

ITEM No ...2.....

REPORT TO: NEIGHBOURHOOD SERVICES COMMITTEE – 25 OCTOBER 2021

REPORT ON: REVIEW OF RENTS AND OTHER HOUSING CHARGES

REPORT BY: EXECUTIVE DIRECTOR OF NEIGHBOURHOOD SERVICES

REPORT NO: 277-2021

1. PURPOSE OF REPORT

1.1. The purpose of this report is to set out the proposed rent and other housing charges for the financial year 2022/23 and seek approval to consult with tenants on these proposals.

2. RECOMMENDATIONS

2.1. It is recommended that Committee:

- (i) approve that the Executive Director of Neighbourhood Services consults with tenants for a two-month period on the proposed options for the rent increase for 2022/23 as outlined in this report;
- (ii) note the Provisional Revenue Budgets for 2023/24 and 2024/25 detailed in Appendix 1 and the indicative rent increases for each of these years outlined in paragraph 9.3;
- (iii) note the proposed other housing charges included in Appendix 2 to this report that would become effective from 4 April 2022;
- (iv) agree that only the rent options which have been the subject of consultation with tenants over the 2-month period be used to set the 2022/23 Housing Revenue Account (HRA) Revenue Budget and rent and other housing charges.

3 FINANCIAL IMPLICATIONS

3.1 The tenant consultation exercise will cost no more than £1,000 and this will be contained within the Neighbourhood Services (Housing HRA) Revenue Budget 2021/22.

4 BACKGROUND

4.1 This report sets out the Provisional Housing (HRA) Revenue Budget 2022/23 and the rent levels that would be required to fund this expenditure. The HRA cannot be subsidised by any other Council funds. All of the proposed options that are being recommended for consultation will result in the 2022/23 Housing HRA Revenue Budget being self-balancing.

5 PROVISIONAL REVENUE BUDGET 2022/23

5.1 In January 2021 the Housing (HRA) Revenue Budget 2021-24 and Other Housing Charges 2021/22 was approved by members (Article II of the minute of the meeting of the Policy & Resources Committee on 25 January 2021, Report No: 42-2021 refers).

5.2 Over the past few months the Executive Director of Neighbourhood Services, has reviewed the Provisional Housing (HRA) Revenue Budget 2022/23 that was included in the above report. The budget has been updated to reflect any necessary cost pressures and savings that have been identified through the 2021/22 revenue monitoring process to date. In addition, any new cost pressures that are expected to emerge in 2022/23 are included along with any additional

investment that are proposed in the budget. The total expenditure requirement for 2022/23 amounts to £56.521m and is further detailed in Appendix 1 to this report.

- 5.3 The Provisional Housing (HRA) Revenue Budget for 2022/23 includes an allowance of 2.00% for an assumed pay award. If there is any change in this assumption for 2022/23 then funding would need to be identified within existing resources to fund this additional cost. Allowance has also been made for other specific and general price inflation, where appropriate. The key overall variances include the following:

Staff Costs (Increase of £19,000)

Reflects assumed pay award and increments payable together with increases in employer's national insurance contribution rates recently announced by the UK government partially offset by savings elsewhere in the budget.

Property Costs (Increase of £524,000)

Mainly reflects the increased inflationary cost in providing the extensive responsive repairs and relets service and open space maintenance, these costs relate partly to labour and can therefore fluctuate in line with assumed pay increases and other inflationary pressures. This also reflects an increase in void properties which has been adversely affected by Covid-19 and current market pressures which have led to longer void periods and additional provision to meet rising prices in energy costs.

Supplies & Services (Increase of £208,000)

Mainly reflects the purchase of IT software within Rent Recovery – Rentsense. Also reflects the increased internal recharges for the Housing HRA share of the cost of various services including Anti-Social Behaviour Team and Safety & Alarm Response Centre have increased reflecting the increased inflationary cost of providing these services.

Support Services (Increase of £69,000)

Increase mainly reflects the assumed level of inflation, this recharge mainly relates to staffing and therefore also fluctuate in line with assumed pay inflation.

