

PERTH AND KINROSS COUNCIL**Housing and Health Committee****28 January 2015****Housing Revenue Account (HRA) Strategic Financial Plan incorporating the 5 Year Capital Investment Programme and Rent Strategy to 2019/20, Reserves Strategy and other Housing Charges for 2015/16****Joint Report by Executive Director (Housing and Community Care)
and Head of Finance****PURPOSE OF REPORT**

This report sets out the proposed Housing Revenue Account (HRA) Budget for five years from 2015/16 to 2019/20. 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 of £62 million from 2015/16 to 2019/20. All of the proposals contained within the report have been updated in the HRA 30 year Standard Delivery Plan which confirms the affordability of the proposals.

1. BACKGROUND / MAIN ISSUES

- 1.1 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.
- 1.2 The HRA receives income from rents (houses, garages and other properties) and interest on balances which funds all relevant expenditure.
- 1.3 Our Standard Delivery Plan (SDP) continues to form the basis of our proposals to ensure that the Council's houses comply with the Scottish Housing Quality Standard (SHQS) by March 2015.
- 1.4 The HRA Business Plan is updated each year to reflect the budgets, tenants' priorities, rent strategies and economic conditions and is approved by Housing and Health Committee to ensure the SDP continues to be affordable and sustainable. The HRA Business Plan has been updated to reflect the proposals within this report. The attached HRA budget for 2015/16 (Appendix 1) has been prepared in accordance with the Housing Act and Scottish Government directives.

- 1.5 A house condition survey was commissioned during the current year to help refine the stock information database. The primary objectives of the survey are to:
- Benchmark the current performance of our housing stock against the SHQS,
 - To estimate short term investment levels required in our housing stock, and
 - To examine longer term investment requirements over a 30 year business planning cycle.

The survey began in October 2014 and the results are due in February 2015, after which they will be reported to committee.

- 1.6 The UK Government's deficit reduction plan includes savings to be made from the introduction of the Welfare Reform agenda; some of the proposals affect Housing Benefit.

Universal Credit is currently being phased in across the UK and was introduced in Inverness in November 2013. There are plans to roll out Universal Credit across the United Kingdom in four tranches with tranche one being introduced between February and April 2015. There are 9 Local Authorities in Scotland in tranche one, Perth & Kinross Council is not one of these authorities.

The full financial impact of these changes on the Housing Revenue Account (including payment of rental benefits direct to individuals rather than landlords as is currently the case) is difficult to assess. However provision has been made for an adjustment to the bad and doubtful debt provision along with a programme of proactive action to minimise potential increases in rent arrears. These actions will be implemented on a case by case basis should they be necessary. The introduction of Universal Credit could potentially have a major impact on rent levels for the HRA, provisions will be reviewed as details of the planned changes emerge over time.

Two areas of the proposed reforms have already been introduced on a phased basis during 2013 and are detailed below:

- In April 2013 the size criteria assessments (under occupancy) for Housing Benefit claims in social housing came into force, and
- In July 2013 the new benefit cap was introduced

2. TENANT ENGAGEMENT

- 2.1 The Scottish Social Housing Charter set 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 and require that social landlords 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 the 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."

These outcomes reflect local authorities' legal duties to consult tenants on affordability and decisions about how rental income is spent. Landlords must also decide whether to publish information on expenditure and the format and level of detail to be included within this information.

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.

- 2.2 In July 2013 the STEARS (Strategic Tenant Engagement in Annual Rent Setting) group was established with the purpose of reviewing our current approach to tenant involvement in rent setting and ensuring that our responsibilities in respect of the Charter outcomes are met in full.

Since it was established the STEARS group has undertaken a range of benchmarking activities with other Local Authorities and has identified improvements to our previous approach.

In April this year the newly agreed process was introduced ensuring that tenants are now integral to the overall rent setting process.

In April 2014 all Council tenants received a questionnaire asking for their views and priorities in relation to rent setting and decisions about how additional rent money should be spent.

A total of 813 (11%) of tenants responded highlighting their priorities as follows:

- Increasing housing stock for rent – **58%**
- Improving how we manage your neighbourhood – **37%**
- Improving repair response times – **28%**
- Making environmental improvements – **26%**
- Reducing the time we take to re-let homes – **26%**
- Providing support and guidance to help people keep their tenancies - **22%**
- Reducing rent arrears – **21%**
- Investing in the capital programme – **13%**
- Providing more tenant participation/involvement activities – **9%**

At the annual tenant's conference in June and at various tenant network events held across Perth and Kinross during August, tenants were asked additional questions to provide more detailed information on these priorities.

