

OAK TREE HOUSING ASSOCIATION LIMITED

ANNUAL REPORT ON FINANCIAL STATEMENTS FOR YEAR MARCH 2022

- 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 Housing sector and beyond.
- 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.
- During 2021/22 one of our development sites at Tweed/Tay Street completed and the 69 new homes have been well received. The work taking place at Bunstone Grove is ongoing and due to be completed during June/July of 2022, 71 new homes will be Oak Tree's stock however the overall project, managed by the Link Group, is for a total of 198 properties.
- Oak Tree Housing Association made an annual surplus of £2.743M in the year to 31st March 2022, which is up from £480k in the previous year. The main reason for the increase is linked to a movement on the pension liability from £1.403M at 31st March 2021 to £52k at 31st March 2022. Turnover has increased by 0.65% and operating costs have increased by 6.2% as activity starts to reach pre-pandemic levels. Net interest costs and losses on sale/revaluation of properties reduced surplus by a further £307.7k (£196.9k in 2020/21).
- Along with Cloch and Larkfield Housing Associations we continue 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 is also leading on a Scottish Government funded project Pathways to Construction, which sees trainees learn environmental and construction skills and overcome any barriers of unemployment. The project has had great success and feedback since starting and the funding has been extended to 31 March 2023.
- Going forward, the Association anticipates a busy year with the planned maintenance programme commencing, the Ravenscraig development site being finalised, Strone Farm being progressed and the Maple Road demolition taking place. We will continue to welcome customers to our new offices and consult on service improvements to our tenants and the communities we serve. We will also continue to 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:

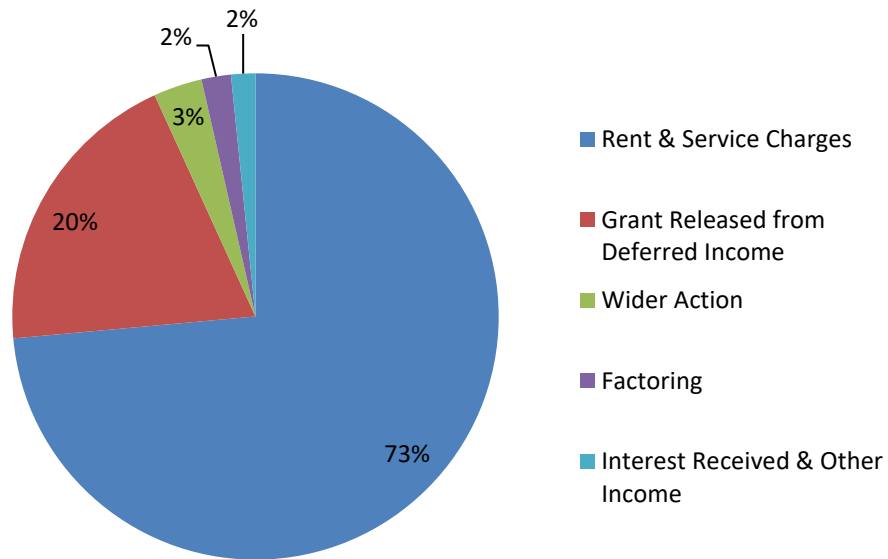
Statement of Comprehensive Income for the year ending 31 March 2022	31/03/2022 £	31/03/2021 £	A Non-Accountants Guide to the Accounts
REVENUE	11,270,694	11,197,500	Overall Revenue includes rental income and service charges less rent less from void properties, as well as grant income from the Scottish Government released over the useful life of our assets and grants for medical adaptations to our properties.
Less: Operating Costs	(9,281,145)	(8,739,978)	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.
OPERATING SURPLUS	1,989,549	2,457,522	Surplus or Deficit before any accounting charges. Lower operating surplus for 2021/22 due to an increase in operational costs.
Profit / (Loss) on sale and valuation of properties	(29,575)	-	Gain or (Loss) from the sale or purchase of houses e.g. changes in shared ownership, market valuation of our commercial properties.
Interest receivable and other income	26,612	76,179	Interest earned from money invested in fixed term deposit accounts. Reduced on 2020/21 due to reduction in cash held and decreasing interest rates.
Interest payable and similar charges	(218,285)	(228,917)	Interest paid on loans, (mortgages), lower than 2020/21 due to lower mortgage rate in 2021/22.
Other finance charges	(86,492)	(44,202)	Non-utilisation fees / finance costs including an actuarial movement on the pension liability of £28k for 2021/22.
SURPLUS FOR THE YEAR	1,681,809	2,260,582	Overall net surplus for 2021/22, which will be utilised to fund future planned maintenance and ongoing maintenance of our properties.
Other Comprehensive Income			
Adjustment relating to Pension Liability	1,061,000	(1,780,000)	Decrease in pension liability related to the accounting method used to value the pension liability.
TOTAL COMPREHENSIVE INCOME	2,742,809	480,582	

