



# **Housing Revenue Account (HRA) Methodology**

**First Draft Budget Estimates 2017/2018**

The purpose of this document is to advise Tenants of the first draft of the 2017/18 budget estimates. It provides a brief breakdown of the proposed spend within various expenditure areas and essentially sets out how the council plans to spend the rental income collected from Tenants within 2017/2018.

**West Dunbartonshire Council**  
**Housing Revenue Account (HRA) Methodology**

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# West Dunbartonshire Council

## Housing Revenue Account (HRA) Methodology

### 2. Introduction

#### What does the HRA pay for?

The Housing Revenue Account (HRA) is the name of the Council budget where all the income and expenditure related to the Council's housing is accounted for. At its core, the HRA pays for the management and maintenance of council-owned housing. The HRA can also fund the provision of new council housing. In consultation with its tenants, a Council may also decide to fund services other than these core services.

#### What doesn't it pay for?

Other housing services provided by the Council that meets the needs of customers other than tenants of the Council are **not** funded through the HRA. These are funded from the Council's main operational budget, the General Fund. These non-HRA services would include:

- homelessness;
- the provision of wider housing advice;
- housing support;
- housing benefit administration, and
- work on private sector housing

In 2014, the Scottish Government published its Guidance on the Operation of Local Authority HRAs in Scotland. The purpose of this Guidance was to bring together information on the use of the HRA; how it must operate; who the resources contained within it are meant to benefit; and what outcomes can be expected of those resources. The guidance specified key principles under which the HRA must operate.

#### **HRA OPERATING PRINCIPLES:**

- **Compliant with legislation and guidance in relation to accounting practice**
- **Benefits present or prospective tenants**
- **A robust, written methodology is in place**
- **Consultation on financial transparency is carried out**
- **Mixed tenure residents are charged for HRA services**

**Key Principle 1 - The HRA must comply with legislation, statutory guidance and accounting codes of practice**

Must comply with the Housing (Scotland) Act 1987. Must comply with proper accounting practices. Must correctly assign HRA assets and liabilities. Assets must provide, or be likely to provide a positive return to the HRA. Decisions to retain or dispose of assets must be explained to tenants. Scottish Ministers' consent is required if assets are sold for less than the market value (see March 2016 Scottish Government Guidance, *Disposal of assets from HRA's*). Reserves can be retained to the extent that is prudent. There is a duty to secure Best Value. Ministers have the power to add or remove costs.

**Key Principle 2 - HRA assets must benefit present or prospective tenants**

The Council must maintain a register of land and buildings. Assets must benefit tenants directly or as an investment. HRA assets must be reviewed regularly. Assets not benefitting tenants must be considered for disposal, transfer or change of use. There is no requirement to dispose of assets immediately. If the asset is significant, then there must be consultation with tenants on its future use.

**Key Principle 3 - There is a robust, written methodology for calculating and allocating HRA costs**

The methodology must be in sufficient detail for tenants to follow. It will include explanation of recharges from other council areas. The methodology must be reviewed and updated. It must explain recharges to the HRA and housing activity accounted for in the Council's General Fund. Transparency around the calculation of costs to the HRA must be supported by a systematic recording mechanism. Chargeable costs and the methodology itself should be agreed with tenants.

**Key Principle 4 - There are clear and published mechanisms and procedures for discussing financial transparency matters with tenants**

The Council should build this activity on existing good practice in broader tenant participation. There should be regular and meaningful discussion with tenants about the HRA. There are relevant legislative responsibilities that must be met: to consult on issues significantly affecting tenants, to develop a tenant participation strategy and to issue notices of increases in rents and service charges, for example. The HRA should clearly meet the outcomes of the Scottish Social Housing Charter, especially outcomes 13, 14 and 15. Tenants must be involved in decisions about significant HRA assets. The council's decision-making must be transparent, whether tenants are in agreement or, especially, if not.

