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LISTER HOUSING CO-OPERATIVE LIMITED

BUDGET 2020-21

1. Introduction

1.1 Purpose of the Report

1.1.1 The Management Committee of Lister Housing Co-operative is invited to scrutinise and approve the budget for 2020-21.

1.2 Financial Consequences and Risk

1.2.1 The budget provides a net surplus of £113.9k.

1.2.2 The budget allows management and the Management Committee to anticipate, monitor and control spend within agreed boundaries.

1.3 Recommendation

1.3.1 It is recommended that the Management Committee **APPROVES** going to Tenant Consultation on this draft budget.

1.4 Prepared by

1.4.1 This report was prepared by Ngeme Ntuli, Finance Manager (Port of Leith Housing Association). Contact 0131 553 8737 or Ngeme.ntuli@polha.co.uk

1.5 Appendices

A – Lister Housing Co-operative budget & 3 Year Projection April 2020 to March 2023



2. Executive Summary

- 2.1 The 2020-21 budget provides a net surplus of £113.9k. The budgeted surplus is £60.6k lower than the 2019-20 budgeted surplus of £174.5k largely due to an increase in the rent receivable by £19.2k and an increase in expenditure by £79.8k.
- 2.2 The 2020-21 budget expends cash of £95.1k resulting in a closing cash balance of £2m as at 31 March 2021.

3. Budget Assumptions

The budget has been formed on the following key assumptions, estimated by Lister:

- Rent increase – 1.8% overall (based on 1.1% inflation rise and 3 extra points MS)
- Void loss – 0.70% of gross rent income
- Bad debts - 0.35% of gross rent income
- Wage increase – 1.6%

4 Statement of Comprehensive Income budget for the year ending 31 March 2021 compared to the previous year budget

4.1 Income

	Full Year		Variance	
	2019-20	2020-21	2021 vs 2020	2021 vs 2020
	Budget	Budget	Bud vs Bud	Bud vs Bud
	£	£	£	%
Housing Rents	809,009	825,308	16,299	2.01%
Service Charge	1,800	1,800	0	-
Grant Receivable	1,000	1,000	0	-
Amortisation of Government grants	82,025	82,025	0	-
Interest earned	20,000	23,000	3,000	15.00%
Deduct: voids at 0.7%	(5,663)	(5,777)	(114)	2.01%
Non-Housing Activities	16,020	16,031	11	0.07%
Total	924,191	943,387	19,196	2.08%

- 4.1.1 Total income is expected to be £943k, an increase of £19k (2.08%) from the previous year's budget.
- 4.1.2 Budgeted rent of £825k reflects an increase of 1.8% on the rents being charged in 2019-20.
- 4.1.3 Interest earned is budgeted to increase by £3k based on current funds and interest rates.



4.2 Expenditure

	Full Year		Variance	
	2019-20	2020-21	2021 vs 2020	2021 vs 2020
	Budget	Budget	Bud vs Bud	Bud vs Bud
	£	£	£	%
Housing Management	157,803	172,578	(14,775)	(9.36%)
Day to day Maintenance	83,848	112,296	(28,448)	(33.93%)
Major Repairs	32,860	67,840	(34,980)	(106.45%)
Cyclical Maintenance	157,331	142,176	15,155	9.63%
Enhancements / Adaptations	122,900	133,500	(10,600)	(8.62%)
Service Costs	1,800	1,800	(0)	(0.02%)
Bad Debts (0.75%)	2,832	2,889	(57)	(2.01%)
Property Depreciation	179,537	184,737	(5,200)	(2.90%)
Non-Housing Activities	10,814	11,717	(903)	(8.35%)
Total	749,725	829,533	(79,808)	(10.65%)

- 4.2.1 Total property expenditure is expected to be £830k, an increase of £80k (10.65%) from the previous year's budget.
- 4.2.2 Housing management expenditure is budgeted to increase by £15k mainly due to an increase in administrative costs by £13k.
- 4.2.3 Day to day maintenance is budgeted to increase by £28k mainly due to an increase in repairs by £15k and administrative costs by £13k.
- 4.2.4 Major repairs are budgeted to increase by £35k because repairs are increasing by £33k for main site and increasing administration costs by £2k.
- 4.2.5 Cyclical maintenance will decrease by £15k mainly due to the repairs programme decreasing by £18k and gardening increasing by £5k, with administration costs decreasing by £2k.
- 4.2.6 Enhancements/Adaptations are budgeted to increase by £10k mainly due to possible insulation work on main site.
- 4.2.7 Non-housing expenditure will increase by £1k mainly due to an increase in other expenditure.

5 Administration Cost

	Full Year		Variance	
	2019-20	2020-21	2021 vs 2020	2021 vs 2020
	Budget	Budget	Bud vs Bud	Bud vs Bud
	£	£	£	%
Employee costs	153,045	159,237	(6,192)	(4.05%)
Stage III grant	(100)	(100)	-	-
PolHA Finance fees	5,050	5,200	(150)	(2.97%)
Office rates & insurance	13,100	13,400	(300)	(2.29%)
Printing & Stationery	800	1,050	(250)	(31.25%)
Computer maintenance	4,500	23,000	(18,500)	(411.11%)
Telephone & Postage	4,500	5,500	(1,000)	(22.22%)
Training	400	408	(8)	(2.00%)
Health & Safety	1,000	1,020	(20)	(2.00%)
Travel & Subsistence	100	102	(2)	(2.00%)
Heat & Light	1,500	1,530	(30)	(2.00%)
Audit, tax & legal fees	11,000	11,220	(220)	(2.00%)
Bank charges	1,000	1,020	(20)	(2.00%)
Conference costs	1,500	1,530	(30)	(2.00%)
Office maintenance & cleaning	4,000	5,000	(1,000)	(25.00%)
Community costs	1,700	1,734	(34)	(2.00%)
Affiliation fees	3,400	3,468	(68)	(2.00%)
Other expenses	500	750	(250)	(50.00%)
Total	206,995	235,069	(28,074)	(13.56%)

- 5.1 Total administration costs are budgeted to increase by 28k, an increase of 13.56% from the previous year budget.
- 5.1.1 The employee costs will increase by £6k to reflect the wages increase and move to full-time for one post in 2019 (not included in last year's budget).
- 5.1.2 Computer maintenance is budgeted to increase by £18k for the proposed software purchase and associated costs.
- 5.1.3 Telephone and postage are budgeted to increase by £1k due to telephone costs.
- 5.1.4 Office maintenance and cleaning are due to increase by £1k.



6. Capital Expenditure

6.1 There is £335k scheduled capital expenditure in 2020/21. This is to start the Main Site kitchen renewal programme.

7. Cash flow

7.1 The 2020-21 budget expends cash of £95.1k resulting in a closing cash balance of £2m as at 31 March 2021.

8. Recommendation

8.1 It is recommended that the Management Committee **APPROVES** going to Tenant Consultation on this draft budget.