

# PERTH AND KINROSS COUNCIL

## Housing and Communities Committee

3 February 2021

### **Housing Revenue Account (HRA) Strategic Financial Plan incorporating the 5 Year Capital Investment Programme and Rent Strategy to 2025/26, Reserves Strategy and other Housing Charges for 2021/22**

#### **Joint Report by Executive Director (Communities) and Head of Finance (Report No. 21/15)**

This report sets out the proposed Housing Revenue Account (HRA) budget for five years from 2021/22 to 2025/26. It recommends increases to rents for houses and other HRA property service charges, and an appropriate level of reserves. The proposed budget for the next five years of the Capital Investment Programme totalling £66.3 million from 2021/22 to 2025/26 is also detailed. The HRA 30-year Business Plan has been updated to reflect and confirm the affordability of the proposals.

#### **1. BACKGROUND/MAIN ISSUES**

- 1.1 The Council owns and manages 7,680 properties. The Housing Revenue Account (HRA) meets all operational expenditure of supporting tenancies, building maintenance and capital financing charges associated with investment in existing and new social rented housing stock. It also contributes to financing major upgrades and improvements in the investment programme, through revenue contributions to capital projects.
- 1.2 The HRA receives income from rents (houses, garages and other properties) and interest on balances, which funds all relevant HRA expenditure.
- 1.3 The HRA Business Plan and Capital Investment Programme form the basis of proposals to ensure that the Council's housing stock continues to comply with the Scottish Housing Quality Standard (SHQS).
- 1.4 The HRA Business Plan is updated each year to reflect the available budget, tenants' priorities, rent strategies and economic conditions to ensure it continues to be affordable and sustainable. The HRA Business Plan has been updated to reflect the proposals within this report. The HRA budget for 2021/22 (Appendix 1) has been prepared in accordance with Housing Acts, Scottish Government directives and regulatory requirements.
- 1.5 A house condition survey to assess the condition of the Council's housing stock was undertaken in 2014/15 to:
  - benchmark the current performance of our housing stock against the SHQS
  - estimate short term investment levels required in our housing stock
  - examine longer term investment requirements over a 30-year business planning cycle.

- 1.6 A further house condition survey was commissioned in January 2020 but unfortunately had to be placed on hold due to COVID-19. The survey has still to recommence and the findings will inform the Local Housing Strategy.
- 1.7 Other factors influencing the Capital Programme and rent setting proposals include the Welfare Reform agenda, increasing costs of materials and services across the whole of the HRA, the climate change agenda, Housing to 2040 and uncertainty over the level of grant to be received from the Scottish Government in respect of new build housing. In particular this year, the impacts of the COVID-19 pandemic on our tenants and the HRA are key factors that have influenced the rent setting proposals.
- 1.8 Universal Credit full service was introduced to Perth and Kinross in June 2018. This included changes in Housing Benefit payments from direct to landlord to directly to the tenant.
- 1.9 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) continues to be closely monitored. The introduction of Universal Credit has impacted on rent arrears for the HRA and provisions will continue to be reviewed as impacts of the changes emerge over time. An update on the impacts was reported to Committee in January 2020 (Report No. 20/30 refers).

## **2. TENANT ENGAGEMENT**

### **Approach**

- 2.1 The Scottish Social Housing Charter sets the standards and outcomes that all social landlords should aim to achieve when performing their housing activities. Outcomes 14 and 15 are the outcomes primarily linked to the rent setting process and the financial aspect/delivery of the HRA. These outcomes require social landlords to set rents and service charges in consultation with their tenants and other customers so that:
  - a balance is struck between the level of services provided, the cost of the services and how far 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.
- 2.2 These outcomes reflect local authorities' legal duties under section 25(4) of the Housing (Scotland) Act 2001 to consult tenants affected by the proposed increases and to have regard to their views, including affordability and decisions about how rental income is spent. Landlords must also decide whether to publish information on expenditure, as well as the format and level of detail to be included within this information.

