

For Approval

Agenda Item 6.2
Date of Meeting: 22/05/2024

To: The Management Committee
From: Wylie & Bisset
Subject: SHR Return - Five Year Financial Projections

1. Introduction / Purpose

- 1.1 The purpose of this report is to obtain Committee's approval for the submission of the 'Five Year Financial Projections' return to the Scottish Housing Regulator.

2. Background

- 2.1 Rosehill reviews its business plan on an annual basis. The business plan includes financial projections spanning a 30 year period. These projections are used by Committee when considering decisions that have a financial impact on Rosehill. The 30 year financial projections were last updated and subsequently approved by Committee in March 2023.
- 2.2 Whilst the 30 year financial projections included within the business plan remain the key documents used by Committee to measure Rosehill's financial viability, the Regulator requires all RSLs to submit financial projections in a standardised format on an annual basis.
- 2.3 The Regulator considers the financial projections as part of its annual review of the financial health of RSLs and in making decisions on the level of engagement that they have with individual RSLs. They also use the information to identify developing trends, patterns and emerging issues across the sector.

3. Financial Information included within the Return

- 3.1 The information included within the return is essentially the same as that included within the long term financial projections approved by Committee in March 2023 with the following changes:
- The outturn figure (Y0) which represents our results to 31st March 2024 has been updated with the actual results reported in our

financial statements. The figure included within the long term financial projections was estimated as the results for the year were not finalised when the projections were approved.

- During the preparation of the return it materialised that the following figures required changing, resulting in a movement in both comprehensive income and the statement of financial position, However there was no material effect on the cashflow for the five year projections.
 - Capital grants have been reclassified from income to the balance sheet.
 - Depreciation was recalculated based on the actual figures as at 31st March 2024.

3.2 It should be noted that updating the outturn figure changes the figures throughout the return especially in the Statement of Financial Position, however all of the underlying assumptions are as per the financial projections which were approved in October.

4. Regulator's Return

A copy of the completed return is attached. The return consists of:

- The Statement of Comprehensive Income - Page 2
- The Statement of Financial Position - Page 3
- The Statement of Cashflows - Page 4
- Additional Information including the assumptions used in the projections - Page 5 & 6
- Ratios and Trends - Pages 7

5. Compliance

5.1 By reviewing the Five Year Financial Projections, Committee are complying with Regulatory Standard 3 "The RSL manages its resources to ensure its financial well-being, whilst maintaining rents at a level tenants can afford to pay" and in particular the following specific related guidance:

5.2 G3.7 The governing body ensures the RSL provides accurate and timely statutory and regulatory financial returns to the Scottish Housing Regulator. The governing body assures itself that it has evidence the data is accurate before signing it off.

6. Summary & Recommendations

- 6.1 The return shows that Rosehill will remain financially viable over the five year period. The minimum cash reserves over the 5 year period will be £9.2m.
- 6.2 Committee is invited to review and approve the Five Year Financial Projections and the submission of the return to the Regulator.

Landlord Name:	Rosehill Housing Co-operative Limited
RSL Reg No.:	174
Report generated date:	25/06/2024 17:07:19

Approval

A1.1	Date approved	22/05/2024
A1.2	Approver	Geri Mogan
A1.3	Approver job title	Director
A1.9	General Comment	

