

ITEM No ...2.....

REPORT TO: POLICY & RESOURCES COMMITTEE – 27 JANUARY 2020

REPORT ON: HOUSING (HRA) REVENUE BUDGET 2020-23 AND REVIEW OF RENTS AND OTHER HOUSING CHARGES FOR 2020/21

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES & EXECUTIVE DIRECTOR OF NEIGHBOURHOOD SERVICES

REPORT NO: 39-2020

1 PURPOSE OF REPORT

1.1. The purpose of this report is to advise members of the outcome of the rent consultation exercise in order to approve the Housing (HRA) Revenue Budget and rent and other housing charges for financial year 2020/21.

2 RECOMMENDATIONS

2.1. It is recommended that the Committee:

- (i) note the outcome of the rent consultation exercise detailed in section 6 and Appendix 3 to this report;
- (ii) approve the Housing (HRA) Revenue Budget for 2020/21 as detailed in Appendix 1 to this report;
- (iii) note the Provisional Revenue Budgets for 2021/22 and 2022/23 detailed in Appendix 1 to this report;
- (iv) approve rents be increased by 3.00% equal to an average increase of £2.28 per week and subject to a maximum increase of £3.00 with effect from 6 April 2020;
- (v) approve that all other housing charges are set as outlined in Appendix 2 to this report with effect from 6 April 2020;
- (vi) agree that the level of rents held on the Housing (HRA) be similarly applied to miscellaneous houses i.e. the properties which are leased to the Richmond Fellowship, Dundee Health & Social Care Partnership and City Development, subject to categorisation where appropriate;
- (vii) 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;
- (viii) agree that in future any changes to tenants allowances will be at the discretion of Executive Director of Neighbourhood Services and Executive Director of Corporate Services.

3 FINANCIAL IMPLICATIONS

3.1. Approval of the proposed review of rents and other housing charges detailed in Appendix 2 would generate additional income of £1,472,000 and will result in the Housing (HRA) Revenue Budget being self-balancing for financial year 2020/21.

4 BACKGROUND

4.1. Over the past few months the Executive Director of Neighbourhood Services and Executive Director of Corporate Services, have prepared the Provisional Revenue Budget for the HRA in

2020/21. The total expenditure requirement for 2020/21 amounts to £55.032m and is further detailed in Appendix 1 to this report.

- 4.2 The Provisional Revenue Budget for 2020/21 has been updated to reflect any required cost pressures and savings that have been identified through the 2019/20 revenue monitoring process to date. In addition, any new cost pressures that are expected to emerge in 2020/21 are included along with any additional investment that is being made to the budget.
- 4.3 The Provisional Revenue Budget for 2020/21 also includes an estimated allowance of 3% for a pay award for all staff. Allowance has also been made for other specific and general price inflation, where appropriate. The main adjustments made include the following:

Staff Costs (Increase of £25,000)

Mainly due to the pay award and increments payable although this has been offset by efficiencies from various vacant posts that have been deleted from the structure following retirements etc.

Property Costs (Increase of £966,000)

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 pay increases and other inflationary pressures.

In addition, rent arrears have increased in recent financial years following the rollout of Universal Credit (see paragraph 5.1 for further details) and the level of provision for lost rents bad debts is therefore required to be increased accordingly.

Supplies & Services (Increase of £312,000)

Mainly reflects additional resources that have been included within the Hardship Fund to support those council house tenants suffering financial hardship in the payment of rent as a result of Welfare reforms (see paragraph 5.1 for further details).

In addition, 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 £151,000)

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

Capital Financing Costs (Decrease of £768,000)

The above decrease reflects a reduction in capital financing costs following the implementation of a revised loans fund repayment policy (Article VII of the minute of the meeting of Policy & Resources Committee on 30 September 2019, Report No: 279-2019 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 Standard in Social Housing and the continuation of the Council's new build council housing programme.

These spending priorities are reflected in the latest approved Housing HRA Capital Plan 2019-24, that provides for gross investment of more than £122m over this five year period (Article X of the minute of the meeting of Policy & Resources Committee on 19 August 2019, Report No: 258-2019 refers).

Planned Maintenance (Increase of £125,000)

Reflects the increased inflationary cost, this expenditure relates partly to labour and can therefore fluctuate in line with pay increases and other inflationary pressures.

