

ITEM No ...4.....

**REPORT TO: NEIGHBOURHOOD REGENERATION, HOUSING AND ESTATE
MANAGEMENT COMMITTEE – 23 OCTOBER 2023**

REPORT ON: REVIEW OF RENTS AND OTHER HOUSING CHARGES

REPORT BY: EXECUTIVE DIRECTOR OF NEIGHBOURHOOD SERVICES

REPORT NO: 294-2023

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 2024/25 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 2024/25 as outlined in this report;
- (ii) note the Provisional Revenue Budgets for 2025/26 and 2026/27 detailed in Appendix 1 and the indicative rent increases for each of these years outlined in paragraph 8.3;
- (iii) note the proposed other housing charges included in Appendix 2 to this report that would become effective from 1 April 2024;
- (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 2024/25 Housing Revenue Account (HRA) Revenue Budget and rent and other housing charges.

3 FINANCIAL IMPLICATIONS

3.1 The tenant consultation exercise will cost no more than £1,000 and this will be contained within the Neighbourhood Services (Housing HRA) Revenue Budget 2023/24.

4 BACKGROUND

4.1 This report sets out the Provisional Housing (HRA) Revenue Budget 2024/25 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 2024/25 Housing HRA Revenue Budget being self-balancing.

5 PROVISIONAL REVENUE BUDGET 2024/25

5.1 In January 2023 the Housing (HRA) Revenue Budget 2023-26 and Other Housing Charges 2023/24 was approved by members (Article II of the minute of the meeting of the Policy & Resources Committee on 23 January 2023, Report No: 33-2023 refers).

5.2 Over the past few months the Executive Director of Neighbourhood Services, has reviewed the Provisional Housing (HRA) Revenue Budget 2024/25 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 2023/24 revenue monitoring process to date. In addition, any new cost pressures that are expected to emerge in 2024/25 are included along with any additional investment that are proposed in the budget. The total expenditure requirement for 2024/25 amounts to £60.692m and is further detailed in Appendix 1 to this report.

5.3 The Provisional Housing (HRA) Revenue Budget for 2024/25 includes an overall additional allowance of 6.5% to reflect any anticipated shortfall in the 2023/24 pay award together with a further assumed pay award in 2024/25. If there is any change in this assumption for 2024/25 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 £0.570m)

Mainly due to an estimated pay overall award increase for 2024/25, as well as provision for the anticipated shortfall in the 2023/24 pay award, adjustments for increments payable and allowances for staff turnover.

Property Costs (Increase of £0.957m)

This represents an increase of 4.9% 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 (Decrease of £0.171m)

This decrease is due to the removal of the one-off increase in the Hardship Fund (additional £0.500m in 2023/24). This has been offset by increased costs 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.

Capital Financing Costs (increase of £0.324m)

Loan Charges have increased, based on borrowing of £20m projected to be undertaken in 2023/24 to fund the HRA capital expenditure. The budgeted interest rate is 3.8%.

Planned Maintenance (increase of £0.100m)

A further £100,000 has been added to this budget to fund environmental improvements. This increases the overall budget to £4.438m and allows for additional improvements to be provided.

5.4 The Provisional Housing (HRA) Revenue Budget 2024/25 detailed in Appendix 1 makes a number of assumptions relating to other housing charges for financial year 2024/25. These charges include a proposal for a 10% 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. The proposed increase reflects the shortfall in the base budget due to the higher than budgeted pay award agreed for 2022/23. Whilst the previously approved budget made a general assumption of 5.5% for pay in 2022/23, the reality of the nationally agreed pay award

meant sheltered warden salaries actually increased between 8% and 9%. It should be noted that the approved budget included a general assumption of 3.5% for the 2023/24 pay award. National negotiations on the 2023/24 pay award continue although the latest offer for lower paid staff is greater than previously provided. Finally, the revised budget also makes provision for pay inflation for 2024/25. 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 2024/25 detailed in Appendix 1 currently shows a deficit of £1.885m. This deficit would be removed by applying a rent increase of 3.50%. As with previous years, it is proposed that council house tenants are given the opportunity to indicate their preference on other rent increase options that would provide for additional expenditure in key priority areas in exchange for a greater rent increase. The available options are summarised below and further details including the specific impact on service delivery are provided in Appendix 3.

