

ITEM No ...2.....

REPORT TO: POLICY & RESOURCES COMMITTEE – 22 JANUARY 2018

REPORT ON: HOUSING (HRA) REVENUE BUDGET 2018/21 AND REVIEW OF RENTS AND OTHER HOUSING CHARGES FOR 2018/19

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

REPORT NO: 21-2018

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 2018/2019.

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 2018/19 as detailed in Appendix 1 to this report;
- (iii) note the Provisional Revenue Budgets for 2019/20 and 2020/21 detailed in Appendix 1 to this report;
- (iv) approve rents be increased by 3.00% equal to an average increase of £2.13 per week and subject to a maximum increase of £3.00 with effect from 2 April 2018;
- (v) approve that all other housing charges are set as outlined in Appendix 2 to this report with effect from 2 April 2018;
- (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.

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 £1,379,000 and will result in the Housing (HRA) Revenue Budget being self-balancing for financial year 2018/2019.

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 2018/2019. The total expenditure requirement for 2018/2019 amounts to £52.759m and is further detailed in Appendix 1 to this report.

4.2 The Provisional Revenue Budget for 2018/2019 has been updated to reflect any required cost pressures and savings that have been identified through the 2017/2018 revenue monitoring process to date. In addition, any new cost pressures that are expected to emerge in 2018/2019 are included along with any additional investment that is being made to the budget.

4.3 The Provisional Revenue Budget for 2018/2019 also includes an estimated allowance of 2% 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 £141,000)

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, this will have been partly offset by a transfer of Advice & Information staff to Support Services (see below).

Property Costs (Increase of £605,000)

In accordance with Schedule 15 to the Housing (Scotland) Act 1987, the full cost of upkeep for open spaces owned by the HRA has been included in the Housing (HRA) Revenue Budget 2018/19. This has been partly offset through the savings that will be generated in repairs and maintenance through improved scheduling and greater efficiency following the implementation of the new integrated housing management system. In addition, the amount set aside to provide for any lost income related to bad debts has reduced.

Supplies & Services (Increase of £298,000)

The above increase 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 4.5 for further details).

Support Services (Increase of £210,000)

The share of these costs reflect the assumed level of inflation and the transfer of various staff (see above).

Capital Financing Costs (Increase of £106,000)

The overall capital financing costs included have increased to support the delivery of the latest approved Capital Plan 2018-23, that provides for an investment of more than £115m over this five year period (Article VII of the minute of the meeting of Policy & Resources Committee on 30 October 2017, Report No: 350-2017 refers).

These borrowing costs will continue to deliver the priority investment in the Council's housing stock to maintain Council houses at Scottish Housing Quality Standard (SHQS) and continue to progress towards meeting the Energy Efficiency Standard in Social Housing (EESH) by 2020 by various energy improvement measures such as installing external wall insulation on council houses.

The Council is also continuing its new build council housing programme to meet the housing needs within Dundee, particularly meeting the needs for fully adapted wheelchair housing, the plan includes provision for over £24m over the period of the plan starting with the construction of 83 homes at Derby Street. This is in addition to completing 33 new build houses in 2017/18 at Alexander Street.

Planned Maintenance (Reduction of £150,000)

Reflects projected savings that will be delivered through improved scheduling and greater efficiency following the implementation of the new integrated housing management system.

Income (Decrease of £171,000)

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 council house sales.

4.4 The Welfare Reform changes introduced by the UK Government are now being implemented. Universal Credit Full Service was launched in Dundee for all working age claimants from November 2017. Universal Credit replaced six legacy benefits including Housing Benefit. In addition, as part of the Welfare Reform changes 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.

- 4.5 In order to mitigate the impact of these reforms on council tenants, the provision for the Hardship Fund, previously introduced in financial year 2016/2017, has been increased by £200,000 for 2018/19. The aim of the Fund is to assist Council tenants suffering financial hardship in the payment of rent as a result of these Welfare Reforms.
- 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 2017 plus 1% was calculated as 3.8%.
- 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 2018-23, (Article VII of the minute of the meeting of Policy & Resources Committee on 30 October 2017, Report No: 350-2017 refers).
- 4.8 The Neighbourhood Services Committee on 30 October 2017 previously considered a report on the Housing (HRA) Revenue Budget for 2018/2019 (Article IV of the minute of the meeting, Report No: 348-2017 refers). This report outlined the following rent increase consultation options for 2018/2019:

| % Increase | Average Weekly Increase | Impact on Service Delivery |
|-------------------|--------------------------------|---|
| 3.00% | £2.13 | Current service standards maintained (as outlined in paragraphs 4.1 to 4.5). |
| 3.25% | £2.31 | Current service standards maintained (as outlined in paragraphs 4.1 to 4.5). Include provision for further loan charges of £115,000 that would support additional capital expenditure of approximately £1.6m on to advance the energy efficiency programme. This will accelerate the goal of achieving Energy Efficiency Standard for Social Housing (ESSH) by 2020. |
| 3.50% | £2.48 | Current service standards maintained (as outlined in paragraphs 4.1 to 4.5). Include provision for further loan charges of £230,000 that would support additional capital expenditure of approximately £3.2m on to advance the energy efficiency programme. This will accelerate the goal of achieving ESSH by 2020. |

- 4.9 The above report proposed that the maximum weekly increase will be capped at £3.00 for the 3.00% increase, £3.25 for the 3.25% increase, and £3.50 for the 3.50% increase.
- 4.10 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 RENT CONSULTATION

- 5.1. 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.
- 5.2. In October 2017, the 2018/2019 rent consultation exercise was approved (Article IV of the minute of the meeting of the Neighbourhood Services Committee on 30 October 2017, Report 348-2017 refers). Further details including the results are included in Appendix 3 to this report.

6 CONCLUSION

- 6.1. 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 11 December 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.

7 POLICY IMPLICATIONS

- 7.1. 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.

8 CONSULTATIONS

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

9 BACKGROUND PAPERS

None.

GREGORY COLGAN
EXECUTIVE DIRECTOR OF CORPORATE SERVICES

ELAINE ZWIRLEIN
EXECUTIVE DIRECTOR OF NEIGHBOURHOOD SERVICES

12 January 2018

HOUSING REVENUE ACCOUNT**PROVISIONAL REVENUE BUDGET 2018/2021**

| | Final Revenue Budget 2017/2018 £000 | Provisional Revenue Budget 2018/2019 £000 | Provisional Revenue Budget 2019/2020 £000 | Provisional Revenue Budget 2020/2021 £000 |
|--|---|---|---|---|
| <u>EXPENDITURE</u> | | | | |
| STAFF COSTS | | | | |
| Salaries and Wages (including NI and Supn): | 7,025 | 7,166 | 7,309 | 7,456 |
| Supplementary Superannuation Charges | <u>145</u> | <u>145</u> | <u>145</u> | <u>145</u> |
| TOTAL STAFF COSTS | <u>7,170</u> | <u>7,311</u> | <u>7,454</u> | <u>7,601</u> |
| PROPERTY COSTS | | | | |
| Rents | 148 | 149 | 149 | 149 |
| Non Domestic Rates | 187 | 188 | 192 | 196 |
| Property Insurance | 560 | 560 | 560 | 560 |
| Repairs and Maintenance | 11,217 | 11,034 | 11,034 | 11,034 |
| Health and Safety Contracts | 150 | 150 | 150 | 150 |
| Energy Costs | 526 | 531 | 531 | 531 |
| Fixtures and Fittings | 39 | 32 | 32 | 32 |
| Cleaning Costs | 26 | 26 | 26 | 26 |
| Lost Rents and Bad Debts | 1,784 | 1,630 | 1,630 | 1,630 |
| Open Space and Garden Maintenance | <u>1,120</u> | <u>2,062</u> | <u>2,083</u> | <u>2,103</u> |
| TOTAL PROPERTY COSTS | <u>15,757</u> | <u>16,362</u> | <u>16,387</u> | <u>16,411</u> |
| SUPPLIES & SERVICES | | | | |
| Liabilities Insurance | 558 | 558 | 558 | 558 |
| Clothing, Uniforms and Laundry | 4 | 4 | 4 | 4 |
| Printing, Stationery and General Office Expenses | 113 | 108 | 108 | 108 |
| Professional Fees | 83 | 83 | 83 | 83 |
| Postages | 60 | 60 | 60 | 60 |
| Telephones | 55 | 52 | 52 | 52 |
| IT Software Maintenance | 92 | 92 | 92 | 92 |
| Hardship Fund | 250 | 450 | 250 | 250 |
| Internal Recharges | 425 | 554 | 554 | 554 |
| Other Supplies and Services | <u>454</u> | <u>431</u> | <u>431</u> | <u>431</u> |
| TOTAL SUPPLIES & SERVICES | <u>2,094</u> | <u>2,392</u> | <u>2,192</u> | <u>2,192</u> |
| TRANSPORT COSTS | | | | |
| Repairs and Maintenance and Other Running Costs | 7 | 5 | 5 | 5 |
| Transport Insurance | 2 | 2 | 2 | 2 |
| Car Allowances | <u>35</u> | <u>35</u> | <u>35</u> | <u>35</u> |
| TOTAL TRANSPORT COSTS | <u>44</u> | <u>42</u> | <u>42</u> | <u>42</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>2,913</u> | <u>3,123</u> | <u>3,185</u> | <u>3,249</u> |
| TOTAL SUPPORT SERVICES | <u>2,913</u> | <u>3,123</u> | <u>3,185</u> | <u>3,249</u> |