STATEMENT OF COMPREHENSIVE INCOME						
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
	£'000	£'000	£'000	£'000	£'000	£'000
Gross rents	6,836.5	4,940.9	5,195.8	5,455.6	5,564.7	5,889.7
Service charges	22.1	7.6	10.3	10.8	11.1	11.3
Gross rents & service charges	6,858.6	4,948.5	5,206.1	5,466.4	5,575.8	5,901.0
Rent loss from voids	113.6	99.0	52.0	54.7	55.8	59.0
Net rent & service charges	6,745.0	4,849.5	5,154.1	5,411.7	5,520.0	5,842.0
Developments for sale income	0.0	0.0	0.0	0.0	0.0	0.0
Grants released from deferred income	129.0	86.0	104.0	104.0	104.0	104.0
Grants from Scottish Ministers	102.4	104.0	52.5	55.1	56.2	57.3
Other grants	0.0	0.0	0.0	0.0	0.0	0.0
Other income	51.9	42.6	34.3	36.1	36.8	37.5
TURNOVER	7,028.3	5,082.1	5,344.9	5,606.9	5,717.0	6,040.8
Less:						
Housing depreciation	2,028.4	1,405.9	1,439.3	1,450.2	1,482.6	1,722.7
Impairment written off / (back)	0.0	0.0	0.0	0.0	0.0	0.0
Management costs	1,470.2	1,685.6	1,833.7	1,917.7	1,956.0	2,005.9
Service costs	39.0	20.9	10.3	10.8	11.1	11.3
Planned maintenance - direct costs	717.6	313.0	226.5	195.1	1,036.1	768.6
Re-active & voids maintenance - direct costs	1,108.0	584.0	624.4	655.7	668.8	695.2
Maintenance overhead costs	695.6	289.2	296.4	312.8	332.0	328.7
Bad debts written off / (back)	21.9	99.0	104.1	109.3	111.5	118.0
Developments for sale costs	0.0	0.0	0.0	0.0	0.0	0.0
Other activity costs	0.0	0.0	0.0	0.0	0.0	0.0
Other costs	0.0	62.5	65.6	68.9	70.3	71.7
	4,052.3	3,054.2	3,161.0	3,270.3	4,185.8	3,999.4
Operating Costs	6,080.7	4,460.1	4,600.3	4,720.5	5,668.4	5,722.1
Gain/(Loss) on disposal of PPE	0.0	0.0	0.0	0.0	0.0	0.0
Exceptional Items - (Income) / Expense	0.0	0.0	0.0	0.0	0.0	0.0
OPERATING SURPLUS/(DEFICIT)	947.6	622.0	744.6	886.4	48.6	318.7
Interest receivable and other income	430.8	171.0	105.3	101.5	81.8	79.3
Interest payable and similar charges	113.7	75.2	69.3	59.2	49.6	41.1
Increase / (Decrease) in Negative Goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Other Gains / (Losses)	0.0	0.0	0.0	0.0	0.0	0.0
SURPLUS/(DEFICIT) ON ORDINARY ACTIVITIES BEFORE TAX	1,264.7	717.8	780.6	928.7	80.8	356.9
Tax on surplus on ordinary activities	101.6	42.8	26.3	25.4	20.5	19.8
SURPLUS/(DEFICIT) FOR THE YEAR AFTER TAX	1,163.1	675.0	754.3	903.3	60.3	337.1
Actuarial (loss) / gain in respect of pension schemes	0.0	0.0	0.0	0.0	0.0	0.0
Change in Fair Value of hedged financial instruments.	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,163.1	675.0	754.3	903.3	60.3	337.1

STATEMENT OF FINANCIAL POSITION						
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Non-Current Assets	£'000	£'000	£'000	£'000	£'000	£'000
Intangible Assets & Goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Housing properties - Gross cost or valuation	45,197.9	46,036.6	48,607.3	53,091.7	58,360.9	60,381.5
Less:						
Housing Depreciation	12,340.8	11,712.2	13,123.5	14,542.5	15,984.9	17,663.7
Negative Goodwill	0.0	0.0	0.0	0.0	0.0	0.0
NET HOUSING ASSETS	32,857.1	34,324.4	35,483.8	38,549.2	42,376.0	42,717.8
Non-Current Investments	0.0	0.0	0.0	0.0	0.0	0.0
Other Non Current Assets	349.3	348.8	346.6	342.3	352.8	337.0
TOTAL NON-CURRENT ASSETS	33,206.4	34,673.2	35,830.4	38,891.5	42,728.8	43,054.8
Current Assets						
Net rental receivables	121.3	222.7	234.2	245.9	250.9	265.5
Other receivables, stock & WIP	979.8	711.1	711.1	711.1	711.1	711.1
Investments (non-cash)	0.0	0.0	0.0	0.0	0.0	0.0
Cash at bank and in hand	12,929.3	11,899.9	11,806.8	11,429.8	9,456.6	9,211.8
TOTAL CURRENT ASSETS	14,030.4	12,833.7	12,752.1	12,386.8	10,418.6	10,188.4
Payables : Amounts falling due within One Year						
Loans due within one year	183.5	183.5	171.6	162.5	146.4	146.4
Overdrafts due within one year	0.0	0.0	0.0	0.0	0.0	0.0
Other short-term payables	838.8	928.5	928.3	928.3	928.5	928.3
TOTAL CURRENT LIABILITIES	1,022.3	1,112.0	1,099.9	1,090.8	1,074.9	1,074.7
NET CURRENT ASSETS/(LIABILITIES)	13,008.1	11,721.7	11,652.2	11,296.0	9,343.7	9,113.7
TOTAL ASSETS LESS CURRENT LIABILITIES	46,214.5	46,394.9	47,482.6	50,187.5	52,072.5	52,168.5
Payables : Amounts falling due After One Year						
Loans due after one year	1,181.5	814.4	654.8	501.3	371.0	224.6
Other long-term payables	137.0	137.0	0.0	0.0	0.0	0.0
Grants to be released	4,463.7	3,695.1	4,316.1	6,262.1	8,208.1	8,104.1
TOTAL LONG TERM LIABILITIES	5,782.2	4,646.5	4,970.9	6,763.4	8,579.1	8,328.7
Provisions for liabilities & charges	0.0	0.0	0.0	0.0	0.0	0.0
Pension asset / (liability)	0.0	0.0	0.0	0.0	0.0	0.0
NET ASSETS	40,432.3	41,748.4	42,511.7	43,424.1	43,493.4	43,839.8
Capital & Reserves						
Share capital	1.0	1.0	1.0	1.0	1.0	1.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0	0.0
Restricted reserves	0.0	0.0	0.0	0.0	0.0	0.0
Revenue reserves	40,431.3	41,747.4	42,510.7	43,423.1	43,492.4	43,838.8
TOTAL CAPITAL & RESERVES	40,432.3	41,748.4	42,511.7	43,424.1	43,493.4	43,839.8
Intra Group Receivables - as included above	0.0	0.0	0.0	0.0	0.0	0.0
Intra Group Payables - as included above	0.0	0.0	0.0	0.0	0.0	0.0

