

REPORT TO: HOUSING COMMITTEE – 26 JANUARY 2015

REPORT ON: REVIEW OF RENTS AND OTHER HOUSING CHARGES

REPORT BY: DIRECTOR OF HOUSING

REPORT NO: 24-2015

1. PURPOSE OF REPORT

- 1.1. The purpose of this report is to set out the proposed rent and other charges for the financial year 2015/2016.

2. RECOMMENDATIONS

- 2.1. It is recommended that the Housing Committee agree that:
- (i) rents be increased by 2.50% equal to £1.69 per week (£1.83 - 48 week basis) on average subject to a maximum increase of £2.50 from 6 April 2015.
 - (ii) charges for Car Parking facilities remain unchanged as follows from 6 April 2015:
 - Garage Lock Ups £8.77 per week (£9.50 - 48 week basis);
 - Garage Sites £2.54 per week (£2.75 - 48 week basis).
 - (iii) heating charges for the sheltered housing accommodation remain unchanged for the financial year 2015/16 for Brington Place at £6.46 per week (£7.00 – 48 week basis) and Baluniefield at £7.11 per week (£7.70 – 48 week basis).
 - (iv) the Sheltered Housing service charge remains unchanged for the financial year 2015/16 at £26.94 per week (£29.19 - 48 week basis).
 - (v) the communal cleaning charge remain at its current level of £1.34 per week (£1.45 – 48 week basis).
 - (vi) charges for the provision of Homeless Temporary Accommodation be unchanged for the financial year 2015/16.
 - (vii) the level of rents held on the Housing Revenue Account be similarly applied to Miscellaneous houses i.e. the properties which are leased to the Richmond Fellowship, Social Work and City Development, subject to categorisation where appropriate.
 - (viii) Other Charges be maintained at current rates from April, 2015 as detailed in the report.

3. FINANCIAL IMPLICATIONS

- 3.1. The Housing Revenue Account cannot be subsidised by any other fund. Approval of the proposed Housing Revenue Account Revenue Budget for 2015/2016, along with the above proposed review of rents and charges, will result in the 2015/2016 Housing Revenue Account being self-balancing.

The proposed budget would allow for various environmental initiatives to be undertaken, maintain the Scottish Housing Quality Standard (SHQS) and continue the progress towards achieving the Energy Efficiency Standard for Social Housing (EESH) by 2020. The proposed budget would also allow the Council to develop new build housing.

4. **RENT REVIEW**

RENT LEVEL OPTIONS

- 4.1. Inflation has been calculated using a basket of indices comprising the retail price index, the producer prices index and pay awards. The inflation rate using this basket of indices is calculated using the September indices each year to ensure that an annual increase is reflected in the rent report.

The September indices produced an inflation + 1% rate of 2.10%, while the October 2014 basket of indices + 1% would provide a figure of 2.18%. The recommended rent increase of 2.50% is required to maintain the progress towards achieving the Energy Efficiency Standard for Social Housing.

- 4.2. Local Authorities are required to review rents and make such charges, either of rents generally or of particular rents, as circumstances may require.

When determining standard rents to which the Housing Revenue Account relates, a Local Authority should not take into account the personal circumstances of tenants. Under Housing legislation rents can be fixed at a level which creates a surplus on the Housing Revenue Account and this surplus can be transferred to the General Fund. There is no statutory limit on the amount by which Council house rents can be increased but account must be taken of the requirements of the Prudential Borrowing Regime. If any surplus accrues to the Housing Revenue Account it will be retained for Housing Revenue Account purposes.

- 4.3. The proposed Revenue Budget for the Housing Revenue Account is attached in Appendix 1. The main budget changes are detailed below:

- (a) Capital Financing Costs - the provision for Loan Charges has been decreased by £281,802. This reflects a fall in loan interest rates offset by the financing of £1.2m investment in the advancement of the new build programme.
- (b) Bad Debts - the provision for Bad Debts, excluding Lost Rents, has been decreased by £280,000 as a result of the Scottish Government's additional funding which has been provided to mitigate the impact of the Under Occupancy reduction.
- (c) Staff costs - the provision for Salaries and Wages has been increased by £164,120 as a result of pay awards and the additional staffing required to introduce an integrated I.T. system.
- (d) Planned Maintenance – the provision for Planned Maintenance has been increased by £691,355 to allow for the undertaking of various environmental initiatives and improve the cyclical maintenance.
- (e) The budget for the Sheltered Housing Warden Service shows a breakeven position.

