

REPORT TO: HOUSING, DUNDEE CONTRACT SERVICES AND ENVIRONMENT SERVICES COMMITTEE – 14 JANUARY 2008

REPORT ON: REVIEW OF RENTS AND OTHER HOUSING CHARGES

REPORT BY: DIRECTOR OF HOUSING

REPORT NO. 638-2007

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 2008/09.

2. RECOMMENDATIONS

2.1. It is recommended that the Housing Committee agree:

- (i) rents be increased by £1.99 per week on average subject to maximum increase of £2.50 from 7th April 2008.
- (ii) the Service Charge for the Concierge Service be increased by 30p per week from 7th April 2008.
- (iii) charges for Car Parking facilities be increased as follows from 7th April 2008:
 - Garage Lock Ups by 25p to £8.00 per week.
 - Underground Parking Bay maintained at £2.00 per week.
 - Garage Sites maintained at £2.00 per week.
- (iv) where a house is improved during the year the rent be increased in line with the average increase in Gross Annual Value of all affected properties, subject to a maximum of £2.00.
- (v) the levels of rents held on the Housing Revenue Account be similarly applied to miscellaneous houses and garage sites, subject to categorisation where appropriate.

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 2008/09, along with the above proposed review of rents and charges, will result in the 2008/09 Housing Revenue Account being self-balancing.

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

4. **RENT REVIEW**

- 4.1. 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 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.

- 4.2. The proposed Revenue Budget for the Housing Revenue Account has increased marginally from £43,605,410 (2007/08) to £44,661,089 (2008/09). The main budget changes are detailed below:
- (a) Capital Financing Costs - the provision for Loan Charges has been increased by £431,185. This reflects increased borrowing within the Prudential Framework.
 - (b) Repairs and Maintenance - the sum for Repairs and Maintenance, including relets, has been adjusted as in previous years to reflect the condition and maintenance requirements of the remaining Council stock. The £8,549,398 allocated allows for application of Best Value criteria.
 - (c) Lost Rents – due to progress in dealing with surplus stock, the allowance for void property including bad debts has been reduced by £57,745. The Housing Department continues to give a high priority to work associated with the control of voids. Efforts in this area continue to have an effect which allows stability in the allowance for voids.
 - (d) The budgets for Sheltered Housing Wardens and the Homelessness Service show a breakeven position.
- 4.3. Reductions in stock through sales and demolitions continue to affect the income to the Department. Rental income for the year 2008/09 is projected at £36,574,225 a reduction of £774,833.

5. **RELATIONSHIPS OF RENTS TO GAV**

- 5.1. 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.
- 5.2. In view of the increased amenity when a house is improved it has been considered appropriate that rents should be increased during the year in line with the increase in GAV due to the improvement of the property.

To ensure consistency and fairness an increase based on the average increase in GAV of all properties affected will be applied. To avoid financial hardship it is proposed to cap such an increase at £2.00 for 2008/09.

- 5.3. Rents in Dundee were last increased on 2nd April 2007 to 380.5% 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 2008/09 is £2.50 based on 396% of GAV.

6. **SERVICE CHARGES**

- 6.1. As in previous years tenants benefiting from the Concierge Service will contribute to the costs of that service via a Service Charge.
- 6.2. The Housing Committee, 22nd January 2001, agreed that a limit of 27.5% of the Concierge Service Costs should be collected via the Service Charge.

7. **RECOVERY OF RENT**

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

Council Tenants	£ 477,122
Council Tax/General Fund	£ 48,435
Housing Benefit	£ <u>920,266</u>
	£1,445,823

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

8. **CAR PARKING**

- 8.1. 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 25p to £8.00 per week
- Underground Parking Bays maintained at £2.00 per week
- Garage Sites maintained at £2.00 per week

9. **CONCLUSION**

- 9.1. 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, but the vast majority 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.

10. **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.

11. **CONSULTATIONS**

11.1. The Chief Executive, Head of Finance, Depute Chief Executive (Support Services), Assistant Chief Executive (Community Planning), Head of Finance and all other Chief Officers have been consulted in the preparation of this report.

11.2. Under the terms of Section 25(4) of the Housing (Scotland) Act 2001, Council tenants and the Dundee Federation of Tenants Association have been consulted on the proposed rent and other charges increase.

12. **BACKGROUND PAPERS**

12.1. None.

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NOVEMBER, 2007