

REPORT TO: NEIGHBOURHOOD SERVICES COMMITTEE – 26 OCTOBER 2020

REPORT ON: REVIEW OF RENTS AND OTHER HOUSING CHARGES

REPORT BY: EXECUTIVE DIRECTOR OF NEIGHBOURHOOD SERVICES

REPORT NO: 256-2020

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 2021/22 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 2021/22 as outlined in this report;
- (ii) note the Provisional Revenue Budgets for 2022/23 and 2023/24 detailed in Appendix 1 and the indicative rent increases for each of these years outlined in paragraph 9.3;
- (iii) note the proposed other housing charges included in Appendix 2 to this report that would become effective from 5 April 2021;
- (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 2021/22 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 2020/21.

4 BACKGROUND

- 4.1 This report sets out the Provisional Housing (HRA) Revenue Budget 2021/22 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 2021/22 Housing HRA Revenue Budget being self-balancing.

5 PROVISIONAL REVENUE BUDGET 2020/21

- 5.1 In January 2020 the Housing (HRA) Revenue Budget 2020-23 and Other Housing Charges 2020/21 was approved by members (Article II of the minute of the meeting of the Policy & Resources Committee on 27 January 2020, Report No: 39-2020 refers).
- 5.2 Over the past few months the Executive Director of Neighbourhood Services, has reviewed the Provisional Housing (HRA) Revenue Budget 2021/22 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 2020/21 revenue monitoring process to date. In addition, any new cost pressures that are expected to emerge in 2021/22 are included along with any additional

investment that are proposed in the budget. The total expenditure requirement for 2021/22 amounts to £55.762m and is further detailed in Appendix 1 to this report.

- 5.3 The Provisional Housing (HRA) Revenue Budget for 2021/22 includes an allowance of 2.00% for an assumed 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 (Decrease of £321,000)

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

Property Costs (Increase of £305,000)

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 assumed pay increases and other inflationary pressures.

Supplies & Services (Increase of £188,000)

Mainly reflects increased 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.

In addition, this reflects the additional £50,000 that has 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 8.1 for further details).

Support Services (Increase of £68,000)

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

Capital Financing Costs (Increase of £215,000)

The overall capital financing costs included have increased to support the delivery of the latest approved Housing HRA Capital Plan 2020-25, that provides for gross investment of more than £118m over this five-year period (Item 11 of Agenda for the meeting of Policy & Resources Committee on 28 September 2020, Report No: 223-2020 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.

Planned Maintenance (Increase of £275,000)

Mainly reflects the increased inflationary cost, this expenditure relates partly to labour and can therefore fluctuate in line with pay increases and other inflationary pressures. In addition, resources have been provided to reflect the cost of electrical safety periodic testing programme for all council houses.

- 5.4 The Provisional Housing (HRA) Revenue Budget 2021/22 detailed in Appendix 1 makes a number of assumptions relating to other housing charges for financial year 2021/22. These charges include a proposal to freeze the current 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. Whilst this element of the budget will require to be adjusted to reflect the assumed pay award, it is envisaged that through other efficiencies the overall service can continue to breakeven without having to increase the charge payable by service users.
- 5.5 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.

- 5.6 The Provisional Housing (HRA) Revenue Budget 2021/22 detailed in Appendix 1 currently shows a deficit of £0.760m. This deficit would be removed by applying a rent increase of 1.50%. 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 | 1.50 | £1.17 | £1.50 |
| 2 | 1.75 | £1.37 | £1.75 |
| 3 | 2.00 | £1.57 | £2.00 |

- 5.8 As noted above, the Provisional Housing (HRA) Revenue Budget 2021/22 detailed in Appendix 1 shows a deficit of £0.760m. 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 2021/22. 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.
- 5.9 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 1.48%.
- 5.10 The recently issued Best Value Audit Report undertaken by the Accounts Commission noted that Dundee City Council's average council house rent was 6% lower than the Scottish average. The above proposals demonstrate the Council's continued commitment to the Fairness Agenda and seek to minimise any rent increases.

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 develop further projects and initiatives in the coming years to assist in tackling this issue.
- 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 and 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;
 - linkages into new district heating schemes as these come on line;
 - piloting emerging carbon reduction technologies as they become available.

7 COVID-19 RECOVERY PLAN

- 7.1 The proposed resources will also support the delivery of the recently agreed Covid-19 Recovery Plan (Article XIV of the minute of the meeting of Policy & Resources Committee on 24 August 2020, Report No: 185-2020 refers). In particular, the significant investment in construction activities will provide valuable resources to recommence construction and repairs programmes

across the city with economic benefits for our in-house Construction Services Division, other external companies and the wider supply chain for these activities.

