

8 September 2020

Dear Member,

The next Management Committee will be held on **23 September 2020 following the Governance items and the AGM, via Zoom**

Agenda Item		Lead	Time	
1.	Management Accounts to 30 June 2020.	Finance Manager	20 min	Approval

Meeting close: 8:00pm, Next Meeting: 22 October 2020 , time to be confirmed.

Management Committee	23rd September 2020
Agenda Item	1
Title of Paper	Management Accounts – June 2020
Author	Gordon Kerr, Finance & Corporate Services Manager
Attachment(s)	Management Accounts

FOR INFORMATION & APPROVAL

1 PURPOSE

- 1.1 To provide Management Committee members with a comparison of the budget and actual financial positions to 30th June 2020.

2 RECOMMENDATIONS

- 2.1 That members review the attached papers and, subject to satisfaction, approve the management accounts for the period to date.

3 BUSINESS PLAN, VISION AND VALUES

- 3.1 This Report is consistent with Wellhouse's Strategic Objective to provide good governance and financial management
- 3.2 This Report is relevant in respect of the following Core Values: -
- Accountability
- 3.3 This Report also meets point 12:2 from 2020/21 Operational Plan – “Quarterly Management Accounts”.
- 3.4 This Report should ultimately contribute towards our overarching Aim and Vision of making Wellhouse "the Place to Be"

4 BACKGROUND

- 4.1 Management Accounts are the provision of financial and non-financial information to managers and Committee members. The Management Accounts are a basis for gauging financial viability and are also used as a tool for decision-making to allow the Association to achieve strategic and corporate objectives. Good Governance dictates that Management Accounts are presented to and approved by Management Committee.
- 4.2 Scottish Housing Regulator: Regulatory Standards of Governance and Financial Management – Standard 4 states “The governing body ensures it receives good quality information and advice from staff, and where necessary, expert independent advisers,

that is timely and appropriate to its strategic role and decisions. The governing body is able to evidence any of its decisions.”

- 4.3 The attached Management Accounts to June 2020 have been prepared using the Accruals Concept where expenditure is charged to the period in which it is incurred and not when the invoice is received or paid and income is credited to the period when it is realised as opposed to the date the sales invoice is raised or paid.
- 4.4 The budgeted results to date are based on the annual budget for the year which shows a projected surplus of £641,090 for the year. A draft budget for 2020/21 was considered in November 2019 and the final budget was approved in February 2020.

5 MAIN ISSUES

5.1 Statement of Comprehensive Income (SOCi) -

The budgeted surplus (24) for the period to 30th June 2020 is £188,605, however, the actual results for the period show a surplus of £322,163. There is, therefore, a favourable variance for the period of £133,558.

The overall favourable variance of £133,558 arises from-

- Operational activities £131,956 – favourable variance
- Net interest and other activities £1,602 - favourable variance

Income

Rental income (1) is virtually spot on budget with a slight adverse variance of £227. Void losses (2) are also lower than the budget figure - £2,896 (0.35%) as opposed to £6,598 (0.80%). A favourable variance in net rental income of £3,475.

Commercial rent (3a) and factoring income (3b) are both slightly less than budget showing small adverse variances of £643 and £548 respectively. However, this will change significantly going forward as the revised rental figure for 17-19 Newhills Road is implemented.

Stage 3 Medical Adaptations Grant Income (5a) – no claims have been submitted during the first quarter for this grant, reflecting no spend to date on medical adaptations. This is expected to change in the second quarter with accelerated spend being claimed.

Grants released from Deferred Income (4) – the budget figure was calculated on a projected figure based on the 2019/20 outturn; however, the actual charge is based on the final 2019/20 position. A bit less (£5,008) due to disposal of components which have now been replaced.

Expenditure

Management & Maintenance Admin - £31,347 under-spend against budget. The following make up this favourable variance: -

- Salaries (6) (£11,937 under-spend) – mainly due to replacement Estate Warden Supervisor not being in post in the first quarter of the year.
- Overheads (7) – an underspend of £19,410 against budget. The attached overheads schedule shows a more detailed analysis of all variances.

