

PERTH AND KINROSS COUNCIL

Housing and Social Wellbeing Committee

25 January 2023

HOUSING REVENUE ACCOUNT (HRA) STRATEGIC FINANCIAL PLAN INCORPORATING THE 5 YEAR CAPITAL INVESTMENT PROGRAMME AND RENT STRATEGY TO 2027/28, RESERVES STRATEGY AND OTHER HOUSING CHARGES FOR 2023/24

Joint Report by Executive Director (Communities) and Head of Finance
(Report No. 23/9)

1. PURPOSE

- 1.1 The report seeks approval of the proposed Housing Revenue Account (HRA) budget for five years from 2023/24 to 2027/28. To approve recommended increases to rents for houses and other HRA property service charges, and an appropriate level of reserves. It also seeks approval of the proposed budget for the next five years of the Capital Investment Programme, totalling £89 million from 2023/24 to 2027/28. The Committee is asked to note that the HRA 30-year Business Plan has been updated to reflect and confirm the affordability of the proposals.

2. RECOMMENDATIONS	
2.1	<p>It is recommended that the Housing & Social Wellbeing Committee:</p> <ul style="list-style-type: none">(i) approves the Housing Revenue Account Budget for 2023/24 and provisional budgets for financial years 2024/25 to 2027/28 as set out in Appendix 1.(ii) approves the proposed Housing Revenue Account Capital Investment Programme for 2023/24 to 2027/28 as set out in Appendix 4.(iii) approves the Rent Strategy for 2023/24 and a provisional Rent Strategy for the following 4 years to 2027/28 as stated in Section 6.(iv) approves the rent increase of 2.2% in line with option 1, for the year commencing 3 April 2023 for all Council houses. This would mean an average weekly rent increase of £1.62 per week, giving an average weekly rent of £75.23 per week based on 52 weeks.(v) approves the rent increase of 2.2% for the year commencing 3 April 2023 for:<ul style="list-style-type: none">• all lock-ups• all garage sites• dispersed tenancies owned by the HRA• Greyfriars Hostel.

	<p>(vi) approves the Housing Revenue Account Reserves Strategy proposed in Section 10.</p> <p>(vii) approves that the final movement in the Housing Revenue Account in 2023/24 is transferred to a Covid-19 earmarked Reserve (HRA) as proposed in Section 10.12.</p> <p>(viii) approves the proposal to set Housing service charges from 3 April 2023 as stated in Section 13.</p> <p>(ix) endorses and approves, where necessary, the revised level of all housing related charges as detailed in Appendix 6.</p> <p>(x) endorses the progress made to date in delivering and maintaining the SHQS for improving and managing the housing stock as set out in Section 7 and the related Business Cases.</p>
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3. STRUCTURE OF REPORT

3.1 This report is structured over the following sections:

- Section 4: Background/Main Issues
- Section 5: Tenant Engagement
- Section 6: Housing Revenue Account
- Section 7: Capital Investment Programme
- Section 8: Increasing Council House Stock
- Section 9: Rent Strategy
- Section 10: Use of Balances/Reserve Strategy
- Section 11: Comparison with other Local Authorities and Registered Social Landlords
- Section 12: Proposed Rents for other Services
- Section 13: Proposed Housing Services Charges
- Section 14: Conclusion
- Appendices

4. BACKGROUND/MAIN ISSUES

- 4.1 The Council owns and manages 7,923 properties. The Housing Revenue Account (HRA) meets all operational expenditure of supporting tenancies, building maintenance and capital financing charges associated with investment in existing and new social rented housing stock. It also contributes to financing major upgrades and improvements in the investment programme, through revenue contributions to capital projects.
- 4.2 The HRA receives income from rents (houses, garages, and other properties) and interest on balances, which funds all relevant HRA expenditure.

- 4.3 The HRA Business Plan and Capital Investment Programme form the basis of proposals to ensure that the Council's housing stock continues to comply with the Scottish Housing Quality Standard (SHQS).
- 4.4 The HRA Business Plan is updated each year to reflect the available budget, tenants' priorities, rent strategies and economic conditions to ensure it continues to be affordable and sustainable. The HRA Business Plan has been updated to reflect the proposals within this report. The HRA budget for 2023/24 (Appendix 1) has been prepared in accordance with Housing Acts, Scottish Government directives and regulatory requirements.
- 4.5 A house condition survey was commissioned in January 2020 but was delayed due to COVID-19. The survey has been completed and confirms that our overall housing conditions are good with no major outstanding repair works required. The report is being finalised and will inform plans to ensure all our existing stock meets the climate change legislation and will be used to inform our retrofit assessments. The report will now be used to inform the Local Housing Strategy, which will be reported to Committee in March 2023.
- 4.6 Other factors influencing the Capital Programme and rent setting proposals include tenants' incomes and rent affordability, increasing costs of materials and services, the climate change agenda and Housing to 2040. The impacts of the COVID-19 pandemic on our tenants and the HRA remain key factors that have influenced the rent setting proposals. '
- 4.7 An Elected Members briefing session on the overview of the HRA rent setting process and potential rent options for 2023/24 was held on 29 November 2022. This gave all members the opportunity to ask questions on the process and proposals that tenants were voting on. This session was recorded, and all members were provided with further information on the questions raised at the session.

