

## OAK TREE HOUSING ASSOCIATION LIMITED

### ANNUAL REPORT ON FINANCIAL STATEMENTS FOR YEAR MARCH 2023

- Oak Tree Housing Association continues to manage its finances with a long term, strategic focus. The past year was another year of change for the Association, including the continued impact of Covid-19 on our tenants, service users and those experiencing homelessness. There are also various external challenges affecting the social housing sector and beyond.
- During 2022/23 our development at Bunston Grove came off site adding 71 new homes to Oak Tree's stock. The overall project, managed by the Link Group, was for a total of 198 properties. The demolition of properties at Maple Road took place towards the end of the financial year and will be completed within the first quarter of 2023/24.
- Oak Tree Housing Association made an annual surplus of £976K in the year to 31st March 2023, which is down from £2.743M in the previous year. One of the main reasons for this reduction is linked to actuarial gains/(losses) on the previously offered defined benefit pension scheme, from a gain of £1.061M at 31<sup>st</sup> March 2022 to a loss of £586k at 31st March 2023. Turnover has increased by 4% and operating costs have increased by 6.6%. Net interest costs and gains/losses on sale/revaluation of properties reduced surplus by a further £265.5k (£307.7k in 2021/22).
- Along with Cloch and Larkfield Housing Associations we continued to successfully run the Inverclyde Common Housing Register and provide joint support to our partners at Starter Packs, Financial Fitness and the Simon Community. Oak Tree also participated in a Scottish Government funded project Pathways to Construction, which saw trainees learn environmental and construction skills and overcome any barriers of unemployment. The project had great success within the financial year.
- Going forward, the Association anticipates a busy year with the planned maintenance programme being implemented, the Strone Farm development site being progressed along with continued focus on improvements to customer services through better use of information technology.

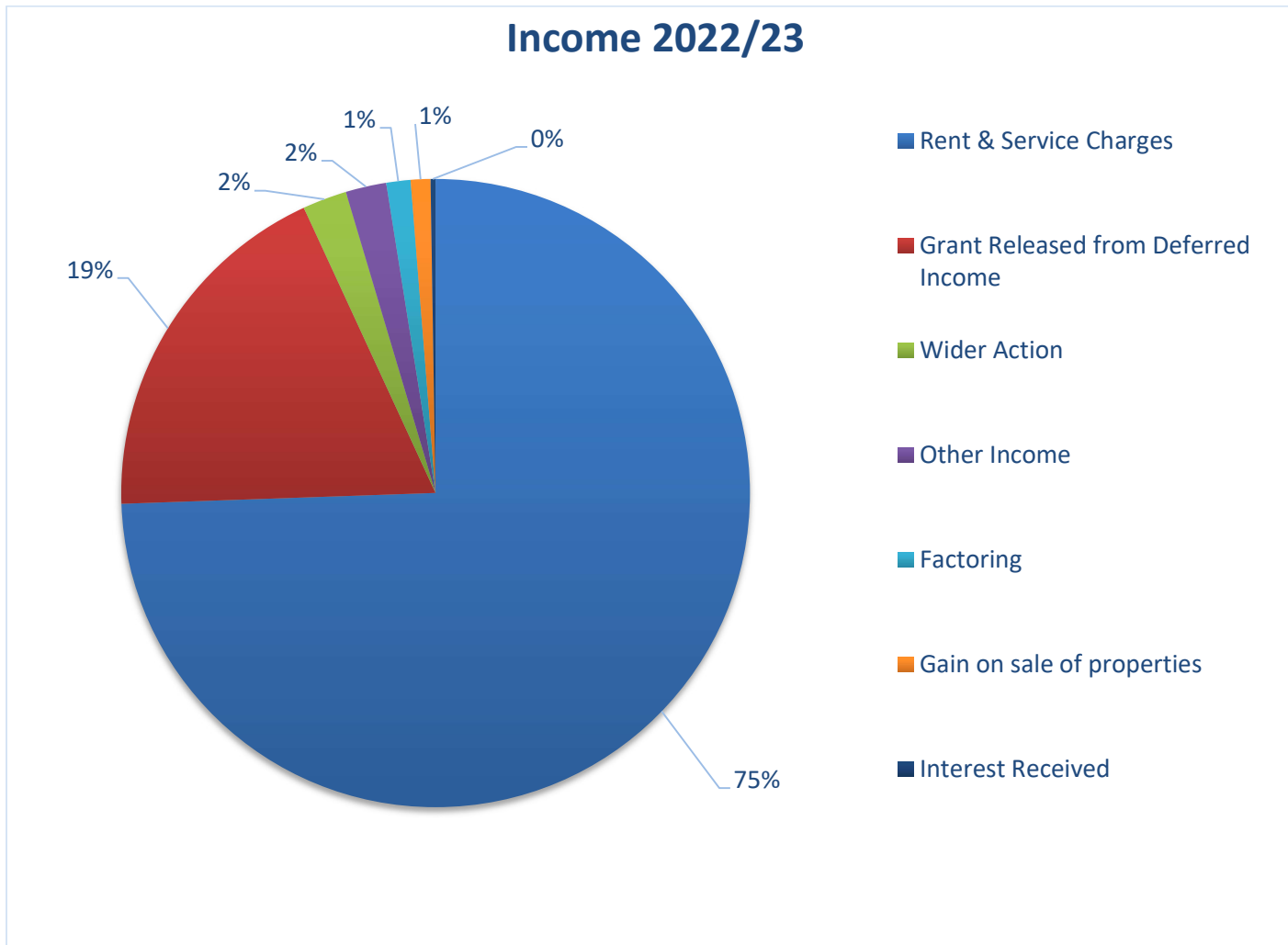
The table below highlights the main sources of annual income and expenditure for Oak Tree Housing Association:

