

PERTH AND KINROSS COUNCIL

Housing and Health Committee – 6 February 2013

**HOUSING REVENUE ACCOUNT (HRA) STRATEGIC FINANCIAL PLAN
INCORPORATING THE 5 YEAR CAPITAL INVESTMENT PROGRAMME AND
RENT STRATEGY TO 2017/18, RESERVES STRATEGY AND OTHER HOUSING
CHARGES FOR 2013/14**

**Joint Report by Executive Director (Housing and Community Care)
and Head of Finance**

This report sets out the proposed Housing Revenue Account (HRA) Budget for five years from 2013/14 to 2017/18. It recommends increases to rents for houses and other HRA property and recommends an appropriate level of reserves. It also presents the proposed budget for the next five years of the Capital Investment Programme from 2013/14 to 2017/18. All of the proposals have been updated in the HRA 30 year Standard Delivery Plan which confirms the affordability of the proposals.

1. RECOMMENDATIONS

It is recommended that Committee:

- 1.1 Approves the Housing Revenue Account Budget for 2013/14 and provisional budgets for financial years 2014/15 to 2017/18 as set out in Appendix 1.
- 1.2 Approves the proposed Housing Revenue Account Capital Investment Programme for 2013/14 to 2017/18 as set out in Appendix 2.
- 1.3 Approves the Rent Strategy for 2013/14 and a provisional Rent Strategy for the following 4 years to 2017/18 as stated in section 6.
- 1.4 Approves the rent increase of 4.2% for the year commencing 1 April 2013 as follows:
 - All Council houses. This would mean an average weekly rent increase of £2.41 per week, giving an average weekly rent of £59.77 per week based on 52 weeks.
- 1.5 Approves the rent increase of 4.2% for the year commencing 1 April 2013 for:
 - All lock-ups and garage sites.
 - Chalets and stances for travelling people at Double Dykes and Bobbin Mill.
 - Temporary accommodation units at Greyfriars Hostel, Tayview House and dispersed tenancies owned by the HRA.
- 1.6 Approves the revised rent for RIO House and Satellite Properties from 1 April 2013 as stated in section 9.4.
- 1.7 Approves the Housing Revenue Account Reserves Strategy proposed in section 7.

- 1.8 Approves the proposal to set Housing service charges from 1 April 2013 as stated in section 10.
- 1.9 Notes the progress made to date in delivering the “Retention Plus” strategy for improving and managing the housing stock as set out in section 3.

2. BACKGROUND

- 2.1 The 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 the financing of major upgrades and improvements in the investment programme, through revenue contributions to capital projects.
- 2.2 The HRA receives income from rents (houses, garages and other properties) and interest on balances which funds all relevant expenditure.
- 2.3 In July 2003, Perth and Kinross Council adopted a ‘Retention Plus’ strategy following a stock options appraisal when Council tenants voted to retain the Council as their landlord on the condition that improvements would be carried out to the housing stock. A Business Plan, agreed with tenants and including a rent strategy, was prepared in 2004. The rent strategy was based on a rate of inflation plus 2%, +1% for capacity to provide new housing and +1% to provide investment funding to meet the Scottish Housing Quality Standard. A Scottish Housing Quality Standard (SHQS) and Standard Delivery Plan (SDP) was approved by the then Communities Scotland in July 2006. Whilst being updated annually, the approved SDP still forms the basis of Perth and Kinross Council’s proposals to ensure that the Council’s houses comply with the Scottish Housing Quality Standard by the required completion date in 2015. The delivery of the plan was structured to suit a list of priorities that had been derived from extensive tenant consultation.
- 2.4 The HRA Business Plan is updated each year to reflect the budgets, rent strategies and economic conditions approved by Housing and Health Committee to ensure the Standard Delivery Plan continues to be affordable and sustainable. The HRA Business Plan has been updated to reflect the proposals within this report. The attached Housing Revenue Account (HRA) budget for 2013/14 (Appendix 1) has been prepared in accordance with the Housing Act and Scottish Government directives.
- 2.5 In updating the HRA Business Plan, it is important to recognise the prevailing economic conditions. Any significant change in the assumptions underlying the HRA budget may, therefore, require subsequent amendments to be made to the proposed rental strategy and/or the Capital Investment Programme.
- 2.6 The Standard Delivery Plan was based upon the results of a stock condition survey in 2005. At that time, only 11% of the stock was compliant with the requirements of the SHQS. The delivery plan was structured to suit the improvement priorities that had been identified following extensive consultation with tenants. The top priorities at that time were the replacement of kitchens and bathrooms along with the provision of double glazing and whole house heating.

2.7 In June 2009, the Council commissioned a local housing condition survey to help refine its stock information database. The primary objectives of the survey were to benchmark the current performance of the Council's housing stock against the Scottish Housing Quality Standard, to estimate investment needs to achieve compliance with the SHQS by 2015 and to examine longer term investment requirements over a 30 year business planning cycle. Housing and Health Committee approved report "Local Condition Survey" (report 10/256) on 19 May 2010 to update the Council's Housing Quality Standard Delivery Plan based on the survey findings.