5. TENANT ENGAGEMENT

Approach

- 5.1 The Scottish Social Housing Charter sets the standards and outcomes that all social landlords should aim to achieve when performing their housing activities. Outcomes 14 and 15 are the outcomes primarily linked to the rent setting process and the financial aspect/delivery of the HRA. These outcomes require social landlords to set rents and service charges in consultation with their tenants and other customers so that:
- a balance is struck between the level of services provided, the cost of the services and how far current and prospective tenants and other customers can afford them.
 - tenants get clear information on how rent and other money is spent, including any details of individual items of expenditure above thresholds agreed between landlords and tenants.

- 5.2 These outcomes reflect local authorities' legal duties, under section 25(4) of the Housing (Scotland) Act 2001, to consult tenants affected by the proposed increases and to have regard to their views, including affordability and decisions about how rental income is spent. Landlords must also decide whether to publish information on expenditure, as well as the format and level of detail to be included within this information.
- 5.3 Perth and Kinross Council must engage in discussions with tenants about rents and any decisions made, in relation to rent levels, should reflect tenants' views. The proposals contained within this report reflect tenants' views. In approving this report, members of the committee must demonstrate that they have fully considered these views.
- 5.4 Our approach to involving tenants in the rent setting process was developed by the Strategic Tenant Engagement in the Annual Rent Setting (STEARS) tenant working group. This approach is regularly reviewed with tenants and follows the recommendations from the Scottish Housing Regulator which include:
- providing tenants with 3 rent increase options
 - demonstrating affordability levels
 - consulting with current and prospective tenants.

Rent Affordability Model

- 5.5 Our affordability model was developed with staff and tenants and is updated annually to assess the affordability of our rent setting proposals.
- 5.6 The outcome from this year's affordability assessment demonstrated that Perth and Kinross Council's rents were, on average, 9% (£7 per week) lower than neighbouring local authorities and 23% (£18 per week) lower than local Housing Associations. These figures are based on our proposed rent levels for 2023/24, compared against an assumed average national increase of 2.5% for other local authorities and Housing Associations.
- 5.7 The affordability model demonstrated that 87% of our residents could afford our proposed rents based on their income alone, without taking into account any housing benefit they receive. To support those tenants who are struggling financially or have difficulty meeting their rental obligations, a range of support measures are in place including: -
- financial assistance through the Tenancy Sustainment Fund
 - financial support through locality team Think Yes budgets
 - a team of Support Officers that can provide tailored advice and support
 - assistance with accessing devices, data and getting online through our digital Inclusion Project
 - dedicated Welfare Rights support to offer specialist advice and assistance
 - specialist money and debt advice service through CAB
 - advice and support through our bespoke service from our SLA with SCARF who provide free and impartial energy efficiency advice to Council tenants.

- 5.8 We also recognise the significant challenge faced by all services and communities in tackling and mitigating the impact of child poverty. The rent affordability model is also used to inform work within the Child Poverty Action Plan and plays a key contribution in mitigating and addressing child poverty in the area.

Rent Freeze Announcement

- 5.9 The Scottish Government published the Programme for Government 2022 to 2023 on 6 September 2022. An element of this included an announcement regarding an immediate rent freeze impacting on all private and social landlords:

“As part of this we intend to introduce emergency legislation to protect tenants by freezing rents and imposing a moratorium on evictions until at least 31 March 2023. We also intend to act to prevent immediate rent increases.”

- 5.10 The Act is due to end on 31 March 2023 and the Scottish Government has indicated that they intend to expire the social rented sector rent cap provisions from March 2023.

Statements of Intent have been published by COSLA, confirming local authorities' commitment to keeping rent increases from April 2023 to an average of no more than £5 per week. The agreement to set out average figures, rather than set a fixed cap, allows flexibility for landlords to respond to their consultation with their tenants.

Tenant Engagement

- 5.11 This year, we were able to return to the normal consultation process, with the summer conference being held digitally and face to face, so that tenants had the choice in how they participated.
- 5.12 In April 2022, all Council tenants received a questionnaire asking for their views and priorities in relation to rent setting, and how additional rent money should be spent.
- 5.13 A total of 595 (8%) of tenants responded, an increase of 218 responses from last year, highlighting their priorities as follows:

Priority	High	Medium	Low
Improving our Repairs Service	54%	34%	5%
Improving the Quality of your Home	59%	28%	6%
Improving your neighbourhood as a place to live	46%	31%	15%
Information for Tenants and Participation	25%	39%	23%

- 5.14 At the Summer Conference, tenants were asked additional questions to gain more detailed information on these priorities. The questions and results are detailed at Appendix 2.

- 5.15 An in-person and online Tenant Conference was held on 27 October 2022, which gave tenants the opportunity to discuss this year's approach and proposals. A question and answer session was held at the forum, providing tenants with the opportunity to ask questions on the proposals presented to them.
- 5.16 Information was then sent to all tenants providing details of the 3 proposed rent increase options and the impact and affordability of each of these.
- 5.17 The options were:
- 2.2% rent increase
 - 2.9% rent increase
 - 3.2% rent increase
- 5.18 Tenants were provided with information and an explanation of each option, the services and capital improvements that could be delivered, and the potential impacts on service delivery (both positive and negative) of each.

