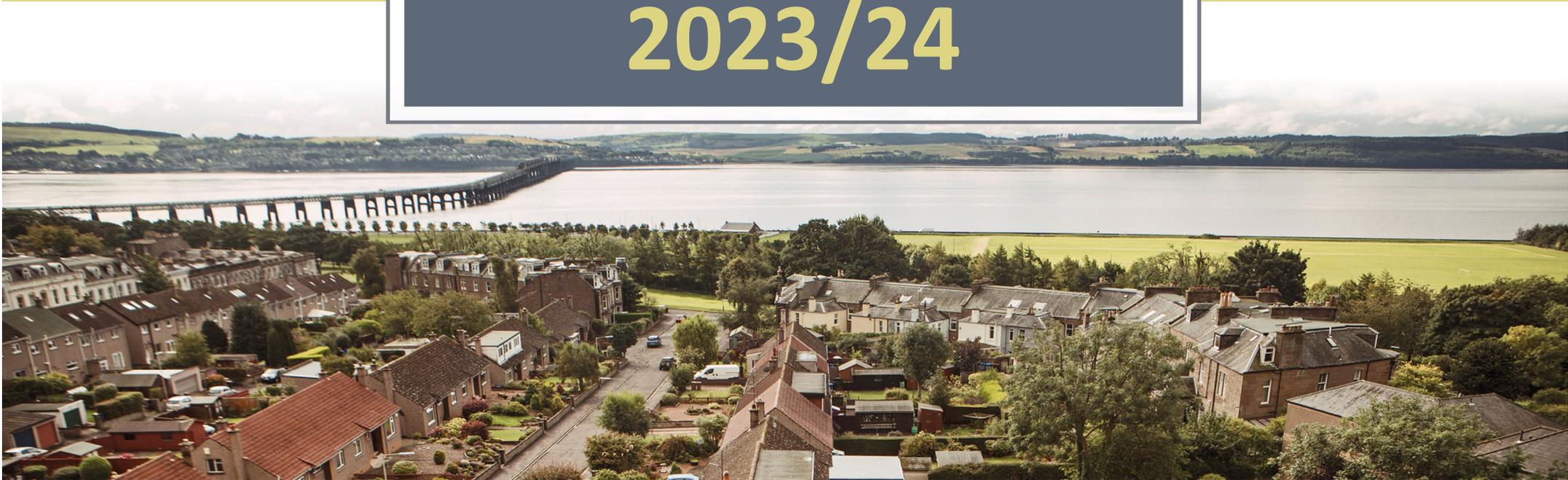


Housing Revenue Account Methodology

2023/24



1. Introduction

What does the Housing Revenue Account (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 may also fund the provision of new 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 general housing advice;
- housing support;
- housing benefit administration;
- work on private sector housing, and
- the development of housing strategy

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 that is prudent. There is a duty to secure Best Value. Ministers have the power to add or

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 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.

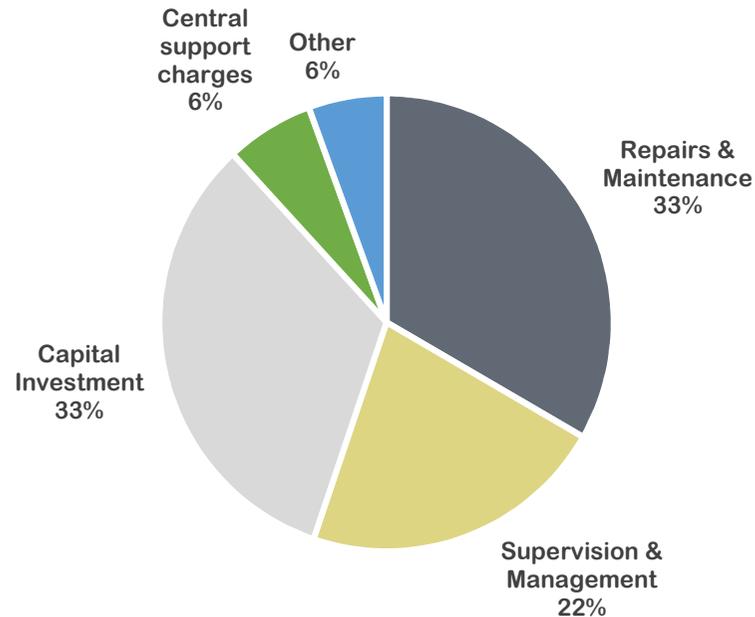
Key Principle 5 - Where legally entitled, non-council tenants living in mixed tenure estates are charged for goods and services

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

2. HRA Expenditure High Level Summary

HRA Budgeted Expenditure

Repairs & Maintenance	£19,655,000
Supervision & Management	£12,877,000
Capital Investment	£19,409,000
Central support charges	£3,703,000
Other	£3,282,000
Total	£58,926,000



Another way of thinking about this is to say that every £1 that was received in rental income by the Council was spent as follows:

HRA Budgeted Expenditure

Repairs & Maintenance	£0.33
Supervision & Management	£0.22
Capital Investment	£0.33
Central support charges	£0.06
Other	£0.06
Rental Income	£1.00

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

3. Repair & Maintenance Expenditure

Description	Charge/ income to HRA	Explanation
REPAIRS AND MAINTENANCE	£12,882,000	The Council is responsible for keeping its homes in a good state of repair. The majority of repairs are carried out by the Council's Construction Division; external contractors are used for specialist works, for example woodworm or dampness. This includes repairs and maintenance costs to ensure properties are of a good standard for new tenants to move in, the costs of carrying out an annual service and safety check to all gas appliances and flues and other works relating to health and safety.
PLANNED MAINTENANCE	£4,338,000	Planned works that are carried out regularly to Council homes for example, external woodwork, painting, warden call system maintenance, environmental improvements.
OPEN SPACE AND GARDEN MAINTENANCE	£2,435,000	Maintenance of areas of common ground owned by HRA, grass cutting etc

4. Supervision and Management

Description	Charge to HRA	Explanation
EMPLOYEE COSTS	£6,396,000	Costs including wages, pensions, national insurance etc.
INTERNAL RECHARGES	£3,009,000	Charges for HRA services carried out by non HRA funded staff.
TRAVEL EXPENSES	£48,000	Employee travel costs for business and study.
OFFICE EQUIPMENT, PRINT AND STATIONERY	£103,000	Expenses incurred for office equipment, printing and stationery.
INSURANCE	£1,118,000	Properties and public liabilities insurances.
OFFICE ACCOMMODATION	£1,275,000	Rental of office accommodation.
POSTAGE AND TELEPHONE	£90,000	Costs for postage and telephone charges, including mobile phones.
CENTRAL SUPPORT AND INTERNAL CHARGES	£3,009,000	For example IT Services, Human Resources & Legal Services.
IT SYSTEMS	£144,000	Purchase of IT related software and hardware, including software licences and annual maintenance costs.
FIXTURES, FITTINGS, CLEANING	£48,000	Office furniture, equipment and cleaning cost
MISCELLANEOUS EXPENSES	£646,000	

5. Capital Investment

The Council borrows money to fund building new houses and improving the houses we already own.

Description	Charge to HRA	Explanation
COST OF BORROWING	£19,409,000	To build 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 repayment and interest payments on the money it has borrowed to build council homes.

Other expenditure

Every year, a proportion of the debt owing to Housing Services is written off, because it would cost more to chase the debt than the value of the sum owing. These sums are never entirely written off and should the debtor ever come into contact with the Council again, the Council will still try to recover the money owed.

Description	Charge to HRA	Explanation
BAD DEBTS	£2,248,000	Outstanding debts written off at year end including for unpaid rent and repairs and maintenance recharges.
HARDSHIP FUND	£1,000,000	Reflects financial assistance provided to Council tenants suffering financial hardship through their inability to pay rent as a result of welfare reforms introduced by the UK government.
THIRD PARTY PAYMENTS	£34,000	Financial support to other organisations who provide services to our tenants e.g. Dundee Federation of Tenants Associations (DFTA).

6. Internal Charges

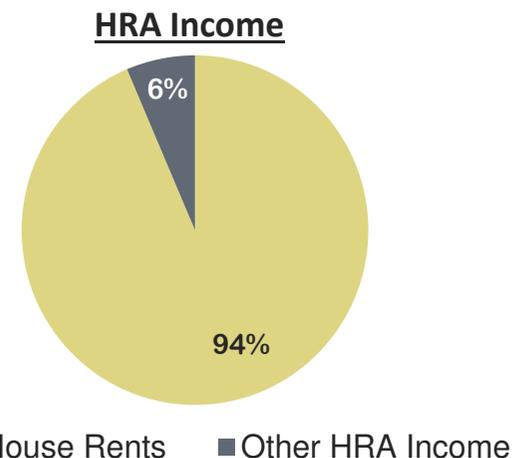
Service Description	Charge to HRA	What is this?
TOTAL SPEND	£3,703,000	The HRA is charged annually for support services that Housing Services receives from other departments of the Council. 5.9% of HRA expenditure goes towards these services.
CUSTOMER SERVICES		All customer calls to the Council are handled by the Contact Centre.
CHIEF EXECUTIVE		Provision of corporate and strategic advice and guidance
PROPERTY MANAGEMENT		A comprehensive property and energy management service is provided by City Development Department
IT SERVICES		Service and application management, internal customer support, data centre support, IT improvements, technical design and information and policy standards.
CORPORATE AND DEMOCRATIC		Corporate and Democratic comprises Democratic representation, management and corporate management
DEBT RECOVERY / CORPORATE FINANCE		The recovery and collection of all monies due to the HRA in respect of rent charges etc and provision of banking services, accounting services, internal audit services etc
HUMAN RESOURCES		Recruitment, development management and contract management services, both on a strategic and operational basis
LEGAL AND DEMOCRATIC		Provision of legal advice, including conveyancing, litigation and advice. Also includes a charge for Committee Services for preparation of Agenda Papers, minutes etc