2.8 The UK Government's deficit reduction plan includes savings to be made from the introduction of the Welfare Reform agenda, with some of the proposals affecting Housing Benefit. Three areas of the proposed reforms which are due to be introduced in 2013 on a phased basis are:

- In April 2013 the size criteria assessments (under occupancy) for Housing Benefit claims in social housing,
- In April 2013 the introduction of the new benefit cap level, and
- In October 2013, the introduction of Universal Credit.

The full financial impact of these changes on the Housing Revenue Account is difficult to assess; however provision has been made for an adjustment to the bad and doubtful debt provision.

3. CAPITAL INVESTMENT PROGRAMME

3.1 Steady progress has been made with the Standard Delivery Plan (SDP) during 2012 and the number of houses achieving the Scottish Housing Quality Standard (SHQS) has continued to rise. The results of the last independently conducted stock condition survey have been updated to reflect the improvement works completed since then. At 31 March 2012, 59% of the Council's stock (totalling 7,343 houses) achieved full compliance with the standard. This figure is approximately 1% less than projected in the Council's delivery plan.

3.2 Since the adoption of the "Retention Plus" investment and rent strategy, many significant improvements have already been made to the housing stock during the past seven years and Committee are reminded of the following noteworthy achievements:

- Kitchen replacements – 6,853 houses (completed in May 2010 ahead of the original completion date).
- Bathroom replacements – 6,510 houses (completed in March 2010 ahead of the original completion date).
- Efficient heating – Earlier phases of the central heating renewal programme have targeted the replacement of old and inefficient systems. An initial phase of heating renewals to 106 houses was carried out during 2005. A second phase of 228 houses, (containing some pilot renewable installations), was carried out between April 2007 and January 2008. The third phase in 2010 contained 195 houses at Ferguson Park and included the provision of mains gas into a previously gas free area of Rattray.
- Insulation – Improvements to the thermal insulation of 1,830 houses were carried out between 2007 and 2009 through the Warm Deal Scheme and a

further 651 houses were insulated through the Energy Assistance Package between 2009 and 2011.

3.3 Based on the figures as at 31 March 2012, the levels of compliance for each of the five main SHQS housing quality criteria are as follows:-

- Total meeting 'Tolerable Standard' – 100%
- Total meeting 'Free from Serious Disrepair' – 99%
- Total meeting 'Energy Efficient' – 77%
- Total meeting 'Modern Facilities and Services' – 99%
- Total meeting 'Healthy, Safe and Secure' – 79%
- Total dwellings meeting 'SHQS overall' – 59%

These results emphasise the need for future investment to be targeted towards 'Energy Efficient' and 'Healthy, Safe and Secure' elements of the stock.

3.4 The planned investment programme for the 5 year period from April 2013 to March 2018 which would incorporate achieving the SHQS by March 2015 is summarised in Appendix 2. The proposed Housing Investment Programme relating to the delivery of the SHQS is summarised as follows over the next 5 years:

- Central heating renewal - £13.7 million
- Double glazing - £6 million
- Installation of controlled door entry systems - £1.4 million
- Kitchens and bathrooms - £1.1 million
- External fabric works - £8.4 million
- Energy efficiency works - £6.2 million
- Multi-storey flats - £1.7 million
- Total Investment – £38.5 million

Further detail is provided on each element of the programme below.

3.5 Central heating renewal/re-wiring programme.

The purpose of this programme will be to upgrade the oldest and least efficient heating systems. This programme will also include asbestos survey works and an element of electrical re-wiring. The contract, which includes approximately 2,500 houses, commenced in March 2012 and is currently running ahead of programme. By the end of November 2012 a total of 771 houses had already received upgraded heating systems.

3.6 Double glazing

All properties in the Council's stock are already double glazed or fitted with secondary glazing. Some of the oldest double glazed windows are now in excess of 30 years old. A further programme of renewals to approximately 1,250 houses is scheduled with the first phase of the works (containing 223 houses) on target to commence in 2013/14.

3.7 Controlled door entry

This work applies to blocks of flats with communal closes and entrances. The last stock condition survey highlighted controlled door entry as the second highest element to fail the SHQS with 18% of the stock non-compliant. A pilot scheme at Strathtay Road, Perth was completed in April 2012 and the main programme is currently being rolled out to further areas of Perth and Kinross. In addition, works such as emergency lighting and fire detection systems are being undertaken to comply with the latest fire safety guidance.

3.8 Kitchen/bathroom replacements

Whilst the main kitchen and bathroom renewal programmes have already been successfully completed, there remains a small residual group of houses that were not improved through these projects due to access difficulties. Un-modernised kitchens and bathrooms are continuing to be upgraded on an individual basis, as and when access becomes available.