**Key Principle 5 - Where legally entitled, non-council tenants living in mixed tenure estates are charged for goods and services**

The HRA should seek to charge for services to non-council tenants, for example, the maintenance of common areas and facilities in flatted accommodation, grass cutting in common external areas, maintenance of paths and drying areas in mixed tenure areas. Title deeds specify owners' duties and responsibilities, but there are wide variations. If the deeds are silent, the Tenement (Scotland) Act 2004 allows councils to obtain contributions. Landlords must comply with the Property Factor Code. Charging owners their share of costs protects the HRA, and should be fully explored whenever relevant.

## West Dunbartonshire Council

### Draft 2017/18 Estimates

	2016/17 Estimate £	2016/17 Forecast £	2017/18 Estimate £	Yr on Yr Movement £
<b>EMPLOYEE COSTS</b>				
APT & C Staff - Salaries	3,298,760	3,201,364	3,483,344	184,584
APT & C Staff - Overtime	90,000	21,428	21,428	(68,572)
APT & C Staff - Superannuation	549,738	538,734	586,186	36,448
APT & C Staff - National Insurance	291,017	284,497	309,555	18,539
Manual Workers - Wages	982,112	966,823	1,000,507	18,395
Manual Workers - Overtime	72,000	78,613	78,613	6,613
Manual Workers - National Insurance	85,469	77,555	82,827	(2,642)
Manual Workers - Superannuation	155,529	146,141	156,076	547
Training Fees	5,000	5,000	5,000	0
Other Employee Costs	1,000	1,000	1,000	0
<b>Employee Costs</b>	<b>5,530,625</b>	<b>5,321,154</b>	<b>5,724,536</b>	<b>193,911</b>
<b>PROPERTY COSTS</b>				
Rates	124,500	100,138	103,538	(20,962)
Rent	102,991	115,981	119,204	16,213
Furniture & fittings	1,000	1,000	1,000	0
Repairs to Offices	10,000	24	-	(10,000)
Electricity & Gas - Offices	39,900	34,701	35,048	(4,852)
Energy - Sheltered Housing	42,000	49,934	50,433	8,433
Electricity & Gas	388,500	309,094	312,185	(76,315)
Property Insurance	920,000	987,711	987,711	67,711
Contract Cleaning	46,623	43,770	43,770	(2,853)
Other Property Costs	143,420	143,000	143,000	(420)
Free Lets	26,017	21,940	22,817	(3,200)
<b>Property Costs</b>	<b>1,844,951</b>	<b>1,807,292</b>	<b>1,818,706</b>	<b>(26,245)</b>
<b>TRANSPORT COSTS</b>				
Car Allowances etc.	124,800	106,964	105,390	(19,410)
<b>Transport Costs</b>	<b>124,800</b>	<b>106,964</b>	<b>105,390</b>	<b>(19,410)</b>
<b>SUPPLIES &amp; SERVICES</b>				
Clothing & Uniforms	5,150	5,150	5,150	0
Computer Software /Supplies/ Equipment	123,600	133,583	118,194	(5,406)
Security Services (cash uplifts)	13,390	15,000	15,000	1,610
Other Supplies & Services	36,050	51,983	21,890	(14,160)
Advertising	-	-	-	0
Postages	28,840	22,493	22,493	(6,347)
Printing & Stationery/Photocopiers	36,050	33,281	33,281	(2,769)
Telephones - Offices / Mobiles	46,350	46,625	46,646	296
Additional Tenant Participation Costs	64,581	58,181	64,581	0
<b>Supplies &amp; Services Costs</b>	<b>354,011</b>	<b>366,295</b>	<b>327,234</b>	<b>(26,777)</b>
<b>SUPPORT COSTS</b>				
Allocation of Central Support Costs	2,161,314	2,140,983	2,141,488	(19,826)
<b>Support Costs</b>	<b>2,161,314</b>	<b>2,140,983</b>	<b>2,141,488</b>	<b>(19,826)</b>
<b>OTHER EXPENDITURE</b>				
Other Agencies	182,687	154,852	157,021	(25,666)
<b>Other Expenditure</b>	<b>182,687</b>	<b>154,852</b>	<b>157,021</b>	<b>(25,666)</b>
<b>GROSS SUPERVISION &amp; MANAGEMENT</b>	<b>10,198,388</b>	<b>9,897,540</b>	<b>10,274,375</b>	<b>75,987</b>
<b>LESS RECOVERIES</b>				
Reallocated Salaries	(1,275,125)	(1,216,290)	(1,242,435)	32,690
<b>NET SUPERVISION &amp; MANAGEMENT</b>	<b>8,923,263</b>	<b>8,681,250</b>	<b>9,031,940</b>	<b>108,677</b>