Capital Financing Costs (Decrease of £61,000)

The overall capital financing costs included have increased to support the delivery of the latest approved Housing HRA Capital Plan 2021-26, that provides for gross investment of more than £120m over this five-year period (Item VIII of Agenda for the meeting of Policy & Resources Committee on 22 February 2021, Report No: 55-2021 refers).

These borrowing costs will continue to support the delivery of key housing investment priorities included in this plan such as maintaining Council houses at Scottish Housing Quality Standard, progressing towards meeting the Energy Efficiency Standards in Social Housing and the continuation of the Council's new build council housing programme.

- 5.4 The Provisional Housing (HRA) Revenue Budget 2022/23 detailed in Appendix 1 makes a number of assumptions relating to other housing charges for financial year 2022/23. These charges include a proposal to freeze the current sheltered warden service charge. The cost of the sheltered warden service is fully recovered by the service charge and almost three quarters of the expenditure for the service relates to staff costs. Whilst this element of the budget will require to be adjusted to reflect the assumed pay award, it is envisaged that through other efficiencies the overall service can continue to breakeven without having to increase the charge payable by service users.
- 5.5 In addition, these charges propose an increase for car parking in garage / lock ups and garage sites by 5.00% to recover the cost of maintaining these properties. Details of all these charges are included in Appendix 2.

- 5.6 The Provisional Housing (HRA) Revenue Budget 2022/23 detailed in Appendix 1 currently shows a deficit of £0.770m. This deficit would be removed by applying a rent increase of 1.50%. As with previous years, it is proposed that council house tenants are given the opportunity to indicate their preference on other rent increase options that would provide for additional expenditure in key priority areas in exchange for a greater rent increase. The available options are summarised below and further details including the specific impact on service delivery are provided in Appendix 3.

Option	Increase (%)	Average Weekly Increase	Maximum Weekly Increase
1	1.50	£1.19	£1.50
2	1.75	£1.39	£1.75
3	2.00	£1.59	£2.00

- 5.7 As noted above, the Provisional Housing (HRA) Revenue Budget 2022/23 detailed in Appendix 1 shows a deficit of £0.770m. In order to set a balanced budget, this is the level of savings that would require to be made if a 0% rent increase was proposed for financial year 2022/23. The Executive Director of Neighbourhood Services is of the opinion that the strategic and operational objectives for the service could not be achieved with this level of reduced resources and therefore that option 1 above represents the minimum possible increase.
- 5.8 Dundee City Council has in the past aimed to keep option 1 within (or as close possible to) the current rate of inflation plus 1%. This is 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%. Based on the latest information available, this rate of inflation plus 1% has been calculated as 4.20%.
- 5.9 The Scottish Housing Regulator's (SHR) 2018/19 Landlord Report for Dundee City Council showed that average weekly rent levels across the council's housing was 6% lower than the Scottish average. The above proposals demonstrate the Council's continued commitment to the Fairness Agenda and seek to minimise any rent increases.
- 5.10 In preparing the above statements, the Executive Director of Neighbourhood Services has taken into account the key strategic, operational and financial risks facing the Council over the period. The main factors considered were:
- the possibility of new cost pressures or responsibilities emerging during the course of the financial year;
 - the inherent uncertainty surrounding matters such interest rates and price inflation;
 - the impact of the Prudential Code for Capital Finance;
 - the on-going impact of Welfare Reforms;
 - continuing impact of Covid-19 and particular any impact on tenants' ability to pay their rent.

By way of exemplification, the following table shows the potential financial impact of any variations against the current key budget assumptions:

Budget Area	Current Assumption	Example Variation	Financial Impact
Pay Awards	2.0%	+0.5%	£30k
Price Inflation	Various	+0.5%	£150k
Interest Rate (CLF Average Rate)	3.5%	+0.5%	£35k

