

ITEM No ...2.....

REPORT TO: NEIGHBOURHOOD SERVICES COMMITTEE – 28 OCTOBER 2019

REPORT ON: REVIEW OF RENTS AND OTHER HOUSING CHARGES

REPORT BY: EXECUTIVE DIRECTOR OF NEIGHBOURHOOD SERVICES

REPORT NO: 364-2019

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 2020/21 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 2020/21 as outlined in this report;
- (ii) note the Provisional Revenue Budgets for 2021/22 and 2022/23 detailed in Appendix 1 and the indicative rent increases for each of these years outlined in paragraph 7.3;
- (iii) note the proposed other housing charges included in Appendix 2 to this report including the proposed permanent removal of the current shower charges with effect from 6 April 2020;
- (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 2020/21 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 Neighbourhood Services (Housing HRA) Revenue Budget 2019/20.

4 BACKGROUND

- 4.1 This report sets out the Provisional Housing (HRA) Revenue Budget 2020/21 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 2020/21 Housing HRA Revenue Budget being self-balancing.

5 PROVISIONAL REVENUE BUDGET 2020/21

- 5.1 In January 2019 the Housing (HRA) Revenue Budget 2019-22 and Other Housing Charges 2019/20 was approved by members (Article II of the minute of the meeting of the Policy & Resources Committee on 28 January 2019, Report No: 50-2019 refers).
- 5.2 Over the past few months the Executive Director of Neighbourhood Services, has reviewed the Provisional Housing (HRA) Revenue Budget 2020/21 that was included in the above report. The budget has been updated to reflect any cost pressures and savings that have been identified through the 2019/20 revenue monitoring process to date. In addition, any new cost pressures

that are expected to emerge in 2020/21 are included along with any additional investment that is being made to the budget. The total expenditure requirement for 2020/21 amounts to £55.032m and is further detailed in Appendix 1 to this report.

- 5.3 The Provisional Housing (HRA) Revenue Budget for 2020/21 also includes an allowance of 3% for a pay award. 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 £25,000)

Mainly due to the pay award and increments payable although this has been offset by efficiencies from various vacant posts that have deleted from the structure following retirements etc.

Property Costs (Increase of £966,000)

Mainly reflects the increased inflationary cost in providing the extensive responsive repairs and relets service and open space maintenance, these costs relate partly to labour and can therefore fluctuate in line with pay increases and other inflationary pressures.

In addition, rent arrears have increased in recent financial years following the rollout of Universal Credit (see paragraph 6.1 for further details) and the level of provision for lost rents bad debts is therefore required to be increased accordingly.

Supplies & Services (Increase of £312,000)

Mainly reflects additional resources that have been included within the Hardship Fund to support those council house tenants suffering financial hardship in the payment of rent as a result of Welfare reforms (see paragraph 6.1 for further details).

In addition, internal recharges for the Housing HRA share of the cost of various services including Anti-Social Behaviour Team and Safety & Alarm Response Centre have increased reflecting the increased inflationary cost of providing these services.

Support Services (Increase of £151,000)

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 (Decrease of £768,000)

The above decrease reflects a reduction in capital financing costs following the implementation of a revised loans fund repayment policy (Article XII of the minute of the meeting of Policy & Resources Committee on 30 September 2019, Report No: 279-2019 refers).

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 and the continuation of the Council's new build council housing programme.

These spending priorities are reflected in the latest approved Housing HRA Capital Plan 2019-24, that provides for gross investment of more than £122m over this five year period (Article X of the minute of the meeting of Policy & Resources Committee on 19 August 2019, Report No: 258-2019 refers). An updated Housing HRA Capital Plan 2020-25 will also be submitted to the Policy & Resources Committee for approval at a future date.

Planned Maintenance (Increase of £125,000)

Reflects the increased inflationary cost, this expenditure relates partly to labour and can therefore fluctuate in line with pay increases and other inflationary pressures.

Income (Decrease of £659,000)

Mainly reflects that chargeable income has reduced by £575,000 following the permanent removal of the shower charge (see Appendix 2 for further details). There are approximately 2,200 households that pay this supplementary charge 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).