Covid Impacts and associated Budget Pressures

- 5.19 The COVID-19 pandemic has had, and will continue to have, a profound and wide-reaching impact throughout Scotland. Touching all aspects of society, economy, educational outcomes, and our personal lives, the social housing sector is no exception to this.
- 5.20 At a national level, the housing sector has played a critical role in supporting many vulnerable households, maintaining the delivery of homeless and sheltered housing services, undertaking welfare checks and continuing to undertake gas safety checks and emergency repairs. Issues and risks for the sector have emerged, and will continue to do so, around homelessness, financial hardship and rent arrears, access to housing and the ability of the sector to re-mobilise its capital and new build projects.
- 5.21 Irrespective of any additional new pressures or financial impacts of Covid, the HRA still has cost pressures as a result of fixed costs. Examples of these cost pressures are: -
- staff costs
 - adjustment to Bad & Doubtful debt provision
 - loan charges
- 5.22 These fixed costs are routinely reviewed as part of the budget setting process.

Use of Reserves

- 5.23 We are fully aware of the current financial issues our tenants are facing as a result of the significant rise in the cost of living, partly due to inflationary and high energy costs. Therefore, we have looked at ways we can reduce any further financial pressure on our tenants.

- 5.24 Our proposals are to utilise some of the Covid reserves to defer a number of pressures until 2024/25. This will reduce the amount of funding required from a rent increase, therefore reducing the impact on our tenants. We are proposing to defer pressures amounting to £260,000.
- 5.25 By using reserves, we can keep our rent increase requirements at the current rent strategy of 2.2%. The deferred pressures would then form part of the following year's budget setting process.
- 5.26 All options that have been presented to tenants are affordable and do not change our current assumptions within the HRA Business Plan, including any future investment.
- 5.27 This will enable the Council to continue to meet our obligations to our tenants as a landlord and maintain our current high levels of performance as a Housing Service, whilst ensuring our Service remains sustainable and affordable.

Rent Options

- 5.28 The options that tenants were asked to consider are as follows: -

Under all three options tenants will see new and increased investment in:

- covering increasing costs of buying stock for repairs and improvements - £281,000 – we have experienced increased costs and supply shortages for building materials during the current year and anticipate that these will continue to increase over the next 5 years
 - service and maintenance - costs to operate and maintain emergency lighting to communal areas across our stock - £204,000
 - increased utility costs - £150,000
 - contract price increases - £139,000
 - fire sprinkler systems - £12,000
 - continued funding for Digital, Financial & Social Inclusion - £150,000
- 5.29 Some of our pressures within the proposals are in relation to Scottish Government priorities such as:
- **Electrical Inspection Condition Reports for each property - £100,000** As a landlord, we have a legal requirement to ensure that all tenants homes have an Electrical Inspection Condition Report (EICR). This report confirms that their home fully meets the required electrical standards. We must test all of our 7,923 properties every 5 years which means this programme of work will involve additional costs to the HRA.

- **Additional capacity to enable us to progress essential work to meet climate change targets - £44,000** We have to ensure all of our housing stock meets new climate change targets, and that carbon emissions from our tenants' homes are reduced whilst making sure they remain affordable to heat. A detailed plan to take forward this necessary work is currently being drawn up. This is a significant and complex area of activity that we have a legal duty to carry out in coming years, and we must make sure that we have the staffing skills and capacity to deliver on this.

Option 1 - rent increase of 2.2%

- Fixed cost increases
- Increased cost of materials - £281,000
- Increased costs for the service and maintenance of emergency lighting - £204,000
- Increased utility costs - £150,000
- Contract price increases - £139,000
- Electrical Inspection Condition Reports - £100,000
- Additional staff to help us achieve a net-zero carbon emissions housing stock - £44,000
- Fire Sprinkler Systems - £12,000
- Continued funding for Digital, Financial & Social Inclusion
- Buy Back Funding of £15million over 5 years to buy back 30 ex-Council properties per year

Option 2 - rent increase of 2.9%

- Fixed cost increases
- Pressures as per option 1
- Buy Back Funding of £20million over 5 years to buy back 40 ex-Council properties per year
- Additional pressures included for
 - Planned Maintenance - £150,000
 - Enhanced measures to tackle Anti-Social Behaviour (additional to the pressure approved last year) - £40,000

Option 3 - rent increase of 3.2%

- Fixed cost increases
- Pressures as per option 1
- Buy Back Funding of £25million over 5 years to buy back 50 ex-Council properties per year
- Additional pressures included for
 - Planned Maintenance - £200,000
 - Enhanced measures to tackle Anti-Social Behaviour (additional to the pressure approved last year) - £80,000

- 5.30 In November 2022, all 7,923 tenants received a survey providing rent setting information and were asked to indicate their preferred option. This information and survey were also promoted through the tenants' On the House magazine, online Consultation hub, Twitter, Facebook, and text messages. To increase the level of responses and encourage as many tenants as possible to have their say, staff across the service also undertook phone surveys and carried out drop-in-sessions at local venues.
- 5.31 To increase our reach to tenants further, we commissioned the Knowledge Partnership hub to contact 1,500 tenants directly over the telephone to complete the survey.
- 5.32 From the above methods, our consultation process has ensured genuine opportunities for all tenants to receive detailed information on each option, on service delivery and to express their preferred level of rent increase for the forthcoming year.

