



## Oak Tree Housing Association

### 2018/19 Financial Highlights

Oak Tree Housing Association continues to manage its finances with a long term focus. Ambition to develop new homes for tenants remains a key aim and we have secured a £9.7M loan funding facility to support this. We have continued to successfully manage the financing of our day to day operating activities, e.g. providing housing services, reactive and cyclical maintenance and also made further investment in our properties with the main project in 2018/19 relating to replacing heating systems, kitchens, bathrooms and rewiring works. Oak Tree Housing Association made an annual surplus of £1.032M in the year to 31st March 2019, which is down from £1.969M in the previous year. The reduction in surplus this year relates to higher investment in development activities to support the new build programme, higher expenditure on reactive and void maintenance, depreciation and management and administration costs. There was also loan breakage fees paid totalling £393k in the year, (the exceptional item), however these costs will be offset against projected interest payment savings of circa £1.1M over the next 5 years, (£7.5M of loan funding was re-fixed for a 5-year period at the reduced loan interest rate of 1.4% from 4.4%). The £1.032M surplus achieved from our 2018/19 operating activities was reduced further due to changes in the accounting method to value the pension scheme liability, which resulted in an overall adjustment of £1.095M, (non-cash transaction), effectively reducing the comprehensive income for the year to (£62.7k).

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

Statement of Comprehensive Income for the year ending 31 March 2018	2018	2017	A Non-Accountants Guide to the Accounts
<b>REVENUE</b>	<b>10,362,352</b>	<b>10,008,485</b>	Rental income, grant income & income from other activities
Less operating costs	(8,207,572)	(7,384,936)	Cost of management and maintenance of properties
<b>OPERATING SURPLUS</b>	<b>2,154,780</b>	<b>2,623,549</b>	
Profit on sale of houses	(6,301)	62,305	Gain or loss from the sale or purchase of houses, e.g. change in shared ownership
Exceptional item	(393,484)	78,130	For 2018/19 this was to pay for loan breakage fees to make future year savings
Interest receivable and other income	92,769	67,676	Interest earned from money invested – higher rates received in 2018/19
Interest payable and similar charges	(721,528)	(759,540)	Interest paid on loans, (mortgage)
Other finance charges	(93,784)	(102,643)	Non-utilisation fees / finance costs re: the pension liability
<b>SURPLUS FOR THE YEAR</b>	<b>1,032,452</b>	<b>1,969,477</b>	Leaving this general surplus to fund future planned maintenance
<b>Other Comprehensive Income</b>			
Adjustment relating to Pension Liability	(1,095,173)	0	Increase in pension liability re: new accounting method to value the pension liability
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>(62,721)</b>	<b>1,969,477</b>	

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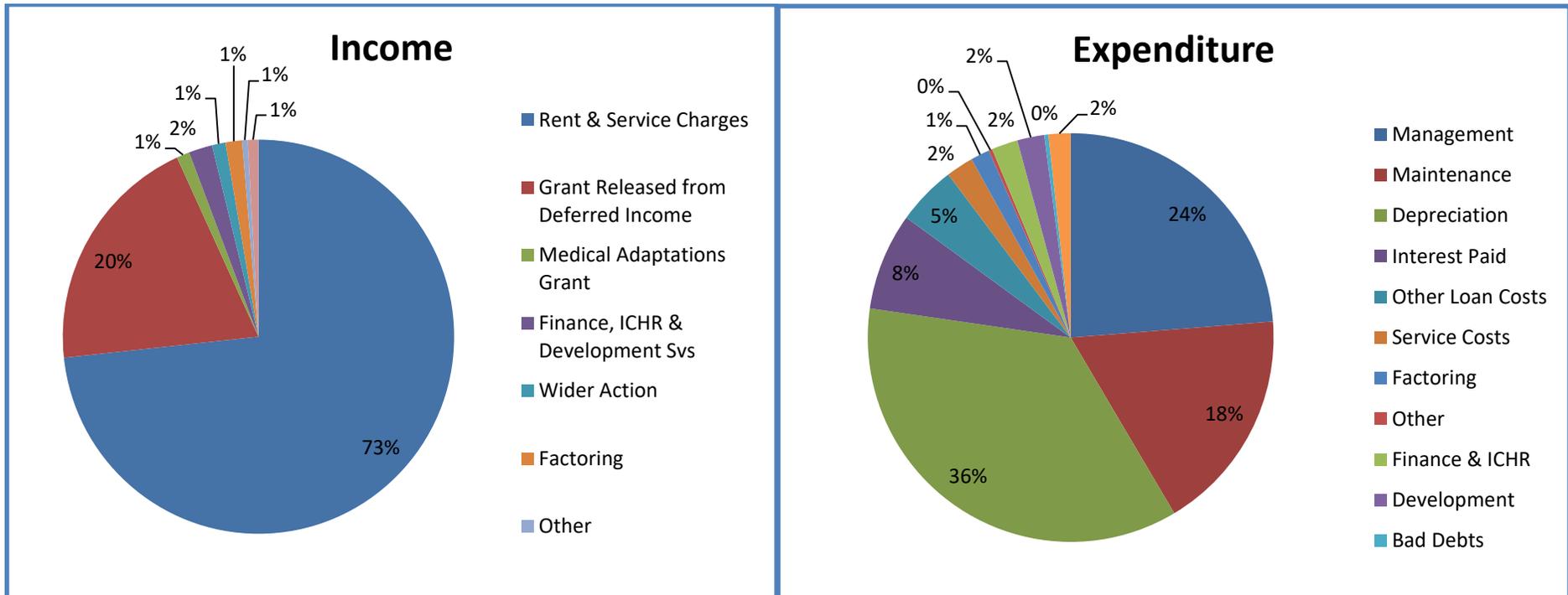
The table below shows our long term financial position, taking account of assets and liabilities:

Statement of Financial Position			
Housing properties, less depreciation	96,276,786	97,360,748	This is the cost to build our houses and replace items such as kitchens and bathrooms
Other fixed assets	1,075,377	462,642	This is the value of our office accommodation, IT and office equipment
	<b>97,352,163</b>	<b>97,823,390</b>	
<b>Investments</b>	102,501	102,501	Commercial offices we rent out and a £1 share in our subsidiary
Receivables due in more than 1 year	877,169	1,004,295	This is a loan to our subsidiary, Cloch Housing Association due to be repaid in 2027
<b>Assets and Liabilities</b>			
Receivables	652,424	1,197,626	Money owned to us
Cash held	7,596,910	7,192,488	Money in the bank
Creditors due in 1 year	(2,193,661)	(2,255,578)	Money we owe to others
Creditors due after 1 year	(17,866,748)	(17,506,452)	Money owed on pension loans, (secured by specific charges on our properties)
<b>Deferred Income</b>			
Social Housing Grant	(61,565,453)	(62,531,503)	Grant provided by the Government to help fund building new homes
Other Grant	(296,785)	(305,513)	
	<b>24,658,520</b>	<b>24,721,254</b>	
<b>Capital and Reserves</b>			
Share Capital	231	244	Represents shares at £1 each
Revenue Reserves	24,658,289	24,721,010	Sums built up in previous years and this year's surplus
	<b>24,658,520</b>	<b>24,721,254</b>	

