



**BUDGET**

**FOR YEAR**

**2021/2022**

Presented to the Audit and Risk Sub Committee of Bridgewater Housing Association by the Head of Finance on Wednesday 10 February 2021

## INTRODUCTION

This is the Draft Budget for Bridgewater Housing Association for the financial year 21-22. The Budget has been developed by the Association's Head of Finance in conjunction with the Association's independent Financial Consultant. All of the departmental heads have had an opportunity to input into the draft budget, considering their requirements for the year and their best estimates of expenditure and income. The Draft Budget has been approved for consideration by the Audit and Risk Sub Committee by the Chief Executive.

## EXECUTIVE SUMMARY

1. The Draft Budget shows a **surplus of £376,801** for the year. This report will provide details of the underlying assumptions in preparing this Budget. In the forthcoming year a Value for Money strategy will be developed and this may identify savings which will take the organisation confidently into next year and beyond.
2. Most costs have been increased by **1.3%** inflation with the exception of salary costs which have been increased by **1%**. The pension deficit increases each year by **3%**.
3. The **Housing Account** on page 2 has allowed for a rent freeze which was approved at the December 2020 Board meeting. Expenditure on **Planned Repairs** has been calculated to take account of works identified in Note 10 and includes expenditure on some contracts delayed from 2020-21.
4. The **Non Housing Accounts** on page 3 contribute very little to the organisations finances, but are presented in a cost centre basis to enable the Association to isolate any major subsidy which may arise. No such subsidy has been identified.
5. The **Factoring Account** should be closely monitored by the Board to ensure overall costs are not proving a drain on the Associations resources or being subsidised by tenant's rents.
6. **Housing Support** – This service should be looked at regularly to ensure that costs do not exceed income. Salaries, pensions and expenditure in relation to the service are increasing year on year and there has been no increase in the Housing Support Grant for the last 10 years to offset this.
7. **Care and Repair** - This account has a projected budget deficit this new financial year of £20,279. The budget for Care and Repair has been prepared assuming the current contracts for East Renfrewshire and Renfrewshire continue as they have been in 2020-21. The contracts are three years in length and over the 3 year period income should match expenditure. The Budget will be revised accordingly if new arrangements are put in place by the contracting authorities in relation to Care and Repair.
8. **Capital budgets** are reflected in the Balance Sheet, Notes and our Projected Cash Flows. We have **not** provided for any purchases of property in this financial year. We have however included a sum for office refurbishment and IT software. These will be financed out of the Associations own resources.
9. **The Balance Sheet** on page 4 contains aggregated historical figures, however the main figures for the Board to keep under constant review are the **cash and bank** figures (including deposits) amounting to **£5.6m** and the **Net Current Asset** position at the end of the year of **£4.8m**, These figures demonstrate the Associations ability to meet its short and medium term commitments.
10. **The Cash Flow** on page 6 demonstrates a comfortable cash position over the coming 12 months.