3.9 External fabric works

This work will comprise a variety of elements including the upgrading and replacement of roof coverings, external masonry, rendering, rainwater goods, fascias and soffits etc. These works are necessary to maintain the structural integrity of houses and to keep them free from disrepair and in a wind and water-tight condition. A number of individual small-scale projects have been undertaken to address these types of defects, however, the main programme of external fabric works is scheduled to commence in March 2013.

3.10 Energy efficiency works

The 2010 stock condition survey highlighted this element as having the highest failure rate with 19.7% of the stock currently achieving National Home Energy Ratings (NHER) ratings below 5. A programme of energy efficiency improvements has been continuing over the past seven years. This work has included cavity wall insulation and upgrading of loft insulation along with pipe and tank insulation. Whilst much of the stock has already been improved through these works, there is still a remaining group of properties which have yet to benefit from improvements to these 'staple' insulation measures. The latest phase of insulation works commenced in August 2012 and completion is expected prior to April 2013.

3.11 Certain house types present particular difficulties in meeting the required energy rating. These properties are often located out-with the boundaries of the mains gas network and will require more complex and costly solutions to achieve compliance with SHQS. Measures such as renewable technologies or under-floor insulation may be necessary in some cases. It is anticipated that supplementary grant funding may be obtained to help pay for elements of this work (through schemes such as the newly introduced Energy Company Obligation, National Retrofit Programme, Green Deal/ECO and Renewable Heat Incentive). A provision has been made in the central heating programme for approximately 500 specialised renewable heating installations.

3.12 Multi-storey flats

The works being carried out under this programme are targeted at the six multi-storey blocks of flats located within Perth. The first phase of these works, which included the installation of new triple glazed windows and doors along with communal/emergency lighting and upgraded controlled entry systems, at Milne, Market and Lickley Court has been completed. The second phase which will include external improvements and communal lighting improvements at Potterhill and Pomarium flats is on target to commence in May 2013.

3.13 In addition to the investment required to meet the SHQS the capital plan can also be used to meet the cost of purchasing other assets or improving assets. The capital programme detailed in Appendix 2 has proposals for the following non SHQS elements:

- Major adaptations to properties for disabled persons (£250,000 per annum).
- Mortgage to Rent (£250,000 per annum) – This is where owner occupiers have difficulty in repaying loans which are secured against their property. The Government can arrange for the Council to buy the property and rent it back to the same individual as a tenant.
- Boilers – a number of replacement boilers for communal premises will be installed over the next year.
- Replacement of lifts to ensure fire safety regulations in multi-storey accommodation is met.
- Lock-ups and Garage Sites – an allowance has been made for improvements to the lock-ups and garage sites.
- Information and Systems Technology will be required to support new ways of working e.g. PCs, mobile technology, servers etc.

4. COUNCIL NEW BUILD

4.1 In 2008 the Scottish Government announced plans to provide grants to local authorities with aspirations to build Council housing. Four separate tranches of funding have since been released and Perth and Kinross Council has successfully obtained grant awards from all four phases of the funding programme.

4.2 The aim of the Council's new build housing programme is to provide housing of the most appropriate size and in areas of high demand. The programme currently comprises 120 properties, phases 1 and 2 and part of phase 3 comprising 75 houses are now completed; with Phase 4 underway.

- Phase 1 - 6 houses at Letham in Perth and 20 houses at Methven
- Phase 2 - 10 houses at Friarton in Perth
- Phase 3 - a further 10 houses at Methven, 19 houses at Alyth, 10 houses at Scone and 6 houses at Pitlochry
- Phase 4 - a further 10 houses at Scone, 12 houses at Pitlochry and 17 houses at Blairgowrie

4.3 The Capital Investment Plan also proposes further investment in new house building with the addition of 25 houses per annum across Perth and Kinross

from 2013/14 onwards. The size, type, location and funding of the new build programme is determined through the Strategic Housing Investment Plan which is regularly reported to Committee.

- 4.4 In respect of the Council's house building programme, the Capital Investment Plan assumes that the programme will continue to receive the same level of financial funding per house from the Scottish Government and the Council's Earmarked Reserve for Affordable Housing. The funding earmarked within the capital programme is aligned to the current cost projections of the new build programme which continues to allow for a £30,000 Government grant per property and a contribution of £10,000 per property from the Council's Earmarked Reserve for Affordable Housing.
- 4.5 The HRA Capital Investment Programme, detailed in Appendix 2, incorporates the existing committed new build programme and an indicative future new build programme with the funding assumptions as presented in section 4.4.
- 4.6 The HRA Capital Investment Programme also includes funding for increasing the Council house stock. It is anticipated that by 31 March 2013, 20 houses will have been purchased at a cost of £2 million (including any costs associated with the purchasing and upgrading to SHQS), with a further £5 million of funding allocated over the next 5 years. This funding is primarily allocated to look at increasing the Council house stock through buying back more housing from the open market. An acquisition criterion has been developed which determines how properties will be purchased.

