

For draft decision prior to consultation

OPTIONS AND PROPOSALS FOR THE BUDGET OF 2020-21

1. The Finance Sub Group met to consider various items including:
 - a. Income and expenditure - rents and other income - see below
 - b. Service charges - (projected) outcome for 2019-20; and plan for 2020-21
 - c. Draft maintenance expenditure plans.
2. The Finance Sub Group considered this report first. The Management Committee on 28 January will then look at it. There will then be a period of consultation with tenants prior to the Management Committee deciding upon the final budget decisions at the 25 February Management Committee meeting.

3. *Rent setting*

In setting rents there needs to be several factors to be considered:

- a. Cost projections - we must be able to cover costs;
- b. Comparative rents set by other housing providers;
- c. The affordability of rents for tenants who are in employment on low incomes.

4. *Cost projections*

The main cost increases facing Lister are:

- a. A general increase in costs.
Here are the figures for inflation, as announced on 15 January, for December. Inflation is relatively low but may rise slightly during 2020. RPI perhaps reflects more of the costs that the average person faces and it is still above 2%. CPIH includes some element of housing costs.

Month	CPI	RPI	CPIH
October	1.5 %	2.1 %	1.5 %
November	1.5 %	2.2 %	1.5 %
December	1.3%	2.2%	1.4%

- b. Employee costs - EVH - we will be at Year 2 of a 3 year deal, for April 2020. The increase will be 1.6%, which if the October 2019 CPI rate of 1.5% plus 0.1%.
- c. There is no major change to the pension contributions for Lister. The past service deficit contribution increases by just under 3% from last year.

- d. Employee costs are the one main single expenditure item for the Co-operative, although as a proportion of total expenditure it is approximately 25 %.

5. *Comparative rents*

We don't have comparative rent info to hand but it is has been clear for several years that Lister rents are at the lower end of Edinburgh HA/Co-op and Council rents.

Lister's Management Committee has agreed to fund future repairs by an additional increase in rents for 73% of its stock over a period. We are at the start of Year 21 of a 25 year plan to equalise rents, i.e. four further years to go, after this coming year.

6. *Comparative rent increases*

We don't have much detailed info to hand. Some RSLs have been looking at a 2% rise, some slightly higher. Port of Leith HA are going for a 2.5% increase, following consultation.

7. *Affordability*

We no longer have SCORE income data from our relets and Scotland-wide comparators, so we cannot draw any conclusions about affordability. In general terms, the lower we can keep our rents, in relation to inflation, then the better placed those households on low and fixed incomes will be.

8. *Lister - rent levels*

Current rent levels (inc. service charges) per week as at 1 April 2019 are as follows:

<i>Bedsit</i>	<i>1-bed</i>	<i>2-bed</i>	<i>3-bed</i>	<i>4-bed</i>	<i>5+bed</i>		<i>Average</i>
62.98	71.69	80.11	87.06	108.48	127.40		83.02

9. *Lister - cash-backed reserves*

With the various changes in accounting procedures, we have less focus on the size of the Major Repairs (Designated) reserves fund (It has £1,008,795 in it at 31.3.19). In addition, depreciation is now a significant sum and represents costs 'spent' through the I&E account but which are not actual sums of money spent.

Cash is now a key indication of health and we have a healthy cash reserve and are generally making surpluses, each year, unless there is a heavy spending programme concentrated in one year. Overall there is less pressure on our accounts, though there are some major repairs work now being done in the next few years, as well as possible energy conservation/ESSH work.

10. *Options for the rent review at Lister*

The current price per point is 27.2p. On top of any increase would be the extra 3 points for the main site flat major repairs funding.

INCREASE	PRICE. PER PT	RISE	<u>EFFECT ON AVE. WEEKLY RENT OF £83.02</u>		
			For both sites	Additional extra main site	Overall MS rise
0.2p increase	= 27.4p	= 0.7 %	£ 0.61 increase	+ £0.82 increase (1%)	1.7%
0.3p increase	= 27.5p	= 1.1 %	£ 0.91 increase	+ £ 0.82 increase (1%)	2.1%
0.4p increase	= 27.6p	= 1.5 %	£ 1.25 increase	+ £ 0.83 increase (1%)	2.6%
0.5p increase	= 27.7p	= 1.8 %	£ 1.49 increase	+ £ 0.83 increase (1%)	2.8%
0.6p increase	= 27.8p	= 2.2 %	£ 1.82 increase	+ £ 0.83 increase (1%)	3.2%

Last year's went as follows-you chose the 1.9% rise from 26.7 to 27.2 ppt

INCREASE	PRICE. PER PT	RISE	<u>EFFECT ON AVE. WEEKLY RENT OF £78.73</u>		
			For both sites	Additional extra main site	Overall MS rise
0.5p increase	= 27.2p	= 1.9 %	£ 1.54 increase	+ £ 0.82 increase (1%)	2.9%
0.6p increase	= 27.3p	= 2.2 %	£ 1.78 increase	+ £ 0.82 increase (1%)	3.2%
0.7p increase	= 27.4p	= 2.6 %	£ 2.10 increase	+ £ 0.82 increase (1%)	3.6%
0.8p increase	= 27.5p	= 3.0 %	£ 2.42 increase	+ £ 0.83 increase (1%)	4.0%
0.9p increase	= 27.6p	= 3.4 %	£ 2.75 increase	+ £ 0.83 increase (1%)	4.4%

rise

RECOMMENDATION

Lister faces some cost pressures but none major. We have a good cash position and funds in the major repairs fund (these are being drawn down steadily).

The Scottish Housing Regulator is urging associations to think carefully about their possible rent increases and not just increase by a CPI/RPI + X% formula.

I think Lister should consider carefully and think about the 1.1% price per point (inflation) increase. The draft budget has been based on a 1.1% increase (plus the 3 points on the Main Site). This would give an overall rise in our income of 1.8% and a rise of 2.1% for Main Site tenants

The Sub Group needs to consider which increase to recommend to the Committee.

11. *Other Income*

- a. *Service charges* - We will have a small projected deficit still at the end of this year, so the charges are being kept the same as we should recoup this over the next 1--2 years.
- b. *Commercial property rents* - the rent stays the same at £15,480.

- c. *HMO rent point charge* - This will be adjusted near the time once costs/spending are known better. We are aiming to get 3 year licences from the Council which will reduce the licence fee cost for two of the three years.

12. *Other comments about budget matters*

We continue to monitor office expenditure very closely and try and organise things ourselves. We again adjusted some of the admin budget levels in the light of actual spend this year.

We have included in the budget for the proprietary housing management software. A decision on the supplier and cost has not been made so this budget figure is just a general estimate.

13. *Maintenance Budget*

The first draft of the maintenance budget is attached. It may be tweaked further.

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