A total of 2,625 tenants (33%) responded with the outcome as follows:

- Option 1 - 51%
- Option 2 - 33%
- Option 3 - 16%

The total number of responses this year was 2,625 (33%), this compares to 2,177 (28%) last year, representing an increase of 20.5%.

Recommended Option

- 5.33 Based on tenant feedback and a clear preference by tenants, this report recommends that committee approves option 1 to increase rents by 2.2%. The detail contained within the following sections of this report relate to option 1 as detailed in section 5.29.

6. HOUSING REVENUE ACCOUNT

- 6.1 A budget for the HRA (as shown in Appendix 1) is balanced each financial year to ensure the operating costs are met from the yearly rental income. The budget includes an amount for Prudential Borrowing to meet the revenue cost of the capital investment programme. Since the Standard Delivery Plan (SDP) commenced in 2004, £148 million has been borrowed. This included the first major works necessary to meet the SHQS, namely, the installation of new kitchens and bathrooms.

6.2 The additional cost pressures (as shown in Appendix 3) which the HRA must contain within the next 5 financial years relate to the main areas described below:

- the budget allows for a 3% pay increase for Single Status and Trades staff for 2023/24, based on the assumptions contained in the Medium-Term Financial Plan approved by Council on 28 September 2022 (Report No. 22/249 refers), plus the cost of incremental progression.
- the increased costs relating to the agreed 2022/23 pay award.
- an adjustment to the bad and doubtful debt provision to take account of the potential increased risk to the Council as a result of increased rent arrears
- ensuring that we can meet our climate change targets by reducing the carbon footprint of our homes, whilst making sure they remain affordable to heat.
- our legal requirement to ensure that all of our tenants' homes have an Electrical Inspection Condition report (EICR).
- increased costs and supply shortages for building materials. We anticipate that current shortages and price increases will continue into next year.

6.3 In addition, a range of efficiency savings will be delivered, to minimise the impact on future rents and borrowing requirements. These savings are summarised below:

- an increase in the staff slippage target to 4% - £100,000
- general efficiencies - £150,000

6.4 The full detail of the pressures and savings are detailed in Appendix 3.

7. CAPITAL INVESTMENT PROGRAMME

7.1 Good progress has again been made with the capital improvements programme during 2022.

7.2 From 2021, a revised definition of the SHQS was introduced to reflect the new Energy Efficiency Standard for Social Housing (ESSH). This is a much higher standard to achieve than the previous standard. This change relates to increasing the energy efficiency of the property. However, changes to the SHQS also include the introduction of new indicators such as the installation of carbon monoxide /interlinked smoke detector systems and the completion of a 5-year Electrical Inspection Certificate Report for each property.

7.3 Given the changes to the standard and the inclusion of new indicators, our SHQS pass rate reduced significantly from 80.59% in 2020/21 to 46.83% in 2021/22. Every local authority will be in the same position. The reason for the reduction in the pass rate was due to difficulties in implementing the new standards during the covid period. The new standard often required access to our tenant's home which was difficult due to some covid restrictions and tenants not providing access. We also experienced significant delays with various capital programmes due to issues with obtaining materials, procurement and shortages with labour, particularly with electricians.

- 7.4 Despite the above challenges, significant progress has been made this year with the installation of interlinked smoke detector systems and EICRs. We currently have only 1.03% of our stock requiring smoke detector installations and our EICR completion rate is 90% and we are on track to achieve 100% compliance by 31 March 2023. The achievement of this will significantly improve our SHQS pass rate this financial year. The Service will continue to demonstrate its excellent track record in delivering improvements to meet the standards.
- 7.5 The planned investment programme of £89 million for the 5-year period from April 2023 to March 2028 is summarised in Appendix 4. A number of community benefits will arise from this level of investment, as well as the improvements to our Council stock. The proposed Capital Investment Programme must comply with SHQS over the next 5 years and amounts to £41 million, as summarised below:
- SHQS future developments - £27.3 million
 - kitchens and bathrooms - £3.9 million
 - rewiring/infrastructure/property refurbishment - £2.7 million
 - multi-storey flats* - £2.0 million
 - external fabric works - £1.8 million
 - energy efficiency works - £1.5 million
 - structural works - £1.2 million
 - environmental improvements - £0.3 million
 - sound insulation - £0.3 million
- *Work on the 6 multi storey blocks includes all the types of improvement work listed in 7.5
- 7.6 A review of the capital programme will be informed by the stock condition survey and our retro fit assessments. This will identify future investment requirements, to ensure our stock meets required quality and climate change standards as well as the current and future needs of our tenants. The review will be concluded on completion of the survey and the SHQS future developments budget of £27.3 million will be allocated appropriately.
- 7.7 Relevant business cases have been produced for the capital programmes, where appropriate. These will be made available online on the Councillors' CHIP EDMS site.
- 7.8 The capital programme in Appendix 4 details the proposals for the following non SHQS elements:
- council house new build programme
 - purchasing houses through the open market
 - major adaptations to properties for people with particular support requirements
 - redevelopment and regeneration of St Catherine's Square
 - investment in Sheltered Housing complexes
 - adaptations to shops & offices
 - mortgage to rent – under certain circumstances, where owner/occupiers have difficulty in meeting mortgage payments, the Government can arrange for the

Council to buy the property and rent it back to the same individual as a tenant to avoid homelessness

- replacement of lifts to ensure fire safety regulations in multi-storey accommodation is met
- information and systems technology will be required to support new ways of working e.g., PCs, mobile technology, servers etc.