BRIDGEWATER HOUSING ASSOCIATION LTD				
MANAGEMENT EXPENSES				
		Budget for 2021-22	Amended Revised Budget To 2020-21	Increase/ Decrease
	Note	£	£	
<b>STAFF COSTS</b>	<b>1</b>			
Staff Remuneration		1,224,336	1,204,759	19,577
Agency Fees		15,000	15,000	0
		<b>1,239,336</b>	<b>1,219,759</b>	<b>19,577</b>
<b>OFFICE OVERHEADS</b>	<b>2</b>			
Heat & Light		17,028	8,612	8,416
Telephone		18,890	20,225	-1,335
Office Repairs & Renewals		5,942	10,000	-4,058
Office Rent & Rates		59,577	59,432	145
Postage & Stationery		19,523	19,564	-41
Printing & Publications		2,936	2,758	178
Board Training		5,065	2,500	2,565
Board Conferences		11,143	5,500	5,643
Staff Training/Conferences		13,480	13,166	314
Office Insurance		18,116	16,361	1,755
Audit Fee (ext & int)		20,068	19,373	695
Subscriptions and Affiliation Fees		25,775	27,725	-1,950
Computer Costs		24,470	48,776	-24,306
Equipment Maint/Lease		8,160	8,657	-497
Cleaning Costs		12,135	11,345	790
Board Expenses		1,520	1,307	213
Bank charges		6,179	5,386	793
Advertising		290	334	-44
General Expenses		11,192	8,606	2,586
Professional Fees		37,631	37,211	420
Erskine Community Fund		10,000	10,000	0
Depreciation		12,252	27,367	-15,115
		<b>341,371</b>	<b>364,205</b>	<b>-22,834</b>
<b>MANAGEMENT EXPENSES</b>	<b>3</b>	<b>1,580,707</b>	<b>1,583,964</b>	<b>-3,257</b>
<b>ALLOCATED :</b>				
HOUSING COSTS		1,313,857	1,295,567	18,290
HOUSING SUPPORT ACCOUNT		149,294	166,102	-16,808
FACTORING ACCOUNT		93,816	94,100	-284
MANAGED PROPERTY		23,740	28,195	-4,455
		<b>1,580,707</b>	<b>1,583,964</b>	<b>-3,257</b>

<b>BRIDGEWATER HOUSING ASSOCIATION LTD</b>				
<b>INCOME AND EXPENDITURE ACCOUNTS</b>				
<b>HOUSING ACCOUNT</b>		<b>Budget for 2021-22</b>	<b>Amended Revised Budget To 2020-21</b>	<b>Increase/ Decrease</b>
	<b>Notes</b>	<b>£</b>	<b>£</b>	
<b>Income :</b>				
Gross Rental Income (incl SC)	4	4,229,372	4,221,101	8,271
Extra Care Service Charge Income	5	182,279	181,442	837
Less Voids	6	-88,000	-80,000	-8,000
Amortised SHG		245,224	245,224	0
Revenue Grants	7	28,000	28,000	0
<b>Total Income</b>		<b>4,596,874</b>	<b>4,595,767</b>	<b>1,107</b>
<b>Expenditure :</b>				
Management Costs	8	1,313,857	1,295,567	18,290
Reactive Repairs	9	465,031	483,142	-18,111
Planned Repairs	10	1,083,188	1,135,390	-52,202
Extra Care Costs	11	165,367	178,619	-13,252
Housing Costs	12	129,855	118,687	11,168
Property Depreciation	13	989,828	1,068,317	-78,489
Bad Debts	14	16,000	10,000	6,000
Contingency		0	0	0
<b>Total Costs</b>		<b>4,163,125</b>	<b>4,289,722</b>	<b>-126,597</b>
<b>HOUSING SURPLUS/(DEFICIT)</b>		<b>433,749</b>	<b>306,045</b>	<b>127,704</b>
<b>NON HOUSING SURPLUS/(DEFICIT)</b>		<b>-31,625</b>	<b>19,079</b>	<b>-50,704</b>
<b>OPERATING SURPLUS/(DEFICIT)</b>	<b>15</b>	<b>402,124</b>	<b>325,124</b>	<b>77,000</b>
Gains on Sale		0	0	0
Interest Receivable	16	2,651	8,000	-5,349
Nationwide Loan Interest	17	-27,973	-49,949	21,976
HEEPS Loan Interest	17	0	0	0
SHAPS Unwinding of Discount		0	0	0
SHAPS Actuarial Gain or Loss	18	0	0	0
<b>SURPLUS (DEFICIT) FOR PERIOD</b>	<b>19</b>	<b>376,801</b>	<b>283,175</b>	<b>93,626</b>