- 4.4. Reductions in stock continue to affect the income to the Department. Rental income from rents, fees and charges in the year 2015/2016 is projected at £48,925,911 a reduction of £594,991.

RELATIONSHIPS OF RENTS TO GAV

- 4.5. Rents in Dundee are fixed in relation to percentages of the Gross Annual Values. The Gross Annual Value (GAV) is intended to reflect the rent which the house might be expected to attract on the open market in ideal circumstances where there is neither a glut nor a shortage of accommodation. In these circumstances, the GAV can be assumed to have taken account of the size, type and age of the house, the area of location and amenity value.

This basis has been accepted as reasonably fair and rents calculated and applied in this way maintain, generally, the proper differentials and spread the burden of increased costs over the tenants in relation to the independently assessed value of the accommodation and amenity enjoyed by them.

- 4.6. Rents in Dundee were last increased on 7 April 2014 to 513.5% of GAV. In previous reviews, where the GAV of a particular house was relatively high it was felt desirable to restrict the amount of any increase to a certain maximum level to prevent undue hardship to the tenants concerned. The maximum recommended for 2015/2016 is £2.50 per week based on 526% of GAV.

CAR PARKING

- 4.7. Legislation requires that income derived from facilities provided for car parking be sufficient to meet the expenditure incurred in providing them. When conducting a review of these charges it is also necessary to consider the effect of implementing the charges and the amount of income generated by the increase. Having examined the requirement for repairs to garage lock ups and the need to comply with legislation it is proposed to maintain the charges for the financial year 2015/16 as follows:

- Garages/Lock Ups £8.77 per week (£9.50 -48 week basis)..
- Garage Sites £2.54 per week (£2.75 - 48 week basis).

HOMELESS TEMPORARY ACCOMMODATION

- 4.8. To meet current and estimated future costs of the service the following weekly charges are proposed. They are unchanged from 2014/15.:

	<u>1 Apt.</u>	<u>2 Apt.</u>	<u>3 Apt.</u>	<u>4 Apt.</u>	<u>5 Apt.</u>
Lily Walker Centre	£199.58				
Supported Complex		£231.45			
Network Flats	£ 87.58	£219.91	£327.32	£443.80	£558.64
Red Admiral Court		£332.05		£551.97	
Reid Square			£509.26	£641.06	

All charges are shown on a 48 week basis. Where no charge is shown no facility of the type is available at this time.

SHELTERED WARDEN SERVICE

- 4.9. It is proposed that the Sheltered Warden Service Charge remain at the current rate of £26.94 per week (£29.19 - 48 week basis) based on feedback from tenants and Registered Tenant Associations (RTOs).

OTHER CHARGES

- 4.10. It is proposed that the following charges are maintained at their current rates.

Multi-Storey Laundrette Charges:

Auto Wash - £1.90 per use.
Tumble Drier - £1.10 per use.
Cabinet Drier - £1.10 per use.

Status Enquiry Fees - £30 each.

5. WELFARE REFORM CHANGES

- 5.1. The Welfare Reform changes being introduced by the UK Government are now being implemented. The Corporate Welfare Reform Group continues to monitor the impact of the reforms and a Housing action plan is in place to mitigate the impact of the changes.

6. **CONCLUSION**

- 6.1. The proposed rent increase will ensure sufficient financial resources are in place to progress towards achieving the Energy Efficiency Standard for Social Housing by 2020 and to begin to develop Council new building housing.

7. **POLICY IMPLICATIONS**

- 7.1. This Report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management. There are no major issues.