- 2.3 Perth and Kinross Council must engage in discussions with tenants about rents and any decisions made, in relation to rent levels, should reflect tenants' views. The proposals contained within this report reflect tenants' views. In approving this report, members of the committee must demonstrate that they have fully considered these views.
- 2.4 Our approach to involving tenants in the rent setting process was developed by the Strategic Tenant Engagement in the Annual Rent Setting (STEARs) tenant working group. This approach is regularly reviewed with tenants and follows the recommendations from the Scottish Housing Regulator which includes:
- providing tenants with 3 rent increase options
  - demonstrating affordability levels
  - consulting with current and prospective tenants.

### **Rent Structure**

- 2.5 In 2016/17, a new model to calculate the way we charge rent was introduced. The model was developed in partnership with an independently supported tenant working group and in consultation with our wider tenant body. One of the main aims was to ensure that a fair and equitable model was introduced to address the inequalities which existed between location, property size and type. The approach taken was recognised as sector leading, in terms of the scale and diversity of engagement opportunities, along with the genuine commitment to build the capacity of our tenants through both support and training. The approach was also recognised by the Fairness Commission as an example of good practice, in relation to tenant engagement and the delivery of a fair and equitable rent structure.

### **Affordability Model**

- 2.6 In 2017, an external consultant was engaged to work with staff and tenants to develop and deliver an affordability model. This model is updated annually to assess the affordability of our rent setting proposals.
- 2.7 The outcome from this year's affordability assessment demonstrated that Perth and Kinross Council's rents were, on average, 5% lower than neighbouring local authorities and 26% lower than local Housing Associations. These figures are based on our proposed rent levels for 2021/22, compared against an assumed average national increase of 0.5% for other local authorities and Housing Associations.
- 2.8 The model also demonstrated that 86% of our residents could afford our rents based on their income alone, without taking into account any housing benefit they receive.

## **Tenant Engagement – Previous Process**

- 2.9 In previous years, a questionnaire was sent out to all Council tenants in April asking them about their priorities for the delivery of Housing services
- 2.10 This was followed up with a tenant's summer conference where further discussions took place regarding their priorities in order to drill down further on the tenant's feedback.
- 2.11 The summer conference was then followed by an autumn conference where tenants were presented with 3 rent increase options. The impact of these options was explained to tenants with opportunities for tenants to ask the Housing Management Team any questions.
- 2.12 Following the autumn conference, voting slips and information about the rent increase options were sent to tenants asking them to vote on their preferred option.

## **2020/21 COVID-19 Process**

- 2.13 As a result of the COVID-19 pandemic - the uncertainty at the time of its duration and impacts, the need for staff to focus on response and the inability to hold a conference event, we have been unable to undertake the initial tenant questionnaire or the summer and autumn conferences.
- 2.14 Although this year our approach to consultation is understandably different, it is still important that tenants had an opportunity to determine the level of rent increase and that we met our requirements as a landlord to consult with our tenants.
- 2.15 An online Tenant and Residents Forum was held on 22 October 2020, which gave tenants the opportunity to discuss this year's approach and proposals. Information was then sent to all tenants providing:
- an overview of the rent setting approach for this year and explaining why it is different due to the pandemic
  - details of the impacts of Covid on tenants
  - an overview of the impacts of Covid on the HRA
  - details of the 3 proposed rent increase options and the impact and affordability of each of these.
- 2.16 To ensure all tenants had an opportunity to influence this important decision, a range of mechanisms were available. All tenants received details of the proposed rent options at the beginning of November and had the opportunity to vote via post and on-line. We also contacted as many of our tenants as possible by phone, particularly those known to be vulnerable or digitally excluded to discuss the rent options with them and to support them to vote.

2.17 The initial deadline for tenants to vote on the rent options was 11 December 2020. This was then extended until 24 December to give tenants a further opportunity to have their say.

### **Covid Impacts and associated Budget Pressures**

2.18 The COVID-19 pandemic has had, and will continue to have, a profound and wide-reaching impact throughout Scotland. Touching all aspects of society, economy, educational outcomes and our personal lives, with the social housing sector no exception to this.

2.19 At a national level, the housing sector has played a critical role in supporting many vulnerable households, maintaining the delivery of homeless and sheltered housing services, undertaking welfare checks and continuing to undertake gas safety checks and emergency repairs. Issues and risks for the sector have emerged, and will continue to do so, around homelessness, financial hardship and rent arrears, access to housing and the ability of the sector to re-mobilise its capital and new build projects.