2.3 The overall feedback received from tenants has been used to influence the spending priorities identified through the budget setting process. As a result of the feedback gained from the tenants, the following elements have been incorporated into the budget setting process:-

- An additional £2million for purchasing houses through the open market
- An allocation of budget for Estate Based Initiatives to enable tenants to participate in making environmental improvements in their neighbourhoods.
- Increase in the number of Support Officers to provide support to vulnerable tenants
- A change in the way services are delivered to tenants allowing for more support to tenants

To conclude the consultation process and provide tenants with feedback on how their views have been used to influence the budget process and influence the rent increases proposed within this report a Tenant's Winter Forum was held in December. The session was led by the Head of Housing and Strategic Commissioning and involved presentations, facilitated workshops and a question and answer session with senior managers.

Twelve tenants attended the winter forum and were positive about their fuller involvement in the overall process and the fact that the spending proposals reflect their priorities. There was no disagreement about the proposed rent increase and discussion and questions covered a range of issues including:-

- Progress towards SHQS
- Details of how savings will be achieved
- The impact of interest rates on rent levels
- The effects of the Right to Buy on the HRA
- How and when the new support service will be introduced
- A request for more detailed information on the investment in increasing stock and the resultant loan charges
- The process for selecting and ensuring the independence of the tenant advisor for the rent restructure

3. HOUSING REVENUE ACCOUNT

3.1 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 SDP commenced in 2004, £49 million has been borrowed. This included the first major works necessary to meet the SHQS i.e. the installation of new kitchens and bathrooms.

3.2 The additional cost pressures which the HRA must contain within the next 5 financial years relate to the main areas described below;

- The budget assumes a 2% pay increase for Single Status and Trades staff for 2015/16 and 2.5% from 2016/17 onwards; 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.
- An increase in tenancy management costs as a result of the redesign of Housing Services.
- An allocation of budget for Estate Based Initiatives to enable tenants to participate in making environmental improvements in their neighbourhoods.
- An increase in the number of Support Officers to provide support to vulnerable tenants.
- An increase in the planned maintenance budget for Garage Sites & Lock-ups.

3.3 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:

- A reduction of the level of recharges made from the general fund to the HRA as a result of efficiencies made in Support Services functions.
- Opportunities for shared services through collaborative working with Registered Social Landlords within Perth and Kinross.
- Removal of the budget for the Stock Condition Survey.

The full detail of the pressures and savings are detailed in Appendix 2

3.4 New guidance issued by the Scottish Government in March 2014 details how HRA's should operate to ensure transparency in the operation of the account and the recording of financial information. The guidance will enable tenants to better understand how their housing service is benefiting them and at what cost in line with the requirements of the Scottish Social Housing Charter.

The guidance supplements, but does not replace, the original statutory requirement for authorities to account for the costs associated with the HRA as set out in the Housing (Scotland) Act 1987. In particular, it seeks to lay out the basis for the costs of goods and services being charged to the HRA and how they should ultimately be benefiting council tenants.

An action plan has been developed to ensure that Perth & Kinross Council implements the recommendations contained within the guidance. The action plan primarily focuses on:-

- Reviewing the current assets held on the HRA
- Reviewing the current internal charges made to the HRA

The first stage of reviewing the internal charges levied on the HRA has been completed and has resulted in a reduction of internal charges of £335,000 as a result of efficiencies made within Housing & Community Care support services functions within the general fund as detailed in section 3.3 above.

4. CAPITAL INVESTMENT PROGRAMME

4.1 Steady progress has been made with the SDP during 2014 and the number of houses achieving the 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 2014, 84% of the Council's stock achieved full compliance with the standard. This figure is approximately 1% better than forecast in last year's projections.

4.2 Based on the figures as at 31 March 2014, 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' – 93%
- Total meeting 'Modern Facilities and Services' – 99%
- Total meeting 'Healthy, Safe and Secure' – 91%
- Total dwellings meeting 'SHQS overall' – 84%

4.3 The planned investment programme of £62 million for the 5 year period from April 2015 to March 2020 is summarised in Appendix 3. There will be a number of community benefits arising from this level of investment as well as improving our Council stock. The proposed Housing Investment Programme required to deliver full compliance with SHQS over the next 5 years is summarised as follows:

- Central heating renewal - £8.5 million
- External fabric works - £5.8 million
- Energy efficiency works - £4.6 million
- Double glazing - £4.6 million
- Environmental Improvements - £1.9 million
- Multi-storey flats - £1.8 million
- Installation of controlled door entry systems - £1.1 million
- Kitchens and bathrooms - £0.9 million
- Fire Precaution Measures - £0.7 million

- Total Investment – £29.9 million

Relevant business cases have been produced for those capital projects listed in this report above where this is appropriate, and are available in the Councillors' lounge, online on the Councillors' CHIP Sharepoint site or by contacting the author of this report.

