

ITEM 2

REPORT TO: HOUSING COMMITTEE – 25 JANUARY 2016

REPORT ON: REVIEW OF RENTS AND OTHER HOUSING CHARGES

REPORT BY: EXECUTIVE DIRECTOR OF NEIGHBOURHOOD SERVICES

REPORT NO: 28-2016

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 2016/2017.

2. RECOMMENDATIONS

2.1. It is recommended that the Housing Committee agree that:

- (i) rents be increased by 1.00% equal to £0.69 per week (£0.75 - 48 week basis) on average subject to a maximum increase of £1.00 from 4 April 2016.
- (ii) the provision of £250k be made available within the 2016/17 Housing Revenue Account to establish a Hardship Fund for Council tenants.
- (iii) charges for Car Parking facilities remain unchanged as follows from 4 April 2016:
 - Garage Lock Ups £8.77 per week (£9.50 - 48 week basis);
 - Garage Sites £2.54 per week (£2.75 - 48 week basis).
- (iv) heating charges for the sheltered housing accommodation remain unchanged for the financial year 2016/17 for Brington Place at £6.46 per week (£7.00 – 48 week basis) and Baluniefield at £7.11 per week (£7.70 – 48 week basis).
- (v) the Sheltered Housing service charge remains unchanged for the financial year 2016/17 at £26.94 per week (£29.19 - 48 week basis).
- (vi) the communal cleaning charge remain at its current level of £1.34 per week (£1.45 – 48 week basis).
- (vii) charges for the provision of Homeless Temporary Accommodation be unchanged for the financial year 2016/17.
- (viii) 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, Social Work and City Development, subject to categorisation where appropriate.
- (ix) Other Charges be maintained at current rates from April, 2016 as detailed in the report.
- (x) Rent, service charges and other housing costs charging period be moved from 48 weeks to 52 weeks with tenants paying the same annual amount of rent and other charges.
- (xi) Tenants Allowances remain unchanged, with the exception of the decant allowance 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 fund. Approval of the proposed Housing Revenue Account Revenue Budget for 2016/2017, along with the above proposed review of rents and charges, will result in the 2016/2017 Housing Revenue Account being self-balancing.

The proposed budget would allow for various environmental initiatives to be undertaken, maintain the Scottish Housing Quality Standard (SHQS) and continue the progress towards achieving the Energy Efficiency Standard for Social Housing (EESH) by 2020. The proposed budget would also allow the Council to develop new build housing.

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.

The September indices produced inflation + 1% rate of 1.24%, while the October 2015 basket of indices + 1% would provide a figure of 1.20%. The recommended rent increase of 1.00% is required to maintain the progress towards achieving the Energy Efficiency Standard for Social Housing.

- 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. Under 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 to the Housing Revenue Account it will be retained for Housing Revenue Account purposes.

- 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 decreased by £660,199. This reflects a fall in loan interest rates offset by the financing of £6m investment in the advancement of the new build programme.
- (b) Bad Debts - the provision for Bad Debts, excluding Lost Rents, has been increased by £250,000 to ensure the Housing Revenue Account has adequate provision levels to cover a potential increase in rent arrears.
- (c) Hardship Fund - a provision of £250,000 has been introduced to assist Council tenants suffering financial hardship in the payment of rent e.g. as a result of the U.K. Government Welfare Reform Programme.
- (d) The budget for the Sheltered Housing Warden Service shows a breakeven position.

- 4.4. Reductions in stock continue to affect the income to the Department. Rental income from rents, fees and charges in the year 2016/2017 is projected at £48,541,301 a reduction of £309,766.

CHARGING PERIOD

- 4.5. 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 is being recommended. Having consulted with tenants 41% were supportive of this change, the move will spread housing and other costs over 52 week period, tenants will pay the same annual amount of rent and other charges. Further explanation of this change would be included in the correspondence issued with the annual rent information.

4.6. **RELATIONSHIPS OF RENTS TO GAV**

- 4.7. 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.

- 4.8. Rents in Dundee were last increased on 6 April 2015 to 526% 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 2016/2017 is £1.00 per week based on 531% of GAV.

