

Oak Tree Housing Association continues to manage its finances with a long term, strategic focus. In 2019/20 we completed our first development project in a number of years. This project added 36 new homes to our housing stock and was an important step in supporting the Scottish Government and Local Authority meet their new homes target. Three other projects continued through pre-site development and partnerships have been established with contractors and other Associations, with site starts initially set for the last quarter of 2019/20. However, unfortunately the projected site start dates were postponed due to the impact of the Coronavirus pandemic and all three sites will open once Government advice allows this.

As well as managing our long term investment in new properties, we have continued to successfully manage the financing of our day to day operating activities, e.g. providing housing services, carrying out our reactive and cyclical maintenance programme as well as putting further investment into our properties, with the main projects in 2019/20 relating to replacing kitchens and bathrooms. Oak Tree Housing Association made an annual surplus of £1.976M in the year to 31st March 2020, which is up from £1.032M in the previous year.

The increase in surplus relates to several key areas, for example, the 36 new properties at Auchmead Road, which were let out in the final quarter of 2019/20 provided a slight increase in rental income. We also undertook some significant treasury management activity in 2018/19, resulting in long term loan interest savings. This related to breaking out of fixed term loans, which had high mortgage rates and this resulted in a one off cost of £393k, which has then been offset by £467k of loan interest savings in 2019/20, compared to the previous year. Other areas of expenditure during the year did not change significantly against the previous year, however, some delays in planned maintenance work and a change in our repairs contractor resulted in a reduction in reactive maintenance costs. One area of concern that has been addressed was an increase in rent loss as a result of empty properties within a particular area and in order to tackle this a decision was made during 2019/20 to demolish 65 properties in Maple Road over the next 3 years. This has resulted in a decrease in spend on void repairs and planned maintenance during 2019/20 as there has been no further investment in these properties. Once the decision to demolish properties has been made, the properties are required to be removed from our housing stock register in terms of value, and in doing this we have released £1.07M of grant from deferred income, increasing our annual income in the year and we have also written off £1.53M to remove the value of the properties, which increased the depreciation costs within the year.

The £1.976M surplus achieved from our 2019/20 operating activities was increased further due to the annual valuation of the pension scheme, which reduced the pension liability significantly, resulted in an overall adjustment of £1.710M, (non-cash transaction), effectively increasing the comprehensive income for the year to £3.687M.