Repairs & Maintenance – an underspend of £148,742 against budget over all areas of maintenance, from a total budget of almost £1million for the full year. A more detailed explanation of some of the over- and under-spends as follows: -

- Reactive maintenance (9)– over 50% under spend of £44,531 (Budget £87,399, actual £42,869). Responsive repairs (underspend £8,097), estate services (underspend £6,669), voids maintenance (massive underspend of £28,640).
- Cyclical maintenance (10) – large under-spend of £42,822 - actual £10,478 against budget £53,300. Some external painting carried over from last year's programme, however, no gutter cleaning, virtually no electrical testing and very little gas servicing carried out this year so far.
- Major repairs/planned renewals (11) – under-spend of £61,390 - actual £151 against budget £61,541. Kitchen and bathroom extractor fans, back courts and Stage 3 medical adaptations were pencilled in for being carried out in first quarter, however, nothing has taken place.
- The large underspends in maintenance come as no surprise. Most of our contractor's staff were on furlough due to covid-19 and only emergency repairs were being carried out. Work should, hopefully, start picking up again from September as contractors return to full strength.

Housing Property Depreciation (12) – favourable variance of £4,774. The budget figure was calculated on a projected figure based on the 2019/20 outturn; however, the actual charge is based on the final 2019/20 position updated to include any replacement components. Replacement components this year much lower than budget so far, also contributing to the lower depreciation charge.

Bad Debts (13) – this is actually the charge to income and expenditure, which will increase the provision rather than the actual amount of bad debts written off. Due to the issues of the 2020/21 budget not stacking up, we decided not to budget a charge to income and expenditure this year. However, in actuality, we will be processing a charge each month and rather than being based on a notional budget figure, this is now calculated using the same formula as at the year-end – based on band levels of arrears. The charge for the first quarter has increased the provision quite substantially by £41,738.

5.2 **Statement of Financial Position-**

The Statement of Financial Position shows the actual position at June 2020 and also the position at March 2020 and the resulting movement in this financial year.

Housing Properties (18) has increased by £106,249. A few individual kitchen, bathroom and boiler replacements has amounted to £20,511, however, this is

considerably less than the budget figure of just over £303,000. The purchase of an individual property on the open market added an additional £85,000.

Cash (19) has increased by almost £100,000 to £2,118,035. Although, the arrears balance has increased due to cash not coming in, there have been significant shortfalls in cash going out, particularly maintenance resulting in this positive movement in cash.

Payables < 1 Year (20)

- Misc. creditors has reduced by over £170,000 since the year-end. The purchase ledger control A/C has reduced by almost £100,000 accounting for a large part of this movement.
- Due to the new accounting treatment for pensions, we no longer show the element of pension deficit payable within one year separately.

Payables > 1 Year

- Loans (21) – have reduced by £59,490 due to the monthly contributions being paid towards this liability.
- Pension deficit (21) – The pension deficit reflects the revaluation of multi-employer DB scheme, due to the new accounting treatment for pensions. At the year-end the liability had been completely wiped out and subsequent payments to this appear to show the deficit as now being an asset. This remains here, purely, for internal reporting purposes as we will not be allowed to recognise an asset as part of the statutory accounts reporting. However, there will be another valuation prior to the year-end, which will, more than likely, re-introduce the liability.
- Deferred income (22) – similarly, the monthly release of deferred grant to Statement of Comprehensive Income of £139,685 has reduced these balances to below £15 million.

Reserves (23) – has increased by over £322,000 to almost £6.9 million, in line with the surplus made for the period.

5.3 **Cash-flow Report**

This report shows the transactions for the year-to date using the receipts and payments method as opposed to the accrual's method. The cashflow report shows a cash inflow (surplus) of £99,284 as opposed to a surplus of £322,163 in SOCI.

Generally, a broad-brush method of reconciling these two figures is as follows: -

- Start with SOCI surplus;
- Add back depreciation;
- Deduct grants released from Deferred income;
- Deduct capital spend; and
- Deduct loan capital repayments.
- Adjust for movement in debtors and creditors (accruals and prepayments).

5.3 **Covenant Compliance -**

There are no covenant compliance issues with the following results being achieved at June 2020: -

- Interest cover - Target > 110%, Result = 629.21%
- Gearing - Target < 30%, Result = 19.73%

Both lenders – Royal Bank of Scotland and Clydesdale Bank - have used the same financial covenants, calculated the same way with the same target result.

The 2020/21 budget had indicated that there may be interest cover issues for this year and had to be reviewed to avoid this occurring. The approved budget achieved this covenant, albeit by a very tight margin, however, the actual position achieves it much more comfortably.

6. **DISCUSSION**

Committee is invited to discuss any of the points reported on above.

7. **REGULATORY, LEGAL AND CONSTITUTIONAL ISSUES**

- 7.1 As laid out in Scottish Housing Regulator: Regulatory Standards of Governance and Financial Management (particularly standards 3 and 4) there is a regulatory requirement for Wellhouse to report regularly to Management Committee and for Management Committee to approve these financial reports.
- 7.2 It is also considered Good Practice for Wellhouse to prepare quarterly Management Accounts in order to demonstrate financial viability and to allow for the decision-making process to achieve corporate objectives.

