

ITEM No ...2.....

REPORT TO: POLICY & RESOURCES COMMITTEE – 28 JANUARY 2019

REPORT ON: HOUSING (HRA) REVENUE BUDGET 2019/22 AND REVIEW OF RENTS AND OTHER HOUSING CHARGES FOR 2019/20

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

REPORT NO: 50-2019

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 2019/2020.

2 RECOMMENDATIONS

2.1. It is recommended that the Committee:

- (i) note the outcome of the rent consultation exercise detailed in section 5 and Appendix 3 to this report;
- (ii) approve the Housing (HRA) Revenue Budget for 2019/20 as detailed in Appendix 1 to this report;
- (iii) note the Provisional Revenue Budgets for 2020/21 and 2021/22 detailed in Appendix 1 to this report;
- (iv) approve rents be increased by 3.75% equal to an average increase of £2.74 per week and subject to a maximum increase of £3.75 with effect from 1 April 2019;
- (v) approve that all other housing charges are set as outlined in Appendix 2 to this report with effect from 1 April 2019;
- (vi) note that in order to ensure that Housing Benefit legislation is adhered to that week commencing 30 March 2020 will be a rent free week;
- (vii) 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;
- (viii) 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.

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 £1,770,000 and will result in the Housing (HRA) Revenue Budget being self-balancing for financial year 2019/2020.

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 2019/2020. The total expenditure requirement for 2019/2020 amounts to £54.219m and is further detailed in Appendix 1 to this report.

- 4.2 The Provisional Revenue Budget for 2019/2020 has been updated to reflect any required cost pressures and savings that have been identified through the 2018/2019 revenue monitoring process to date. In addition, any new cost pressures that are expected to emerge in 2019/2020 are included along with any additional investment that is being made to the budget.
- 4.3 The Provisional Revenue Budget for 2019/2020 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 £487,000)

Mainly due to the estimated level of pay award and increments payable together with the impact of new posts that have been created during the year including the establishment of new posts to assist with key priorities such as repairs and the management of the gas safety inspection process.

Property Costs (Increase of £692,000)

Mainly reflects the increased inflationary cost in providing the extensive responsive repairs and relets service, these costs relate partly to labour and can therefore fluctuate in line with pay inflation levels.

Supplies & Services (Decrease of £11,000)

Mainly reflects a reduction in resources that are 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). This is partly offset by inflationary increases in internal recharges for the HRA share of the cost of various services including Anti-Social Behaviour Team and Safety & Alarm Response Centre.

Support Services (Increase of £116,000)

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 (Increase of £825,000)

The overall capital financing costs included have increased to support the delivery of the latest approved Housing HRA Capital Plan 2019-24, that provides for gross investment of more than £120m over this five year period (Article II of the minute of the meeting of Policy & Resources Committee on 9 December 2018, Report No: 331-2018 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, the continuation of the Council's new build council housing programme and fund any additional fire safety improvements that are required to the overall housing stock as a result of changes to legislative requirements.

Planned Maintenance (Reduction of £500,000)

A review of the existing revenue budgets for planned property maintenance has highlighted some items of recurring expenditure that are of a capital nature. It is therefore proposed to transfer this expenditure to the Housing HRA Capital Plan. It is envisaged this transfer will be met through slippage in the existing programme therefore no additional loan charges will be incurred in doing so.

Income (Decrease of £157,000)

Mainly reflects a decrease in rents, other fees and charges due to a net reduction in the overall number of council houses that will be available to let following sales and planned demolitions.

- 4.4 The Provisional Revenue Budget 2019/20 detailed in Appendix 1 makes a number of assumptions relating to other housing charges for financial year 2019/20. 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 was last increased in April 2011. Roughly 75% of the expenditure for the service relates to staff costs for the sheltered wardens. It should be noted that the cumulative level of pay inflation since the charge was last increased in 2011 amounts to approximately 13%. The proposal is to increase the charge by 3% to £27.75 with effect from financial year 2019/20.