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

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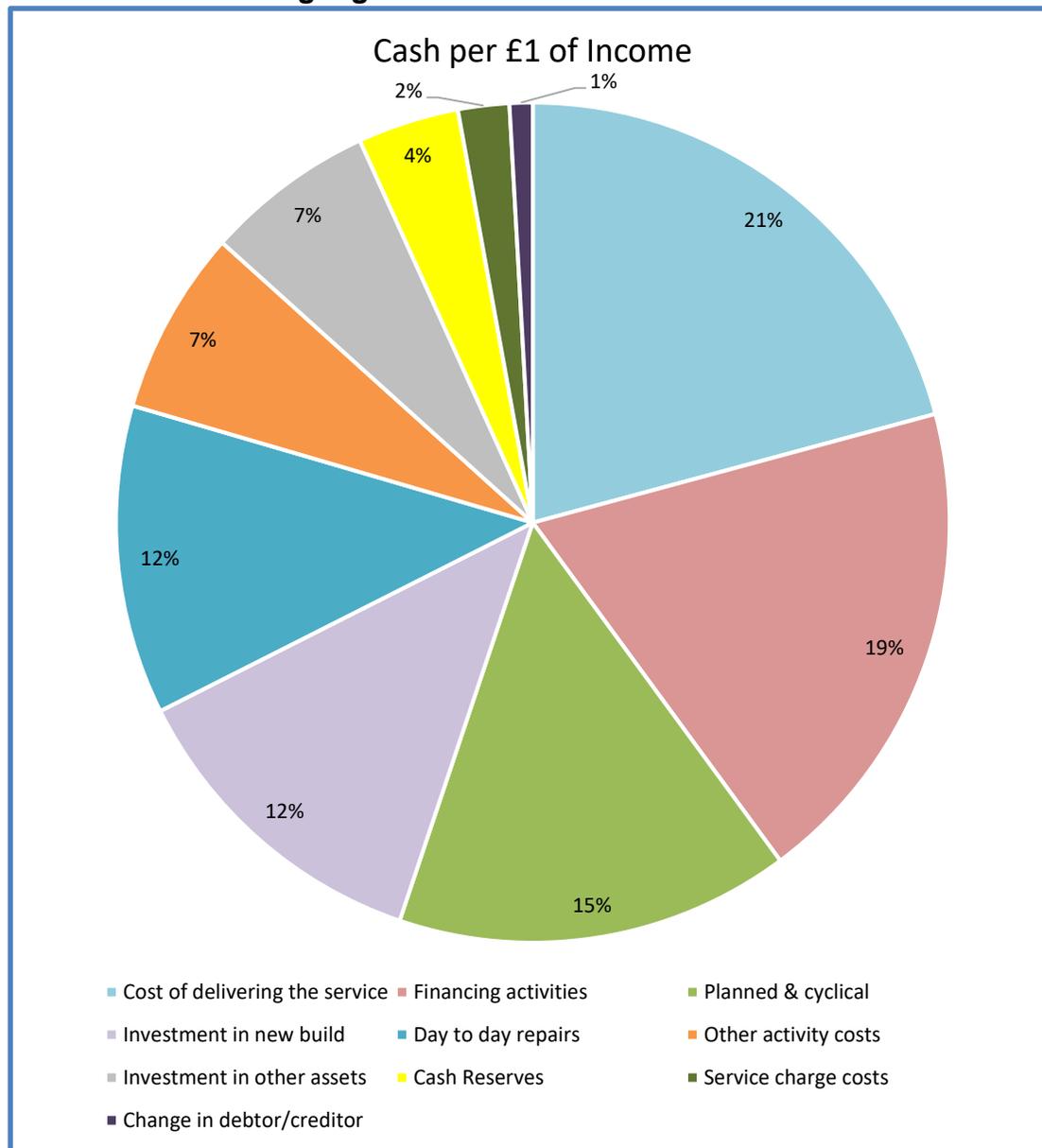


The chart below shows where we spent our cash for every £1 of income in 2018/19 and this excludes non-cash items such as depreciation and deferred grant income:

The Association's total income compares favourably to the previous year, rising to £10,362,352 from £10,008,485, (3.5% increase). Most of this income comes from the net rent and service charges (£7,663,026), however deferred income from Government Grants was 20% of total income and was £2,077,280 in the year.

The Association's operating expenditure in 2018/19 was £8,207,572 (2017/18: £7,384,936). The main expenses are running costs named as management and administration costs (£2,225,709), reactive maintenance (£1,223,502), planned and cyclical maintenance, (£437,149) and housing depreciation (£3,355,851).

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For every £1.00 of income we spent the following amounts in pence:

- £0.21 on delivering the services, e.g. staff costs, office accommodation, IT, general overheads & maintenance overheads
- £0.19 paying for our £16.7M loans, (interest, repayments & other loan costs)
- £0.15 went on planned and cyclical maintenance, e.g. replacing kitchens and bathrooms, gutter cleaning and painting
- £0.12 went towards building new homes
- £0.12 went on day to day repairs
- £0.07 went on our other activity costs, e.g. wider action, development services, factoring service, etc.
- £0.07 was invested in other fixed assets, e.g. the purchase of new office accommodation at West Stewart Street
- £0.04 was effectively banked to our cash reserves
- £0.02 went on service costs, e.g. common electricity and landscaping
- £0.01 related to the change in debtors and creditor value, e.g. paying the previous year's supplier invoices, less money received for the previous year's rent charges

The graph below shows how much we have invested in our properties over the past few years, with the value increasing from £134.1M in March 2016 to £139.7M by March 2019, highlighting £5.6M has been invested in our properties during this period:

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The Association has invested £139,671,602 in properties held as at 31 March 2019.

Depreciation to date against this value for wear and tear amounts to £43,394,816.

Additions in the year include £1,135,690 of capitalised major repairs and £1,218,247 for housing under construction.

At the year-end the Association's housing properties have a net book value of £96,276,786.