



HRA Cost Allocation Methodology Statement

The purpose of this document is to advise Tenants of the methodology for calculating and allocating HRA costs (including internal costs charged by the Council to the HRA).

February 2019

West Dunbartonshire Council
Housing Revenue Account (HRA) Allocation Methodology

Contents

Section		Pages
1	Supervision & Management Costs	3-4
2	Repairs & Maintenance Costs	5-6
3	Misc Expenditure (Bad Debt Provision, Lost rents, Void Council Tax)	7
4	Loan Charges	8
5	Year end Recharges	9
6	Central Support Allocation in detail	10-11

1. Methodology for calculating and allocating HRA costs - Supervision and Management

	Description	Explanation	Charging methodology	
Employee costs	1.1	Salaries & Wages, Overtime, Superannuation & National Insurance Costs and other employee costs.	Employee costs including wages, superannuation, national insurance etc. 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. Other employee costs include staff training costs and allowances paid to staff for the likes of call out and/or standby by duties.	Employees are paid based on a salary scale, allowing for increments until the top of a salary grade is reached. Costs are inflated each year according to the agreed payaward and a 4% turnover reduction is assumed. The list of staff known as the "establishment list" is sent to the Senior Managers to review each year, to check that the posts are correct and agreeing the % of costs that are to remain within the HRA or that should be recharged out to other departments. Other departments being General Services or HRA capital.
	1.2	Apprenticeship Levy	The apprenticeship levy is a UK tax on employers which can be used to fund apprenticeship training.	It is charged at a rate of 0.5% of the paybill as set by the Government.
	1.3	Employee cost charges from other council departments	Some employees that work within the General Services side of the council, carry out duties on behalf of the HRA and as such a % of their time is recharged to the HRA, for example, the HRA pays for a share of the costs for managing the HMTO service and the procurement service. This will include wages, superannuation and national insurance costs.	As described above in 1.1, the General Services establishment lists will also be reviewed each year by Senior Managers, agreeing the % of costs that should be recharged to the HRA. This list is also provided to the Senior Housing Management Team for review and agreement of the charges being levied on the HRA.
	1.4	Employee cost charges to other council departments	Some employees that are initially charged to the HRA in the first instance, carry out duties on behalf of other departments within the authority, as described above in 1.1. An agreed % of their time is recharged out of the HRA for example time spent on HRA capital projects or duties on behalf of the Homeless Service. This will include wages, superannuation and national insurance costs.	As described above in 1.1, an agreed % of time per employee is reviewed each year.
Property Costs	1.5	Rates, Electricity & Gas	This includes the cost of energy costs for communal areas, the electricity & gas associated with close lighting, lighting in and around the Multi Storey Flats and Standing Charges on void properties.	Charges based upon usage and billed by the relevant utility supplier.
	1.6	Rents	The HRA pays the rental value on all caretaker flats and show flats	The associated rental value of the relevant properties are charged direct to the HRA based on the rental value of each properties which is also increased by the associated rent increase each year.
	1.7	Contract Cleaning	Cleaning of the offices used by the HRA staff, is carried out by the Council's internal cleaning service. Some properties are also used by the HMTO teams and a proportion of costs is recharged out to the HMTO at the year end, to reflect the joint use of the properties.	Cleaning is charged per an hourly rate, with the level of service taking into account, the fact that the properties are multi purpose premises with offices and bothy facilities. This is presently a mixture of alternate day cleaning in the office areas and daily cleaning in the bothy areas, toilets etc.
	1.8	Property insurance	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.	Insurance costs are allocated to the HRA based upon set allocation criteria. Property insurance is based upon the valuations of assets.
	1.9	Other Property Costs	This charge reflects the cost of HRA staff using the office buildings paid for by the General Service Fund, for example Bridge Street, Church Street and Aurora House.	Charges are reflective of the number of HRA employees using each of the different buildings.

