

**Yorkhill Housing Association**

**Agenda Item 5**

**Report to:** Management Committee 11<sup>th</sup> March 2021

**Prepared by:** Gary Watson, Finance Manager

**Subject:** Final Budget 2021/22

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The purpose of the report is to present the final revised budget for 21/22 for approval.

**Final Budget 2021/22**

A draft budget was presented to committee in December for discussion. Several changes have now been incorporated into the final budget for the year:

**Increase in Employee costs £6,376** – Additional staff overtime costs included re business system implementation. Costs re Pension scheme insurance confirmed and included.

**Increase in Depreciation charges £6,000** - Based on revised schedule for year.

**Increase in Insurance Costs £4,000-** Expected increase in premiums re updated claims for the year.

**Increase in Cyclical Costs £20,787-** Based on revised program of works which includes outstanding works delayed as a result of pandemic.

**Increase in Rental Receivables £3,437** - Based on revised rent setting schedules.

**Increase in Service Income/Charges £4,870-** Based on revised schedule for the year which includes revised costs for services.

**Decrease in Void Loss Services £1,762-** Final budget includes recalculated void loss assumption for the year.

**Increase in Management Fees £1,542-** Based on revised charges for the year.

**Budget Summary 2021/22**

The Association will now report an operating deficit of £20,561 for the year 21/22 and a deficit before tax of £47,537.

The Association will start the year with an estimated cash balance of £2.21m. At the year the estimated cash balance will be £1.47M.

The value of the Association's housing properties including depreciation will be £7.4M this includes all capital investment.

The Association has one remaining loan with the Triodos bank, the outstanding balance at March 2022 will be £883,674. The Association's net assets as at 31 March 2022 will be £3.36M.

**Action Required:** Members are requested to approve the final budget for 2021/22.

## **Final Budget Assumptions 2021/22**

### **Employee Costs £750,444**

1. Employee costs have been increased by 0.8% based on EVH guidelines.
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. Scheme costs for the administration for the scheme have been included.

### **Overheads £216,495**

#### **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 £661,918**

**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 £55,000 for the year. This budgeted figure has been increased by £5,000 based on latest estimate.
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 bulk uplifts.
4. Cyclical Repairs costs of £170,487 are based on program provided by Property Services Team. Costs include painting and gutter cleaning programs. The Association will continue 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 £36,000.
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 £205,389 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 final budget for 21/22 assumes a rent freeze for all Scottish Secure Tenants.

A small increase has been applied to former GHA properties which have been repointed by Housing Management and all registered rents have been updated when appropriate.

2. Service Income of £97,431 is expected and is based on costs supplied by Housing Management.
3. The annual rent increase has been based on October CPI of 0.9%. The rent expected is £12,360.
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 have been increased by £5 per owner based on latest review.
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 deficit of £47,537 to 31<sup>st</sup> March 2022.

## **Expenditure**

1. Service Costs £97,431 – Costs assumed for service provision for 21/22. The Housing Management team have received detailed costings and final budget has been updated accordingly.
2. Bad Debts £20,000 – 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 when tender exercise is completed.  
  
The anticipated total spend for component replacements will be £743,606.
2. The cost of the other fixed assets for the year will be £130,000. This includes costs relating to the data migration and implementation of the new business system. The Association will also purchase fire alarm monitoring equipment for Overnewton Court at a cost of £40,000.
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 Final Budget 2021/22

