 Argyll Street are also due to be completed in the year.

The total costs for the window replacements will be £450,000. Final costs will be confirmed subject to tenders and included in the final budget.

The anticipated total spend for component replacements will be £743,606.
2. The cost of the other fixed assets for the year will be £100,000. This includes approximately 80% of the costs for new business system.
3. The Association will continue to make capital repayments towards the Triodos bank loan. It has been budgeted that £49,975 will be repaid in 21/22.

Yorkhill Housing Association Draft Budget 2021/22

Operating Costs	HM	D-D	CYC	FACT	MAJ REP	Admin	TOTAL	Budget 2020- 2021
Employee Costs	205,993 28%	145,736 20%	20,880 3%	40,172 5%	30,498 4%	300,790 40%	744,068 100%	736,866
Overheads								
Rent Rates & Insurance	2,824	1,998	286	551	418	4,123	10,200	10,200
Heating, Lighting, Cleaning	3,987	2,820	404	777	590	5,821	14,400	12,750
Telephones	1,440	1,018	146	281	213	2,102	5,200	5,100
Office Repairs & Supplies	1,412	999	143	275	209	2,062	5,100	5,100
Recruitment Costs	554	392	56	108	82	809	2,000	2,000
Travel	305	215	31	59	45	445	1,100	1,100
Subscriptions	5,039	3,565	511	983	746	7,357	18,200	18,200
Course & Conf Exp	2,976	2,106	302	580	441	4,346	10,750	10,730
Audit Fees	6,700	4,740	679	1,307	992	9,783	24,200	23,200
Postage, Stationery, Printing	3,599	2,546	365	702	533	5,255	13,000	14,500
Computer Costs	9,039	6,395	916	1,763	1,338	13,199	32,650	27,550
Bank Charges	1,730	1,224	175	337	256	2,527	6,250	7,150
Depreciation on fixtures and fittings	10,354	7,325	1,049	2,019	1,533	15,119	37,400	19,704
Depreciation Office Premises	2,630	1,861	267	513	389	3,841	9,501	9,501
Sundry Expenses	3,211	2,272	326	626	475	4,689	11,600	12,750
Legal Expenses	844	597	86	165	125	1,233	3,050	3,000
Marketing & Tenant Participation	1,633	1,156	166	319	242	2,385	5,900	5,820
	58,277	41,229	5,907	11,365	8,628	85,095	210,501	188,355
Finance and Admin	91,263	91,263	91,263	20,834	91,263	385,885	-	
Total Admin Costs	355,532	278,228	118,050	72,371	130,388	0	954,569	925,221

Yorkhill Housing Association Draft Budget 21/22

	HM	D-D	CYC	FACT	MAJ REP	Admin	TOTAL	Budget 2020- 2021
Direct Costs								
Property Insurance		51,000					51,000	50,000
Legal fees-Rents	5,100						5,100	5,100
Council tax Vacant Flats	615						615	615
Other Factoring Costs				1,591			1,591	1,591
Legal fees - Factoring				4,066			4,066	4,066
Factoring Write Offs				300			300	300
Reactive Repairs		133,000					133,000	106,600
Cyclical Repairs			149,700				149,700	122,800
Void Reactive Repairs		55,000					55,000	50,000
Void Major Repairs		0					0	0
Major Repairs					205,389		205,389	101,500
Legal Fees - Gas Servicing			1,070				1,070	1,070
Key Purchase		300					300	300
Welfare Rights	20,000						20,000	25,000
Consultancy fees	10,000						10,000	25,000
Total Direct Costs	35,715	239,300	150,770	5,957	205,389	0	637,131	493,942
	391,247	517,528	268,820	78,328	335,777	0	1,591,700	1,419,163

Yorkhill Housing Association**Statement of Comprehensive Income****Draft Budget 21/22**