STATEMENT OF CASHFLOWS	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
	£'000	£'000	£'000	£'000	£'000	£'000
Net Cash from Operating Activities						
Operating Surplus/(Deficit)	947.6	622.0	744.6	886.4	48.6	318.7
Depreciation & Amortisation	2,066.8	1,406.0	1,439.3	1,450.2	1,482.6	1,722.7
Impairments / (Revaluation Enhancements)	0.0	0.0	0.0	0.0	0.0	0.0
Increase / (Decrease) in Payables	(223.1)	(165.2)	(137.0)	0.0	0.0	0.0
(Increase) / Decrease in Receivables	(394.4)	(185.7)	(11.6)	(11.7)	(4.9)	(14.6)
(Increase) / Decrease in Stock & WIP	(1.2)	0.0	0.0	0.0	0.0	0.0
Gain / (Loss) on sale of non-current assets	0.0	0.0	0.0	0.0	0.0	0.0
Other non-cash adjustments	0.0	0.0	0.0	0.0	0.0	0.0
NET CASH FROM OPERATING ACTIVITIES	2,395.7	1,677.1	2,035.3	2,324.9	1,526.3	2,026.8
Tax (Paid) / Refunded	(7.6)	(42.8)	(29.3)	(28.4)	(23.5)	(22.9)
Return on Investment and Servicing of Finance						
Interest Received	281.0	171.0	117.2	113.5	93.9	91.4
Interest (Paid)	(111.7)	(75.2)	(69.3)	(59.2)	(49.6)	(41.1)
RETURNS ON INVESTMENT AND SERVICING OF FINANCE	169.3	95.8	47.9	54.3	44.3	50.3
Capital Expenditure & Financial Investment						
Construction or acquisition of Housing properties	(2,714.9)	(549.6)	(1,600.0)	(4,100.0)	(4,100.0)	0.0
Improvement of Housing	0.0	(1,926.4)	(970.7)	(384.4)	(1,169.2)	(2,020.6)
Construction or acquisition of other Land & Buildings	(1.8)	0.0	0.0	0.0	0.0	0.0
Construction or acquisition of other Non-Current Assets	0.0	(13.5)	(25.7)	(27.0)	(50.6)	(28.1)
Sale of Social Housing Properties	0.0	0.0	0.0	0.0	0.0	0.0
Sale of Other Land & Buildings	0.0	0.0	0.0	0.0	0.0	0.0
Sale of Other Non-Current Assets	0.0	0.0	0.0	0.0	0.0	0.0
Grants (Repaid) / Received	704.1	(86.0)	621.0	1,946.0	1,946.0	(104.0)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	(2,012.6)	(2,575.5)	(1,975.4)	(2,565.4)	(3,373.8)	(2,152.7)
NET CASH BEFORE FINANCING	544.8	(845.4)	78.5	(214.6)	(1,826.7)	(98.5)
Financing						
Equity drawdown	0.0	0.0	0.0	0.0	0.0	0.0
Debt drawdown	0.0	0.0	0.0	0.0	0.0	0.0
Debt repayment	(275.3)	(183.7)	(171.6)	(162.4)	(146.5)	(146.3)
Working Capital (Cash) - Drawn / (Repaid)	0.0	0.0	0.0	0.0	0.0	0.0
NET CASH FROM FINANCING	(275.3)	(183.7)	(171.6)	(162.4)	(146.5)	(146.3)
INCREASE / (DECREASE) IN NET CASH	269.5	(1,029.1)	(93.1)	(377.0)	(1,973.2)	(244.8)
Cash Balance						
Balance Brought Forward	12,659.5	12,929.0	11,899.9	11,806.8	11,429.8	9,456.6
Increase / (Decrease) in Net Cash	269.5	(1,029.1)	(93.1)	(377.0)	(1,973.2)	(244.8)
CLOSING BALANCE	12,929.0	11,899.9	11,806.8	11,429.8	9,456.6	9,211.8