Income (Decrease of £659,000)

Mainly reflects that chargeable income has reduced by £575,000 following the permanent removal of the shower charge (see Appendix 2 for further details). There are approximately 2,200 households that pay this supplementary charge for the provision of showers within their

council houses (Article IV of the minute of the meeting of Housing, Dundee Contract Services and Environment Committee on 25 June 2007, Report No: 366-2007 refers).

- 4.4 The Provisional Housing (HRA) Revenue Budget 2020/21 detailed in Appendix 1 makes a number of assumptions relating to other housing charges for financial year 2020/21. These charges include a proposal to increase the sheltered warden service charge. The cost of the sheltered warden service is fully recovered by the service charge and roughly 75% of the expenditure for the service relates to staff costs. The proposal is to increase the charge by 3% to £28.58 with effect from financial year 2020/21.
- 4.5 In addition, these charges propose an increase for car parking in garage / lock ups and garage sites by 3% to recover the cost of maintaining these properties. Details of all these charges are included in Appendix 2.
- 4.6 Dundee City Council has in the past limited any proposed rent increases within a basket of various inflation indices plus 1%. The “basket of indices” has been calculated using a weighted proportion of the consumer prices index, producer prices index and local government pay awards then adding 1%. The rate using this methodology for August 2019 plus 1% was calculated as 2.9%.
- 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. If any surplus accrues it will be retained for Housing Revenue Account purposes. There is no statutory limit on the amount by which council house rents can be increased although, under the Prudential Code Council’s must demonstrate that any borrowing costs included within their Revenue Budget are affordable, prudent and sustainable. This is evidenced through the preparation of prudential indicators that were included in the report on the Annual Treasury Management Activity 2018/19, (Article VIII of the minute of the meeting of Policy & Resources Committee on 30 September 2019, Report No: 331-2019 refers).
- 4.8 The Neighbourhood Services Committee on 28 October 2019 previously considered a report on the Housing (HRA) Revenue Budget for 2020/21 (Article II of the minute of the meeting, Report No: 364-2019 refers). This report outlined the following rent increase consultation options for 2020/21. Further detail of these options including the specific impact on service delivery are further detailed in Appendix 3.

Option	Increase (%)	Average Weekly Increase	Maximum Weekly Increase
1	3.00	£2.28	£3.00
2	3.50	£2.65	£3.50
3	4.00	£3.03	£4.00

- 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 WELFARE REFORM

- 5.1 The Welfare Reform changes introduced by the UK Government are now being implemented. In April 2017, Discretionary Housing Payments were fully devolved to the Scottish Government. The under-occupancy charge (more commonly known as the bedroom tax) continue to be fully mitigated by the funding provided by the Scottish Government which is included within the

General Fund Revenue Budget. Based on latest projections for financial year 2019/20, we estimate this funding will amount to roughly £2.16m. In addition, Universal Credit Full Service was launched in Dundee for all working age claimants from November 2017 and replaced six legacy benefits including Housing Benefit. Finally as part of the Welfare Reform, the Benefit Cap continues to restrict the level of benefit households can 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.

- 5.2 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 mitigate the impact of these reforms on council tenants, the provision for the Hardship Fund has been increased by £200,000 to £450,000 for financial year 2020/21.

6 RENT CONSULTATION

- 6.1 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.
- 6.2 On 28th October 2019, the 2020/21 rent consultation exercise was approved (Article II of the minute of the meeting, Report No: 364-2019 refers). Further details including the results and response from the Dundee Federation of Tenants' Associations are included in Appendix 4 to this report. Other tenants' organisations that were consulted were also supportive of the recommended option in paragraph 2.1 (iv).

7 CONCLUSION

- 7.1 The proposed rent increase will ensure sufficient financial resources are in place to meet the key housing priorities included in the Council Plan 2017-2022 (Article II of the minute of the meeting of the Policy & Resources Committee on 30 October 2017, Report 420-2017 refers). 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.

8 POLICY IMPLICATIONS

- 8.1 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.

9 CONSULTATIONS

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

10 BACKGROUND PAPERS

- 10.1 None.