Option	Increase (%)	Average Weekly Increase *	Maximum Weekly Increase *
1	3.50	£2.90	£3.50
2	3.75	£3.11	£3.75
3	4.00	£3.32	£4.00

Please note that the above weekly figures relate to increases from the approved 2023/24 average rent level.

- 5.6 As noted above, the Provisional Housing (HRA) Revenue Budget 2024/25 detailed in Appendix 1 shows a deficit of £1.885m. In order to set a balanced budget, this is the level of savings that would require to be made if a 0% rent increase was proposed for financial year 2024/25.
- 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 3.30%.
- 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%	£33k
Price Inflation	Various	+0.5%	£170k
Interest Rate (Consolidated Loans Fund Average Rate)	3.8%	+0.5%	£38k

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 and will bring the Housing Energy Efficiency and Net Zero Strategy to a future Committee.
- 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 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;
 - piloting emerging carbon reduction technologies as they become available.

7 COST OF LIVING

- 7.1 The under-occupancy (more commonly known as the Bedroom Tax) charge continues to be fully mitigated by the Scottish Government. (£2.597m for year ending 2023/24). Since 2014/15, mitigation has been provided to the value of £21.748m.

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

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 in 2028. There are currently 4,675 Local Authority tenants claiming Universal Credit (Housing Cost element) and 2,167 Local Authority tenants in receipt of Housing Benefit yet to migrate to Universal Credit Overall, 76% 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.

Scottish Government have introduced full Benefit Cap mitigation in January 2023, since then funding of £257k has been provided (£178k for year ending 2023/24). The Council's Benefit Delivery and Advice Services Teams continue to work together to support tenants affected by the Cap ensuring maximisation of claims.

- 7.2 The purpose of the Hardship Fund is to assist Council tenants experiencing financial hardship in the payment of rent as a result the ongoing Cost of Living crisis. To continue to mitigate the impact on council tenants, the fund which was fully utilised in financial year 22/23, and on track to be fully spent in 23/24 it is proposed to continue this provision at £500k for financial year 2024/25 for ongoing assistance.

8 PROVISIONAL REVENUE BUDGETS 2025/26 & 2026/27

- 8.1 In line with last financial year, Provisional Revenue Budgets for 2025/26 and 2026/27 are detailed within Appendix 1 of this report. These budgets include an estimated allowance for pay awards of 3.0% for 2025/26 and 2.5% for 2026/27 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 2023-28 as well as assumptions for 2028-29. 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 1,066 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 3.50% for each of these financial years. It should be emphasised that the attached budgets and rent levels above are only indicative and final decisions relating to these budgets and future rent levels will be taken in due course.

9 RENT CONSULTATION

- 9.1 The Rent Priorities Survey was live throughout September 2023. The purpose of this survey is to identify tenants' priorities. 747 tenants responded to the Rent Priority Survey which concluded that the highest priorities of the options were:

1st	Improving Energy Efficiency
2nd	Helping Tenants Keep Their Tenancies
3 rd	Increase Housing Supply
4th	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.

- 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; and
- face to face engagement with Tenants.

During the consultation, further information will be made available to tenants in respect of the Cost of Living Crisis 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 City Governance Committee on 23 January 2024.

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.

