

ITEM No ...2.....

REPORT TO: NEIGHBOURHOOD SERVICES COMMITTEE – 31 OCTOBER 2022

REPORT ON: REVIEW OF RENTS AND OTHER HOUSING CHARGES

REPORT BY: EXECUTIVE DIRECTOR OF NEIGHBOURHOOD SERVICES

REPORT NO: 261-2022

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 2023/24 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 2023/24 as outlined in this report;
- (ii) note the Provisional Revenue Budgets for 2024/25 and 2025/26 detailed in Appendix 1 and the indicative rent increases for each of these years outlined in paragraph 8.5;
- (iii) note the proposed other housing charges included in Appendix 2 to this report that would become effective from 3 April 2023;
- (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 2023/24 Housing Revenue Account (HRA) Revenue Budget and rent and other housing charges.
- (v) note the impact of any rent cap beyond 31 March 2023 under the Cost of Living (Tenant Protection) Scotland Bill, and, if the rent cap is extended then officers will bring a report to committee on the implications arising from this.
- (vi) To delegate authority to the Executive Director of Corporate Services to amend the Hardship Policy to include those who are experiencing hardship but are not in receipt of either Housing Benefit or Universal Credit – Housing Costs.

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 2022/23.

3.2 Note that if the rent cap as announced under the Cost of Living (Tenant Protection) Scotland Bill was to be extended beyond 31 March 2023, officers will bring a report to committee on the implications arising from this. This would also set out further engagement that would be required with tenants regarding the impact of this.

4 BACKGROUND

4.1 This report sets out the Provisional Housing (HRA) Revenue Budget 2023/24 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 2023/24 Housing HRA Revenue Budget being self-balancing.

5 PROVISIONAL REVENUE BUDGET 2023/24

5.1 In January 2022 the Housing (HRA) Revenue Budget 2022-25 and Other Housing Charges 2022/23 was approved by members (Article II of the minute of the meeting of the Policy & Resources Committee on 24 January 2022, Report No: 36-2022 refers).

5.2 Over the past few months the Executive Director of Neighbourhood Services, has reviewed the Provisional Housing (HRA) Revenue Budget 2023/24 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 2022/23 revenue monitoring process to date. In addition, any new cost pressures that are expected to emerge in 2023/24 are included along with any additional investment that are proposed in the budget. The total expenditure requirement for 2023/24 amounts to £58.926m and is further detailed in Appendix 1 to this report.

5.3 The Provisional Housing (HRA) Revenue Budget for 2023/24 includes an additional allowance of 3.0% to reflect any shortfall in the 2022/23 pay award together with a further 3.5% for an assumed pay award in 2023/24. If there is any change in this assumption for 2023/24 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 £0.333m)

Mainly due to an estimated pay overall award increase of 6.5% (including shortfall from 2022/23), as well as adjustments for increments payable and allowances for staff turnover.

Property Costs (Increase of £1.005m)

This represents an increase of 5.4% and covers anticipated work levels and costs to be recovered from Construction Services. Included in here is an anticipated pay increases and inflation pressures applicable to the Construction Industry, as well as increased energy costs.

Supplies & Services (Increase of £0.750m)

This increase mainly reflects pay inflation applicable to internal recharges for the caretaking/ concierge service, anti-social behaviour team, homelessness team and the quality and performance teams. In addition, this includes allowance for annual software licence fees and planned upgrade to the IT software licence. The Hardship Fund has also been increased to £1m (increase of £0.500k) to assist those tenants that are struggling to pay their rent and is a one off increase funded from reserve balances. Members will be advised of the projected impact on the R&R throughout the year as part of the budget monitoring process.

Support Services (Increase of £0.176m)

This increase 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 (increase of £0.141m)

Loan Charges have increased, based on borrowing of £15.3m projected to be undertaken in 2022/23 to fund the HRA capital expenditure. The budgeted interest rate is 3.5%.