6 CLIMATE CHANGE

- 6.1 Dundee City Council declared a climate emergency in June 2019, followed by the launch of Dundee's Climate Action Plan in support of the transition to a net-zero and climate resilient future. With this declaration and action plan, the Council will develop further projects and initiatives in the coming years to assist in tackling this issue.
- 6.2 Although Covid-19 has impacted on progress, the Council is committed to implementing measures that improve the carbon footprint of the city and the spending proposals within this budget will provide significant resources for tackling climate change. Housing projects that are already underway or are being considered as part of the longer-term capital plan include the following:
- continued investment in external wall insulation for existing stock;
 - other energy saving programmes such loft insulation and cavity wall insulation;
 - further energy saving measures included within the design of new council housing;
 - installation of motion censored LED lighting within communal areas;
 - other energy efficiency initiatives including installation of solar panels;
 - linkages into new district heating schemes as these come on line;
 - piloting emerging carbon reduction technologies as they become available.

7 COVID-19 RECOVERY PLAN

- 7.1 The proposed resources will also support the delivery of the agreed Covid-19 Recovery Plan (Article XIV of the minute of the meeting of Policy & Resources Committee on 24 August 2020, Report No: 185-2020 refers). In particular, the significant investment in construction activities will provide valuable resources to construction and repairs programmes across the city with economic benefits for our in-house Construction Services, other external companies and the wider supply chain for these activities.

8 WELFARE REFORM

- 8.1 The under-occupancy (more commonly known as the Bedroom Tax) charge continues to be fully mitigated by the Scottish Government. (£2,661,722 for year ending 2021/22). Since 2014/15, mitigation has been provided to the value of £16,572,068.

The funding provided by the Scottish Government is included within the General Fund Revenue Budget.

In financial year 2021/22 Scottish Government has announced a £10m grant fund to support private and social rented tenants who have incurred rent arrears as a direct result of the Covid 19 pandemic. Dundee has been allocated £358,000 to support tenants and landlords who are willing to work together to agree a repayment plan to prevent home loss.

Universal Credit Full Service continues to be rolled out and it is expected that full migration of cases from Housing Benefit to Universal Credit will not be complete until September 2024 at the earliest. There are currently 4012 Local Authority tenants claiming Universal Credit and 2804 Local Authority tenants yet to migrate to Universal Credit.

To support claimants during the pandemic there was a temporary increase to the Universal Credit standard allowance of £86.67 per month. This increase will no longer be included in Universal Credit monthly awards after 5th October 2021. In addition to this the Coronavirus Job Retention Scheme (known as the Furlough Scheme), which was introduced in April 2020, is set to be withdrawn from 1 October 2021.

Universal Credit continues to have an impact on the level of tenant rent arrears, this is monitored on an ongoing basis and support provided to tenants where appropriate. The Benefit Cap continues to restrict the level of benefit households can receive and the Council's Benefit Delivery and Advice Services Team work together to support tenants affected by the Cap.

- 8.2 The purpose of the Hardship Fund is to assist Council tenants suffering financial hardship in the payment of rent as a result of these Welfare Reforms. In order to continue to mitigate the impact of these reforms on council tenants, the provision for the Hardship Fund will remain at £500,000 for financial year 2022/23.
- 8.3 Neighbourhood Services and Corporate Services are committed to supporting tenants in rent arrears. As agreed on 27 September 2021 by Policy and Resources Committee, Neighbourhood Services intend to purchase additional RentSense software which will support the Corporate Debt Team in the collection of rent arrears, as it can provide a unique social housing intelligence software application to assist landlords protect and maximise revenues, mitigate welfare reform and embed efficiencies.

RentSense has a proven track record and works with several Scottish Local Authorities including Perth & Kinross & Fife Councils both of whom have recommended RentSense.