2.20 Irrespective of any additional new pressures or financial impacts of Covid, the HRA still has cost pressures as a result of fixed costs. Examples of these cost pressures are: -

- staff costs
- adjustment to Bad & Doubtful debt provision
- loan charges
- corporate recharges.

2.21 These fixed costs are routinely reviewed as part of the budget setting process.

2.22 The capital programme has been reviewed to reflect the impact of the lockdown due to COVID-19. This has resulted in some programmes being rephased to reflect the delays experienced with the resultant effect of a reduction in the HRA loan charges, reducing the overall costs to tenants next year.

2.23 There has, however, been no reduction in the level of investment that was previously agreed with tenants. It has simply been rephased to take into account delays experienced due to the lockdown period.

2.24 As with the wider community, the impact of Covid on our tenants has been significant. Many tenants are facing financial hardship as evidenced in the increase in rent arrears and universal credit applications:

- as at the end of December 2020, rent arrears have increased by £794,000 since April
- there has been an increase of 83% in Universal Credit applications since April
- the percentage of tenants in arrears has increased from 27.23% to 36.78%.

- 2.25 Prior to Covid, we knew that many of our tenants were digitally excluded. This has been evidenced in our tenant satisfaction survey, where it was clear that many tenants were elderly and/or did not have access to digital devices and the digital skills needed to access many online services. The need for a greater focus on digital inclusion has been heightened during, and as a result of, Covid with a significant shift to online services and the need for many social interactions to be undertaken via digital platforms.
- 2.26 Feedback from tenants in response to the tenant welfare checks was overwhelmingly positive with many tenants finding the support offered invaluable. The checks enabled us to personally connect with the majority of tenants and gain a far greater understanding about their household circumstances and individual needs. We know that the impacts of social isolation are significant and that, as the pandemic and its associated restrictions continue, we need to be able to provide this ongoing support to our tenants.
- 2.27 To ensure that we have the capacity to support our tenants with the longer-term impacts of COVID-19, we have identified the following additional pressures:
- Digital & Financial Inclusion Support for Tenants - £150,000
  - Social Isolation Support Service - £50,000.
- 2.28 It is proposed that these budget pressures are initially agreed for a temporary 2-year period to enable a full evaluation of their impact and outcomes and ongoing need.

### **Rent Options**

- 2.29 In previous years, tenants voted on rent options based on an increasing level of service provision, each reflecting higher levels of rent. The additional elements of service provision reflected tenants' views and priorities obtained from the survey and rent conference.
- 2.30 This year, proposals for enhanced service delivery are based on officers' assessment and tenant feedback of the Covid impacts. Tenants have had the opportunity to accept or reject these proposals and determine if they should be funded from new rent monies or through a reduction in other areas of service delivery.
- 2.31 As a result of the potential financial hardship on our tenants, we have recognised that we need to keep the rent increase as low as possible. This has been reflected in the options that tenants have been asked to consider.
- 2.32 The options that the tenants were asked to consider are as follows: -

#### **Option 1**

- Fixed cost increases only
- No additional pressures
- Rent increase of 1%.

## Option 2

- Fixed cost increases
- Additional pressures included for
  - digital & financial inclusion support for tenants - £150,000
  - social inclusion support service - £50,000
- Additional pressures funded by
  - reduction in Estate Based Initiatives (EBI) budget - £150,000
  - general efficiencies (removal of a long standing 0.5fte vacant post) - £30,000
  - reduction in tenant participation budget - £20,000
- Rent increase of 1%.

## Option 3

- Fixed cost increases
- Additional pressures included for
  - digital & financial inclusion support for tenants - £150,000
  - social inclusion support service - £50,000
- Additional pressures funded by rent increase only
- Rent increase of 1.7%.

2.33 In November 2020, all 7,680 tenants received rent setting information and asked to indicate their preferred option on the proposals through the tenants On the House magazine, Twitter, Facebook and text messages. To increase the level of responses and encourage as many tenants as possible to have their say, staff across the service undertook phone surveys.

