

## ITEM No ...4.....

**REPORT TO:** NEIGHBOURHOOD SERVICES COMMITTEE – 30 OCTOBER 2017

**REPORT ON:** REVIEW OF RENTS AND OTHER HOUSING CHARGES

**REPORT BY:** EXECUTIVE DIRECTOR OF NEIGHBOURHOOD SERVICES

**REPORT NO:** 348-2017

### 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 2018/2019 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 for a two month period with tenants on the proposed options for the rent increase for 2018/19 as outlined in this report;
- (ii) note the Provisional Revenue Budgets for 2019/20 and 2020/21 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 2018/19 Housing Revenue Account (HRA) Revenue Budget and rent and other housing charges.

### 3 FINANCIAL IMPLICATIONS

- 3.1 The tenant consultation exercise will cost approximately £2,000 and this will be contained within the 2017/18 HRA Revenue Budget.

### 4 BACKGROUND

- 4.1 This report sets out the proposed revenue budget for the HRA for 2018/19 and the rent levels that would be required to fund this. 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 2018/19 HRA Revenue Budget being self-balancing.

### 5 PROVISIONAL REVENUE BUDGET 2018/19

- 5.1 Over the past few months the Executive Director of Neighbourhood Services, has prepared the Provisional Revenue Budget for the HRA in 2018/2019. The total expenditure requirement for 2018/2019 amounts to £52.759m and is further detailed in Appendix 1 to this report.
- 5.2 In line with the recommendations included in the External Auditors Annual Audit Report 2016/17 (Article XII of the minute of the meeting of the Scrutiny Committee on 27 September 2017, Report 328-2017 refers), a number of budget adjustments have been made to the approved HRA Revenue Budget 2017/18 (Article II of the minute of the meeting of the Policy & Resources Committee on 23 January 2017, Report No: 28-2017 refers). These adjustments mainly reflect the removal of various non-statutory HRA functions to ensure that the HRA Revenue Budget reflects income and expenditure relating only 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. These items are all self-financing and impact on the HRA Revenue Budget for 2017/18 is neutral. These adjustments are detailed as follows:

	<b>Approved Budget 2017/18 (per Report 28-2017) £000</b>	<b>Homeless Service £000</b>	<b>ASB Team £000</b>	<b>Private Sector Services Unit £000</b>	<b>Other Adjust £000</b>	<b>Revised Budget 2017/18 (per Appx 1) £000</b>
Staff	9,338	(660)	(417)	(796)	(295)	7,170
Property	15,971	(206)		(8)		15,757
Supplies & Services	1,713	(28)	203	56	150	2,094
Transport	65	(1)	(6)	(15)		44
Third Party Payments	34					34
Support Services	3,023				(110)	2,913
Capital Financing Costs	18,639					18,639
Planned Maintenance	<u>4,900</u>					<u>4,900</u>
Gross Expenditure	53,683	(895)	(220)	(763)	(255)	51,551
Income	<u>(53,683)</u>	<u>895</u>	<u>220</u>	<u>763</u>	<u>255</u>	<u>(51,551)</u>
Net Expenditure	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>

- 5.3 The Provisional Revenue Budget for 2018/2019 has been updated to reflect the above changes and also any cost pressures and savings that have been identified through the 2017/2018 revenue monitoring process to date. In addition, any new cost pressures that are expected to emerge in 2018/2019 are included along with any additional investment that is being made to the budget.
- 5.4 The Provisional Revenue Budget for 2018/2019 also includes an estimated allowance of 2% for a pay award for all staff. Allowance has also been made for other specific and general price inflation, where appropriate. The main adjustments made include the following:

Staff Costs (Increase of £141,000)

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, this will have been partly offset by a transfer of Advice & Information staff to Support Services (see below).

Property Costs (Increase of £605,000)

In accordance with Schedule 15 to the Housing (Scotland) Act 1987, the full cost of upkeep for open spaces owned by the HRA has been included in the HRA Revenue Budget 2018/19. These costs had previously been included within the Council's General Services Revenue Budget although as these are HRA owned assets the cost of this maintenance should be reflected against the HRA. This has been partly offset through the savings that will be generated in repairs and maintenance through improved scheduling and greater efficiency following the implementation of the new integrated housing management system. In addition, the amount set aside to provide for any lost income related to bad debts has reduced.

Supplies & Services (Increase of £298,000)

The above increase 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).

Support Services (Increase of £210,000)

The share of these costs reflect the assumed level of inflation and the transfer of various staff (see above).

Capital Financing Costs (Increase of £106,000)

The overall capital financing costs included have increased to support the delivery of the latest approved Housing HRA Capital Plan 2017-22, that provides for an investment of more than £73m over this five year period (Article XII of the minute of the meeting of Policy & Resources Committee on 31 October 2016, Report No: 331-2016 refers).