1. Methodology for calculating and allocating HRA costs - Supervision and Management

		Description	Explanation	Charging methodology
Transport Costs	1.10	Total Transport Costs	Employee travel costs for business and study. It also includes the hire of caretakers vehicles and the associated costs such as fuel.	Charges are applied direct, via HRA employee travel claim form, per the hire costs of specific vehicles and their associated running costs ie fuel, insurance, repairs & maintenance.
Supplies & Services	1.11	Uniforms, Office Equipment, Stationery, Telephones	Expenses incurred for office equipment, stationery and general office running costs.	Purchases are made direct via the normal procuring method where orders are placed and paid for via invoice or made electronically via the use of the purchase card system or we-buy.
	1.12	IT Systems	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.	Currently, the IT software budget is held centrally, with a recharge of costs being charged to the HRA at year end. The cost of the system was calculated at the time when the budget was being centralised and it is this same amount which is re-charged back to the HRA. This is for the specific Housing Systems only. However, it is acknowledged that the HMTO service also use parts of the system and therefore a proportion of costs is recharged out to the HMTO at the year end.
	1.13	Printer rationalisation - lease and copy costs	Relates to the cost of printing and photocopying	In relation to printer rationalisation across the council, the printer budget is held centrally, with a recharge of costs being charged to the HRA at the year end for the use of the printers and copying costs. The cost is recharged to the HRA based on an historic actual usage.
	1.14	Tenant Participation Costs	This includes the cost of free lets which are the lets associated with providing premises for tenants and resident's associations. It also includes the running costs for TRAs and any publicity and communication costs ie satisfaction surveys and the production of housing news.	The associated rental value of the "free let" properties are charged direct to the HRA based on the rental value of each properties which is also increased by the associated rent increase each year. All other costs are charged direct via invoices, purchase card or we-buy payments.
Support Costs	1.15	Total Central Support Charges to HRA	This is the HRA's share of the costs for using the council's internal services such as IT, Human Resources and Finance etc.	This is covered within a specific Central Support Recharge Methodology Statement. Please see Section 6 on page 10.
Other Expenditure	1.16	Payments to other bodies	As the title suggests, charges under this heading are payments to organisations external to the council. This includes the costs of legal expenses in relation to court actions and bank charges. It also includes the costs of membership and conference fees.	Charges for Legal expenses, bank charges, membership & conference fees are all demand led, which means that the council will pay for the level of services received.
	1.17	Cost of rent abatements	Relates to the cost of rent abatements due to void initiatives.	The rent value not being paid by the tenant, due to agreed abatement, is calculated and charged here
	1.18	Payment to Women's aid in relation to Tenancy Sustainment	The council's contributions towards Women's Aid.	The payment WDC makes to Women's Aid is made up of several parts for different services provided. The element that relates to tenancy sustainment is charged to HRA with the remaining payment paid by the general fund

2. Methodology for calculating and allocating HRA costs - Repairs and Maintenance Expenditure

		Description	Explanation	Charging Methodology
Recharges from HMTO	2.1	Jobbing repairs	The Council is responsible for keeping their homes in a good state of repair which benefit both current and future tenants. The majority of repairs are carried out by the Council's Building Services (HMTO). Repair categories include routine and emergency. This also includes the costs associated with making vacant properties into a suitable state to be relet.	Jobbing repairs are demand led and are therefore carried out according to repair requests. Repairs are charged based on a schedule of rates, which follows the national schedule of rates less an agreed % discount
	2.2	Tenants Priority Budget	As the name suggests, this budget was set aside to be spent according to the priorities as identified by Council Tenants.	Repairs are charged based on a schedule of rates, which follows the national schedule of rates less an agreed % discount.
	2.3	Maintenance Contracts managed by the HMTO on behalf of HRA	Cyclical works that are carried out to Council homes on a planned basis via an external contract but managed internally by the HMTO. Includes the Gas Maintenance Contract & Ventilation Systems.	Charged per contract with supplier plus an additional management charged from HMTO
	2.4	Cyclical Planned Maintenance works	Cyclical works that are carried out to Council homes on a planned basis by the HMTO Team ie Refuse Chute Cleaning, Smoke Detectors	Repairs are charged based on a schedule of rates, which follows the national schedule of rates less an agreed % discount.
	2.5	Other repairs	This includes the cost of decants, special uplifts	Repairs are charged based on a schedule of rates, which follows the national schedule of rates less an agreed % discount.
	2.6	Adaptations for Disabled	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	Repairs are charged based on a schedule of rates, which follows the national schedule of rates less an agreed % discount.
Recharge from Greenspace	2.7	Garden Tidy Scheme	The Garden Tidy Scheme includes the costs associated with the upkeep of grounds in relation to void properties, first cuts and temporary accommodation properties.	Based on a standard cost per property, multiplied by the number of properties
	2.8	Open Space Maintenance	A contribution towards the cost of open space maintenance across our housing areas. The main tasks involve grass cutting, paths, litter collection and hedges.	The charging methodology stems from an Service Level Agreement, with a charge set for a specific level of service received. For example, frequency of grass cutting in open space areas or high amenity areas, weed killing channels & fence lines, maintenance of shrub beds.
	2.9	Recharges relating to Housing Environmental Improvement Team (HEIT)	The team is split into various squads, providing deep cleans, litter picking and environmental improvements.	Pays for the associated cost of 8 full time employees, which are recharged at 100% of their time.
	2.10	Ad hoc Grounds Maintenance Works	Additional grounds maintenance orders as requested by the housing operations team	Jobs are costed according to specific request
	2.11	Cleansing - bin recesses	Cleansing of the bin recesses	Annual fixed charge from Greenspace

