

## Financial Performance 2020-2021

Oak Tree Housing Association continues to manage its finances with a long term, strategic focus, which includes commitment to building a further 155 new homes due for completion over the next few years.

Despite the impact of the pandemic, in the main, we have continued to deliver our day to day operating activities, e.g. providing housing services, carrying out our reactive and cyclical maintenance programme, however some aspects of our planned maintenance programme were postponed due to restrictions.

Oak Tree Housing Association made an annual surplus of £2.26M in the year to 31st March 2021, which is up from £1.98M in the previous year.

The increase in surplus, in part, can be related to less bad debts, with the Housing Team focussing on arrears management throughout the year and lower expenditure on routine maintenance, with an emergency service only being provided a times throughout the year due to restrictions associated with the pandemic.

Our income from rents and service charges also increased compared to the previous year due to additional properties from our Auchmead Road new build development site and also lower void loss associated with closing properties at

Maple Road, with 65 properties planned for demolition, (work due for completion in 2022/23).

There were also lower interest costs during the year against our £15.4M loan funding, due to having a lower mortgage rate, with fixed rates taken out against our remaining variable loans whilst interest rates were at an all-time low, (Bank of England Base Rate has remained at 0.1% since March 2020 in response to the pandemic).

The £2.26M surplus achieved from our 2020/21 operating activities was reduced further due to the annual valuation of the pension scheme, which increased the pension liability significantly. This resulted in an overall adjustment of £1.78M, (non-cash transaction), effectively reducing the comprehensive income for the year to £480.6k.

However, cash balances remain high at £9.37M which will be used to fund future services, the long term planned maintenance programme and new build developments.

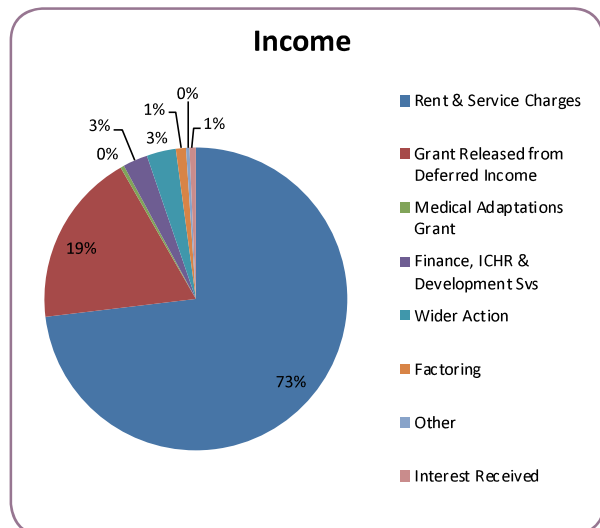
The following table highlights the main sources of annual income and expenditure for Oak Tree Housing Association:

Statement of Comprehensive Income for the year ending 31 March 2020	2021	2020	A Non-Accountants Guide to the Accounts
<b>Revenue</b>	<b>11,197,500</b>	<b>11,715,358</b>	Rental income, grant income & income from other activities – 2019/20 was higher due to the impact of writing off deferred grant income associated with properties at Maple Road
Less operating costs	(8,739,978)	(9,474,980)	Cost of management and maintenance of properties. Higher operating costs were incurred in 2019/20 due to the impact of writing off the value of properties at Maple Road as depreciation
<b>Operating Surplus</b>	<b>2,457,522</b>	<b>2,240,378</b>	Higher operating surplus in 2020/21
Profit on sale of houses	-	(25,511)	Gain or loss from the sale or purchase of houses, e.g. change in shared ownership
Interest receivable and other income	76,179	104,288	Interest earned from money invested – higher rates received in 2019/20
Interest payable and similar charges	(228,917)	(254,589)	Interest paid on loans, (mortgages), lower than 2019/20 due to lower mortgage rate in 2020/21
Other finance charges	(44,202)	(88,018)	Non-utilisation fees / finance costs re: the pension liability
<b>Surplus for the Year</b>	<b>2,260,582</b>	<b>1,976,548</b>	Leaving this general surplus to fund future planned maintenance
<b>Other Comprehensive Income</b>			
Adjustment relating to Pension Liability	(1,780,000)	1,710,000	Increase in pension liability re: accounting method to value the pension liability
<b>TOTAL Comprehensive Income</b>	<b>480,582</b>	<b>3,686,548</b>	

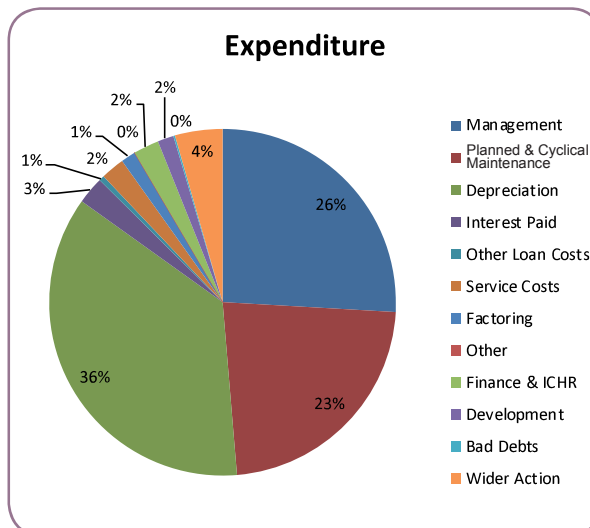
The table below shows our long term financial position, taking account of assets and liabilities:

Statement of Financial Position	2021	2020	
Housing properties, less depreciation	98,395,071	97,059,467	This is the value of our houses and includes replacing items such as kitchens and bathrooms
Other fixed assets	2,222,062	1,095,547	This is the value of our office accommodation, IT and office equipment – we have invested in new office accommodation at West Stewart Street & are due to move during Q2 2021/22
	<b>100,617,133</b>	<b>98,257,515</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	622,917	750,043	This is a loan to Cloch Housing Association due to be repaid in 2027
<b>Assets and Liabilities</b>			
Receivables	515,397	725,472	Money owned to us
Cash held	9,370,523	13,185,015	Money in the bank. Higher in 2019/20 due to receiving circa £5M grant funding, with £600k still to be allocated towards development costs, once they are incurred
Creditors due in 1 year	(4,107,907)	(7,810,230)	Money we owe to others. This was high in 2019/20 due deferred grant income, not yet spent
Creditors due after 1 year	(15,622,294)	(16,347,493)	Money owed on pension and loans, (secured by specific charges on our properties)
<b>Deferred Income</b>			
Social Housing Grant	(62,393,318)	(60,127,214)	Grant provided by the Government to help fund building new homes
Other Grant	(279,329)	(288,057)	
	<b>28,825,623</b>	<b>28,345,051</b>	
<b>Capital and Reserves</b>			
Share Capital	204	214	Represents shares at £1 each
Revenue Reserves	28,825,419	28,344,837	Sums built up in previous years and this year's surplus
	<b>28,825,623</b>	<b>28,345,051</b>	

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

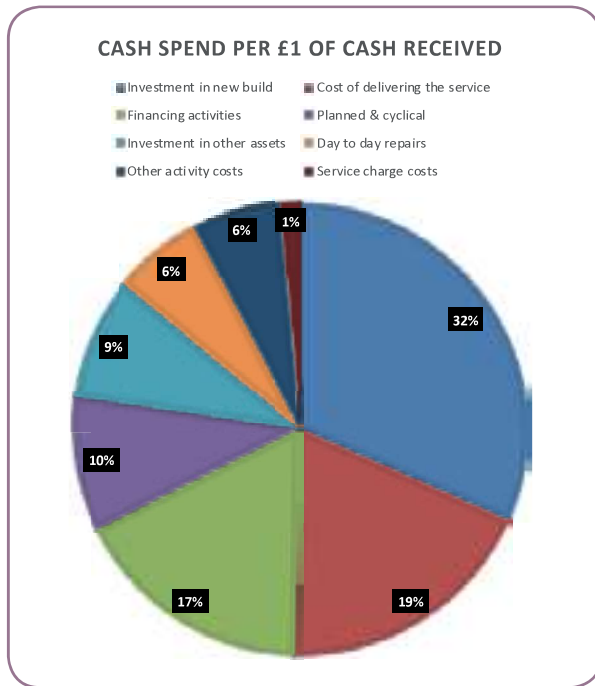


The Association's total income in 2020/21 was £11,197,500. Most of this income comes from the net rent and service charges £8,242,475, however deferred income from Government Grants was 19% of total income and was £2,096,752 in the year.



The Association's operating expenditure in 2020/21 was £8,739,978. The main expenses are running costs named as management and administration costs (£2,334,680), reactive maintenance (£895,301), planned and cyclical maintenance, (£1,158,388) and housing depreciation (£3,263,375).

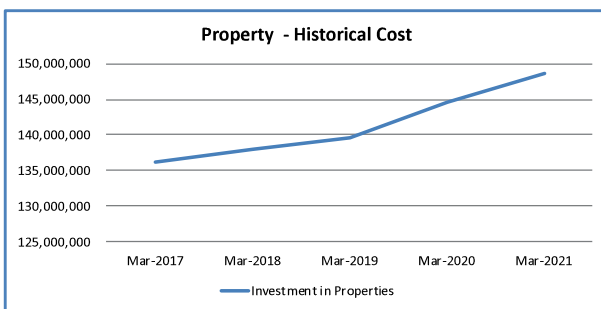
The chart below shows where we spent our money for every £1 of cash received in 2020/21, this excludes non-cash items such as depreciation and deferred grant income. Please note that cash received comes from rental income, loan funding, income from other activities, grants received for building new homes and cash reserves used in 2020/21, (£3.8M):



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

- £0.32 went towards building new homes
- £0.19 on delivering the services, e.g. staff costs, office running costs, IT, general overheads and maintenance overheads
- £0.17 paying for our £15.4M loans, (interest, repayments and other loan costs)
- £0.10 went on planned and cyclical maintenance, e.g. gutter cleaning and painting, etc.
- £0.09 was invested in other fixed assets, e.g. new office accommodation and IT equipment
- £0.06 went on day to day repairs
- £0.06 went on our other activity costs, e.g. wider action, development services, factoring service, etc.
- £0.01 went on service costs, e.g. common electricity and landscaping

The graph below shows how much we have invested in our properties over the past five years, with the value increasing from £136.2M in March 2017 to £148.7M by March 2021. During 2020/21 £4.59M was invested in our properties, building new homes and investing in our existing homes:



The Association has invested £148,673,074 in properties held as at 31 March 2021.

Depreciation to date against this value for wear and tear amounts to £50,278,003.

Additions in the year include £181,955 of capitalised major repairs and £4,411,891 for housing under construction.

At the year-end the Association's housing properties have a net book value of £98,395,071.