



# **DRAFT BUDGET**

**FOR PERIOD TO  
31 MARCH 2022**

For approval: Management Committee Meeting 02 February 2021

*\*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.*

## **INTRODUCTION**

Attached is CHA Power Limited's (CHP) draft Budget for financial year 2021/22 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.

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. £23k for the year ahead and should be achievable should everything go to plan. Senior staff will continue to monitor performance and continue to update the Management Committee on a regular basis including consumption and energy information within the Carbon Management Strategy updates.

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

The subsidiary performance has been strong for the financial year 2020/21, as highlighted in the December 2020 Management Accounts. This is mainly due to the saving in gas costs we have received and the higher than expected electricity income.

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. £62k. 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 2021

<b>CHA POWER LTD</b>					
<b>BUDGET</b>					
<i>FOR THE PERIOD TO 31 MARCH 2022</i>					
<b>Income</b>	<b>NOTES</b>	<b>BUDGET TO 31-Mar-22 £</b>	<b>BUDGET TO 31-Mar-21 £</b>	<b>ACTUAL TO 31-Mar-20 £</b>	<b>VARIANCE £</b>
Electricity Sales (Market)	<b>1</b>	45,000	30,000	43,569	15,000
Heat and Hot Water	<b>2</b>	217,325	213,950	210,950	3,375
Less Voids & Bad Debts	<b>3</b>	(2,710)	(2,675)	(456)	(35)
<b>Total Income</b>	<b>4</b>	<b>259,615</b>	241,275	254,063	18,340
<b>Expenditure</b>					
Plant Electricity	<b>5</b>	10,000	10,000	7,883	0
Gas	<b>6</b>	160,000	159,800	160,494	200
Generator Maintenance	<b>7</b>	30,000	27,000	24,878	3,000
Rates & Water	<b>8</b>	1,400	1,360	1,525	40
Insurance	<b>9</b>	2,000	2,000	2,000	0
<b>Total Plant Costs</b>		<b>203,400</b>	200,160	196,780	3,240
<b>Overheads</b>					
CES Costs	<b>10</b>	5,400	5,400	5,400	0
CHA Costs	<b>11</b>	20,340	20,340	14,000	0
Professional Services	<b>12</b>	4,200	4,000	3,715	200
Admin & Overheads	<b>13</b>	3,900	3,600	3,563	300
<b>Total Overheads</b>		<b>33,840</b>	33,340	26,678	500
<b>Total Management Expenses</b>	<b>14</b>	<b>237,240</b>	233,500	223,458	3,740
<b>Operating Surplus/(Deficit)</b>	<b>15</b>	<b>22,375</b>	7,775	30,604	14,600
Interest Receivable	<b>16</b>	250	2,500	2,658	(2,250)
<b>SURPLUS/(DEFICIT)</b>	<b>17</b>	<b>22,625</b>	10,275	33,262	12,350
Corporation tax liability		(4,299)	0	(6,320)	(4,299)
Transfer to major repairs reserve	<b>18</b>	(15,000)	(10,000)	(25,000)	(5,000)
		<b>3,326</b>	275	1,942	3,051

<b>CHA Power Ltd</b>				
<b>Projected Balance Sheet (Abridged)</b>				
<i>As at 31 March 2022</i>				
		£	£	<b>NOTE</b>
<b><u>Fixed Assets</u></b>				
CHP Station & Equipment			-	<b>19</b>
<b><u>Current Assets</u></b>				
Bank		431,763		
		431,763		
Debtors		39,000		
			470,763	
<b><u>Less: Current Liabilities</u></b>				
Creditors		46,499		
Other		-	46,499	
Net Current Assets			<b>424,264</b>	<b>20</b>
represented by: -				
<b><u>Capital and Reserves</u></b>				
Reserves			303,299	<b>21</b>
Major Repairs Reserve			117,638	<b>22</b>
Surplus/(Deficit) for Period			3,326	
			<b>424,264</b>	

**CHA POWER LIMITED**  
**NOTES ON BUDGET TO 31 MARCH 2022**

**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

Although this amount has been overestimated in earlier years, it is performing well this year and any subsequent shortfall would also normally be reflected in gas costs. It may be possible, with further updating of the CHP system, which is planned in the next few years using our repairs reserve, that a higher capacity can be achieved that will generate a higher level of electricity income.