## West Dunbartonshire Council

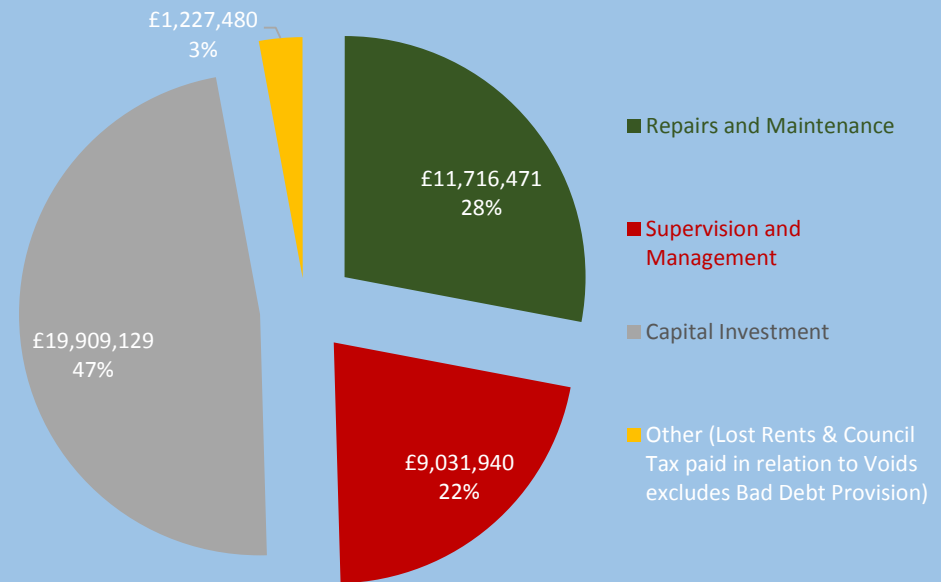
### Draft 2017/18 Estimates

	2016/17 Estimate £	2016/17 Forecast £	2017/18 Estimate £	Yr on Yr Movemement £
<b>REPAIRS &amp; MAINTENANCE</b>				
Jobbing Repairs	12,204,152	12,614,398	12,445,176	241,024
Less : transferred to HRA Capital	(3,083,398)	(3,783,398)	(3,783,398)	(700,000)
Adaptations for Disabled	150,000	250,433	250,000	100,000
Garden Tidy Scheme (Void, First Cuts & Homeless Properties)	228,769	226,821	226,821	(1,948)
Other Maintenance - gas, lifts, CCTV etc.	1,981,104	1,839,584	1,877,217	(103,887)
Other Repairs - grants,decants,alarms,pest control etc	576,057	596,414	603,994	27,937
Open Space Maintenance (contribution towards maintenance across housing areas)	364,000	364,000	378,560	14,560
Insurance Works - fires, storms etc.	50,000	50,000	50,000	0
Recoveries - insurance & rechargeables	(400,000)	(331,899)	(331,899)	68,101
<b>Repairs Costs</b>	<b>12,070,684</b>	<b>11,826,353</b>	<b>11,716,471</b>	<b>(354,213)</b>
<b>MISCELLANEOUS</b>				
Bad Debt Provision	1,060,000	1,113,065	1,113,065	53,065
Rents - Unlet Period (houses)	970,179	871,518	826,379	(143,800)
Rents - Unlet Period (lockups)	100,000	72,146	75,032	(24,968)
Council tax on void houses	385,340	346,883	326,070	(59,270)
<b>Miscellaneous Costs</b>	<b>2,515,519</b>	<b>2,403,612</b>	<b>2,340,546</b>	<b>(174,973)</b>
<b>LOANS CHARGES</b>				
Principal	5,249,146	6,093,401	6,048,422	799,276
Interest	8,398,505	6,833,104	6,032,863	(2,365,642)
Expenses	85,690	120,000	120,000	34,310
CFCR/deferred loan charges	4,258,305	4,945,141	7,707,844	3,449,539
<b>Loan Charges</b>	<b>17,991,646</b>	<b>17,991,646</b>	<b>19,909,129</b>	<b>1,917,483</b>
<b>GROSS EXPENDITURE</b>	<b>41,501,112</b>	<b>40,902,862</b>	<b>42,998,086</b>	<b>1,496,974</b>
<b>INCOME</b>				
House Rents	39,902,018	39,861,340	39,721,731	(180,287)
Lock Up Rents	227,201	225,441	227,201	0
Other Rents - Shops, sites etc.	137,825	137,716	143,225	5,400
Factoring / Insurance Charge	1,082,568	1,111,104	1,135,548	52,980
Revenue Interest	40,000	46,022	46,022	6,022
Other Income (reallocated property costs,interest on home loans,etc.)	111,500	143,026	143,026	31,526
<b>Total Income</b>	<b>41,501,112</b>	<b>41,524,649</b>	<b>41,416,753</b>	<b>(84,359)</b>
<b>NET EXPENDITURE</b>	<b>0</b>	<b>(621,788)</b>	<b>1,581,333</b>	<b>1,581,333</b>

Average stock 2017/18		10,131
Required rent inc (52 weeks)	£	3.00
Average rent 2016/17	£	75.08
as a %		4.00%

## 6. HRA Expenditure High Level Summary

HRA Budgeted Expenditure	
Repairs and Maintenance	£11,716,471
Supervision and Management	£9,031,940
Capital Investment	£19,909,129
Other (Lost Rents & Council Tax paid in relation to Voids excludes Bad Debt Provision)	£1,227,480
<b>Total</b>	<b>£41,885,020</b>