9 PROVISIONAL REVENUE BUDGETS 2023/24 & 2024/25

- 9.1 In line with last financial year, Provisional Revenue Budgets for 2023/24 and 2024/25 are detailed within Appendix 1 of this report. These budgets include an estimated allowance of 2.00% for a pay award for all staff. Provision has also been included for other specific and general price inflation, where appropriate.
- 9.2 These budgets assume the estimated level of capital financing costs that will arise as a result of the planned significant investments included in the latest Housing HRA Capital Plan 2021-26. This includes the delivery of key housing investment priorities such as maintaining council houses at Scottish Housing Quality Standard by installing new windows, heating and roof replacement. The programme includes provision to help reduce fuel poverty by progressing towards meeting the Energy Efficiency Standard in Social Housing for all council houses by installing external wall insulation to approximately a further 1200 homes. The latest Scottish Household Survey data indicates the progress of this investment as over the last 9 years overall fuel poverty levels have reduced by 10% to 31%.
- 9.3 In October 2020, Neighbourhood Services Committee approved additional borrowing capacity of net investment of £6.0m to increase the supply and delivery of additional units of affordable housing. The service is currently considering sites and developing an open market acquisition strategy for which it is intended the additional investment of £6,000,000 could be used to fund the delivery of whichever is most viable. In addition to this investment, the continuation of the Council's new build housing programme will include the completion of 169 new homes.
- 9.4 Provision is included for the continued funding to meet the additional fire safety improvements that are required to the overall housing stock as a result of changes to legislative requirements. These improvements will include the replacement of existing communal doors and doors to individual flats in all multi storey developments (MSD).
- 9.5 The projected rent increases based on these provisional budgets are 1.50% for each of these financial years. It should be emphasised that the attached budgets and rent levels above are only indicative and final decisions relating to these budgets and future rent levels will be taken in due course.

10 RENT CONSULTATION

- 10.1 Last year's consultation was widely recognised as a great success and comprised of numerous events and other awareness raising activities across the city. The total number of tenants that participated was 2,162 that represents almost 20% of the current housing stock.
- 10.2 Officers normally hold a seminar during the summer to provide tenants information about what their rent pays for and raise awareness of how rent levels are set. The event also provides an opportunity for tenants to learn what the Council's housing priorities are but importantly also gave tenants the opportunity to let the Council know what is important to them. As a result of the restrictions imposed following the Covid-19 outbreak and the impact on the delivery of

programmes over the last year, this event did not take place. Instead the service has retained the priorities outlined by tenants last year which was captured via a short survey which outlined the priorities that should be considered. Given the impact on the overall delivery of these programmes over the last year, the service will keep these priorities for consultation in this year's rent consultation exercise. These priorities together with those we are aware of from other feedback are reflected in the rent consultation options outlined in Appendix 3.

10.3 As noted above, due to Covid-19 some of the traditional methods of undertaking the rent consultation shall not be available this year although the Executive Director of Neighbourhood Services remains committed to further consult with Council tenants on the budget proposals, rent levels and other housing charges through whatever means are possible, these include:

- use of telephone surveying, either directly or when tenants contact the council;
- information displayed on Dundee City Council website;
- targeted use of relevant social media platforms;
- publication of updated guidance (HRA Methodology) for tenants to understand what their rent pays for;
- through continued collaboration with Dundee Federation of Tenants Association and registered tenants' organisations.

10.4 Following the consultation period and having regard to the proposals and the views expressed, there will be a further report to the Policy & Resources Committee on 24 January 2022.

11 **POLICY IMPLICATIONS**

11.1 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.