7. HRA Income

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

Other income includes:

- rent from garages, lock-ups and shops
- sheltered warden charge;
- Interest;
- internal charges;

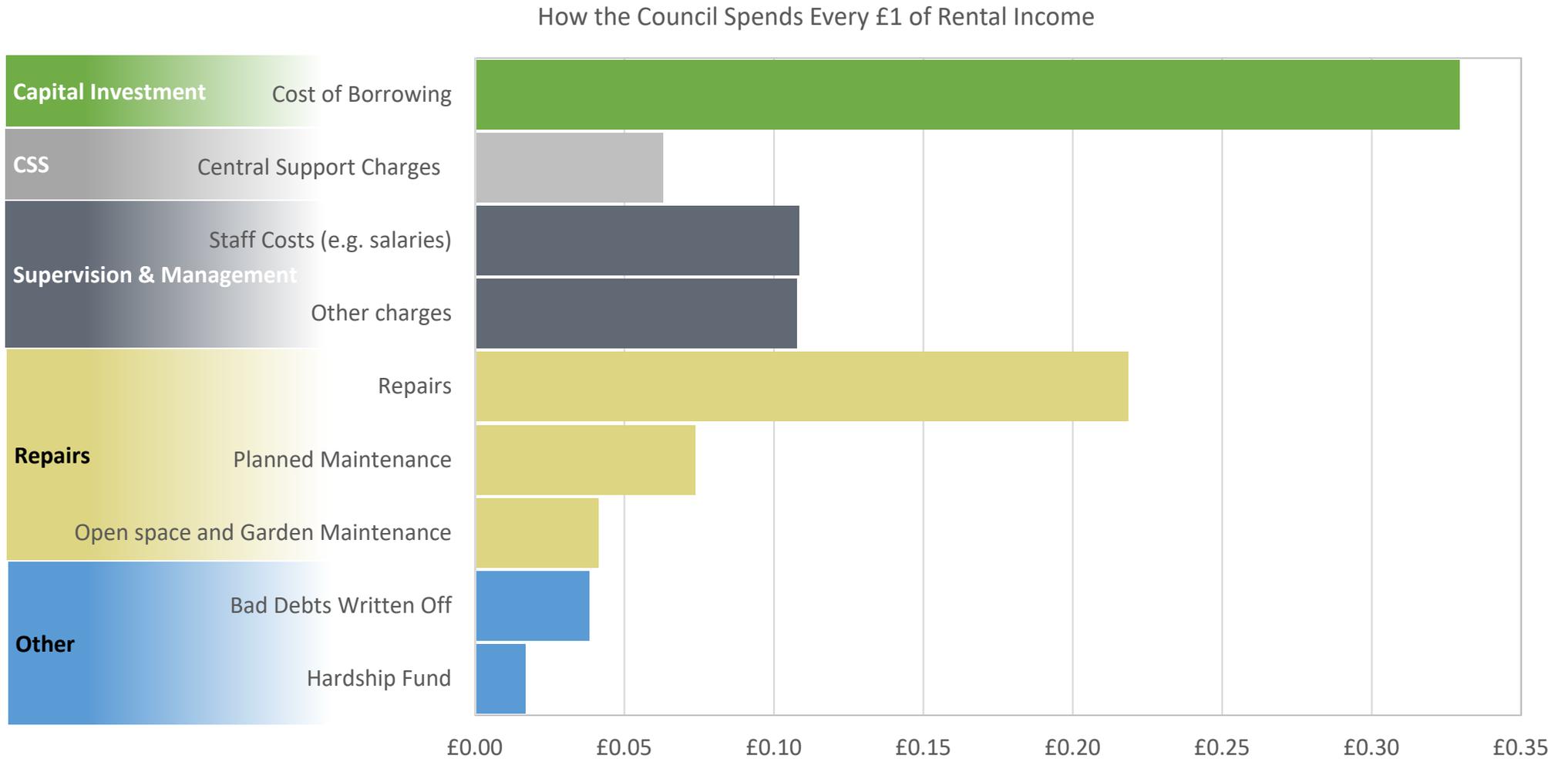


The table below indicates some of the main sources of HRA income.

Description	Income to HRA	Explanation
RENTS FROM COUNCIL HOMES	£55,162,000	Rental income from let homes
SHELTERED WARDEN CHARGE	£2,696,000	Service charge for warden service
INTEREST	£75,000	Interest on revenue balances
INTERNAL CHARGES	£62,000	Internal recharges for homelessness etc
OTHER INCOME	£931,000	Recharges for various other housing functions, including common housing register and private sector housing services.
TOTAL	£58,926,000	

8. How Does the Council Spend the Rent?

Another way of looking at how the HRA is spent is for every £1 that the Council receives in rent money, it is spent as follows:



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