BRIDGEWATER HOUSING ASSOCIATION LTD				
NON - HOUSING ACCOUNTS				
	Notes	Budget to 2021-22 £	Amended Revised Budget To 2020-21 £	Increase/ Decrease
<b><u>Housing Support Account</u></b>	<b>20</b>			
Housing Support Income		156,997	157,921	-924
Less Management Costs		-149,294	-166,102	16,808
Less Direct Costs		-23,217	-19,213	-4,004
<b>Surplus/(Deficit)</b>		<b>-15,514</b>	<b>-27,394</b>	<b>11,880</b>
<b><u>Care &amp; Repair Account</u></b>	<b>21</b>			
Care & Repair Income		518,825	581,271	-62,446
Less Care & Repair Costs		-539,104	-530,525	-8,579
<b>Surplus/(Deficit)</b>		<b>-20,279</b>	<b>50,746</b>	<b>-71,025</b>
<b><u>Factoring account</u></b>	<b>22</b>			
Factoring Fee Income		106,086	104,968	1,118
Owners Costs Recovered		559,902	745,546	-185,644
Less Management Costs		-93,816	-94,101	285
Less Owners Costs		-559,902	-745,546	185,644
Less Direct Costs		-10,608	-11,444	836
<b>Surplus/(Deficit)</b>		<b>1,662</b>	<b>-577</b>	<b>2,239</b>
<b><u>Other Income</u></b>	<b>23</b>			
Managed Property Income		26,246	24,399	1,847
Income from IT Services Work		0	100	-100
Less Other Costs		-23,740	-28,195	4,455
<b>Surplus/(Deficit)</b>		<b>2,506</b>	<b>-3,696</b>	<b>6,202</b>
<b>NON HOUSING SURPLUS/(DEFICIT)</b>	<b>24</b>	<b>-31,625</b>	<b>19,079</b>	<b>-50,704</b>

<b>BRIDGEWATER HOUSING ASSOCIATION LTD</b>			
<b>BALANCE SHEET</b>			
<b>AS AT</b>	<b>2021-22</b>		
		<b>Nts.</b>	<b>£</b>
<b>Tangible Fixed Assets</b>			
Housing Properties (NBV)		<b>25</b>	24,413,710
Other Fixed Assets (NBV)		<b>26</b>	315,946
			<b>24,729,656</b>
<b>Current Assets</b>			
Debtors		<b>27</b>	1,165,242
Cash and Bank			4,174,958
Term Deposits			1,500,000
			<b>6,840,199</b>
<b>Less Current Liabilities</b>			
Creditors		<b>28</b>	-2,020,360
<b>Net Current Assets</b>			<b>4,819,839</b>
<b>Total Assets less Current Liabilities</b>			<b>29,549,496</b>
<b>Creditors (due more than a year)</b>			
Housing Loans		<b>17</b>	-5,200,426
HEEPS Loan		<b>17</b>	-537,401
Scottish Government Loan -Fire Detection			-300,000
SHAPS Deficit		<b>18</b>	-84,000
			<b>-6,121,826</b>
<b>Deferred Income</b>			
Scottish Housing Grant (SHG)			-9,557,892
<b>NET ASSETS</b>			<b>13,869,777</b>
<b>Capital and Reserves</b>			
Share Capital			71
Revenue Reserves	B/Fwd		13,492,905
Surplus/(Deficit) for Period			376,801
<b>TOTAL CAPITAL AND RESERVES</b>			<b>13,869,777</b>
			<b>PAGE 4</b>

