

WEST DUNBARTONSHIRE COUNCIL

Report by the Director of Housing and Technical Services

Council : 9 February 2006

Subject: Housing Revenue Account (HRA) Estimates 2006/2007

1. Purpose of Report

1.1 The purpose of this report is to provide Members with sufficient information to allow them to agree:-

- the level of weekly rent increase for 2006/2007.
- the level of HRA prudential reserves for 2005/2006.

1.2 The proposed budget is attached, for the consideration of Members, at Appendix 1.

1.3 Members will see that the net expenditure on the HRA, before the application of any rent increase, is £1,151,450.

2. Background

2.1 Members will recall that Audit Scotland have recommended the Council maintains an HRA Prudential Reserve of 2% of gross expenditure, which for the 2005/2006 financial year equates to £620,000.

2.2 The projected surplus as at 31 March 2006 is estimated to be £513,120.

2.3 The HRA surplus as 31 March 2005 amounted to £2,162,070, and £57,180 of this surplus has been brought forward into the 2006/2007 estimates leaving a balance of £2,104,890. Therefore the cumulative estimated HRA surplus as at 31 March 2006 is estimated to be £2,618,010

3. Main Issues

3.1 The attached HRA estimate requires a weekly rent increase of £1.88 on a 52 week basis (£2.08 on a 47 week basis), which equates to 4.3%.

3.2 There are a number of important issues which require to be drawn to the attention of Members:-

i) Employee Costs

The employee costs have been reduced by £589,730 in respect of the Management and Caretaker Review approved by Council at its meeting on Wednesday, 22 December 2004.

ii) Administration Costs

In total administration costs have reduced by £152,320, mainly because of a reduction in central support costs.

iii) Net Supervision and Management Costs

Net supervision and management costs have reduced by 6% and the unit cost per house is now £486 compared to £496 in the 2005/2006 financial year. Our net supervision and management costs are now below the Scottish average.

iv) Repairs & Maintenance

Repairs and maintenance has increased by £812,190, which equates to an increase of 9%.

v) Rents – Unlet Period

The lost rent estimate is based on 745 void units, which equates to 6% of the housing stock. Management action is continuing to try and bring the void level down to a target of 5%.

vi) Loan Charges

Loan charges have increased by £189,380 as a consequence of the draft 2006/2007 HRA Capital Programme increasing from £15.092m to £18.002m. This will be considered by Council on 22 February 2006.

vii) House Rents

The budgeted rental income from houses has reduced by £1,015,040 and allows for continuing reduction in the number of council houses as a result of council houses sales and the demolition programme.

viii) Lock Up Rents

No change is proposed in the level of lock up rents. The current weekly rental across the Authority is £5.44 on a 52 week basis (£6.02 on a 47 week basis).

4. Consultation

- 4.1** The Council is committed to tenant consultation and a tenants' consultation meeting on the 2006/2007 proposed rent increase was held on Thursday, 19 January 2006. A total of 14 tenant groups were represented at this meeting.
- 4.2** A draft budget was presented which highlighted a proposed weekly rent increase of £1.88 on a 52 week basis (£2.08 on a 47 week basis), equating to an increase of 4.3% and tenant groups were invited to discuss this draft estimate with their members and to come back to the second meeting to be held on Wednesday, 1 February 2006.
- 4.3** At this second tenants' consultation meeting 13 tenant groups were represented and during the feedback session it was made very clear that the unanimous opinion from the tenant groups was that the proposed rent increase of 4.3% was too high. It was suggested that the HRA Reserve be utilised to reduce rent levels for 2006/2007.

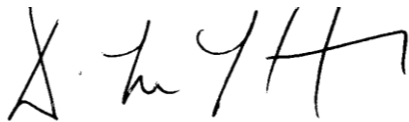
5. Conclusion

- 5.1** The attached budget sets a rent level that meets the audit requirement of ensuring that all reasonable contingencies are taken into account.
- 5.2** The attached budget also allows the Council to maintain, at the end of the 2005/2006 financial year, a Prudential Reserve at a level higher than recommended by Audit Scotland.
- 5.3** As reported to Members in the previous item, the Council may have an equal pay claim liability and in order to meet this cost, Members are being asked to approve a transfer of £1.25m from the HRA Surplus to the General Fund.
- 5.4** After this transfer the balance on the HRA Reserve will amount to around £1.368m.

6. Recommendation

6.1 Members are asked to agree to:-

- i) a weekly rent increase of £1.88 on a 52 week basis (£2.08 on a 47 week basis), equating to 4.3% as detailed in appendix 1;**
- ii) maintain the existing level of lock up rentals;**
- iii) approve the transfer of £1.25m from the HRA Reserve to the General Fund Reserve; and**
- iv) retain the 2005/2006 surplus so as to increase the HRA Prudential Reserve.**



David McMillan
Director of Housing and Technical Services
Date: 2 February 2006

Wards Affected:	All
Appendices:	Housing Revenue Account
Background Papers:	None
Persons to Contact:	James Pow, Manager of Finance Telephone 01389 737535