



DRAFT BUDGET

**FOR PERIOD TO
31 MARCH 2021**

For approval: Management Committee Meeting 28 January 2020

**Please note that throughout this document, the use of c. means “approximately” or that the figures have been rounded to make the report easier to read.*

EXECUTIVE SUMMARY

Attached is CHA Power Limited's (CHP) draft Budget for financial year 2020/21 which includes income and expenditure in relation to the supply of heat, hot water and electricity to customers based at Radnor Park, Clydebank.

As with the previous years, the Board of CHP and the CHA Management Committee will receive quarterly Management Accounts whereby income and expenditure will be compared against Budget predictions (derived from projected cash flows submitted by our CHP consultant, Community Energy Services).

I am proposing that the weekly charge to customers REMAINS at £11.38 + VAT per week. It is upheld that CHP customers are still benefiting from affordable running costs for unlimited heat and hot water.

The Budget projections illustrate a surplus of c. £10k for the year ahead and should be achievable should everything go to plan. Senior staff will continue to work on the problematic areas outlined in the CHA Power Action Plan and will continue to update the Management Committee on a regular basis.

Based on actual consumption usage of the system for the past 12 months, I am proposing a reduction in the charge to Radnor Park Church (Please refer to Note 2 for full details/explanation).

The subsidiary performance has been somewhat steady for the financial year 2018/19, as highlighted in the Management Accounts due to the problematic issues with the generator, although these have now been resolved.

Overall, this budget supports the need to remain affordable for our tenants and we can demonstrate that even with the unforeseen losses reported for some financial years, that we are showing an overall increase in reserves since the company was formed in 2005 of c. £25k. The original profit and loss reserves of c. £330k were created with the receipt of a VAT claim on the capital grant claim and the subsidiary has never been subsidised by Clydebank Housing Association. Please bear in mind that the CHP generator is a carbon reduction measure and provided the original basis upon which the CHP scheme received 40% capital grant funding.

If everything performs within budget in the forthcoming year, CHA Power will continue to demonstrate a steady financial existence whilst at the same time providing an energy efficient system that reduces carbon emissions at a low cost to customers.

Lynette Lees
Head of Finance and Corporate Services

January 2020

CHA POWER LTD					
BUDGET					
<i>FOR THE PERIOD TO 31 MARCH 2021</i>					
Income	NOTES	BUDGET TO 31-Mar-21 £	BUDGET TO 31-Mar-20 £	ACTUAL TO 31-Mar-19 £	VARIANCE £
Electricity Sales (Market)	1	30,000	65,000	20,145	(35,000)
Heat and Hot Water	2	213,950	214,395	213,074	(445)
Less Voids & Bad Debts	3	(2,675)	(2,690)	(5,734)	15
Total Income	4	241,275	276,705	227,485	(35,430)
Expenditure					
Plant Electricity	5	10,000	10,000	9,818	0
Gas	6	159,800	187,000	154,098	(27,200)
Generator Maintenance	7	27,000	27,000	26,014	0
Rates & Water	8	1,360	2,000	1,293	(640)
Insurance	9	2,000	2,000	2,000	0
Total Plant Costs		200,160	228,000	193,222	(27,840)
Overheads					
CES Costs	10	5,400	5,400	5,400	0
CHA Costs	11	20,340	14,000	13,800	6,340
Professional Services	12	4,000	4,200	4,595	(200)
Admin & Overheads	13	3,600	4,000	3,426	(400)
Total Overheads		33,340	27,600	27,221	5,740
Total Management Expenses	14	233,500	255,600	220,443	(22,100)
Operating Surplus/(Deficit)	15	7,775	21,105	7,042	(13,330)
Interest Receivable	16	2,500	1,610	1,888	890
SURPLUS/(DEFICIT)	17	10,275	22,715	8,930	(12,440)
Corporation tax liability		0	0	(1,631)	0
Transfer to major repairs reserve	18	(10,000)	(22,000)	(7,000)	12,000
		275	715	299	(440)

