

**REPORT TO: HOUSING COMMITTEE – 23 JANUARY 2012**

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

**REPORT BY: DIRECTOR OF HOUSING**

**REPORT NO: 40-2012**

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 2012/2013.

2. **RECOMMENDATIONS**

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

- (i) rents be increased by 4.75% equal to £2.86 per week (£3.10 - 48 week basis) on average subject to maximum increase of £3.50 from 2 April 2012.
- (ii) charges for Car Parking facilities remain unchanged as follows from 2 April 2012:
  - Garage Lock Ups £8.77 per week (£9.50 - 48 week basis);
  - Underground Parking Bays £2.54 per week (£2.75 - 48 week basis);
  - Garage Sites £2.54 per week (£2.75 - 48 week basis).
- (iii) heating charges for the sheltered housing accommodation remain unchanged for Brighton Place at £6.75 per week and Baluniefield at £7.45 per week from 2 April 2012.
- (iv) the Sheltered Housing service charge remains unchanged for the financial year 2012/13 at £26.94 per week (£29.19 - 48 week basis).
- (v) charges for the provision of Homeless Temporary Accommodation be increased by 4.75% for the financial year 2012/13.
- (vi) 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 and garage sites, subject to categorisation where appropriate.
- (vii) the rent for the Travelling People's Site be increased by 2.9% equal to £1.75 per week to £60.13 (£1.90 to £65.14 - 48 week basis) for the financial year 2012/13.
- (viii) Other Charges maintained at current rates from April, 2012 as detailed in the report.

### 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 2012/2013, along with the above proposed review of rents and charges, will result in the 2012/2013 Housing Revenue Account being self-balancing.

The proposed rent increase would allow for the continued delivery of the Scottish Housing Quality Standard.

### 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 an inflation + 1% rate of 5.76%, while the October 2011 basket of indices + 1% would provide a figure of 5.44%. The recommended rent increase of 4.75% is required to maintain the delivery of the Scottish Housing Quality Standard.

- 4.2. The proposed budget will also allow for investment in energy efficiency measures to be installed within our stock. This will be resourced through efficiency savings being made within the repairs budget of £100k which will be used to fund additional borrowing required to deliver the improvements. This supports the results of the rent consultation with 64% of tenants who responded to consultation supporting a rent increase greater than 4.5%.
- 4.3. 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.

- 4.4. 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 £2,014,941. This reflects increased borrowing within the Prudential Framework.
  - (b) Lost Rents - the provision for Lost Rents, including Bad Debts, has been reduced by £101,040 to reflect the improvements made to the Letting procedures.
  - (c) Staff costs - the provision for Salaries and Wages has been reduced by £258,473 as a result of early retirements and the requirement for less caretakers due to the multi-storey demolition programme

(d) The budget for the Sheltered Housing Warden Service shows a breakeven position.

- 4.5. Reductions in stock through sales and demolitions continue to affect the income to the Department. Rental income for the year 2012/2013 is projected at £41,429,567 a reduction of £447,870.

### **RELATIONSHIPS OF RENTS TO GAV**

- 4.6. 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.

- 4.7. Rents in Dundee were last increased on 4 April 2011 to 456.5% 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 2012/2013 is £3.50 based on 478.5% of GAV.

### **RECOVERY OF RENT**

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

Council Tenants	£ 609,853
Housing Benefit	<u>£ 1,357,415</u>
	£ 1,967,268

- 4.9. Approximately 69% of Council Tenants are eligible for Housing Benefit and the rent increase for these tenants will be covered through the Benefit system.

