

## THENUE HOUSING ASSOCIATION LTD

### PLAN FOR PRODUCTION OF 2020/21 ANNUAL BUDGET & BUSINESS PLAN

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#### Circulation list:

<b>Position</b>	<b>Position (abbreviated)</b>
Chief Executive	CE
Finance Manager	FM
Head of Property Services	HOPS
ICT Manager	ICTM
Head of Finance	HOF
Property Services Manager (Devt)	PSM(D)
Community Regeneration Manager	CRM
Area Services Manager	ASM

Date issued: 23 September 2019

## 1. INTRODUCTION

This document sets out the process for producing the Association's annual budget and business plan. The annual budget will include detailed projections for 2020/21 **and outline projections for the following four years**. The annual budget will therefore set out a strategy for the next 5 years and will aim to establish a financial framework and set of financial benchmarks against which decisions with financial implications can be taken.

The document sets out the cycle and timetable for the production of the budget and business plan.

All information required from budget holders and staff is outlined in section 6 below.

## 2. THE ANNUAL BUDGET

The budget is a financial plan showing expected income and expenditure over a given period and is expressed in monetary terms. The budget is informed by and informs the Business Plan. The Business Plan sets out the Association's medium term strategic priorities and the agreed operational objectives (both by function and area of activity) for the year ahead. The budget translates these objectives into money terms and is part of the Business Plan document. Both documents form part of the overall hierarchy of the Association's approach to managing its business. Since both are inextricably linked, the production of each must run in parallel.

The budget translates our strategic and operational objectives into money terms. Budgets are essential to ensure the proper financial management and financial control of the organisation.

The setting of a budget will aim to achieve the following objectives for the Association:

- the viability of the Association is maintained;
- budget holders and their teams are motivated to control expenditure within budget limits and achieve targets set for income;
- the Association's income is sufficient to cover its costs;
- communicates the Association's financial objectives to all parts of the organisation;
- acts as a means of control by providing a basis for comparison of income and expenditure throughout the year and from one year to the next;
- assists in the measurement of value for money;
- problems arising during the year are identified and action required to address these agreed.

To be effective as a planning tool and act as a means of control over the Association's finances, key budgets will be monitored monthly by budget holders and overall results reported quarterly to the Board of Management via management accounts.

## 3. BUDGET CONSTRAINTS

There are several key budget constraints which are recognised by the Association. These constraints will need to be built into the financial projections and all stakeholders require

an understanding that funds may be limited and inevitably will mean there is a need to prioritise.

The key constraints on the budgeting process are:

- *rent levels*
- *cash flow*
- *compliance with Bank's financial covenants*
- *generation of sufficient reserves to cover risk*