- 5.4 The Provisional Housing (HRA) Revenue Budget 2020/21 detailed in Appendix 1 makes a number of assumptions relating to other housing charges for financial year 2020/21. 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 roughly 75% of the expenditure for the service relates to staff costs. The proposal is to increase the charge by 3% to £28.58 with effect from financial year 2020/21.
- 5.5 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. Details of all these charges are included in Appendix 2.
- 5.6 The Provisional Housing (HRA) Revenue Budget 2020/21 detailed in Appendix 1 currently shows a deficit of £1.472m. 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	£2.28	£3.00
2	3.50	£2.65	£3.50
3	4.00	£3.03	£4.00

- 5.7 As noted above, the Provisional Housing (HRA) Revenue Budget 2020/21 detailed in Appendix 1 shows a deficit of £1.472m. 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 2020/21. 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.
- 5.8 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 2019 plus 1% was calculated as 2.9%.

6 WELFARE REFORM

- 6.1 The Welfare Reform changes introduced by the UK Government are now being implemented. In April 2017, Discretionary Housing Payments were fully devolved to the Scottish Government. The under-occupancy charge continue 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 increased by £200,000 to £450,000 for financial year 2020/21.

7 PROVISIONAL REVENUE BUDGETS 2021/22 & 2022/23

- 7.1 In line with last financial year, Provisional Revenue Budgets for 2021/22 and 2022/23 are detailed within Appendix 1 of this report. These budgets include an estimated allowance of 2% for a pay award for all staff. Provision has also been included 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 1,500 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 82 new homes at Derby Street and a further 64 new build homes on other sites. Provision is included for the continued funding to meet the additional fire safety improvements that are required to the overall housing stock as a result of changes to legislative requirements by 2021.
- 7.3 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 the these budgets and future rent levels will be taken in due course.

8 RENT CONSULTATION

- 8.1 Last year's consultation was widely recognised as a great success and comprised of numerous events and other awareness raising activities across the city. The total number of tenants that participated was 2,282 that represents 18% of the current housing stock.
- 8.2 Following the consideration of feedback to previous consultations, a successful seminar was held in June 2019 that provided tenants information about what their rent pays for and raised awareness of how rent levels are set. At the event Dundee Federation of Tenants Association also launched their Business Plan 2019-22. In addition, the seminar also provided an opportunity for tenants to learn what the Council's priorities were 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 Appendix 3.
- 8.3 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 complexes 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.
- 8.4 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 27 January 2020.

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
17 OCTOBER 2019**

HOUSING REVENUE ACCOUNT**PROVISIONAL REVENUE BUDGET 2020-2023**

	Final Revenue Budget 2019/2020 £000	Provisional Revenue Budget 2020/2021 £000	Provisional Revenue Budget 2021/2022 £000	Provisional Revenue Budget 2022/2023 £000
<u>EXPENDITURE</u>				
STAFF COSTS				
Salaries and Wages (including NI and Supn):	6,140	6,165	6,290	6,416
Supplementary Superannuation Charges	<u>200</u>	<u>200</u>	<u>206</u>	<u>212</u>
TOTAL STAFF COSTS	<u>6,340</u>	<u>6,365</u>	<u>6,496</u>	<u>6,628</u>
PROPERTY COSTS				
Rents	144	160	165	170
Non Domestic Rates	189	196	201	207
Property Insurance	560	560	577	594
Repairs and Maintenance	11,253	11,805	12,041	12,282
Health and Safety Contracts	150	150	155	159
Energy Costs	539	524	540	556
Fixtures and Fittings	30	29	30	31
Cleaning Costs	25	24	25	26
Lost Rents and Bad Debts	1,675	2,000	2,060	2,121
Open Space and Garden Maintenance	<u>2,083</u>	<u>2,166</u>	<u>2,231</u>	<u>2,297</u>
TOTAL PROPERTY COSTS	<u>16,648</u>	<u>17,614</u>	<u>18,025</u>	<u>18,443</u>
SUPPLIES & SERVICES				
Liabilities Insurance	558	558	570	581
Clothing, Uniforms and Laundry	4	4	4	4
Printing, Stationery and General Office Expenses	108	105	108	112
Professional Fees	83	83	85	88
Postages	60	40	41	42
Telephones	48	48	50	51
IT Software Maintenance	92	92	95	98
Hardship Fund	250	450	450	450
Internal Recharges	2,440	2,572	2,627	2,684
Other Supplies and Services	<u>449</u>	<u>452</u>	<u>461</u>	<u>470</u>
TOTAL SUPPLIES & SERVICES	<u>4,092</u>	<u>4,404</u>	<u>4,491</u>	<u>4,580</u>
TRANSPORT COSTS				
Repairs and Maintenance and Other Running Costs	5	7	7	7
Transport Insurance	2	2	2	2
Car Allowances	<u>39</u>	<u>39</u>	<u>40</u>	<u>41</u>
TOTAL TRANSPORT COSTS	<u>46</u>	<u>48</u>	<u>49</u>	<u>50</u>
THIRD PARTY PAYMENTS				
Voluntary Organisations	<u>34</u>	<u>34</u>	<u>34</u>	<u>34</u>
TOTAL THIRD PARTY PAYMENTS	<u>34</u>	<u>34</u>	<u>34</u>	<u>34</u>
SUPPORT SERVICES				
Recharge from Central Support Departments	<u>3,239</u>	<u>3,390</u>	<u>3,457</u>	<u>3,526</u>
TOTAL SUPPORT SERVICES	<u>3,239</u>	<u>3,390</u>	<u>3,457</u>	<u>3,526</u>