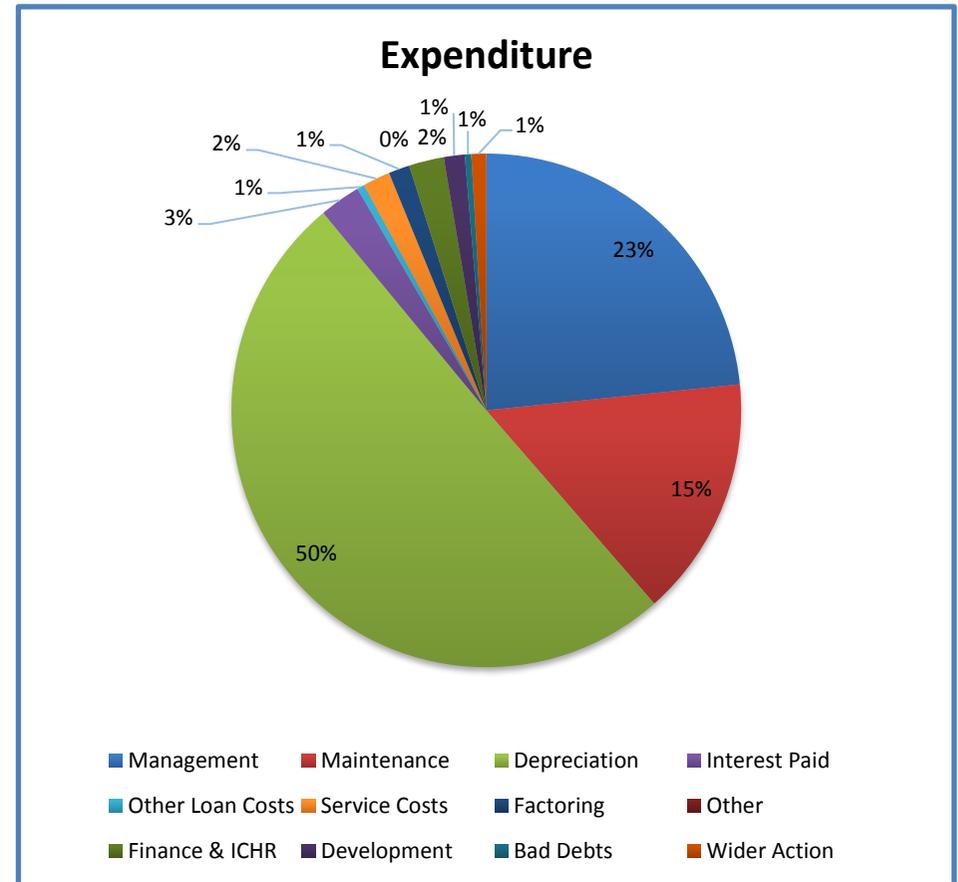
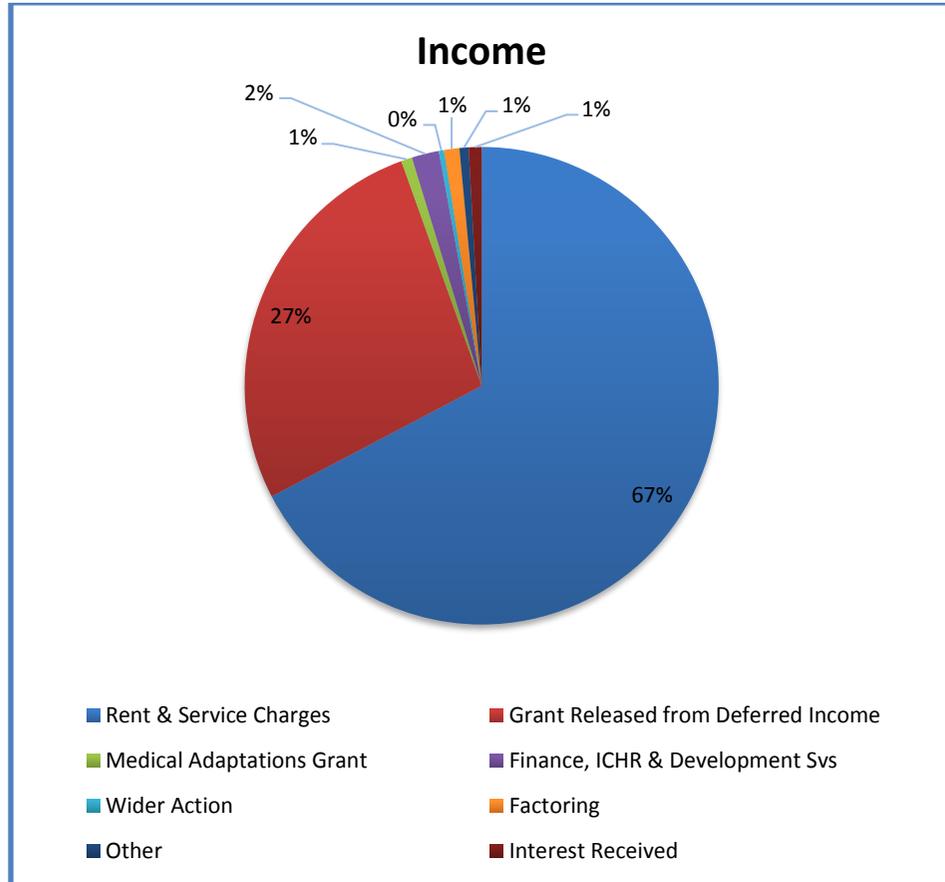
The following table highlights the main sources of annual income and expenditure for Oak Tree Housing Association:

Statement of Comprehensive Income for the year ending 31 March 2020	2020	2019	A Non-Accountants Guide to the Accounts
REVENUE	11,715,358	10,362,352	Rental income, grant income & income from other activities
Less operating costs	(9,474,980)	(8,207,572)	Cost of management and maintenance of properties
OPERATING SURPLUS	2,240,378	2,154,780	
Profit on sale of houses	(25,511)	(6,301)	Gain or loss from the sale or purchase of houses, e.g. change in shared ownership
Exceptional item	-	(393,484)	For 2018/19 this was to pay for loan breakage fees to make future loan year savings
Interest receivable and other income	104,288	92,769	Interest earned from money invested – higher rates received in 2019/20
Interest payable and similar charges	(254,589)	(721,528)	Interest paid on loans, (mortgages), which has significantly reduced in 2019/20
Other finance charges	(88,018)	(93,784)	Non-utilisation fees / finance costs re: the pension liability
SURPLUS FOR THE YEAR	1,976,548	1,032,452	Leaving this general surplus to fund future planned maintenance
Other Comprehensive Income			
Adjustment relating to Pension Liability	1,710,000	(1,095,173)	Decrease in pension liability re: accounting method to value the pension liability
TOTAL COMPREHENSIVE INCOME	3,686,548	(62,721)	

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

Statement of Financial Position	2020	2019	
Housing properties, less depreciation	97,059,467	96,276,786	This is the value of our houses and includes replacing items such as kitchens and bathrooms
Other fixed assets	1,095,547	1,075,377	This is the value of our office accommodation, IT and office equipment
	98,257,515	97,352,163	
Investments	102,501	102,501	Commercial offices we rent out and a £1 share in our subsidiary
Receivables due in more than 1 year	750,043	877,169	This is a loan to our subsidiary, Cloch Housing Association due to be repaid in 2027
Assets and Liabilities			
Receivables	725,472	652,424	Money owned to us
Cash held	13,185,015	7,596,910	Money in the bank. Higher in 2019/20 due to receiving circa £5M grant funding, not yet spent
Creditors due in 1 year	(7,810,230)	(2,193,661)	Money we owe to others. This was high in 2019/20 due deferred grant income, not yet spent
Creditors due after 1 year	(16,347,493)	(17,866,748)	Money owed on pension loans, (secured by specific charges on our properties)
Deferred Income			
Social Housing Grant	(60,127,214)	(61,565,453)	Grant provided by the Government to help fund building new homes
Other Grant	(288,057)	(296,785)	
	28,345,051	24,658,520	
Capital and Reserves			
Share Capital	214	231	Represents shares at £1 each
Revenue Reserves	28,344,837	24,658,289	Sums built up in previous years and this year's surplus
	28,345,051	24,658,520	

