



ANNUAL BUDGET PREPARATION

| | |
|-----------------------------------|--|
| Reference | CS-F-01 |
| Information Classification | Public |
| Review Frequency | 3 years |
| Date Reviewed/Approved | November 2021 |
| Next Review Due Date | November 2024 |
| Applicable Committee(s) | Finance & Development |
| Owner - role | Director of Finance & Corporate Services |

| Record of Updates/Changes | | | |
|----------------------------------|----------------------|--------------------|---|
| Current Version | Date Approved | Approved By | Changes |
| V2 | | | Changes to roles & Sub-committees in the Association, Update for budget reforecasts |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

1. ANNUAL BUDGET PREPARATION PROCESS

The Finance Manager (FM) is responsible for preparation of the annual budget.

In early December of each year the FM will issue out a Budget timetable to each of the following Castlehill Housing Association (CHA) department heads for information on their areas of responsibility and organise an individual budget meeting for early January.

A budget pack with the latest reforecast for the current year is uploaded onto the Finance Reports Teams Site as a starting point for looking ahead to the next budget year. The latest reforecast will cover 6 month actuals plus 6 forecast.

Individual Meetings

- Director of Housing & Property Services – IT Budget
- Housing Manager – Housing and Key Project Overheads
- Development Manager – Development Overheads and Development Budget which will include details of new developments being undertaken or coming on line in current budget year.
- Property Services Manager and Development Manager - Planned Maintenance
- Property Service Manager – Property Department Overheads and Reactive Maintenance
- Corporate Services Manager – Corporate Service Department Overheads (excluding IT) and Training Budget
- Care & Repair Manager – Care & Repair Budget

The template will be completed as far as possible at the meeting. The budget holder will then be required to finalise the template, agree their budget with the appropriate SMT member and advise any changes to the FM by mid January for consolidation by the FM.

Other individuals will be requested to provide additional information as follows:

- Chief Exec – strategic information that may impact on budget and other one-off items
- Housing Admin Officer – Rent figures for new properties, confirmation of rent increase, fair rent changes and service income
- Finance & Corporate Services Director – New Finance, Organisation changes, Capex and Salary assumptions.

Other items are input by the Finance Manager and include:

- Depreciation & Amortisation with impact of new development schemes and components
- Salary Budget based on assumptions agreed with Finance & Corporate Services Director
- Rent & Service Charge calculation based on information provided by Housing Admin Officer
- Loans and interest – update for new loans and assessment of any changes in interest rates
- Other Capital spend – based on information from SMT
- Other Income & Expenditure (FIT/RHI, Stage 3, Commercial, Bank Charges, Donations and Service Charge costs)
- Void and Bad Debt assumptions

Once consolidated the draft budget comprising Income Statement, Balance Sheet and Cashflow will be discussed with the Finance Director (FD) in the first instance and then with the whole SMT.

Following their approval, the budget is then presented to the Finance & Development Sub-Committee in late February. Challenges will be made at each of these stages and amendments reflected in the budget where necessary.

Any amendments required following discussion by the Finance & Development Sub-Committee will be incorporated in the version of the budget presented to the Management Committee also in February. The budget will receive overall approval from the Management Committee and this is the version of the budget that is reported against in the quarterly management accounts.

2. BUDGET REFORECAST PROCESS

The annual budget will be reforecast if there are indications at the end of Q1 that there are significant variations in terms of surplus or cash generation compared to the original budget. A full reforecast will be carried out annually in Q2 in order to assist with the next year's budget process.

If a Q1 reforecast is required, this will be performed at a higher level than the full budget process and will focus on the following:

- Change in timing or cost overrun (for non S75 builds) for new build developments to encompass capital spend, HAG funding draw downs and bank funding draw downs.
- Where the changes above are material then a reassessment of annual depreciation charge and grant amortisation will also be performed.
- Timing of the component replacement programme.
- Significant variation in reactive maintenance and void costs compared to original budget.
- Re-assessment of void rates and arrears rates across Aberdeen City, Aberdeenshire and Moray.

The initial draft of any reforecast will be prepared by the Finance Manager with input from department heads as per Section 1 as appropriate. Once complete, this will be reviewed by the Finance Director and presented to SMT for discussion, amendment if required and approval.

The reforecast will then be presented to Finance & Development sub committee in August for a Q1 reforecast or November for a Q2 reforecast for recommendation to the Management Committee for ultimate approval.