8 WELFARE REFORM

- 8.1 Discretionary Housing Payments are 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 continues to be rolled out, it is expected full migration of cases from Housing Benefit to Universal credit will not be complete until September 2024 at the earliest. Universal Credit continues to have an impact on the level of tenant rent arrears, this is monitored on an ongoing basis and support provided to tenants where appropriate. The Benefit Cap continues to restrict the level of benefit households can receive, the Council's Benefit Delivery and Advice Services Team continue to identify and work with tenants affected by the benefit cap.
- 8.2 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 continue to mitigate the impact of these reforms on council tenants, the provision for the Hardship Fund has been increased by £50,000 to £500,000 for financial year 2021/22.

9 PROVISIONAL REVENUE BUDGETS 2022/23 & 2023/24

- 9.1 In line with last financial year, Provisional Revenue Budgets for 2022/23 and 2023/24 are detailed within Appendix 1 of this report. These budgets include an estimated allowance of 2.00% for a pay award for all staff. Provision has also been included for other specific and general price inflation, where appropriate.
- 9.2 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 2020-25. This includes the delivery of key housing investment priorities such as maintaining council houses at Scottish Housing Quality Standard by 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 2,000 homes. The latest Scottish Household Survey data indicates the progress of this investment as over the last 9 years overall fuel poverty levels have reduced by 10% to 32%. The continuation of the Council's new build housing programme will include the completion of 82 new homes at Derby Street and a further 111 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 Spring 2021. These improvements will include the replacement of existing communal doors and doors to individual flats in all multi storey developments (MSD) and the phasing of a closure of bin chutes to be replaced by waste disposal points outside MSD blocks including for recycling opportunities.
- 9.3 The projected rent increases based on these provisional budgets are 1.50% 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.

10 RENT CONSULTATION

- 10.1 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 2,503 that represents 20% of the current housing stock.
- 10.2 Officers normally hold a seminar during the summer to provide tenants information about what their rent pays for and raise awareness of how rent levels are set. The event also provides an opportunity for tenants to learn what the Council's housing priorities are but importantly also gave tenants the opportunity to let the Council know what is important to them. As a result of the

restrictions imposed following the Covid-19 outbreak this event did not take place this year but instead a short survey was undertaken to give tenants the opportunity to suggest which priorities should be considered in this year's rent consultation exercise. These priorities together with those we are aware of from other feedback are reflected in the rent consultation options outlined in Appendix 3.

10.3 As noted above, due to Covid-19 some of the traditional methods of undertaking the rent consultation shall not be available this year although the Executive Director of Neighbourhood Services remains committed to further consult with Council tenants on the budget proposals, rent levels and other housing charges through whatever means are 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.

10.4 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 25 January 2021.

11 **POLICY IMPLICATIONS**

11.1 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.

12 **CONSULTATIONS**

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

13 **BACKGROUND PAPERS**

13.1 None.

ELAINE ZWIRLEIN
EXECUTIVE DIRECTOR OF NEIGHBOURHOOD SERVICES
2 OCTOBER 2020

HOUSING REVENUE ACCOUNT**PROVISIONAL REVENUE BUDGET 2021-2024**

| | Final Revenue Budget 2020/2021 £000 | Provisional Revenue Budget 2021/2022 £000 | Provisional Revenue Budget 2022/2023 £000 | Provisional Revenue Budget 2023/2024 £000 |
|--|---|---|---|---|
| <u>EXPENDITURE</u> | | | | |
| STAFF COSTS | | | | |
| Salaries and Wages (including NI and Supn): | 6,165 | 5,844 | 5,961 | 6,080 |
| Supplementary Superannuation Charges | <u>200</u> | <u>200</u> | <u>204</u> | <u>208</u> |
| TOTAL STAFF COSTS | <u>6,365</u> | <u>6,044</u> | <u>6,165</u> | <u>6,288</u> |
| PROPERTY COSTS | | | | |
| Rents | 160 | 168 | 168 | 168 |
| Non-Domestic Rates | 196 | 197 | 201 | 205 |
| Property Insurance | 560 | 560 | 560 | 560 |
| Repairs and Maintenance | 11,805 | 12,023 | 12,263 | 12,507 |
| Health and Safety Contracts | 150 | 150 | 150 | 150 |
| Energy Costs | 524 | 541 | 552 | 563 |
| Fixtures and Fittings | 29 | 25 | 25 | 25 |
| Cleaning Costs | 24 | 24 | 24 | 24 |
| Lost Rents and Bad Debts | 2,000 | 2,023 | 2,063 | 2,105 |
| Open Space and Garden Maintenance | <u>2,166</u> | <u>2,208</u> | <u>2,253</u> | <u>2,298</u> |
| TOTAL PROPERTY COSTS | <u>17,614</u> | <u>17,919</u> | <u>18,259</u> | <u>18,605</u> |
| SUPPLIES & SERVICES | | | | |
| Liabilities Insurance | 558 | 558 | 558 | 558 |
| Clothing, Uniforms and Laundry | 4 | 4 | 4 | 4 |
| Printing, Stationery and General Office Expenses | 105 | 103 | 103 | 103 |
| Professional Fees | 83 | 90 | 90 | 90 |
| Postages | 40 | 40 | 40 | 40 |
| Telephones | 48 | 49 | 49 | 49 |
| IT Software Maintenance | 92 | 98 | 98 | 98 |
| Hardship Fund | 450 | 500 | 500 | 500 |
| Internal Recharges | 2,572 | 2,703 | 2,749 | 2,796 |
| Other Supplies and Services | <u>452</u> | <u>447</u> | <u>447</u> | <u>447</u> |
| TOTAL SUPPLIES & SERVICES | <u>4,404</u> | <u>4,592</u> | <u>4,638</u> | <u>4,685</u> |
| TRANSPORT COSTS | | | | |
| Repairs and Maintenance and Other Running Costs | 7 | 7 | 7 | 7 |
| Transport Insurance | 2 | 2 | 2 | 2 |
| Car Allowances | <u>39</u> | <u>39</u> | <u>39</u> | <u>39</u> |
| TOTAL TRANSPORT COSTS | <u>48</u> | <u>48</u> | <u>48</u> | <u>48</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>3,390</u> | <u>3,458</u> | <u>3,527</u> | <u>3,597</u> |
| TOTAL SUPPORT SERVICES | <u>3,390</u> | <u>3,458</u> | <u>3,527</u> | <u>3,597</u> |

