

**ARK HOUSING ASSOCIATION LTD**

<b>Committee:</b>	<b>Board of Management</b>
<b>Date:</b>	<b>19 March 2020</b>
<b>Agenda Item:</b>	<b>2.2</b>

**BUDGET 2020/21**

***PURPOSE***

This paper provides a summary of the proposed Budget for 2020/21.

***STRUCTURE***

The Finance Report consists of:

- Executive Summary
- A: Housing
- B: Care and Support
- C: Other Costs
- D: Ark HA Net Surplus
- E: Group Net Surplus
- F: Summary

## EXECUTIVE SUMMARY

The table below summarises the 2020/21 budget.

Executive Summary I&E Account	2019/20	2020/21	
	Year-end Forecast £k	Budget £k	Variance v Forecast £k
<b>Care &amp; Support</b>			
<b>Supported Living Contracts</b>			
Income	16,173	16,142	(31)
Expenditure	(14,258)	(14,002)	257
<b>SL Contract Surplus</b>	<b>1,915</b>	<b>2,141</b>	<b>226</b>
Margin	11.8%	13.3%	
<b>Sleepover Contracts</b>			
Income	1,391	1,378	(12)
Expenditure	(1,147)	(1,265)	(118)
<b>SO Contract Surplus</b>	<b>244</b>	<b>113</b>	<b>(131)</b>
Margin	17.5%	8.2%	
<b>C&amp;S Total Contract Surplus</b>	<b>2,159</b>	<b>2,254</b>	<b>95</b>
Margin	12.3%	12.9%	
<b>Housing</b>			
Income	3,051	2,991	(60)
Expenditure	(2,332)	(2,204)	128
<b>Housing Total Contract Surplus</b>	<b>719</b>	<b>787</b>	<b>68</b>
Margin	23.6%	26.3%	
<b>Total Contract Surplus</b>	<b>2,878</b>	<b>3,041</b>	<b>163</b>
Margin	14.0%	14.8%	
IHM income	139	125	(13)
Past service deficit contributions	(806)	(795)	11
<b>Gross Operating Surplus</b>	<b>2,211</b>	<b>2,372</b>	<b>161</b>
Margin	10.7%	11.6%	
Central Overheads	(1,796)	(2,162)	(366)
<b>Net Operating Surplus</b>	<b>415</b>	<b>210</b>	<b>(205)</b>
Margin	2.3%	1.2%	
<b>Other Items</b>			
Treasury management	84	11	(73)
Gain / (Loss) on disposal of Fixed Assets	0	(48)	(48)
Release of LA Creditor	151	0	(151)
Transfer to LA Creditor	(191)	(113)	77
<b>Total Other Items</b>	<b>44</b>	<b>(150)</b>	<b>(194)</b>
<b>ARKHA Net Surplus</b>	<b>459</b>	<b>60</b>	<b>(399)</b>
<b>Ark Services Net Surplus</b>	<b>363</b>	<b>362</b>	<b>(1)</b>
<b>ACIL Net Surplus</b>	<b>8</b>	<b>5</b>	<b>(3)</b>
<b>Group Net Surplus</b>	<b>830</b>	<b>427</b>	<b>(403)</b>
<b>Capital Account</b>			
Grant Receipt	(18)	(719)	(701)
Core Programme	495	400	(95)
New Build	81	1,438	1,357
Other Investment	174	250	76
<b>Net Capital Expenditure</b>	<b>732</b>	<b>1,369</b>	<b>637</b>

## Summary Commentary

The 2020/21 Budget “budget” is compared to the 2019/20 Year-end Forecast “Forecast” to allow explanation of the movements between the two sets of figures and, in particular, of the rationale for the 2020/21 budget.

### A. Housing Contract Surplus

The Housing operation is budgeted to have a Contract Surplus of £787k, some £68k better than budgeted.

- Income is budgeted to reduce by £60k, primarily due to not budgeting for income from insurance repairs, funded adaptations and rechargeable repair income, as is normal. Normal operating income is £56k ahead of Forecast, due to the annual rent increase.
- Expenditure is budgeted to reduce by £128k to £2,204k, for the same reason as above. This means that the normal operating expenditure budget is £33k below Forecast, mainly due to a reduction in budget of £30k for component write-offs.

Therefore, when the non budgeted items are excluded, and a reduction in management costs of £33k is taken into account, the Housing Contract Surplus of £787k compares to a Forecast of £719k i.e. better by £68k.

### B. Care and Support Contract Surplus

The C&S operation is budgeted to have a Total Contract Surplus of £2,254k, some £95k better than Forecast, despite the sleepover Contract Surplus reducing by £131k following the implementation of SLW level payment for every hour of the sleepover rather than a fixed rate.

The Supported Living Contract Surplus of £2,141k is £226k better than Forecast.

- Income has reduced by £31k, to £16,142k, from Forecast despite a price rise of £294k to cover SLW being budgeted as there has been an offsetting volume reduction of some 15,200 hours at an average of £18.36 per hour and resulting loss of some £280k of income.
- Expenditure has reduced from Forecast by £257k, to £14,002k, as the impact of increased SLW costs was offset by reduced hours and operational efficiencies being taken into account.

Sleepover operations settled in the second half of 2019/20 into a steady monthly Contract Surplus level of around £9k and this has been reflected in the budget figure of £113k.

It is worth noting that in 2018/19, the sleepover contract surplus was £433k and that, as result, it has become much more difficult to achieve high levels of C&S Total Contract Surplus.

### C. Other costs

- a. IHM Income – to revert to 2019/20 budget levels and reduce by £13k from Forecast
- b. Past service deficit contributions – reduced from Forecast by £11k following 2018 SHAPS Scheme Valuation and new calculation of share of liabilities
- c. Central overheads – budgeted to be £366k more than Forecast to enable delivery of 2020/25 Business Plan. It includes funding for 2 new Directors, new ICT staff investment, new corporate branding, a terms and conditions review, the establishment of an employee reward programme and further investment in staff salaries to aid recruitment and retention
- d. Treasury management – budget reduced from Forecast by £73k, to £11k, in order to reflect a level of prudence on the recognition of investment returns.
- e. Transfer to LA creditor – budgeted to be £77k less than Forecast due to reduced levels of surplus in relevant local authority areas

**D. ARKHA Net Surplus**

Budgeted to be £399k below Forecast, at £60k, after all of the above is taken into account.

**E. Group Net Surplus**

When Ark Services Limited and Ark Commercial Investment Limited are included, a Group Net Surplus of £427k is budgeted, some £403k less than the Forecast.

**F. Summary**

Considered decisions were made in this budget to invest in the delivery of the Business Plan and this has resulted in a reduction in the Net Operating Surplus of £205k as the increased level of Total Contract Surplus made in Housing and C&S of £161k was offset by increased investment costs in Central Overhead of £366k.

The subsidiaries are budgeted to continue to perform as previously, contributing a further £367k towards the Group Net Surplus of £427k.