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

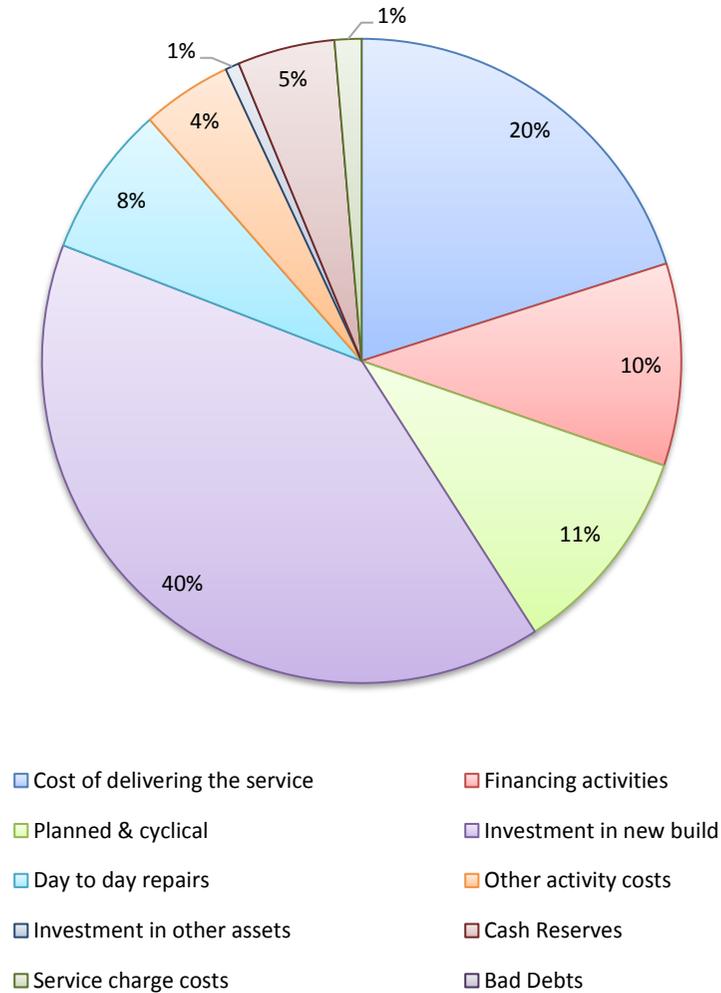


The Association's total income in 2019/20 compares favourably to the previous year, rising to £11,715,358 from £10,362,352, (3.5% increase). Most of this income comes from the net rent and service charges £7,958,050, however deferred income from Government Grants was 27% of total income and was £3,210,257 in the year.

The Association's operating expenditure in 2019/20 was £9,474,980 (2018/19: £8,207,572). The main expenses are running costs named as management and administration costs (£2,285,751), reactive maintenance (£955,339), planned and cyclical maintenance, (£527,351) and housing depreciation (£4,927,814).

The chart below shows where we spent our cash for every £1 of cash in 2019/20, this excludes non-cash items such as depreciation and deferred grant income. Please note that cash received comes from rental income, loan funding and grants received for building new homes:

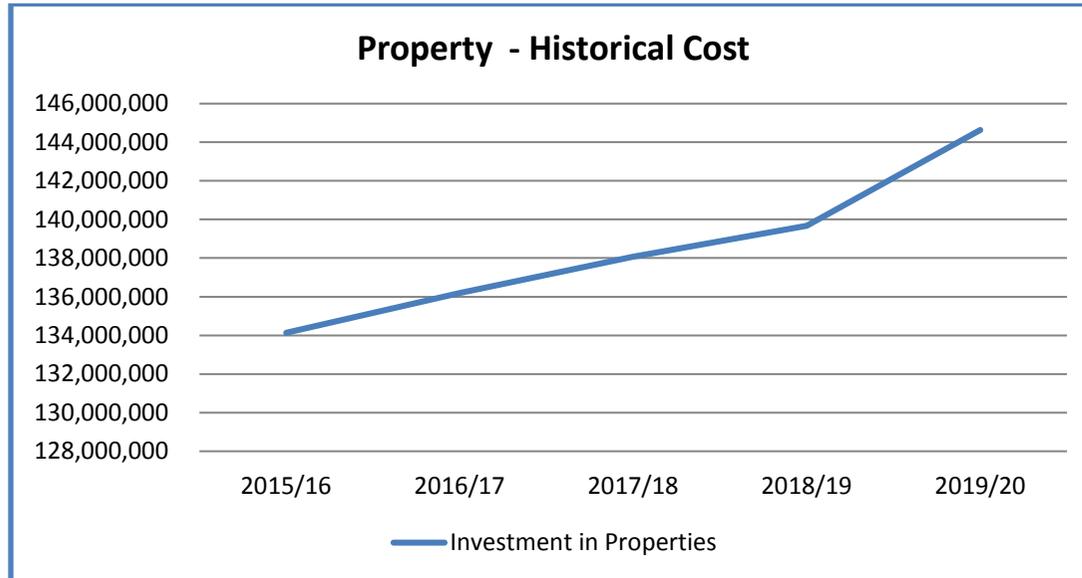
Cash spend per £1 of cash received



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

- £0.40 went towards building new homes
- £0.20 on delivering the services, e.g. staff costs, office accommodation, IT, general overheads & maintenance overheads
- £0.11 went on planned and cyclical maintenance, e.g. replacing kitchens and bathrooms, gutter cleaning and painting
- £0.10 paying for our £16.7M loans, (interest, repayments & other loan costs)
- £0.08 went on day to day repairs
- £0.05 was effectively banked to our cash reserves
- £0.04 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
- £0.01 was invested in other fixed assets

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 £144.6M by March 2020. During 2019/20 £4.96M was invested in our properties, building new homes and investing in our existing homes:



The Association has invested £144,633,745 in properties held as at 31 March 2020.

Depreciation to date against this value for wear and tear amounts to £47,574,278.

Additions in the year include £800,815 of capitalised major repairs and £5,003,014 for housing under construction.

At the year-end the Association's housing properties have a net book value of £97,059,467.