Operating Costs	HM	D-D	CYC	FACT	MAJ REP	Admin	TOTAL	Budget 2020- 2021
<b>Employee Costs</b>	208,137 28%	147,525 20%	21,170 3%	40,436 5%	30,926 4%	302,249 40%	750,444 100%	736,866
<b>Overheads</b>								
Rent Rates & Insurance	2,829	2,005	288	550	420	4,108	10,200	10,200
Heating, Lighting, Cleaning	3,994	2,831	406	776	593	5,800	14,400	12,750
Telephones	1,442	1,022	147	280	214	2,094	5,200	5,100
Office Repairs & Supplies	1,414	1,003	144	275	210	2,054	5,100	5,100
Recruitment Costs	555	393	56	108	82	806	2,000	2,000
Travel	305	216	31	59	45	443	1,100	1,100
Subscriptions	5,048	3,578	513	981	750	7,330	18,200	18,200
Course & Conf Exp	2,982	2,113	303	579	443	4,330	10,750	10,730
Audit Fees	6,712	4,757	683	1,304	997	9,747	24,200	23,200
Postage, Stationery, Printing	3,606	2,556	367	700	536	5,236	13,000	14,500
Computer Costs	9,056	6,418	921	1,759	1,346	13,150	32,650	27,550
Bank Charges	1,733	1,229	176	337	258	2,517	6,250	7,150
Depreciation on fixtures and fittings	12,037	8,532	1,224	2,339	1,789	17,480	43,400	19,704
Depreciation Office Premises	2,635	1,868	268	512	392	3,827	9,501	9,501
Sundry Expenses	3,216	2,279	327	625	478	4,670	11,594	12,760
Legal Expenses	846	600	86	164	126	1,228	3,050	3,000
Marketing & Tenant Participation	1,636	1,160	166	318	243	2,376	5,900	5,820
	<u>60,045</u>	<u>42,559</u>	<u>6,107</u>	<u>11,665</u>	<u>8,922</u>	<u>87,196</u>	<u>216,495</u>	<u>188,365</u>
<b>Finance and Admin</b>	<u>92,115</u>	<u>92,115</u>	<u>92,115</u>	<u>20,984</u>	<u>92,115</u>	<u>389,445</u>	-	
<b>Total Admin Costs</b>	<u>360,298</u>	<u>282,200</u>	<u>119,392</u>	<u>73,086</u>	<u>131,963</u>	<u>0</u>	<u>966,939</u>	<u>925,231</u>

## Yorkhill Housing Association Final Budget 21/22

	HM	D-D	CYC	FACT	MAJ REP	Admin	TOTAL	Budget 2020- 2021
<b>Direct Costs</b>								
Property Insurance		55,000					55,000	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	81,600
Cyclical Repairs			170,487				170,487	70,730
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
<b>Total Direct Costs</b>	<b>35,715</b>	<b>243,300</b>	<b>171,557</b>	<b>5,957</b>	<b>205,389</b>	<b>0</b>	<b>661,918</b>	<b>416,872</b>
	396,013	525,500	290,949	79,043	337,352	0	1,628,857	1,342,103

**Yorkhill Housing Association****Statement of Comprehensive Income**

<b>Final Budget 21/22</b>	<b>20/21</b>	<b>21/22</b>
Rents Receivable	1,770,500	1,773,937
Service Income	91,373	97,431
Rent Overnewton St. Office	12,250	12,360
	<u>1,874,123</u>	<u>1,883,727</u>
Voids -	-15,049	-15,078
Voids - Services	-2,591	-828
	<u>1,856,483</u>	<u>1,867,821</u>
Amortisation of HAG	287,400	287,400
Management Fees	73,700	76,200
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>2,241,421</u>
<b>Total Income</b>		
Less: <b>Operating Costs</b>	1,342,103	1,628,857
Service Costs - General Lettings	91,373	97,431
Bad Debts	25,000	20,000
Depcn. HLB	467,643	515,695
	<u>1,926,119</u>	<u>2,261,982</u>
<b>Total Expenditure</b>		
<b>Operating Surplus/Deficit</b>	301,464	-20,561
Loss/Gain on Sale of Fixed Assets		
Interest on investments	8,000	2,200
Interest payable	-30,733	-29,177
	<u>278,731</u>	<u>-47,537</u>
<b>Surplus/Deficit before TAX</b>		

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

	<b>2020/21</b>	<b>2021/22</b>
<b>TANGIBLE FIXED ASSETS</b>		
Housing properties	7,208,518	7,436,430
Other Fixed Assets	483,520	560,619
	<u>7,692,038</u>	<u>7,997,049</u>
<b>CURRENT ASSETS</b>		
Debtors	252,921	259,252
Cash at bank and in hand	2,210,839	1,477,239
	<u>2,463,760</u>	<u>1,736,491</u>
<b>CREDITORS</b>		
Amounts falling due within one year	1,054,620	1,112,610
<b>NET CURRENT ASSETS</b>	<u>1,409,140</u>	<u>623,880</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>9,101,178</u>	<u>8,620,929</u>
<b>CREDITORS</b>		
Amounts falling due after more than one year	5,682,795	5,345,420
Pension Liability	6,000	-89,337
<b>NET ASSETS</b>	<u>3,412,383</u>	<u>3,364,846</u>
<b>CAPITAL AND RESERVES</b>		
Called up share capital	116	110
Revenue reserves	3,412,267	3,364,736
	<u>3,412,383</u>	<u>3,364,846</u>

