

ITEM No ...6.....

REPORT TO: NEIGHBOURHOOD REGENERATION, HOUSING AND ESTATE
MANAGEMENT COMMITTEE – 28 OCTOBER 2024

REPORT ON: REVIEW OF RENTS AND OTHER HOUSING CHARGES

REPORT BY: EXECUTIVE DIRECTOR OF NEIGHBOURHOOD SERVICES

REPORT NO: 294-2024

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 2025/26 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 2025/26 as outlined in this report;
- (ii) note the Provisional Revenue Budgets for 2026/27 and 2027/28 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 7 April 2025;
- (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 2025/26 Housing Revenue Account (HRA) Revenue Budget and rent and other housing charges;
- (v) Note that a report outlining the final budget and proposed rent and other charges for 2025/26 will be brought back to City Governance Committee for approval on 20 January 2025.

3 FINANCIAL IMPLICATIONS

3.1 The tenant consultation exercise will cost no more than £1,000 and this will be contained within the Housing (HRA) Revenue Budget 2024/25.

4 BACKGROUND

4.1 This report sets out the Provisional Housing (HRA) Revenue Budget 2025/26 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 2025/26 Housing HRA Revenue Budget being self-balancing.

5 PROVISIONAL REVENUE BUDGET 2025/26

5.1 In January 2024, the Housing (HRA) Revenue Budget 2024-27 and Other Housing Charges 2024/25 was approved by members (Article VI of the minute of the meeting of the City Governance Committee on 22 January 2024, Report No: 20-2024 refers).

5.2 Over the past few months the Executive Director of Neighbourhood Services, has reviewed the Provisional Housing (HRA) Revenue Budget 2025/26 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 2024/25 revenue monitoring process to date. In addition, any new cost pressures that are expected to emerge in 2025/26 are included along with any additional

investment that are proposed in the budget. The total expenditure requirement for 2025/26 amounts to £2.546m and is further detailed in Appendix 1 to this report.

- 5.3 The Budget for 2025/26 includes an overall additional allowance to reflect any anticipated shortfall in the 2024/25 pay award together with a further assumed pay award in 2025/26. If there is any change in this assumption for 2025/26 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 £0.219m)

Mainly due to an estimated pay overall award increase for 2025/26, as well as provision for the anticipated shortfall in the 2024/25 pay award, adjustments for increments payable and allowances for staff turnover.

Property Costs (Increase of £1.894m)

This mainly reflects the increased cost of works on responsive repairs, relets and open space maintenance based on the anticipated volume of works that will be required over the year. This will include the impact of anticipated pay increases, inflationary pressures for materials.

Supplies & Services (Increase of £0.196m)

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, planned upgrade to the IT software licence and an increase in liabilities insurance.

Capital Financing Costs (increase of £1.026m)

Loan charges have increased, based on borrowing of £17m projected to be undertaken in 2024/25 to fund capital expenditure. The budgeted interest rate is assumed at 4.2%. Additional provision of £0.620m has also been included that will allow for additional capital expenditure of approx. £10.5m which will be invested in works that will be identified through the stock condition survey including further energy efficiency improvements aimed to improve the stock and also support tenants in fuel poverty.

- 5.4 The budget detailed in Appendix 1 makes assumptions relating to other housing charges for financial year 2025/26. These include a proposal for a 6.8% 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 2024/25 approved budget included a general assumption of 3.5% for the pay award. National negotiations on the 2024/25 pay award continue although the latest offer for lower paid staff is greater than previously provided. For context, the latest offer for this group of staff is expected to be equivalent to an average increase of 5.7% compared to an uplift of 3.5% that was assumed when the 2024/25 budget was agreed. Finally, the revised budget also makes further provision for pay inflation for 2025/26. In addition, these charges propose an increase for car parking in garage / lock ups and garage sites by 2.00% to recover the cost of maintaining these properties. Details of all these charges are included in Appendix 2.
- 5.5 The budget 2025/26 detailed in Appendix 1 currently shows a deficit of £2.546m. This deficit would be removed by applying a rent increase of 4.50%. 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 |
|--------|--------------|-------------------------|
| 1 | 4.50 | £3.92 |
| 2 | 4.75 | £4.14 |
| 3 | 5.00 | £4.36 |

Please note that the above weekly figures relate to increases from the approved 2024/25 average rent level.

5.6 As noted above, the budget detailed in Appendix 1 shows a deficit of £2.546m. To set a balanced budget, this is the level of savings that would require to be made if a 0% rent increase was proposed.

5.7 In preparing the above statements, the Executive Director of Neighbourhood Services has considered the key strategic, operational and financial risks facing the Council over the period. The main factors considered were:

- the possibility of new or emerging cost pressures and responsibilities;
- the inherent uncertainty surrounding matters such interest rates and price inflation;
- any impact of the Prudential Code for Capital Finance;
- continuing impact of the cost-of-living crisis and ongoing Welfare Reforms specifically in relation to 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 | 2.5% | +0.5% | £35k |
| Price Inflation | Various | +0.5% | £182k |
| Interest Rate (Consolidated Loans Fund Average Rate) | 4.2% | +0.5% | £41k |

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 are investing additional capital expenditure of approx. £10.5m which will be targeted for work identified through the stock condition survey including further energy efficiency improvements aimed at improving the existing housing stock and supporting tenants in fuel poverty.