2.34 A total of 1,282 tenants (17%) responded with the outcome as follows:

- Option 1 - 30%
- Option 2 - 38%
- Option 3 - 32%

2.35 The consultation process has provided all tenants with genuine opportunities to consider the options, with information on each option about the impact on service delivery and affordability for tenants. All tenants have had an opportunity to express their preferred level of rent increase for the forthcoming year. The total number of responses this year was 1,282 (17%), this compares to 1,252 (16%) last year.

## Recommended Option

2.36 Based on tenant feedback and a clear preference by tenants, this report recommends that committee approves option 2 to increase rents by 1% by introducing additional digital & financial and social inclusion support for tenants to cope with the impacts of COVID-19. The detail contained within the following sections of this report relate to option 2 as detailed in section 2.32.

### **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 Standard Delivery Plan (SDP) commenced in 2004, £127 million has been borrowed. This included the first major works necessary to meet the SHQS, namely, the installation of new kitchens and bathrooms.

3.2 The additional cost pressures (as shown in Appendix 2) which the HRA must contain within the next 5 financial years relate to the main areas described below:

- the budget allows for a 3% pay increase for Single Status and Trades staff for 2021/22, based on the assumptions contained in the Medium-Term Financial Plan approved by Council on 30 September 2020 (Report No. 20/174 refers), plus the cost of incremental progression
- an adjustment to the bad and doubtful debt provision to take account of the potential increased risk to the Council as a result of the roll-out of full-service Universal Credit
- the provision of a budget to support financial & digital Inclusion
- the provision of a budget to support Social Isolation
- an increase in corporate recharges.

3.3 In addition, with option 2, a range of efficiency savings will be delivered, to minimise the impact on future rents and borrowing requirements. These savings are summarised below:

- a 50% (£150,000) reduction in the Estate Based Initiatives budget
- general efficiencies (removal of a long standing 0.5fte vacant post)
- a reduction in the tenant participation budget.

The assessed impact of these savings to the service is minimal. To date over £1million has been invested through the EBI budget and despite this reduction we will continue to invest £150,000 annually. The reduction in the tenant participation budget reflects a recurring underspend within this area.

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

### **4. CAPITAL INVESTMENT PROGRAMME**

4.1 Good progress has again been made with the capital improvements during 2019, and the number of houses achieving overall compliance with the SHQS has remained high. The independent stock condition survey (outlined in paragraph 1.5 above), which included 30% of the total Council house stock, provided a useful validation of SHQS performance and correlated favourably with existing records.



- 4.2 Based on the stock data at 31 March 2020, the overall level of SHQS compliance was 95.77% i.e. 7,355 Council houses. Perth and Kinross continue to compare favourably across Scotland, with the national average for local authorities in 2019/20 sitting at 94.90%.
- 4.3 The planned investment programme has been reviewed to reflect the impact of the lockdown due to COVID-19. This has resulted in some programmes being rephased to reflect the delays experienced and has had the resultant effect of a reduction in the HRA loan charges reducing the overall costs to tenants next year.
- 4.4 There has, however, been no reduction in the level of investment that was previously agreed with tenants, it has simply been rephased to take into account delays experienced due to the lockdown period.
- 4.5 The planned investment programme of £66.3 million for the 5-year period from April 2021 to March 2026 is summarised in Appendix 3. A number of community benefits will arise from this level of investment, as well as the improvements to our Council stock. The proposed Capital Investment Programme required to continue to comply with SHQS over the next 5 years amounts to £33.5m and is summarised as follows,
- unallocated - £10.0 million
  - kitchens and bathrooms - £6.3 million
  - external fabric works - £5.0 million
  - rewiring/infrastructure/property refurbishment - £3.9 million
  - energy efficiency works - £2.0 million
  - fire precaution measures - £2.0 million
  - structural works - £1.3 million
  - environmental improvements - £1.0 million
  - multi-storey flats\* - £1.0 million
  - central heating renewal - £0.5 million
  - sound insulation - £0.5 million
- \*Work on the 6 multi storey blocks includes all the types of improvement work listed in 4.5
- 4.6 A review of the capital programme is currently underway looking at future investment requirements, especially in our multi-storey flats. Once this review has been concluded, and the stock condition survey has been completed, the unallocated £10.0 million will then be allocated to the appropriate budgets and reported to committee.
- 4.7 Relevant business cases have been produced for the capital programmes, where appropriate. These will be made available online on the Councillors' CHIP SharePoint site.