ADDITIONAL INFORMATION						
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
	£'000	£'000	£'000	£'000	£'000	£'000
Number of units added during year to:						
New Social Rent Properties added	0	0	0	0	0	40
New MMR Properties added	0	0	0	0	0	0
New Low Costs Home Ownership Properties added	0	0	0	0	0	0
New Properties - Other Tenures added	0	0	0	0	0	0
Transfers in	0	0	0	0	0	0
Total number of new affordable housing units added during year	0	0	0	0	0	40
Units developed for sale:						
Number of units developed for sale to RSLs	0	0	0	0	0	0
Number of units developed for sale to non-RSLs	0	0	0	0	0	0
Development Assumption Indicator	Yes					
Number of units lost during year from:						
Sales including right to buy	0	0	0	0	0	0
Demolition	0	0	0	0	0	0
Transfers out	0	0	0	0	0	0
Other	0	0	0	0	0	0
Number of units managed at end of period (exclude factored units)	1,047	1,047	1,047	1,047	1,047	1,087
Units owned:						
Social Rent Properties	1,047	1,047	1,047	1,047	1,047	1,087
MMR Properties	0	0	0	0	0	0
Low Costs Home Ownership Properties	0	0	0	0	0	0
Properties - Other Tenures	0	0	0	0	0	0
Number of units owned at end of period	1,047	1,047	1,047	1,047	1,047	1,087
Financed by:						
Scottish Housing Grants	0.0	0.0	0.0	0.0	0.0	4,825.0
Other public subsidy	0.0	0.0	0.0	0.0	0.0	0.0
Private finance	0.0	0.0	0.0	0.0	0.0	0.0
Sales	0.0	0.0	0.0	0.0	0.0	0.0
Cash reserves	0.0	0.0	0.0	0.0	0.0	5,524.6
Other	0.0	0.0	0.0	0.0	0.0	0.0
Total cost of new units	0.0	0.0	0.0	0.0	0.0	10,349.6
Assumptions:						
General Inflation (%)	5.0	5.0	5.0	5.0	2.0	2.0
Rent increase - Margin above/below General Inflation (%)	0.0	0.0	0.0	0.0	0.0	0.0
Operating cost increase - Margin above/below General Inflation (%)	0.0	0.0	0.0	0.0	0.0	0.0
Direct maint cost increase-Margin above/below General Inflation (%)	0.0	0.0	0.0	0.0	0.0	0.0
Actual / Assumed average salary increase (%)	5.5	5.0	5.0	5.0	2.0	2.0
Average cost of borrowing (%)	4.7	5.9	6.3	6.3	6.4	6.5
Employers Contributions for pensions (%)	18.0	18.0	18.0	18.0	18.0	18.0
Employers Contributions for pensions (£'000)	124.7	87.7	91.1	91.1	91.1	91.1
SHAPS Pensions deficit contributions (£'000)	0.0	0.0	0.0	0.0	0.0	0.0
Min. headroom cover on tightest interest cover covenant (£'000)	948.0	621.9	744.6	886.5	48.6	318.8
Minimum headroom cover on tightest gearing covenant (£'000)	0.0	0.0	0.0	0.0	0.0	0.0

Minimum headroom cover on tightest asset cover covenant (£'000)	6,314.3	6,498.8	6,669.5	6,832.0	6,978.4	7,124.8
Total staff costs (including NI & pension costs) (£'000)	1,468.2	1,090.6	1,202.7	1,202.7	1,202.7	1,202.7
Full time equivalent staff	20.0	20.0	20.0	20.0	20.0	20.0
ESSH Revenue Expenditure included above (£'000)	0.0	0.0	0.0	0.0	0.0	0.0
ESSH Capital Expenditure included above (£'000)	0.0	0.0	0.0	0.0	0.0	0.0
Total capital & revenue expend on maint pre-1919 properties (£'000)	0.0	0.0	0.0	0.0	0.0	0.0
Total capital & revenue expend on maint all other properties (£'000)	1,825.7	2,823.4	1,821.6	1,235.2	2,874.1	3,484.5
Estimated decarbonisation cost indicator	No					
Estimated decarbonisation cost (£'000)	-					