8. INCREASING COUNCIL HOUSE STOCK

8.1 The Council has been continuing to increase its housing stock in three key ways:

- new build programme
- buyback scheme
- conversion of existing HRA commercial properties.

8.2 By the end of March 2023, it is estimated that 517 Council houses will have been built since 2011, 290 former council houses purchased, and 12 properties converted into flats for social rent. An update is provided on each of these below.

Building new houses for social rent

8.3 The aim of the Council's new build housing programme is to provide high quality affordable housing to meet housing need within the area, using grant funding provided by the Scottish Government. Between 2011 and 2023, the Council will have built 517 new builds.

8.4 The table below summarises recent completions and current plans for the forthcoming year.

Project	No of Units	Year Completed
Newburgh Road, Abernethy	10 & 6 Shared Equity	2022/23
Fairfield, Perth	18	2022/23
Lynedoch Road, Methven	24	2023/24

8.5 The size, type, location, and funding of the new build programme is determined through the Strategic Housing Investment Plan, which was approved by the Housing and Social Wellbeing Committee on 2 November 2022 (Report No. 22/262 refers).

8.6 The Scottish Government recently announced an increase in the grant funding per unit available to Local Authorities. This increased funding will vary by development and will offset the increased costs of construction and enable the HRA to continue to build social housing over the next 5 years. The Capital Investment Programme assumes the Council house building programme will continue to receive the same level of financial funding per house from the Scottish Government. It also assumes the continued use of the Council's Earmarked Reserve for Affordable Housing.

- 8.7 The Capital Investment Programme, detailed in Appendix 4, incorporates the existing committed, and an indicative future, new build programme, with the funding assumptions as presented in section 8.6. Work is currently underway to identify future sites for new builds. These will be reported to Committee once confirmation is received that sites are viable projects.

Purchasing former Council houses (buybacks)

- 8.8 The Capital Investment Programme also includes funding for increasing Council house stock by purchasing houses through the open market. It is anticipated that by 31 March 2023, 290 houses will have been purchased at a cost of approximately £34 million (including upgrading to SHQS). As a result of the purchase of these properties, an additional 260 moves have been facilitated through the resulting vacancy chains, supporting a total of 550 households into more suitable accommodation.
- 8.9 The capital investment programme has £15 million of funding allocated for buy-backs over the next 5 years, with the potential to allocate additional money to this from the overall budget for increasing our Council stock. This funding will be accelerated as and when required, as properties become available to purchase.
- 8.10 The Council has been successful in obtaining funding, in addition to the Housing Allocation Grant from the Scottish Government, for the period 2013/14 to 2022/23 of £9.0 million. This additional funding has allowed the purchase of approximately 75 properties over and above the existing budget within the Capital Investment Programme.

9. RENT STRATEGY

- 9.1 When setting the 2022/23 budget, the Housing and Communities Committee approved a 3.0% rent increase for 2022/23 and a four-year rent strategy for 2023/24 to 2026/27 at an indicative rate of 2.2% (Report No. 22/15 refers).
- 9.2 This provided a baseline level for tenants. It also allowed the Council to highlight the potential future rent increase required to deliver the capital investment programme and running costs of the HRA.
- 9.3 In order to meet the tenant's priorities gathered through the extensive consultation, Scottish Government requirements and legislation in relation to climate change and EICRs and to meet the fixed costs borne by the HRA, a 2.2% rent increase (option 1) will be required for 2023/24. The proposed increase of 2.2% reflects the views of our tenants as noted in section 5.32 whilst maintaining the financial health of the HRA Business Plan.
- 9.4 The proposed rent strategy for the four-year period from 2024/25 to 2027/28 will be set at an indicative rate of 2.2%. The actual agreed level will be dependent on the outcomes of tenant feedback and the wider HRA rent setting process.
- 9.5 This strategy was agreed with tenants, with the aim to provide a guide on potential future rental increases. However, the actual increase is based on future

pressures and as a result of consultation with tenants on their spending priorities for future years, which change year on year.

9.6 The rent strategy as detailed above allows the HRA to:

- set rents at reasonable levels over the period, maintaining Perth and Kinross Council rents lower than the Scottish average
- demonstrate affordable rents for our tenants
- finance the cost of the future investment programmes to continue to improve our housing stock
- provide headroom to allow for a commitment of 80 new houses each year
- increase the Council house stock by purchasing houses through the open market
- finance the revenue borrowing cost of previous capital programme investment to meet the SHQS and provide a new build programme (517 houses to date)
- continue to resource Locality Teams in managing tenancies, foster tenant participation and work with partner colleagues in the community to create safe and vibrant neighbourhoods
- enable a Reserves Strategy to provide uncommitted reserves of £1million.