4.4 The capital programme in Appendix 3 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 disabled persons.
- 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.
- Boilers – a number of replacement boilers for communal premises are scheduled to 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 as part of the review.
- Muirton Shops Development – an allowance has been made for improvements to the Dunkeld Road shops.
- Information and Systems Technology will be required to support new ways of working e.g. PCs, mobile technology, servers etc.

5. COUNCIL NEW BUILD

5.1 During 2008 the Scottish Government announced plans to provide grants to local authorities to assist with new build Council housing. Six separate tranches of funding have since been released and Perth and Kinross Council has successfully obtained grant awards from all six phases of the funding programme.

5.2 The aim of the Council's new build housing programme is to provide housing of the most appropriate size within areas of high demand. The programme currently comprises 204 properties, phases 1, 2, 3, 4 and part of phase 5 comprising 128 houses are now completed; with phase 6 and the remaining element of phase 5 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
- Phase 5 – 16 houses at Jeanfield Road in Perth and 8 houses at Inchtute
- Phase 6 – a further 14 houses at Jeanfield Road in Perth, a further 11 houses at Alyth, 12 houses at Auchterarder, 16 houses at Balbeggie and 7 houses at Old Mill Road, Rattray

- 5.3 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 2015/16 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.
- 5.4 The Capital Investment Plan assumes the Council house building 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.
- 5.5 The HRA Capital Investment Programme, detailed in Appendix 3, incorporates the existing committed new build programme and an indicative future new build programme with the funding assumptions as presented in section 5.4.
- 5.6 The HRA Capital Investment Programme also includes funding for increasing the Council house stock by purchasing houses through the open market. It is anticipated that by 31 March 2015, 40 houses will have been purchased at a cost of approximately £4.3 million (including the upgrading to SHQS). The purchase of the 40 houses has facilitated a further 46 moves through the resulting vacancy chains.
- 5.7 In response to tenant's priorities to increase housing stock for rent it is proposed to increase the level of funding allocated for buy backs to from £5 million to £7 million over the next 5 years.
- 5.8 The Council has been successful in obtaining financial funding in additional to the Housing Allocation Grant from the Scottish Government for 2013/14 and 2014/15 of £450,000 which equates to a contribution of £25,000 per property for 18 properties. It is unknown if this additional funding will continue which would allow the Council to purchase some additional properties over and above the existing budget.

6. RENT STRATEGY

- 6.1 When setting the 2014/15 budget, the Housing and Health Committee approved a five year rent strategy of inflation using the Consumer Price Index (CPI) plus 2% (report 14/18 refers). The costs of meeting the SHQS will be met by 31 March 2015. However, in order to maintain consistency with the previous approach, the proposed rent strategy presented in this report proposes an inflationary increase of 1.2% (the CPI rate as at September 2014) plus a further 2%. This will ensure that the level of income received from tenants will cover the costs arising from service requirements and the spending priorities identified by tenants through the consultation process.
- 6.2 In order to deliver on tenant's priorities, meet the fixed costs borne by the HRA and any efficiency savings, a 3.2% rent increase will be required for 2015/16.

- 6.3 The proposed rent strategy for the next four years will be set at an indicative rate of 4% (this was 4.5% in report 14/18 which set the rents for 2014/15). This provides a baseline level to highlight the potential rent increase required to deliver the future capital investment programme and running costs of the HRA and will ultimately be influenced by the result of the outcome of the stock condition survey and further consultation with tenants on their priorities for future years.
- 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 continue to improve our housing stock.
 - Provide the headroom to allow for a continuing commitment of 25 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 (204 houses to date).
 - Resource Neighbourhood Management Services in managing tenancies, fostering 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 £800k.