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

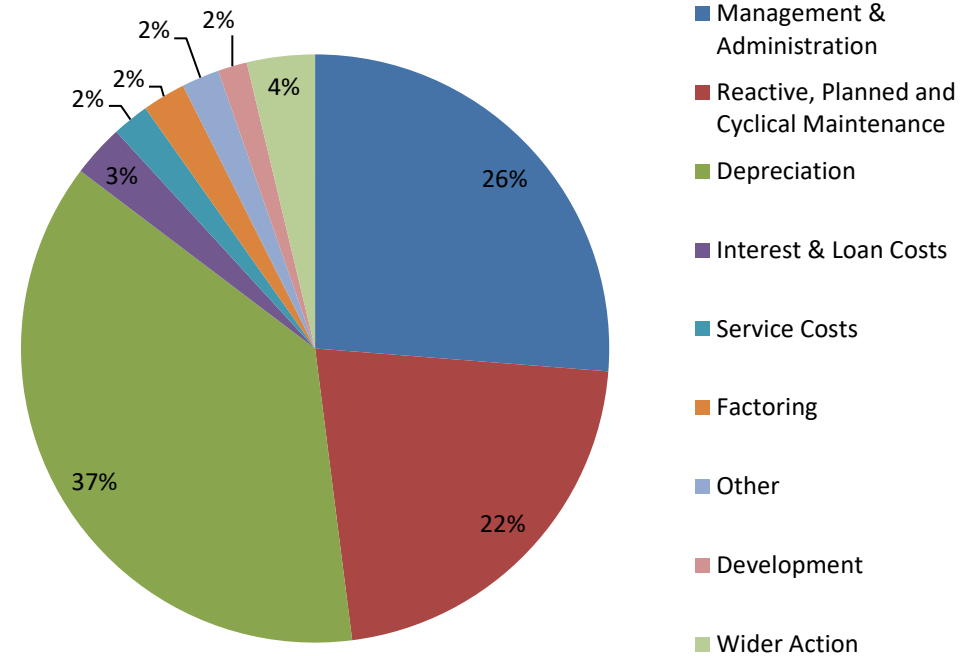
Statement of Financial Position As at 31 March	31/03/2022 £	31/03/2021 £	A Non-Accountants Guide to the Accounts
Housing properties, less depreciation	104,074,717	98,395,071	This is the net value of our houses, including replacement kitchens and bathrooms
Other fixed assets	2,114,607	2,222,062	This is the value of our office accommodation, IT and office equipment – including the investment in our new office accommodation, now complete.
	106,189,324	100,617,133	
Investments	92,501	102,501	Commercial offices we rent out and a £1 share in our subsidiary. Includes a £10k impairment following a valuation of our previous office building during 2021/2022.
Receivables due in more than 1 year	-	622,917	The loan to Cloch Housing Association Ltd was repaid in full during the year, following the separation of Cloch and Oak Tree as parent and subsidiary and the ending of the shared finance services effective from the 1st March 2022.
<u>Assets and Liabilities</u>			
Receivables	1,101,009	515,397	Money owned to us, including rent, recharges outstanding, grant income, refunds, etc.
Cash held	5,204,280	9,370,523	Money in the bank. Lower cash balance at 31 March 2022 due to utilising cash held to pay for some of our new build development costs, which saved in loan interest costs.
Creditors due in 1 year	(4,522,656)	(4,107,907)	Money we owe to others. This is high due to the timing of contractor invoices linked to our development sites.
Creditors due after 1 year	(14,530,466)	(15,622,294)	Money owed on our loans (i.e. our mortgage balances, secured by specific charges on our properties. Movement in the pension scheme liability, a reduction from a liability of £1.403M in 20/21 to a liability of £52k in 21/22.
<u>Deferred Income</u>			
Social Housing Grant	(61,694,973)	(62,393,318)	Grant provided by the Scottish Government to help fund building new affordable homes.
Other Grant	(270,600)	(279,329)	
	31,568,419	28,825,623	
<u>Capital and Reserves</u>			
Share Capital	194	204	Represents shares held by members, at £1 each.
Revenue Reserves	31,568,225	28,825,419	Sums built up in previous years plus this year's surplus, less the pension reserve, to give overall equity of the Association.
	31,568,419	28,825,623	

