

APPENDIX 3
REVENUE BUDGET 2022/27
SERVICE – HOUSING REVENUE ACCOUNT
EXECUTIVE SUMMARY

Date: 11 January 2022

	<u>Activity Expenditure Pressure & Impact Analysis</u>	Un-Funded Expenditure Pressures				
		2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
1	<p>Increase in Staff Costs</p> <p>The increase in staff costs allows for a pay increase of 3% for Single Status and Trades staff for 2022/23 onwards plus the cost of incremental progression. The costs for 2022/23 include the cost of the increased rate of Employers National Insurance.</p> <p>Strategic Objective Impacted: Organised to Deliver</p>	381	323	333	344	358
2	<p>Adjustment to Bad & Doubtful Debt Provision</p> <p>The increases relate to annual uplifts required in line with the anticipated increased income levels each year to maintain the provision at 5%.</p> <p>Strategic Objective Impacted: Organised to Deliver</p>	57	53	57	54	52
3	<p>Movement in Loan Charges</p> <p>The capital investment programme has been revised to ensure we continue to meet the SHQS obligations arising from the Stock Condition Survey, any future new Scottish Housing Quality Standard and our tenant's priorities. These commitments alongside an increase in the Council House Stock programme will result in revisions to the profile of Loan Charges arising from the revised prudential borrowing assumptions to fund these works.</p> <p>Strategic Objective Impacted: Creating a Safe and Sustainable Place for Future Generations</p>	270	512	(35)	(37)	211

	<u>Activity Expenditure Pressure & Impact Analysis</u>	Un-Funded Expenditure Pressures				
		2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
4	<p>Increased cost of Materials</p> <p>As a result of the Covid 19 pandemic we are facing difficulties in accessing some construction industry supplies and materials. As restrictions ease the demand for construction materials is now very high. The supply of more commonly used materials is proving problematic for suppliers. It is anticipated that current supply shortages will continue through to next year.</p> <p>The Housing Repairs Service procures materials and supplies via Scotland Excel. Scotland Excel have advised that there is a risk of shortages in commonly used materials but also of significant price increases. We are currently seeing price increase of plumbing - 3%, electrical - 3.1%, building supplies - 6.2% and timber - 31%</p> <p>Strategic Objective Impacted: Creating a Safe and Sustainable Place for Future Generations</p>	220	0	0	0	0
5	<p>Electrical Inspection Condition Reports (EICR)</p> <p>As a landlord Perth & Kinross Council (PKC) are legally obligated to ensure all its domestic properties, including common areas of sheltered housing, have a current Electrical Inspection Condition Report (EICR). Properties are required to be tested every 5 years and additionally as and when there is a change of tenant i.e., void properties.</p> <p>A rolling program of EICR's will be undertaken to ensure all properties always remain compliant. The contract to commence this process was procured in 2021. The key driver for this project is for PKC to meet its legal obligations as a landlord by having a current EICR for all its properties within the Council's Housing stock.</p> <p>This pressure ensure we have the appropriate budget to carry out the work over the 5-year period and an ongoing basis thereafter.</p> <p>Strategic Objective Impacted: Creating a Safe and Sustainable Place for Future Generations</p>	185	100	100	100	100

	<u>Activity Expenditure Pressure & Impact Analysis</u>	Un-Funded Expenditure Pressures				
		2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
6	<p>Zero Carbon and Energy Efficiency</p> <p>The Climate Change (Emissions Reduction Targets) (Scotland) Act 2019 set legally binding targets for Scotland to achieve net zero greenhouse gas emissions by 2045.</p> <p>A team is required to progress Climate Change improvements works for Council housing properties. A plan is necessary to develop works for the retrofitting of existing housing stock in order to meet EESSH2 standards by 2032, to progress installations of new technologies within tenants homes to support energy efficiency and behavioural changes, to engage in innovative projects such as the Local Heat and Energy Efficiency Strategy (LHEES) which is a Council-wide project, and to prepare funding bids and applications for grants such as the Social Housing Net Zero Heat Fund set up by the Scottish Government to support social landlords across Scotland to install zero emission heating systems and energy efficiency measures across their existing housing stock.</p> <p>This budget pressure is the cost of a team on a recurring basis to deliver improvements works and to allow full engagement in Climate Change strategies. The costs in year 1 are for 9 months of staff costs, with the remaining 3 months costs shown in year 2.</p> <p>Strategic Objective Impacted: Creating a Safe and Sustainable Place for Future Generations</p>	133	44	0	0	0
7	<p>Service & Maintenance Contracts</p> <p>As a landlord Perth & Kinross Council (PKC) are legally obligated to ensure that servicing and maintenance is carried out to all emergency lighting within the communal areas of the Council's housing stock and the maintenance of mains fed sprinklers which have been and will continue to be installed our new build housing.</p> <p>Strategic Objective Impacted: Creating a Safe and Sustainable Place for Future Generations</p>	86	0	0	0	0
8	<p>Schedule of Rates Uplifts</p> <p>Contract price increases for Term Maintenance Contracts and Domestic Gas Contracts.</p> <p>Strategic Objective Impacted: Creating a Safe and Sustainable Place for Future Generations</p>	50	0	0	0	0