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:
- To 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 could potentially be exposed include such areas as:
- Additional repairs due to severe weather events and other emergencies.
 - 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 conditions could 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 such as increased bad debt, increase in arrears levels, but they are not quantifiable at this time. However, a provision for increased bad debt has been factored into the revenue budget in Appendix 1.
- 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 £532,000 to £1,065,000. This will be reviewed in future years and amended as required.
- 7.6 At the Housing and Health Committee of 29 January 2014 members agreed that the HRA should maintain an uncommitted general reserve balance of £800,000 (report 14/18 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 2014/15 and consequently the balance will remain at £800,000.
- 8. COMPARISON WITH OTHER LOCAL AUTHORITIES AND REGISTERED SOCIAL LANDLORDS**
- 8.1 Appendix 4 shows the Council house rents in Perth and Kinross compared to other councils in Scotland. Based on estimating that other councils increase their rent by the same level as they did in 2014/15, Perth and Kinross would have an average rental figure of £64.58 compared to the projected Scottish average of £66.32 for 2015/16. This would mean Perth and Kinross Council would have the 9th lowest rent in Scotland and £1.74 lower than the projected Scottish average.
- 8.2 The level of rent increases for 2014/15 across local authorities in Scotland ranged from 1.8% to 7.63% with the Scottish average being 3.77%.
- 8.3 Table 1 below details 2014/15 average rent levels for Registered Social Landlords (RSLs). The table indicates that HRA rents are approximately £1 to £9 a week lower than the RSLs for a 3 apartment property.

Registered Social Landlord 2014/15	Apartment Size/Weekly Rent (£)				
	1	2	3	4	5+
PKC	58.17	59.71	62.59	67.25	77.29
Caledonia	43.33	58.98	63.72	73.05	84.39
Hillcrest HA	30.29	60.38	72.34	84.06	107.65
Kingdom HA	n/a	n/a	66.60	77.86	n/a
Fairfield Co-op	n/a	59.93	65.07	68.42	72.27

Table 1: Average Rents 2014/15 (based on 52 weeks)

Source: Registered Social Landlord and Local Authority Databases – November 2014

9. PROPOSALS

9.1 PROPOSED RENTS FOR OTHER SERVICES

9.1.1 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 6 April 2015. 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 covered separately below:

9.1.2 Rental charges for Greyfriars Hostel, RIO House and Tayview House

It is proposed to increase rental charges at Greyfriars Hostel, RIO House and Tayview House, temporary accommodation for people who are homeless, by 3.2% to meet property costs and the financing of upgrades to the properties.

9.1.3 Rental charges for dispersed temporary accommodation

It is proposed to increase rental charges for properties owned by the HRA but allocated as temporary accommodation for homeless people by 3.2% to meet property costs and the financing of upgrades to the properties. These properties will also meet the SHQS.

9.1.4 Rental charges for chalets and stances for Gypsy Travellers

It is proposed to increase rental charges by 3.2% to meet recurring property costs and the financing of previous upgrades to the sites and chalets.

9.1.5 Lock-ups

It is proposed to increase rental charges for lock-ups by 3.2% in line with house rents.

9.1.6 Garage Sites

At the Housing & Health Committee of 28 May 2014 members approved a new rental charge of £2 per week (48 weeks) for garage sites with effect from 6 April 2014 (report 14/227 refers).

9.1.7 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 3.2% from 6 April 2015. Local Housing Authorities separate service charges from housing rents in order 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.

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.

As a result of the Property Factors Agreement being in place since 1 April 2014, Housing & Health Committee approved a range of charges to owner occupiers of multi-tenure blocks (report 14/114 refers). The proposed increases in these charges are detailed in table 3 below:

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

Service Charges to Tenants	2014/15 Current Annual Charge	2015/16 Proposed Annual Charge
Garden Maintenance Scheme	£57.60	£59.52
Retirement Complexes	£192.00	£198.24
Communal Heating – (Market, Milne and Lickley)	£306.72	£316.32
Heating and Lighting at Sheltered Housing complexes	£416.16 - £562.56	£429.60 - £580.80

Table 2: Service Charges to Tenants

Service Charges to Owner Occupiers	2014/15 Current Annual Charge	2015/16 Proposed Annual Charge
Stair Lighting	£34.68	£35.79
Market Court	£589.46	£606.36
Milne Court	£589.46	£606.36
Lickley Court	£590.02	£606.92
Potterhill	£277.05	£284.41
Pomarium (No's 7-51)	£279.07	£286.43
Pomarium (no's 52-95)	£279.67	£287.03
Charterhouse Court	£742.43	£765.55