5.4 The Provisional Housing (HRA) Revenue Budget 2023/24 detailed in Appendix 1 makes a number of assumptions relating to other housing charges for financial year 2023/24. These charges include a proposal for a 3% increase to 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 which are subject to inflationary increases. In addition, these charges propose an increase for car parking in garage / lock ups and garage sites by 3.00% to recover the cost of maintaining these properties. Details of all these charges are included in Appendix 2.

- 5.5 The Provisional Housing (HRA) Revenue Budget 2023/24 detailed in Appendix 1 currently shows a deficit of £1.563m. This deficit would be removed by applying a rent increase of 3.00%. 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	3.00	£2.41	£3.00
2	3.25	£2.62	£3.25
3	3.50	£2.82	£3.50

- 5.6 As noted above, the Provisional Housing (HRA) Revenue Budget 2023/24 detailed in Appendix 1 shows a deficit of £1.563m. In order to set a balanced budget, this is the level of savings that would require to be made if a 0% rent increase/rent cap was proposed for financial year 2023/24. Please refer to paragraphs 5.9 to 5.11 for consideration of the rent cap and the impact it would have.
- 5.7 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 14.3%.
- 5.8 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	3.5%	+0.5%	£31k
Price Inflation	Various	+0.5%	£165k
Interest Rate (CLF Average Rate)	3.5%	+0.5%	£35k

- 5.9 In recognition of the cost of living crisis, Scottish Government have approved The Cost of Living (Tenant Protection) Scotland Bill on 6 October 2022 which provides legislation to temporarily restrict landlords from increasing the rent they charge on residential tenancies by capping rents and imposing a moratorium on certain evictions until at least 31 March 2023. Due to the timing of the announcement, this will have no impact on the HRA in 2022/23.
- 5.10 Should this legislation be extended beyond 31 March 2023, the impact on the HRA will be significant. The HRA funding gap in the order of £1.6m would arise and this would need to be funded through a range of cost savings. These cost savings would need to come from areas

that will have a detrimental effect on the quality, condition and size of our housing stock. Budget reductions would need to be made to planned and reactive maintenance as well as the capital programme.

- 5.11 It should be noted that only 26% of council tenants pay full rent through private means. In the short term, a rent cap would benefit these tenants directly, but, offset against this would be reduced maintenance service levels and deteriorating housing stock levels and conditions over the longer term.

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 review the strategy to develop further projects and initiatives in the coming years to assist in tackling this issue whilst recovering from the Covid-19 impact.

- 6.2 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 as 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 WELFARE REFORM

- 7.1 The under-occupancy (more commonly known as the Bedroom Tax) charge continues to be fully mitigated by the Scottish Government. (£2.579m for year ending 2022/23). Since 2014/15, mitigation has been provided to the value of £19.151m.

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

In financial year 2021/22 Scottish Government 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 was allocated £0.358m to support tenants and landlords who are willing to work together to agree a repayment plan to prevent home loss, a balance of £0.136m remains for the current year.

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 complete by September 2024 at the earliest. There are currently 4,513 Local Authority tenants claiming Universal Credit (Housing Cost element) and 2,365 Local Authority tenants in receipt of Housing Benefit whom are yet to migrate to Universal Credit Overall, some 74% of Council tenants are recipients of either Housing Benefit or Universal Credit.

Universal Credit continues to have a negative 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. Scottish Government are proposing mitigation of the Cap similar to bedroom tax, the Council's Benefit Delivery and Advice Services Teams continue to work together to support tenants affected by the Cap.

- 7.2 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 fund was fully utilised in financial year 21/22.

As a result of the ongoing cost of living crisis it is proposed that this provision is increased to £1.000m for financial year 2023/24.

- 7.3 The current Hardship Policy only supports those who are suffering financial hardship in the payment of rent where they qualify for Housing Benefit or Universal Credit – Housing Costs. It is recommended that the Executive Director of Corporate Services is given delegated authority to review the Hardship Policy to widen the scope to also support those who are not in receipt of benefit where financial hardship is demonstrated.

