

REPORT TO THE MANAGEMENT COMMITTEE MEETING OF 28 JANUARY 2020

MINUTES OF THE FINANCE SUB GROUP MEETING HELD ON 21 JANUARY 2020

STATUS - for decision prior to consultation

Present: A McDonald, L Alexander, C Littlewood
H Kiteley (Port of Leith HA), A Cant (Director).

1. L Alexander agreed to chair the meeting, and welcomed everyone.
2. The Director went through the set of the papers. We are facing the following circumstances this year:
 - a. The economic climate continues to affect people and businesses, with continued uncertainty. Benefits and wage rates continue to only rise slowly, if at all.
 - b. Inflation CPI (the rate excluding housing/mortgage interest payments) has reduced to 1.3%. The RPI index in December 2019 has fallen to 2.2%.. The salary negotiations are known - the increase will be 1.6%.
 - c. The employer costs for pensions are more stable with the past service deficit contribution rises by slightly less than 3%.
3. Options paper - costs are rising probably between 1.5-3% on average. Our rents, compared to others, are still similar or lower, for properties that are larger than average. Port of Leith HA were thanked for providing useful comparative rent figures. On affordability, the SCORE returns, has been stopped so we have less information on this.
4. We have a good cash resource, though there is a bigger major repairs programme starting in this year, i.e. Main Site kitchens. We do not need to accumulate large cash sums, but we need to not fall too far behind and thus necessitate future larger rent rises.
5. We have stopped any further transfers of cash into the Major Repairs fund, as it is no longer the main method of funding key major repair projects (they are now capitalised). We will still have some MR spend, but it is at a lower level and more steady from year to year. This spending will come out of the MR fund, which will steadily reduce.
6. Service charges - these will stay the same and this will enable another small transfer of surplus to offset the small deficit. Any one-off all-Lister stair window clean will just come out of the general rent fund - it is not likely to be too expensive.
7. Commercial property income - no change - the rent is fixed for next year.
8. Maintenance - We have completed the boiler replacements (except for one or two deferrals/refusals) that will give good benefits to tenants for their heating bills, as well as help meet our EESSH targets (Energy Efficiency Standard for Social Housing). The sum for this element thus reduces. There is a sum in for energy conservation enhancements but the main issue is being able to do some work in tenanted flats. There are sums identified for renewing the consumer units (fuse-boxes) on the Main Site and a start to the Main Site kitchen upgrade programme. There was a useful discussion about the kitchen programme.
9. The first draft of the Maintenance budget is attached.
10. The draft budget figures and narrative report was outlined by H Kiteley. The figures had been modelled on a 1.1% rent point rise for inflation, plus 3 point MS increase (giving 2.1% increase overall for Main Site tenants), and wage increase of 1.6%, all as suggested by

Lister. This would give a projected surplus of almost £113,900 which would rise to £177,000 after a refunding of major repairs costs from the MR Fund.

11. There was a good general discussion on rent levels, costs, increases and future plans. It was noted that CPI (and RPI) inflation has fallen since the preparation of the papers. Given the reasonable cash position, the low incomes of many Lister tenants and the strong accounts, it was felt that an inflation rise 1.1% would be suitable at this stage to go to consultation, even though some costs were increasing more than this.
12. The Budget Sub Group recommended these proposals to the Management Committee.
13. The Sub Group also had a discussion around the first draft of a report on housing management software and a set of useful comments were made. The report layout on the comparative figures will be improved and be considered by the Management Committee.
14. A quotation had just been received for the replacement of the 4 computer PC boxes and associated Office software as the main operating system, Windows 7, is no longer supported and our existing software would not work with Windows 10. This was discussed briefly and will be tabled at the Management Committee meeting for a decision.

Alistair Cant
DIRECTOR
22 January 2020
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