HOUSING REVENUE ACCOUNT

PROVISIONAL REVENUE BUDGET 2018/2021

| | Final Revenue Budget 2017/2018 £000 | Provisional Revenue Budget 2018/2019 £000 | Provisional Revenue Budget 2019/2020 £000 | Provisional Revenue Budget 2020/2021 £000 |
|--|---|---|---|---|
| CAPITAL FINANCING COSTS | <u>18,639</u> | <u>18,745</u> | <u>19,964</u> | <u>21,212</u> |
| PLANNED MAINTENANCE | <u>4,900</u> | <u>4,750</u> | <u>4,750</u> | <u>4,750</u> |
| <u>TOTAL GROSS EXPENDITURE</u> | <u>51,551</u> | <u>52,759</u> | <u>54,008</u> | <u>55,491</u> |
| | | | | |
| <u>INCOME</u> | | | | |
| Internal Recharge to Other Housing (Non-HRA) | 444 | 376 | 376 | 376 |
| Rents, Other Fees & Charges | 48,143 | 47,937 | 47,777 | 47,777 |
| Interest | 20 | 30 | 30 | 30 |
| Sheltered Housing Management Charge | 2,815 | 2,802 | 2,858 | 2,915 |
| Other Income | <u>129</u> | <u>235</u> | <u>235</u> | <u>235</u> |
| <u>TOTAL INCOME</u> | <u>51,551</u> | <u>51,380</u> | <u>51,276</u> | <u>51,333</u> |
| <u>TOTAL NET EXPENDITURE</u> | = | <u>1,379</u> | <u>2,732</u> | <u>4,158</u> |

REVENUE BUDGET 2018/2019**REVIEW OF RENTS AND OTHER HOUSING CHARGES**

| Services for which charges are / could be levied | Present Charge £ | Proposed Charge £ |
|---|-----------------------------|------------------------------|
| Council Houses | | |
| Average Rent | 70.98 | 73.11 |
| Sheltered Housing Accommodation | | |
| Service charge | 26.94 | 26.94 |
| <u>Heating charges</u> | | |
| Brington Place | 6.46 | 6.46 |
| Baluniefield | 7.11 | 7.11 |
| Car Parking | | |
| 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 also necessary to consider the effect of implementing the charges and the amount of income any increase would generate. | | |
| | 8.77 | 8.77 |
| Garages / lock ups | 2.54 | 2.54 |
| Garage sites | | |
| 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 |
| Communal Cleaning | 1.34 | 1.34 |

With exception of the multi-storey launderette charges, all above charges are on a 52 weekly basis.

Appendix 3

CONSULTATION PROCESS

The consultation for the 2018/2019 proposed rent increase ran from the 1 November 2017 to 31 December 2017. The rent consultation information outlined three options for the 2018/2019 rent increase and provided the reasons for each of these. The total number of tenants who participated in the consultation event this year was 2,137. This equates to returns for 17% 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 pop-up stalls 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, 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 | 3.00% Average £2.13 | 1,543 | 72% |
| 2 | 3.25% Average £2.31 | 362 | 17% |
| 3 | 3.50% Average £2.48 | 232 | 11% |
| Total | | 2,137 | 100% |

Response from Tenant Organisations

Dundee Federation of Tenants Associations (DFTA) has responded to the consultation stating that following discussions with members at a General Meeting and feedback from a number of local Registered Tenant Organisation meetings, DFTA is making no recommendations on the proposed rent increase levels for 2018/19.

DFTA also made comments in their response on a number of areas in which they felt the consultation could be improved, e.g. tenant involvement in developing different options to be considered, good information being made available on the options within the consultation materials and also more explicit consideration on affordability of rents.

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

Forthill Tenants Association

The tenants in Forthill would like to go for option 1 which is 3%, as the other two options gave them no assurance that they would get their houses to the EESH standard and cladding to the properties any quicker than where they sat in the councils programme for this work to be carried out.

They were happy that there was no change in the warden charge for a further year.