HOUSING REVENUE ACCOUNT

PROVISIONAL REVENUE BUDGET 2020-2023

	Final Revenue Budget 2019/2020 £000	Provisional Revenue Budget 2020/2021 £000	Provisional Revenue Budget 2021/2022 £000	Provisional Revenue Budget 2022/2023 £000
CAPITAL FINANCING COSTS	<u>19,570</u>	<u>18,802</u>	<u>19,577</u>	<u>20,342</u>
PLANNED MAINTENANCE	<u>4,250</u>	<u>4,375</u>	<u>4,375</u>	<u>4,375</u>
<u>TOTAL GROSS EXPENDITURE</u>	<u>54,219</u>	<u>55,032</u>	<u>56,504</u>	<u>57,978</u>
<u>INCOME</u>				
Internal Recharge to Other Housing (Non-HRA)	312	62	62	62
Rents, Other Fees & Charges	50,932	50,524	50,524	50,524
Interest	30	60	60	60
Sheltered Housing Service Charge	2,523	2,574	2,574	2,574
Other Income	<u>422</u>	<u>340</u>	<u>340</u>	<u>340</u>
<u>TOTAL INCOME</u>	<u>54,219</u>	<u>53,560</u>	<u>53,560</u>	<u>53,560</u>
<u>TOTAL NET EXPENDITURE</u>	<u>-</u>	<u>1,472</u>	<u>2,944</u>	<u>4,418</u>

REVENUE BUDGET 2020/2021**REVIEW OF CHARGES**

Services for which charges are / could be levied	Present Charge £	Proposed Charge £
Sheltered Housing Accommodation		
Service charge	27.75	28.58
<u>Heating charges</u>		
Brington Place	6.46	6.46
Baluniefield	7.11	7.11
Car Parking ⁽²⁾		
Garages / lock ups	9.03	9.30
Garage sites	2.62	2.70
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>	1.34	1.68
<u>District Heating Charges</u>		
Total charge (per kwh consumed)	0.08	0.08
<u>Shower Charges</u>		
Standard (over the bath)	4.62	0.00
Level Access	9.32	0.00

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.

REVENUE BUDGET 2020/2021**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 £2.28)</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 3.50% (or average weekly increase of £2.65)</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 £245,000 in financial year 2020/21 that would allow be invested in additional borrowing. This borrowing would provide extra capital expenditure of approximately £4.5m which would be targeted specifically to progress towards meeting the Energy Efficiency Standard in Social Housing (EESH) on all council 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, linkages into new district heating schemes as these come on line and piloting emerging technologies for our houses to meet the new requirements of EESH2 .</p> <p>It should be emphasised that the above expenditure would be over and above that included in the latest Housing HRA Capital Plan 2019-24. The Council is already investing significant resources to meet these requirements and the above plan includes over £51m 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 £3.03)</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 £490,000 in financial year 2020/21 that would allow be invested in additional borrowing. This borrowing would provide extra capital expenditure of approximately £9.0m which would be targeted specifically to progress towards meeting the Energy Efficiency Standard in Social Housing (EESH) on all council 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, linkages into new district heating schemes as these come on line and piloting emerging technologies for our houses to meet the new requirements of EESH2 .</p> <p>It should be emphasised that the above expenditure would be over and above that included in the latest Housing HRA Capital Plan 2019-24. The Council is already investing significant resources to meet these requirements and the above plan includes over £51m 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>