

**REPORT TO: HOUSING, DUNDEE CONTRACT SERVICES AND ENVIRONMENT SERVICES COMMITTEE – 26 JANUARY 2009**

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

**REPORT BY: DIRECTOR OF HOUSING**

**REPORT NO. 564-2008**

**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 2009/10.

**2. RECOMMENDATIONS**

2.1. It is recommended that the Housing Committee agree:

- (i) rents be increased by £3.09 per week on average subject to maximum increase of £3.75 from 6th April 2009.
- (ii) the Service Charge for the Concierge Service be increased by 30p per week from 6th April 2009.
- (iii) charges for Car Parking facilities be increased as follows from 6th April 2009:
  - Garage Lock Ups by 50p to £8.50 per week.
  - Underground Parking Bay by 25p to £2.25 per week.
  - Garage Sites by 25p to £2.25 per week.
- (iv) 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 2009/10, along with the above proposed review of rents and charges, will result in the 2009/10 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. The largest increase is in respect of the producer prices index which reflects the increased inflation on the capital programme and the lowest increase is 2.5% in respect of the pay award.

This produced an inflation rate of 6% with a rent increase of £3.66 per week being the equivalent of an increase of inflation + 1%.

Following representations from DFTA and concerns of the Housing Convener a further review of expenditure has been undertaken, based on the fact that inflation has been falling and is expected to continue to fall into 2010/11.

The revised budget requires a rent increase of 5.9% in 2009/10. This will require the use of all of the Housing Revenue Account Renewal and Repair fund balances which is expected to total £625,000 at 31 March, 2009.

It is also proposed that we set as a target, a 3% (inflation + 1%) rent increase for 2010/11 and that Housing and Finance Officers work towards achieving this and reporting back in due course. If necessary, savings may have to be made in the capital programme for 2010/11.

- 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 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 increased by £321,224. 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 £8,856,753 allocated allows for application of Best Value criteria.
  - (c) The budgets for Sheltered Housing Wardens and the Homelessness 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 2009/10 is projected at £37,157,440 a reduction of £862,608.

### **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 7th April 2008 to 396% 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 2009/10 is £3.75 based on 420% 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 Housing Committee, 22nd January 2001, agreed that a limit of 27.5% of the Concierge Service Costs should be collected via the Service Charge.

### **RECOVERY OF RENT**

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

Council Tenants	£ 724,048
Council Tax/General Fund	£ 73,502
Housing Benefit	<u>£1,396,535</u>
	£2,194,085

- 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 £8.50 per week.
- Underground Parking Bays up by 25p to £2.25 per week.
- Garage Sites up by 25p to £2.25 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, 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.

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), Depute Chief Executive (Finance), Assistant Chief Executive, Head 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 a series of Tenants Forums 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 8th January 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, 2009**

**APPENDIX 1****HOUSING REVENUE ACCOUNT****REVENUE BUDGET 2009/2012**

	Final	3 Year Provisional		
	Revenue Budget 2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000
<b><u>EXPENDITURE</u></b>				
<b>STAFF COSTS</b>				
Salaries and Wages (including NI and Supn):				
Chief Officials	112	115	118	121
Local Government Employees	11,774	12,079	12,298	12,524
Supplementary Superannuation Charges	42	60	61	62
Staff Training	<u>45</u>	<u>45</u>	<u>46</u>	<u>46</u>
<b><u>TOTAL STAFF COSTS</u></b>	<b><u>11,973</u></b>	<b><u>12,299</u></b>	<b><u>12,523</u></b>	<b><u>12,753</u></b>
<b>PROPERTY COSTS</b>				
Rents	351	395	403	411
Non Domestic Rates	334	363	368	374
Property Insurance	669	666	683	700
Repairs and Maintenance	8,759	9,172	9,187	9,203
Health and Safety Contracts	125	125	125	125
Energy Costs	461	561	575	588
Fixtures and Fittings	79	75	76	77
Cleaning Costs	65	61	62	64
Lost Rents and Bad Debts	1,501	1,579	1,580	1,580
Open Space Maintenance	<u>888</u>	<u>909</u>	<u>932</u>	<u>955</u>
<b><u>TOTAL PROPERTY COSTS</u></b>	<b><u>13,232</u></b>	<b><u>13,906</u></b>	<b><u>13,991</u></b>	<b><u>14,077</u></b>
<b>SUPPLIES &amp; SERVICES</b>				
Equipment and Furniture	114	120	130	136
Liabilities Insurance	643	643	659	676
Clothing, Uniforms and Laundry	17	12	12	12
Printing, Stationery and General Office Expenses	147	164	167	169
Professional Fees	117	96	97	98
Postages, etc	53	63	64	65
Telephones	157	165	168	171
Storage	100	140	150	160
Bed & Breakfast	90	30	40	45
Other Supplies and Services	<u>181</u>	<u>181</u>	<u>184</u>	<u>187</u>
<b><u>TOTAL SUPPLIES &amp; SERVICES</u></b>	<b><u>1,619</u></b>	<b><u>1,614</u></b>	<b><u>1,671</u></b>	<b><u>1,719</u></b>
<b><u>TRANSPORT COSTS</u></b>				
Repairs and Maintenance and Other Running Costs	13	14	14	14
Transport Insurance	2	2	2	2
Car Allowances	<u>77</u>	<u>81</u>	<u>82</u>	<u>83</u>
<b><u>TOTAL TRANSPORT COSTS</u></b>	<b><u>92</u></b>	<b><u>97</u></b>	<b><u>98</u></b>	<b><u>99</u></b>
<b>THIRD PARTY PAYMENTS</b>				
Voluntary Organisations	<u>89</u>	<u>89</u>	<u>91</u>	<u>93</u>
<b><u>TOTAL THIRD PARTY PAYMENTS</u></b>	<b><u>89</u></b>	<b><u>89</u></b>	<b><u>91</u></b>	<b><u>93</u></b>
<b>SUPPORT SERVICES</b>				
Recharge from Central Support Departments	<u>1,668</u>	<u>1,606</u>	<u>1,627</u>	<u>1,650</u>
<b><u>TOTAL SUPPORT SERVICES</u></b>	<b><u>1,668</u></b>	<b><u>1,606</u></b>	<b><u>1,627</u></b>	<b><u>1,650</u></b>