			Actual	Budget	Budget
			31/12/2020	2020/21	2021/22
ACTUAL			63,038		
ESTIMATED TO 31/03/21			7,774		
BUDGET TO 31/03/2022			70,812	30,000	45,000

2. Heat and Hot Water

This account represents total income in respect of heat and hot water from 01 April 2021 to 31 March 2022 and is based on a customer base of 358 (less a deduction of 15 for disconnected customers and 19 properties that do not have the system installed) and the current unchanged weekly charge of £11.38 per customer.

Also included in this account is c. £5.5k of commercial income relative to the supply to Radnor Park Church, which I propose to decrease this year by c. £200. This is possible due to steady consumption costs and we will continue to communicate with the Church over the importance of responsible usage.

3. Void and Bad Debts provision

An amount of c. £2,710 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. £260k is receivable in the period in respect of electricity, heat and hot water. Total income is higher than the previous year due to the prudent increase regarding 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 provided by our CHP Consultant which take into account the current usage in the past twelve months and the increase in the market price for electricity. I have increased this based on actual costs currently being incurred.

			Actual	Budget	Budget
			31/12/2020	2020/21	2021/22
ACTUAL			6,761		
ESTIMATED TO 31/03/21			2,254		
BUDGET TO 31/03/2022			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.

In February 2020, the procurement of gas was successfully negotiated through the Scottish Government gas framework, which is supplied by TOTAL gas. The renewed contract pricing runs from 01 December 2019 until 31 March 2021, when the current framework expires and I will update the new pricing in the March 2021 Management Accounts.

Fixing our price and using established frameworks avoids the risk of fluctuating market prices and ensures that we can maintain a stable price for our customers.

			Actual	Budget	Budget
			31/12/2020	2020/21	2021/22
ACTUAL			94,751		
ESTIMATED TO 31/03/21			31,584		
BUDGET TO 31/03/2022			126,334	159,800	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 this was renewed for a 12 month period in October 2021. The 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.

			Actual	Budget	Budget
			31/12/2020	2020/21	2021/22
ACTUAL			25,772		
ESTIMATED TO 31/03/21			8,591		
BUDGET TO 31/03/2022			34,362	27,000	30,000

8. Rates and Water Charges

An amount of c. £2k 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 2021/22 Budget as well as a recharge to CHA Power Ltd for CHA staff costs. A breakdown is as follows: -

CHA cost centre allocation 2021/22	£ 6,940
Salary costs recharged	£13,400
	-----
	£20,340
	=====

12. Professional Services

The c. £4.2k 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 consistent with the amount set for 2020/21.

15. Operating Surplus/(Deficit)

An overall operating surplus for the year of c. £22k is expected should everything go to plan.

16. Interest Receivable

Based on the current rate of 0.1%, an amount of c. £250 has been provided for bank interest receivable.

17. Surplus/(Deficit)

An overall surplus of c. £23k 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. £15k 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:

SUMMARY OF PROFITS/PRICE INCREASE				
YEAR	MONTHLY PRICE	INCREASE	PROFIT/(LOSS)	
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%	26,942	
2020/21	£ 51.78	0.0%	10,275	based on Dec Mgt Accts
2021/22	£ 51.78	0.0%	18,326	Based on Budget
			<b>80,678</b>	

\*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: -

<b>Reserves Note for Budget</b>					
	£		£	£	£
<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	1,942	31,000	- 6,000.00	92,638	
2020/21 (budget)	10,275	10,000		<b>102,638</b>	<b>Estimated reserves at 31.03.21</b>
2021/22 (budget)	18,326	15000		<b>117,638</b>	<b>Estimated reserves at 31.03.22</b>