

WEST DUNBARTONSHIRE COUNCIL

Report by the Executive Director of Housing, Environmental and Economic Development

Council: 14 February 2008

Subject: Housing Revenue Account (HRA) Estimates 2008/2009

1. Purpose

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 2008/2009; and
- the level of HRA prudential reserves for 2008/2009.

2. Background

2.1 The HRA Reserve as at 31 March 2007 amounted to £382,000. The 2007/2008 projected surplus as at 31 March 2008 is estimated to be £419,000. Therefore the cumulative estimated HRA Reserve as at 31 March 2008 is estimated to be £801,000. (£382,000 + £419,000).

2.2 Members will recall that Audit Scotland have recommended the Council maintains an HRA Prudential Reserve of 2% of gross expenditure, which for the 2008/2009 financial year equates to £627,000.

2.3 There are a number of important issues which require to be drawn to the attention of Members.

2.3.1 Employee Costs

The employee costs have reduced by £677,120. The APT&C staff salaries and employee overheads have reduced by £892,630 principally as a result of former HRA staff transferring to Corporate Finance. The Manual Worker wages and employee overheads have increased by £238,720 to fund the Estate Caretaking and Close Cleaning pilot projects approved at the Rent Consultation meeting held on Tuesday 22 January 2008. (Please refer to paragraph 2.4.2.)

2.3.2 Property Costs

Property costs have reduced by £209,520 mainly due to a reduction of £180,530 in electricity and gas, a reduction of £18,260 in energy for sheltered housing, both reductions as a consequence of the 2007/2008 budgets being overstated, a reduction of £45,000 in property insurance due to a re-tendering exercise and an increase of £31,690 in rates as a result of the Client being responsible for the Housing Repairs and Maintenance Trading Operation's rates liability, as laid down in the Measured Term Contract awarded in June 2007.

2.3.3 Transport Costs

Transport costs have increased by £115,820 as a result of the Housing Repairs and Maintenance Trading Operation's vehicle leasing costs being met by the Client as laid down in the Measured Term Contract awarded in June 2007.

2.3.4 Support Services

Support services have reduced by £180,940 due to a reduced estimate for the allocation of central support costs.

2.3.5 Other Expenditure

Other expenditure has increased by £1,117,140 mainly because the HRA will now be recharged £1,093,830 by Corporate Finance for their staff and associated costs in carrying out work for the HRA.

2.3.6 Re-allocated Salaries

The amount of salaries reallocated from the HRA to other General Service budgets has reduced by £418,790 principally as a consequence of former HRA staff transferring to Corporate Finance.

2.3.7 Repairs and Maintenance

The repairs and maintenance overall budget has increased by £279,000 and the main reasons for this increase are as follows:

- a) **Jobbing Repairs/Transferred to HRA Capital**
The jobbing repairs budget has reduced by £788,540, but this has been more than offset by a reduction in the value of repair work being charged to the HRA capital account, which has reduced by £946,180, resulting in a net increase of £157,640.

- b) **Adaptations for Disabled/Transferred to Social Work**
Gross revenue expenditure on adaptations for disabled tenants has reduced by £97,670, because a greater proportion of the expenditure is being charged to Capital. However, as the transfer of costs to the Social Work Department has also reduced by £104,080, there has been a net increase of £6,410 in HRA expenditure.
- c) **Other Maintenance - Gas, Lifts, CCTV etc**
This budget has increased by £21,670 mainly due to additional expenditure to be incurred under the lift maintenance programme.
- d) **Other Repairs**
This budget includes an additional £150,000 to fund the Grass Cutting of Communal Areas pilot project approved at the Rent Consultation meeting held on Tuesday 22 January 2008. (Please refer to paragraph 2.4.2.)
- e) **Recoveries - Insurance and Rechargeables**
This budget has increased by £60,000 and reflects the level of recoveries generated during the current financial year.

2.3.8 Miscellaneous

This budget has reduced by £128,480, mainly in anticipation of a reduction in the liability for council tax payments on void houses.

2.3.9 House Rents

The budgeted rental income from houses has reduced by £348,220 and allows for the continuing reduction in the number of council houses as a result of council houses sales and the demolition programme.

2.3.10 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). The reduction of £5,800 reflects adhoc demolitions.

2.3.11 Other Rents

This budget had reduced by £29,960 which reflects the fall in the HRA shops rental income during the current financial year.

2.3.12 Revenue Interest

It is anticipated the revenue interest accruing to the HRA will increase by £54,000 during the 2008/2009 financial year.

2.3.13 Balance Brought Forward

During the 2007/2008 financial year £602,500 of the HRA Reserve was used to reduce the average weekly rent increase. The budget as presented at Appendix 1 utilises £174,000 of the HRA reserve as recommended in paragraph 3.5.