### **CAR PARKING**

- 4.10. 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 2012/13 as follows:

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

## **HOMELESS TEMPORARY ACCOMMODATION**

- 4.11. To meet current and estimated future costs of the service the following weekly charges are proposed:

	<u>1 Apt.</u>	<u>2 Apt.</u>	<u>3 Apt.</u>	<u>4 Apt.</u>	<u>5 Apt.</u>
Lily Walker Centre	£199.58				
Supported Complex		£231.45			
Network Flats	£ 87.58	£219.91	£327.32	£443.80	£558.64
Red Admiral Court		£332.05		£551.97	
Reid Square			£509.26	£641.06	

All charges are shown on a 48 week basis. Where no charge is shown no facility of the type is available at this time.

## **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 week.  
Tumble Drier - £1.10 per week.  
Cabinet Drier - £1.10 per week.

Stair Cleaning Charges - £1.45 per week.  
Status Enquiry Fees - £30 each.

## **CONCLUSION**

- 4.13. The proposed rent increase will ensure sufficient financial resources are in place to deliver the Scottish Housing Quality Standard.

## **5. POLICY IMPLICATIONS**

- 5.1. This Report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management.
- 5.2. An Equality Impact Assessment has been carried out and will be made available on the Council Website <http://www.dundee.gov.uk/equanddiv/equipact/>.

## **6. CONSULTATIONS**

- 6.1. The Chief Executive, Depute Chief Executive (Support Services), Director of Finance and all other Chief Officers have been consulted in the preparation of this report. No concerns have been expressed.
- 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 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 the distribution of a housing bulletin. The consultation closed on 31 December 2011. Appendix 2 outlines the comments received from the consultation exercise.

7. **BACKGROUND PAPERS**

7.1. None.

**ELAINE ZWIRLEIN**  
**DIRECTOR OF HOUSING**

**JANUARY 2012**

**APPENDIX 1****HOUSING REVENUE ACCOUNT**  
**REVENUE BUDGET 2011/2013**

	<b>Final Revenue Budget 2011/12 £000</b>	<b>Provisional Revenue Budget 2012/13 £000</b>
<b><u>EXPENDITURE</u></b>		
<b>STAFF COSTS</b>		
Salaries and Wages(incl NI and Supn)		
Chief Officials	347	347
Local Government Employees	11,037	10,779
Supplementary Superannuation Charges	77	85
Staff Training	110	80
<b>TOTAL STAFF COSTS</b>	<b>11,571</b>	<b>11,291</b>
<b>PROPERTY COSTS</b>		
Rents	465	425
Non Domestic Rates	371	367
Property Insurance	672	667
Repairs and Maintenance	11,151	10,866
Health and Safety Contracts	125	130
Energy Costs	584	629
Fixtures and Fittings	77	40
Cleaning Costs	56	53
Security Costs	200	200
Lost Rents and Bad Debts	1,676	1,575
Open Space Maintenance	837	837
<b>TOTAL PROPERTY COSTS</b>	<b>16,214</b>	<b>15,789</b>
<b>SUPPLIES &amp; SERVICES</b>		
Equipment and Furniture	141	71
Liabilities Insurance	660	658
Clothing, Uniforms and Laundry	18	7
Printing, Stationery & General Office Expenses	172	156
Professional Fees	92	96
Postages, etc	73	68
Telephones	128	115
Storage	130	125
Bed & Breakfast	10	8
Other Supplies and Services	247	293
<b>TOTAL SUPPLIES &amp; SERVICES</b>	<b>1,671</b>	<b>1,597</b>

**TRANSPORT COSTS**

Repairs and Maintenance & Other Running Costs	16	17
Transport Insurance	2	2
Car Allowances	77	77
<b>TOTAL TRANSPORT COSTS</b>	<b>95</b>	<b>96</b>

**THIRD PARTY PAYMENTS**

Voluntary Organisations	73	71
<b>TOTAL THIRD PARTY PAYMENTS</b>	<b>73</b>	<b>71</b>

**SUPPORT SERVICES**

Recharge from Central Support Departments	1,775	1,725
<b>TOTAL SUPPORT SERVICES</b>	<b>1,775</b>	<b>1,725</b>