<b>Yorkhill Housing Association</b>		
<b>Statement of Cash flows Final Budget 21/22</b>	<b>2020/21</b>	<b>2021/22</b>
Operating Surplus	301,464.0	(20,560.9)
Depcn & Amort	209,448.0	281,195
Inc/(Dec) in payables	(208,035.0)	57,990
(Inc)/Dec in receivables	(11,044.0)	(6,330.7)
<b>Net Cash from Operating Activities</b>	<b>291,833</b>	<b>312,294</b>
Interest Received	8,000.0	2,200
Interest Paid	(30,733.0)	(29,176.6)
<b>Return on Investment</b>	<b>-22,733</b>	<b>-26,977</b>
<b>Capital Expenditure &amp; Financial Investment</b>		
Construction or acquisition of Housing properties		
Improvement of Housing	(79,442.0)	(743,606.4)
Construction or acquisition of other Non-Current Assets	(50,000.0)	(130,000.0)
Sale of Social Housing Properties	0	0
Grants (Repaid) / Received	0	0
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>	<b>-129,442</b>	<b>-873,606</b>
<b>NET CASH BEFORE FINANCING</b>	<b>139,658.0</b>	<b>(588,288.8)</b>
Financing	(0.0)	(0.0)
Equity drawdown		
Debt drawdown		
Debt repayment	(140,406.0)	(145,311.1)
Working Capital (Cash) - Drawn / (Repaid)		
<b>NET CASH FROM FINANCING</b>	<b>(140,406.0)</b>	<b>(145,311.1)</b>
<b>INCREASE / (DECREASE) IN NET CASH</b>	<b>-748</b>	<b>-733,600</b>
Cash Balance		
Balance Brought Forward	2,211,587.0	2,210,839
Increase / (Decrease) in Net Cash	(748.0)	(733,599.9)
<b>CLOSING BALANCE</b>	<b>2,210,839</b>	<b>1,477,239</b>

**Yorkhill Housing Association Cashflow 21/22**

<b>Opening Balance</b>	2,210,839
<b>Income</b>	
RENTAL INCOME	1,758,858
SERVICE INCOME	96,602
RENTAL INCOME COMMERCIAL	12,360
MANAGEMENT FEES	76,200
ADMIN FEES	7,500
MAIN ALLOWANCE	2,500
INTEREST RECEIVED	2,200
DEBTOR MOVEMENT ADJ	-6,331
<b>Total Income</b>	<u>1,949,890</u>
EMPLOYEE COSTS	750,444
OVERHEADS	163,594
DIRECT COSTS	661,918
SERVICE COSTS	97,431
BAD DEBTS	20,000
DEBT REPAYMENT	49,974
INTEREST PAYABLE	29,177
CAPITAL EXP HOUSING	743,606
CAPITAL EXP NON HOUSING	130,000
PENSION DEFICIT COSTS	95,337
CREDITOR MOVEMENT ADJ	-57,991
<b>Total Expenditure</b>	<u>2,683,490</u>
<b>Closing Balance</b>	<u><u>1,477,239</u></u>

## **TRIODOS LOAN COVENANT REPORT**

### **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	-20,561
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	-95,337
<b>Adjusted Operating Surplus</b>	<u>112,397</u>
Interest Payable	29,177
Interest Receivable	-2,200
<b>Net Interest payable</b>	<u>26,977</u>
Interest Cover	4.17
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	112,397
Net Interest Paid	29,177
Loan Repayments	49,974

	<u>79,151</u>
<b>DSC</b>	1.42

### **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
<b>Asset Cover</b>	<b>2.55</b>
Covenant	1.25