4.8 The capital programme in Appendix 3 also details the proposals for the following non SHQS elements:

- council house new build programme
- purchasing houses through the open market
- major adaptations to properties for people with disabilities
- redevelopment and regeneration of St Catherine’s Square
- investment in Sheltered Housing complexes
- adaptations to shops & offices
- mortgage to rent – under certain circumstances, where owner/occupiers have difficulty in meeting mortgage payments, the Government can arrange for the Council to buy the property and rent it back to the same individual as a tenant to avoid homelessness
- replacement of lifts to ensure fire safety regulations in multi-storey accommodation is met
- information and systems technology will be required to support new ways of working e.g. PCs, mobile technology, servers etc.

## 5. INCREASING COUNCIL HOUSE STOCK

5.1 The Council has been continuing to increase its housing stock in three key ways: new build programme, buyback scheme and conversion of existing HRA commercial properties.

5.2 In summary, by the end of March 2021, it is estimated that 485 Council houses will have been built since 2011, 205 former council houses purchased, and 12 properties converted into flats for social rent. An update is provided on each of these below.

### Building new houses for social rent

5.3 During 2008, the Scottish Government announced plans to provide grants to local authorities to support new-build Council housing. Perth and Kinross Council has successfully obtained grant awards each year of the funding programme.

5.4 The aim of the Council’s new build housing programme is to provide high quality affordable housing to meet housing need within the area. Between 2011 and 2021, the Council has built 485 new builds.

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

Project	No of Units	Year Completed
Milne Street, Perth	8	2020/21
Glebe, Scone	65	2020/21
Huntingtower, Perth	70	2020/21
Ardler Road, Meikle	8	2020/21
Fairfield, Perth	18	TBC
Newburgh Road, Abernethy	10	TBC
Lynedoch Road, Methven	24	TBC

- 5.6 The size, type, location and funding of the new build programme is determined through the Strategic Housing Investment Plan, which was approved by the Housing and Communities Committee on 30 October 2019 (Report No. 19/301 refers).
- 5.7 The Capital Investment Programme assumes the Council house building programme will continue to receive the same level of financial funding per house from the Scottish Government. It also assumes the continuing use of the Council's Earmarked Reserve for Affordable Housing.
- 5.8 The 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 5.6. Work is currently underway to identify future sites for new builds. These will be reported to Committee once confirmation is received that sites are viable projects.

### **Purchasing former Council houses (buybacks)**

- 5.9 The Capital Investment Programme also includes funding for increasing Council house stock by purchasing houses through the open market. It is anticipated that by 31 March 2021, 205 houses will have been purchased at a cost of approximately £24.5 million (including upgrading to SHQS). The purchase of these properties has facilitated a further 230 moves through the resulting vacancy chains, supporting people into more suitable accommodation.
- 5.10 The capital investment programme has £3.2 million of funding allocated for buy-backs over the next 2 years, with the potential to allocate additional money to this from the overall budget for increasing our Council stock. This funding will be accelerated as and when required, as properties become available to purchase.
- 5.11 The Council has been successful in obtaining funding, in addition to the Housing Allocation Grant from the Scottish Government, for the period 2013/14 to 2020/21 of £6.3 million. This has allowed the purchase of approximately 53 properties over and above the existing budget within the Capital Investment Programme.

## **6. RENT STRATEGY**

- 6.1 When setting the 2020/21 budget, the Housing and Communities Committee approved a 3.5% rent increase for 2020/21 and a four-year rent strategy for 2021/22 to 2024/25 at an indicative rate of 2.2% (Report No. 20/29 refers).
- 6.2 This provided a baseline level for tenants. It also allowed the Council to highlight the potential future rent increase required to deliver the capital investment programme and running costs of the HRA.
- 6.3 In order to meet the fixed costs borne by the HRA and to support tenants through the longer-term impact of COVID-19, taking into account efficiency savings detailed in section 3.3, a 1% rent increase (option 2) will be required for 2021/22. The proposed increase of 1% reflects the views of our tenants as noted in section 2.34 whilst maintaining the financial health of the HRA Business Plan.

