

WEST DUNBARTONSHIRE COUNCIL

Report by the Acting Director Housing, Regeneration and Environmental Services (Housing and Regeneration Services)

Council: 8 February 2007

Subject: Housing Revenue Account (HRA) Estimates 2007/2008

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 2007/2008; and
- the level of HRA prudential reserves for 2007/2008

2. Background

2.1 The HRA Reserve as 31 March 2006 amounted to £2,466,440, (after the transfer of £1,250,000 to the General Fund). Of this balance £546,000 was used to reduce the 2006/2007 rent increase to £0.99 per week and £57,180 was taken forward into the 2006/2007 estimates leaving a balance of £1,863,260. The 2006/2007 projected surplus as at 31 March 2007 is estimated to be £856,350. Therefore the cumulative estimated HRA Reserve as at 31 March 2007 is estimated to be £2,719,610. (£1,863,260 + £856,350).

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 2007/2008 financial year equates to £611,660.

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

Employee Costs

2.4 The employee costs have increased by £115,530. The APT&C staff costs have increased by £82,760 as a result of reallocating staff from the Homeless budget to the HRA.

Property Costs

- 2.5** Property costs have increased by £318,300 mainly due to an increase of £220,230 in electricity and gas, an increase of £11,430 in electricity for offices, an increase of £28,350 in Sheltered Housing energy costs and lastly an increase of £51,000 in the property insurance costs attributable to the HRA.

Reallocated Salaries

- 2.6** The amount of salaries reallocated from the HRA to other General Service budgets has increased by £178,310 as a consequence of reviewing the type of duties being undertaken by HRA staff and amending the salary allocations accordingly.

Repairs and Maintenance

- 2.7** Although the net total of repairs and maintenance has reduced by £19,340 there are a number of large offsetting variances as follows;

- a) Jobbing Repairs/Transferred to HRA Capital
The jobbing repairs budget has increased by £497,720, but this has been more than offset by an increase in the value of repair work being charged to the HRA capital account, which has increased by £782,180, resulting in a net reduction of £284,460.
- b) Adaptations for Disabled/Transferred to Social Work
The adaptations for disabled tenants has increased by £135,830, but the transfer of costs to the Social Work Department has increased by £79,580, resulting in a net increase of £56,250.
- c) Other Maintenance - Gas, Lifts, CCTV etc
This budget has increased by £52,620 due to the contractual uplift within the gas maintenance contract.
- d) Insurance Works –Fires, Storms etc.
This budget has increased by £120,000 and reflects the level of spend experienced during the current financial year.

Miscellaneous

- 2.8** In total this budget has reduced by £351,820 of which the lost rent estimate has reduced by £324,450 which reflects the success of the Council's Void Strategy. In a similar vein the estimate for council tax payments for void properties has also reduced by £39,120.

Loan Charges

- 2.9** Loan charges have increased by £394,000 as a consequence of the level of increased spend on the HRA Capital account.

House Rents

- 2.10** The budgeted rental income from houses has reduced by £225,130 and allows for continuing reduction in the number of council houses as a result of council houses sales and the demolition programme.

Factoring/Insurance Charge

- 2.11** The level of income on this budget has increased by £44,150 which reflects the continuing sale of council houses into private ownership.

Revenue Interest

- 2.12** It is anticipated the revenue interest accruing to the HRA will increase by £30,000 during the 2007/2008 financial year.

Lock Up Rents

- 2.13** 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).

Balance Brought Forward

- 2.14** During the 2006/2007 financial year £546,000 of the HRA Reserve was used to reduce the average weekly rent increase on a 52 week basis to 99p. £57,180 was also taken forward to fund expenditure and therefore the total amount carried forward in to the HRA amounted to £603,180. The budget as presented in Appendix 1 utilises none of the HRA reserve.

Consultation

- 2.15** The Council is committed to tenant consultation and a tenants' consultation meeting on the 2007/2008 proposed rent increase was held on Tuesday, 5 December 2006. A total of 11 tenant/federation groups were represented at this meeting.
- 2.16** A draft budget was presented which highlighted a proposed weekly rent increase of £1.82 on a 52 week basis (£2.02 on a 47 week basis), equating to an increase of 4.1% 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 Tuesday, 16 January 2007.

- 2.17** At this second tenants' consultation meeting 8 tenant/federation 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 4.1% was too high. The tenant groups were of the opinion that a rent increase was not required because of the level of HRA Reserve which should be used to freeze the rents and the tenant groups stated that they did not want any transfer of HRA Reserve into the General Fund to subsidise the Council Tax.

3. Main Issues

- 3.1** The Council is required to consider the level of monthly rent increase for the financial year 2007/2008.
- 3.2** Members are asked to note the recommendation in the previous item to transfer £1.5m from the HRA surplus to the General Fund. Following this transfer the balance on the HRA Reserve will amount to £1,219,610.
- 3.3** The attached HRA estimate requires a weekly rent increase of £1.82 on a 52 week basis (£2.02 on 47 week basis), which equates to an increase of 4.1% and this is the recommended option. This option as shown in the appendix allows the Council to maintain at the end of the 2007/2008 financial year a Prudential Reserve at a level significantly higher than recommended by Audit Scotland.
- 3.4** Members have the option of using some of the HRA Reserve to limit the required rent increase. As indicated above, the rent increase last year was £0.99 per week. Adopting the same increase this year would require the utilisation of £502,500 of the HRA Reserve. This would reduce the remaining balance to £717,110, which is above the level recommended by Audit Scotland.

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 £1.82 (52 week basis) or 4.1% is required. (On a 47 week basis the average rent increase is £2.02 or 4.1%.)

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 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) a weekly rent increase of £1.82 on a 52 week basis (£2.02 on a 47 week basis), equating to 4.1% as detailed in appendix 1;

and

- ii) maintain the existing level of lock up rentals;

Irving Hodgson
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Date: 1 February 2007

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Appendices:**Background Papers:****Wards Affected:**

Housing Revenue Account
None
All