

REPORT TO: HOUSING COMMITTEE – 28 JANUARY 2013

REPORT ON: REVIEW OF RENTS AND OTHER HOUSING CHARGES

REPORT BY: DIRECTOR OF HOUSING

REPORT NO.: 45-2013

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 2013/2014.

2. RECOMMENDATIONS

- 2.1. It is recommended that the Housing Committee agree that:

- (i) rents be increased by 5.00% equal to £3.15 per week (£3.41 - 48 week basis) on average subject to maximum increase of £4.00 from 1 April 2013.
- (ii) charges for Car Parking facilities remain unchanged as follows from 1 April 2013:
 - Garage Lock Ups £8.77 per week (£9.50 - 48 week basis);
 - Underground Parking Bays £2.54 per week (£2.75 - 48 week basis);
 - Garage Sites £2.54 per week (£2.75 - 48 week basis).
- (iii) heating charges for the sheltered housing accommodation be increased by 25p per week for Brington Place to £7.00 per week and Baluniefield to £7.70 per week from 1 April 2013.
- (iv) the Sheltered Housing service charge remains unchanged for the financial year 2013/14 at £26.94 per week (£29.19 - 48 week basis).
- (v) the communal cleaning charge be increased by 5p per week to £1.45.
- (vi) charges for the provision of Homeless Temporary Accommodation be unchanged for the financial year 2013/14.
- (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 and garage sites, subject to categorisation where appropriate.
- (viii) Other Charges be maintained at current rates from April, 2013 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 2013/2014, along with the above proposed review of rents and charges, will result in the 2013/2014 Housing Revenue Account being self-balancing.

The proposed rent increase would allow for the continued delivery of the Scottish Housing Quality Standard.

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 3.24%, while the October 2012 basket of indices + 1% would provide a figure of 3.48%. The recommended rent increase of 5.00% is required to maintain the delivery of the Scottish Housing Quality Standard.

- 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 increased by £1,719,832. This reflects increased borrowing within the Prudential Framework.
- (b) Lost Rents - the provision for Lost Rents, excluding Bad Debts, has been reduced by £35,522 to reflect the improvements made to the Letting procedures.
- (c) Staff costs - the provision for Salaries and Wages has been reduced by £152,702 as a result of early retirements and the requirement for less caretakers due to the multi-storey demolition programme.
- (d) The budget for the Sheltered Housing Warden Service shows a breakeven position.

- 4.4. Reductions in stock through sales and demolitions continue to affect the income to the Department. Rental income for the year 2013/2014 is projected at £42,556,981 a reduction of £839,854.

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 2 April 2012 to 478.5% 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 2013/2014 is £4.00 per week based on 502.5% 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 2013/14 as follows:

- Garages/Lock Ups £8.77 per week (£9.50 -48 week basis).
- Underground Parking Bays £2.54 per week (£2.75 - 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 2012/13.:

| | <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 week.
Tumble Drier - £1.10 per week.
Cabinet Drier - £1.10 per week.

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. Progress on the action plan will be reported quarterly to Policy and Resources Committee.

6. CONCLUSION

- 6.1. The proposed rent increase will ensure sufficient financial resources are in place to deliver the Scottish Housing Quality Standard by 2015.

6. POLICY IMPLICATIONS

- 6.1 This Report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management.
- 6.2 An Equality Impact Assessment has been carried out and will be made available on the Council Website <http://www.dundee.gov.uk/equanddiv/equimpact/>.

7. CONSULTATIONS

- 7.1 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.
- 7.2 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, 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 2012. Appendix 2 outlines the results received from the consultation exercise.

8. **BACKGROUND PAPERS**

8.1 Equality Impact Assessment.

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JANUARY 2013

APPENDIX 1**HOUSING REVENUE ACCOUNT****REVENUE BUDGET 2012/2014**

| | Final Revenue Budget 2012/13 £000 | Provisional Revenue Budget 2013/14 £000 |
|--|--|--|
| <u>EXPENDITURE</u> | | |
| STAFF COSTS | | |
| Salaries and Wages(incl NI and Supn) | | |
| Chief Officials | 352 | 354 |
| Local Government Employees | 10,774 | 10,589 |
| Supplementary Superannuation Charges | 85 | 90 |
| Staff Training | 80 | 50 |
| TOTAL STAFF COSTS | 11,291 | 11,083 |
| PROPERTY COSTS | | |
| Rents | 425 | 417 |
| Non Domestic Rates | 367 | 355 |
| Property Insurance | 667 | 667 |
| Repairs and Maintenance | 10,866 | 10,872 |
| Health and Safety Contracts | 130 | 130 |
| Energy Costs | 629 | 654 |
| Fixtures and Fittings | 40 | 42 |
| Cleaning Costs | 53 | 44 |
| Security Costs | 200 | 200 |
| Lost Rents and Bad Debts | 1,575 | 1,558 |
| Open Space Maintenance | 837 | 855 |
| TOTAL PROPERTY COSTS | 15,789 | 15,794 |
| SUPPLIES & SERVICES | | |
| Equipment and Furniture | 71 | 77 |
| Liabilities Insurance | 658 | 658 |
| Clothing, Uniforms and Laundry | 7 | 5 |
| Printing, Stationery & General Office Expenses | 156 | 150 |
| Professional Fees | 96 | 94 |
| Postages, etc | 68 | 69 |
| Telephones | 115 | 111 |
| Storage | 125 | 127 |
| Other Supplies and Services | 301 | 347 |
| TOTAL SUPPLIES & SERVICES | 1,597 | 1,638 |

