

**ITEM No ...1.....**

**REPORT TO: NEIGHBOURHOOD SERVICES COMMITTEE – 23 JANUARY 2017**

**REPORT ON: REVIEW OF RENTS AND OTHER HOUSING CHARGES**

**REPORT BY: EXECUTIVE DIRECTOR OF NEIGHBOURHOOD SERVICES**

**REPORT NO: 27-2017**

**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 2017/2018.

**2. RECOMMENDATIONS**

2.1. It is recommended that the Committee:

- (i) approve rents be increased by 1.25% equal to an average increase £0.87 per week and subject to a maximum increase of £1.25 with effect from 3 April 2017.
- (ii) approve that all other housing charges are set as outlined in Appendix 2 to this report with effect from 3 April 2017.
- (iii) agree that 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, Dundee Health & Social Partnership and City Development, subject to categorisation where appropriate.
- (iv) agree that tenants allowances remain unchanged, with the exception of the decant allowances for tenants making their own arrangements for alternative accommodation, where the limit of three weeks can be extended in exceptional circumstances and where it is more economical than the alternatives.

**3. FINANCIAL IMPLICATIONS**

3.1. The Housing Revenue Account cannot be subsidised by any other Council fund. Approval of the proposed review of rents and other housing charges would generate additional income of £569,000 and will result in the Housing Revenue Account being self-balancing for financial year 2017/2018.

**4. BACKGROUND**

4.1. Over the past few months the Executive Director of Neighbourhood Services, has prepared the Provisional Revenue Budget for the Housing Revenue Account in 2017/2018. The total Revenue Budget expenditure requirement for 2017/2018 amounts to £53.683m and is further detailed in Appendix 1 to this report.

4.2. The Provisional Revenue Budget for 2017/2018 already reflects a number of cost pressures and savings that have been identified through the 2016/2017 revenue monitoring process, together with new cost pressures that are expected to emerge in 2017/2018. In addition, the budget has been updated to reflect additional investment that is being made to the budget. The main adjustments made include the following:

Capital Financing Costs

A reduction in projected rate of interest rates has enabled a gross reduction in this budget of £503,000. This adjustment has been partly offset by an additional £283,000 that has been

invested to enable a further £3.116m of capital expenditure for energy efficiency measures. This additional investment will assist towards achieving the Energy Efficiency Standard for Social Housing (ESSH) by the target timescale of 2020.

The overall capital financing costs included in the Housing Revenue Account Budget for 2017/2018 total £18.639m. This expenditure will support the delivery of the recently approved Housing HRA Capital Plan 2017-22, that provides for an investment of more than £78m over this five year period (Article XII of the minute of the meeting of Policy & Resources Committee on 31 October 2016, Report No: 331-2016 refers).

#### Environmental Improvements

A further £150,000 has been added to this budget to fund improvements e.g. fence and footpath repairs, creation of parking bays etc. This increases the overall budget to £840,000 and allows for additional improvements to be provided. In addition, to improving the environment of local communities this investment will also take pressure off the Housing Capital Plan.

#### Rental Income

Due to a reduction in the overall number of council houses the anticipated rental income received is projected to reduce by £517,000.

#### Provision for Bad Debts

The amount set aside to provide for any lost income related to bad debts has been reduced generating a saving of £100,000.

- 4.3 The Welfare Reform changes being introduced by the UK Government are now being implemented. Universal Credit was launched in Dundee for single people of working age in November 2015. There is a detailed qualifying criteria to determine those who are excluded temporarily at this time during the implementation. In addition, during 2016 the Department for Work and Pensions reduced the previously introduced benefit caps that restrict the total amount of benefits working aged people (16 – 64 years old) are able to receive. The Corporate Welfare Reform Group continues to monitor the impact of these reforms and an action plan is in place to mitigate the impact of the changes on council house tenants.
- 4.4 In order to mitigate the impact of these reforms on council tenants, the provision of £250,000 for the Hardship Fund previously introduced in financial year 2016/2017 has been maintained within the Provisional Revenue Budget for 2017/2018. The aim of the fund is to assist council tenants suffering financial hardship in the payment of rent as a result of these Welfare reforms.
- 4.5 The Provisional Revenue Budget for 2017/2018 includes an allowance of 1% for a pay award for all staff. Allowance has also been made for specific and general price inflation, where appropriate.
- 4.6 Dundee City Council has in the past limited any proposed rent increases within the current rate of inflation. The rate of inflation has been calculated using a 'basket of indices' comprising a weighted proportion of the consumer prices index, producer prices index and local government pay awards then adding 1%. The inflation rate using this methodology for August 2016 plus 1% was calculated as 1.96%. The equivalent percentage recalculated as at October 2016 amounts to 1.88%.
- 4.7 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 the relevant 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. If any surplus accrues it will be retained for Housing Revenue Account purposes.
- 4.8 The Neighbourhood Services Committee on 31 October 2016 considered a report on the Housing Revenue Account Budget for 2017/2018 (Article II of the minute of the meeting, Report No: 341-2016 refers). This report outlined the following rent increase consultation options for 2017/2018:

% 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 £114,000 will be undertaken.
1.75%	£1.22	Current Service Standards Maintained.  Additional environmental improvements of £114,000 will be undertaken.  Provision will be included for an additional £114,000 in capital financing costs that will provide further capital expenditure of £1.250m to advance the Energy Efficiency Programme. This will accelerate the goal of achieving the Energy Efficiency Standard for Social Housing by 2020.