CAR PARKING

- 4.9. 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. Having examined the requirement for repairs to garage lock ups and the need to comply with legislation it is proposed to maintain the charges for the financial year 2016/17 as follows:

- Garages/Lock Ups £8.77 per week (£9.50 -48 week basis).
- Garage Sites £2.54 per week (£2.75 - 48 week basis).

HOMELESS TEMPORARY ACCOMMODATION

- 4.10. To meet current and estimated future costs of the service the following weekly charges are proposed. They are unchanged from 2015/16:

	1 Apt.	2 Apt.	3 Apt.	4 Apt.	5 Apt.
Lily Walker Centre	£184.23				
Supported Complex		£213.65			
Network Flats	£ 80.84	£202.99	£302.14	£409.66	£515.67
Red Admiral Court		£306.51		£509.51	
Reid Square			£470.01	£591.75	

All charges are shown on a 52 week basis. Where no charge is shown no facility of the type is available at this time.

SHELTERED WARDEN SERVICE

- 4.11. It is proposed that the Sheltered Warden Service Charge remain at the current rate of £26.94 per week (£29.19 - 48 week basis)

OTHER CHARGES

- 4.12. It is proposed that the following charges are maintained at their current rates.

Multi-Storey Laundrette Charges:

Auto Wash - £1.90 per use.
Tumble Drier - £1.10 per use.
Cabinet Drier - £1.10 per use.

Status Enquiry Fees - £30 each.

5. **WELFARE REFORM CHANGES**

- 5.1. 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. The Corporate Welfare Reform Group continues to monitor the impact of the reforms and a Housing action plan is in place to mitigate the impact of the changes.

6. **CONCLUSION**

- 6.1. The proposed rent increase will ensure sufficient financial resources are in place to progress towards achieving the Energy Efficiency Standard for Social Housing by 2020 and to continue to develop Council new building housing.

7. **POLICY IMPLICATIONS**

- 7.1. 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.

8. **CONSULTATIONS**

- 8.1 The Chief Executive, the Executive Director of Corporate Services, the Head of Democratic and Legal Services and all other Chief Officers have been consulted in the preparation of this report. No concerns have been expressed.
- 8.2 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. To meet these requirements the Housing Department has held various events throughout the city where the process for rent consultation was highlighted and illustrations of a range of rent increases were shown. A formal consultation on rents, presenting similar information to all tenants commenced at the beginning of November. This was done through local community events along with information being available in Council Offices, Internet and Notice Boards. The consultation closed on 31 December 2015. Appendix 2 outlines the results received from the consultation exercise.

9. **BACKGROUND PAPERS**

None.

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JANUARY 2016

APPENDIX 1**HOUSING REVENUE ACCOUNT****REVENUE BUDGET 2016/2017**

	Final Revenue Budget 2015/2016 £000	Provisional Revenue Budget 2016/2017 £000
<u>EXPENDITURE</u>		
STAFF COSTS		
Salaries and Wages (including NI and Supn):	9,164	9,513
Supplementary Superannuation Charges	110	120
Staff Training	<u>36</u>	<u>30</u>
TOTAL STAFF COSTS	<u>9,310</u>	<u>9,663</u>
PROPERTY COSTS		
Rents	138	143
Non Domestic Rates	244	258
Property Insurance	567	567
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	<u>897</u>	<u>937</u>
TOTAL PROPERTY COSTS	<u>15,664</u>	<u>15,858</u>
SUPPLIES & SERVICES		
Equipment and Furniture	31	26
Liabilities Insurance	558	558
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	<u>423</u>	<u>717</u>
TOTAL SUPPLIES & SERVICES	<u>1,342</u>	<u>1,671</u>
TRANSPORT COSTS		
Repairs and Maintenance and Other Running Costs	7	7
Transport Insurance	2	2
Car Allowances	<u>57</u>	<u>60</u>
TOTAL TRANSPORT COSTS	<u>66</u>	<u>69</u>
THIRD PARTY PAYMENTS		
Voluntary Organisations	<u>54</u>	<u>34</u>
TOTAL THIRD PARTY PAYMENTS	<u>54</u>	<u>34</u>
SUPPORT SERVICES		
Recharge from Central Support Departments	<u>2,770</u>	<u>2,770</u>
TOTAL SUPPORT SERVICES	<u>2,770</u>	<u>2,770</u>

