

## Housing Revenue Account Budget 2008/09

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### The City of Edinburgh Council

21 February 2008

#### 1 Purpose of report

- 1.1 To seek approval for the Housing Revenue Account (HRA) budget for 2008/09 and indicative budgets for 2009/10 and 2010/11.

#### 2 Main report

- 2.1 Members will be aware of the Council's obligation to bring all its housing stock up to the Scottish Housing Quality Standard (SHQS) by 2015 and to produce a Standard Delivery Plan. The Standard Delivery Plan outlines what work and investment is required to ensure its housing stock meets the SHQS and how this will be funded. The Standard Delivery Plan is derived from the Housing Revenue Account (HRA) Business Plan which contains details of the projected levels of capital investment required to maintain the council's housing stock plus all other income and expenditure over a 30 year period. Significant time and resources have been invested in developing a robust Business Plan which now forms the basis for budget planning for both capital and revenue budgets within the HRA.
- 2.2 Edinburgh's Standard Delivery Plan was approved by the Health, Social Care and Housing Committee on 11<sup>th</sup> December 2007. This followed an extensive consultation process over a period of years. The Plan requires rent increases each year of RPI (Retail Price Index) +2.7% in order to generate sufficient rental income to fund the capital investment needed to achieve the SHQS.
- 2.3 The HRA budget for 2008/09 and for subsequent years, at least up until 2015, is therefore tied to the assumptions contained within the SHQS Delivery Plan and the HRA Business Plan. The RPI is currently running at 4% and this will therefore determine a rent increase of 6.7% for the 2008/09 budget. The Delivery Plan also assumes that management costs within the HRA will reduce by at least 2% year on year for the life time of the plan. The draft budget for 2008/11 attached in Appendix 1 reflects both these assumptions.
- 2.4 A rent increase of 6.7% in 2008/09 will take the average weekly rent to £61.95. Assuming RPI of 2.5% for 2009/10 and 2010/11, in line with the business plan,

and therefore a rent increase of 5.2% in each of these years, will take average weekly rents to £65.17 in 2009/10 and £68.56 in 2010/11.

2.5 HRA capital investment in 2008/09 will be £32m (see Appendix 2) in line with the Business Plan and that funding will support the investment programmes as approved within the SHQS Delivery Plan.

## 2.6 Efficiency Savings

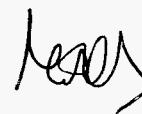
Savings through efficiencies have also been identified in the employees budget (£201,000), grounds maintenance (£176,000), Third Party Payments (£400,000) and reduced contract costs for the Stair Cleaning Service (£195,000).

Identifying efficiencies and savings will remain a prominent feature of budget planning and financial monitoring within the HRA in order to ensure that the annual 2% reduction in management costs is achieved.

2.7 It should also be noted that performance in the management of the Council's housing stock continues to improve including on critical financial indicators. Edinburgh's target for rent lost on empty homes in 2006/7 was 1.6% with the actual year end figure achieving 1.34%. The target for the current financial year has been set at 1.2% and again actual performance at 1.1% is exceeding this target. Similarly the 2006/07 target for current rent arrears as a percentage of the net rent due was 9% but actual performance achieved was 7.5%. The target for arrears in 2007/08 has been further reduced to 7.5% and performance to date indicates that this will be achieved by the year end. The amount of rent arrears written off also continues to reduce with £709,521 being written off for the year 2006/07 compared to £854,053 for the year before. New challenging performance targets will be set for 2008/9.

## 3 Recommendations

3.1 That Council approves the proposed HRA budget for 2008/11 in line with its previous approval of the SHQS Business Plan.



**Mark Turley**  
Director, Services for Communities

13/2/08

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<b>Appendices</b>	Appendix 1 – HRA budget 2008/09 Appendix 2 – Outline HRA Capital Programme 2008/09
<b>Contact/tel</b>	David Lyon , Service Support Unit 529 7047
<b>Wards affected</b>	All
<b>Background Papers</b>	None

**Housing Revenue Account  
Draft Budget 2008 -11**

	2007/08 Revised Budget	Change	2008/09 Proposed Budget	2009/10 Indicative Budget	2010/11 Indicative Budget	Notes
	£000	£000	£000	£000	£000	
Employees	10,256	50	10,306	10,356	10,406	(1)
Premises	24,016	-36	23,980	23,980	23,980	(2)
Supplies & Transport	3,949	1,174	5,123	5,194	5,218	(3)
Third Party Payments	3,686	-250	3,436	3,436	3,436	(4)
Support Services	5,536	500	6,036	6,036	6,036	(5)
Loan Charges	29,646	1,209	30,855	33,234	35,660	
Gross Expenditure	77,089	2,647	79,736	82,236	84,736	
Income	-77,089	-2,647	-79,736	-82,236	-84,736	(6)
Net Expenditure	0	0	0	0	0	

**Notes**

- 1) 2.5% pay uplift and reduced costs of £201k in line with Business Plan.
- 2) Repairs Budget to remain unchanged at £18.2m plus reductions in Grounds Maintenance cost in 2008/09
- 3) Increased provision for void rent loss and arrears written off in temporary accommodation in line with 07/08 out-turns.
- 4) Reduction in contribution to Supporting People.
- 5) Reallocation of support costs from SP funded services.
- 6) Rents increased by RPI +2.7% and service charges by RPI only.

### Outline HRA Capital Programme 2008-09 (DRAFT)

The SHQS Standard Delivery Plan sets a £32 million programme for 2008/09 with investment allocated across the main headings as follows:-

<b>Programme heading</b>	<b>£ million</b>
Housing investment including SHQS work	24.400
Neighbourhood Investment	2.200
Community Care	1.900
Regeneration – site assembly	3.500
<b>TOTAL</b>	<b>32.000</b>

The projected indicative resources to support the 2008/09 capital programme are shown below:-

<b>Funding source</b>	<b>£ million</b>
Prudential borrowing	22.500
Receipt from Council house sales	9.000
Other receipts incl HRA land sales	0.500
<b>TOTAL</b>	<b>32.000</b>