- 4.9 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. CONCLUSION

- 5.1. The proposed rent increase will ensure sufficient financial resources are in place to maintain the Scottish Housing Quality Standard (SHQS) and continue to progress towards achieving the Energy Efficiency Standard for Social Housing by 2020 together with providing the resources to support other areas of capital investment e.g. to develop new council houses. In addition, this increase will contribute towards the delivery of the overall significant capital investment programme that is planned over the next 5 year period.

## 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, Executive Director of Corporate Services, Head of Democratic and Legal Services and all other Chief Officers have been consulted and are in agreement with the contents of this report.
- 7.2 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, and the likely effect on the tenant and regard must be given to the representations made.

7.3 In October 2016, the 2017/2018 Rent Consultation exercise was approved (Article II of the minute of the meeting of the Neighbourhood Services Committee on 31 October 2016, Report 341-2016 refers). Further details including the results are included in Appendix 3 to this report.

8. **BACKGROUND PAPERS**

None.

**ELAINE ZWIRLEIN**  
**EXECUTIVE DIRECTOR OF NEIGHBOURHOOD SERVICES**

**11 January 2017**

Appendix 1**HOUSING REVENUE ACCOUNT****REVENUE BUDGET 2017/2018**

	<b>Final Revenue Budget 2016/2017 £000</b>	<b>Provisional Revenue Budget 2017/2018 £000</b>
<b><u>EXPENDITURE</u></b>		
<b>STAFF COSTS</b>		
Salaries and Wages (including NI and Supn):	9,513	9,153
Supplementary Superannuation Charges	120	145
Staff Training	<u>30</u>	<u>40</u>
<b>TOTAL STAFF COSTS</b>	<b><u>9,663</u></b>	<b><u>9,338</u></b>
<b>PROPERTY COSTS</b>		
Rents	143	151
Non Domestic Rates	258	263
Property Insurance	567	567
Repairs and Maintenance	11,162	11,247
Health and Safety Contracts	150	150
Energy Costs	564	542
Fixtures and Fittings	45	41
Cleaning Costs	27	27
Security Costs	50	-
Lost Rents and Bad Debts	1,955	1,863
Open Space and Garden Maintenance	<u>1,117</u>	<u>1,120</u>
<b>TOTAL PROPERTY COSTS</b>	<b><u>16,038</u></b>	<b><u>15,971</u></b>
<b>SUPPLIES &amp; SERVICES</b>		
Equipment and Furniture	26	26
Liabilities Insurance	558	558
Clothing, Uniforms and Laundry	5	4
Printing, Stationery and General Office Expenses	121	117
Professional Fees	94	83
Postages	70	60
Telephones	80	63
IT Software Maintenance	75	92
Hardship Fund	250	250
Other Supplies and Services	<u>392</u>	<u>460</u>
<b>TOTAL SUPPLIES &amp; SERVICES</b>	<b><u>1,671</u></b>	<b><u>1,713</u></b>
<b>TRANSPORT COSTS</b>		
Repairs and Maintenance and Other Running Costs	7	7
Transport Insurance	2	2
Car Allowances	<u>60</u>	<u>56</u>
<b>TOTAL TRANSPORT COSTS</b>	<b><u>69</u></b>	<b><u>65</u></b>
<b>THIRD PARTY PAYMENTS</b>		
Voluntary Organisations	<u>34</u>	<u>34</u>
<b>TOTAL THIRD PARTY PAYMENTS</b>	<b><u>34</u></b>	<b><u>34</u></b>
<b>SUPPORT SERVICES</b>		
Recharge from Central Support Departments	<u>2,770</u>	<u>3,023</u>
<b>TOTAL SUPPORT SERVICES</b>	<b><u>2,770</u></b>	<b><u>3,023</u></b>