#### 4. SUMMARISED BUDGET & BUSINESS PLAN CYCLE FOR 2020/21

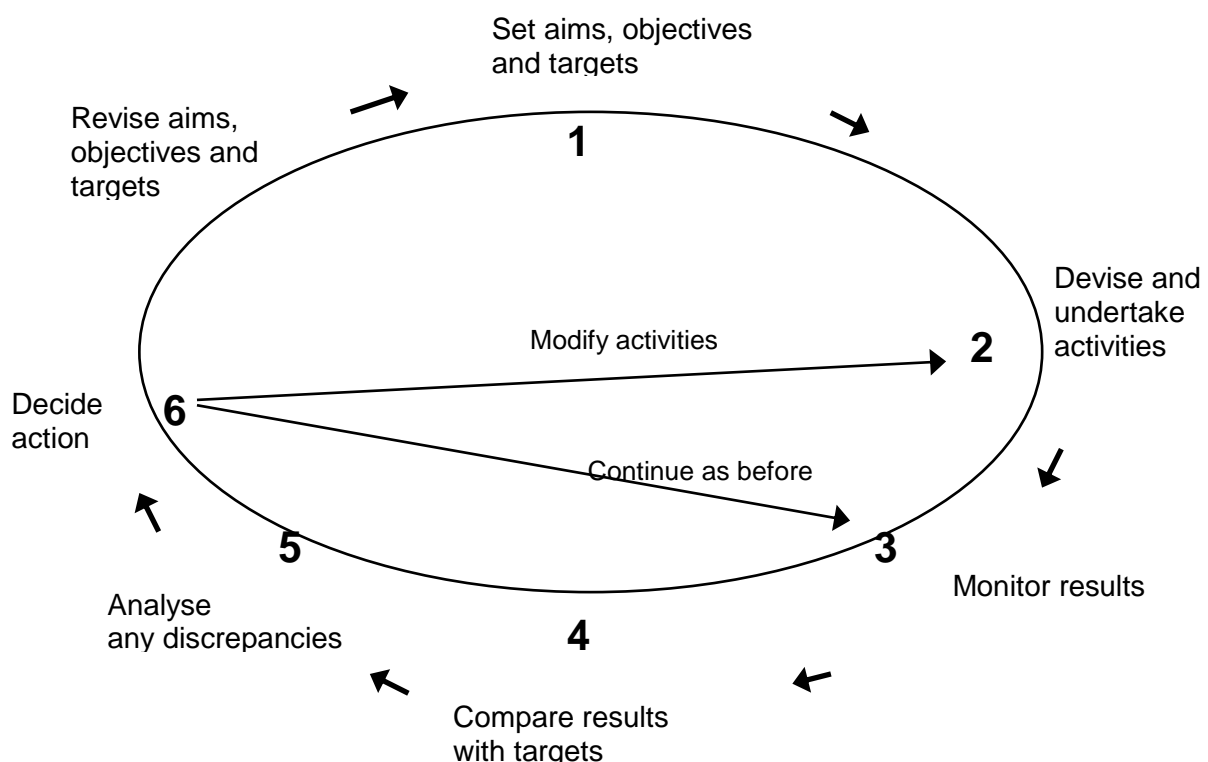
	ACTION	RESPONSIBILITY	TIMESCALE/MEETING DATE
1.	Mid year review of progress with BP objectives for 2019/20 & latest inflation figures.	Executive Team	Report to Board of Management on 29 <sup>th</sup> October 2019
<b>2.</b>	<b>Provide budget information to Head of Finance.</b>	<b>Staff</b>	<b>By Friday 25<sup>th</sup> October 2019</b>
3.	Planning for event on 6 <sup>th</sup> November, including review of resources for BP	Executive Team	Exec Team meeting on 30 <sup>th</sup> October 2019
4.	Business Planning Review Session	Executive Team, OMT & Board of Management	Session on 6 <sup>th</sup> November 2019
5.	Outline Budget prepared and discussed. Revisions to base model assumptions agreed.  Base rent increase agreed for presentation to Board and rent choice options.	Head of Finance / Executive Team	Exec Team meeting on 8 <sup>th</sup> November 2019
6.	Staffing budget for 2019/20 considered by Staffing Sub Committee	Executive Team	Staffing Sub Committee Meeting 12 <sup>th</sup> November 2019
7.	Outline budget and rent increase choices for consultation with tenants.	Executive Team	Board Meeting on 26 <sup>th</sup> November 2019
8.	Refinement of budget and 30 year forecasts and production of Business Plan.	Head of Finance	December
9.	Rent consultation	Head of Housing/Exec Team	December through to 31 <sup>st</sup> January

	<b>ACTION</b>	<b>RESPONSIBILITY</b>	<b>TIMESCALE/MEETING DATE</b>
11.	Risk Review – review of 2020/21 key business risks	Executive Team & Audit & Risk Sub Committee	Audit & Risk Sub Committee meeting on 28 <sup>th</sup> January 2020
12.	Draft Plan to Board including 30 year cash-flow and final rent increase for approval. Service charge review. Feedback to Board on rent consultation. Paper on affordability and comparability.	Exec Team	Board meeting on 11 <sup>th</sup> February 2020
13.	Issue rent increase letters and factoring increase letters	Corporate Services Staff	Before 28 <sup>th</sup> February 2020.

