

REPORT TO: HOUSING COMMITTEE – 27 JANUARY 2014
REPORT ON: REVIEW OF RENTS AND OTHER HOUSING CHARGES
REPORT BY: DIRECTOR OF HOUSING
REPORT NO: 32-2014

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 2014/2015.

2. RECOMMENDATIONS

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

- (i) rents be increased by 2.25% equal to £1.49 per week (£1.61 - 48 week basis) on average subject to maximum increase of £2.25 from 7 April 2014.
- (ii) charges for Car Parking facilities remain unchanged as follows from 7 April 2014:
 - 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 remain unchanged for the financial year 2014/15 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 2014/15 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 2014/15.
- (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, 2014 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 2014/2015, along with the above proposed review of rents and charges, will result in the 2014/2015 Housing Revenue Account being self-balancing.

The proposed rent increase would allow for the continued delivery of the Scottish Housing Quality Standard and completion of this by March 2015 along with continuing to improve energy efficiency in Council properties.

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 2.76%, while the October 2013 basket of indices + 1% would provide a figure of 2.40%. The recommended rent increase of 2.25% 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. Notwithstanding the above, should any surplus accrue 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 (including leasing charges) have reduced by £72k. This reflects increased borrowing within the Prudential Framework offset by a reduction in interest rates. The Capital Financing Costs include the additional investment of £1.2m to accelerate the energy efficiency programme.
 - (b) Lost Rents - the provision for bad debts has been increased by £640k to allow for the potential impact of the UK Governments Welfare Reform Changes which is offset by a reduction in the void rent loss of £80k.
 - (c) Planned Maintenance – the provision for planned maintenance has been increased by £269k to allow for additional urgent roof repairs to be carried out and the legal requirement for electrical testing to be completed.
 - (d) Staff costs - the provision for Salaries and Wages has been reduced by £108k as a result of early retirements and the requirement for less caretakers due to the multi-storey demolition programme.
 - (e) 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 from housing stock for the year 2014/2015 is projected at £44.296m a reduction of £386k.

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 1 April 2013 to 502.5% 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 2014/2015 is £2.25 per week based on 513.5% 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 2014/15 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 2013/14:

	1 Apt.	2 Apt.	3 Apt.	4 Apt.	5 Apt.
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 for Homeless Temporary Accommodation 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).

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.

WELFARE REFORM CHANGES

- 4.11. 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 is being reported to the Council's Policy and Resources Committee.

5. **CONCLUSION**

- 5.1. 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. There are no major issues.

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 2013. Appendix 2 outlines the results received from the consultation exercise.

8. **BACKGROUND PAPERS**

- 8.1 None.

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JANUARY 2014

HOUSING REVENUE ACCOUNT

REVENUE BUDGET 2014/2015

	Final Revenue Budget 2013/2014 £000	Provisional Revenue Budget 2014/2015 £000
<u>EXPENDITURE</u>		
STAFF COSTS		
Salaries and Wages (including NI and Supn):		
Chief Officials	354	358
Local Government Employees	10,589	10,480
Supplementary Superannuation Charges	90	100
Staff Training	<u>50</u>	<u>50</u>
<u>TOTAL STAFF COSTS</u>	<u>11,083</u>	<u>10,988</u>
PROPERTY COSTS		
Rents	417	340
Non Domestic Rates	355	338
Property Insurance	667	667
Repairs and Maintenance	10,872	11,096
Health and Safety Contracts	130	140
Energy Costs	654	632
Fixtures and Fittings	42	44
Cleaning Costs	44	35
Security Costs	200	140
Lost Rents and Bad Debts	1,558	2,092
Open Space Maintenance	<u>855</u>	<u>864</u>
<u>TOTAL PROPERTY COSTS</u>	<u>15,794</u>	<u>16,388</u>
SUPPLIES & SERVICES		
Equipment and Furniture	77	63
Liabilities Insurance	658	658
Clothing, Uniforms and Laundry	5	6
Printing, Stationery and General Office Expenses	150	146
Professional Fees	94	99
Postages, etc	69	72
Telephones	111	98
Storage	127	111
Other Supplies and Services	<u>347</u>	<u>400</u>
<u>TOTAL SUPPLIES & SERVICES</u>	<u>1,638</u>	<u>1,653</u>
TRANSPORT COSTS		
Repairs and Maintenance and Other Running Costs	17	15
Transport Insurance	2	2
Car Allowances	<u>74</u>	<u>56</u>
<u>TOTAL TRANSPORT COSTS</u>	<u>93</u>	<u>73</u>
THIRD PARTY PAYMENTS		
Voluntary Organisations	<u>71</u>	<u>71</u>
<u>TOTAL THIRD PARTY PAYMENTS</u>	<u>71</u>	<u>71</u>
SUPPORT SERVICES		
Recharge from Central Support Departments	<u>1,727</u>	<u>1,636</u>
<u>TOTAL SUPPORT SERVICES</u>	<u>1,727</u>	<u>1,636</u>