- 6.4 Due to the financial impacts of COVID-19 on our tenants, a rent freeze was considered. This would have resulted in a reduction in income to the HRA of £14million over the 30-year business plan, and a reduction in the capital investment programme.
- 6.5 The proposed rent strategy for the four-year period from 2022/23 to 2025/26 will be set at an indicative rate of 2.2%. The actual agreed level will be dependent on the outcomes of tenant feedback and the wider HRA rent setting process.
- 6.6 This strategy was previously agreed with tenants in November 2016. It aims to provide a more planned and consistent approach for tenants, and to minimise future fluctuations, dependent on consultation with tenants on their spending priorities for future years.
- 6.7 The rent strategy as detailed above allows the HRA to:
- set rents at reasonable levels over the period, maintaining Perth and Kinross Council rents lower than the Scottish average
  - demonstrate affordable rents for our tenants
  - finance the cost of the future investment programmes to continue to improve our housing stock
  - provide headroom to allow for a commitment of 80 new houses each year
  - increase the Council house stock by purchasing houses through the open market
  - finance the revenue borrowing cost of previous capital programme investment to meet the SHQS and provide a new build programme (485 houses to date)
  - continue to resource Locality Teams in managing tenancies, foster tenant participation and work with partner colleagues in the community to create safe and vibrant neighbourhoods
  - enable a Reserves Strategy to provide uncommitted reserves of £1million.

## **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
  - cushion the impact of unexpected events or emergencies
  - 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 in section 1.

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

- additional repairs due to severe weather events and other emergencies such as the Covid-19 pandemic
- the current economic climate and the change in Housing Benefits legislation. This may impact upon income recovery with the potential for an increase in non-collection levels for housing rents
- the economic conditions, which could also impact on commercial lets, resulting in lower rent levels or properties remaining void for longer periods.

7.4 The service continues to closely monitor the impact of Full-Service Universal Credit. The introduction of Universal Credit has impacted on rent arrears for the HRA and provisions for increased bad debt will continue to be reviewed as impacts of the changes emerge over time.

7.5 In view of the potential risks facing the HRA and in accordance with guidance set out in the CIPFA Local Authority Advisory Panel Bulletin (LAAP) 99 (published in July 2014), the Head of Finance, therefore, recommends retaining an uncommitted reserve on the Housing Revenue Account of between 2% and 4% of gross expenditure – approximately £631,000 to £1,262,000. This will be reviewed in future years and amended as required.

7.6 At the Housing and Communities Committee of 29 January 2020, members agreed that the HRA should maintain an uncommitted general reserve balance of £1,000,000 (Report No. 20/29 refers). After reviewing the 30-year business plan, it is felt prudent that the balance should continue to be maintained at the present level. The business plan assumes that a balance of £1,000,000 will be maintained for the next 5 years.

7.7 At this time, it is not anticipated that there will be any requirement to utilise the reserve in 2020/21 and consequently the balance will remain at £1,000,000.

## **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. Perth and Kinross Council currently has the 4<sup>th</sup> lowest rent in Scotland, at £5.58 below the Scottish average.

8.2 Based on recent information provided by other councils and assumptions on potential rent increases, comparisons have been made on potential rent levels for Councils for 2021/22 as detailed in Appendix 4. It would appear that most Local Authorities are taking a similar approach by minimising the overall rent increase to reflect the challenges presented by COVID-19.

8.3 Using these assumptions, Perth and Kinross would have an average rental figure of £71.47 compared to the projected Scottish average of £76.74 for 2021/22. This would mean Perth and Kinross Council would have the 6<sup>th</sup> lowest rent in Scotland, £5.27 lower than the projected Scottish average.

- 8.4 The level of rent increases for 2020/21 across local authorities in Scotland ranged from 1.5% to 5%, with the Scottish average being 3%.
- 8.5 Table 1 below details 2019/20 average rent levels for the main Registered Social Landlords (RSLs) within Perth and Kinross.