## 5. BUDGET MONITORING

To be effective as a financial planning tool, the budget must be monitored throughout the course of the year, checking that what was planned is actually being achieved and if not, corrective action is being taken to address differences. The process of monitoring actual performance against the budget is a key aspect of financial control.

The control loop below illustrates the process of planning, control and decision making which applies to the budgeting process.



Thenue has in place a framework of financial reporting for recording actual results and comparing these against budget.

## 6. BUDGET INFORMATION REQUIREMENTS.

The table below sets out the information required from staff involved in the budget process for the year ending 31 March 2021. All information requested should be passed to the Head of Finance no later than **Friday 25 October 2019**.

CATEGORY		Responsibility
<b>INCOME</b>		
1	<b>Rental &amp; Service Charge Income</b> <ul style="list-style-type: none"> <li>• Produce base rental budget.</li> <li>• Update for changes to service charges (if any) and Hostel rents.</li> <li>• Incorporate any rent increases following first time installation of either FCH or Double glazing. Information on actual installs in 2019/20 required from Property Services Staff.</li> </ul>	HOF FM HOPS
2	<b>Void , Bad Debt &amp; Arrears</b> <ul style="list-style-type: none"> <li>• Agree base assumptions</li> </ul>	Executive Team
3	<b>Factoring Fees &amp; Recharges</b> <ul style="list-style-type: none"> <li>• Provide estimates by category of income</li> </ul>	FM
4	<b>Income from Leased Properties</b> <ul style="list-style-type: none"> <li>• Provide build up by individual property.</li> </ul>	FM
5	<b>Agency Service Income (for THS budget)</b> <ul style="list-style-type: none"> <li>• Projection of fee income for year as follows: <i>Staff member, client, no of hours sold</i></li> </ul>	HOPS
6	<b>Wider Role Projects</b> <ul style="list-style-type: none"> <li>• Provide breakdown of income <b>and expenditure</b> by project for 2020/21 and subsequent 4 years if available using template provided by Finance Manager</li> <li>• Projected outturn for 2019/20</li> <li>• For each project identify value of grant (if any) to be retained towards central Thenue overhead.</li> </ul>	FM & CRM
7	<b>Development Programme</b> for 2020/21, and subsequent 4 years. Please provide this information on spreadsheet and include the following info	HOPS

CATEGORY		Responsibility
	for each project: <ul style="list-style-type: none"> <li>• Site start date</li> <li>• Site completion date ( phased handover dates required for 2020/21 only)</li> <li>• Ave rent at April 2019 rent levels</li> <li>• No Units split by tenure</li> <li>• Annual capital spend profile (i.e. Spend , Grant, Private Finance) <b>( template to be provided by Head of Finance)</b></li> </ul>	
8	<b>Major Repair Grant Funding (HEEPS etc)</b> <ul style="list-style-type: none"> <li>• Provide realistic forecast of any grant income due in 2019/20 , 2020/21 and subsequent 4 years,</li> </ul>	HOPS
EXPENDITURE – REVENUE		
9	<b>Reactive/Void Repairs</b> <ul style="list-style-type: none"> <li>• Provide anticipated budget based on Mears tender plus non term contractors.</li> <li>• Show budget build up by management patch.</li> <li>• Provide commentary on forecast trend in unit repair spend</li> <li>• Provide monthly spend profile for 2020/21 budget.</li> <li>• Outline calculation of budget build up, showing split between void &amp; reactive repairs. (Specify number of assumed void repairs and average cost per void)</li> <li>• 2019/20 projected outturn required</li> </ul>	FM and ASM
10	<b>Cyclical Repairs</b> <ul style="list-style-type: none"> <li>• Projections required of cyclical costs by works category using template provided by Finance Manager.</li> <li>• Budget estimates are required for 2020/21 and subsequent 4 year period. ( 2019/20 projected outturn required plus any carry forward to be assumed into 2020/21) Number of units assumed in costings to be specified.</li> <li>• If any of the programme will include owners, then quantify owner’s costs. This is important to allow Finance to incorporate owner’s costs likely to be incurred and recharged as part of the budget forecasts.</li> <li>• Please state the allowance made for professional fees within each category of spend.</li> <li>• Monthly spend profile required for 2020/21 ( this can come later but certainly by March 2020)</li> </ul>	HOPS with support from FM.