10. USE OF BALANCES/RESERVES STRATEGY

10.1 When reviewing their medium-term financial plans and preparing annual budgets, local authorities should consider the establishment and maintenance of reserves. These can be held for three main purposes to:

- provide working balances to cushion the impact of uneven cash flows and avoid unnecessary borrowing
- cushion the impact of unexpected events or emergencies
- build up funds, often referred to as earmarked reserves, to meet known or predicted requirements.

10.2 Money held in the general reserve is, therefore, not being directly used to deliver the Housing Business Plan but is set aside for the purposes outlined in section 1.

10.3 The financial risks to which the HRA could potentially be exposed include the possibility of:

- additional repairs due to severe weather events and other emergencies, such as the Covid-19 pandemic
- the current economic climate
- increasing rent arrears
- new legislation such as climate change and other statutory guidance
- the economic conditions, which could also impact on commercial lets, resulting in lower rent levels or properties remaining void for longer periods.

10.4 In view of the potential risks facing the HRA and, in accordance with guidance set out in the CIPFA Local Authority Advisory Panel Bulletin (LAAP) 99 (published in

July 2014), the Head of Finance, therefore, recommends retaining an uncommitted reserve on the Housing Revenue Account of between 2% and 4% of gross expenditure – approximately £675,100 to £1,350,200. This will be reviewed in future years and amended as required.

- 10.5 At the Housing and Communities Committee of 24 January 2022, members agreed that the HRA should maintain an uncommitted general reserve balance of £1,000,000 (Report No. 22/15 refers). After reviewing the 30-year business plan, it is felt prudent that the balance should continue to be maintained at the present level. The business plan assumes that a balance of £1,000,000 will be maintained for the next 5 years.
- 10.6 At this time, it is not anticipated that there will be any requirement to utilise the reserve in 2022/23 and consequently the balance will remain at £1,000,000.
- 10.7 On 10 March 2021, Council approved that the final movement on the Housing Revenue Account is transferred to an earmarked Covid-19 Reserve (HRA) (Report No. 21/33 refers).
- 10.8 The final movement on the HRA for 2020/21 was £2.006 million and the proposals to utilise £1.558 million from this reserve was approved by SP&R in September 2021 (Report No. 21/146 refers).
- 10.9 The actual use of reserves during financial year 2021/22 was £608,000, which reduced the Covid-19 Reserve (HRA) to £1.398 million.
- 10.10 At the Housing and Communities Committee of 24 January 2022, members agreed that the final movement on the Housing Revenue Account was transferred into the Covid-19 Reserve (HRA) (Report No. 22/15 refers).
- 10.11 The final movement on the Housing Revenue Account was £0.885 million, which increased the Covid-19 Reserve (HRA) to £2.283 million. Proposals to utilise £0.950 million from this reserve was approved by the Finance & Resources Committee in September 2022 (Report No. 22/208 refers).
- 10.12 On 30 November 2022, the Council were advised of a projected underspend of £172,000 on the Housing Revenue Account which would see an increase in the contribution to Capital from Current Revenue (CFCR) budget with a corresponding reduction in borrowing (Report No. 22/294 refers).
- 10.13 The latest monitoring position that will be presented to Council in February will set out a further positive movement from the previously reported position of approximately £120,000, increasing the projected underspend to £292,000.
- 10.14 Committee is asked to approve that the final movement on the Housing Revenue Account is transferred to the earmarked Covid-19 Reserve (HRA).

11. COMPARISON WITH OTHER LOCAL AUTHORITIES AND REGISTERED SOCIAL LANDLORDS

- 11.1 Appendix 5 shows the Council house rents in Perth and Kinross compared to other councils in Scotland. Perth and Kinross Council currently has the 6th lowest rent in Scotland, at £5.93 below the Scottish average.
- 11.2 This year, the comparison has been based on all other local authorities increasing their rents by the same percentage as they did last year.
- 11.3 Using these assumptions, Perth and Kinross would have an average rental figure of £75.23 compared to the projected Scottish average of £80.41 for 2023/24. This would mean Perth and Kinross Council would have the 7th lowest rent in Scotland, £5.18 lower than the projected Scottish average.
- 11.4 The level of rent increases for 2022/23 across local authorities in Scotland ranged from 0% to 3.10%, with the Scottish average being 1.60%.
- 11.5 Table 1 below details 2021/22 average rent levels for the main Registered Social Landlords (RSLs) within Perth and Kinross.

Registered Social Landlord 2021/22	Bedroom Size/Weekly Rent (£)				
	Bedsit	1	2	3	4+
PKC	49.29	66.70	72.40	81.04	87.22
Caledonia	80.48	88.19	85.01	94.57	105.62
Hillcrest HA	52.24	79.01	91.37	101.47	109.46
Kingdom HA	66.30	77.55	86.07	96.74	100.26

Table 1: Average Rents 2021/22 (based on 52 weeks)
Source: Scottish Housing Regulator 2022/23 Landlord Reports

- 11.6 During last year, we were involved in a benchmarking exercise to compare the financial health of HRA Business Plans across local authorities in Scotland. This exercise evidenced that our business plan is well managed and in a good position to meet current and future demands and service requirements.