- 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. These charges were last increased in April 2011. All other charges are proposed to be maintained at their current level. 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 September 2018 plus 1% was calculated as 3.7%.
- 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 Capital Plan 2019-24, (Article II of the minute of the meeting of Policy & Resources Committee on 9 December 2018, Report No: 331-2018 refers).
- 4.8 The Neighbourhood Services Committee on 29 October 2018 previously considered a report on the Housing (HRA) Revenue Budget for 2019/2020 (Article II of the minute of the meeting, Report No: 333-2018 refers). This report outlined the following rent increase consultation options for 2019/2020. 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	3.75	£2.74	£3.75
2	4.00	£2.92	£4.00
3	4.25	£3.11	£4.25

- 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. As of April 2017, Discretionary Housing Payments were fully devolved to the Scottish Government. The under-occupancy charge (more commonly known as the 'bedroom tax') continues 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 2018/19, we estimate this funding will amount to roughly £2.1m. 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 included at £250,000 for financial year 2019/20.

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 In October 2018, the 2019/2020 rent consultation exercise was approved (Article II of the minute of the meeting of the Neighbourhood Services Committee on 29 October 2018, Report 333-2018 refers). Further details including the results are included in Appendix 4 to this report.

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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10 January 2019

Appendix 1**HOUSING REVENUE ACCOUNT****PROVISIONAL REVENUE BUDGET 2019-2022**

	Final Revenue Budget 2018/2019 £000	Provisional Revenue Budget 2019/2020 £000	Provisional Revenue Budget 2020/2021 £000	Provisional Revenue Budget 2021/2022 £000
<u>EXPENDITURE</u>				
STAFF COSTS				
Salaries and Wages (including NI and Supn):	5,653	6,140	6,326	6,516
Supplementary Superannuation Charges	<u>200</u>	<u>200</u>	<u>206</u>	<u>212</u>
TOTAL STAFF COSTS	<u>5,853</u>	<u>6,340</u>	<u>6,532</u>	<u>6,728</u>
PROPERTY COSTS				
Rents	144	144	149	154
Non Domestic Rates	188	189	194	200
Property Insurance	560	560	577	594
Repairs and Maintenance	11,034	11,651	11,884	12,122
Health and Safety Contracts	150	150	155	159
Energy Costs	531	539	556	572
Fixtures and Fittings	30	30	30	31
Cleaning Costs	25	25	25	26
Lost Rents and Bad Debts	1,630	1,675	1,725	1,777
Open Space and Garden Maintenance	<u>2,062</u>	<u>2,083</u>	<u>2,104</u>	<u>2,125</u>
TOTAL PROPERTY COSTS	<u>16,354</u>	<u>17,046</u>	<u>17,399</u>	<u>17,760</u>
SUPPLIES & SERVICES				
Liabilities Insurance	558	558	569	580
Clothing, Uniforms and Laundry	4	4	4	4
Printing, Stationery and General Office Expenses	108	108	111	115
Professional Fees	83	83	85	88
Postages	60	60	62	64
Telephones	49	48	49	51
IT Software Maintenance	92	92	95	98
Hardship Fund	450	250	250	250
Internal Recharges	1,870	2,042	2,083	2,124
Other Supplies and Services	<u>431</u>	<u>449</u>	<u>458</u>	<u>467</u>
TOTAL SUPPLIES & SERVICES	<u>3,705</u>	<u>3,694</u>	<u>3,766</u>	<u>3,841</u>
TRANSPORT COSTS				
Repairs and Maintenance and Other Running Costs	5	5	5	5
Transport Insurance	2	2	2	2
Car Allowances	<u>35</u>	<u>39</u>	<u>40</u>	<u>41</u>
TOTAL TRANSPORT COSTS	<u>42</u>	<u>46</u>	<u>47</u>	<u>48</u>
THIRD PARTY PAYMENTS				
Voluntary Organisations	<u>34</u>	<u>34</u>	<u>35</u>	<u>36</u>
TOTAL THIRD PARTY PAYMENTS	<u>34</u>	<u>34</u>	<u>35</u>	<u>36</u>
SUPPORT SERVICES				
Recharge from Central Support Departments	<u>3,123</u>	<u>3,239</u>	<u>3,336</u>	<u>3,436</u>
TOTAL SUPPORT SERVICES	<u>3,123</u>	<u>3,239</u>	<u>3,336</u>	<u>3,436</u>