CATEGORY		Responsibility
11	<p><b>Major Repairs</b></p> <p>The following information is required:</p> <ul style="list-style-type: none"> <li>• The John Martin Partnership <b>35</b> Year Life Cycle Costings for each estate based on their most recent survey.</li> <li>• A summary of the John Martin Partnership <b>35</b> Year Life Cycle Costings analysed by component. This is not to be split by estate but totals for all stock.</li> <li>• Unit numbers assumed in the survey for each estate.</li> <li>• Base month/year for prices</li> <li>• If any of the programme will include owners, then quantify owner's costs separately. This is important to allow Finance to incorporate owner's costs likely to be incurred and recharged as part of the budget forecasts.</li> <li>• Projected Outturn for 2019/20 required plus carry forward into 2020/21.</li> </ul>	HOPS
12	<p><b>EESSH</b></p> <ul style="list-style-type: none"> <li>• Provide assessment of costs to meet the EESSH</li> </ul>	HOPS
13	<p><b>Smoke Alarms</b></p> <ul style="list-style-type: none"> <li>• Provide assessment of costs &amp; programme</li> </ul>	HOPS
14	<p><b>Service Costs</b></p> <ul style="list-style-type: none"> <li>• Derived from service charge income less admin element</li> </ul>	FM
15	<p><b>Various Property Revenue Costs:</b></p> <p><b>Zero based approach required for all areas:</b></p> <ul style="list-style-type: none"> <li>• Property Insurance</li> <li>• Rent &amp; Debt Collection Costs</li> <li>• Property Management Legal costs</li> <li>• Community Safety</li> <li>• Council Tax on Empty Properties</li> <li>• Factoring Costs</li> <li>• Misc Property Revenue Costs</li> </ul>	HOF FM " " " " "
16	<p><b>Tenant participation costs</b></p> <p>Zero based approach suggested here.</p>	

CATEGORY		Responsibility
	<ul style="list-style-type: none"> <li>• Provide budget build up for 2020/21 in detail, ensuring realistic costs associated with Scrutiny Panel are assessed.</li> <li>• Projected Outturn for 2019/20</li> </ul>	FM
17	<p><b>Community Regeneration costs</b></p> <ul style="list-style-type: none"> <li>• Wider Role Projects :provide budget build up for 2020/21 in detail and outline forecasts for subsequent 4 years using template to be provided by Finance Manager</li> <li>• Calculations for Grant support to Tenants Groups</li> <li>• Projected outturn for 2019/20</li> </ul>	CRM & FM
18	<b>Staffing</b>	Executive Team
19	<p><b>Office Overheads/Staff Training/Other Staff Costs/Committee Overhead</b></p> <ul style="list-style-type: none"> <li>• Desk top review to be carried out by Finance Manager in liaison with individual budget holders. Use templates to be provided by Head of Finance.</li> </ul> <p><b>Corporate Overheads</b></p> <ul style="list-style-type: none"> <li>• Build up by Head of Finance in liaison with individual budget holders.</li> </ul>	FM  HOF
20	<b>Anticipated exceptional cost</b> items in any area not specified on this list.	All
21	<p><b>Office Furniture &amp; Fittings</b></p> <ul style="list-style-type: none"> <li>• Minimal allowance required – provide figure.</li> </ul>	HOF
22	<p><b>IT Strategy / Electronic Services</b></p> <ul style="list-style-type: none"> <li>• Provide estimate of requirements and costs for 2020/21 and annual estimates for subsequent 4 years based on outline IT strategy, in liaison with IT Strategy Group.</li> <li>• Projected Outturn for 2019/20</li> </ul>	ICTM