

ITEM No ...2.....

REPORT TO: HOUSING COMMITTEE – 26 OCTOBER 2015

REPORT ON: REVIEW OF RENTS AND OTHER HOUSING CHARGES 2016/17

REPORT BY: EXECUTIVE DIRECTOR OF NEIGHBOURHOOD SERVICES

REPORT NO. 381-2015

1. PURPOSE OF REPORT

1.1. To seek approval to consult with tenants on the proposed rent increase and other related charges for 2016/17.

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 2016/17.
- (ii) approve that the Executive Director of Neighbourhood Services consult with tenants on moving from a charging period of 48 weeks to 52 weeks due to the implementation of Universal Credit.
- (iii) note that estimated rent increases for 2017/18 and 2018/19 will be included in the consultation document to tenants to provide an indication of future rent levels.
- (iv) 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 2016/17 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 2016/17 rent levels will result in the 2016/17 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

The 2016/17 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.

In preparing the budget the following assumptions have been made:

- (i) Loan charges include the provision of £6m investment to provide approximately 40 new build houses including the provision of disabled access housing.
- (ii) The provision for bad debts will increase by £250k, this is to ensure the HRA has adequate provision levels to cover a potential increase in rent arrears.
- (iii) Loan Charges will decrease by £478k as a result of a fall in loan interest rates.
- (iv) Rental income will fall by £588k due to a reduction in the housing stock.
- (v) A Hardship Fund of £250k has been introduced 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.

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 2015 inflation rate using this basket of indices plus 1% is 1.24%. The options which it is proposed to provide to tenants are:

% Increase	Average Weekly Increase	Impact on Service Delivery
1.00%	£0.69	Current Service Standards Maintained.
1.50%	£1.04	Current Service Standards Maintained. Additional environmental improvements of £225k will be undertaken.
2.00%	£1.39	Current Service Standards Maintained. Additional environmental improvements of £225k will be undertaken. Additional capital expenditure of £2.5m 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 £1.00 for the 1.00% increase, £1.50 for the 1.50% increase, and £1.75 for the 2.00% 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 2016/17 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;
 - Garage Sites £2.54 per week.

Future Rent Increases

- 4.3 Information will be provided to tenants on future increases from 2017 to 2019. 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:

- > 2017/18 = 2.00% increase;
- > 2018/19 = 2.25% increase.

Charging Period

- 4.4 Currently the rent, service charge and other charges for Council properties is calculated on a 48 week basis which results in 4 weeks per year which are non-chargeable. Due to the implementation of Universal Credit where payments will be made to individuals on a monthly basis, to harmonise the payment of housing costs with the rent and other charges a move to 52 week basis for collecting rents and other charges is required.

Consultation

- 4.5 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;

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 25 January, 2016.

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

OCTOBER, 2015

APPENDIX 1

HOUSING REVENUE ACCOUNT			
		Final	Provisional
		Revenue	Revenue
		Budget	Budget
		2015/16	2016/17
		£000	£000
<u>EXPENDITURE</u>			
STAFF COSTS			
Salaries and Wages (incl NI and Supn)			
Chief Officials		296	298
Local Government Employees		8,868	9,215
Supplementary Superannuation Charges		110	120
Staff Training		36	30
TOTAL STAFF COSTS		9,310	9,663
PROPERTY COSTS			
Rents		138	143
Non Domestic Rates		244	258
Property Insurance		667	667
Repairs and Maintenance		11,128	11,162
Health and Safety Contracts		150	150
Energy Costs		604	564
Fixtures and Fittings		38	45
Cleaning Costs		29	27
Security Costs		120	50
Lost Rents and Bad Debts		1,749	1,955
Open Space Maintenance		897	937
TOTAL PROPERTY COSTS		15,764	15,958
SUPPLIES & SERVICES			
Equipment and Furniture		31	26
Liabilities Insurance		658	658
Clothing, Uniforms and Laundry		6	5
Printing, Stationery and General Office Expenses		132	121
Professional Fees		67	94
Postages, etc		47	70
Telephones		78	80
Other Supplies and Services		423	717
TOTAL SUPPLIES & SERVICES		1,442	1,771
TRANSPORT COSTS			
Repairs and Maintenance and Other Running Costs		7	7
Transport Insurance		2	2
Car Allowances		57	60
TOTAL TRANSPORT COSTS		66	69

THIRD PARTY PAYMENTS			
Voluntary Organisations		54	34
TOTAL THIRD PARTY PAYMENTS		54	34
SUPPORT SERVICES			
Recharge from Central Support Departments		2,770	2,770
TOTAL SUPPORT SERVICES		2,770	2,770
CAPITAL FINANCING COSTS			
Loan Repayments		11,506	11,308
Loan Interest		8,129	7,669
Loans Fund Expenses		64	62
TOTAL CAPITAL FINANCING COSTS		19,699	19,039
PLANNED MAINTENANCE	Note 1	4,750	4,750
<u>TOTAL GROSS EXPENDITURE</u>		53,855	54,054
<u>INCOME</u>			
Internal Recharge to Other Housing		870	871
Rents, Fees and Charges		48,601	48,542
Contribution from Insurance Fund		200	200
Interest		10	10
Sheltered Housing Management Charge		2,780	2,838
Other Income		1,394	1,139
<u>TOTAL INCOME</u>		53,855	53,600
<u>TOTAL NET EXPENDITURE</u>	Note 1	0	454

Note 1 - If the option of a 1.50% increase is chosen Planned Maintenance would increase by a further £225k to £4.975m with a total net expenditure figure of £679k. If the option of a 2.00% increase is chosen loan repayments would increase by a further £225k to £11.533m with a total net expenditure figure of £904k.