6.2 Complimentary projects and initiatives in the coming years to assist in tackling this issue are outlined in the approved Housing Energy Efficiency and Net Zero Strategy (Article IV of Neighbourhood Regeneration, Housing and Estate Management Committee, 4 December 2023, report 344-2023 refers).

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. (£2.762m for year ending 2024/25). Since 2014 mitigation has been provided to the value of over £24m. The funding provided by the Scottish Government is included within the General Fund Revenue Budget.

- 7.2 Universal Credit (UC) continues to be rolled out and it is expected that full migration of cases from Housing Benefit (HB) to UC will complete in 2028. There are currently 5,413 Local Authority tenants claiming UC (Housing Cost element) and 1,530 Local Authority tenants in receipt of HB yet to migrate to UC Overall, 73% of Council tenants are recipients of either HB or UC.
- 7.3 UC 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 £546k has been provided (£0.289m for 2024/25). The Council's Benefit Delivery and Advice Services Teams continue to work together to support tenants affected by the Cap ensuring maximisation of claims.
- 7.4 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 2023/24, and on track to be fully spent in 2024/25. It is proposed to continue this provision at £0.500m for financial year 2025/26 for ongoing assistance.

8 PROVISIONAL REVENUE BUDGETS 2026/27 & 2027/28

- 8.1 In line with last financial year, Provisional Revenue Budgets for 2026/27 and 2027/28 are detailed within Appendix 1 of this report. These budgets include an estimated allowance for pay awards of 2.0% for 2026/27 and 2.0% for 2027/28 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 because of the planned significant investments included in the latest Housing HRA Capital Plan 2024-29 as well as assumptions for 2029-30. 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.
- 8.3 The projected rent increases based on these provisional budgets are 4.50% 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 Following the tenant engagement event held on 24 August 2024, the rent priorities survey was live until 27 September 2024. A total of 821 tenants responded to the Rent Priority Survey which concluded that the highest priorities of the options were:

| | |
|-----------------|-------------------------------|
| 1st | Tacking Anti-social Behaviour |
| 2nd | Improving energy efficiency |
| 3 rd | Increase Housing Supply |
| 4th | Support to keep tenancy |
| 5th | 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 20 January 2025.

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.

TONY BOYLE
EXECUTIVE DIRECTOR OF NEIGHBOURHOOD SERVICES

3 October 2024

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HOUSING REVENUE ACCOUNT

REVENUE BUDGET 2025-2028

| | Final Revenue Budget 2024/25 £000 | Provisional Revenue Budget 2025/26 £000 | Provisional Revenue Budget 2026/27 £000 | Provisional Revenue Budget 2027/28 £000 |
|---|---|---|---|---|
| <u>EXPENDITURE</u> | | | | |
| STAFF COSTS | | | | |
| Salaries and Wages(incl NI and Supn) | 6,766 | 6,985 | 7,125 | 7,267 |
| Supplementary Superannuation Charges | 200 | 200 | 204 | 208 |
| TOTAL STAFF COSTS | 6,966 | 7,185 | 7,329 | 7,475 |
| PROPERTY COSTS | | | | |
| Rents | 8 | 8 | 8 | 8 |
| Non Domestic Rates | 160 | 159 | 162 | 166 |
| Property Insurance | 560 | 588 | 588 | 588 |
| Repairs and Maintenance | 13,681 | 15,634 | 15,946 | 16,264 |
| Health and Safety Contracts | 150 | 150 | 150 | 150 |
| Energy Costs | 817 | 862 | 879 | 895 |
| Fixtures and Fittings | 15 | 15 | 15 | 15 |
| Cleaning Costs | 24 | 24 | 24 | 24 |
| Lost Rents and Bad Debts | 2,489 | 2,307 | 2,353 | 2,400 |
| Open Space Maintenance | 2,557 | 2,608 | 2,660 | 2,713 |
| TOTAL PROPERTY COSTS | 20,461 | 22,355 | 22,785 | 23,223 |
| SUPPLIES & SERVICES | | | | |
| Liabilities Insurance | 558 | 586 | 586 | 586 |
| Clothing,Uniforms and Laundry | 4 | 4 | 4 | 4 |
| Printing,Stationery and General Office Expens | 99 | 98 | 98 | 98 |
| Professional Fees | 95 | 100 | 100 | 100 |
| Postages, etc | 40 | 42 | 42 | 42 |
| Telephones | 49 | 54 | 54 | 54 |
| IT Software Maintenance | 185 | 185 | 185 | 185 |
| Hardship Fund | 500 | 500 | 500 | 500 |
| Internal Recharges | 2,704 | 2,762 | 2,817 | 2,874 |
| Services | 504 | 554 | 565 | 565 |
| Other Supplies and Services | 585 | 634 | 634 | 633 |
| TOTAL SUPPLIES & SERVICES | 5,323 | 5,519 | 5,585 | 5,641 |
| TRANSPORT COSTS | | | | |
| Repairs and Maintenance and Other Running C | 6 | 6 | 6 | 6 |
| Transport Insurance | 2 | 2 | 2 | 2 |
| Car Allowances | 36 | 36 | 36 | 36 |
| TOTAL TRANSPORT COSTS | 44 | 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 | 3,768 | 3,843 | 3,920 | 3,999 |
| TOTAL SUPPORT SERVICES | 3,768 | 3,843 | 3,920 | 3,999 |