HOUSING REVENUE ACCOUNT

PROVISIONAL REVENUE BUDGET 2019-2022

	Final Revenue Budget 2018/2019 £000	Provisional Revenue Budget 2019/2020 £000	Provisional Revenue Budget 2020/2021 £000	Provisional Revenue Budget 2021/2022 £000
CAPITAL FINANCING COSTS	<u>18,745</u>	<u>19,570</u>	<u>20,074</u>	<u>21,060</u>
PLANNED MAINTENANCE	<u>4,750</u>	<u>4,250</u>	<u>4,800</u>	<u>4,850</u>
<u>TOTAL GROSS EXPENDITURE</u>	<u>52,606</u>	<u>54,219</u>	<u>55,989</u>	<u>57,759</u>
 <u>INCOME</u>				
Internal Recharge to Other Housing (Non-HRA)	376	312	312	312
Rents, Other Fees & Charges	49,316	49,162	49,162	49,162
Interest	30	30	30	30
Sheltered Housing Management Charge	2,802	2,863	2,863	2,863
Other Income	<u>82</u>	<u>82</u>	<u>82</u>	<u>82</u>
<u>TOTAL INCOME</u>	<u>52,606</u>	<u>52,449</u>	<u>52,449</u>	<u>52,449</u>
<u>TOTAL NET EXPENDITURE</u>	<u>-</u>	<u>1,770</u>	<u>3,540</u>	<u>5,310</u>

Appendix 2**REVENUE BUDGET 2019/2020****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	73.11	75.85
Sheltered Housing Accommodation Service charge	26.94	27.75
<u>Heating charges</u> Brighton Place	6.46	6.46
Baluniefield	7.11	7.11
Car Parking ⁽²⁾ Garages / lock ups	8.77	9.03
Garage sites	2.54	2.62
Other Housing Charges Communal Cleaning	1.34	1.34
<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
Other Housing (Non-HRA) Budget		
Temporary Accommodation Properties Lily Walker Centre	184.23	187.91
Supported Complex – Honeygreen Road ⁽³⁾	213.65	217.92
<u>Network Flats ⁽³⁾</u> 1 Apartment	80.84	82.46
2 Apartment	202.99	207.05
3 Apartment	302.14	308.18
4 Apartment	409.66	417.85
5 Apartment	515.67	525.98

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.

Appendix 3**REVENUE BUDGET 2019/2020****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 3.75% (or average weekly increase of £2.74)</p> <p>This option would allow for the additional adjustments outlined in paragraphs 4.3 to 4.5 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 the works undertaken as part the environmental improvements programme
<p>Option 2 – Rent Increase 4.00% (or average weekly increase of £2.92)</p> <p>This option would also provide resources for the level of service outlined in Option 1 above.</p> <p>In addition, the higher rent increase above would provide additional income of £118,000 in financial year 2019/20 which would allow for the phased removal of the current shower charge (where this is applicable) with effect from 1 April 2019. These additional resources would offset the loss of income suffered through phasing this service charge out.</p> <p>There are approximately 2,200 households that pay a supplementary charge of £4.62, £9.32 or £13.65 per week 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). Please note that 95% of tenants pay the lowest rate of £4.62.</p> <p>The removal of the shower charge would be phased over a 5 year period and tenants would effectively be charged for 80% of the above charges in the first year and the charge would reduce by a further 20% for each of the next 4 years until it is removed completely.</p>
<p>Option 3 – Rent Increase 4.25% (or average weekly increase of £3.11)</p> <p>This option would also provide resources for the level of service outlined in Option 1 above.</p> <p>In addition, the higher rent increase above would provide additional income of £236,000 in financial year 2019/20. Of this total, £118,000 would be invested in the budget to allow for the phased removal of the current shower charge over the next 5 years (as per Option 2 above).</p> <p>The balance of the additional rent generated of £118,000 would be invested in further borrowing. This level of additional borrowing would provide extra capital expenditure of approximately £1.6m (over and above that included in the latest Housing HRA Capital Plan) which would be targeted specifically to progress towards meeting the Energy Efficiency Standard in Social Housing (ESSH) on all council houses. For example, if these resources were invested in the external wall insulation programme this would be enough to provide for external insulation on 200 homes.</p>