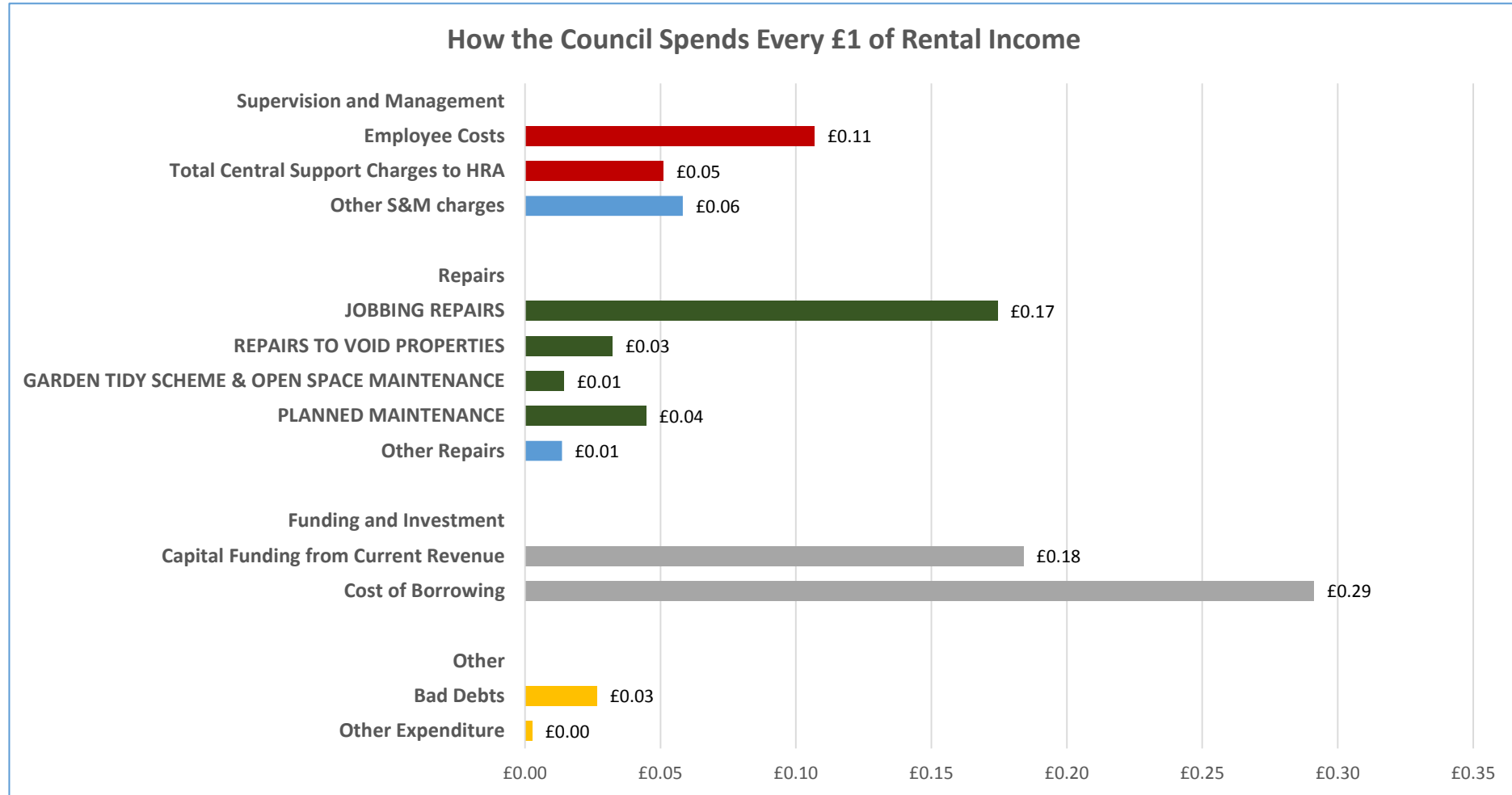
Another way of thinking about this is to say that, for every £1 that will be collected in rental income by the Council will be spent as follows:

Repairs and Maintenance	£0.28
Supervision and Management	£0.22
Funding Investment	£0.48
Other	£0.03
<b>Rental Income</b>	<b>£1.00</b>

These headings of expenditure are further broken down on the next page.

## 7 How will the Council spend the rent?

Every £1 that the Council will receive in rent money will be spent as follows:



Each of the above categories of spend is looked at in more detail on the following pages.



## 8. Supervision and Management

Description	Charge to HRA	Explanation
Employee Costs	£4,477,101	<i>Employee costs including wages, pensions, national insurance etc. Caretakers are referred to as manual workeres within the estimates and all other staff are referred to as APT&amp;C. Work patterns are maximised to avoid overtime payments but some overtime can be incurred when covering for vacancies and / or urgent out of hour duties.</i>
Training Costs	£5,000	<i>Employee training costs for employee development and courses.</i>
Travel Expenses	£105,390	<i>Employee travel costs for business and study. It also includes the hire of vehicles and the associated costs such as fuel.</i>
Office Equipment, Print and Stationary	£33,281	<i>Expenses incurred for office equipment, printing and stationery</i>
Property Insurance	£987,711	<i>This includes the cost of insurance premiums for the block insurance policy for mixed tenure blocks, housing properties insurances, public and employers liability insurance and engineering inspection charge.</i>
Property Costs	£830,995	<i>This includes the cost of energy costs for communal areas, the electricity &amp; gas associated with close lighting, lighting in and around the Multi Storey Flats and Standing Charges on void properties. It also includes the use of Aurora House by housing services and the cost of Free Lets which are the lets associated with providing premises for tenants and resident's associations.</i>
Postage and Telephone	£69,138	<i>Costs for postage and telephone charges, including mobile phones.</i>
Total Central Support Charges to HRA	£2,141,488	<i>See section 11 and 12 for full details.</i>
IT Systems	£118,194	<i>Purchase of IT related software and hardware for all IT functions within Housing Services. Includes software licences and annual maintenance costs to 3rd party software suppliers.</i>
Payments to other agencies	£157,021	<i>This includes the costs of legal expenses in relation to court actions and bank charges.</i>
Other Supervision and Management Expenses	£106,621	<i>This includes the cost of clothing and uniforms; interpretation services and the costs associated with tenant participation ie satisfaction surveys and production of housing news.</i>