8. **FINANCIAL IMPLICATIONS**

- 8.1 Any material points are noted at section 5 above.

9. **KEY RISKS**

9.1

(a) Strategic Risks	(b) Operational Risks	(c) Project Level Risks
Failure to provide up to date and accurate financial reports and budget monitoring would result in the Association being unaware of its actual financial position. This could lead to decisions being taken on incorrect information and could result in financial and reputational damage.		

Mitigation	Mitigation	Mitigation
Quarterly Management Accounts, and other financial reports, are presented to Management Committee for discussion and approval".		

10. EQUALITY, DIVERSITY & HUMAN RIGHTS IMPLICATIONS

10.1 None apparent.

11. SUSTAINABILITY

11.1 Not applicable.

12. SWOT ANALYSIS

12.1 Not required as no new business activity proposed.

13. CONCLUSION

13.1 Some over- and under-spends against budget in the Statement of Comprehensive Income, however, overall, the actual surplus position is considerably higher than the budget surplus for the period to June 2020. The delayed start in carrying out most of the maintenance programmes has contributed, in no small way, to the underspend. A vacant staff post for the period and reduced spend on overheads have also contributed to the variance, however, apart from those the actual performance is pretty close to budget.

Cash position continues to increase and is in a reasonably healthy position finishing the period at over £2.1 million.

Overall, a good performance so far for the first quarter of 2020/21 resulting in a healthy financial position.

WELLHOUSE HOUSING ASSOCIATION

MANAGEMENT ACCOUNTS TO 30TH JUNE 2020

STATEMENT OF COMPREHENSIVE INCOME



Ref	Social Lettings Rental & Service Chgs	Commercial Lettings	Actuals To Date Factoring Services	The Hub Services	Corporate Services	Total	Budget to Date	(Adverse) / Favourable Variance	Annual Budget
(1) Rental Income & Service Charges	824,541					824,541	824,768	(227)	3,299,071
(2) Less: Voids losses	(2,896)					(2,896)	(6,598)	3,702	(26,393)
(3a) Commercial Rental Income		7,852		5,237		13,090	13,733	(643)	54,930
(3b) Factoring Income			3,408			3,408	3,956	(548)	15,824
(4) Grants released from Deferred Income	139,687					139,687	144,695	(5,008)	578,781
(5a) Other Revenue Grants	0					0	8,250	(8,250)	33,000
(5b) Other Income	961,332	7,852	3,408	5,237	0	977,829	194	(194)	777
							988,998	(11,169)	3,955,991
(6) Management Expenses - Staff Costs	(66,949)		4,851		246,145	184,047	195,984	11,937	783,938
(7) Management Expenses - Overheads	15,264	0	1,190	5,125	58,156	79,735	99,145	19,410	396,581
(9) Reactive Maintenance	42,869		0			42,869	87,399	44,531	349,597
(10) Cyclical Maintenance	10,478					10,478	53,300	42,822	213,200
(11) Planned Renewals/Major Repairs	151					151	61,541	61,390	359,496
(12) Depreciation on Housing Properties	249,204					249,204	253,978	4,774	1,015,913
(13) Bad Debts	41,738					41,738	0	(41,738)	0
	292,756	0	6,041	5,125	304,301	608,223	751,348	143,125	3,118,725
Operating Surplus	668,576	7,852	(2,633)	112	(304,301)	369,606	237,650	131,956	837,267
(14) Release of Negative Goodwill	9,534					9,534	9,534	0	38,134
(15) Gain/Loss on Disposal of Fixed Assets	0					0	0	0	0
(16) Interest Receivable	0				2,195	2,195	2,125	69	8,500
(17) Interest Payable/Other Finance Costs	(59,170)					(59,170)	(60,703)	1,533	(242,811)
(23)	618,959	7,852	(2,633)	112	(302,107)	322,163	188,605	133,558	641,090