HOUSING REVENUE ACCOUNT

REVENUE BUDGET 2025-2028

| | Final Revenue Budget 2024/25 £000 | Provisional Revenue Budget 2025/26 £000 | Provisional Revenue Budget 2026/27 £000 | Provisional Revenue Budget 2027/28 £000 |
|---|---|---|---|---|
| TOTAL CAPITAL FINANCING COSTS | 19,658 | 20,684 | 22,513 | 24,339 |
| PLANNED MAINTENANCE | 4,438 | 4,438 | 4,438 | 4,438 |
| <u>TOTAL GROSS EXPENDITURE</u> | <u>60,692</u> | <u>64,102</u> | <u>66,648</u> | <u>69,193</u> |
| <u>INCOME</u> | | | | |
| Internal Recharge to Other Housing | 24 | 24 | 24 | 24 |
| Rents, Fees and Charges | 57,265 | 57,913 | 57,913 | 57,913 |
| Interest | 0 | 0 | 0 | 0 |
| Sheltered Housing Management Charge | 2,967 | 3,172 | 3,172 | 3,172 |
| Other Income | 436 | 447 | 447 | 447 |
| Contribution from Renewal & Repair Fund | 0 | 0 | 0 | 0 |
| <u>TOTAL INCOME</u> | <u>60,692</u> | <u>61,556</u> | <u>61,556</u> | <u>61,556</u> |
| <u>TOTAL NET EXPENDITURE</u> | <u>0</u> | <u>2,546</u> | <u>5,092</u> | <u>7,637</u> |

REVENUE BUDGET 2025/2026**REVIEW OF CHARGES**

| Services for which charges are / could be levied | Present Charge p/w £ | Proposed Charge p/w £ |
|--|---------------------------------|----------------------------------|
| Sheltered Housing Accommodation | | |
| Service charge | 32.38 | 34.58 |
| <u>Heating charges</u> | | |
| Brington Place | 9.87 | 9.87 |
| Baluniefield | 12.51 | 12.51 |
| Car Parking ⁽²⁾ | | |
| Garages / lock ups | 10.60 | 10.81 |
| Garage sites | 3.05 | 3.11 |
| 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> | 2.19 | 2.23 |
| <u>Other Housing (Non-HRA Budget)</u> | | |
| Travelling People Site - Rent Charge | 74.50 | 77.85 |
| Temporary Accommodation Properties * | | |
| Lily Walker Centre | 187.90 | tbc |
| Supported Complex – Honeygreen Road ⁽³⁾ | 217.90 | tbc |
| <u>Network Flats⁽³⁾</u> | | |
| 1 Apartment | 82.45 | tbc |
| 2 Apartment | 207.05 | tbc |
| 3 Apartment | 308.20 | tbc |
| 4 Apartment | 417.85 | tbc |
| 5 Apartment | 526.00 | tbc |
| * The above rates are still under consideration and will be advised when this report comes back to members for approval at City Governance Committee on 20 January 2025. | | |

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.

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REVENUE BUDGET 2025/2026**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 4.50% (or average weekly increase of £3.92)</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 affordable housing through the open market acquisition strategy - continued investment in environmental improvements programme |
| <p>Option 2 – Rent Increase 4.75% (or average weekly increase of £4.14)</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 £141,600 in financial year 2025/26 that would allow to be invested in additional borrowing. This borrowing would provide extra capital expenditure of approximately £2.575m which would be targeted specifically to progress towards meeting the Energy Efficiency Standard in Social Housing on all council houses. An example of what this investment can typically provide would be resources to provide external wall insulation for 125 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 Energy Efficiency Standards in Social Housing.</p> <p>It would also allow for the establishment of an expanded programme to replace double glazed windows on an area basis .</p> <p>It should be emphasised that the above expenditure would be over and above that included in the latest Housing HRA Capital Plan 2024-29. 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 5.00% (or average weekly increase of £4.36)</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 £283,200 in financial year 2025/26 that would allow be invested in additional borrowing. This borrowing would provide extra capital expenditure of approximately £5.150m which would be targeted specifically to progress towards meeting the Energy Efficiency Standard in Social Housing on all council houses. An example of what this investment can typically provide would be resources to provide external wall insulation for 257 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 Energy Efficiency Standards in Social Housing.</p> |

It would also allow for the establishment of an expanded programme to replace double glazed windows on an area basis ,as well as introducing programmes for the modernisation of kitchens and bathrooms.

It should be emphasised that the above expenditure would be over and above that included in the latest Housing HRA Capital Plan 2024-29. The agreement of option 3 would simply increase these resources and give an opportunity for these improvements to be delivered within a shorter timeframe.