5. HOUSING REVENUE ACCOUNT

- 5.1 A budget for the HRA (as shown in Appendix 1) is balanced each financial year to ensure the operating costs are met from rental income each year. The budget includes an amount for Prudential Borrowing to meet the revenue cost of the capital investment programme. Since the start of the Standard Delivery Plan in 2004, £42 million has been borrowed which included the first elements of meeting the SHQS i.e. the installation of new kitchens and bathrooms.
- 5.2 The additional cost pressures which the HRA must contain within the next 5 financial years relate to the main areas below:
- The budget assumes a 1% pay increase for 2013-14 for Single Status and Trades staff with a 2% increase in subsequent years; the budget also reflects the cost of incremental progression.
 - Increased prudential borrowing costs as a result of the requirements of the Capital Investment Programme.
 - An adjustment to the bad and doubtful debt provision to take account for any increased risk and exposure to the Council as a result of the introduction of the UK Government's Welfare Reforms.
 - General inflation costs for supplies, transport, and property costs.
 - A contribution to funding capital investment from the revenue account.
 - Increased contribution to the Council's Insurance Fund.
 - A provision for the cost of the next Local Housing Needs and Stock Condition Survey, which will be required to be funded in 2013-14 and 2014-15.

5.3 It is estimated that a range of efficiency savings in the HRA can be achieved to minimise the impact on future rents and future borrowing requirements. These savings can be summarised as:

- Reshaping service delivery models within Housing Services as new ways of working are implemented.
- A reshaping of the management arrangements for the service.
- Opportunities for shared services through collaborative working with Registered Social Landlords within Perth and Kinross.
- Transferring the asset of housing roads and paths to the general fund.

6. RENT STRATEGY

6.1 When setting the 2011/12 budget, the Housing and Health Committee approved a five year rent strategy of inflation using the Consumer Price Index (CPI) plus 2% (report 11/40 refers). This strategy was subsequently revised for one year by the Committee on 1 February 2012 and the 2012/13 budget only reflected a rental increase of CPI (report 12/42 refers). This action was taken to take into account the higher level of inflation at that time and minimise the financial impact on Council tenants. It is recommended that the rent strategy for 2013/14 reverts back to the longer term strategy of CPI plus 2%.

6.2 The proposed rent strategy for the next four years proposes to continue to set rent increases which are linked to the prevailing CPI at that time.

6.3 UK Consumer Prices Index (CPI) inflation was 2.2% in September 2012, according to the Office for National Statistics (ONS), which is the baseline used for the inflation calculation and this would result in a rent increase of 4.2% for 2013/14.

6.4 The rent strategy as detailed above would allow the HRA to:-

- Set rents at reasonable levels over the period, leaving Perth and Kinross Council rents lower than the Scottish average.
- Finance the cost of the future investment programmes to meet the SHQS by 2015.
- Provide the headroom to allow for a continuing commitment of 25 new houses each year.
- Increase the Council house stock by buying back houses from the open market.
- Finance the revenue borrowing cost of previous capital programme investment to meet the SHQS and provide a new build programme (120 houses to date).
- Resource Neighbourhood Management Services in managing tenancies, fostering tenant participation and maintaining the HRA stock.
- Enable a Reserves Strategy to provide uncommitted reserves of £800k.

6.5 The Committee is requested to note that the above recommendations on rent strategy are set in the context of an increasingly uncertain economic climate and may require to be reviewed should there be any significant changes in the assumptions underlying the HRA budget.

7. USE OF BALANCES/RESERVES STRATEGY

7.1 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:

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

7.2 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 above.

7.3 The financial risks to which the HRA may potentially be exposed include such areas as additional repairs due to severe weather events and price volatility in the medium term for goods and services. The current economic climate and the change in Housing Benefits legislation may impact upon income recovery with the potential for an increase in non-collection levels. The economic downturn may also impact on commercial lets which may result in lower rent levels or properties remaining void for longer periods.

7.4 At this time it is not possible to estimate the potential financial impact of the UK Government's Welfare Reforms on the HRA and budgets with any accuracy. It is likely that there will be a number of budget pressures but they are not quantifiable at this time.

7.5 In view of the potential risks facing the HRA and in accordance with guidance set out in the CIPFA Local Authority Panel (LAAP) Bulletin 77, the Head of Finance, therefore, recommends retaining an uncommitted reserve on the Housing Revenue Account of between 2% and 4% of gross expenditure – approximately £450,000 to £900,000. This will be reviewed in future years and amended as required.

7.6 At the Housing and Health Committee of 1 February 2012 members agreed that the HRA should maintain an uncommitted general reserve balance of £800,000 (report 12/42 refers). After reviewing the 30 year business plan, it is felt prudent the balance should continue to be maintained at the present level. The business plan assumes that a balance of £800,000 will be maintained for the next 5 years.

7.7 At this time it is not anticipated that there will be any requirement to utilise the reserve in 2012/13 and consequently the balance will remain at £800,000.