## 9. Repairs and Maintenance Expenditure

Description	Charge/ <b>income</b> to HRA	Explanation
<b>JOBGING REPAIRS</b>	£7,306,778	<i>The Council is responsible for keeping their homes in a good state of repair. The majority of repairs are carried out by the Council's Building Services; external contractors are used for specialist works, for example woodworm or dampness. Repair categories include routine and emergency. Current and future tenants benefit in keeping homes in a good state of repair.</i>
<b>REPAIRS TO VOID PROPERTIES</b>	£1,355,000	<i>Repairs and maintenance costs to ensure properties are habitable for new tenants to move in. A habitable property is one that has adequate heating, water, electricity, cleanliness and is structurally sound. Tenants benefit in having a property in a good state of repair.</i>
<b>GARDEN TIDY SCHEME &amp; OPEN SPACE MAINTENANCE</b>	£605,381	<i>This includes the costs associated with the upkeep of grounds in relation to void properties, first cuts and homeless properties. It also includes a contribution towards the cost of open space maintenance across our housing areas.</i>
<b>PLANNED MAINTENANCE</b>	£1,877,217	<i>Cyclical works that are carried out to Council homes on a planned basis ie Lift, Gas and CCTV Maintenance, Refuse Chute Cleaning and the maintenance of ventilation systems etc</i>
<b>OTHER REPAIRS</b>	£603,994	<i>This includes the cost of communal TV aerials, decants, pest control, community alarms, environmental hit squad etc.</i>
<b>SPECIAL NEEDS</b>	£250,000	<i>This is the costs associated by making structural changes to properties for example replacing a bath with a walk in shower, an external ramp, widening of a door frame to allow access or fitting lower work surfaces</i>
<b>INSURANCE</b>	£50,000	
<b><i>INCOME - RECHARGEABLE</i></b>	<b><i>£331,899</i></b>	<i>Income from rechargeable repairs for tenant liability, for example vandalism.</i>

## 10. Funding Investment

There are primarily two categories of spending under Funding Investment: the Cost of Borrowing and CFCR (Capital Funded from Current Reserves).

Description	Charge to HRA	Explanation
<b>COST OF BORROWING</b>	£12,201,285	<i>To build and upgrade council homes over the years, the Council has borrowed money and just like a homeowner with a mortgage, that debt has to be repaid with interest. The Cost of Borrowing is effectively the Council's interest payments on the money it has borrowed to build council homes. The HRA also pays a fee for Treasury Management to brokers ( Loan Charges Expenses)</i>
<b>CAPITAL FUNDED FROM CURRENT RESERVES (CFCR)</b>	£7,707,844	<i>CFCR is funding from the HRA towards building new council homes, and other capitalised programmes such as some repairs and IT investment</i>