8 PROVISIONAL REVENUE BUDGETS 2024/25 & 2025/26

- 8.1 In line with last financial year, Provisional Revenue Budgets for 2024/25 and 2025/26 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.
- 8.2 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 2022-27 as well as assumptions for 2027-28. 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 increase the supply of social housing through the continuation of the Council's new build housing programme and Open Market Acquisition Strategy. In addition, it looks 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 1,068 homes. The latest Scottish Household Survey data indicates the progress of this investment has meant that overall fuel poverty levels have reduced to 31%.
- 8.3 The projected rent increases based on these provisional budgets are 3.00% 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.

9 RENT CONSULTATION

- 9.1 The Rent Priorities Survey was live throughout August 2022. The purpose of this survey is to identify tenants' priorities. 176 tenants responded to the Rent Priority Survey which concluded that the highest priorities of the options were:

1st	Improving Energy Efficiency
2nd	Build More New Homes
	Helping Tenants Keep Their Tenancies
3rd	Environmental Improvements

- 9.2 Our statutory obligations for consulting tenants on rent increases are set out in Section 25 of the Housing (Scotland) Act 2001. The Act states that tenants must receive 4 weeks' notice in advance of the commencement of any rental period prior to implementing any rent increase.

Section 54 of the Act outlines that landlords must notify tenants of the likely effect of the proposal on the tenant and must have regard to any representations made to it within such reasonable period as specified in the notice.

Guidance received from the Scottish Housing Regulator on 7th October recognises that the process of determining rent levels in addition to consulting with tenants takes a number of months and advises Local Authorities to proceed with the current process to ensure we are in a position to increase rents on 1st April 2023 if we are permitted to do so.

- 9.3 In addition to considering the traditional methods of undertaking the rent consultation, the Executive Director of Neighbourhood Services will again consult with Council tenants on the

budget proposals, rent levels and other housing charges through all means 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.

During the consultation, further information will be made available to tenants in respect of the Cost of Living (Tenant Protection) Scotland Bill and will provide information to tenants in respect of support services available for those affected by the cost of living crisis.

9.4 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 23 January 2023.

10 **POLICY IMPLICATIONS**

10.1 This report has been subject to the Pre-IIA Screening Tool and does not make any recommendations for change to strategy, policy, procedures, services or funding and so has not been subject to an Integrated Impact Assessment. An appropriate senior manager has reviewed and agreed with this assessment.

10.2 An exception to 10.1 above, is the consideration of delegation of authority to the Executive Director of Corporate Services to amend the Hardship Policy to include those who are experiencing hardship, but who are not in receipt of currently qualifying benefits (see 7.3). An Integrated Impact Assessment will be carried out independently for this review of the Hardship Policy, and is anticipated to lead to overall positive benefits for impacted council tenants.