BRIDGEWATER HOUSING ASSOCIATION LTD									
Cost Centre Accounts to		2021-22							
	Total	Housing Account				Non Housing Account			
		Housing Services	Technical Services	Corporate Services	Extra Care	Housing Support	Care & Repair	Factoring Account	Managed Properties
<b>Management Expenses</b>		<b>30.368%</b>	<b>17.725%</b>	<b>34.864%</b>		<b>9.535%</b>		<b>5.992%</b>	<b>1.516%</b>
Staff Remuneration	1,224,336	371,811	217,009	426,848	0	116,744	0	73,361	18,564
Agency and Freelance Fees	15,000			15,000					
<b>Total Staff Costs</b>	<b>1,239,336</b>								
Office Overheads	341,371	103,669	60,507	119,014	0	32,551	0	20,455	5,176
	<b>1,580,707</b>	475,480	277,516	560,862	0	149,294	0	93,816	23,740
<b>Housing Direct Costs</b>									
Reactive Repairs	465,031		465,031						
Planned Repairs	1,083,188		1,083,188						
Extra Care	165,367				165,367				
Housing Costs	129,855	129,855							
Property Dep'n	989,828			989,828					
Bad Debts	16,000	16,000							
	<b>2,849,269</b>	145,855	1,548,219	989,828	165,367		0	0	0
<b>Non Housing Direct Costs</b>									
Housing Support	23,217					23,217			
Care & Repair	539,104						539,104		
Factoring a/c	570,510							570,510	
	<b>1,132,830</b>	0	0	0	0	23,217	539,104	570,510	0
<b>Total Operating Costs</b>	<b>5,562,806</b>	621,335	1,825,735	1,550,689	165,367	172,511	539,104	664,326	23,740