12. PROPOSED RENTS FOR OTHER SERVICES

- 12.1 It is recommended that a range of non-commercial rents, excluding the HRA rents for housing stock (detailed in section 9), are amended as detailed below from 3 April 2023. The proposals ensure the Council continues to demonstrate that it has set rents which reflect the characteristics of individual dwellings and services provided. The different types of properties are detailed separately below:

Rental charges for Greyfriars House

- 12.2 It is proposed to have a 2.2% rent increase for Greyfriars House to reflect the same rental strategy for mainstream rents.

Rental charges for dispersed temporary accommodation

- 12.3 It is proposed to have a 2.2% increase on rental charges for properties owned by the HRA but allocated as temporary accommodation for homeless people to reflect the rental strategy for mainstream rents.

Lock-ups

- 12.4 It is proposed to have a 2.2% rent increase for lock-ups to reflect the rental strategy for house rents to reflect the continued investment in repairs and maintenance and planned maintenances.

Garage Sites

- 12.5 It is proposed to have a 2.2% rent increase for garage sites to reflect the rental strategy for house rents to reflect the continued investment in repairs and maintenance and planned maintenances.

Commercial rents

- 12.6 Rents from commercial properties are negotiated by Estates colleagues on a property-by-property basis. These contracts include agreed levels of fees and are not within the scope of this report.

13. PROPOSED HOUSING SERVICE CHARGES

- 13.1 Local Authority Housing Services separate service charges from housing rents, to ensure that charges for services, such as caretaking, are fair and transparent. Service charges usually reflect additional services which may not be provided to every tenant, or which may be connected with communal facilities rather than directly to the occupation of a dwelling. In addition, the HRA charges owners for services provided as determined by title deeds, the Tenement Management Scheme, and the Property Factors Agreement.
- 13.2 The range of service charges currently levied by the HRA to tenants and owner occupiers are shown in tables 2 and 3 below. All services, apart from the garden maintenance scheme and communal heating at particular locations, are included in tenants' rents. Owner occupiers in locations with mixed tenure have additional charges as they have to meet some costs for the services they receive as determined by their title deeds.
- 13.3 At the Housing and Health Committee of 27 January 2016, members agreed that the charge to Council tenants and private owners at Market, Milne and Lickley Court for communal energy costs will be adjusted each year to reflect the previous year's energy costs (Report No. 16/28 refers).
- 13.4 The communal energy costs at Sheltered Housing Complexes are also normally reviewed in line with the current agreement for Market, Milne & Lickley.
- 13.5 As the charges are based on the energy costs over the previous 12 months, this means that the charges to tenants and owners from April 2023 will not take into account the significant increases in energy prices that everyone has experienced over recent months.

- 13.6 As it stands, the charges for 2023 would see a reduction in cost for all but one of our properties. Normally the process would be to pass these savings directly onto tenants and owners, but we are aware that the increase in energy costs is likely to have a significant impact on these charges the following year.
- 13.7 A consultation process with tenants and owners was undertaken to provide them the opportunity to tell us if they would like us to help limit the significant increase, they are likely to see in 2024 by phasing in the increase from April 2023.
- 13.8 The consultation only related to the heating & lighting (energy costs) element of the charges, this does not impact on any potential changes in any other charges such as caretaking or any other factoring charges.
- 13.9 The options that we consulted on were:
- Option 1 - Implement next years' service charges based on what the Council has spent on communal heating and lighting over the last year, as normal. This will see all but one property have a reduction in service charges.
 - Option 2 – Leave the charges the same as they currently are, which will help to reduce next year's increase.
 - Option 3 – Increase the current charges by 10% to significantly limit the increase the following year,
- 13.10 A total of 136 (36%) people responded to the consultation, with the outcome as follows:
- Option 1 - 4%
 - Option 2 - 65%
 - Option 3 - 31%
- 13.11 The tables in sections 13.12 and 13.13 have been updated to reflect the outcome of the consultation process detailed above.
- 13.12 The revised charges for garden maintenance and communal energy costs are outlined below:

Service Charges to Tenants	2022/23 Current Annual Charge	2023/24 Proposed Annual Charge
Garden Maintenance Scheme	£124.00	£124.00
Retirement Complexes	£227.76	£239.20
Communal Energy Costs – (Market, Milne and Lickley)	£304.72	£304.72
Heating and Lighting at Sheltered Housing complexes	£307.32 - £587.08	£307.32 - £587.08

Table 2: Service Charges to Tenants

As a result of the Property Factors

- 13.13 Agreement being in place since 1 April 2014, Housing & Health Committee approved a range of charges to owner occupiers of multi-tenure blocks (Report No. 14/114 refers). These charges are reviewed annually in line with the actual cost of the service being provided with the proposed 2023/24 charges detailed in table 3 below:

Service Charges to Owner Occupiers	2022/23 Current Annual Charge	2023/24 Proposed Annual Charge
Stair Lighting	£28.88	£28.88
Market Court	£838.75	£844.77
Milne Court	£838.83	£844.86
Lickley Court	£838.83	£844.97
Potterhill	£463.48	£471.74
Pomarium (Nos 7-51)	£430.67	£432.28
Pomarium (Nos 52-95)	£431.32	£432.88

Table 3: Service Charges to Owner Occupiers

Rechargeable Repairs

- 13.14 The HRA has a policy to recover the costs of repairs, clearance, and related works, from current or former tenants and owners/residents. Accounts are raised for a number of reasons, including to: -

- recover the cost of work arising from tenant misuse
- consistently enforce the conditions of the Scottish Secure Tenancy
- deter misuse and negligence of Council property

- 13.15 A summary of all housing charges for 2023/24 is detailed at Appendix 6.