<u>CHA Power Ltd</u>				
Projected Balance Sheet (Abridged)				
<i>As at 31 March 2021</i>				
		£	£	NOTE
<u>Fixed Assets</u>				
CHP Station & Equipment			-	19
<u>Current Assets</u>				
Bank		405,000		
		405,000		
Debtors		18,000		
			423,000	
<u>Less: Current Liabilities</u>				
Creditors		52,782		
Other		-	52,782	
Net Current Assets			370,218	20
represented by: -				
<u>Capital and Reserves</u>				
Reserves			301,305	21
Major Repairs Reserve			68,638	22
Surplus/(Deficit) for Period			275	
			370,218	

CHA POWER LIMITED
NOTES ON BUDGET TO 31 MARCH 2021

Income

1. Electricity

Heat produced in the process of electricity generation is used to provide unlimited heating and hot water to CHP customers. The excess electricity produced is sold on the open market and this income is used to help reduce costs

This account is generating income after a period of being non-operational and the reduction in electricity income is normally offset by a subsequent saving in gas costs. It may be possible, with further updating of the CHP system, that a higher capacity can be achieved that will generate a higher level of electricity income although it is prudent to estimate the electricity income based on actual receipts.

Electricity Income - a/c 4906						
				Actual	Budget	Budget
				31/12/2019	2019/20	2020/21
ACTUAL				16,775		
ESTIMATED TO 31/03/20				22,521		
BUDGET TO 31/03/2016				39,296	65,000	30,000

2. Heat and Hot Water

This account represents total income in respect of heat and hot water from 01 April 2020 to 31 March 2021 and is based on a customer base of 370, less a deduction of 20 for disconnected customers, and the current unchanged charge of £11.38 (excluding VAT) per customer.

Also included in this account is c. £5.6k of commercial income relative to the supply to Radnor Park Church, which I propose to reduce this year by c. £445. This is based on the actual levels of consumption that the Church is currently using which has reduced by almost 10% over the last 12 months. This usage is monitored regularly and we are working with the Church in order to reduce their ongoing consumption.

3. Void and Bad Debts provision

An amount of c. £2,675 has been provided for the income lost through voids and bad debts. An amount of c. £2.1k has been estimated for bad debts (1% of total

heat income) and the remaining c. £600 has been set aside for void loss where we lose heating income until the tenancy is re-occupied.

4. Total Income

An amount of c. £241k is receivable in the period in respect of electricity, heat and hot water. Total income is in line with the previous year due to the prudent estimate for the electricity income.

Expenditure

5. Plant Electricity

These costs represent the top up supply of electricity and subsequent standing charge in the summer months when the generator is not operating at full capacity. Electricity is required to operate the pumps during this time. The costs are based on projections which take into account the current usage in the past twelve months and the increase in the market price for electricity.

Plant Electricity - a/c 5013						
				Actual	Budget	Budget
				31/12/2019	2019/20	2020/21
ACTUAL				6,761		
ESTIMATED TO 31/03/20				2,254		
BUDGET TO 31/03/2021				9,015	10,000	10,000

6. Fuel - Gas

Gas is supplied to the generator/boiler, which in turn produces the electricity and heat and hot water supply.

We are currently renegotiating our gas supply contract with the aim that the Association and its customers will benefit from lower prices for the duration of this contract. Fixing our price for 3 years avoids the risk of fluctuating market prices and ensures that we can maintain a stable price for our customers.

				Actual	Budget	Budget
				31/12/2019	2019/20	2020/21
ACTUAL				126,243		
ESTIMATED TO 31/03/20				42,081		
BUDGET TO 31/03/2021				168,324	187,000	160,000

7. Generator Maintenance

CHA Power has entered into a maintenance contract with Veoila for the ongoing monitoring and maintenance of the generator and the estimated costs of this contract, which includes additional operating hours maintenance, ad-hoc repairs and costs for providing the meter information are included in this account.

8. Rates and Water Charges

An amount of c. £1.4k has been estimated for the year and includes water charges to the plant. These costs are based on current expenditure.

9. Insurance

An amount of c. £2k has been estimated for the year for insurance costs. These costs are based on current expenditure.