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

Income



Expenditure

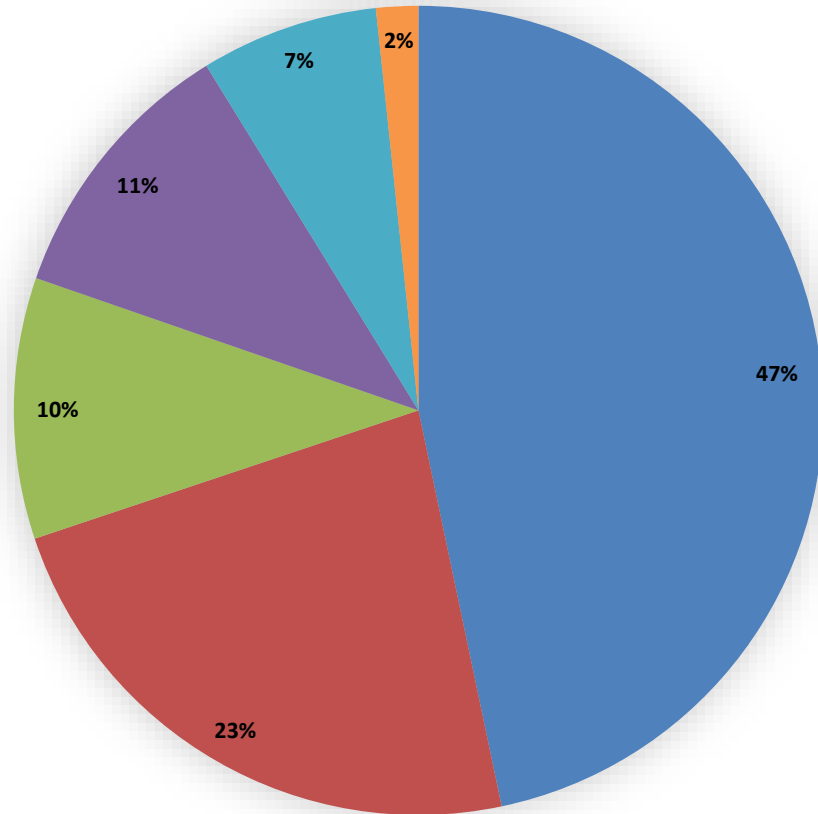


The Association's total income in 2021/22 was £11,297,306 including interest received. 73% of this income came from net rent and service charges of £8,310,381, and 20% is deferred income from Government Grants of £2,218,247 in the year. The remaining 7% income is from medical adaptations grants, wider action, factoring, interest received and other activities.

The Association's operating expenditure in 2021/22 was £9,281,145. The main expenses are running costs, being management and administration costs of £2,523,056 (26%), reactive maintenance costs of £1,261,789 and planned & cyclical maintenance of £829,202 totalling £2,090,991 (22%), housing depreciation of £3,589,037 (37%) with the remaining operating costs of £1,412,413 (15%) being associated with other activities, factoring, development, wider action, interest & loan costs.

The chart below shows where we spent our money for every £1 of cash received in 2021/22, 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.

Cash spend per £1 of cash received



- Investment in new build properties
- Cost of delivering the service
- Planned Maintenance
- Day to day repairs
- Other activity costs
- Service charge costs

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

- £0.47 went towards building new homes
- £0.23 on delivering the services, e.g. staff costs, office running costs, IT, general overheads & maintenance overheads
- £0.11 went on day to day repairs, reactive maintenance
- £0.10 went on planned and cyclical maintenance
- £0.07 went on our other activity costs, e.g. wider action, development services, factoring service, etc.
- £0.02 went on service costs, e.g. common electricity and landscaping
- Investment in other fixed assets and bad debts came to 0% as a percentage of overall expenditure

The graph below shows how much we have invested in our properties over the past five years, with the value increasing from £138.1M in March 2018 to £157.7M by March 2022.

During 2021/22 £9.452M was invested in our properties, building new homes and investing in our existing homes.



The Association has invested £157,731,145 in properties held as at 31 March 2022.

Depreciation to date against this value for wear and tear amounts to £53,656,428.

Additions in the year include £376,752 of capitalised major repairs and £9,075,207 for housing under construction.

At the year-end the Association's housing properties have a net book value of £104,074,717.