8. COMPARISON WITH OTHER LOCAL AUTHORITIES AND REGISTERED SOCIAL LANDLORDS

8.1 Appendix 3 shows the Council house rents in Perth and Kinross compared to other councils in Scotland. Assuming other councils increase their rent by the same level as they did in 2012/13, Perth and Kinross would have an average

rental figure of £59.77 compared to the Scottish average of £61.93 for 2013/14. This would mean Perth and Kinross Council would have the 11th lowest rent in Scotland and £2.16 lower than the projected Scottish average.

- 8.2 Many local authorities increased rents at the point of the introduction of the Scottish Housing Quality Standard in 2004/05. As council's voted to lease their stock there was an acknowledgement that income needed to increase to meet the new investment requirements. Councils which increased their rents steeply at that point included West Lothian, Aberdeen City, Fife and Aberdeenshire.
- 8.3 Table 1 below details 2012/13 average rent levels for Registered Social Landlords (RSLs). The table indicates that HRA rents are approximately £4 to £10 a week lower than the RSLs for a 3 apartment property.

Registered Landlord 2012/13	Social Apartment Size/Weekly Rent (£)				
	1	2	3	4	5+
PKC	53.54	54.71	57.35	61.71	70.98
Caledonia	44.96	57.63	61.99	71.47	79.11
Hillcrest HA	27.92	54.88	67.40	79.55	91.71
Kingdom HA	n/a	n/a	63.96	74.72	n/a
Fairfield Co-op	n/a	58.35	62.99	66.11	70.29

Table 1: Average Rents 2012/13 (based on 52 weeks)

Source: Registered Social Landlord and Local Authority Databases – October 2012

9. PROPOSED RENTS FOR OTHER SERVICES

- 9.1 It is recommended that a range of non-commercial rents - excluding the HRA rents for housing stock which is covered in section 6 - are amended as detailed below from 1 April 2013. The proposals ensure the Council continues to demonstrate that it has set rents which reflect the characteristics of individual dwellings and services provided. It also takes into account the new benefit cap level that will be introduced in April 2013. The different types of properties are covered separately below:

- 9.2 Rental charges for Greyfriars House and Tayview House

It is proposed to increase rental charges at Greyfriars House and Tayview House, temporary accommodation for people who are homeless, by 4.2% to meet property costs and the financing of upgrades to the properties.

- 9.3 Rental charges for dispersed temporary accommodation

It is proposed to increase rental charges for properties owned by the HRA but allocated as temporary for homeless people by 4.2% to meet property costs and the financing of upgrades to the properties. These properties will also meet the SHQS.

- 9.4 Rental charges for RIO House and Satellite Properties

Due to the introduction of the new benefit cap level from April 2013 it is proposed to reduce the weekly rent for RIO House and the satellite properties

from £480.82 to £206.63. This will bring in line the weekly rent with the reduced income available to tenants as a result of the new benefit cap level and make the accommodation more affordable for all tenants.

9.5 Rental charges for chalets and stances for Gypsy Travellers

It is proposed to increase rental charges by 4.2% to meet property costs and the financing of upgrades to the sites and chalets.

9.6 Garages and lock-ups

It is proposed to increase rental charges for garages and garage sites by 4.2% in line with house rents.

9.7 Commercial rents

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.

10. PROPOSED HOUSING SERVICE CHARGES

10.1 It is recommended that a range of housing service charges as stated below in sections 10.4 to 10.5 are increased by 4.2% from 1 April 2013. Local Housing Authorities separate service charges from housing rents in order to ensure that charges for services such as caretaking are fair and transparent. This process is known as de-pooling. Service charges usually reflect additional services which may not be provided to every tenant, or which may be connected with communal facilities rather than particular to occupation of a dwelling.

10.2 The introduction of the Right to Buy legislation has resulted in more than half of the public sector properties in Perth and Kinross having been bought by tenants. Those who own a flat in a traditional tenement, multi storey or four in a block are responsible for repairs and maintenance specific to their property in line with their title deeds. They also have a mutual responsibility with fellow owners for shared areas including stairs; close windows; chimney stacks; service cables; and pipes etc. The Council remains entitled to carry out and charge for essential repairs to the common parts. In reality the condition of the common part does not fall within the definition of essential until it affects the fabric of the building.

10.3 The range of service charges currently levied by the HRA to tenants and owner occupiers is shown 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 which are already included in tenants' rents.

10.4 The ranges of different services which have charges are detailed in tables 2 and 3 below:

Service Charges to Tenants	2012/13 Current Annual Charge	2013/14 Proposed Annual Charge
Garden Maintenance Scheme	£52.80	£55.20
Communal Heating – (Market, Milne and Lickley)	£280.80	£292.80
Heating and Lighting at Sheltered Housing complexes	£381.60 £515.52	- £397.44 £537.12

Table 2: Service Charges to Tenants

Service Charges to Owner Occupiers	2012/13 Current Annual Charge	2013/14 Proposed Annual Charge
Stair Lighting	£31.79	£33.12
Communal Heating and Lighting – (Charterhouse Court)	£662.19	£690.00
Communal Heating, Lighting and Caretaking – (Market, Milne and Lickley)	£484.14	£504.47
Caretaking - (Potterhill and Pomarium)	£179.00	£186.52

Table 3: Service Charges to Owner Occupiers

10.5 Garden Maintenance Scheme

Perth and Kinross Council operates a Garden Maintenance Scheme for Council tenants who are unable to maintain their gardens; the service is currently managed by The Environment Service on behalf of Housing and Community Care. The Environment Service has responsibility for contract management and performance measurement. It is recommended to increase the charges by 4.2%.

