

ITEM No ...2.....

REPORT TO: NEIGHBOURHOOD SERVICES COMMITTEE – 31 OCTOBER 2016
REPORT ON: REVIEW OF RENTS AND OTHER HOUSING CHARGES 2017/18
REPORT BY: EXECUTIVE DIRECTOR OF NEIGHBOURHOOD SERVICES
REPORT NO. 341-2016

1. PURPOSE OF REPORT

- 1.1. To seek approval to consult with tenants on the proposed rent increase and other related housing charges for 2017/18.

2. RECOMMENDATIONS

- 2.1. It is recommended that Committee:

- (i) approve that the Executive Director of Neighbourhood Services consult for a two month period with tenants on the proposed options for the rent increase for 2017/18.
- (ii) note that estimated rent increases for 2018/19 and 2019/20 will be included in the consultation document to tenants to provide an indication of future rent levels.
- (iii) agree that only the rent options (see para 4.3) which have been the subject of consultation with tenants over the 2 month period be used to set the 2017/18 Housing Revenue Account Budget and Rent and Other Housing Charges.
- (iv) note that it is not proposed to increase any of the 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 2017/18 rent levels will result in the 2017/18 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 (ESSH) by 2020 and to continue to develop Council new build housing.

4. MAIN TEXT

- 4.1 The 2017/18 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 (ESSH) by 2020 and to continue to develop Council new build housing.

4.2 In preparing the budget the following assumptions have been made:

- (i) The provision for bad debts will decrease by £0.100m but is still at a level to ensure the HRA has adequate provision to cover a potential increase in rent arrears.
- (ii) Loan Charges will decrease by £0.399m, mainly as a result of a reduction in the level of interest rates although this is offset by additional borrowing costs that have been included to allow additional capital expenditure of £3.116m in Energy Efficiency improvements.

This significant investment highlights the Council's commitment to achieving the Energy Efficiency Standard for Social Housing and addressing the level of Fuel Poverty within the city as recommended in the Fairness Commission.

- (iii) In addition, the level of loan charges budgeted will also allow for the substantial capital improvements included in the HRA Capital Plan 2017-22.
- (iv) Rental income will fall by £0.569m due to a reduction in the housing stock.
- (v) A Hardship Fund of £0.250m has been continued to assist those tenants suffering hardship in the payment of rents as a result of the UK Government Welfare Reform. This fund will be for Council Tenants only and provide assistance to avoid debt increasing for those in financial hardship.
- (vi) Planned Maintenance will increase by a further £0.150m in respect of additional Environmental Improvements.
- (vii) Sheltered housing charges are frozen for the 6th consecutive year.
- (viii) Other charges for services including communal cleaning and car parking facilities remain unchanged.

4.3 Rent Options

Inflation has been calculated using a basket of indices comprising the consumer price index, the producer prices index and pay awards. The August 2016 inflation rate using this basket of indices plus 1% is 1.96%. The options which it is proposed to provide to tenants are:

% Increase	Average Weekly Increase	Impact on Service Delivery
1.25%	£0.87	Current Service Standards Maintained.
1.50%	£1.05	Current Service Standards Maintained. Additional environmental improvements of £0.114m will be undertaken.

1.75%	£1.22	<p>Current Service Standards Maintained.</p> <p>Additional environmental improvements of £0.114m will be undertaken.</p> <p>Further capital expenditure of £1.25m to advance the Energy Efficiency Programme. This will accelerate the goal of achieving the Energy Efficiency Standard for Social Housing by 2020.</p>
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It is proposed that the maximum weekly increase will be capped at £1.25 for the 1.25% increase, £1.50 for the 1.50% increase, and £1.75 for the 1.75% increase.

4.4 Other Charges

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 2017/18 shows a breakeven position based on current charges of £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 2016/17.
- (iv) charges for Car Parking facilities remain at their current levels with no proposed increase:
 - Garage Lock Ups £8.77 per week; and
 - Garage Sites £2.54 per week.