## BRIDGEWATER HOUSING ASSOCIATION LTD

## CASH FLOW PROJECTION

For 12 Months to 31.3.2022

	2021									2022			
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan 2022	Feb 2022	Mar 2022	
<b>Opening balance (est)</b>	<b>5,298,157</b>	5,099,476	5,006,551	4,906,175	4,595,745	4,605,319	4,545,943	4,311,013	4,312,587	4,249,211	4,069,781	4,069,680	<b>5,298,157</b>
													<b>Totals</b>
Net Rental Income (incl RSC less voids)	345,114	345,114	345,114	345,114	345,114	345,114	345,114	345,114	345,114	345,114	345,114	345,114	4,141,372
Extra Care Income	15,190	15,190	15,190	15,190	15,190	15,190	15,190	15,190	15,190	15,190	15,190	15,190	182,279
Supporting People	13,083	13,083	13,083	13,083	13,083	13,083	13,083	13,083	13,083	13,083	13,083	13,083	156,997
Care & Repair Income	85,000				100,000	35,000	35,000	60,000		100,000	103,825		518,825
Total Factoring Income	72,500	35,000	35,000	35,000	35,000	35,000	80,000	80,000	75,000	75,000	75,000	33,488	665,988
Revenue Grants	27,000											1,000	28,000
Managed Property Income	2,187	2,187	2,187	2,187	2,187	2,187	2,187	2,187	2,187	2,187	2,187	2,187	26,246
	560,074	410,574	410,574	410,574	510,574	445,574	490,574	515,574	450,574	550,574	554,399	410,062	5,719,706
<b>Less</b>													
Staff Costs	-103,278	-103,278	-103,278	-103,278	-103,278	-103,278	-103,278	-103,278	-103,278	-103,278	-103,278	-103,278	-1,239,336
Office Overheads (excludes deprn)	-41,427	-27,427	-27,427	-27,427	-27,427	-27,427	-27,427	-27,427	-27,427	-27,427	-27,427	-27,427	-329,119
Reactive Maintenance	-38,753	-38,753	-38,753	-38,753	-38,753	-38,753	-38,753	-38,753	-38,753	-38,753	-38,753	-38,753	-465,031
Planned Maintenance (excluding capitalised components and including owner's costs)	-136,924	-136,924	-136,924	-136,924	-136,924	-136,924	-136,924	-136,924	-136,924	-136,924	-136,924	-136,924	-1,643,090
Extra Care Costs	-13,781	-13,781	-13,781	-13,781	-13,781	-13,781	-13,781	-13,781	-13,781	-13,781	-13,781	-13,781	-165,367
Care & Repair Costs	-44,925	-44,925	-44,925	-44,925	-44,925	-44,925	-44,925	-44,925	-44,925	-44,925	-44,925	-44,925	-539,104
Housing Costs	-30,000	-6,000	-7,000	-6,000	-6,000	-10,000	-10,000	-10,000	-10,000	-10,000	-10,000	-14,855	-129,855
Factoring Direct Costs	-884	-884	-884	-884	-884	-884	-884	-884	-884	-884	-884	-884	-10,608
Housing Support Direct Costs	-1,935	-1,935	-1,935	-1,935	-1,935	-1,935	-1,935	-1,935	-1,935	-1,935	-1,935	-1,935	-23,217
Other costs (bad debts)			-4,000					-4,000	-4,000			-4,000	-16,000
	-411,906	-373,906	-378,906	-373,906	-373,906	-377,906	-377,906	-381,906	-381,906	-377,906	-377,906	-386,761	-4,560,727
<b>Capital Spend</b>													
Housing Component Replacements (kitchens, bathrooms, rewiring, roof replacements, doors etc)	-119,805	-119,805	-119,805	-119,805	-119,805	-119,805	-119,805	-119,805	-119,805	-119,805	-119,805	-119,805	-1,437,662
Office Refurbishment and professional fees			-5,000					-5,000	-5,000	-5,000	-40,000	-40,000	-100,000
Other costs eg capitalised IT software and hardware		-2,500					-2,500				-9,500	-2,500	-17,000
	-119,805	-122,305	-124,805	-119,805	-119,805	-119,805	-122,305	-124,805	-124,805	-124,805	-169,305	-162,305	-1,554,662
Interest Received	250		50			50	2,000		50			251	2,651
Loan Repayments (HEEPS loan capital)	-7,289	-7,289	-7,289	-7,289	-7,289	-7,289	-7,289	-7,289	-7,289	-7,289	-7,289	-7,289	-87,470
Loan Repayments (Nationwide interest and capital)	-220,004			-220,004			-220,004			-220,004			-880,017
Loan for Fire and Carbon Monoxide Detection	0	0	0	0	0	0	0	0	0	0	0	-100,000	-100,000
Other Balance Sheet movements and non cash items inc property and other assets deprn												1,837,320	1,837,320
	-227,043	-7,289	-7,239	-227,293	-7,289	-7,239	-225,293	-7,289	-7,239	-227,293	-7,289	1,730,281	772,483
<b>Closing balance at end of month</b>	<b>5,099,476</b>	<b>5,006,551</b>	<b>4,906,175</b>	<b>4,595,745</b>	<b>4,605,319</b>	<b>4,545,943</b>	<b>4,311,013</b>	<b>4,312,587</b>	<b>4,249,211</b>	<b>4,069,781</b>	<b>4,069,680</b>	<b>5,660,958</b>	<b>5,674,958</b>



## BUDGET NOTES 2021-22

### 1. STAFF COSTS

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The Staff remuneration figure of £1,224,336 allows for the existing compliment of staff plus a part time IT officer. There has been a 1% increase in salaries as an estimate due to the EVH Wage Deal not yet being finalised. The revised SHAPS Pension Deficit Contribution has also increased by 3%. Housing Support and Factoring are included within the total but subsequently allocated to the Housing Support and Factoring Account. Care and Repair Staff costs are **not** included in the total. The breakdown can be summarised as follows;

<b>Staff Costs</b>	<b>£</b>
Total Staff Remuneration Costs	985,500
SHAPS Pension Past Deficit Cost	227,810
Staff Travel Costs	3,000
Other Staffing Costs	6,000
Staff Recruitments	2,026
	<b>1,224,336</b>
Care & Repair salary costs (Separate Cost Centre)	<b>472,668</b>

A Contingency (£14,000) is included in the Staff Remuneration costs above to allow for any temporary staff appointments to cover maternity/sick leave and overtime.

Agency Fees (£15,000) are in relation to financial and other services.