HOUSING REVENUE ACCOUNT

REVENUE BUDGET 2016/2017

	Final Revenue Budget 2015/2016 £000	Provisional Revenue Budget 2016/2017 £000
CAPITAL FINANCING COSTS		
Loan Repayments	11,506	11,308
Loan Interest	8,129	7,669
Loans Fund Expenses	<u>64</u>	<u>62</u>
TOTAL CAPITAL FINANCING COSTS	<u>19,699</u>	<u>19,039</u>
PLANNED MAINTENANCE	<u>4,750</u>	<u>4,750</u>
<u>TOTAL GROSS EXPENDITURE</u>	<u>53,655</u>	<u>53,854</u>
<u>INCOME</u>		
Internal Recharge to Other Housing	870	871
Rents, Fees and Charges	48,601	48,542
Interest	10	10
Sheltered Housing Management Charge	2,780	2,838
Other Income	<u>1,394</u>	<u>1,139</u>
<u>TOTAL INCOME</u>	<u>53,655</u>	<u>53,400</u>
<u>TOTAL NET EXPENDITURE</u>	=	<u>454</u>

APPENDIX 2**CONSULTATION PROCESS**

The consultation process for the 2016/17 Rent increase ran from the 1st November 2015 to 31st December 2015. The Rent Consultation information which included community events, posters and postcards outlined three options for the 2016/17 rent increase and provided the reasons for each of these. The total number of tenants who participated in the consultation event this year was 1,702.

Local community events were held in November and December and were setup up in a variety of locations including libraries, community centres, supermarkets and car parks along with attending other busy locations throughout the city. Tenants were provided with information regarding the reasons for the increases being proposed and given the opportunity to record their views on the three options being consulted on. In addition, tenants were asked to express their opinion on higher rents if it meant there was more new build housing within the city, additional expenditure on environmental improvements and additional energy efficiency measures installed within council housing properties.

The consultation process included methods for tenants to provide comments and feedback on the proposed options which included by postcard, letter, online survey, e mail and text.

Posters indicating rent options were displayed throughout the city in both Council and Community Notice Boards, in all Council Offices, Libraries, Schools, Homeless units, Community Centres, Sports Centres, Schools and Sheltered Lounges. Postcards were available in all council buildings, libraries and community centres for tenants to pick up.

In addition, public meetings were held by the DFTA and Forthill Tenants Association along with meetings being held in some Sheltered Lounges.

All tenants were invited to indicate their agreement to the three options and to outline their reasons for their responses. 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>No of Tenants Who Confirmed Preference</u>	<u>% of Tenants</u>
Rent Option 1	1.0% Avg £0.69	1329	78%
Rent Option 2	1.50% Avg £1.04	247	16%
Rent Option 3	2.00% Avg £1.39	110	6%
No Preference Stated		16	0%
	Total	1702	100%

Response from Tenants – Charging period change 48 week to 52 week

Tenants were asked whether they agree with the proposal to move to a charging period of 52 weeks:-

645 tenants (41%) confirmed they would be happy to move to a 52 week charging period.
935 tenants (59%) confirmed they would like to continue with the current 48 week charging period.

Response from Tenant Organisations

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

- The Dundee Federation of Tenants Associations (DFTA) supports the lowest rent increase option of 1%. The Federation does have ongoing concerns about future budget decisions within the council as a whole and the offshoot effect this might have on services to tenants i.e social care. However the Committee appreciate that the proposed rent increase options are lower than in recent years and recognise the hard work and progress made by the Housing Department in identifying effective economies within the Housing Revenue Account.

The response from Registered Tenant Organisations indicated the following:-

Forthill Tenants Association

- The Forthill Tenants Association agreed that the increase that they would like to see is 1.5%. They feel that would give them what they had over the last year with also an increase in the number of houses becoming more energy efficient. This would be beneficial for many tenants within the Dundee area due to high energy costs.

With regard to the issue of whether we should change to paying our rent over 52 weeks rather than 48 weeks it was a split decision with 55% wanting to stay at 48 weeks with 45% wishing to change to the 52 weeks. Many of those wishing no change preferred to have the two free weeks over Christmas, where their rent money is used to help with the extra expenditure they have at that time of year.