12 **CONSULTATIONS**

12.1 The Council Management Team were consulted in the preparation of this report and agree with the content.

13 **BACKGROUND PAPERS**

13.1 None.

ELAINE ZWIRLEIN
EXECUTIVE DIRECTOR OF NEIGHBOURHOOD SERVICES
11 October 2021

HOUSING REVENUE ACCOUNT**PROVISIONAL REVENUE BUDGET 2022-2025**

	Final Revenue Budget 2021/2022 £000	Provisional Revenue Budget 2022/2023 £000	Provisional Revenue Budget 2023/2024 £000	Provisional Revenue Budget 2024/2025 £000
<u>EXPENDITURE</u>				
STAFF COSTS				
Salaries and Wages (including NI and Supn):	5,844	5,863	5,981	6,101
Supplementary Superannuation Charges	<u>200</u>	<u>200</u>	<u>204</u>	<u>208</u>
TOTAL STAFF COSTS	<u>6,044</u>	<u>6,063</u>	<u>6,185</u>	<u>6,309</u>
PROPERTY COSTS				
Rents	168	168	168	168
Non-Domestic Rates	197	205	209	213
Property Insurance	560	560	560	560
Repairs and Maintenance	12,023	12,149	12,392	12,639
Health and Safety Contracts	150	150	150	150
Energy Costs	541	608	619	630
Fixtures and Fittings	25	25	25	25
Cleaning Costs	24	24	24	24
Lost Rents and Bad Debts	2,023	2,235	2,280	2,326
Open Space and Garden Maintenance	<u>2,208</u>	<u>2,319</u>	<u>2,365</u>	<u>2,413</u>
TOTAL PROPERTY COSTS	<u>17,919</u>	<u>18,443</u>	<u>18,792</u>	<u>19,148</u>
SUPPLIES & SERVICES				
Liabilities Insurance	558	558	558	558
Clothing, Uniforms and Laundry	4	4	4	4
Printing, Stationery and General Office Expenses	103	103	103	103
Professional Fees	90	90	90	90
Postages	40	40	40	40
Telephones	49	49	49	49
IT Software Maintenance	98	98	98	98
Hardship Fund	500	500	500	500
Internal Recharges	2,703	2,782	2,829	2,877
Other Supplies and Services	<u>447</u>	<u>576</u>	<u>554</u>	<u>453</u>
TOTAL SUPPLIES & SERVICES	<u>4,592</u>	<u>4,800</u>	<u>4,825</u>	<u>4,772</u>
TRANSPORT COSTS				
Repairs and Maintenance and Other Running Costs	7	7	7	7
Transport Insurance	2	2	2	2
Car Allowances	<u>39</u>	<u>39</u>	<u>39</u>	<u>39</u>
TOTAL TRANSPORT COSTS	<u>48</u>	<u>48</u>	<u>48</u>	<u>48</u>
THIRD PARTY PAYMENTS				
Voluntary Organisations	<u>34</u>	<u>34</u>	<u>34</u>	<u>34</u>
TOTAL THIRD PARTY PAYMENTS	<u>34</u>	<u>34</u>	<u>34</u>	<u>34</u>
SUPPORT SERVICES				
Recharge from Central Support Departments	<u>3,458</u>	<u>3,527</u>	<u>3,597</u>	<u>3,669</u>
TOTAL SUPPORT SERVICES	<u>3,458</u>	<u>3,527</u>	<u>3,597</u>	<u>3,669</u>

HOUSING REVENUE ACCOUNT

PROVISIONAL REVENUE BUDGET 2022-2025

	Final Revenue Budget 2021/2022 £000	Provisional Revenue Budget 2022/2023 £000	Provisional Revenue Budget 2023/2024 £000	Provisional Revenue Budget 2024/2025 £000
CAPITAL FINANCING COSTS	<u>19,329</u>	<u>19,268</u>	<u>19,472</u>	<u>19,743</u>
PLANNED MAINTENANCE	<u>4,338</u>	<u>4,338</u>	<u>4,338</u>	<u>4,338</u>
<u>TOTAL GROSS EXPENDITURE</u>	<u>55,762</u>	<u>56,521</u>	<u>57,291</u>	<u>58,061</u>
<u>INCOME</u>				
Internal Recharge to Other Housing (Non-HRA)	62	62	62	62
Rents, Other Fees & Charges	52,777	52,802	52,802	52,802
Interest	60	60	60	60
Sheltered Housing Service Charge	2,582	2,589	2,589	2,589
Other Income	<u>281</u>	<u>238</u>	<u>238</u>	<u>238</u>
<u>TOTAL INCOME</u>	<u>55,762</u>	<u>55,751</u>	<u>55,751</u>	<u>55,751</u>
<u>TOTAL NET EXPENDITURE</u>	<u>-</u>	<u>770</u>	<u>1,540</u>	<u>2,310</u>