### 2. OFFICE OVERHEADS

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The Association has budgeted £341,371 for central overheads. This has increased from last year's budget by £22,834.

- Heat and Light has been increased assuming that staff will be back working from the office in the new financial year.
- Board training and conferences have been increased back to normal levels and an assumption that conferences and training will commence in the New Year.
- Computer costs have been reduced back down to our normal pre Covid levels. IT costs amounting to £17,000 have been capitalised for new software and licences and appear in the Balance Sheet.
- Included in the overhead total is £10,000 for an Erskine Community Fund to assist tenants who are in financial hardship.
- An assumption has been made that the office refurbishment costs will be approx. £200,000, with half the spend in the current financial year and half in 2021-22. Depreciation has been adjusted to reflect this.

The Associations overhead costs remain under constant scrutiny and we will continue to identify potential savings throughout the year.

### **3. MANAGEMENT EXPENSES**

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The Associations Management Expenses are made up of the two principal elements mentioned above, Staff Costs and Office Overheads. Taken together, they combine to record an estimated spend of £1,580,707.

An allocation of these costs is presented in the Cost Centre Analysis on Page 5. This allows the Association to distinguish between salary and overhead costs which are directly attributable to Housing Support Costs and other Non Housing Accounts identified on page 3.

### **4. GROSS RENTAL INCOME AND SERVICE CHARGES**

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The budget assumes a rent freeze for rents, a 2.3% increase for garages and an increase of 1.3% for service charges.

### **5. EXTRA CARE SERVICE CHARGE INCOME**

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The Association levy's a service charge on top of the rental charge to cover a higher level of support for certain tenants. The charge is used to pay for heating, lighting, laundry, equipment rental and cleaning costs.

### **6. VOIDS**

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Voids have increased due to the pandemic. The Association has increased the budgeted void figure for 2021-22 to £88,000 at the end of March 2022. This equates to an allowance of 1.99% for total voids based on current outturn.

### **7. REVENUE GRANTS**

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Revenue Grants in relation to Medical Adaptations for 2021-22 are estimated at £28,000, based on actual funding for 2020-21. This income is never guaranteed.

### **8. MANAGEMENT COSTS (HOUSING)**

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Total Management Expenses (Housing) are £1,313,857 which is higher than last year see note 3. The increase is due to the overhead apportionment of costs against the housing function.

### **9. REACTIVE REPAIRS**

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The Technical Services Manager has estimated that Reactive Repairs will amount to £465,031 in the year.

### **10. PLANNED MAINTENANCE**

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The planned maintenance costs for the year 2021/22 include substantial and largely approved (roofs), carry over costs from 2020/21. These carry forward costs relate to; boilers, external doors/windows, close lighting, EWI, external render, landscape maintenance, car ports and driveways renewal.

The figure of £1,083,188 which appears in page 2 under note 10 is the net cost of planned repairs excluding owners share of costs and after replacement components have been capitalised. Total expenditure is forecast to be approximately £2.5m. The Technical Services Manager

reports quarterly to the Scrutiny Sub Committee with details of each contract spend and any variance to budget.

#### **11. EXTRA CARE COSTS**

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Extra Care Costs include charges for cleaning, heat and light, maintenance and rental of equipment at the Association's Extra Care Developments at Robertson House and Clayson House. These costs are funded by service charge income.

#### **12. HOUSING COSTS**

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These costs include property insurance, legal fees, rent collection costs, satisfaction surveys, tenant participation, IT survey software and other direct housing costs. This year £8,000 has been included for additional welfare rights services from RAMH.

#### **13. PROPERTY DEPRECIATION**

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Property Depreciation is a **non cash** item which is estimated for this budget based on estimated component replacements identified by the Technical Services Manager.