10.6 Enhanced property management service charges for temporary accommodation

Local authorities are entitled to levy a service charge for temporary accommodation. The service charge is for enhanced property management services and costs incurred in providing accommodation to homeless people. A range of different properties are available to discharge the Council's statutory duties. Each type of temporary accommodation will have different costs which are the basis of the service charges. The service charges have been reviewed to take account of the impact of the re-provisioning of some temporary accommodation units within the HRA and the introduction of the UK Government's welfare reforms. The proposed service charges for each type of temporary accommodation are detailed below:

Service Charges to Tenants	2012/13 Current Weekly Charge	2013/14 Proposed Weekly Charge
Dispersed tenancies	£163.32	£126.82
Greyfriars House	£183.63	£124.28
RIO House and satellite properties	£74.99	£74.99
Private Sector Leasing	£124.87	£124.87
St Catherine's Square	£163.32	£126.82
Tayview House	£212.48	£150.91

Table 4: Temporary accommodation service charges

10.7 Rechargeable repairs

Housing and Community Care have 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.
- To consistently enforce the conditions of the Scottish Secure Tenancy.
- To deter misuse of Council property by future tenants.

The accounts raised are based on the cost of the repair.

11. CONSULTATION

- 11.1 All Perth and Kinross Council tenants were invited to attend a series of Tenant Network events which were held throughout Perth and Kinross in November 2012, to give tenants the chance to talk about their priorities for the HRA. However, only a very small number of tenants attended the events or provided feedback on the proposals.

Discussion has also taken place with the Perth and Kinross Tenants and Residents' Federation on the content of this report.

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

12. RESOURCE IMPLICATIONS

- 12.1 The Rent Strategy recommended in Section 6 will enable the Council to meet the cost of the delivering the Standard Delivery Plan – including meeting the SHQS by 2015 – and also provide the delivery of a new Council House programme while maintaining rents at an affordable level. The level of rents will also continue to be lower than other social housing in the area and lower than the projected average Scottish local authorities rent.
- 12.2 Approving the proposed charges detailed in this report will ensure that the Standard Delivery Plan is affordable for the next 30 years. This will provide confidence to tenants and Committee alike.

13. COUNCIL CORPORATE PLAN OBJECTIVES 2009-2012

The Council's Corporate Plan 2009-2012 lays out five Objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. This report refers to all of them and they are as follows:-

- (i) A Safe, Secure and Welcoming Environment
- (ii) Healthy, Caring Communities
- (iii) A Prosperous, Sustainable and Inclusive Economy
- (iv) Educated, Responsible and Informed Citizens
- (v) Confident, Active and Inclusive Communities

14. EQUALITIES IMPACT ASSESSMENT (EqIA)

An equality impact assessment needs to be carried out for functions, policies, procedures or strategies in relation to race, gender and disability and other relevant protected characteristics. This supports the Council's legal requirement to comply with the duty to assess and consult on relevant new and existing policies.

The function, policy, procedure or strategy presented in this report was considered under the Corporate Equalities Impact Assessment process (EqIA) with the following outcome:

- i) Assessed as **not relevant** for the purposes of EqIA as the strategy will have a positive impact on peoples wellbeing.

15. STRATEGIC ENVIRONMENTAL ASSESSMENT

15.1 Strategic Environmental Assessment (SEA) is a legal requirement under the Environmental Assessment (Scotland) Act 2005 that applies to all qualifying plans, programmes and strategies, including policies (PPS).

15.2 The matters presented in this report were considered under the Environmental Assessment (Scotland) Act 2005 and no further action is required as it does not qualify as a PPS as defined by the Act and is therefore exempt.

16. CONCLUSION

The recommendations in the report are required to satisfy the requirements of the Council's approved Standard Delivery Plan, ensuring the attainment of the "Retention Plus" Strategy. The proposed rent levels and other charges will generate the income necessary to sustain the level of investment and services identified, and agreed, within the HRA Business Plan, while enabling a Council House new build programme.

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JOHN SYMON
Head of Finance

Note: No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above report.

