

ITEM No ...2.....

REPORT TO: NEIGHBOURHOOD SERVICES COMMITTEE – 29 OCTOBER 2018

REPORT ON: REVIEW OF RENTS AND OTHER HOUSING CHARGES

REPORT BY: EXECUTIVE DIRECTOR OF NEIGHBOURHOOD SERVICES

REPORT NO: 333-2018

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 2019/20 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 consult with tenants for a two month period on the proposed options for the rent increase for 2019/20 as outlined in this report;
- (ii) note the Provisional Revenue Budgets for 2020/21 and 2021/22 detailed in Appendix 1 and the indicative rent increases for each of these years outlined in paragraph 7.2;
- (iii) 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 2019/20 Housing Revenue Account (HRA) Revenue Budget and rent and other housing charges.

3 FINANCIAL IMPLICATIONS

- 3.1 The tenant consultation exercise will cost approximately £1,000 and this will be contained within the 2018/19 HRA Revenue Budget.

4 BACKGROUND

- 4.1 This report sets out the proposed revenue budget for the HRA for 2019/20 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 2019/20 HRA Revenue Budget being self-balancing.

5 PROVISIONAL REVENUE BUDGET 2019/20

- 5.1 Over the past few months the Executive Director of Neighbourhood Services, has prepared the Provisional Revenue Budget for the HRA in 2019/20. The total expenditure requirement for 2019/20 amounts to £54.219m and is further detailed in Appendix 1 to this report.
- 5.2 A number of budget adjustments have been made to the HRA Revenue Budget 2018/19 since this was approved (Article II of the minute of the meeting of the Policy & Resources Committee on 22 January 2018, Report No: 21-2018 refers). These adjustments reflect the removal of non-statutory HRA functions i.e. Home Finder Service, to ensure that the HRA Revenue Budget only reflects income and expenditure relating to the areas included in Schedule 15 to the Housing (Scotland) Act 1987 and corresponding adjustments have also been made in the appropriate budgets that are included with the Council's General Services Revenue Budget. In addition, the 2018/19 HRA Revenue Budget has been adjusted to reflect various other service restructuring since the budget was approved. These items are all self-financing and impact on the HRA Revenue Budget for 2018/19 is neutral. These adjustments are detailed as follows:

	Approved Budget 2018/19 (per Report 21-2018) £000	Home Finder Service £000	Quality & Performance Team £000	Safety & Alarm Response Centre £000	Revised Budget 2018/19 (per Appx 1) £000
Staff	7,311	(153)	(374)	(931)	5,853
Property	16,362			(8)	16,354
Supplies & Services	2,392		374	939	3,705
Transport	42				42
Third Party Payments	34				34
Support Services	3,123				3,123
Capital Financing Costs	18,745				18,745
Planned Maintenance	4,750				4,750
Gross Expenditure	52,759	(153)	-	-	52,606
Income	(52,759)	153	-	-	(52,606)
Net Expenditure	-	-	-	-	-

- 5.3 The Provisional Revenue Budget for 2019/20 has been updated to reflect the above changes and also any cost pressures and savings that have been identified through the 2018/19 revenue monitoring process to date. In addition, any new cost pressures that are expected to emerge in 2019/20 are included along with any additional investment that is being made to the budget.
- 5.4 The Provisional Revenue Budget for 2019/20 also includes an estimated allowance of 3% for a pay award for all staff together with additional resources to offset the higher than budgeted pay award in financial year 2018/19. 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 £487,000)

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

Property Costs (Increase of £692,000)

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

Supplies & Services (Decrease of £11,000)

Mainly reflects a reduction in resources that are included within the Hardship Fund to support those council house tenants suffering financial hardship in the payment of rent as a result of Welfare reforms (see paragraph 6.1 for further details). This is partly offset by inflationary increases in internal recharges for the HRA share of the cost of various services including Anti-Social Behaviour Team and Safety & Alarm Response Centre.

Support Services (Increase of £116,000)

Increase mainly reflects the assumed level of inflation, this recharge mainly relates to staffing and therefore also fluctuate in line with pay inflation.

Capital Financing Costs (Increase of £825,000)

The overall capital financing costs included have increased to support the delivery of the latest approved Housing HRA Capital Plan 2018-23, that provides for gross 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). An updated Housing HRA Capital Plan 2019-24 will also be submitted to the Policy & Resources Committee for approval later this year. These borrowing costs will continue to support the delivery of key housing investment priorities included in this plan such as maintaining Council houses at Scottish Housing Quality Standard, progressing towards meeting the Energy Efficiency Standard in Social Housing, the continuation of the Council's new build council housing programme and fund any additional fire

safety improvements that are required to the overall housing stock as a result of changes to legislative requirements.