Table 3: Service Charges to Owner Occupiers

- 10.5 Local authorities are entitled to levy a service charge for temporary accommodation for enhanced property management services and costs incurred in providing accommodation to homeless people. Each type of temporary accommodation will have different costs which are the basis of the service charges. As a result of efficiencies savings being achieved within our homeless services, the service charges have been reviewed to take account of the level of service being provided across the various temporary accommodation units. The proposed service charges for each type of temporary accommodation are detailed below:

Service Charges to Tenants	2014/15 Current Weekly Charge	2015/16 Proposed Weekly Charge
Dispersed tenancies	£123.92	£121.80
Greyfriars Hostel	£113.05	£107.87
RIO House	£58.65	£51.72
Private Sector Leasing	£124.87	£121.20
St Catherine's Square	£123.92	£121.80
Tayview House	£140.89	£136.60

Table 4: Temporary accommodation service charges

10.6 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.

11. CONCLUSION AND RECOMMENDATIONS

- 11.1 This report details the proposed HRA budget for the 5 year period from 2015/16 - 2019/20 and recommends rent increases for houses and other HRA properties. The measures outlined will support continued and sustained improvements in the delivery of housing services and more specifically will meet tenant's priorities to increase our housing stock, minimise rent arrears and improve the delivery of housing support within our localities. The cumulative effect of these measures will support the delivery of the charter outcomes to meet housing need in the area, to provide safe and secure housing and support sustainable tenancies and communities throughout the area.

It is recommended that Committee:

- 11.2 Approves the Housing Revenue Account Budget for 2015/16 and provisional budgets for financial years 2016/17 to 2019/20 as set out in Appendix 1.
- 11.3 Approves the proposed Housing Revenue Account Capital Investment Programme for 2015/16 to 2019/20 as set out in Appendix 3.
- 11.4 Approves the Rent Strategy for 2015/16 and a provisional Rent Strategy for the following 4 years to 2019/20 as stated in section 6.
- 11.5 Approves the rent increase of 3.2% for the year commencing 6 April 2015 as follows:
- All Council houses. This would mean an average weekly rent increase of £2.00 per week, giving an average weekly rent of £64.58 per week based on 52 weeks.
- 11.6 Approves the rent increase of 3.2% for the year commencing 6 April 2015 for:
- All lock-ups.
 - Chalets and stances for travelling people at Double Dykes and Bobbin Mill.
 - Temporary accommodation units at Greyfriars Hostel, RIO House, Tayview House and dispersed tenancies owned by the HRA.
- 11.7 Approves the revised rent for Garage Sites of £2.00 per week based on 48 weeks.
- 11.8 Approves the Housing Revenue Account Reserves Strategy proposed in section 7 to maintain the current level of reserves at £800,000.
- 11.9 Approves the proposal to set Housing service charges from 6 April 2015 as stated in section 10.
- 11.10 Notes the progress made to date in delivering the SHQS for improving and managing the housing stock as set out in section 4 and the related Business Cases.

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ANNEX

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

Corporate Plan

1.1 The Council's Corporate Plan 2013 – 2018 lays out five outcome focussed strategic objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. They are as follows:

- (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; and
- (v) Creating a safe and sustainable place for future generations.

1.2 This report relates to all of these objectives.

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.

The information contained within this report has been considered under the Corporate Equalities Impact Assessment process (EqIA) and has been assessed as **not relevant** for the purposes of EqIA.

Strategic Environmental Assessment

- 3.2 The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals.

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.

Sustainability

- 3.3 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. In terms of the Climate Change Act, the Council has a general duty to demonstrate its commitment to sustainability and the community, environmental and economic impacts of its actions.

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.

4. Consultation

Internal

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

External

- 4.2 All Perth and Kinross Council tenants were invited to attend a Tenant's Conference in June 2014 and a Tenant's Winter Forum in December 2014 and their feedback is detailed in section 2.

The Tenant Committee Report Panel were consulted on this report. They reported that they found the document to be well constructed and comprehensive report. It good to see total figures as well as percentages presented in the Report. It also good to see the potential areas that will affect the HRA being taken into consideration.

2. BACKGROUND PAPERS

None.