TRENDS & COMPARATORS

RATIOS	Year -2	Year -1	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	National Median
	Actual	Actual	Outturn	Forecast	Forecast	Forecast	Forecast	Forecast	
Financial capacity									
Interest cover	17,505.8%	8,205.4%	2,396.329%	2,457.580%	3,106.061%	4,118.919%	3,266.532%	5,153.771%	425.2%
Gearing	(29.0%)	(28.1%)	(28.602%)	(26.114%)	(25.829%)	(24.793%)	(20.553%)	(20.166%)	44.8%
Efficiency									
Voids	1.1%	1.0%	1.656%	2.001%	0.999%	1.001%	1.001%	1.000%	0.8%
Arrears	1.2%	1.5%	1.798%	4.592%	4.544%	4.544%	4.545%	4.545%	1.9%
Bad debts	0.1%	(0.2%)	0.325%	2.041%	2.020%	2.020%	2.020%	2.020%	0.5%
Staff costs / turnover	21.2%	19.2%	20.890%	21.460%	22.502%	21.450%	21.037%	19.910%	21.0%
Turnover per unit	£4,147	£4,286	£6,713	£4,854	£5,105	£5,355	£5,460	£5,557	£5,571
Responsive repairs to planned maintenance	1.5	3.5	0.6	3.8	1.9	0.9	3.3	4.0	1.6
Liquidity									
Current ratio	9.3	10.6	13.7	11.5	11.6	11.4	9.7	9.5	1.9
Profitability									
Gross surplus / (deficit)	27.1%	30.1%	13.483%	12.239%	13.931%	15.809%	0.850%	5.276%	16.2%
Net surplus / (deficit)	27.1%	30.0%	16.549%	13.282%	14.113%	16.111%	1.055%	5.580%	11.1%
EBITDA / revenue	44.9%	14.1%	42.343%	1.997%	22.698%	34.818%	6.332%	0.344%	28.8%
Financing									
Debt Burden	0.4	0.4	0.2	0.2	0.2	0.1	0.1	0.1	1.7
Net debt per unit	(£10,538)	(£10,606)	(£11,045)	(£10,413)	(£10,487)	(£10,283)	(£8,538)	(£8,133)	£7,062
Debt per unit	£1,757	£1,579	£1,304	£953	£789	£634	£494	£341	£10,191
Diversification									
Income from non-rental activities	2.8%	3.7%	4.031%	4.577%	3.570%	3.481%	3.446%	3.291%	17.4%
INDICATORS									
Turnover	4,308.5	4,452.7	7,028.3	5,082.1	5,344.9	5,606.9	5,717.0	6,040.8	
Operating costs	2,154.1	2,133.9	4,052.3	3,054.2	3,161.0	3,270.3	4,185.8	3,999.4	
Net housing assets	31,195.6	32,212.6	32,857.1	34,324.4	35,483.8	38,549.2	42,376.0	42,717.8	
Cash & current investments	12,773.7	12,659.5	12,929.3	11,899.9	11,806.8	11,429.8	9,456.6	9,211.8	
Debt	1,825.0	1,640.3	1,365.0	997.9	826.4	663.8	517.4	371.0	
Net assets / capital & reserves	37,766.0	39,268.8	40,432.3	41,748.4	42,511.7	43,424.1	43,493.4	43,839.8	

Comments

Page	Field	Comment
SOCI	Gross rents	Increase from year 3 to 2 is 5%, which is the same % as the 5% of year 2.
SOFP	Housing depreciation	Housing depreciation shown here, whilst depreciation on other non current assets shown accumulatively in the PL.
SOCF	Increase / (Decrease) in Payables	Movement in payables is correct.
SOCF	(Increase) / Decrease in Receivables	Movement in receivables is correct.
SOCF	Construction or acquisition of Housing properties	Project build forecast to complete in year 5
SOCF	Debt repayment	Year zero covers 18 months to 31/03/2024.
SOCF	Increase / (Decrease) in Net Cash	Small rounding diff
Additional Information	New Social Rent Properties added	Presumed all units come to rental market in year 5.
Additional Information	'Total cost of new units' / 'Total number of new affordable housing units added during year'	Presumed all units come to rental market in year 5.
Additional Information	Rent increase - Margin above General Inflation (%)	40 additional units come into occupancy in year 5 - hence increase in rents received.
Additional Information	Minimum headroom cover on tightest gearing covenant (£'000)	No gearing covenant
Additional Information	Full time Equivalent Staff Curr Year	Average no of employees correct
Additional Information	Estimated decarbonisation cost	No estimated decarbonisation included