### Bad Debt Provision

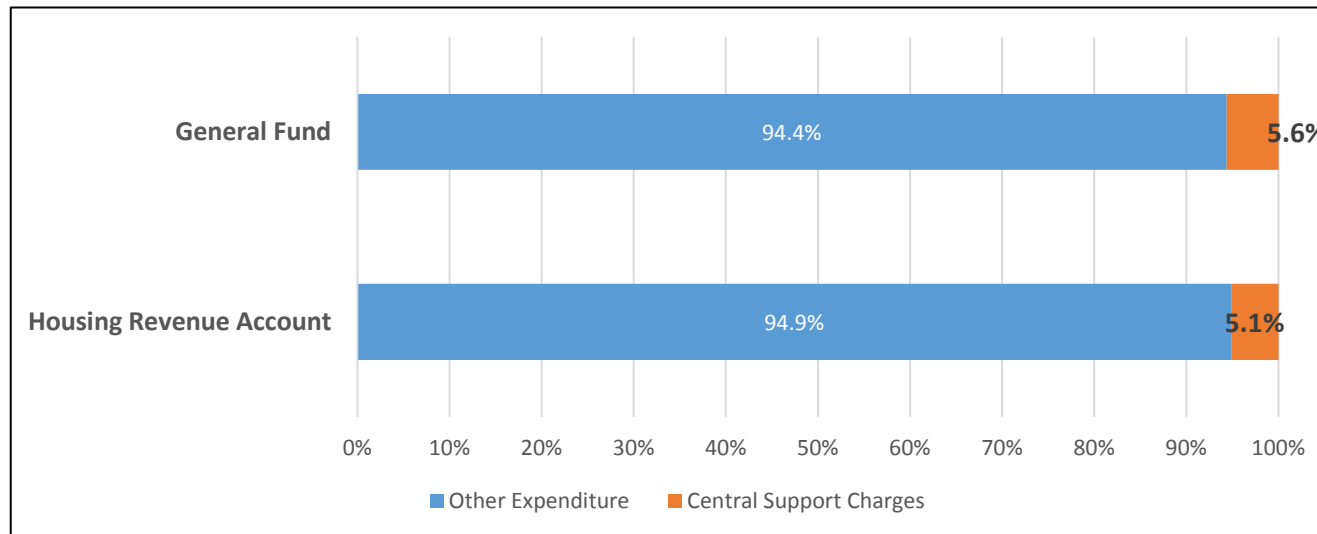
The bad debt provision is money set aside for rent arrears. The amount that is included within the budget each year is the top up amount required to ensure that there is enough provision to cover the anticipated arrears.

Description	Charge to HRA
<b>BAD DEBTS PROVISION</b>	£ 1,113,065

## 11. Central Support and Other Internal Charges

The HRA is charged annually for support services that Housing Services receives from other departments of the Council.

As a rule of thumb, the central support charges met by the HRA should be broadly equivalent to the proportion of the Council's overall General Fund which is spent on central support. The chart below indicates the proportion of expenditure spent on Central Support within both the General Fund and the Housing Revenue Account.



The table shown in section 13 indicates the proportion of total spend on Central Support Services that is recharged to the HRA. Broadly speaking the same proportion of all individual Central Support Recharges should be charged to the Housing Revenue Account. In column d), you can see what proportion of each budget head is recharged to Housing Services. There will be legitimate reasons why more of a certain cost centre would be charged to Housing Services. For example, the HRA is charged more Revenues & Exchequer Services than other council departments, but other cost centres might be expected to be more in line with the overall allocation of spend across the Council as a whole. The information in this table should enable you to check roughly whether the level of recharge to the HRA is broadly appropriate.