WELLHOUSE HOUSING ASSOCIATION LTD

STATEMENT OF FINANCIAL POSITION AS AT

30 June 2020



ANNUAL BUDGET			AS AT 31/03/2020	ACT YTD 30/06/2020	MOVEMENT
£	Ref		£	£	£
Non Current Assets					
42,000,283	(18)	Housing Properties - gross cost	40,921,893	41,028,142	106,249
(13,798,144)		Depreciation	(12,621,173)	(12,870,379)	(249,206)
28,202,139			28,300,720	28,157,763	(142,957)
1,313,328		Other	1,343,642	1,336,221	(7,421)
29,515,467			29,644,362	29,493,984	(150,378)
(1,029,624)		Negative Goodwill	(1,067,759)	(1,058,226)	9,533
Current Assets					
214,127		Debtors	263,914	243,897	(20,017)
0		Inventory	0	0	0
1,790,370	(19)	Cash at Bank and in hand	2,018,751	2,118,035	99,284
2,004,497			2,282,665	2,361,933	79,268
(20) Payables < 1 year					
(965,616)		Misc Creditors	(1,101,021)	(930,836)	170,185
0		Pension Deficit	0	0	0
(220,738)		Loans	(221,338)	(221,338)	0
(1,186,354)			(1,322,359)	(1,152,174)	170,185
818,143		Net Current Assets/ (Liabilities)	960,306	1,209,759	249,453
29,303,986		Total Assets less current liabilities	29,536,909	29,645,518	99,075
(21) Payables > 1 year					
(7,699,379)		Loans	(7,933,510)	(7,874,020)	59,490
(251,825)		Pension Deficit	0	14,380	14,380
(7,951,204)			(7,933,510)	(7,859,640)	73,870
(22) Deferred Income					
(13,723,121)		Social Housing Grant	(14,324,693)	(14,190,907)	133,787
(730,288)		Non Housing Grants	(718,460)	(712,561)	5,899
(14,453,409)			(15,043,153)	(14,903,468)	139,685
6,899,374		Net Assets	6,560,246	6,882,410	322,164
Capital and Reserves					
200		Share Capital	118	118	0
6,899,174	(23)	Reserves	6,560,128	6,882,292	322,164
6,899,374			6,560,246	6,882,410	322,164

WELLHOUSE HOUSING ASSOCIATION LIMITED

MANAGEMENT ACCOUNTS TO

30 June 2020



STATEMENT OF CASHFLOWS

Operating Surplus		369,606	
Adjust for Depreciation and other non-cash transactions		<u>133,347</u>	
Adjusted Operating Surplus		502,953	
Movement in Debtors		97,106	
Movement in Creditors		(278,061)	
<u>Investing Activities</u>			
Purchase of Properties and Components	(106,249)		
Purchase of Other Fixed Assets	0		
Disposal of Other Fixed Assets	0		
Grants received	<u>1</u>		
		(106,248)	
<u>Financing Activities</u>			
Interest receivable	2,195		
Interest payable	(59,170)		
Loan capital repaid	(59,490)		
Share capital issued	<u>0</u>		
		(116,466)	
		<u>99,284</u>	
Movement in Cash per Balance Sheet		99,284	

WELLHOUSE HOUSING ASSOCIATION

COVENANTS AS AT 30 June 2020



This page compares the Association's performance in key areas against financial covenants included within loan agreements.

INTEREST COVER	Accounts	Target set by Bank	Actual	Covenant Satisfied?
Operating Surplus	369,606	Greater than 110%	629.21%	Yes
Housing Grants Amortised	(139,687)			
Pension Deficit Contribution	(14,380)			
Housing Depreciation	249,204			
Component Replacements	(106,249)			
	358,494			
Interest Payments	59,170			
Interest Receipts	(2,195)			
	56,976			

GEARING	Accounts	Target set by Bank	Actual	Covenant Satisfied?
Balance of Outstanding Loans	8,095,358	Less than 30%	19.73%	Yes
Historic Housing Cost	41,028,142			