An updated Housing HRA Capital Plan 2018-23 will be submitted to the Policy & Resources Committee for approval in October 2017. These borrowing costs will continue to deliver the priority investment in the Council's housing stock with £12.0m to maintain Council houses at Scottish Housing Quality Standard (SHQS). Following on from £9.8m expenditure in 2017/18, a further £5.8m is proposed to be invested to continue to progress towards meeting the Energy Efficiency Standard in Social Housing (ESSH) by 2020 by installing External Wall Insulation.

The Council is continuing its new build council housing programme to meet the housing needs within Dundee, particularly meeting the needs for fully adapted wheelchair housing with £5.5m spent on completing 33 new build houses in 2017/18 at Alexander Street and starting construction of 83 homes at Derby Street at a cost of £8.9m.

Planned Maintenance (Reduction of £150,000)

Reflects projected savings that will be delivered through improved scheduling and greater efficiency following the implementation of the new integrated housing management system.

Income (Decrease of £171,000)

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 council house sales.

- 5.5 The Provisional Revenue Budget 2018/19 detailed in Appendix 1 currently shows a deficit of £1.379m. This deficit would be removed by applying a rent increase of 3.00%.
- 5.6 As with previous years, it is proposed that council house tenants are also 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. These options are as follows:

<b>% Increase</b>	<b>Average Weekly Increase</b>	<b>Impact on Service Delivery</b>
3.00%	£2.13	Current service standards maintained (as outlined in paragraphs 5.1 to 5.4).
3.25%	£2.31	Current service standards maintained (as outlined in paragraphs 5.1 to 5.4).  Include provision for further loan charges of £115,000 that would support additional capital expenditure of approximately £1.6m on to advance the energy efficiency programme. This will accelerate the goal of achieving Energy Efficiency Standard for Social Housing (ESSH) by 2020.
3.50%	£2.48	Current service standards maintained (as outlined in paragraphs 5.1 to 5.4).  Include provision for further loan charges of £230,000 that would support additional capital expenditure of approximately £3.2m on to advance the energy efficiency programme. This will accelerate the goal of achieving ESSH by 2020.

- 5.7 It is proposed that the maximum weekly increase will be capped at £3.00 for the 3.00% increase, £3.25 for the 3.25% increase, and £3.50 for the 3.50% 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 September 2017 plus 1% was calculated as 3.8%.

### Other Charges

- 5.9 The consultation process will also include details relating to other housing charges for financial year 2018/19 which are being maintained at current level. Details of these charges are included in Appendix 2.

## **6 WELFARE REFORM**

- 6.1 The Welfare Reform changes introduced by the UK Government are now being implemented. Universal Credit Full Service is being launched in Dundee for all working age claimants from November 2017. Universal Credit replaces six legacy benefits including Housing Benefit. In addition, as part of the Welfare Reform changes 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 In order to mitigate the impact of these reforms on council tenants, the provision for the Hardship Fund, previously introduced in financial year 2016/2017, has been increased by £200,000 for 2018/19. The aim of the Fund is to assist Council tenants suffering financial hardship in the payment of rent as a result of these Welfare Reforms.

## **7 PROVISIONAL REVENUE BUDGETS 2019/20 & 2020/21**

- 7.1 In line with recent recommendations made by the Council's External Auditor (Article XII of the minute of the meeting of the Scrutiny Committee on 27 September 2017, Report 328-2017 refers), Provisional Revenue Budgets for 2019/20 and 2020/21 are detailed within Appendix 1 of this report. These budgets include an estimated allowance of 2% for a pay award for all staff. Allowance has also been made for other specific and general price inflation, where appropriate. These budgets assume a significant increase in the level of capital financing costs that will arise as a result of future investment to the Council's housing stock including the major new build programme that is to be delivered during the next capital plan. These costs will be offset by an increase in the level of rental income generated through an increase in the overall number of council houses. The attached budgets also assume the removal of the shower charge for any council tenants (where applicable) from 2019/20 onwards.

- 7.2 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 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;
- 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.

Following the consultation period and having regard to the proposals and the views expressed, there will be a further report to the Neighbourhood Services Committee on 22 January 2018.