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EXECUTIVE DIRECTOR OF NEIGHBOURHOOD SERVICES

8 January 2020

Appendix 1**HOUSING REVENUE ACCOUNT****PROVISIONAL REVENUE BUDGET 2020-2023**

	Final Revenue Budget 2019/2020 £000	Provisional Revenue Budget 2020/2021 £000	Provisional Revenue Budget 2021/2022 £000	Provisional Revenue Budget 2022/2023 £000
<u>EXPENDITURE</u>				
STAFF COSTS				
Salaries and Wages (including NI and Supn):	6,140	6,165	6,290	6,416
Supplementary Superannuation Charges	<u>200</u>	<u>200</u>	<u>206</u>	<u>212</u>
TOTAL STAFF COSTS	<u>6,340</u>	<u>6,365</u>	<u>6,496</u>	<u>6,628</u>
PROPERTY COSTS				
Rents	144	160	165	170
Non Domestic Rates	189	196	201	207
Property Insurance	560	560	577	594
Repairs and Maintenance	11,253	11,805	12,041	12,282
Health and Safety Contracts	150	150	155	159
Energy Costs	539	524	540	556
Fixtures and Fittings	30	29	30	31
Cleaning Costs	25	24	25	26
Lost Rents and Bad Debts	1,675	2,000	2,060	2,121
Open Space and Garden Maintenance	<u>2,083</u>	<u>2,166</u>	<u>2,231</u>	<u>2,297</u>
TOTAL PROPERTY COSTS	<u>16,648</u>	<u>17,614</u>	<u>18,025</u>	<u>18,443</u>
SUPPLIES & SERVICES				
Liabilities Insurance	558	558	570	581
Clothing, Uniforms and Laundry	4	4	4	4
Printing, Stationery and General Office Expenses	108	105	108	112
Professional Fees	83	83	85	88
Postages	60	40	41	42
Telephones	48	48	50	51
IT Software Maintenance	92	92	95	98
Hardship Fund	250	450	450	450
Internal Recharges	2,440	2,572	2,627	2,684
Other Supplies and Services	<u>449</u>	<u>452</u>	<u>461</u>	<u>470</u>
TOTAL SUPPLIES & SERVICES	<u>4,092</u>	<u>4,404</u>	<u>4,491</u>	<u>4,580</u>
TRANSPORT COSTS				
Repairs and Maintenance and Other Running Costs	5	7	7	7
Transport Insurance	2	2	2	2
Car Allowances	<u>39</u>	<u>39</u>	<u>40</u>	<u>41</u>
TOTAL TRANSPORT COSTS	<u>46</u>	<u>48</u>	<u>49</u>	<u>50</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>3,239</u>	<u>3,390</u>	<u>3,457</u>	<u>3,526</u>
TOTAL SUPPORT SERVICES	<u>3,239</u>	<u>3,390</u>	<u>3,457</u>	<u>3,526</u>

HOUSING REVENUE ACCOUNT

PROVISIONAL REVENUE BUDGET 2020-2023

	Final Revenue Budget 2019/2020 £000	Provisional Revenue Budget 2020/2021 £000	Provisional Revenue Budget 2021/2022 £000	Provisional Revenue Budget 2022/2023 £000
CAPITAL FINANCING COSTS	<u>19,570</u>	<u>18,802</u>	<u>19,577</u>	<u>20,342</u>
PLANNED MAINTENANCE	<u>4,250</u>	<u>4,375</u>	<u>4,375</u>	<u>4,375</u>
<u>TOTAL GROSS EXPENDITURE</u>	<u>54,219</u>	<u>55,032</u>	<u>56,504</u>	<u>57,978</u>
<u>INCOME</u>				
Internal Recharge to Other Housing (Non-HRA)	312	62	62	62
Rents, Other Fees & Charges	50,932	50,524	50,524	50,524
Interest	30	60	60	60
Sheltered Housing Service Charge	2,523	2,574	2,574	2,574
Other Income	<u>422</u>	<u>340</u>	<u>340</u>	<u>340</u>
<u>TOTAL INCOME</u>	<u>54,219</u>	<u>53,560</u>	<u>53,560</u>	<u>53,560</u>
<u>TOTAL NET EXPENDITURE</u>	<u>-</u>	<u>1,472</u>	<u>2,944</u>	<u>4,418</u>

Appendix 2**REVENUE BUDGET 2020/21****REVIEW OF RENTS AND OTHER HOUSING CHARGES**

Services for which charges are / could be levied ⁽¹⁾	Present Charge £	Proposed Charge £
Housing (HRA) Budget		
Council Houses Average Rent	75.85	78.13
Sheltered Housing Accommodation Service charge	27.75	28.58
<u>Heating charges</u> Brighton Place	6.46	6.46
Baluniefield	7.11	7.11
Car Parking ⁽²⁾ Garages / lock ups	9.03	9.30
Garage sites	2.62	2.70
Other Housing Charges Communal Cleaning	1.34	1.68
<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>Shower Charges</u> Standard (over the bath)	4.62	0.00
Level Access	9.32	0.00
Other Housing (Non-HRA) Budget		
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) With exception of the multi-storey launderette charges, 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. When reviewing these charges it is necessary to consider the effect of implementing the charges and the amount of income any increase would generate.