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If you or someone you know would like a copy of this document in another language or format, (on occasion only, a summary of the document will be provided in translation), this can be arranged by contacting *Steven Coyle*



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Appendices:

1. HRA Provisional Revenue Budget 2013-2018
2. HRA Capital Investment Programme 2013-2018
3. Estimated Projected Average Rents
4. RSL Benchmarking Data

APPENDIX 1 – HOUSING REVENUE ACCOUNT

	2012/13 Approved Budget £'000	2013/14 Proposed Budget £'000	2014/15 Provisional Budget £'000	2015/16 Provisional Budget £'000	2016/17 Provisional Budget £'000	2017/18 Provisional Budget £'000
STAFF COSTS						
Single Status - Gross Pay	3,218	3,260	3,332	3,403	3,473	3,543
Supn	579	587	599	611	623	635
NI	199	203	210	217	223	229
Craft Workers - Gross Pay	1,490	1,505	1,536	1,567	1,599	1,631
Supn	268	271	277	283	289	295
NI	99	101	104	107	111	115
Overtime	117	95	95	95	95	95
Slippage	(200)	(200)	(200)	(200)	(200)	(200)
General Fund Recharges	968	1,114	1,142	1,171	1,203	1,229
Other Staff Costs	143	165	165	165	165	165
TOTAL STAFF COSTS	6,881	7,101	7,260	7,419	7,581	7,737
PROPERTY COSTS						
Non Domestic Rates	110	99	101	104	107	110
Rents	94	91	93	96	98	100
Water & Sewage	1	3	3	3	3	3
Energy Costs	311	313	321	329	337	345
Property Insurance	356	614	373	379	386	393
Cleaning	79	73	75	77	79	81
Property Maintenance	3,391	3,254	3,285	3,370	3,457	3,546
Other Property Costs	831	846	1,671	1,742	1,815	1,894
TOTAL PROPERTY COSTS	5,173	5,293	5,922	6,100	6,282	6,472
TOTAL SUPPLIES & SERVICES	1,495	1,547	1,746	1,606	1,647	1,689
TRANSPORT COSTS						
Travel & Subsistence	1	1	1	1	1	1
Car Allowances	80	82	84	86	88	90
Other Transport Costs	536	548	562	576	591	606
TOTAL TRANSPORT COSTS	617	631	647	663	680	697
TRANSFER PAYMENTS	115	75	75	75	75	75
THIRD PARTY PAYMENTS	120	120	120	120	120	120
SUPPORT SERVICES	1,948	1,948	1,948	1,948	1,948	1,948
FINANCING/CAPITAL CHARGES	4,485	4,281	4,656	5,128	5,680	6,069
CFCR	3,491	4,222	3,889	4,398	4,693	5,222
GROSS EXPENDITURE	24,325	25,218	26,263	27,457	28,706	30,029
INCOME						
Internal Recharges	1,476	1,223	1,109	1,109	1,109	1,109
Council House Rents	21,911	23,040	24,179	25,352	26,580	27,880
Other Rental Income	887	904	924	945	966	989
IORB	51	51	51	51	51	51
TOTAL INCOME	24,325	25,218	26,263	27,457	28,706	30,029
NET EXPENDITURE	0	0	0	0	0	0

APPENDIX 2 – HRA CAPITAL INVESTMENT PROGRAMME 2013-18

SERVICE	Approved Budget Housing and Health 01/02/2012 2012/13 £'000	PROJECTED OUTTURN Subject To SP&R Approval					
		2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
Central Heating and Rewiring	2,297	3,335	3,817	4,744	1,900	1,800	1,500
Double Glazing	0	50	500	700	2,550	1,500	750
Controlled Door Entry	1,025	663	1,295	0	0	86	10
Kitchen Programme	131	100	135	138	125	100	36
Bathroom Programme	131	122	135	138	125	100	36
External Fabric Repairs	1,037	211	2,679	1,854	2,000	800	1,100
Energy Efficiency	1,876	154	1,546	849	1,700	1,500	625
Multi Storey Flats	859	800	1,057	672	0	0	0
STANDARD DELIVERY PLAN SUBTOTAL:	7,356	5,435	11,164	9,095	8,400	5,886	4,057
Council House New Build Phases 3 and 4	3,088	1,202	2,131	0	0	0	0
Council House New Build - Future Programme	0	0	2,141	2,731	2,786	2,841	2,918
Increase in Council House Stock	1,000	2,000	2,000	1,000	1,000	1,000	1,000
Lock-ups and Garage Sites	0	0	0	1,000	1,000	500	0
Major Adaptations to Council House Stock	250	250	250	250	250	250	250
Replacement Lifts	320	320	200	200	200	0	0
Other Capital Costs	285	376	210	210	210	210	210
Mortgage to Rent	250	300	250	250	250	250	250
SUBTOTAL = TOTAL GROSS EXPENDITURE	12,549	9,883	18,346	14,736	14,096	10,937	8,685
Less: Amount to be funded from Current Revenue (C.F.C.R.)	(3,460)	(3,593)	(4,222)	(3,889)	(4,398)	(4,693)	(5,222)
Less: Amount to be funded from Capital Receipts	0	(850)	0	0	0	0	0
Less: Other Income	0	(3)	0	0	0	0	0
PRUDENTIAL BORROWING REQUIREMENT	9,089	5,437	14,124	10,847	9,698	6,244	3,463