## 12. Breakdown of Internal Charges

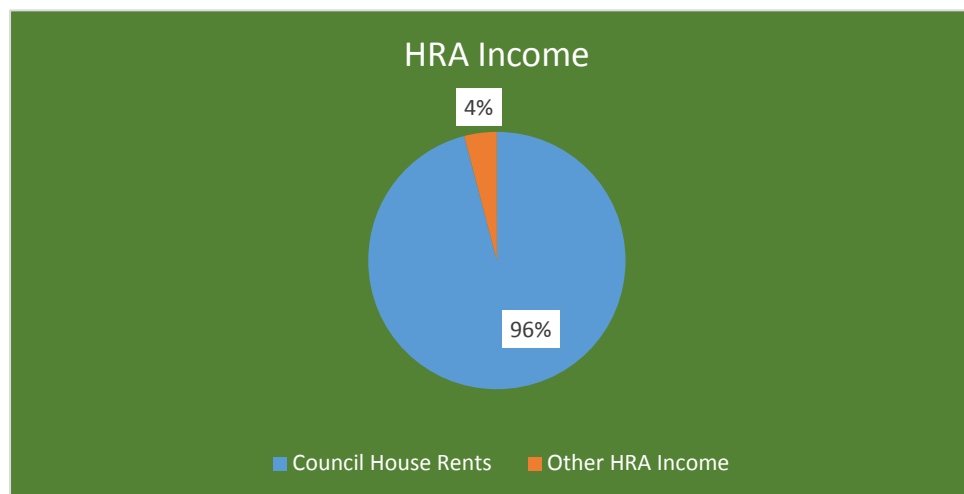
a) Service Description	b) Indicative total cost of services based on 15/16 actuals	c) Indicative charge to HRA based on 15/16 actuals	d) % of total service cost charged to HRA	e) What is this?
<b>TOTAL SPEND</b>	<b>£20,609,148</b>	<b>£2,141,488</b>	<b>10.4%</b>	
<b>Other Central Support</b>	£7,225,168	£270,491	3.7%	Share of communications, procurement, insurance & courier costs. Corporate & Democratic Costs which are costs relating to all aspects of members' activities and costs which allows services to be provided & informaton required for public accountability.
<b>Risk &amp; Insurance</b>	£556,002	£25,104	4.5%	Includes the processing of claims made by/against WDC, providing general advice & developing & implementing risk management practices
<b>IT Services</b>	£2,486,478	£227,170	9.1%	Service and application management, internal customer support, data centre support, IT improvements, technical design and information and policy standards.
<b>Revenue and Exchequer Charges</b>	£3,091,661	£1,185,190	38.3%	The Council's Finance Team is responsible for the recovery of all monies owed to Housing Services. This charge represents the cost of that income recovery activity.
<b>Financial Services</b>	£3,110,715	£318,741	10.2%	Covers all financial management support to Housing Services, including payroll, payments, budgeting and investment services.
<b>Human Resources</b>	£2,551,961	£64,068	2.5%	Recruitment, development management and contract management services, both on a strategic and operational basis
<b>Legal Services</b>	£1,587,164	£50,723	3.2%	Outwith spending on legal charges in pursuit of rent arrears which is accounted for elsewhere in the HRA, Housing Service receives general legal support on a day-to-day basis.

### 13. HRA Income

Almost all HRA income comes from rents charged to tenants of our flats and houses. Other income includes:

- rent from other types of properties owned by the Council: garages and lock-ups, shops;
- laundrette and electricity charges, and
- charges paid by owners for factoring services.

The table below indicates some of the main sources of HRA income.



Description	Income to HRA	Explanation	Forecast Activity	Data Definition	Average annual income per unit
<b>Council House Rents</b>	£39,721,731	<i>Rental income from housing stock</i>	10,131	Anticipated total number of Council Houses	£3,921
<b>Rent from Lock-ups</b>	£227,201	<i>Rental income from lock-ups</i>	803	Total number of Lock-ups	£283
<b>Rent from Other Properties (Shops, Etc)</b>	£143,225	<i>Rental income from other properties owned by Housing Services, such as shops, garages</i>	£57k anticipated from shop rents, £12k anticipated from Garages & £74k anticipated from Travelling Persons sites.		
<b>Other HRA Income</b>	£189,048	<i>This includes income collected from the use of laundry facilities and electricity tokens. It also includes £100k of "income" from other council departments.</i>			
<b>Factoring/Insurance Charge</b>	£1,135,548				
<b>TOTAL</b>	<b>£41,416,753</b>				