Planned Maintenance (Reduction of £500,000)

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

Income (Decrease of £157,000)

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

- 5.5 The Provisional Revenue Budget 2019/20 detailed in Appendix 1 makes a number of assumptions relating to other housing charges for financial year 2019/20. These charges include a proposal to increase the sheltered warden service charge. The cost of the sheltered warden service is fully recovered by the service charge and was last increased in April 2011. Roughly 75% of the expenditure for the service relates to staff costs for the sheltered wardens. It should be noted that the cumulative level of pay inflation since the charge was last increased in 2011 amounts to approximately 13%. The proposal is to increase the charge by 3% to £27.75 with effect from financial year 2019/20.
- 5.6 In addition, these charges propose an increase for car parking in garage / lock ups and garage sites by 3% to recover the cost of maintaining these properties. These charges were last increased in April 2011. All other charges are proposed to be maintained at their current level. Details of all these charges are included in Appendix 2.
- 5.7 The Provisional Revenue Budget 2019/20 detailed in Appendix 1 currently shows a deficit of £1.770m. This deficit would be removed by applying a rent increase of 3.75%.
- 5.8 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	3.75	£2.74	£3.75
2	4.00	£2.92	£4.00
3	4.25	£3.11	£4.25

- 5.9 As noted above, the Provisional Revenue Budget 2019/20 detailed in Appendix 1 shows a deficit of £1.770m. Given a balanced budget must be set, this is the level of savings that would require to be made if a 0% rent increase was proposed for financial year 2019/20. The Executive Director of Neighbourhood Services is of the opinion that the strategic and operational objectives for the service could not be achieved with this level of reduced resources and therefore that option 1 above represents the minimum possible increase.
- 5.10 Dundee City Council has in the past limited any proposed rent increases within the current rate of inflation. The rate of inflation has been 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%. The inflation rate using this methodology for August 2018 plus 1% was calculated as 3.7%.

6 WELFARE REFORM

- 6.1 The Welfare Reform changes introduced by the UK Government are now being implemented. As of April 2017, Discretionary Housing Payments were fully devolved to the Scottish Government. The under-occupancy charge continues to be fully mitigated by the funding provided by the Scottish Government which is included within the General Fund Revenue Budget. In addition, Universal Credit Full Service was launched in Dundee for all working age claimants from November 2017 and replaced six legacy benefits including Housing Benefit. Finally as part of the Welfare Reform, the Benefit Cap continues to restrict the level of benefit households can receive. The Corporate Welfare Reform Group continues to monitor the impact of these reforms and an action plan is in place to mitigate the impact of the changes on Council house tenants.
- 6.2 The purpose of the Hardship Fund is to assist Council tenants suffering financial hardship in the payment of rent as a result of these Welfare Reforms. In order to mitigate the impact of these reforms on council tenants, the provision for the Hardship Fund has been included at £250,000 for financial year 2019/20.

7 PROVISIONAL REVENUE BUDGETS 2020/21 & 2021/22

- 7.1 In line with last financial year, Provisional Revenue Budgets for 2020/21 and 2021/22 are detailed within Appendix 1 of this report. These budgets include an estimated allowance of 3% for a pay award for all staff. Allowance has also been made for other specific and general price inflation, where appropriate.
- 7.2 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. This includes the delivery of key housing investment priorities such as maintaining council houses at Scottish Housing Quality Standard by replacing gas central heating systems, installing new windows, roof replacement and replacement of lifts in multi-storey blocks. The programme includes provision to help reduce fuel poverty by progressing towards meeting the Energy Efficiency Standard in Social Housing for all council houses by installing energy insulation to a further 1,600 homes. The latest Scottish Household Survey data indicates the progress of this investment as over the last 8 years overall fuel poverty levels have reduced by 7%. The continuation of the Council's new build housing programme will include the completion of 83 new homes at Derby Street and a further 64 new build homes elsewhere. Finally, provision is included for funding the additional fire safety improvements that are required to the overall housing stock as a result of recent changes to legislative requirements. These improvements will be included in the updated Housing HRA Capital plan that will be submitted to the Policy & Resources Committee for approval later this year.
- 7.2 The projected rent increases based on these provisional budgets are 3.75% 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.