2. Methodology for calculating and allocating HRA costs - Repairs and Maintenance Expenditure

		Description	Explanation	Charging Methodology
Recharge from Environmental Health	2.12	Pest Control	Cost of Pest control; a service provided by General Services	Charged according to a Service Level Agreement with Environmental services
Recharge from Waste Services	2.13	Bin replacement	Purchase of new bins	Charged at a price per bin
Charges from external Companies	2.14	Specialist Jobbing Repairs, Cyclical Planned Maintenance and other repairs carried out by external contractors	External contractors are used for specialist works, for example woodworm or dampness. External contractors are also used for some specialist cyclical works ie Communal Washing Equipment maintenance, Lift & CCTV Maintenance, communal TV aerials, Community alarms etc	Charges levied by external contractor.
	2.15	Tenancy Sustainability Purchases	The tenancy sustainment budget is used to assist tenants to set up their tenancies and become settled. It is also used to enable our tenants to overcome difficult situations that are impacting on their tenancy and their ability to remain. This avoids abandonment and terminations which are costly to the council and more importantly detrimental to the tenants and their families and also unsettles communities when we see high turnover of properties	Costs are charged direct to the HRA for purchases made by Housing Officers on behalf of tenants via purchase cards.
	2.16	Care & Repair Payment	Maintenance service provided by an external organisation "Care & Repair" for small minor repairs and maintenance work ie replacing light bulbs for tenants, hanging curtain rails etc	Agreed Annual fixed sum

3. Methodology for calculating and allocating HRA costs - Miscellaneous

	Description	Explanation	Charging Methodology
3.1	Bad Debt Provision	The bad debt provision is money set aside (within the HRA balance sheet) for rent arrears. The amount that is included within the budget each year is the additional amount required to ensure that there is enough provision to cover the anticipated arrears.	Information is gathered on the amount of current and former tenant arrears for both houses and lockups. A calculation is then made to estimate how much of this debt is likely to be repaid. The chance of repayment is broken down into different debt level bandings, with different associated percentages of recovery. ie for debt > £1,000, a provision is made that 80% of this debt will not be repaid, while it is assumed that debts < £100 are likely to be repaid and therefore no provision is made. The percentages are consistent with percentages used for the General Service Bad Debt Provision. The figure calculated for the current financial year, is then compared to the figure that has already been set aside within the balance sheet. The charge to the HRA, is the difference in values.
3.2	Rents - Unlet Period (Houses & Lockups)	Rental charge per property, for the length of time a property remains unlet.	Void HRA properties are charged per their associated weekly rental value.
3.3	Council Tax on void houses	The associated council tax charge of unlet properties	The charge is based on the council tax rate per property, as determined by the Assessors. In some cases, an exemption or a discount is applied. An unoccupied property is exempt from the start of the account for a maximum period of 6 months, a 10% discount is applied once the 6 month period of unoccupied exemption runs out. A double charge is applied to properties which are empty, not ear marked for demolition and are not going to be let.

4. Methodology for calculating and allocating HRA costs - Loan Charges

Loan Charges comprise of 3 elements which are repayments of principle sums and payments of interest and expenses.

	Description	Explanation	Charging Methodology
4.1	Principle Repayments	To build and upgrade council homes over the years, the Council has borrowed money just like a homeowner with a mortgage.	The repayments are calculated on an asset by asset basis and vary depending on how long the asset is expected to last, before it would require to be replaced.
4.2	Interest Payments	Just like with a mortgage, that debt has to be repaid with interest.	A proportion of the overall interest paid in the year for external borrowing, is charged based on the proportion of capital expenditure (financed by borrowing) paid for by the HRA, in comparison to the General Fund.
4.3	Expenses	The HRA also pays a fee for Treasury Management to brokers for arranging the loans, know as Loan Charges Expenses.	These are calculated in the same way as interest payments above
4.4	Capital funded from Current revenue (CFCR)	CFCR is funding from the HRA towards building new council homes, and other capitalised programmes such as some repairs and IT investment	Figure is determined by the HRA Business plan, which is used to facilitate the proposed rent increase.

