

REPORT TO: HOUSING COMMITTEE – 27 OCTOBER 2014

REPORT ON: REVIEW OF RENTS AND OTHER HOUSING CHARGES 2015/16

REPORT BY: DIRECTOR OF HOUSING

REPORT NO. 407-2014

1. PURPOSE OF REPORT

- 1.1. To seek approval to consult with tenants on the proposed rent increase and other related charges for 2015/16.

2. RECOMMENDATIONS

- 2.1. It is recommended that Committee:

- (i) approve that the Director of Housing consult for a two month period with tenants on the proposed options for the rent increase for 2015/16.
- (ii) note that estimated rent increases for 2016/17 and 2017/18 will be included in the consultation document to tenants to provide an indication of future rent levels.
- (iii) agree that only the rent options which have been the subject of consultation with tenants over the 2 month period be used to set the 2015/16 Housing Revenue Account Budget and Rent and Other Housing Charges.

3. FINANCIAL IMPLICATIONS

- 3.1. The Housing Revenue Account cannot be subsidised by any other Council fund. The options which it is proposed to provide to tenants on the 2015/16 rent levels will result in the 2015/16 Housing Revenue Account being self-balancing.

The three options which it is proposed to provide to tenants allow for maintaining the Scottish Housing Quality Standard (SHQS) within our stock, progress towards achieving the Energy Efficiency Standard for Social Housing (EESH) by 2020 and to continue to develop Council new build housing.

4. MAIN TEXT

The 2015/16 Budget [Appendix 1] has been calculated to ensure sufficient income is in place so that current service standards and the Scottish Housing Quality Standard can be maintained, along with working towards achieving the Energy Efficiency Standard for Social Housing (EESH) by 2020 and to continue to develop Council new build housing.

In preparing the budget the following assumptions have been made:

- (i) The provision for bad debts will decrease by £280k to allow for the revised impact of the Welfare Reform changes.
- (ii) Loan Charges will decrease by £282k as a result of a fall in loan interest rates offset by the financing of £1.2m investment in the advancement of the new build programme.

- (iii) Planned Maintenance will increase by £692k to allow for the undertaking of various environmental neighbourhood initiatives, improving the cyclical maintenance and taking the pressure off the housing capital budget.
- (iv) Rental income will fall by £596k due to a reduction in the housing stock.
- (v) The costs associated with Repairs and Maintenance (including Relets) will increase by £148k.
- (vi) A salary provision of 1.5% will be made for 2015/16 at a cost of £113k
- (vii) There will be an increase in salaries of £124k due to the introduction of an integrated I.T. system.

Rent Options

- 4.1. Inflation has been calculated using a basket of indices comprising the consumer price index, the producer prices index and pay awards. The August 2014 inflation rate using this basket of indices plus 1% is 2.26%. The options which it is proposed to provide to tenants are:

% Increase	Average Weekly Increase	Impact on Service Delivery
2.50%	£1.69	Current Service Standards Maintained. £1.2m capital expenditure included to continue the New Build programme with the provision of disabled access housing.
2.75%	£1.86	Current Service Standards Maintained. £1.2m capital expenditure included to continue the New Build programme with the provision of disabled access housing. Additional capital expenditure of £1.2m to advance the Energy Efficiency Programme. This will accelerate the goal of achieving the Energy Efficiency Standard for Social Housing by 2020.
3.00%	£2.03	Current Service Standards Maintained. £2.4m capital expenditure included to continue the New Build programme with the provision of disabled access housing. Additional capital expenditure of £1.2m to advance the Energy Efficiency Programme. This will accelerate the goal of achieving the Energy Efficiency Standard for Social Housing by 2020.

It is proposed that the maximum weekly increase will be capped at £2.50 for the 2.50% increase, £2.50 for the 2.75% increase, and £2.75 for the 3.00% increase.

Other Charges

- 4.2 The consultation process will also include details relating to other Housing Charges which are being maintained at current level. All charges are based on a 52 week basis:-
- (i) the sheltered housing budget for 2015/16 shows a breakeven position based on current charges which will be frozen at £26.94 per week.

- (ii) the communal cleaning charge remains at its current level of £1.34 per week.
- (iii) the electricity charge for Brington Place and Baluniefield Sheltered Housing remain at their current level of £6.46 and £7.11 per week for 2015/16.
- (iv) charges for Car Parking facilities remain at their current levels with no proposed increase:
 - Garage Lock Ups £8.77 per week;
 - Garage Sites £2.54 per week.

Future Rent Increases

- 4.3 Information will be provided to tenants on future increases from 2016 to 2018. The estimates are based on our current forecasts and assumptions and may change in line with external factors such as inflation and interest rates movements.

The two year projections shown below are based on current projected capital expenditure and capital receipts:

- > 2016/17 = 2.5% increase;
- > 2017/18 = 2.5% increase.

Consultation

- 4.4 The Housing Department propose to further consult tenants on the proposals by posting the details as to how and when to comment as follows:
- Local Community Events Planned through November and December
 - Information will be provided on public information boards in Council Offices;
 - Information will be displayed on the Council's Website;
 - Information will be issued to all Registered Tenants' Organisations;
 - Information will be included in the Housing News.

Following the consultation period and having regard to the proposals and the views expressed during the consultation, there will be a report to Housing Committee on 26 January, 2015.

5. **POLICY IMPLICATIONS**

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.

6. **CONSULTATIONS**

- 6.1. The Chief Executive, Director of Corporate Services and the Head of Democratic and Legal Services and all other Chief Officers have been consulted and are in agreement with the contents of this report.

7. **BACKGROUND PAPERS**

None.

ELAINE ZWIRLEIN
DIRECTOR OF HOUSING

15 OCTOBER, 2014

APPENDIX 1

<u>HOUSING REVENUE ACCOUNT</u>			
		Final	Provisional
		Revenue	Revenue
		Budget	Budget
		2014/15	2015/16
		£000	£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	667
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	16,187
SUPPLIES & SERVICES			
Equipment and Furniture		63	44
Liabilities Insurance		658	658
Clothing, Uniforms and Laundry		6	6
Printing, Stationery and 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	1,531
TRANSPORT COSTS			
Repairs and Maintenance and 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 PAYMENTS		71	53
SUPPORT SERVICES			
Recharge from Central Support Departments	Note 3	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	Note 1+2	19,982	19,699
PLANNED MAINTENANCE		4,058	4,750
<u>TOTAL GROSS EXPENDITURE</u>		54,849	55,317
<u>INCOME</u>			
Internal Recharge to Other Housing		905	885
Rents, Fees and Charges		49,522	48,926
Contribution from Insurance Fund		200	200
Interest		10	10
Sheltered Housing Management Charge		2,794	2,779
Other Income		1,418	1,394
<u>TOTAL INCOME</u>		54,849	54,194
<u>TOTAL NET EXPENDITURE</u>	Note 1+2	0	1,123

Note 1 - If the option of a 2.75% increase is chosen Loan Charges would increase by a further £112k to £19.811m with a total net expenditure figure of £1.235m.

Note 2 - If the option of a 3.00% increase is chosen, Loan Charges would increase by a further £224k to £19.923m with a total net expenditure figure of £1.357m.

Note 3 - Central Support charges will increase 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.