	<u>Activity Expenditure Pressure & Impact Analysis</u>	Un-Funded Expenditure Pressures				
		2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
9	<p>Tenancy Sustainment Fund</p> <p>The Tenancy Sustainment Fund was introduced in 2018/19 with a recurring budget of £150,000 to support Perth and Kinross Council tenants who are experiencing financial difficulties and are struggling to meet their rental obligation. In May 2020 because of the significant financial impact on households due to COVID-19, the fund was doubled.</p> <p>In 2021/22 the budget was due to return the original amount, but it was agreed to increase this by £50,000 on a non-recurring basis considering the ongoing pandemic.</p> <p>The full financial impact of the pandemic is still not yet known as businesses seek to recover as lockdown measures ease and financial support schemes like furlough end. It is therefore proposed that an additional £50,000 be allocated to the fund on a recurring basis to allow an increased level of financial support to tenants.</p> <p>Strategic Objective Impacted: Supporting People to Live Independent, Healthy and Active Lives</p>	50	0	0	0	0
10	<p>Movement in relation to Contribution to Capital Projects (CFCR)</p> <p>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.</p> <p>The level of CFCR available each year will be as follows:</p> <p>2021/22 - £2,894,000 2022/23 - £2,614,000 2023/24 - £2,645,000 2024/25 - £3,329,000 2025/26 - £3,960,000 2026/27 - £4,279,000</p> <p>Strategic Objective Impacted: Organised to Deliver</p>	(280)	31	684	631	319

	<u>Activity Expenditure Pressure & Impact Analysis</u>	Un-Funded Expenditure Pressures				
		2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
	TOTAL	1152	1063	1139	1092	1040

	<u>Compensating Saving / Budget Flexibility & Impact Analysis</u>	Net Saving					Staffing Implications				
		2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2022/23	2023/24	2024/25	2025/26	2026/27
1	<p>Increase in Council House Rents</p> <p>In order to deliver on tenant's priorities, meet the fixed costs borne by the HRA, and any efficiency savings, a 3% rent increase will be required for 2022/23.</p> <p>The proposed rent strategy for the next four years will be set at an indicative rate of 2.2%. This provides a baseline level to highlight the indicative rent increase required to deliver the future capital investment programme and running costs of the HRA.</p> <p>The indicative rate for future years may vary reflecting future priorities identified by tenants.</p> <p>2022/23 – 3.0% 2023/24 – 2.2% (Provisional) 2024/25 – 2.2% (Provisional) 2025/26 – 2.2% (Provisional) 2026/27 – 2.2% (Provisional)</p> <p>Future provisional rents will be adjusted each year to reflect anticipated levels required to meet the needs of the HRA Business Plan.</p> <p>These updated income figures reflect revised assumptions regarding increases in housing stock, based on the planned progress in delivering the new build and new supply programmes.</p> <p>There are no increases attributed to Shops & Offices.</p>	1152	1063	1139	1092	1040	0.0	0.0	0.0	0.0	0.0

	<u>Compensating Saving / Budget Flexibility & Impact Analysis</u>	Net Saving					Staffing Implications				
		2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2022/23	2023/24	2024/25	2025/26	2026/27
	<u>Impact Analysis and Risk Assessment</u> Socio-Economic: An affordability assessment has been undertaken and evidenced that our rents are affordable to 84% of the population (without housing costs being taken into account). They remain the most affordable social rent in the area and are currently the 3 rd lowest local authority rent nationally. Increases will affect all tenants. Workforce: None Customer: Tenants will be consulted on the Standard Delivery Plan and proposed levels of rent increase. Equalities / Diversity: No identified equality/diversity issues Outcome and Performance: This will allow Perth & Kinross Council to continue to meet the requirements of the Scottish Quality Housing Standard. Strategic Objective Impacted: Supporting People to Live Independent, Healthy and Active Lives										
	TOTAL	1152	1063	1139	1092	1040	0.0	0.0	0.0	0.0	0.0