2.4 Consultation

The Council is committed to tenant consultation and a Rents Consultation meeting was held on Monday, 26 November 2007. The meeting was chaired by Councillor Hendrie accompanied by Councillor McLaughlin and a total of 8 tenant/federation groups were represented at this meeting.

2.4.1 A draft budget was presented which highlighted a proposed weekly rent increase of £2.31 on a 52 week basis (£2.56 on a 47 week basis), equating to an increase of 5%.

2.4.2 The tenant groups were also presented with three options for pilot schemes to enhance the estate management services, being increased estate caretaking, close cleaning and grass cutting of communal areas. The estimated annual costs of the three pilot schemes were £180,000 for estate management, £80,000 for close cleaning and £150,000 for the grass cutting of communal areas. The additional costs of these three pilot schemes pooled over all rents were estimated on a 52 week basis at 30p, 14p and 25p respectively, (47 week basis, 33p, 15p and 28p respectively). The tenant groups were invited to discuss this draft estimate and options with their members and to come back to the second meeting to be held on Tuesday, 22 January 2008.

2.4.3 At this second Rents Consultation meeting chaired by Councillor Hendrie and accompanied by Councillor McLaughlin, 8 tenant/federation groups were represented and a number of councillors attended.

- 2.4.4** At this meeting the tenant groups were issued with a one page statement which presented the draft HRA estimates inflated only for employee costs, amounting to a net expenditure of £1,100,920. (The statement also included the draft HRA estimates fully inflated amounting to a net expenditure of £1,433,370, an increase of £332,450). The draft HRA estimate presented to the tenant groups also included the cost of the three estate enhancement options referred to in paragraph 2.4.2. The overall rent increase amounted to £2.35 on a 52 week basis and £2.60 on a 47 week basis equating to a 5.1% increase.
- 2.4.5** The statement presented to the tenant groups also included options for utilising between £100,000 and £500,000 of the HRA Reserve to help to reduce the required weekly rent increase.
- 2.4.6** The consensus of the meeting appeared to be for the inclusion of all three estate enhancement pilots plus the utilisation of £300,000 of the HRA Reserve to help to reduce the required weekly rent increase.
- 2.4.7** This would result in a weekly increase of £1.85 on a 52 week basis and £2.04 on a 47 week basis equating to a 4% increase.

3. Main Issues

- 3.1** The Council is required to consider the level of weekly rent increase for the financial year 2008/2009.
- 3.2** In formulating the attached officer recommended estimate, it has been decided to take the prudent approach of including an inflationary uplift for all costs, as opposed to including an inflationary uplift for employee costs only, as was presented as an option to the 22 January 2008 Rent Consultation meeting.
- 3.3** Members have the option of using some of the HRA Reserve to limit the required rent increase. As referred to in paragraph 2.1 it is anticipated that the HRA Reserve as at 31 March 2008 will be around £801,000 and that the Prudential Reserve required for the 2008/2009 financial year, as referred to in paragraph 2.2, is estimated to be £627,000.
- 3.4** If Members wished to retain the HRA Reserve at the Prudential Level then up to £174,000 of the HRA Reserve could be utilised to help reduce the weekly rent increase.
- 3.5** Based on the current level of service, and allowing for a full inflationary uplift and utilising £174,000 of the HRA Reserve, the required weekly percentage rent increase would be 4.2%.

3.6 However including the options for the three pilot schemes to enhance the estate management services, as referred to in paragraph 2.4.2, would result in a net expenditure total of £1,555,330 (see appendix 1), which requires a weekly rent increase of £2.62 on a 52 week basis (£2.90 on 47 week basis), which equates to an increase of 5.7% and this is the officer recommended option.

4. Personnel Issues

4.1 There are no personnel issues.

5. Financial Implications

5.1 The financial implication is that to fund the budget as presented an average weekly rent increase of £2.62 (52 week basis) or 5.7% is required. (On a 47 week basis the average rent increase is £2.90).

6. Risk Analysis

6.1 The risk to the Council is that the HRA spends significantly more than is included within this budget or recovers significantly less in the way of income especially rental income. However, based on the recommendations at the end of this report, there is nothing at the time of writing this report that would suggest that this is likely to happen.

7. Conclusion

7.1 The attached budget as recommended below sets a rent level that meets the audit requirement in respect of maintaining a Prudential balance and of ensuring that all reasonable contingencies are taken into account.

8. Recommendation

8.1 **Members are asked to agree to:-**

- i) the utilisation of £174,000 of the HRA Reserve which will maintain the Reserve at the Prudential Level recommended by Audit Scotland;**
- ii) the adoption of the three pilot schemes to enhance estate management services;**
- iii) a weekly rent increase of £2.62 on a 52 week basis (£2.90 on a 47 week basis), equating to 5.7% as detailed in appendix 1 and**

- iv) maintain the existing level of lock up rentals.

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Date: 6 February 2008

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Appendices: Housing Revenue Account

Background Papers: None

Wards Affected: All