(3) The above figures exclude rental charges.

REVENUE BUDGET 2020/2021**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 3.00% (or average weekly increase of £2.28)</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 3.50% (or average weekly increase of £2.65)</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 £245,000 in financial year 2020/21 that would allow be invested in additional borrowing. This borrowing would provide extra capital expenditure of approximately £4.5m which would be targeted specifically to progress towards meeting the Energy Efficiency Standard in Social Housing (EESH) on all council 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 EESH2 .</p> <p>It should be emphasised that the above expenditure would be over and above that included in the latest Housing HRA Capital Plan 2019-24. The Council is already investing significant resources to meet these requirements and the above plan includes over £51m 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 4.00% (or average weekly increase of £3.03)</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 £490,000 in financial year 2020/21 that would allow be invested in additional borrowing. This borrowing would provide extra capital expenditure of approximately £9.0m which would be targeted specifically to progress towards meeting the Energy Efficiency Standard in Social Housing (EESH) on all council 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 EESH2 .</p> <p>It should be emphasised that the above expenditure would be over and above that included in the latest Housing HRA Capital Plan 2019-24. The Council is already investing significant resources to meet these requirements and the above plan includes over £51m 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.</p>

Appendix 4**CONSULTATION PROCESS**

The consultation for the 2020/21 proposed rent increase ran from 29 October 2019 to 23 December 2019. The rent consultation information outlined the three options for the 2020/21 rent increase and provided details of the level of service offered for each of the choices. The total number of tenants who participated in the process this year was 2,503. This equates to returns for 20% of the current housing stock and represents an increase from the last consultation (participation rate last year was 18%). The response rate is excellent and reflects the effective teamwork across Housing and Communities, the wider Neighbourhood Services staff group and from both the Dundee Federation of Tenants Associations and other registered tenants organisations.

Awareness of the process was raised through the Council's website and targeted use of relevant social media. Posters were also displayed within Council offices and sheltered lounges. In addition, separate meetings were held by the Dundee Federation of Tenants Associations and Forthill Tenants Association along with a further 4 meetings with tenants in sheltered lounge complexes. All registered tenant organisations were also invited to submit their preference on the proposed options.

Tenants were advised what their rent is spent on and provided details of the reasons why the cost of providing these services will change next year. Tenants were then given the opportunity to record their preference against one of three consultation options.

The consultation process involved a range of methods for tenants to contact us including by postcard, online survey, e-mail or text. Staff also spoke directly to tenants face to face at their doorsteps and within local offices. Postcards were also available in a wide range of Council offices and sheltered lounges for tenants to pick up and deposit in the ballot boxes provided.

Response from Tenants – Rent Options

<u>Option</u>	<u>Increase Per Week</u>	<u>Number of Tenants</u>	<u>% of Tenants</u>
1	3.00% Average £2.28	1,763	70%
2	3.50% Average £2.65	415	17%
3	4.00% Average £3.03	325	13%
Total		2,503	100%

Response from Dundee Federation of Tenants Association (DFTA)**Rent Consultation Statement: 2020/2021**

“The DFTA would like to select Option 1 as their preference for this consultation - a 3% rent increase. The DFTA recognise that energy efficiency measures can lead to warmer homes and lower bills and that measures such as external wall insulation in particular have proven popular with tenants, but the overriding concern is affordability for our tenants and this is why we have chosen our preference as Option 1. This choice has also taken into consideration feedback from our members at various meetings and discussions during this year’s rent consultation.

The DFTA are very pleased that the shower charge will be removed from the next financial year. We have long been in discussions with DCC management about this issue. We felt it was unfair for tenants to continue to pay this charge, but also unfair for other tenants to have their rent increased in order to eliminate this charge. We understand how the Housing Revenue Account works and knew there wasn’t a simple solution - we had asked DCC to put their thinking caps on in order to find a suitable solution and we are really pleased that this has been done. We believe it is a fairer deal for tenants.

We have received some queries on the sheltered housing service and the DFTA would like to assure tenants that we are going to scrutinise this service to ensure continued value for money.”