**CAPITAL FINANCING COSTS**

Loan Repayments	8,270	9,564
Loan Interest	7,854	8,572
Loans Fund Expenses	100	102
Leasing Charges	396	396
<b>TOTAL CAPITAL FINANCING COSTS</b>	<b>16,620</b>	<b>18,634</b>

**PLANNED MAINTENANCE**

	3,840	3,840
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**TOTAL GROSS EXPENDITURE**

	51,859	53,043
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**INCOME**

Internal Recharge to Other Housing	1,005	970
Fees and Charges	3,075	2,873
Rents	43,145	42,717
Contribution from Insurance Fund	207	200
Interest	10	10
Sheltered Housing Management Charge	2,741	2,778
Other Income	1,676	1,528
<b><u>TOTAL INCOME</u></b>	<b>51,859</b>	<b>51,076</b>

**TOTAL NET EXPENDITURE**

	0	1,967
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**Note 1** - Staffing savings comprise A.P.T. & C. £140k and concierge staff £118k

### **Consultation Process**

The consultation process for the 2012/13 Rent increase ran from the 1st November 2011 to 31st December 2011. All tenants and tenants organisations registered with the Council received copies of the Rent Bulletin in early November 2011. The Rent Bulletin outlined three options for the 2012/13 rent increase and provided justification on each of these.

Local community events were held in November and December. The events were setup up in community centres, libraries along with attending other busy locations throughout the city. Tenants were provided with an opportunity to find out the reasons why rent increases were being proposed and also to record their views on the three options being consulted on.

The consultation process included methods for tenants to provided comments and feedback on the proposed options which included Letter, Online Survey, Email and Text.

Posters indicating rent options were displayed in all Housing Offices.

Posters outlining proposed charges for sheltered warden were posted in all sheltered lounges and buildings and events were held in sheltered complexes.

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 Who Confirmed Preference</u>	<u>% of Tenants</u>
Rent Option 1	4.5% Avg £2.71	367	34%
Rent Option 2	4.75% Avg £2.86	208	19%
Rent Option 3	5.00% Avg £3.01	494	45%
No Preference Stated		24	2%
	Total	<u>1093</u>	<u>100%</u>



### **Response from Tenant Organisations**

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

- The preferred rent option for 2012/13 is 4.5% on the basis of affordability

Forthill Tenants Association provided a response which indicated the following:

- The consensus of tenants who attended the open meeting agreed with the 4.75% with a small number opting for no rent increase.

The response from the sheltered complexes indicated the following:-

**Garry Place** - 11 tenants attended the meeting. All opted for no increase as any increase was considered too high for people who pay full rent costs.

**Ulverston** - 11 tenants attended the meeting. Nine tenants opted for 4.5% and two tenants chose the 5% option.

**Cullen Place** - 30 tenants attended. All mentioned that they would agree to 4.5% at a push as the cost of full rent is already high.

**East Sheltered Forum** - 9 tenants agreed that their response would be to choose the 4.5% increase.

**West Sheltered Forum** - 9 tenants who attended the meeting opted for the 4.5% option - they also mentioned that the Council will decide which option is best for the council.

**Powrie Place** - 5 tenants spoken to. 2 opted for 4.5% and 2 for 4.75%. 1 tenant opted for 5%. All were happy that the sheltered charge was not increasing.

**Russell Place** - 3 tenants stated they would vote for 4.75%, with the other 5 stating 4.5% as they felt the rent was far too high anyway. Reasons for this were due to pensions, high gas costs etc.

The response from Registered Tenant Organisations indicated the following:-

**RTOs** - Gardens Area Residents Association, Whitfield Avenue Semis Tenants Association, Whitfield Rise Action Group:-

The Tenant Participation Officer discussed the rent options with the above 3 groups - each group chose the 4.5% option as they thought an increase in the cost of living meant many people were already worse off financially therefore an increase in rent will just create more financial hardship. One group also mentioned that the rents were already too high

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