8. **CONSULTATIONS**

- 8.1 The Chief Executive, the Director of Corporate Services, the Head of Democratic and Legal Services and all other Chief Officers have been consulted in the preparation of this report. No concerns have been expressed.
- 8.2 Under the terms of Section 25(4) of the Housing (Scotland) Act 2001, tenants must be consulted on any proposed increase in rents or other service charges, and the likely effect on the tenant and regard must be given to the representations made. To meet these requirements the Housing Department has held various events throughout the city where the process for rent consultation was highlighted and illustrations of a range of rent increases were shown. A formal consultation on rents, presenting similar information to all tenants commenced at the beginning of November. This was done through local community events along with information being available in Council Offices, Internet and Notice Boards. The consultation closed on 31 December 2014. Appendix 2 outlines the results received from the consultation exercise.

9. **BACKGROUND PAPERS**

None.

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JANUARY 2015

APPENDIX 1**HOUSING REVENUE ACCOUNT**
REVENUE BUDGET 2014/2016

	Final Revenue Budget 2014/15 £000	Provisional Revenue Budget 2015/16 £000
<u>EXPENDITURE</u>		
STAFF COSTS		
Salaries and Wages(incl NI and Supn)		
Chief Officials	358	296
Local Government Employees	10,480	9,813
Supplementary Superannuation Charges	100	110
Staff Training	50	36
TOTAL STAFF COSTS	10,988	10,255
PROPERTY COSTS		
Rents	340	322
Non Domestic Rates	338	324
Property Insurance	667	567
Repairs and Maintenance	11,096	11,167
Health and Safety Contracts	140	150
Energy Costs	632	631
Fixtures and Fittings	44	38
Cleaning Costs	35	33
Security Costs	140	120
Lost Rents and Bad Debts	2,092	1,837
Open Space Maintenance	864	898
TOTAL PROPERTY COSTS	16,388	16,087
SUPPLIES & SERVICES		
Equipment and Furniture	63	44
Liabilities Insurance	658	558
Clothing, Uniforms and Laundry	6	6
Printing, Stationery & General Office Expenses	146	138
Professional Fees	99	67
Postages, etc	72	47
Telephones	98	83
Storage	111	62
Other Supplies and Services	400	426
TOTAL SUPPLIES & SERVICES	1,653	1,431

TRANSPORT COSTS

Repairs and Maintenance & Other Running Costs	15	13
Transport Insurance	2	2
Car Allowances	56	57
TOTAL TRANSPORT COSTS	73	72

THIRD PARTY PAYMENTS

Voluntary Organisations	71	53
TOTAL THIRD PARTY PAYMENT	71	53

SUPPORT SERVICES

Recharge from Central Support Departments – Note 1	1,636	2,770
TOTAL SUPPORT SERVICES	1,636	2,770

CAPITAL FINANCING COSTS

Loan Repayments	11,419	11,506
Loan Interest	8,436	8,129
Loans Fund Expenses	127	64
TOTAL CAPITAL FINANCING COSTS	19,982	19,699

PLANNED MAINTENANCE

4,058	4,750
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TOTAL GROSS EXPENDITURE

54,849	55,117
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INCOME

Internal Recharge to Other Housing	905	885
Rents, Fees and Charges	49,522	48,926
Contribution from Insurance Fund	200	0
Interest	10	10
Sheltered Housing Management Charge	2,794	2,779
Other Income	1,418	1,394
<u>TOTAL INCOME</u>	54,849	53,994

TOTAL NET EXPENDITURE

0	1,123
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Note 1- Central Support charges have increased by £969k due to the transfer of Rent Recovery and Central Business Support Staff. There is an equivalent reduction in staffing and associated overhead costs.

APPENDIX 2**CONSULTATION PROCESS**

The consultation process for the 2015/16 Rent increase ran from the 1st November 2014 to 31st December 2014. The Rent Consultation information which included community events, posters and postcards outlined three options for the 2015/16 rent increase and provided the reasons for each of these. The total number of tenants who participated in the consultation event this year was 1,830, this represents an increase of 19% when compared to the previous year.