**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**

**19 OCTOBER 2017**



## HOUSING REVENUE ACCOUNT

### PROVISIONAL REVENUE BUDGET 2018/2021

	Final Revenue Budget 2017/2018 £000	Provisional Revenue Budget 2018/2019 £000	Provisional Revenue Budget 2019/2020 £000	Provisional Revenue Budget 2020/2021 £000
<b><u>EXPENDITURE</u></b>				
<b>STAFF COSTS</b>				
Salaries and Wages (including NI and Supn):	7,025	7,166	7,309	7,456
Supplementary Superannuation Charges	<u>145</u>	<u>145</u>	<u>145</u>	<u>145</u>
<b>TOTAL STAFF COSTS</b>	<u>7,170</u>	<u>7,311</u>	<u>7,454</u>	<u>7,601</u>
<b>PROPERTY COSTS</b>				
Rents	148	149	149	149
Non Domestic Rates	187	188	192	196
Property Insurance	560	560	560	560
Repairs and Maintenance	11,217	11,034	11,034	11,034
Health and Safety Contracts	150	150	150	150
Energy Costs	526	531	531	531
Fixtures and Fittings	39	32	32	32
Cleaning Costs	26	26	26	26
Lost Rents and Bad Debts	1,784	1,630	1,630	1,630
Open Space and Garden Maintenance	<u>1,120</u>	<u>2,062</u>	<u>2,083</u>	<u>2,103</u>
<b>TOTAL PROPERTY COSTS</b>	<u>15,757</u>	<u>16,362</u>	<u>16,387</u>	<u>16,411</u>
<b>SUPPLIES &amp; SERVICES</b>				
Liabilities Insurance	558	558	558	558
Clothing, Uniforms and Laundry	4	4	4	4
Printing, Stationery and General Office Expenses	113	108	108	108
Professional Fees	83	83	83	83
Postages	60	60	60	60
Telephones	55	52	52	52
IT Software Maintenance	92	92	92	92
Hardship Fund	250	450	250	250
Internal Recharges	425	554	554	554
Other Supplies and Services	<u>454</u>	<u>431</u>	<u>431</u>	<u>431</u>
<b>TOTAL SUPPLIES &amp; SERVICES</b>	<u>2,094</u>	<u>2,392</u>	<u>2,192</u>	<u>2,192</u>
<b>TRANSPORT COSTS</b>				
Repairs and Maintenance and Other Running Costs	7	5	5	5
Transport Insurance	2	2	2	2
Car Allowances	<u>35</u>	<u>35</u>	<u>35</u>	<u>35</u>
<b>TOTAL TRANSPORT COSTS</b>	<u>44</u>	<u>42</u>	<u>42</u>	<u>42</u>
<b>THIRD PARTY PAYMENTS</b>				
Voluntary Organisations	<u>34</u>	<u>34</u>	<u>34</u>	<u>34</u>
<b>TOTAL THIRD PARTY PAYMENTS</b>	<u>34</u>	<u>34</u>	<u>34</u>	<u>34</u>
<b>SUPPORT SERVICES</b>				
Recharge from Central Support Departments	<u>2,913</u>	<u>3,123</u>	<u>3,185</u>	<u>3,249</u>
<b>TOTAL SUPPORT SERVICES</b>	<u>2,913</u>	<u>3,123</u>	<u>3,185</u>	<u>3,249</u>

## HOUSING REVENUE ACCOUNT

### PROVISIONAL REVENUE BUDGET 2018/2021

	Final Revenue Budget 2017/2018 £000	Provisional Revenue Budget 2018/2019 £000	Provisional Revenue Budget 2019/2020 £000	Provisional Revenue Budget 2020/2021 £000
<b>CAPITAL FINANCING COSTS</b>	<u>18,639</u>	<u>18,745</u>	<u>19,964</u>	<u>21,212</u>
<b>PLANNED MAINTENANCE</b>	<u>4,900</u>	<u>4,750</u>	<u>4,750</u>	<u>4,750</u>
<b><u>TOTAL GROSS EXPENDITURE</u></b>	<u>51,551</u>	<u>52,759</u>	<u>54,008</u>	<u>55,491</u>
<b><u>INCOME</u></b>				
Internal Recharge to Other Housing (Non-HRA)	444	376	376	376
Rents, Other Fees & Charges	48,143	47,937	49,156	50,509
Interest	20	30	30	30
Sheltered Housing Management Charge	2,815	2,802	2,858	2,915
Other Income	<u>129</u>	<u>235</u>	<u>235</u>	<u>235</u>
<b><u>TOTAL INCOME</u></b>	<u>51,551</u>	<u>51,380</u>	<u>52,655</u>	<u>54,065</u>
<b><u>TOTAL NET EXPENDITURE</u></b>	=	<u>1,379</u>	<u>1,353</u>	<u>1,426</u>

**REVENUE BUDGET 2018/2019****REVIEW OF CHARGES**

<b>Services for which charges are / could be levied</b>	<b>Present Charge £</b>	<b>Proposed Charge £</b>
<b>Sheltered Housing Accommodation</b>  Service charge  <u>Heating charges</u> Brighton Place Baluniefield	  26.94  6.46 7.11	  26.94  6.46 7.11
<b>Car Parking</b>  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	  8.77 2.54
<b>Other Housing Charges</b>  <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