**APPENDIX 1 (continued)**  
**HOUSING REVENUE ACCOUNT**  
**REVENUE BUDGET 2009/2012**

	Final	3 Year Provisional		
	Revenue Budget 2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000
<b>CAPITAL FINANCING COSTS</b>				
Loan Repayments	6,566	6,707	7,354	6,746
Loan Interest	7,430	7,606	7,698	8,158
Loans Fund Expenses	87	91	95	97
Leasing Charges	<u>396</u>	<u>396</u>	<u>396</u>	<u>396</u>
<b>TOTAL CAPITAL FINANCING COSTS</b>	<b><u>14,479</u></b>	<b><u>14,800</u></b>	<b><u>15,543</u></b>	<b><u>15,397</u></b>
<b>PLANNED MAINTENANCE</b>	<b><u>3,887</u></b>	<b><u>5,345</u></b>	<b><u>5,580</u></b>	<b><u>5,720</u></b>
<b><u>TOTAL GROSS EXPENDITURE</u></b>	<b><u>47,039</u></b>	<b><u>49,756</u></b>	<b><u>51,124</u></b>	<b><u>51,508</u></b>
<b><u>INCOME</u></b>				
Internal Recharge to Other Housing	974	1,003	1,016	1,030
Fees and Charges	2,639	3,097	3,122	3,211
Rents	38,833	38,021	37,613	37,219
Contribution from Insurance Fund	200	200	200	200
Interest	200	250	200	200
Sheltered Housing Management Charge	2,580	2,606	2,668	2,731
Other Income	<u>1,613</u>	<u>1,760</u>	<u>1,792</u>	<u>1,813</u>
<b><u>TOTAL INCOME</u></b>	<b><u>47,039</u></b>	<b><u>46,937</u></b>	<b><u>46,611</u></b>	<b><u>46,404</u></b>
<b><u>TOTAL NET EXPENDITURE</u></b>	<b><u>-</u></b>	<b><u>2,819</u></b>	<b><u>4,513</u></b>	<b><u>5,104</u></b>
<b><u>Funded By :-</u></b>				
Contribution from Renewal & Repair Fund		625	-	-
Rents Increase		<u>2,194</u>	<u>4,513</u>	<u>5,104</u>
		<b><u>2,819</u></b>	<b><u>4,513</u></b>	<b><u>5,104</u></b>

## APPENDIX 2

### TENANT CONSULTATION

#### Consultation Process

The consultation process on the 2009/10 rent levels began at a series of tenants forums held during October 2008. All tenants and tenants organisations registered with the Council were invited to attend these forums.

At the beginning of December all tenants were then issued with a Housing Bulletin which included a feedback form detailing the five rent increase options as shown in paragraph 4.12. Posters indicating how these options applied to each house and flat type were displayed in all housing offices, libraries and community centres.

All tenants were invited to indicate their preferred option based upon inflation level of 6% 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

632 responses were received from tenants with their preferences as follows:

<u>Preferred Option</u>	<u>No of Tenants</u>	<u>%</u>
Inflation + 1%	166	26.3%
Inflation + 2%	55	8.7%
Inflation + 3%	66	10.4%
Inflation	75	11.9%
Inflation - 1%	232	36.7%
No preference	<u>38</u>	<u>6.0%</u>
Total	<u>632</u>	<u>100.0%</u>

#### Response from Tenant Organisations

Dundee Federation of Tenant Associations has indicated their continued support for a rent increase of inflation + 1%. but have emphasised the importance of further discussions when preparing the Scottish Housing Quality Standard Delivery Plan to minimise increases in future years.

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

#### Consultation on Sheltered Wardens and Concierge Service Charges

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. Nine responses were received all of which were in support of the proposed increases.

**Consultation on Rent Levels at Gypsy Travellers Site, Balmuir Wood**

A letter was issued to all tenants detailing the proposed rent levels for 2009/10. No responses were received.