Overheads

10. CES Costs

These costs represent consultancy fees for ongoing support and monitoring of the CHP scheme and remain unchanged.

11. Clydebank HA Costs

This figure represents CHA's administration cost allocation as per our 2020/21 Budget as well as a recharge to CHA Power Ltd for CHA staff costs. A breakdown is as follows: -

CHA cost centre allocation 2020/21	£ 6,940
Salary costs recharged	£13,400

	£20,340
	=====

12. Professional Services

The c. £4k shown on this account is in respect of professional charges such as audit and accountancy, Companies House fees, small claims action costs, etc.

13. Administration and Overheads

These charges are in respect of business banking and allpay.net transaction charges. Printing, postage and telephone costs are also included.

14. Total Management Expenses

Total Management expenses are c. £233.5k for the period of 2020/21.

15. Operating Surplus/(Deficit)

An overall operating surplus for the year of c. £7.8k is expected should everything go to plan.

16. Interest Receivable

Based on the current rate of 1.15 %, an amount of c. £2.5k has been provided for bank interest receivable.

17. Surplus/(Deficit)

An overall surplus of c. £10.3k will be achieved in the year after bank interest is applied.

18. Transfer to Major Repairs Reserve

From 2013/14 a specific designated reserve has been set aside for future major repairs on the generator and the CHP equipment. This is necessary to ensure that adequate funds are set aside for the upgrade of the equipment to allow the scheme to operate long into the future and to also safeguard the financial viability of the scheme. An amount of c. £10k is predicted to be placed into the reserve if the financial year performs to the expected Budget amounts.

Balance Sheet

19. CHP Station & Equipment

Due to impairment of the fixed asset in the 2006 Accounts, there is no value on the Fixed Assets.

20. Net Current Assets

This figure demonstrates that CHA Power Ltd is generating enough income to meet immediate and short-term costs.

21. Reserves

Summary of price increases and reserves:

<u>SUMMARY OF PROFITS/PRICE INCREASE</u>				
<u>YEAR</u>	<u>MONTHLY PRICE</u>	<u>INCREASE</u>	<u>PROFIT/(LOSS)</u>	
2005/06	£ 22.75	0	(20,940)	
2006/07	£ 29.58	30.0%	116	
2007/08	£ 29.58	0.0%	(5,904)	
2008/09	£ 30.98	4.7%	2,220	
2009/10	£ 35.98	16.2%	(37,475)	*
2010/11	£ 40.95	13.8%	12,017	
2011/12	£ 40.95	0.0%	14,628	
2012/13	£ 43.24	5.6%	(9,161)	
2013/14	£ 44.56	3.1%	9,744	
2014/15	£ 46.53	4.4%	(31,144)	*
2015/16	£ 49.32	6.0%	18,456	
2016/17	£ 51.78	5.0%	28,936	
2017/18	£ 51.78	0.0%	36,344	
2018/19	£ 51.78	0.0%	7,299	
2019/20	£ 51.78	0.0%	(7,202)	based on Dec Mgt Accts
2020/21	£ 51.78	0.0%	10,000	Based on Budget
			27,934	

*These years reported a loss due to the underperformance of the generator and over estimation of electricity income/underestimated gas costs.

22. Major Repairs Reserve

The total transfer from reserves is calculated as follows: -

Reserves Note for Budget					
	£		£	£	£
<u>Year</u>	<u>Profit at year-end (after tax)</u>		<u>Transfer to Reserve</u>	<u>Transfer (from) Reserve</u>	<u>Closing Balance</u>
2013/14	9,743		10,000	-	10,000
2014/15	(deficit)		-	(5,862)	4,138
2015/16	18,456		10,000	-	14,138
2016/17	28,936		25,000	-	39,138
2017/18	36,344		50,000	(28,500)	60,638
2018/19	7,299		7,000	-	67,638
2019/20 (budget)	22,715			(9,000)	58,638
2020/21 (budget)	10,275			10,000	68,638

Estimated reserves at 31.03.20

Estimated reserves at 31.03.21