Registered Social Landlord 2019/20	Bedroom Size/Weekly Rent (£)				
	Bedsit	1	2	3	4+
PKC	44.25	63.76	69.39	77.08	82.81
Caledonia	90.72	87.84	82.76	92.22	101.50
Hillcrest HA	37.47	76.09	88.83	97.59	105.93
Kingdom HA	63.35	74.53	82.28	94.41	97.99
Fairfield Co-op	n/a	70.87	78.47	80.48	84.30

Table 1: Average Rents 2019/20 (based on 52 weeks)  
Source: Scottish Housing Regulator 2020/21 Landlord Reports

- 8.6 During 2018/19, we were involved in a benchmarking exercise to compare the financial health of HRA Business Plans across local authorities in Scotland. This exercise evidenced that our business plan is well managed and in a good position to meet current and future demands and service requirements.

## 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 (detailed in section 6), are amended as detailed below from 5 April 2021. The proposals ensure the Council continues to demonstrate that it has set rents which reflect the characteristics of individual dwellings and services provided. The different types of properties are detailed separately below:

### **Rental charges for Greyfriars House**

- 9.2 It is proposed to have a 1% rent increase for Greyfriars House to reflect the same rental strategy for mainstream rents.

### **Rental charges for dispersed temporary accommodation**

- 9.3 It is proposed to have a 1% increase on rental charges for properties owned by the HRA but allocated as temporary accommodation for homeless people to reflect the rental strategy for mainstream rents.

### **Rental charges for chalets and stances for Gypsy Travellers**

- 9.4 It is proposed to have a 1% rent increase for chalets and stances for Gypsy Travellers to reflect the rental strategy for mainstream rents.

### **Lock-ups**

- 9.5 It is proposed to have a 1% rent increase for lock-ups to reflect the rental strategy for house rents.

### **Garage Sites**

- 9.6 It is proposed to have a 1% rent increase for garage sites to reflect the rental strategy for house rents.

### **Commercial rents**

- 9.7 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 Local Authority Housing Services separate service charges from housing rents, to ensure that charges for services, such as caretaking, are fair and transparent. Service charges usually reflect additional services which may not be provided to every tenant, or which may be connected with communal facilities rather than directly to the occupation of a dwelling. In addition, the HRA charges owners for services provided as determined by title deeds, the Tenement Management Scheme and the Property Factors Agreement.
- 10.2 The range of service charges currently levied by the HRA to tenants and owner occupiers are shown in tables 2 and 3 below. All services, apart from the garden maintenance scheme and communal heating at particular locations, are included in tenants' rents. Owner occupiers in locations with mixed tenure have additional charges as they have to meet some costs for the services they receive as determined by their title deeds.
- 10.3 At the Housing and Health Committee of 27 January 2016, members agreed that the charge to Council tenants and private owners at Market, Milne and Lickley Court for communal energy costs will be adjusted each year to reflect the previous year's energy costs (Report No. 16/28 refers).
- 10.4 The communal energy costs at Sheltered Housing Complexes have also been reviewed in line with the current agreement for Market, Milne & Lickley. The revised charges in relation to this, as well as the revised charges for garden maintenance and communal energy costs as detailed in sections 10.3 and 10.4, are detailed below:

	2020/21 Current Annual Charge	2021/22 Proposed Annual Charge
Service Charges to Tenants		
Garden Maintenance Scheme	£124.00	£124.00
Retirement Complexes	£214.77	£221.00
Communal Energy Costs – (Market, Milne and Lickley)	£330.20	£331.24
Heating and Lighting at Sheltered Housing complexes	£315.12 - £601.64	£325.00 - £645.84

Table 2: Service Charges to Tenants

- 10.5 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 No. 14/114 refers). These charges are reviewed annually in line with the actual cost of the service being provided with the proposed 2021/22 charges detailed in table 3 below:

Service Charges to Owner Occupiers	2020/21 Current Annual Charge	2021/22 Proposed Annual Charge
Stair Lighting	£23.83	£27.41
Market Court	£810.68	£828.46
Milne Court	£810.59	£828.37
Lickley Court	£811.91	£829.55
Potterhill	£404.00	£426.18
Pomarium (Nos 7-51)	£398.02	£421.27
Pomarium (Nos 52-95)	£398.03	£421.35

Table 3: Service Charges to Owner Occupiers

### **Rechargeable Repairs**

- 10.6 The HRA has a policy to recover the costs of repairs, clearance and related works, from current or former tenants and owners/residents. Accounts are raised for a number of reasons, including to: -
- recover the cost of work arising from tenant misuse
  - consistently enforce the conditions of the Scottish Secure Tenancy
  - deter misuse of Council property by future tenants.
- 10.7 A summary of all housing charges for 2021/22 is detailed at Appendix 5.