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**

27 September 2023

HOUSING REVENUE ACCOUNT

PROVISIONAL REVENUE BUDGET 2024-2027

	Final Revenue Budget 2023/24 £000	Provisional Revenue Budget 2024/25 £000	Provisional Revenue Budget 2025/26 £000	Provisional Revenue Budget 2026/27 £000
EXPENDITURE				
STAFF COSTS				
Salaries and Wages(incl NI and Supn)	6,196	6,766	6,969	7,143
Supplementary Superannuation Charges	200	200	204	208
TOTAL STAFF COSTS	6,396	6,966	7,173	7,351
PROPERTY COSTS				
Rents	168	8	8	8
Non Domestic Rates	210	160	163	166
Property Insurance	560	504	504	504
Repairs and Maintenance	12,882	13,681	13,956	14,233
Health and Safety Contracts	150	150	150	150
Energy Costs	747	817	832	848
Fixtures and Fittings	24	15	15	15
Cleaning Costs	24	24	24	24
Lost Rents and Bad Debts	2,248	2,489	2,538	2,589
Open Space Maintenance	2,435	2,557	2,608	2,660
TOTAL PROPERTY COSTS	19,448	20,405	20,798	21,197
SUPPLIES & SERVICES				
Liabilities Insurance	558	614	614	614
Clothing,Uniforms and Laundry	4	4	4	4
Printing,Stationery and General Office Expenses	103	99	99	99
Professional Fees	90	95	95	95
Postages, etc	40	40	40	40
Telephones	50	49	49	49
IT Software Maintenance	144	185	185	185
Hardship Fund	1,000	500	500	500
Internal Recharges	2,551	2,704	2,758	2,813
Services	458	504	514	514
Other Supplies and Services	552	585	586	586
TOTAL SUPPLIES & SERVICES	5,550	5,379	5,444	5,499
TRANSPORT COSTS				
Repairs and Maintenance and Other Running Costs	7	6	6	6
Transport Insurance	2	2	2	2
Car Allowances	39	36	36	36
TOTAL TRANSPORT COSTS	48	44	44	44
THIRD PARTY PAYMENTS				
Voluntary Organisations	34	34	34	34
TOTAL THIRD PARTY PAYMENTS	34	34	34	34
SUPPORT SERVICES				
Recharge from Central Support Departments	3,703	3,768	3,843	3,920
TOTAL SUPPORT SERVICES	3,703	3,768	3,843	3,920

HOUSING REVENUE ACCOUNT

PROVISIONAL REVENUE BUDGET 2023-2026

	Final Revenue Budget 2023/24 £000	Provisional Revenue Budget 2024/25 £000	Provisional Revenue Budget 2025/26 £000	Provisional Revenue Budget 2026/27 £000
TOTAL CAPITAL FINANCING COSTS	19,334	19,658	20,803	21,979
PLANNED MAINTENANCE	4,338	4,438	4,438	4,438
<u>TOTAL GROSS EXPENDITURE</u>	58,851	60,692	62,577	64,462
<u>INCOME</u>				
Internal Recharge to Other Housing	62	24	24	24
Rents, Fees and Charges	55,162	55,380	55,380	55,380
Interest	0	0	0	0
Sheltered Housing Management Charge	2,696	2,967	2,967	2,967
Other Income	431	436	436	436
Contribution from Renewal & Repair Fund	500	0	0	0
<u>TOTAL INCOME</u>	58,851	58,807	58,807	58,807
<u>TOTAL NET EXPENDITURE</u>	0	1,885	3,770	5,655

REVENUE BUDGET 2024/2025**REVIEW OF CHARGES**

Services for which charges are / could be levied	Present Charge p/w £	Proposed Charge p/w £
Sheltered Housing Accommodation		
Service charge	29.44	32.38
<u>Heating charges</u>		
Brington Place	8.17	9.87
Baluniefield	9.81	12.51
Car Parking ⁽²⁾		
Garages / lock ups	10.30	10.60
Garage sites	2.95	3.05
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>	1.99	2.19
<u>Other Housing (Non-HRA Budget)</u>		
Travelling People Site - Rent Charge	72.00	74.50
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.

This page is intentionally left blank

REVENUE BUDGET 2024/2025**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 3.50% (or average weekly increase of £2.90)</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 3.75% (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 increase would provide additional income of £134,500 in financial year 2024/25 that would allow to be invested in additional borrowing. This borrowing would provide extra capital expenditure of approximately £2.350m 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 164 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 2023-28. 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 4.00% (or average weekly increase of £3.32)</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 £269,000 in financial year 2024/25 that would allow to be invested in additional borrowing. This borrowing would provide extra capital expenditure of approximately £4.7m 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 328 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 2023-28. 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>

This page is intentionally left blank