Statement of Comprehensive Income	31/03/2023 £	31/03/2022 £	A Non-Accountants Guide to the Accounts
Turnover	11,724,748	11,270,694	Includes rental income and service charges less rent less from void properties, as well as grant income from the Scottish Government released over the useful life of our assets and grants for medical adaptations to our properties.
Less: Operating Costs	(9,897,610)	(9,281,145)	Cost of management and maintenance of our properties. Including staff time, paying contractors, depreciation charges, mortgage costs, providing our factoring and landscaping services and our Wider Action work within the local community.
<b>OPERATING SURPLUS</b>	<b>1,827,138</b>	<b>1,989,549</b>	Surplus before any accounting charges. Lower operating surplus for 2022/23 due to an increase in operational costs.
Profit / (Loss) on sale and valuation of properties	119,710	(29,575)	Gain or (Loss) from the sale or purchase of houses e.g. changes in shared ownership, market valuation of our commercial properties. Gain relates to release of previously accrued HAG repayments.
Interest receivable and other income	32,123	26,612	Interest earned from money invested in fixed term deposit accounts. Increased in 2022/23 due to increase in cash held and interest rates starting to rise again during quarter 4 of the financial year.
Interest payable and similar charges	(365,980)	(218,285)	Interest paid on loans (mortgages for our properties), higher than 2021/22 due to higher loan draw downs during 2022/23.
Other finance charges	(51,390)	(86,492)	Non-utilisation fees for loans not drawn down. On par with 2021/22. Net interest on the pension liability of £1k income for 2022/23 compared to £29K expense in 2021/22.
<b>SURPLUS FOR THE YEAR</b>	<b>1,561,601</b>	<b>1,681,809</b>	Overall net surplus for 2022/23, which will be utilised to fund future planned maintenance and ongoing reactive maintenance of our properties.
<b><i>Other Comprehensive Income</i></b>			
Adjustment relating to Pension Liability	(586,000)	1,061,000	Loss on pension scheme liability related to the accounting method used to value the pension liability, compared to a gain in 2021/22.
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>975,601</b>	<b>2,742,809</b>	

The table below shows our long term financial position, taking account of assets and liabilities:

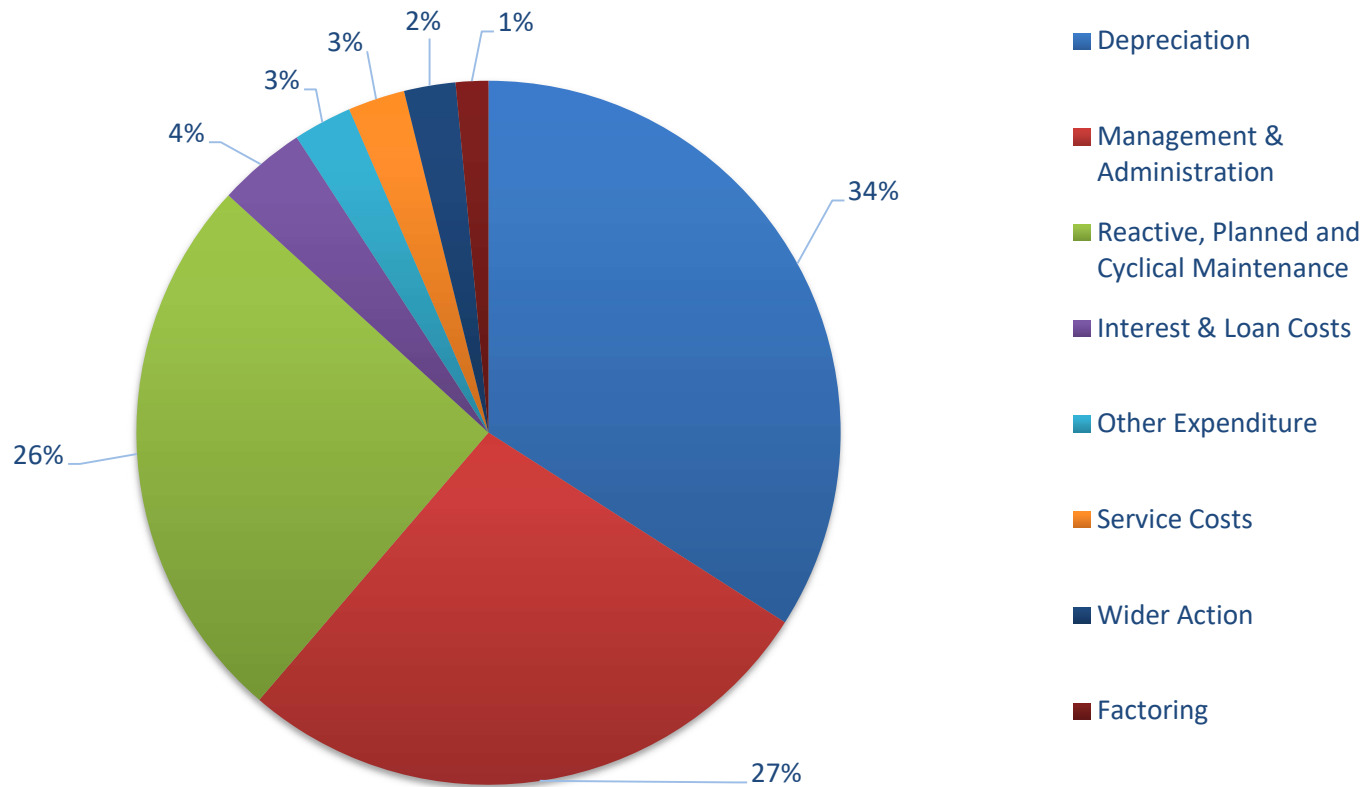
Statement of Financial Position	31/03/2023 £	31/03/2022 £	A Non-Accountants Guide to the Accounts
Housing properties, less depreciation	104,314,396	104,074,717	This is the net value of our houses, including replacement kitchens and bathrooms etc.
Other fixed assets	2,050,370	2,114,607	This is the value of our office accommodation, IT and office equipment.
	<b>106,364,766</b>	<b>106,189,324</b>	
Investments	92,501	92,501	Commercial offices we rent out and a £1 share in our subsidiary Oak Tree Housing Initiatives.
<b><i>Assets and Liabilities</i></b>			
Receivables	612,059	1,101,009	Money owned to us, including rent, recharges outstanding, grant income, refunds, etc.
Cash held	6,073,406	5,204,280	Money in the bank. Higher cash balance at 31 March 2023 due to draw down of loan during the year.
Creditors due in 1 year	(3,154,859)	(4,522,656)	Money we owe to others i.e. suppliers. This is lower at the end of March 2023 than the prior year due to the timing of contractor invoices linked to our development sites last year.
Creditors due after 1 year	(17,749,781)	(14,530,466)	Money owed on our loans i.e. our mortgages, secured by specific charges on our properties. Increased since last year due to loans drawn down during the year. Movement in the pension scheme liability, an increase from a liability of £52k at 31/03/2022 to a liability of £474k at 31/03/2023.
<b><i>Deferred Income</i></b>			
Social Housing Grant	(59,432,205)	(61,694,973)	Grant provided by the Scottish Government to help fund building new affordable homes.
Other Grant	(261,867)	(270,600)	
	<b>32,544,020</b>	<b>31,568,419</b>	
<b><i>Capital and Reserves</i></b>			
Share Capital	193	194	Represents shares held by members, at £1 each.
Revenue Reserves	32,543,827	31,568,225	Sums built up in previous years plus this year's surplus, less the pension reserve, to give overall equity of the Association.
	<b>32,544,020</b>	<b>31,568,419</b>	

The charts below show the Income and Expenditure broken down into categories:



The Association's total income in 2022/23 was £11,876,581 including interest received and gain on sale of properties. 75% of this income came from net rent and service charges of £8,842,331, and 19% is deferred income from Government Grants of £2,216,530 in the year. The remaining 6% income, £817,720, is from medical adaptations grants, wider action, factoring, interest received, gain on sale of properties and other activities.

## Expenditure 2022/23



The Association's expenditure in 2022/23 was £10,314,980. The main expenses are management and administration costs of £2,808,701 (27%), reactive maintenance costs of £1,599,413 and planned & cyclical maintenance (including Maple Road demolition costs) of £1,031,003 totalling £2,630,416 (26%). Housing depreciation of £3,512,858 (34%) with the remaining operating costs of £1,363,005 (13%) being associated with other activities, factoring, development, wider action, interest & loan costs.