REVENUE BUDGET 2022/2023**REVIEW OF CHARGES**

Services for which charges are / could be levied	Present Charge £	Proposed Charge £
Sheltered Housing Accommodation		
Service charge	28.58	28.58
<u>Heating charges</u>		
Brington Place	6.46	6.46
Baluniefield	7.11	7.11
Car Parking ⁽²⁾		
Garages / lock ups	9.50	10.00
Garage sites	2.75	2.85
Other Housing Charges		
<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
<u>Communal Stair Cleaning</u>	1.79	1.88
<u>Other Housing (Non-HRA Budget)</u>		
Travelling People Site - Rent Charge	68.87	69.90
Temporary Accommodation Properties		
Lily Walker Centre	187.90	187.90
Supported Complex – Honeygreen Road ⁽³⁾	217.90	217.90
<u>Network Flats⁽³⁾</u>		
1 Apartment	82.45	82.45
2 Apartment	207.05	207.05
3 Apartment	308.20	308.20
4 Apartment	417.85	417.85
5 Apartment	526.00	526.00

Notes

(1) Unless stated otherwise, all above charges are on a 52-week basis.

(2) Legislation requires that income derived from these facilities be sufficient to meet the necessary expenditure incurred in providing them.

(3) The above figures reflect service charges only and exclude rental charges.

REVENUE BUDGET 2022/2023**RENT CONSULTATION OPTIONS**

The following table provides details of each option available for tenants to indicate their preference on. For each option includes the details of the impact on service delivery of selecting this option.

<p>Option 1 – Rent Increase 1.50% (or average weekly increase of £1.19)</p> <p>This option would allow for the additional adjustments outlined in paragraphs 5.1 to 5.5 of this report and provides sufficient resources to allow for the current level of service to be maintained and to continue to deliver on key service priorities.</p> <p>This level of service includes the provision of the existing housing repairs service, external cyclical maintenance together with funding to deliver key housing priorities including:</p> <ul style="list-style-type: none"> - tenancy sustainment - reducing the level of households in fuel poverty - ongoing investment in existing stock and creation of new affordable housing - continued investment in environmental improvements programme
<p>Option 2 – Rent Increase 1.75% (or average weekly increase of £1.39)</p> <p>This option would also provide resources for the level of service outlined in Option 1 above.</p> <p>In addition, the higher increase would provide additional income of £128,000 in financial year 2022/23 that would allow be invested in additional borrowing. This borrowing would provide extra capital expenditure of approximately £2.3m which would be targeted specifically to progress towards meeting the Energy Efficiency Standard in Social Housing (ESSH) on all council houses. An example of what this investment can typically provide would be resources to provide external wall insulation for 340 houses or installation of solar panels for 275 houses.</p> <p>As well as the continuation external wall and other insulation programmes these additional resources could be spent on a range of other energy efficiency initiatives including solar panels, linkages into new district heating schemes as these come on line and piloting emerging technologies for our houses to meet the new requirements of ESSH2.</p> <p>It should be emphasised that the above expenditure would be over and above that included in the latest Housing HRA Capital Plan 2021-26. The Council is already investing significant resources to meet these requirements and the above plan includes over £42m for this purpose. The agreement of option 2 would simply increase these resources and give an opportunity for these improvements to be delivered within a shorter timeframe.</p>
<p>Option 3 – Rent Increase 2.00% (or average weekly increase of £1.59)</p> <p>This option would also provide resources for the level of service outlined in Option 1 above.</p> <p>In addition, the higher increase would provide additional income of £256,000 in financial year 2022/23 that would allow be invested in additional borrowing. This borrowing would provide extra capital expenditure of approximately £4.6m which would be targeted specifically to progress towards meeting the Energy Efficiency Standard in Social Housing (ESSH) on all council houses. An example of what this investment can typically provide would be resources to provide external wall insulation for 680 houses or installation of solar panels for 550 houses.</p> <p>As well as the continuation external wall and other insulation programmes these additional resources could be spent on a range of other energy efficiency initiatives including solar panels, linkages into new district heating schemes as these come on line and piloting emerging technologies for our houses to meet the new requirements of ESSH2.</p> <p>It should be emphasised that the above expenditure would be over and above that included in the latest Housing HRA Capital Plan 2021-26. The Council is already investing significant resources to meet these requirements</p>

and the above plan includes over £42m for this purpose. The agreement of option 3 would simply increase these resources and give an opportunity for these improvements to be delivered within a shorter timeframe.

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