## HOUSING REVENUE ACCOUNT

**REVENUE BUDGET 2017/2018**

	<b>Final Revenue Budget 2016/2017 £000</b>	<b>Provisional Revenue Budget 2017/2018 £000</b>
<b>CAPITAL FINANCING COSTS</b>		
Loan Repayments	11,128	11,042
Loan Interest	7,669	7,536
Loans Fund Expenses	<u>62</u>	<u>61</u>
<b>TOTAL CAPITAL FINANCING COSTS</b>	<b><u>18,859</u></b>	<b><u>18,639</u></b>
<b>PLANNED MAINTENANCE</b>	<b><u>4,750</u></b>	<b><u>4,900</u></b>
<b><u>TOTAL GROSS EXPENDITURE</u></b>	<b><u>53,854</u></b>	<b><u>53,683</u></b>
<b><u>INCOME</u></b>		
Internal Recharge to Other Housing (Non-HRA)	871	824
Rents, Fees and Charges	48,996	48,479
Interest	10	20
Sheltered Housing Management Charge	2,838	2,815
Other Income	<u>1,139</u>	<u>976</u>
<b><u>TOTAL INCOME</u></b>	<b><u>53,854</u></b>	<b><u>53,114</u></b>
<b><u>TOTAL NET EXPENDITURE</u></b>	<b>=</b>	<b><u>569</u></b>

**Appendix 2****REVENUE BUDGET 2017/2018****REVIEW OF CHARGES**

<b>Services for which charges are / could be levied</b>	<b>Present Charge £</b>	<b>Proposed Charge £</b>
<b>Sheltered Housing Accommodation</b>		
Service charge	26.94	26.94
<u>Heating charges</u>		
Brington Place	6.46	6.46
Baluniefield	7.11	7.11
<b>Car Parking</b>		
Legislation requires that income derived from these facilities be sufficient to meet the necessary expenditure incurred in providing them. When reviewing these charges it is also necessary to consider the effect of implementing the charges and the amount of income any increase would generate.		
	8.77	8.77
Garages / lock ups	2.54	2.54
Garage sites		
<b>Homeless Temporary Accommodation</b>		
<u>Lily Walker Centre</u>		
1 Apartment	184.23	184.23
<u>Supported Complex</u>		
2 Apartment	213.65	213.65
<u>Network Flats</u>		
1 Apartment	80.84	80.84
2 Apartment	202.99	202.99
3 Apartment	302.14	302.14
4 Apartment	409.66	409.66
5 Apartment	515.67	515.67
<u>Reid Square</u>		
3 Apartment	470.01	470.01
4 Apartment	591.75	591.75
<b>Other Housing Charges</b>		
<u>Multi-storey laundrette</u>		
Auto wash (per use)	1.90	1.90
Tumble dryer (per use)	1.10	1.10
Cabinet dryer (per use)	1.10	1.10
Communal Cleaning	1.34	1.34





**Appendix 3****CONSULTATION PROCESS**

The consultation for the 2017/2018 proposed rent increase ran from the 1 November 2016 to 31 December 2016. The rent consultation information outlined three options for the 2017/2018 rent increase and provided the reasons for each of these. The total number of tenants who participated in the consultation event this year was 1,709.

Tenants were provided with information regarding the reasons for the proposed increases and given the opportunity to record their preference of the three options being consulted on. This was achieved by a combination of pop-up stalls in local offices, targeted door knocking and effective teamwork across Housing and Communities and the wider Neighbourhood Services staff group. In addition, tenants were also given the opportunity to suggest where future environmental projects could be considered in their areas.

The consultation process involved a range of methods for tenants to provide comments and feedback on the proposed options including by postcard, letter, online survey, social media, e-mail and text.

Posters indicating rent options were displayed throughout the city on both council and community notice boards, in all council offices, libraries, schools, homeless units, community centres, sports centres and sheltered lounges. Postcards were available in all council buildings, libraries and community centres for tenants to pick up and deposit in ballot boxes.

In addition, public meetings were held by the Dundee Federation Tenants Association and Forthill Tenants Association along with meetings being held in a number of sheltered lounges. 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>Number of Tenants</u>	<u>% of Tenants</u>
1	1.25% Average £0.87	1,009	59%
2	1.50% Average £1.05	405	24%
3	1.75% Average £1.22	295	17%
<b>Total</b>		<b>1,709</b>	<b>100%</b>

**Response from Tenant Organisations**

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

“Dundee Federation of Tenants Associations supports the 1.25% Option.

We do appreciate the proposed historically low rent increase and recognise the hard work and progress made by Neighbourhood Services in identifying effective economies within the Housing Revenue Account.

However, we do have ongoing concerns about future budget decisions and what effect this might have on services to tenants”.

The response from Registered Tenant Organisations indicated the following:-

**Forthill Tenants Association**

“The Forthill Tenants Association held an open meeting on the rent consultation on Wednesday 7th December 2016.

After consulting with the tenants in attendance and other tenants within the Forthill Area.it was agreed that they would like to vote on the 1.5% increase, this would give them the service that they get at this moment. But with the extra money they felt this would also bring forward the upgrades of the properties with new windows which would make their homes warmer, with the extra money for environmental issues, this would hopefully be used to enhance the look of their area by upgrading the pavements.

On the other part of the consultation the sheltered tenants were very happy that there would be no increase in their service charge yet again, most of these tenants say that they do get value for money from the charge”.