**Yorkhill Housing Association Ltd** **Agenda Item 6**

**Report to:** Management Committee 13th December, 2018

**Prepared by:** Marion Menabney, Chief Executive

**Subject:** Rent Setting for 2019-20

## Introduction

The purpose of this report is to provide guidance and information to assist the Association's governing body to agree the level of increase to be applied to rental income for 2019-20.

## Background and Context

The Association has an obligation to ensure that its rental income is sufficient to meet its financial obligations and commitments for the year ahead and the medium to long term future. In addition, in accordance with regulatory requirements and good practice, cognizance has to be taken of tenants' ability to pay any increases agreed by the governing body.

This report therefore includes information on the Association's current financial position and anticipated income and expenditure for 2019-20, with cash flow forecasts for the next 30 years. It also contains analysis of responses received from tenants to the consultation undertaken during November which included a question on the tenant's perception of affordability.

## YHA's Financial Position

In conjunction with this report, the Finance Manager will present a 30 year financial forecast with a base line rent increase of 3%, and the impact of increase options 2.5% and 3.3%.

Other key assumptions running through the base case include:

- 2.1% increase on employee costs
- 3% inflation rate for overheads and service costs
- Current staffing levels and Housing Manager from February 2019
- Major repairs as per updated Investment Programme
- Reactive maintenance levels as per budget forecast

Members are asked to note that the figures within the projection for 2019-20 will be formally presented to Committee in February 2019 with supporting notes to form the Association's operating budget for next year.

The 30 year projection's main purpose is to assess the organisation's long term viability based on knowledge of short to medium term activity. Figures beyond Year 10 are based on current knowledge and reasonable predictions, but will be subject to change over time. The forecast does not highlight any areas of significant concern at this time.

**Proposed Increase for 2019 – 20** **Rent Consultation**

Tenants were consulted during November 2018 with:

- a brief letter explaining the business case for increasing the rents
- information on the proposal to cap the increase to October's CPI rate (3.3%)
- a comparison of YHA average weekly rents with local housing associations
- examples of how some rents would be affected by a 3.3% increase
- a simple chart demonstrating the pence per pound spend for 2017-18

All tenants were asked the questions as tabled below.
58 responses were received, representing 13% of tenants.

| | **Yes** | **No** |
|---|---|---|
| 1. Do you agree that increases based on inflation rates are fair? | 49 (84.4%) | 7 (12%) |
| If not, would you like to comment?<br>- If mortgage repayments were going up by 3.3% there would be an outrage about it<br>- People receiving any benefits have had their income slashed<br>- Not fair as wages or benefits get cut or stay the same<br>- YHA should do more to fight the government about benefit cuts<br>- They would be if public sector wages went up by the same<br>- Yes, compared to other housing associations<br>- My wages have hardly increased by 1% over 3 years<br>- Wages don't increase by inflation | | |
| 2. Do you think your rent represents good value? | 54 (93.1%) | 4 (6.9%) |
| If not, would you like to comment?<br>- I do think the current rent is value for money<br>- Neighbours do not maintain / uncalled for repair expenses<br>- Not sure, according to SHR nearly 30% of YHA homes do not meet Scottish Housing Quality Standards<br>- My house is very draughty and hard to heat<br>- It might, if rents didn't increase every year | | |
| 3. Do you feel you are provided with enough information on how rental income is used? | 53 (91.3%) | 5 (8.6%) |
| If not, would you like to comment?<br>- Further details and breakdowns would be better<br>- 33% is spent on staff services, what are they?<br>- More breakdowns and information would be better<br>- Would be interested in how YHA plans to reduce 13% overheads<br>- Emails are cheaper and more environmentally friendly than letters<br>- When will funds be released for much needed windows | | |

| | | |
|---|---|---|
| 4. Do you feel your rent is affordable? | 50<br>(86.2%) | 3<br>(5.1%) |
| If not, would you like to comment?<br>- I get housing benefit, but if I took a job I could struggle<br>- It is getting more and more difficult every year to pay the rent<br>- If I was still working it would be a struggle to pay<br>- In line with inflation does not apply to all wages or income<br>- As I receive benefits, yes, but if and when I start work it won't be<br>- Just about, but my wages don't go up by inflation<br>- It is affordable now but my rent is higher than the YHA and Scottish average<br>- Becoming less so due to increases in council tax, fuel and food | | |

*Source of respondents' rent payments*

| Full HB | Part HB | Paid by tenant | Not known |
|---|---|---|---|
| 32 | 3 | 21 | 2 |
| 55% | 5% | 36% | 3% |

**Recommendation**

The 30 year cash flow forecast has been prepared using the best information available at present. No significant areas of concern have been identified using the 3% base rate or the 2.5% option.

The Association's Business Plan will be reviewed and updated for the next financial year. Currently, the long term investment plans and life cycle costings are under review and will enable more accurate forecasting in the future for the medium term.

It is clear from the consultation responses that tenants are concerned about future increases becoming unaffordable, while the majority accept that current levels are fair.

There is not a great deal of difference between the increase levels demonstrated, therefore it is recommended that the Governing Body raise rents by 2.5% or 3% , keeping the increase below inflation.

---