

REPORT TO: HOUSING, DUNDEE CONTRACT SERVICES AND ENVIRONMENT SERVICES COMMITTEE – 25 JANUARY 2010

REPORT ON: REVIEW OF RENTS AND OTHER HOUSING CHARGES

REPORT BY: DIRECTOR OF HOUSING

REPORT NO. 53-2010

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 2010/2011.

2. RECOMMENDATIONS

2.1. It is recommended that the Housing Committee agree:

- (i) rents be increased by £2.22 per week on average subject to maximum increase of £3.00 from 5th April 2010.
- (ii) the Service Charge for the Concierge Service be increased by 30p per week from 5th April 2010.
- (iii) charges for Car Parking facilities be increased as follows from 5th April 2010:
 - Garage Lock Ups by 50p to £9.00 per week.
 - Underground Parking Bay by 25p to £2.50 per week.
 - Garage Sites by 25p to £2.50 per week.
- (iv) the levels 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.

3. FINANCIAL IMPLICATIONS

3.1. The Housing Revenue Account cannot be subsidised by any other Council fund. Approval of the proposed Housing Revenue Account Revenue Budget for 2010/2011, along with the above proposed review of rents and charges, will result in the 2010/2011 Housing Revenue Account being self-balancing.

The proposed rent increase is in line with the Scottish Housing Quality Standard submission.

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.

This produced an inflation + 1% rate of 1.9%. The October and November 2009 basket of indices + 1% would provide figures of 2.6% and 3.4% respectively. An enhanced relet standard in line with the comments from the Scottish Housing Regulator has resulted in a recommended rent rise of 4%.

- 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. Rents can be fixed at a level which creates a surplus on the Housing Revenue Account which can be transferred to the General Fund. If any surplus is generated it will be retained within the Renewal and Repair Fund for Housing Revenue Account purposes. 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. .

- 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 £1,263,360. This reflects increased borrowing within the Prudential Framework. Debt to rental income rate for 2010/11 is projected to be 39.5%.
- (b) Repairs and Maintenance - the sum for Repairs and Maintenance, including relets, has been significantly increased as in previous years to reflect the condition and maintenance requirements of the remaining Council stock. The £10,203,019 allocated allows for application of Best Value criteria.
- (c) The budgets for Sheltered Housing Wardens Service show 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 2010/2011 is projected at £39,138,269 a reduction of £213,256.

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 6th April 2009 to 420% 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 2010/2011 is £3.00 based on 436.5% of GAV.

SERVICE CHARGES

- 4.7. As in previous years tenants benefiting from the Concierge Service will contribute to the costs of that service via a Service Charge.
- 4.8. The income from concierge service has reduced significantly due to the planned demolition of Alexander Street and Derby Street multistoreys. This has resulted in around only 10% of the costs being funded through service charges. The budget for concierge services in 2010/11 has reduced by £142,000 compared with prior year due to the planned closure of the Alexander Street Multi-Storey Block.

RECOVERY OF RENT

- 4.9. The rent increase will be recovered as follows:

Council Tenants	£ 517,371
Council Tax/General Fund	£ 52,521
Housing Benefit	<u>£ 997,898</u>
	£1,567,790

- 4.10. Approximately 67% of Council Tenants are eligible for Housing Benefit and the rent increase for these tenants will be covered through the Benefit system.

CAR PARKING

- 4.11. 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. In order to meet the requirement for repairs to garage lock ups and to comply with legislation it is necessary to increase charges as follows:

- Garages/Lock-Ups up by 50p to £9.00 per week.
- Underground Parking Bays up by 25p to £2.50 per week.
- Garage Sites up by 25p to £2.50 per week.

CONCLUSION

- 4.12. To provide the best level of service requires adequate financial resources and, in particular, sufficient finance has to be made available for repairs and maintenance and staffing. This expenditure has to be fully met from rents, a significant number of tenants will be protected through the Housing Benefits system. A lower rent increase would result in a poorer service, including less repairs and improvements to properties.

Reducing the rent increase to below that recommended will have an adverse effect on the delivery of the Scottish Housing Quality Standard.

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, Depute Chief Executive (Support Services), Assistant Chief Executive, Director of Finance and all other Chief Officers have been consulted in the preparation of this report.
- 6.2. 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 an Open Day for tenants where the process for rent consultation was highlighted and illustrations of a range of rent increases were made. A formal consultation on rents, presenting similar information to all tenants commenced at the end of November. This was done through the distribution of a housing bulletin. The consultation closed on 30th December 2009. Appendix 2 outlines the comments received from the consultation exercise.

7. **BACKGROUND PAPERS**

- 7.1. None.