#### **14. BAD DEBTS**

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Periodically the Association approves the write-off of specific tenant arrears and provision is included. This year £16,000 has been estimated for bad debts, an increase of £6,000 from last year. It should be noted that although these debts are written off from the context of the Association's Accounts, the debt is never written off, if it can be pursued it will be.

#### **15. OPERATING SURPLUS/DEFICIT**

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The budget forecasts an operating surplus of £402,124.

An Operating Surplus is necessary to service the Association's long term loan and to maintain a positive cash flow.

#### **16. INTEREST RECEIVABLE**

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The Association has budgeted to receive bank interest for the year of £2,651. At present interest deposit rates are at a historic low.

#### **17. LOAN REPAYMENTS**

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##### **NATIONWIDE**

The Association has three secured loans from the Nationwide. These were for the purchase of the original transfer stock and for the building of the two developments at Clayson House and Robertson House. The Association will be reviewing the loan structure in 2021. For budget purposes an indicative rate (supplied by our current lender) of 0.0925% p.a. (3 year fixed rate including margin) has been estimated.

There are associated financial covenants in place which are monitored quarterly, reported to the Board in the Management Accounts and tested annually (See Note 29).

The estimated loan balance and loan repayments can be summarised as follows.

Lender	At 31.03.21	Interest Repaid	Capital Repaid	Est. Bal At 31.03.22
	£	£		£
Nationwide	4,077,607	21,053	573,041	3,504,566
Nationwide	1,059,666	3,713	149,706	909,960
Nationwide	915,197	3,207	129,296	785,900
<b>TOTAL</b>	<b>6,052,470</b>	<b>27,973</b>	<b>852,043</b>	<b>5,200,426</b>

#### **ENERGY SAVINGS TRUST - HEEPS LOAN**

The Association has an interest free loan of £872,707 from the Energy Savings Trust. This loan allows us to carry out external wall insulation to properties, many of which would have failed the ESSH. The Association will repay this loan in monthly instalments over 10 years.

Lender	At 31.03.21	Repaid in year	At 31.03.22
	£	£	£
<b>Energy Savings Trust</b>			
<b>Loan Principal</b>	<b>624,871</b>	<b>87,470</b>	<b>537,401</b>

#### **FIRE DETECTION AND CHANGES TO THE TOLERABLE STANDARD**

The Association received an interest free loan amounting to £500,000 from the Scottish Government to fund the installation of fire safety and carbon monoxide detection equipment. This is now required because of an unforeseen change by the Scottish Government in the Tolerable Standard. The Association will repay this loan over 5 years in annual instalments estimated to begin in 2021-22.

Lender	At 31.03.21	Repaid in year	At 31.03.22
	£	£	£
<b>Scottish Government</b>	<b>400,000</b>	<b>100,000</b>	<b>300,000</b>

#### **18. PENSION LIABILITY**

The SHAPS pension deficit is shown on the Balance Sheet. Repayments are made monthly and it is assumed that this will continue until 2022-23 at least. The Association will embark on a consultation exercise with staff during 21/22 and may, as a result, change its pension offer. However this will not have an effect on pension deficit payments.

#### **19. SURPLUS/ (DEFICITS) FOR PERIOD**

The Association's prudent financial management of income and expenditure means that there are sufficient cumulative reserves to meet expenditure in the year.

#### **20. HOUSING SUPPORT ACCOUNT**

The Association receives a grant plus service charges to cover a higher level of support for certain sheltered tenants.

A review of the housing support service may be required this year as salaries, pension payments and other costs have increased year on year

whereas the grant has remained static since 2009. It is predicted that the service will make a deficit of £15,514.

## **21. CARE & REPAIR ACCOUNT**

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The Association manages the Care & Repair service to co-ordinate home repairs and adaptations for older and disabled people. There are two contracts currently in progress. The Inverclyde service is almost two years into a 3 year contract (with an option to extend for another two years). The Renfrewshire and East Renfrewshire initial contract was completed on 31 October 2020 and has been extended for an additional 6 months due to disruption cause by Covid-19. The Association is currently in discussion with both councils regarding procurement and at this stage, the value of a potential new contract is not known. For the purposes of this document, funding is shown as static. However, this is unlikely and in the event that the Association does not secure the contract or the value changes, the Board will require to be consulted regarding alternative proposals.