TRANSPORT COSTS

| | | |
|---|-----------|-----------|
| Repairs and Maintenance & Other Running Costs | 17 | 17 |
| Transport Insurance | 2 | 2 |
| Car Allowances | 77 | 74 |
| TOTAL TRANSPORT COSTS | 96 | 93 |

THIRD PARTY PAYMENTS

| | | |
|-----------------------------------|-----------|-----------|
| Voluntary Organisations | 71 | 71 |
| TOTAL THIRD PARTY PAYMENTS | 71 | 71 |

SUPPORT SERVICES

| | | |
|---|--------------|--------------|
| Recharge from Central Support Departments | 1,725 | 1,727 |
| TOTAL SUPPORT SERVICES | 1,725 | 1,727 |

CAPITAL FINANCING COSTS

| | | |
|--------------------------------------|---------------|---------------|
| Loan Repayments | 9,564 | 11,067 |
| Loan Interest | 8,572 | 8,767 |
| Loans Fund Expenses | 102 | 124 |
| Leasing Charges | 396 | 96 |
| TOTAL CAPITAL FINANCING COSTS | 18,634 | 20,054 |

PLANNED MAINTENANCE

| | | |
|--|-------|-------|
| | 3,840 | 3,790 |
|--|-------|-------|

TOTAL GROSS EXPENDITURE

| | | |
|--|--------|--------|
| | 53,043 | 54,250 |
|--|--------|--------|

INCOME

| | | |
|-------------------------------------|---------------|---------------|
| Internal Recharge to Other Housing | 970 | 961 |
| Fees and Charges | 2,873 | 2,858 |
| Rents | 44,684 | 43,863 |
| Contribution from Insurance Fund | 200 | 200 |
| Interest | 10 | 10 |
| Sheltered Housing Management Charge | 2,778 | 2,772 |
| Other Income | 1,528 | 1,461 |
| <u>TOTAL INCOME</u> | 53,043 | 52,125 |

TOTAL NET EXPENDITURE

| | | |
|--|---|-------|
| | 0 | 2,125 |
|--|---|-------|

Consultation Process

The consultation process for the 2013/14 Rent increase ran from the 1st November 2012 to 31st December 2012. The Rent Consultation information which included, community events, posters and postcards outlined three options for the 2013/14 rent increase and provided justification on each of these.

Local community events were held in November and December. The events were setup up in community centres, libraries along with attending other busy locations throughout the city. Tenants were provided with an opportunity to find out the reasons why rent increases were being proposed and also to record their views on the three options being consulted on.

The consultation process included methods for tenants to provided comments and feedback on the proposed options which included letter, online survey, e mail, text and QR codes.

Posters indicating rent options were displayed in Council Offices, Libraries, Community Centres and on Council Notice Boards.

Posters and postcards outlining proposed charges for sheltered warden were posted in all sheltered lounges and buildings.

All tenants were invited to indicate their agreement/disagreement and outline their reasons for their response. All tenant organisations registered with the council were also invited to submit their views on the rent level 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 | 5.0% Avg £3.15 | 914 | 57% |
| Rent Option 2 | 5.25% Avg £3.31 | 458 | 29% |
| Rent Option 3 | 5.50% Avg £3.47 | 179 | 11% |
| No Preference Stated | | 53 | 3% |
| Total | | 1,604 | 100% |

Response from Tenants – Sheltered Charge Option

| <u>Option</u> | <u>No of Tenants who Confirmed preference</u> | <u>% of Tenants</u> |
|---------------|---|---------------------|
| No Increase | 155 | 44% |
| 50p Increase | 195 | 56% |
| Total | 350 | 100% |

Response from Tenant Organisations

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

- DFTA have no definitive opinion on what the right option should be as this is a matter for individual tenants to reach a position on, depending on their circumstances.
- A newsletter for tenants was produced detailing what should be considered by tenants in making their decision.
- The proposed sheltered charge increase of 50p was not supported.

The response from Registered Tenant Organisations indicated the following:-

Forthill Tenants Association:-

- Noted that they would support an increase of 5.25 % as they feel this would still give them the same service as at present, but with the extra income it would give more energy efficiencies for the properties which would be beneficial in the long run.
- The proposed sheltered charge increase of 50p was not supported.

Whitfield Avenue Semis Tenants Association:-

- Noted that they would support the minimum increase of 5%

Whitfield Rise Action Group:-

- Noted that they would support the minimum increase of 5%

Hindmarsh:-

- Majority of tenants of tenants voted against increase in rents and service charge

Charleston:-

- No Committee members gave opinions when asked to by the chair

St Mary's Association of Residents and Tenants:-

- Noted that they would support an increase of 5.25%
- The proposed sheltered charge increase of 50p was not supported

No other Registered Tenants Organisation has expressed a view on their preferred rent level.