WELLHOUSE HOUSING ASSOCIATION LTD

MAINTENANCE BUDGET TO MARCH 2021

	Budget Apr-Jun'20	Actual Apr-Jun'20	(Adverse) Favourable Variance
CYCLICAL MAINTENANCE			
ELECTRICAL TESTING	9,000	156	8,844
EXTERNAL PAINTING- phase 2B	0	3,420	(3,420)
EXTERNAL PAINTING- phase 8	0		
EXTERNAL PAINTING - phase 10	0		
GAS SERVICING	20,000	5,930	14,070
GUTTER CLEANING	16,500	973	15,527
GAS SAFETY AUDIT	1,950	0	1,950
FIRE SERVICE - 14 LANGBAR GDNS	1,950	0	1,950
	0		0
ASBESTOS MANAGEMENT	900		900
WATER TESTING	3,000	0	3,000
	<u>53,300</u>	<u>10,478</u>	<u>42,822</u>
REACTIVE MAINTENANCE			
REACTIVE MAINT	41,257	36,178	8,097
SCOTTISH POWER L/LSUP	3,018		
ESTATE SERVICES - Materials	6,250	2,831	6,669
ESTATE SERVICES - Van/Fuel	3,250		
Close Cleaning	0		
VOIDS	32,500	3,860	28,640
Facilities Management Costs	625	Code st	625
	<u>86,899</u>	<u>42,869</u>	<u>44,031</u>
Stage 3 Adaptations- Ex GHA	2,166	0	
Stage 3 Adaptations	10,000	0	12,166
	<u>12,166</u>	<u>0</u>	<u>12,166</u>
MAJOR REPAIRS - NON-CAPITALISED			
KITCHEN EXTRACTOR FANS Phase 5	5,000	0	5,000
Bathroom EXTRACTOR FANS Phase 5	5,000	0	5,000
	0		
Smoke Alarms Phase 8	0	0	0
External Paths	0	0	30,000
Back Courts Phase 1	15,000		
Back Courts Phase 2A	15,000		
External Verandas	0		
Consultants Costs	9,375		
	0		
	<u>49,375</u>	<u>0</u>	<u>40,000</u>
MAJOR REPAIRS - CAPITALISED COMPONENTS			
Kitchens Phase 5	213,120	5,832	207,288
Bathrooms Phase 3	0	6,801	(6,801)
Gas Boiler Replacements Phase 10	90,000	7,878	82,122
External Doors 2B	0	0	0
External Windows 2A	0	Code st	0
the Hub boiler replacment	0		
the Hub poss remodeling	0		
	<u>303,120</u>	<u>20,511</u>	<u>282,609</u>

WELHOUSE HOUSING ASSOCIATION

2020/21 Budget



	Housing Management	Maintenance	Commercial Lettings	Factoring	The Hub Services	Corporate Services	2020/21 Budget Total	Budget Apr-Jun'20	Actual Apr-Jun'20	(Adverse) Favourable Variance
Overheads										
24). Advertising (Publicity & Promotions)						1,000	1,000	250	0	250
25). Audit Fee - External						11,400	11,400	2,850	3,388	(538)
- Internal						12,100	12,100	3,025	(0)	3,025
26). Bank Charges - Allpay	11,800					500	11,800	2,950	2,028	922
- General						28,155	28,155	7,039	62	63
27). Depreciation - Other Fixed Assets						2,800	2,800	700	7,422	(384)
28). General Expenses - Miscellaneous						1,900	1,900	475	2,498	(698)
- Provisions						700	700	175		
- Staff Welfare Costs						600	600	150		
- Cash Collection Costs (G4S)						1,200	1,200	300		
Taxi						800	800	200		
Health & Safety						3,600	3,600	900	(625)	1,725
29). General Committee Expenses						13,900	17,900	4,475	1,959	4,141
30). Heat & Light					4,000	5,000	6,500	1,625		
31). Cleaning					1,500					
32). Insurance - Housing Stock	55,050			2,950		18,000	58,000	14,500	14,087	413
- Non-Housing premiums							18,000	4,500	7,132	(2,632)
33). Office Maintenance - Repairs & Renewals					5,000	10,000	15,000	3,750	13,599	3,401
- Equip Maintenance						7,000	7,000	1,750		
34). Office Equipment						12,500	12,500	3,125		
IT Maintenance Support Costs						30,500	30,500	7,625		
IT Expenses						3,000	3,000	750		
35). Printing (External)						8,200	8,200	2,050	7,064	(2,439)
Printing (Internal Photocopier Charges etc)						6,000	6,000	1,500		
Stationery						4,300	4,300	1,075		
36). Postage						2,900	2,900	725	944	(219)
37). Rent & Rates						1,900	1,900	475	312	163
38). Seminars & Training - Staff						16,000	16,000	4,000	806	3,194
39). Seminars & Training - Committee						5,500	5,500	1,375	852	523
40). Staff Recruitment						3,600	3,600	900	0	900
41). Subscriptions						25,976	25,976	6,494	7,176	(682)
42). Telephones					2,000	7,500	9,500	2,375	1,623	752
43). Legal Fees - General						12,000	12,000	3,000	1,452	1,548
44). Legal Fees - Housing	9,000					9,000	9,000	2,250	1,177	1,073
45). Professional Fees						13,000	13,000	3,250	376	2,874
Housing - Agency Fees - WR	0						0	0		0
46). Commercial Property Cost			1,000			1,000	1,000	250	0	250
47). Donation - CCT Contribution						17,350	17,350	4,338	0	4,338
-Others						400	400	100	3,000	(2,900)
48). Tenant Participation								3,000	3,601	(601)
49). Vehicle Costs	12,000						12,000	0		0
50). AGM Costs						3,000	3,000	750		750
	87,850	0	1,000	2,950	12,500	282,281	0	99,145	79,735	19,210