4.5 Future Rent Increases

Information will be provided to tenants on future increases from 2018 to 2020. 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:

- > 2018/19 = 2.00% increase;
- > 2019/20 = 2.00% increase.

4.6 Consultation

Neighbourhood Services 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;
- Information will be displayed on the Council's Website; and
- Information will be issued to all Registered Tenants' Organisations.

Following the consultation period and having regard to the proposals and the views expressed during the consultation, there will be a report to the Neighbourhood Services Committee on 23 January, 2017.

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, 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
EXECUTIVE DIRECTOR OF NEIGHBOURHOOD SERVICES

13th October, 2016

APPENDIX 1

<u>HOUSING REVENUE ACCOUNT</u>			
		Final	Provisional
		Revenue	Revenue
		Budget	Budget
		2016/17	2017/18
		£000	£000
<u>EXPENDITURE</u>			
STAFF COSTS			
Salaries and Wages (incl NI and Supn)			
Chief Officials		123	141
Local Government Employees		9,390	9,012
Supplementary Superannuation Charges		120	145
Staff Training		30	40
TOTAL STAFF COSTS		9,663	9,338
PROPERTY COSTS			
Rents – Rent for Network, Reid Square		143	151
Non Domestic Rates – Properties East, West		258	263
Property Insurance – Building Insurance East/West		567	567
Repairs and Maintenance – Relets, R&M		11,162	11,247
Health and Safety Contracts – City Development		150	150
Energy Costs – Heat and Light offices		564	542
Fixtures and Fittings – Furnishings		45	41
Cleaning Costs		27	27
Security Costs		50	0
Lost Rents and Bad Debts		1,955	1,863
Open Space & Garden Maintenance		1,117	1,120
TOTAL PROPERTY COSTS		16,038	15,971
SUPPLIES & SERVICES			
Equipment and Furniture – Replacements		26	26
Liabilities Insurance – Employers, Transport		558	558
Clothing, Uniforms and Laundry		5	4
Printing, Stationery and General Office Expenses		121	117
Professional Fees – Sheriff Officers		94	83
Postages, etc.		70	60
Telephones		80	63
Other Supplies & Services-Hardship Fund, Community Alarms, Software Maintenance		717	802
TOTAL SUPPLIES & SERVICES		1,671	1,713
TRANSPORT COSTS			
Repairs and Maintenance and Other Running Costs		7	7
Transport Insurance		2	2
Car Allowances		60	56

TOTAL TRANSPORT COSTS		69	65
THIRD PARTY PAYMENTS			
Voluntary Organisations - DFTA		34	34
TOTAL THIRD PARTY PAYMENTS		34	34
SUPPORT SERVICES			
Recharge from Central Support Departments		2,770	3,023
TOTAL SUPPORT SERVICES		2,770	3,023
CAPITAL FINANCING COSTS			
Loan Repayments	Note 1	11,128	11,042
Loan Interest		7,669	7,536
Loans Fund Expenses		62	61
TOTAL CAPITAL FINANCING COSTS		18,859	18,639
PLANNED MAINTENANCE	Note 1	4,750	4,900
<u>TOTAL GROSS EXPENDITURE</u>		53,854	53,683
<u>INCOME</u>			
Internal Recharge to Other Housing – Non HRA		871	824
Rents, Fees and Charges		48,996	48,479
Interest		10	10
Sheltered Housing Management Charge		2,838	2,815
Other Income – Recharge HMO Fees, MAPPA, Homefinder		1,139	976
<u>TOTAL INCOME</u>		53,854	53,114
<u>TOTAL NET EXPENDITURE</u>	Note 1	0	569

Note 1 - If the option of a 1.50% increase is chosen Planned Maintenance would increase by a further £114k to £5.014m with a total net expenditure figure of £683k. If the option of a 1.75% increase is chosen, in addition the above, capital financing costs would also increase by a further £114k to £18.753m with a total net expenditure figure of £797k.