5. Methodology for calculating and allocating HRA costs - Year end Recharges

By law, the council has to maintain a separate account for the running and management of its housing stock. These accounts are prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom and the Service Reporting Code of Practice and is supported by International Financial Reporting Standards (IFRS).

While adhering to the specific principles and practices of accounting, there are several year end recharges which are charged direct to the HRA as explained below:

	Description	Explanation	Charging Methodology
5.1	Holiday Pay Accrual	The council is required to gather information on the number of days of untaken leave as at the end of the financial year, to allow us to measure the additional amount that the HRA is expected to pay as a result of unused Holiday entitlement.	Costs of paying HRA staff for leave not taken is calculated and charged to HRA . Note that this is not actually paid to employees , it is an accounting adjustment only .
5.2	Pension Costs (FRS17)	FRS 17 is a complex financial reporting standard, but it is based on a simple principle - that an organisation should account for retirement benefits when it becomes committed to give them, even if the actual payment will be many years into the future. The Local Government Pension Scheme, is operated as Strathclyde Pension Fund and administered by Glasgow City Council in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998. This is a funded scheme, which means that the council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.	Before the financial year end, the council is provided with an actuary report from the Scheme. A calculation is then made to determine and allocate the difference between the Employers Contributions per the Actuary report and what has actually been paid. A further calculation is carried out to determine if there is an increase or decrease in the current service cost. It is this increase or decrease which is allocated across the whole council according to the actual in year spend on superannuation costs.
5.3	Depreciation	Depreciation appears in financial statements and reports as an expense. Assets wear out over their lifetime and depreciation recognises this, by allocating a portion of the asset value as an expense each year of its useful life. Depreciation is provided on all property and equipment over their useful economic lives, with an exception made for assets without a determinable finite useful life, for example, non depreciating land and assets that are not yet available for use ie new build houses under construction. The useful lives of assets, as estimated and advised by a suitably qualified officer are as follows: Council Dwellings 40 years, Other buildings 20-60 years, Vehicles, Plant and Equipment 5-10 years.	The council maintains a list of assets known as the asset register, which lists all of the assets owned by the HRA. It is updated as and when assets are sold or when new assets are acquired for example new build houses. The depreciation calculation, known as the straight line method, is based on this asset register, which records the cost of the asset, it's useful life and the value of depreciation to be charged each year over it's useful life.

6. Methodology for calculating and allocating HRA costs - Central Support Allocation

	Description	Services provided - Please note this is not an exhaustive list but should cover the large majority of tasks undertaken for the HRA.	Calculation Methodology
6.1	Internal Audit	Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.	Allocation based on best estimate of where the work of internal audit is focused each year. However, the overall effort of internal audit is intended to provide overall assurance as to the adequacy and effectiveness of the council's systems of governance, risk management and internal control in each year.
6.2	Change Support	Service provide support to Managers and Staff through changes in processes and structures.	Prorata according to the number of employees
6.3	Communications & Marketing	Provides design and production services for all external correspondence to tenants, including the production of Housing News. The service also manages the council's social media and press releases.	Based on work as accessed by the Manager of the service
6.4	Contact Centre/One stop shop	The contact centre is a service set up to enable easier access of information for members of the public and tenants. They deal with calls relating to a variety of queries for example: Benefits, Customer Satisfaction, Council Tax, Income Management, Housing Allocations, Pest control, Rents, Rent Refunds, Repairs.	A record is kept of all the case types received into the Contact Centre and details how they were dealt with ie sent to back office, call transferred or if the case was closed by the contact centre. Case types are for example, Benefits, Housing Allocations, Rents etc. An allocation is then based on the HRA's usage of this service. A record of "quick queries" is also kept where there was general advice given but no case created and this will also be in relation to some HRA activity. An estimate of time spent would be used in this situation.
6.5	Policy, Planning & Performance	This service provides support to the housing management team in respect of developing and delivering service plans.	Based on work as accessed by the Manager of the service
6.6	Democratic Representation & Corporate Management	All local authorities incur Corporate and Democratic Core costs. These are made up of 2 elements; first, the costs of Democratic Representation and Management (costs relating to all aspects of members' activities) and second, the costs of Corporate Management (costs of the infrastructure which allows services to be provided and information required for public accountability). Democratic costs are made up of: all members' allowances & expenses; the costs associated with officer time spent on appropriate advice to members and related support activities; subscriptions to local authority associations and provincial councils. Corporate Management costs are made up of: the costs of the head of paid service; the maintenance of statutory registers; the provision of information required by members of the public; the completion of corporate returns and reports; time spent on corporate level resources etc.	% of time spent by relevant staff on the duties as per the definition shown opposite.
6.7	Allocation of Strategic Lead	The Strategic Lead Housing and Employability is responsible for the overall management of the HRA account. This includes the Housing Development service area which performs the statutory strategic housing authority role within West Dunbartonshire, ensuring the provision of high quality affordable housing in safe and attractive areas. It also includes the Housing Operations service area which delivers the Housing Landlord function and access to housing role within West Dunbartonshire. It provides operational management of a range of integrated services encompassing tenancy and estates management, housing caretaking and environmental services and housing allocation services.	The Strategic Lead for Housing & Employability has a split responsibility to service areas within both the General Service and the HRA. As such, the cost of the Strategic Lead post is split 50:50 between General Services and the HRA.
6.8	Central Admin Support	Incoming/Outgoing phone calls (inc helplines), Managing mail (both internal and external), note taking/minutes/typing etc, Processing orders (Webuy/Purchase cards), processing/generating invoices, missive filing/requests, surveys/questionnaire (set up/completion/output), managing email inboxes/general queries/general office support (photocopying/scanning), Inputting work orders, FOI processing, procurement requests/support, various system & database support/upkeep/admin), payments via webpay, void property administration, work input orders,	Recharge based on the estimated percentage of time spent on HRA activities per individual employee.

