HILLHEAD HOUSING ASSOCIATION
REVISED BUDGET 2019/20

Introduction
A budget for the year 2019/20 was approved by the management committee earlier this year and is now being used to monitor performance during the current financial year. However, although the Association's financial performance seemed satisfactory for the year, the longer term forecasts highlighted some potential difficulties in later years in respect of cash flow and levels of reserves.

Discussions have since been held with the Association's banker, The Royal Bank of Scotland (RBS) and the Association's Auditor, Chiene & Tait and it was agreed that a revised budget should be prepared, taking account of the actual closing position at March 2019 and a change in accounting treatment of environmental works and new smoke alarms, the costs of which would now be treated as capital expenditure rather than charged to the Statement of Comprehensive Income (SOCI). The revised budget would also allow the introduction of the new accounting treatment of pension assets/liabilities. The revised budget would also introduce additional income for wider action projects and services provided to other RSLs that was not included in the original budget.

This revised budget would allow the effects on the longer term forecasts to be reassessed.

Statement of Comprehensive Income (SOCI)
The changes included in the revised budget will result in a net increase in the surplus for the year from a deficit of £202,125 to a surplus of £448,822, a total of £650,947. The individual changes are as follows;

- Major repairs being capitalised - £637,600
- Additional income re wider action etc - £51,550
- Removal of other pension charges - £497
- Higher depreciation charges - £38,700

Statement of Financial Position (SOFP)
The Association's reserves will increase from a negative £136,544 to a positive £536,694, an increase of £673,328. This is the result of the combined effect of the changes in the SOCI, above, and the knock on effect of the opening balances being restated to match the actual closing balances at March 2019.

The cash balance at March 2020 will now be just over £1.6m and this assumes drawing £1m from the loan facility and that the shared equity sales income of £822,000 is realised. When the balance of debtors and creditors is added, the working capital balance will be £1.425m.

The outstanding of balance of loans due at March 2020 will be £13.934 (including amounts due within one year of (175,000) and deferred income will be £12.979m.

The value of the SHAPS pension liability, now included in the SOFP, will be £341,000, although this excludes any actuarial movements. Any such movements will be detailed in the pension report to be received in May next year.

Longer Term Forecasts

The revised accounting treatment of various works will ease the pressure on reserves in future years, making it easier to comply with related covenants.

Cash flow will still present some difficulties in some years but this can be resolved by extending the repayment term of Facility B or by arranging a Facility C with RBS. This would be for £3.5m and would be available for ten years after Facility B has been repaid.

Discussions with RBS have indicated that they would be amenable to the restructuring of the loan facilities as described above.

Patrick Long
FMD Financial Services
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