## **11. CONCLUSION AND RECOMMENDATIONS**

- 11.1 This report details the proposed HRA budget for the 5-year period from 2021/22 - 2025/26 and recommends rent increases for houses and other HRA properties.
- 11.2 The recommended 1% increase detailed in option 2, is in line with the views of our tenants. This will ensure that our rent levels remain affordable to our tenants and, as 6<sup>th</sup> lowest in Scotland, continue to compare favourably at a national level.
- 11.3 The measures outlined will support continued and sustained improvements in the delivery of housing services. More specifically, they will:
- provide tenants with additional financial, social and digital inclusion support measures to help overcome the impacts of COVID-19
  - increase our housing stock and support the delivery of our new build commitments and meet housing need in the area.
  - continue to invest in their homes through the capital investment programme ensuring ongoing compliance with the SHQS



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

11.5 It is recommended that Committee:

- (i) approves the Housing Revenue Account Budget for 2021/22 and provisional budgets for financial years 2022/23 to 2025/26 as set out in Appendix 1.
- (ii) approves the proposed Housing Revenue Account Capital Investment Programme for 2021/22 to 2025/26 as set out in Appendix 3.
- (iii) approves the Rent Strategy for 2021/22 and a provisional Rent Strategy for the following 4 years to 2025/26 as stated in Section 6.
- (iv) approves the rent increase of 1% in line with option 2, for the year commencing 5 April 2021 for all Council houses. This would mean an average weekly rent increase of £0.71 per week, giving an average weekly rent of £71.47 per week based on 52 weeks.
- (v) approves the rent increase of 1% for the year commencing 5 April 2021 for:
  - all lock-ups
  - all garage sites
  - chalets and stances for Gypsy Travellers at Double Dykes and Bobbin Mill
  - dispersed tenancies owned by the HRA
  - Greyfriars Hostel.
- (vi) approves the Housing Revenue Account Reserves Strategy proposed in Section 7.
- (vii) approves the proposal to set Housing service charges from 5 April 2021 as stated in Section 10.
- (viii) endorses and approves, where necessary, the revised level of all housing related charges as detailed in Appendix 5.
- (ix) endorses the progress made to date in delivering and maintaining the SHQS for improving and managing the housing stock as set out in Section 4 and the related Business Cases.

## Authors

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## Approved

Name	Designation	Date
Clare Mailer	Depute Director (Communities)	21 January 2021

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## 1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

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

### 1. Strategic Implications

#### Community Plan / Single Outcome Agreement

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

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

#### Corporate Plan

1.2 As above.

### 2. Resource Implications

#### Financial

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

### **3. Assessments**

#### Equality Impact Assessment

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

#### Strategic Environmental Assessment

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

#### Sustainability

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

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

#### Legal and Governance

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

#### Risk

- 3.8 None arising from this report.

#### **4. Consultation**

##### Internal

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

##### External

- 4.2 All tenants received communication on the proposals via “On the House” magazine, Twitter, Facebook and text messages. Staff across the service also undertook phone surveys and face to face visits.
- 4.3 The Tenant Committee Report Panel was consulted on this report. They commented that “Perth and Kinross have a competitive rent, we can prove we are sustainable, providing value for money. Perth and Kinross have done really well as a whole to provide value for money and this is evidenced in lots of different ways which are clear in this well written report”.

#### **5. Communication**

- 5.1 None.

#### **2. BACKGROUND PAPERS**

- 2.1 None.

#### **3. APPENDICES**

- 3.1 Appendix 1 – HRA Provisional Revenue Budget 2021-2026  
3.2 Appendix 2 – HRA Executive Summaries 2021-2026  
3.3 Appendix 3 – HRA Capital Investment Programme 2021-2026  
3.4 Appendix 4 – Estimated Projected Average Rents  
3.5 Appendix 5 – Housing Related Charges 2021-22