	20/21	21/22
Rents Receivable	1,770,500	1,770,500
Service Income	91,373	92,561
Rent Overnewton St. Office	12,250	12,409
	<u>1,874,123</u>	<u>1,875,470</u>
Voids -	-15,049	-15,049
Voids - Services	-2,591	-2,591
	<u>1,856,483</u>	<u>1,857,830</u>
Amortisation of HAG	287,400	287,400
Management Fees	73,700	74,658
Admin fee - Major Repairs	2,000	2,000
Admin fee - Processing Sales	4,000	4,000
Admin fee - fire alarm Testing	1,500	1,500
Maintenance Allowances	2,500	2,500
	<u>2,227,583</u>	<u>2,229,888</u>
Total Income		
Less: Operating Costs	1,419,163	1,591,700
Service Costs - General Lettings	91,373	92,561
Bad Debts	25,000	25,000
Depcn. HLB	469,341	515,695
	<u>2,004,877</u>	<u>2,224,955</u>
Total Expenditure		
Operating Surplus/Deficit	222,706	4,933
Loss/Gain on Sale of Fixed Assets		
Interest on investments	8,000	2,200
Interest payable	-30,733	-29,177
Surplus before TAX	<u>199,973</u>	<u>-22,044</u>

Yorkhill Housing Association**Statement of Financial Position Draft Budget 21/22**

	2020/21	2021/22
TANGIBLE FIXED ASSETS		
Housing properties	7,232,282	7,460,194
Other Fixed Assets	483,520	536,619
	<u>7,715,802</u>	<u>7,996,813</u>
CURRENT ASSETS		
Debtors	267,488	274,111
Cash at bank and in hand	2,093,753	1,409,688
	<u>2,361,241</u>	<u>1,683,799</u>
CREDITORS		
Amounts falling due within one year	1,054,620	1,112,610
NET CURRENT ASSETS	<u>1,306,621</u>	<u>571,188</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>9,022,423</u>	<u>8,568,001</u>
CREDITORS		
Amounts falling due after more than one year	5,682,795	5,345,421
Pension Liability	6,000	-89,000
NET ASSETS	<u>3,333,628</u>	<u>3,311,580</u>
CAPITAL AND RESERVES		
Called up share capital	126	126
Revenue reserves	3,333,502	3,311,454
	<u>3,333,628</u>	<u>3,311,580</u>

Yorkhill Housing Association**Statement of Cash flows Draft Budget 21/22**

	2020/21	2021/22
Operating Surplus	222,705.2	4,932.8
Depcn & Amort	211,146.0	275,195
Inc/(Dec) in payables	(208,035.0)	57,990
(Inc)/Dec in receivables	(25,611.5)	(6,622.5)
Net Cash from Operating Activities	200,205	331,496
Interest Received	8,000.0	2,200
Interest Paid	(30,733.0)	(29,176.6)
Return on Investment	-22,733	-26,977
Capital Expenditure & Financial Investment		
Construction or acquisition of Housing properties		
Improvement of Housing	(104,903.6)	(743,606.4)
Construction or acquisition of other Non-Current Assets	(50,000.0)	(100,000.0)
Sale of Social Housing Properties	0	0
Grants (Repaid) / Received	0	0
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	-154,904	-843,606
NET CASH BEFORE FINANCING	22,568.1	(539,087.0)
Financing		
Equity drawdown		
Debt drawdown		
Debt repayment	(140,406.0)	(144,974.1)
Working Capital (Cash) - Drawn / (Repaid)		
NET CASH FROM FINANCING	(140,406.0)	(144,974.1)
INCREASE / (DECREASE) IN NET CASH	-117,838	-684,061
Cash Balance		
Balance Brought Forward	2,211,587.0	2,093,749
Increase / (Decrease) in Net Cash	(117,837.9)	(684,061.1)
CLOSING BALANCE	2,093,749	1,409,688

Appendix 1 attached shows monthly cash flow analysis for the year 2021/22.

TRIODOS LOAN COVENANT REPORT DRAFT BUDGET 21/22

Triodos Covenants at 31st March 2022

The Association will satisfy the loan covenants with Triodos as at 31.03.22

1. Interest Cover

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

Operating Surplus	4,933
Add back depreciation of housing properties	515,695
Add back gain/deduct loss on disposals of properties	0
Deduct amortisation of public sector grant	-287,400
Deduct any payment made in year towards Pension deficit	-95,000
Adjusted Operating Surplus	138,227
Interest Payable	29,177
Interest Receivable	-2,200
Net Interest payable	26,977
Interest Cover	5.12
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	138,227
Net Interest Paid	29,177

Loan Repayments	49,974
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	79,151
	<hr/>
DSC	1.75

3. Asset Cover

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

Bank Indebtedness	883,674
Security Cover MV-T	2,250,000
Asset Cover	2.55
Covenant	1.25