14. CONCLUSION

- 14.1 This report details the proposed HRA budget for the 5-year period from 2023/24 - 2027/28 and recommends rent increases for houses and other HRA properties.
- 14.2 The recommended 2.2% increase, detailed in option 1, is in line with the views of our tenants. This will ensure that our rent levels remain affordable to our tenants and projected to be 7th lowest in Scotland, continue to compare favourably at a national level.
- 14.3 The measures outlined will support continued and sustained improvements in the delivery of housing services. More specifically, they will:
- provide investment in our repairs and maintenance and service and maintenance budgets to meet the current level of demand and ensure that performance standards are met

- ensure that our properties have an up-to-date electrical inspection condition reports to meet our legal obligations
- provide capacity to enable us to work towards our climate change targets by reducing the carbon footprint of our homes whilst making sure they remain affordable to heat.
- increase our housing stock and support the delivery of our new build commitments and meet housing need in the area.
- continue to invest in their homes through the capital investment programme ensuring ongoing compliance with the SHQS

14.4 The cumulative effect of these measures will support the delivery of the Charter outcomes to meet housing need in the area, provide safe and secure housing, and support sustainable tenancies and communities throughout the area.

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Approved

Name	Designation	Date
Barbara Renton	Executive Director (Communities)	17 January 2023

APPENDICES

- Appendix 1 – HRA Provisional Revenue Budget 2023-2028
- Appendix 2 – Feedback from tenant's rent survey
- Appendix 3 – HRA Executive Summaries 2023-2028
- Appendix 4 – HRA Capital Investment Programme 2023-2028
- Appendix 5 – Estimated Projected Average Rents
- Appendix 6 – Housing Related Charges 2023-24

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You can also send us a text message on 07824 498145.

All Council Services can offer a telephone translation facility.

1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

Strategic Implications	Yes / None
Community Plan / Single Outcome Agreement	None
Corporate Plan	Yes
Resource Implications	
Financial	Yes
Workforce	None
Asset Management (land, property, IST)	None
Assessments	
Equality Impact Assessment	Yes
Strategic Environmental Assessment	Yes
Sustainability (community, economic, environmental)	Yes
Legal and Governance	None
Risk	None
Consultation	
Internal	Yes
External	Yes
Communication	
Communications Plan	None

1. Strategic Implications

Community Plan / Single Outcome Agreement

- 1.1 The Single Outcome Agreement for Perth and Kinross has five outcomes which provide a clear strategic direction, inform decisions at a corporate and service level, and shape the allocation of resources. The following are relevant to this report: -

- (i) Giving every child the best start in life
- (ii) Developing educated, responsible, and informed citizens
- (iii) Promoting a prosperous, inclusive, and sustainable economy
- (iv) Supporting people to lead independent, healthy, and active lives
- (v) Creating a safe and sustainable place for future generations

Corporate Plan

- 1.2 As above.

2. Resource Implications

Financial

- 2.1 There are no direct financial implications arising from this report other than those reported within the body of the main report.

3. Assessments

Equality Impact Assessment

- 3.1 Under the Equality Act 2010, the Council is required to eliminate discrimination, advance equality of opportunity, and foster good relations between equality groups. Carrying out Equality Impact Assessments for plans and policies allows the Council to demonstrate that it is meeting these duties.
- 3.2 The information contained within this report has been considered under the Corporate Equalities Impact Assessment process (EqIA) and no major change required, the Budget Option is robust and can continue without amendment.

Strategic Environmental Assessment

- 3.3 The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals.
- 3.4 However, no action is required as the Act does not apply to the matters presented in this report. This is because the Committee are requested to note the contents of the report only and the Committee are not being requested to approve, adopt, or agree to an action or to set the framework for future decisions.

Sustainability

- 3.5 Under the provisions of the Local Government in Scotland Act 2003 the Council has to discharge its duties in a way which contributes to the achievement of sustainable development. Under the Climate Change (Scotland) Act 2009 the Council also has a duty relating to climate change and, in exercising its functions must act: -
- in the way best calculated to delivery of the Act's emissions reduction targets
 - in the way best calculated to deliver any statutory adaptation programmes
 - in a way that it considers most sustainable.

- 3.6 The information contained within this report has been considered under the Act. However, no action is required as the Act does not apply to the matters presented in this report.

Legal and Governance

- 3.7 Head of Legal and Governance was consulted on this report.

Risk

- 3.8 None arising from this report.

4. Consultation

Internal

- 4.1 The Chief Executive, all Executive Directors/Directors and the Head of Legal and Governance have been consulted in the preparation of this report.

External

- 4.2 All tenants received communication on the proposals via “On the House” magazine, Twitter, Facebook, and text messages. Staff across the service also undertook phone surveys and face to face visits.
- 4.3 The Tenant Committee Report Panel was consulted on this report. They commented that “This is a good, clear balanced report and a high response rate to the survey. It is good to see the range of support measures that are in place to help tenants. Well done to all the staff..”

5. Communication

- 5.1 None.

2. BACKGROUND PAPERS

- 2.1 None.