3. APPENDICES

Appendix 1 - HRA Provisional Revenue Budget 2015-2020

Appendix 2 – HRA Executive Summaries 2015-2020

Appendix 3 - HRA Capital Investment Programme 2015-2020

Appendix 4 - Estimated Projected Average Rents

APPENDIX 1 – HOUSING REVENUE ACCOUNT

	2014/15 Approved Budget £'000	2015/16 Proposed Budget £'000	2016/17 Provisional Budget £'000	2017/18 Provisional Budget £'000	2018/19 Provisional Budget £'000	2019/20 Provisional Budget £'000
STAFF COSTS						
Single Status - Gross Pay	3,281	3,532	3,630	3,716	3,825	3,928
Supn	591	604	617	630	643	656
NI	199	224	218	232	236	240
Craft Workers - Gross Pay	1,514	1,482	1,520	1,560	1,595	1,640
Supn	273	252	257	262	267	272
NI	100	98	95	102	105	108
Pensions	95	100	100	100	100	100
Overtime	116	116	116	116	116	116
Slippage	(200)	(200)	(200)	(200)	(200)	(200)
General Fund Recharges	1,139	830	847	864	881	899
Other Staff Costs	48	48	48	48	48	48
TOTAL STAFF COSTS	7,256	7,086	7,248	7,430	7,616	7,807
PROPERTY COSTS						
Non Domestic Rates	96	104	106	108	110	112
Rents	93	98	100	102	104	106
Water & Sewage	3	3	3	3	3	3
Energy Costs	320	292	298	304	310	316
Property Insurance	424	415	423	431	440	449
Cleaning	68	71	72	73	74	76
Property Maintenance	3,314	3,411	3,469	3,538	3,609	3,681
Other Property Costs	902	1,211	2,112	2,186	2,262	2,341
TOTAL PROPERTY COSTS	5,550	5,605	6,583	6,745	6,912	7,084
TOTAL SUPPLIES & SERVICES	1,744	1,466	1,495	1,525	1,555	1,586
TRANSPORT COSTS						
Travel & Subsistence	1	1	1	1	1	1
Car Allowances	85	83	85	87	89	91
Other Transport Costs	561	547	558	569	580	592
TOTAL TRANSPORT COSTS	647	631	644	657	670	684
TRANSFER PAYMENTS	75	85	85	85	85	85
THIRD PARTY PAYMENTS	117	107	107	107	107	107
SUPPORT SERVICES	1,948	1,948	1,948	1,948	1,948	1,948
FINANCING/CAPITAL CHARGES	4,909	5,426	6,024	6,364	6,561	6,793
CFCR	4,276	4,276	3,644	4,116	4,774	5,423
GROSS EXPENDITURE	26,192	26,630	27,778	28,977	30,228	31,517
INCOME						
Internal Recharges	1,007	766	766	766	766	766
Council House Rents	24,362	25,021	26,156	27,341	28,578	29,850
Other Rental Income	772	792	805	819	833	850
IORB	51	51	51	51	51	51
TOTAL INCOME	26,192	26,630	27,778	28,977	30,228	31,517
NET EXPENDITURE	0	0	0	0	0	0

APPENDIX 2
REVENUE BUDGET 2015/20
SERVICE – HOUSING REVENUE ACCOUNT
EXECUTIVE SUMMARY

Date: 19 December 2014

	<u>Activity Expenditure Pressure & Impact Analysis</u>	Un-Funded Expenditure Pressures				
		2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
1	<u>Increase in Staff Costs</u> The increase in staff costs includes the cost of increments and a 2% pay award increase for 2015/16 and 2.5% for 2016/17 onwards in line with the Council's Medium Term Financial Planning assumptions. This pressure also reflects the reduction in the employer's superannuation rate from 18% to 17% and the change in employers national insurance rates from 2016/17 onwards.	79	162	182	186	191
2	<u>General Inflation for items out with payroll, loan charges and CSS</u> The inflation pressure for 2015/16 is in line with the September 2014 Consumer Price Index which was 1.2%. Future years are set at 2% which is in line with the Government Inflation target.	86	143	145	148	151
3	<u>Adjustment to Bad & Doubtful Debt Provision</u> Due to the proposed changes in payment of Housing Benefits from direct to a landlord to direct to the tenant as a part of the Welfare Reform changes an adjustment in bad and doubtful debt provision will be required to meet the potential increase in non-payment of rent to the HRA from April 2016. The current rent collection rate for mainstream tenants sits at around 98% and this revised provision provides for a reduction in collection rates to approximately 95%. There is still considerable uncertainty regarding the likelihood of this level of non-payment of rents actually arising and the Government's intentions regarding how frequently rent direct arrangements for individuals will/can be reviewed, but it is felt prudent to make some early planning assumptions based on the limited information available at this time. 2016/17 and future years' provisions will be reviewed as details of the planned changes emerge over time, and any further adjustments required will be reflected in future budget setting exercises. The current bad and doubtful debt provision equates to £419,495. The adjustment in 2016/17 reflects the adjustment to the provision from 1.75% to 5% of the net income with the increases in 2017/18 and beyond being the annual uplift required in line with the anticipated increased income levels each year.	11	877	59	62	64