HOUSING REVENUE ACCOUNT

PROVISIONAL REVENUE BUDGET 2021-2024

| | Final Revenue Budget 2020/2021 £000 | Provisional Revenue Budget 2021/2022 £000 | Provisional Revenue Budget 2022/2023 £000 | Provisional Revenue Budget 2023/2024 £000 |
|--|---|---|---|---|
| CAPITAL FINANCING COSTS | <u>18,802</u> | <u>19,017</u> | <u>19,201</u> | <u>19,375</u> |
| PLANNED MAINTENANCE | <u>4,375</u> | <u>4,650</u> | <u>4,650</u> | <u>4,650</u> |
| <u>TOTAL GROSS EXPENDITURE</u> | <u>55,032</u> | <u>55,762</u> | <u>56,522</u> | <u>57,282</u> |
| <u>INCOME</u> | | | | |
| Internal Recharge to Other Housing (Non-HRA) | 62 | 62 | 62 | 62 |
| Rents, Other Fees & Charges | 51,996 | 52,017 | 52,017 | 52,017 |
| Interest | 60 | 60 | 60 | 60 |
| Sheltered Housing Service Charge | 2,573 | 2,582 | 2,582 | 2,582 |
| Other Income | <u>341</u> | <u>281</u> | <u>281</u> | <u>281</u> |
| <u>TOTAL INCOME</u> | <u>55,032</u> | <u>55,002</u> | <u>55,002</u> | <u>55,002</u> |
| <u>TOTAL NET EXPENDITURE</u> | <u>-</u> | <u>760</u> | <u>1,520</u> | <u>2,280</u> |

Appendix 2**REVENUE BUDGET 2021/2022****REVIEW OF CHARGES**

| Services for which charges are / could be levied | Present Charge £ | Proposed Charge £ |
|---|-----------------------------|------------------------------|
| Sheltered Housing Accommodation | | |
| Service charge | 28.58 | 28.58 |
| <u>Heating charges</u> | | |
| Brington Place | 6.46 | 6.46 |
| Baluniefield | 7.11 | 7.11 |
| Car Parking ⁽²⁾ | | |
| Garages / lock ups | 9.30 | 9.50 |
| Garage sites | 2.70 | 2.75 |
| 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> | 1.68 | 1.79 |

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 2021/2022**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 1.50% (or average weekly increase of £1.17)</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 1.75% (or average weekly increase of £1.37)</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 £126,000 in financial year 2021/22 that would allow be invested in additional borrowing. This borrowing would provide extra capital expenditure of approximately £2.4m which would be targeted specifically to progress towards meeting the Energy Efficiency Standard in Social Housing (ESSH) on all council houses. This amount of investment would <u>typically</u> provide resources to provide external wall insulation for 340 houses or installation of solar panels for 275 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 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 2020-25. The Council is already investing significant resources to meet these requirements and the above plan includes over £41m 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 2.00% (or average weekly increase of £1.57)</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 £252,000 in financial year 2021/22 that would allow be invested in additional borrowing. This borrowing would provide extra capital expenditure of approximately £4.8m which would be targeted specifically to progress towards meeting the Energy Efficiency Standard in Social Housing (ESSH) on all council houses. This amount of investment would <u>typically</u> provide resources to provide external wall insulation for 680 houses or installation of solar panels for 550 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 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 2020-25. The Council is already investing significant resources to meet these requirements and the above plan includes over £41m 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> |