Local community events were held in November and December and were setup up in a variety of locations including libraries, community centres, supermarkets and car parks along with attending other busy locations throughout the city. Tenants were provided with information regarding the reasons for the increases being proposed and given the opportunity to record their views on the three options being consulted on. In addition, tenants were asked to express their opinion on higher rents if it meant there was more new build housing within the city and additional energy efficiency measures installed within council housing properties.

The consultation process included methods for tenants to provide comments and feedback on the proposed options which included by postcard, letter, online survey, e mail and text. A freepost address was provided for ease of return of the postcards.

Posters indicating rent options were displayed throughout the city in both Council and Community Notice Boards, in all Council Offices, Libraries, Schools, Homeless units, Community Centres, Sports Centres, Schools and Sheltered Lounges. Posters were also displayed in each of National Express Dundee's fleet of 110 buses. Freepost postcards were available in all council buildings, libraries and community centres for tenants to pick up.

In addition, public meetings were held by the DFTA and Forthill Tenants Association along with meetings being held in some Sheltered Lounges.

All tenants were invited to indicate their agreement to the three options and to outline their reasons for their responses. All Registered Tenant Organisations were also invited to submit their views on the proposed options.

Response from Tenants – Rent Options

<u>Option</u>	<u>Increase Per Week</u>	<u>No of Tenants Who Confirmed Preference</u>	<u>% of Tenants</u>
Rent Option 1	2.5% Avg £1.69	1244	68%
Rent Option 2	2.75% Avg £1.86	237	13%
Rent Option 3	3.00% Avg £2.03	219	12%
No Preference Stated		130	7%
Total		1830	100%

Response from Tenant Organisations

Dundee Federation Tenants Associations (DFTA) provided a response which indicated the following:

- The Dundee Federation of Tenants Associations (DFTA) agreed that option one, a rent increase of 2.5% (Average increase of £1.69 per week) was their choice. The Federation noted that future investment is necessary. However the Committee felt that due to the current financial climate, welfare reform and the number of people being sanctioned that more could have been done to find a balance between what is needed in terms of finance and what tenants can afford to pay. A lower option would have been welcomed given that the CPI figure for September 2014 was half that of option one.

The response from Registered Tenant Organisations indicated the following:-

Forthill Tenants Association

- The Forthill Tenants Association wished to make it known that option one a rent increase of 2.5% (average increase of £1.69 per week) should be the rent increase for 2015/16. The Association was of the view that with the financial situation in the city, this option would still provide the same outcomes as in 2014/15. With many tenants experiencing financial hardship it would be difficult for them to afford to pay any more than option one.

As most of the tenants in the Forthill area are sheltered tenants it was noted that tenants are happy to see no increase in the Warden service charge for 2015/16. The Association hoped this would give tenants the same service as they had in 2014/15 and would continue to give them value for money in 2015/16 from the Warden service charge.

Bottom of the Hill Tenants Association (BOTH)

- The Bottom of the Hill Tenants Association advised that they would support option three a rent increase of 3% (average increase of £2.09 per week), This was based on their view that energy efficiency standards and new build housing were important and that the more money received via rents, the more the service can offer.

Balmoral Tenants and Residents Association

- Balmoral Tenants and Residents Association advised that they would support option one a rent increase of 2.5% (average increase of £1.69 per week) this being the lowest increase. The reason given was the number of people working who are struggling to pay rent and bills.

Dundee West Communities Association

- Dundee West Communities Association advised they would support option one a rent increase of 2.5% (average increase of £1.69 per week), However no reason was provided in support of this.

Charleston Tenants and Residents Association

- Charleston Tenants and Residents Association advised they would support option one a rent increase of 2.5% (average increase of £1.69 per week), However no reason was provided in support of this.

Barnhill Tenants and Residents Association

- Barnhill Tenants and Residents Association advised they would support option one a rent increase of 2.5% (average increase of £1.69 per week), This was due to the number of individuals struggling financially and using foodbanks. The view of the association was that the lowest option would be best for everyone.