6. Methodology for calculating and allocating HRA costs - Central Support Allocation

	Description	Services provided - Please note this is not an exhaustive list but should cover the large majority of tasks undertaken for the HRA.	Calculation Methodology
6.9	Risk & Insurance	Processing and arranging insurance cover and claims for the council.	% of time spent by relevant staff on the duties as per the definition shown opposite. The allocation for the employee insurance charge is based on the number of employees,
6.10	IT Services	IT Services have several functions and responsibilities for example: Business Support - this includes the ICT Service desk, system upgrades, electronic service delivery development; IT Connect which includes Desktop Services; Infrastructure Support which includes Telephony Management & Support, Security Support, Communications infrastructure Management & Support.	It is based on a combination of factors including number of IT user in Housing, the number of devices allocated to Housing, the number of helpdesk incidents logged, the number of service requests raised and any project work eg year end processes, IHMS project, as well as share of corporate upgrades such as security of servers, replacing servers, data migration. In addition there is specific housing related operational tasks eg setting up and monitoring overnight interface files (rent, cash etc) plus backup and system check processes.
6.11	Revenue and Exchequer Charges	Rent Collection Work including early intervention, including taking payments & making/monitoring payment arrangements, Court work, Visits, Arrange & carry out evictions, Earning arrestments, Manage staff rent mandates, manage direct debits & standing Orders including annual rent increase renewals, arrears direct applications, hardship applications, Rent journals, Income maximization/joint working with housing & other agencies including referral to other agencies, manage lock ups, manage sequestration write offs, manage debt arrangement scheme, manage former tenants including write offs, credit refunds, produce weekly reports for arrears monitoring, manage the rent accounting system including processing swipe card requests and account amendments, year end rent increase and system testing, managing BACS files daily and weekly, warden charges and content insurance.	Recharge based on the estimated percentage of time spent on HRA activities per individual employee.
6.12	Accountancy	Provides all financial services including Budgetary Control Reports, Budgets, Year end Accounts, Support to the Joint Rent Group, Supporting and Managing Finance system, providing Committee/Council reports, Providing Financial advice to Budget Holders, carrying out reconciliations, replying to Freedom of Information requests, completing statutory returns.	% of staff time spent
6.13	Finance Service Centre	The Finance Service Centre deals with Debtors Refunds, Credit write-offs, overall development of the council's finance systems, training, year end support, payment runs, FOIs, and Webuy support.	Recharge based on the estimated percentage of time spent on HRA activities per individual employee.
6.14	Transactional Services (HR Connect & Payroll)	HR Connect deals with newstarts, contract changes, terminations, general support around terms & conditions, workforce management development. Payroll deals with newstarts, contract changes, terminations, timesheets, pension processing and year end processes.	Recharge based on the estimated percentage of time spent on HRA activities per individual employee.
6.15	Human Resources	Provides support to employees and managers on all human resource issues for example, contracts, recruitment, union negotiations, restructures etc	Recharge based on the estimated percentage of time spent on HRA activities per HR manager.
6.16	Legal Services	Legal services is responsible for all legal advice to both Officers and Members including: Conveyancing, Litigation, Council House Sales, Employment Law, Contracts and Freedom of Information and Data Protection Law.	An assessment is based on an analysis of past year's work undertaken. This will involve detailed analysis of transactions but also an assessment of general advice and a breakdown of time spent, for example on debt recovery etc.