Appendix 4**CONSULTATION PROCESS**

The consultation for the 2018/2019 proposed rent increase ran from 30 October 2018 to 21 December 2018. The rent consultation information outlined three options for the 2019/2020 rent increase and provided the reasons for each of these. The total number of tenants who participated in the consultation event this year was 2,282. This equates to returns for 18.3% of the current housing stock.

Tenants were provided with information regarding the reasons for the proposed increases and given the opportunity to record their preference of the three options being consulted on. This was achieved by a combination of speaking with tenants over the telephone and in local offices, targeted door knocking and effective teamwork across Housing and Communities and the wider Neighbourhood Services staff group. In addition, tenants were also given the opportunity to suggest any other additional comments such as suggested improvements to the current service.

The consultation process involved a range of methods for tenants to provide comments and feedback on the proposed options including by postcard, letter, online survey, social media, e-mail and text.

Posters indicating rent options were displayed throughout the city on both council and community notice boards, in all council offices, libraries, schools, homeless units, community centres, sports centres and sheltered lounges. Postcards were available in all council buildings, selected libraries and community centres for tenants to pick up and deposit in ballot boxes.

In addition, public meetings were held by the Dundee Federation of Tenants Associations and Forthill Tenants Association along with meetings being held in a number of sheltered lounges. 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>Number of Tenants</u>	<u>% of Tenants</u>
1	3.75% Average £2.74	1,561	69%
2	4.00% Average £2.92	462	20%
3	4.25% Average £3.11	259	11%
Total		2,282	100%

Response from Tenant Organisations

Dundee Federation of Tenants Association

'The DTFA support Option 1 - 3.75%, within the rent consultation options for this year. We have selected this after careful consideration of all the options, consultation with our tenants and by keeping affordability in mind for all tenants. We are pleased to note that affordability was a priority within the Council. In future years, we request that the DFTA see sight of all documentation in relation to the rent consultation in advance to allow us to feedback our comments and to make sure it is jargon free and as tenant friendly as possible. We feel that addressing the shower charge through an option of increasing rents for all is unfair. We are concerned about how the service increase, along with the rent increase, will be a double-whammy to our sheltered tenants and we want to work with the Council to ensure this service continues to deliver a high quality service and good value for money.'

The response from other Registered Tenant Organisations indicated the following:-

Forthill Tenants Association

'Forthill Tenants Association would like to go for option 1 for the rent increase, as due to the poverty within the city of Dundee this is the most affordable option. We understand that there has to be more than one option but whilst options 2/3 were important to get the council houses up the EESH, and to build new homes we had an issue of concern of pulling the rents to cover doing away with the cost of the showers that tenants have to pay as this is only 10% for the councils stock. On the issue with the wardens service charge going up by 3% the association felt it would have been better if this charge had been increased gradually during the last 7 years as this would not have such an impact on the said sheltered tenants across the City, as we have said it comes down to the affordability. With these two increases many of these sheltered tenants who are not in receipt of benefits it is a large amount for them to find with all the other costs going up as well, but their income or pensions are not being increased at the same rate.'