APPENDIX 3 – ESTIMATED PROJECTED AVERAGE RENTS RECEIVED PER DWELLING (£ PER HOUSE PER WEEK)

	2012-13	Estimated 2013-14	rank 2012-13	Estimated rank 2013-14	Estimated Movement
City of Edinburgh	80.78	87.16	1	1	→
Aberdeen City	68.08	71.08	2	2	→
Renfrewshire	65.81	68.77	3	3	→
Orkney Islands	64.15	68.32	5	4	↑1
Shetland Islands	64.27	67.68	4	5	↓1
Dundee City	63.09	66.06	6	6	→
Clackmannanshire	59.83	63.90	11	7	↑4
West Lothian	61.80	63.65	8	8	→
Highland	62.26	63.44	7	9	↓2
Stirling	59.63	63.33	12	10	↑2
East Dunbartonshire	60.72	62.24	9	11	↓2
Scotland	59.61	61.93			
North Ayrshire	59.92	61.30	10	12	↓2
South Ayrshire	57.82	60.83	13	13	→
East Renfrewshire	57.45	60.67	15	14	↑1
Aberdeenshire	57.60	60.31	14	15	↓1
Perth and Kinross	57.36	59.77	16	16	→
West Dunbartonshire	56.93	59.49	18	17	↑1
East Ayrshire	57.12	59.18	17	18	↓1
Fife	56.54	59.14	19	19	→
Midlothian	54.43	57.70	21	20	↑1
Angus	53.49	57.34	22	21	↑1
South Lanarkshire	56.51	57.08	20	22	↓2
North Lanarkshire	53.19	54.04	24	23	↑1
Falkirk	53.43	53.43	23	24	↓1
Moray	48.84	50.55	25	25	→
East Lothian	48.08	50.15	26	26	→
Level below Scottish Average	2.25	2.16			

Actual figures for 2012-13 and estimates for 2013-14 based on PKC proposed rent increase of 4.2% and all other councils at their 2012-13 increase

Please note that Rank 1 is the highest rent in Scotland and an upward movement means that the Council is projected to become more expensive.

APPENDIX 4 – RSL BENCHMARKING DATA

The Scottish Housing Regulator - Scottish Registered Social Landlord Statistics

Table R1b (summary) Average weekly secure rents for lettable self contained units by Council area and RSL

Summary Table		Average weekly secure rents for all units											
Reg No.	RSL Name	2011-12		2010-11		2009-10		2008-09		2007-08		2011/12	
		Rent (£)	Units	Rent (£)	Units	Rent (£)	Units	Rent (£)	Units	Rent (£)	Units	increase %	
297	Abertay Housing Association Ltd	67.56	6	64.34	6	63.52	6	61.08	6	58.01	6	5.00%	
66	Ark Housing Association Ltd	66.73	18	64.90	13	63.73	14	60.18	15	56.55	15	2.82%	
71	Bield Housing Association Ltd	57.79	115	54.73	115	53.84	115	49.67	106	46.83	113	5.59%	
74	Bowerswell Memorial Homes (Perth) Ltd ⁵	-	-	-	-	38.41	41	36.93	41	35.17	41		
218	Cairn Housing Association Ltd	54.96	123	52.49	122	49.26	121	42.69	95	40.46	95	4.71%	
224	Caledonia Housing Association Ltd ⁶	60.08	2,113	56.75	1,513	55.34	1,423	52.98	1,363	50.73	1,266	5.87%	
129	Fairfield Housing Co-operative Ltd	61.14	409	57.72	380	54.94	364	51.36	351	49.09	329	5.93%	
124	Hanover (Scotland) Housing Association Ltd	61.44	96	58.17	96	55.57	95	49.21	93	50.51	92	5.62%	
125	Hillcrest Housing Association Ltd	62.34	688	59.14	639	58.23	631	55.69	568	54.87	512	5.41%	
142	Kingdom Housing Association Ltd	62.83	39	61.01	39	59.80	39	56.91	42	53.37	42	2.98%	
148	Link Group Ltd	55.89	17	52.68	17	51.09	17	50.66	15	48.42	15	6.09%	
158	Margaret Blackwood Housing Association Ltd	68.58	34	66.46	34	66.45	34	63.78	34	60.86	33	3.19%	
182	Servite Housing Association Ltd ¹⁰	-	-	59.04	566	58.95	524	54.83	491	51.26	453		
Perth and Kinross		60.55	3,658	57.64	3,540	56.11	3,424	53.04	3,220	50.83	3,012	4.84%	

Note 5 Bowerswell Memorial Homes (Perth) Ltd Transferred to 182 Servite Housing Association Ltd on 24 May 2010

Note 6 Caledonia Housing Association Ltd Changed name from Perthshire Housing Association Ltd on 1 Oct 2011

Note 10 Servite Housing Association Ltd Transferred to 224 Caledonia Housing Association Ltd on 4 May 2012