HOUSING REVENUE ACCOUNT

REVENUE BUDGET 2014/2015

	Final Revenue Budget 2013/2014 £000	Provisional Revenue Budget 2014/2015 £000
CAPITAL FINANCING COSTS		
Loan Repayments	11,067	11,419
Loan Interest	8,767	8,436
Loans Fund Expenses	124	127
Leasing Charges	<u>96</u>	<u>0</u>
TOTAL CAPITAL FINANCING COSTS	<u>20,054</u>	<u>19,982</u>
PLANNED MAINTENANCE	<u>3,790</u>	<u>4,058</u>
<u>TOTAL GROSS EXPENDITURE</u>	<u>54,250</u>	<u>54,849</u>
<u>INCOME</u>		
Internal Recharge to Other Housing	961	905
Fees and Charges	2,858	2,796
Rents	45,988	45,729
Contribution from Insurance Fund	200	200
Interest	10	10
Sheltered Housing Management Charge	2,772	2,794
Other Income	<u>1,461</u>	<u>1,418</u>
<u>TOTAL INCOME</u>	<u>54,250</u>	<u>53,852</u>
<u>TOTAL NET EXPENDITURE</u>	=	<u>997</u>

Appendix 2

Consultation Process

The consultation process for the 2014/15 Rent Increase ran from 1st November 2013 to 31st December 2013. The Rent Consultation information which included community events, posters and postcards outlined three options for the 2014/15 rent increase and provided the reasons for each of these.

Local community events were held throughout November and December and were set up in a variety of locations including libraries, community centres, supermarkets, carparks along with attending other busy locations throughout the city. Tenants were provided with an opportunity to find out 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.

The consultation process included methods for tenants to provide comments and feedback on the proposed options which included by postcard, letter, online survey, email 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, 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.

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	2.25% Avg £1.49	893	58%
Rent Option 2	2.50% Avg £1.66	311	20%
Rent Option 3	2.75% Avg £1.82	283	19%
No Preference Stated		49	3%
	Total	1,536	100%

Response from Tenant Organisations

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

- The DFTA fully appreciate the hard work done by Housing Management and Staff in the efficiency savings made over the past year which has helped keep the 2014/15 rent options lower than expected. The DFTA would support any of the three rent options being proposed in the 2014/15 rent consultation.

The response from Registered Tenant Organisations indicated the following:-

Forthill Tenants Association:-

- We would like to go for the option of 2.5% as we feel this would give us the same service as before, but this would also give the City some New Social Housing as Dundee is very short of affordable housing due to the impact of the Under Occupancy Charge since April 2013. Also with the possibility of having affordable energy systems installed in many of the houses across the city, hopefully this would give the tenants of Dundee City Council value for money from their rent.

Bottom of the Hill Tenants Association (BOTH)

- Would support option 3 as more new build properties are required due to the Under Occupancy Charge and the shortage of available two bedroom properties.