8 RENT CONSULTATION

- 8.1 Following the consideration of feedback to previous consultations, a successful seminar was held in July 2018 that provided tenants information about what their rent pays for and raised awareness of how rent levels are set. In addition, the event also explained how, over the course of the past year, tenants representatives have been involved in developing guidance that explains to tenants what their rents pay for. The seminar also provided an opportunity for tenants to learn what the Council's priorities are but importantly also gave tenants the opportunity to let the Council know what their own priorities are. These priorities together with those we are aware of from other feedback are reflected in the rent consultation options outlined in paragraph 5.8.
- 8.2 The Executive Director of Neighbourhood Services proposes to further consult with Council tenants on the budget proposals, rent levels and other housing charges through the following means:

- Displays of information in a range of Council offices;
- Information displayed on Dundee City Council website;
- Targeted use of relevant social media;
- Publication of guidance (HRA Methodology) for tenants to understand what their rent pays for;
- Staff led consultation in Sheltered Housing and Multi Storey Developments;
- Briefings for registered Tenants' Organisations; and
- Reminders at all appropriate tenant/resident meetings and relevant community events during the period of the rent consultation exercise.

8.3 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 28 January 2019.

9 POLICY IMPLICATIONS

9.1 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.

10 CONSULTATIONS

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

11 BACKGROUND PAPERS

11.1 None.

ELAINE ZWIRLEIN
EXECUTIVE DIRECTOR OF NEIGHBOURHOOD SERVICES
4 OCTOBER 2018

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

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

HOUSING REVENUE ACCOUNT

PROVISIONAL REVENUE BUDGET 2019-2022

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

Appendix 2**REVENUE BUDGET 2019/2020****REVIEW OF CHARGES**

Services for which charges are / could be levied	Present Charge £	Proposed Charge £
Sheltered Housing Accommodation Service charge <u>Heating charges</u> Brighton Place Baluniefield	 26.94 6.46 7.11	 27.75 6.46 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. Garages / lock ups Garage sites	 8.77 2.54	 9.03 2.62
Other Housing Charges <u>Multi-storey laundrette</u> Auto wash (per use) Tumble dryer (per use) Cabinet dryer (per use) Communal Cleaning	 1.90 1.10 1.10 1.34	 1.90 1.10 1.10 1.34

REVENUE BUDGET 2019/2020**RENT CONSULTATION OPTIONS**

The following table provides details of each option available for tenants to indicate their preference on. For each option includes the details of the impact on service delivery of selecting this option.

<p>Option 1 – Rent Increase 3.75% (or average weekly increase of £2.74)</p> <p>This option would allow for the additional adjustments outlined in paragraphs 5.1 to 5.6 of this report and provides sufficient resources to allow for the current level of service to be maintained and to continue to deliver on key service priorities.</p> <p>This level of service includes the provision of the existing housing repairs service, external cyclical maintenance together with funding to deliver key housing priorities including:</p> <ul style="list-style-type: none"> - tenancy sustainment - reducing the level of households in fuel poverty - ongoing investment in existing stock and creation of new affordable housing - continued investment in the works undertaken as part the environmental improvements programme
<p>Option 2 – Rent Increase 4.00% (or average weekly increase of £2.92)</p> <p>This option would also provide resources for the level of service outlined in Option 1 above.</p> <p>In addition, the higher rent increase above would provide additional income of £118,000 in financial year 2019/20 which would allow for the phased removal of the current shower charge (where this is applicable) with effect from 1 April 2019. These additional resources would offset the loss of income suffered through phasing this service charge out.</p> <p>There are approximately 2,200 households that pay a supplementary charge of £4.62, £9.32 or £13.65 per week for the provision of showers within their council houses (Article IV of the minute of the meeting of Housing, Dundee Contract Services and Environment Committee on 25 June 2007, Report No: 366-2007 refers). Please note that 95% of tenants pay the lowest rate of £4.62.</p> <p>The removal of the shower charge would be phased over a 5 year period and tenants would effectively be charged for 80% of the above charges in the first year and the charge would reduce by a further 20% for each of the next 4 years until it is removed completely.</p>
<p>Option 3 – Rent Increase 4.25% (or average weekly increase of £3.11)</p> <p>This option would also provide resources for the level of service outlined in Option 1 above.</p> <p>In addition, the higher rent increase above would provide additional income of £236,000 in financial year 2019/20. Of this total, £118,000 would be invested in the budget to allow for the phased removal of the current shower charge over the next 5 years (as per Option 2 above).</p> <p>The balance of the additional rent generated of £118,000 would be invested in further borrowing. This level of additional borrowing would provide extra capital expenditure of approximately £1.6m (over and above that included in the latest Housing HRA Capital Plan) which would be targeted specifically to progress towards meeting the Energy Efficiency Standard in Social Housing (ESSH) on all council houses. For example, if these resources were invested in the external wall insulation programme this would be enough to provide for external insulation on 200 homes.</p>