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DIRECTOR OF HOUSING

JANUARY, 2010

HOUSING REVENUE ACCOUNT

REVENUE BUDGET 2010/2011

	Final Revenue Budget 2009/10 £000	Provisional Revenue Budget 2010/11 £000
<u>EXPENDITURE</u>		
STAFF COSTS		
Salaries and Wages (including NI and Supn):		
Chief Officials	115	116
Local Government Employees	12,079	11,796
Supplementary Superannuation Charges	60	65
Staff Training	<u>45</u>	<u>157</u>
<u>TOTAL STAFF COSTS</u>	<u>12,299</u>	<u>12,134</u>
PROPERTY COSTS		
Rents	395	499
Non Domestic Rates	363	370
Property Insurance	666	672
Repairs and Maintenance	9,172	10,581
Health and Safety Contracts	125	130
Energy Costs	561	556
Fixtures and Fittings	75	80
Cleaning Costs	61	61
Lost Rents and Bad Debts	1,579	1,671
Open Space Maintenance	<u>909</u>	<u>837</u>
<u>TOTAL PROPERTY COSTS</u>	<u>13,906</u>	<u>15,457</u>
SUPPLIES & SERVICES		
Equipment and Furniture	120	149
Liabilities Insurance	643	660
Clothing, Uniforms and Laundry	12	10
Printing, Stationery and General Office Expenses	164	163
Professional Fees	96	92
Postages, etc	63	73
Telephones	165	123
Storage	140	130
Bed & Breakfast	30	15
Other Supplies and Services	<u>181</u>	<u>185</u>
<u>TOTAL SUPPLIES & SERVICES</u>	<u>1,614</u>	<u>1,600</u>
<u>TRANSPORT COSTS</u>		
Repairs and Maintenance and Other Running Costs	14	21
Transport Insurance	2	2
Car Allowances	<u>81</u>	<u>76</u>
<u>TOTAL TRANSPORT COSTS</u>	<u>97</u>	<u>99</u>
THIRD PARTY PAYMENTS		
Voluntary Organisations	<u>89</u>	<u>73</u>
<u>TOTAL THIRD PARTY PAYMENTS</u>	<u>89</u>	<u>73</u>
SUPPORT SERVICES		
Recharge from Central Support Departments	<u>1,606</u>	<u>1,764</u>
<u>TOTAL SUPPORT SERVICES</u>	<u>1,606</u>	<u>1,764</u>

HOUSING REVENUE ACCOUNT

REVENUE BUDGET 2010/2011

	Final Revenue Budget 2009/10 £000	Provisional Revenue Budget 2010/11 £000
CAPITAL FINANCING COSTS		
Loan Repayments	6,707	7,846
Loan Interest	7,606	7,726
Loans Fund Expenses	91	95
Leasing Charges	<u>396</u>	<u>396</u>
TOTAL CAPITAL FINANCING COSTS	<u>14,800</u>	<u>16,063</u>
PLANNED MAINTENANCE	<u>5345</u>	<u>3,227</u>
<u>TOTAL GROSS EXPENDITURE</u>	<u>49,756</u>	<u>50,417</u>
<u>INCOME</u>		
Internal Recharge to Other Housing	1,003	1,005
Fees and Charges	3,097	3,216
Rents	40,215	40,033
Contribution from Insurance Fund	200	207
Interest	250	10
Sheltered Housing Management Charge	2,606	2,684
Other Income	1,760	1,694
Contribution from Renewal & Repair Fund	<u>625</u>	<u>-</u>
<u>TOTAL INCOME</u>	<u>49,756</u>	<u>48,849</u>
<u>TOTAL NET EXPENDITURE</u>	<u>-</u>	<u>1,568</u>

The £1,568m net expenditure for 2010/11 shown above represents the differential between income and expenditure prior to the recommended increase being applied.

APPENDIX 2

TENANT CONSULTATION

Consultation Process

The consultation process on the 2010/11 rent levels began October 2009 with information on the rent setting process being published in the Housing News. All tenants and tenants organisations registered with the Council received copies of the Housing News. A forum event was also held in December to provide an opportunity for tenants to ask staff questions on the proposed increase and to see the type of improvement being made to properties with the implementation of the Scottish Housing Quality Standard (SHQS).

At the beginning of December all tenants were then issued with a Housing Bulletin which outlined the proposed rent increase and justification. The Bulletin included a feedback form which provided tenants with an opportunity to comment on the proposed increases.

Posters indicating how these options applied to each house and flat type were displayed in all housing offices.

Posters outlining proposed charges for sheltered warden and concierge services were posted in all sheltered lounges and buildings receiving a concierge service. Forms for tenants to express their views were also made available in these premises.

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

Below is a summary of the responses received during the formal consultation exercise:

<u>Option</u>	<u>Increase Per Week</u>	<u>No of Tenants</u>	<u>% Agree</u>	<u>% Disagree</u>
Rent	4% Avg £2.22	122	41.8%	58.2%
Concierge	30p	67	71.6%	28.4%
Garage	50p	67	73.1%	26.9%
Underground Parking	25p	61	83.6%	16.4%
Garage Sites	25p	58	86.2%	13.8%
Sheltered Warden	44p	74	58.1%	41.9%
Travelling People Site	£1.79	64	81.2%	18.8%
Heating Charges	25p	63	74.6%	25.4%

Response from Tenant Organisations

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

- Felt there was no need in supporting the rent increase as the decision had already been made.
- Objected that tenants were not given choice based information similar to last year.
- Do not support the pooling of concierge costs across all council tenants.
- No comment on the sheltered housing charge due to forthcoming meetings to be held.

Forthill Tenants Association provided a response which indicated the following:

- Disagreed with a 4% rent increase, feedback received indicated that the maximum increase should be 3%.
- They noted that the pooling of 75% of concierge costs was unfair and required to be reviewed.
- Disagreed with the proposed 44p per week increase on the sheltered warden service and commented that the service was not providing value for money.

Blackness Area Resident's Association provided a response which indicated the following:

- No comment to make on the rent increase due to lack of rent options being presented to tenants.
- Difficult to understand the increase on the concierge service and disagreed with the 75% pulling of costs across all council tenants
- Disagreed with the proposed increase of 44p per week, and would like consideration to be given to the pulling of sheltered costs across all council tenants.

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