	<u>Activity Expenditure Pressure & Impact Analysis</u>	Un-Funded Expenditure Pressures				
		2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
4	<u>Movement in Loan Charges</u> As a consequence of the revised capital investment programme required to meet the Council's obligations regarding the Scottish Housing Quality Standard and the New Build programme there will be an increase in Loan Charges resulting from the increased prudential borrowing to fund these works.	542	598	340	197	232
5	<u>Increase in Tenancy Management Costs</u> The redesign of Housing Services will result in the delivery of a more integrated, locality based approach to the way we deliver services to tenants across the area. This will result in an increase in staff costs in relation to the management of these tenancies due to increased face to face contact with our tenants. This approach fits with the views of our tenants.	312	0	0	0	0
6	<u>Estate Based Initiatives</u> The need to enhance the environmental areas within our communities was highlighted as a key priority by our tenants in the recent Tenant Satisfaction Survey. Our Estate Based Initiative Scheme will operate to enable tenants to participate in making environmental improvements in their neighbourhoods. Residents, in partnership with the Council and local Elected Members, will have a real say in how the budget is spent in their local area and will support our work in fulfilling the Scottish Social Housing Charter. Additional benefits which could emerge are employability schemes and social enterprises.	100	0	0	0	0
7	<u>Support Officers</u> There is recognition that our future front line services are focused, resourced, and shaped around a supportive environment for our tenants. Two additional Support Officers were appointed on a fixed term basis for 12 months and it has been demonstrated that there is a need for these posts to be part of the future delivery of Housing Services across Perth & Kinross so that we maintain sufficient resources in our localities to continue this approach. This approach supports the feedback at our Tenants Conference where our tenants told us that providing additional support to tenants should be a priority.	64	0	0	0	0

	<u>Activity Expenditure Pressure & Impact Analysis</u>	Un-Funded Expenditure Pressures				
		2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
8	<u>Garage Sites & Lock-ups Planned Maintenance Programme</u> Following the recent review of Garage Sites & Lock-ups there is a requirement to increase the existing base budget for planned maintenance to meet the requirements of the revised programme for the remaining sites.	40	0	0	0	0
9	<u>Movement in relation to Contribution to Capital Projects (CFCR)</u> As a result of the net movement between pressures and income/savings options this is the projected movement in CFCR. It is recommended that any surplus (CFCR) is used to fund capital spending, thus reducing the borrowing requirement in the Housing Investment Programme and hence reduce Capital Financing Costs in future years. The level of CFCR is each year will be as follows: 2015/16 - £4,276,000 2016/17 - £3,644,000 2017/18 - £4,116,000 2018/19 - £4,774,000 2019/20 - £5,423,000	0	(632)	472	658	649
	TOTAL	1234	1148	1198	1251	1287

	<u>Compensating Saving / Budget Flexibility & Impact Analysis</u>	Net Saving					Staffing Implications					Savings Type
		2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2015/16	2016/17	2017/18	2018/19	2019/20	
1	<p><u>Increase in Council House Rents</u></p> <p>In order to deliver on tenant's priorities, meet the fixed costs borne by the HRA, and any efficiency savings, a 3.2% rent increase will be required for 2015/16. The proposed rent strategy for the next four years will be set at an indicative rate of 4%. This provides a baseline level to highlight the potential rent increase required to deliver the future capital investment programme and running costs of the HRA.</p> <p>2015/16 – 3.2% 2016/17 – 4.0% (Provisional) 2017/18 – 4.0% (Provisional) 2018/19 – 4.0% (Provisional) 2019/20 – 4.0% (Provisional)</p> <p>Depending on the outcome of the consultation on the draft Scottish Housing Quality Standard version 2 there may be a requirement to re-negotiate the above proposed rent increases for future years.</p> <p>The future provisional rents will be adjusted each year to reflect the anticipated level required to meet the needs of the HRA Business Plan.</p> <p>These updated income figures reflect revised assumptions regarding increased stock due to reduced right to buy sales, and further increases in housing stock based on the planned progress in delivering the new build and additional stock programmes.</p> <p>It should be noted that there are no increases</p>	669	1148	1198	1251	1287	0	0	0	0	0	4A