11 **CONSULTATIONS**

11.1 The Council Leadership Team were consulted in the preparation of this report and agree with its contents.

12 **BACKGROUND PAPERS**

12.1 None.

ELAINE ZWIRLEIN
EXECUTIVE DIRECTOR OF NEIGHBOURHOOD SERVICES
11 October 2022

HOUSING REVENUE ACCOUNT

PROVISIONAL REVENUE BUDGET 2023-2026

	Final Revenue Budget 2022/23 £000	Provisional Revenue Budget 2023/24 £000	Provisional Revenue Budget 2024/25 £000	Provisional Revenue Budget 2025/26 £000
EXPENDITURE				
STAFF COSTS				
Salaries and Wages(incl NI and Supn)	5,863	6,196	6,318	6,443
Supplementary Superannuation Charges	200	200	204	208
TOTAL STAFF COSTS	6,063	6,396	6,522	6,651
PROPERTY COSTS				
Rents	168	168	168	168
Non Domestic Rates	205	210	214	219
Property Insurance	560	560	560	560
Repairs and Maintenance	12,149	12,882	13,140	13,402
Health and Safety Contracts	150	150	150	150
Energy Costs	608	747	761	775
Fixtures and Fittings	25	24	24	24
Cleaning Costs	24	24	24	24
Lost Rents and Bad Debts	2,235	2,248	2,293	2,339
Open Space Maintenance	2,319	2,435	2,484	2,533
TOTAL PROPERTY COSTS	18,443	19,448	19,818	20,194
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, etc	40	40	40	40
Telephones	49	50	50	50
IT Software Maintenance	98	144	144	144
Hardship Fund	500	1,000	500	500
Internal Recharges	2,344	2,551	2,602	2,654
Services	438	458	468	468
Other Supplies and Services	576	552	552	552
TOTAL SUPPLIES & SERVICES	4,800	5,550	5,111	5,163
TRANSPORT COSTS				
Repairs and Maintenance and Other Running Costs	7	7	7	7
Transport Insurance	2	2	2	2
Car Allowances	39	39	39	39
TOTAL TRANSPORT COSTS	48	48	48	48
THIRD PARTY PAYMENTS				
Voluntary Organisations	34	34	34	34
TOTAL THIRD PARTY PAYMENTS	34	34	34	34
SUPPORT SERVICES				
Recharge from Central Support Departments	3,527	3,703	3,777	3,853
TOTAL SUPPORT SERVICES	3,527	3,703	3,777	3,853

HOUSING REVENUE ACCOUNT

PROVISIONAL REVENUE BUDGET 2023-2026

	Final Revenue Budget 2022/23 £000	Provisional Revenue Budget 2023/24 £000	Provisional Revenue Budget 2024/25 £000	Provisional Revenue Budget 2025/26 £000
TOTAL CAPITAL FINANCING COSTS	19,268	19,409	20,341	21,271
PLANNED MAINTENANCE	4,338	4,338	4,338	4,338
<u>TOTAL GROSS EXPENDITURE</u>	56,521	58,926	59,989	61,552
<u>INCOME</u>				
Internal Recharge to Other Housing	62	62	62	62
Rents, Fees and Charges	53,572	53,599	53,599	53,599
Interest	60	75	75	75
Sheltered Housing Management Charge	2,589	2,696	2,696	2,696
Other Income	238	431	431	431
Contribution from Renewal & Repair Fund	0	500	0	0
<u>TOTAL INCOME</u>	56,521	57,363	56,863	56,863
<u>TOTAL NET EXPENDITURE</u>	0	1,563	3,126	4,689

REVENUE BUDGET 2023/2024**REVIEW OF CHARGES**

Services for which charges are / could be levied	Present Charge £	Proposed Charge £
Sheltered Housing Accommodation		
Service charge	28.58	29.44
<u>Heating charges</u>		
Brington Place	6.46	8.17
Baluniefield	7.11	9.81
Car Parking ⁽²⁾		
Garages / lock ups	10.00	10.30
Garage sites	2.85	2.95
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>	1.88	1.99
<u>Other Housing (Non-HRA Budget)</u>		
Travelling People Site - Rent Charge	69.90	72.00
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 2023/2024**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 £2.41)</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 3.25% (or average weekly increase of £2.62)</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 £130,000 in financial year 2023/24 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 2 (ESSH2) on all council houses. An example of what this investment can typically provide would be resources to provide external wall insulation for 184 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, new decarbonised heating systems 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 2022-27. The Council is already investing significant resources to meet these requirements and the above plan includes over £46m 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 3.50% (or average weekly increase of £2.82)</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 £260,000 in financial year 2023/24 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 2 (ESSH2) on all council houses. An example of what this investment can typically provide would be resources to provide external wall insulation for 368 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, new decarbonised heating systems 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 2022-27. The Council is already investing significant resources to meet these requirements and the above plan includes over £46m 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>