AGENDA ITEM: 6 BUSINESS PLAN 2019/24 – REVISED 30 YEAR CASHFLOWS 2019-2049

CRAIGDALE HA
LONG TERM PROJECTIONS

May 2019

Financial planning and projections

- Need to demonstrate compliance with Regulatory Standards of Governance and Financial Management
- Need to demonstrate viability on reasonable assumptions
- Need to demonstrate covenant compliance/loan repayment
- Need to demonstrate affordability
- Need to demonstrate efficiency and value for money
- Need to consider ‘what if ‘ scenarios
- Need to demonstrate ability to manage ‘financial shocks’
- Need to satisfy any SHR Regulation Plan requirements

Current operating environment

- Global economic and political climate including Brexit
- UK Government cuts
- House building programme
- Welfare reform
- SHQS and EESH
- Pension deficits
- Low interest rates at present
- Expectation of service level improvements
- Increased lender and SHR interest

Main assumptions-base case model

- Year 1 is financial year 19/20
- Inflation at 2% long term
- No new build activity
- Rent increases equate to inflation plus 1% for next 5 years
- Inflation only increases thereafter
- Rent losses rise via higher voids & bad debts
- Non component major repairs based on life cycle costing plans
- Reactive costs at £372 per unit from Year 1
- Cyclical costs average £526 per unit over long term
- Real cost increases of 0.5% on maintenance costs for 30 years

Main assumptions (cont)

- Other costs of £32k pa including stage 3 and community costs
- Staffing costs based on current view of need
- Real cost increases at 0.5% on staff and overhead costs to year 10
- Variable lending rates move up to 4% by year 7
- Remain in current office accommodation
- Major repair costs at £33k per unit over plan period
- Other fixed assets average around £6k pa
- Rent arrears increase to 3.5% by year 4
- Other debtors and creditors based on estimate only

Main assumptions (cont)

- Existing loan margins low and range from 0.42% to 1%
- All debt on variable rate basis
- Peak debt in year 1-no added debt required
- Loans fully repaid by year 17-capable of earlier repayment
- Cash exceeds debt from Year 2
- Pension deficit paid off by year 2
- Opening position based on March 19 management accounts

Projections

- Cash position-no liquidity issues
- But more out than in for 4 of the first 5 years
- SOCI-surpluses capable of being achieved annually
- SOFP-net assets move £6.3m to £7.3m by the end of Year 5
- Loan covenants-no issues expected
- No covenants take account of component repairs
- Financial indicators-no material concerns
- Sensitivity analysis and stress testing
- Funders views

Main Considerations/Issues

- Low number of units in management
- New Build opportunity
- Rent levels and future increases
- Welfare reform
- High cyclical costs and content
- Control of day to day running costs-staff and overheads
- Planned maintenance –costs and timing
- Inflation
- Treasury strategy
- Impact of combination of adverse circumstances