	<u>Compensating Saving / Budget Flexibility & Impact Analysis</u>	Net Saving					Staffing Implications					Savings Type
		2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2015/16	2016/17	2017/18	2018/19	2019/20	
	<u>Impact Analysis</u> Workforce: None Customer: None Equalities / Diversity: No identified equality/diversity issues Outcome and Performance: None											
	TOTAL	1234	1148	1198	1251	1287	0	0	0	0	0	

APPENDIX 3 - HRA CAPITAL INVESTMENT PROGRAMME 2014-20

SERVICE	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Central Heating & Rewiring	4,441	1,750	1,750	1,700	1,750	1,500
Double Glazing	578	1,800	1,500	950	0	300
Controlled Door Entry	1,708	825	316	10	25	10
Kitchen Programme	192	300	100	36	45	45
Bathroom Programme	204	200	100	36	30	30
External Fabric Repairs	2,409	1,781	850	950	1,400	800
Energy Efficiency	1,549	1,500	1,350	625	200	900
Multi Storey Flats	190	1,667	150	0	0	0
Environmental Improvements	329	350	380	400	400	400
Fire Precaution Measures	0	30	30	30	350	249
STANDARD DELIVERY PLAN SUBTOTAL:	11,600	10,203	6,526	4,737	4,200	4,234
Council House New Build	2,807	1,771	0	0	0	0
Council House New Build - Future Programme	0	2,395	2,841	2,918	2,996	3,076
Increase in Council House Stock	918	3,000	1,000	1,000	1,000	1,000
Lock-ups & Garage Sites	196	2,064	1,700	100	0	0
Muirton Shops Development	0	55	1,445	0	0	0
Major Adaptations to Council House Stock	482	250	250	250	250	250
Old Mill Road	561	0	0	0	0	0
Nimmo Place	150	266	0	0	0	0
Shops & Offices	69	75	75	75	75	50
Replacement Lifts	237	75	0	0	0	150
Greyfriars	159	0	0	0	0	0
Sheltered Housing	35	0	0	0	0	35
General Capital Works	98	160	160	160	160	160
ICT	134	50	50	50	50	50
Mortgage to Rent	390	250	250	250	250	250
SUBTOTAL = TOTAL GROSS EXPENDITURE	17,836	20,614	14,297	9,540	8,981	9,255
Less: Amount to be funded from Current Revenue (C.F.C.R.)	(4,100)	(4,276)	(3,644)	(4,116)	(4,774)	(5,423)
Less: Amount to be funded from Capital Receipts	(1,125)	0	0	0	0	0
Less: Other Income	(8)	0	0	0	0	0
PRUDENTIAL BORROWING REQUIREMENT	12,603	16,338	10,653	5,424	4,206	3,832

**APPENDIX 4 – ESTIMATED SCOTTISH AVERAGE RENTS RECEIVED
PER DWELLING (£ PER HOUSE PER WEEK)**

	Actual 2014-15	Estimated 2015-16	rank 2014-15	Estimated rank 2015-16	Estimated Movement
City of Edinburgh	90.68	96.12	1	1	→
Shetland Islands	70.86	74.41	3	2	↑1
Renfrewshire	71.18	73.67	2	3	↓1
Orkney Islands	70.04	71.93	4	4	→
West Dunbartonshire	65.94	70.98	7	5	↑2
South Ayrshire	67.26	70.76	7	6	↓1
Aberdeen City	67.76	69.66	5	7	↓2
Dundee City	67.73	69.25	6	8	↓2
Clackmannanshire	65.19	67.93	9	9	→
East Dunbartonshire	65.30	67.78	8	10	↓2
East Ayrshire	63.56	67.47	13	11	↑2
East Renfrewshire	63.28	66.45	14	12	↑2
North Ayrshire	64.19	66.44	11	13	↓2
Scotland	63.91	66.32			
Highland	64.96	66.26	10	14	↓4
Aberdeenshire	62.90	65.73	15	15	→
West Lothian	63.60	65.51	12	16	↓4
Midlothian	61.69	65.39	20	17	↑3
Perth & Kinross	62.58	64.58	18	18	→
Fife	61.94	64.54	19	19	→
Stirling	62.62	63.75	17	20	↓3
South Lanarkshire	59.42	61.02	21	21	→
Angus	57.47	59.83	22	22	→
Falkirk	57.46	59.53	23	23	→
North Lanarkshire	55.95	57.07	24	24	→
East Lothian	52.48	54.74	25	25	→
Moray	49.26	51.48	26	26	→

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.