## **22. FACTORING ACCOUNT**

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The Association acts as Property Factors to approx. 193 factored flat owner occupiers in its area of operation. Over and above this there are 2,493 factored house owners from whom we recover a percentage of landscaping costs and certain repairs and maintenance costs.

Factoring Fee income is made up of both the Management and Administration Fees charged to provide the service.

Costs relating to the service are internal Management Costs plus any direct owners costs that will be recharged. It is important that the Association invoices and recovers the owner's share of costs. Any Bad Debts associated with owners have been included in this account.

## **23. OTHER INCOME AND EXPENDITURE**

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The Association manages 6 properties for Turning Point Scotland and one for RAMH. The rents collected are remitted to these organisations monthly. From those receipts the Association deducts an agreed management fee as shown as Managed Property Income. Any repair costs incurred are recharged quarterly to TPS and RAMH.

For the purpose of the budget management income has been increased by 3.5%. On this basis this budget predicts that this service will make a small surplus this year.

## **24. NON HOUSING ACCOUNT SURPLUS/ (DEFICIT)**

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The total deficit of £31,625 is carried back and added to the Housing Account deficit on page 2, which allows a total Operating Surplus to be shown prior to the deduction of Loan Repayments etc. The Non Housing Accounts are designed to identify and isolate any activity that may prove to be a drain on the Association resources.

## 25. HOUSING PROPERTIES (NBV)

The Association still remains opportunistic regarding developing and building new houses in Erskine, however, no development is currently reflected in the budget. This may change depending on current discussions taking place between the Association, Renfrewshire Council and the Scottish Government in relation to the re-provisioning of our Sheltered Housing. The Housing Property figure appearing in the Balance Sheet on page 4 is made up as follows.

	No of Properties	Cost £	Aggregate Depreciation £	N.B.V. £	SHG £
Housing Property	851	37,231,775	Est. (12,818,065)	24,413,710	9,557,892

## 26. OTHER FIXED ASSETS (NBV)

Other Fixed Assets include a provision of £100,000 for refurbishment of the office in the current year and £17,000 for the purchase of IT software.

	Cost at Start £	Additions in year	Aggregate Depreciation £	N.B.V. £
Furniture, Fittings, IT & Equipment	413,320	117,000	Est. 214,374	315,946

## 27. DEBTORS

The amount in the Balance Sheet under Current Assets is made up of normal trading balances including trade debtors, tenant/owners arrears and sundry debtors.

## 28. CREDITORS

The amount appearing in the Balance Sheet under Current Liabilities is made up of normal trading balances including rents and owners costs in advance, trade creditors, sinking funds, taxation, and sundry creditors.

## 29. BANKING COVENANTS

The Association is obligated to meet and certify the financial covenants specified in the loan agreement with Nationwide Building Society. Calculations based on budget show covenants for Debt Servicing and Asset Cover Ratio are being met.

Basis 1 of the Covenants (Asset Cover)	Estimated Results for 2021-22	Nationwide Covenant Rules	Compliant ?
Valuation Loan Basis 1 of property stock ÷ Loan Balances	325%	Results must be greater than >105%	Yes
Valuation Loan Basis 2 of property stock ÷ Loan Balances	512%	Results must be greater than >133%	Yes
Basis 2 of the Covenants (Debt Serviceability)	Estimated Results for 2019-20	Nationwide Covenant Rules	Compliant ?
Net Rental Income repays debt @ 7% interest within 35 years	Nationwide Debt paid off using Net Rental Income by year 3 (2025)	Nationwide Debt to be paid off using Net Rental Income within 35 years	Yes