
HOUSING REVENUE ACCOUNT – REVENUE BUDGET 2006/07

**Responsible Cabinet Member(s) - Councillor Bill Dixon,
Community and Public Protection Portfolio**

Responsible Director(s) - Cliff Brown, Director of Community Services

Purpose of Report

1. To review the draft revenue budget, rent levels and service charges for the Council's Housing Revenue Account (HRA) for the financial year 2006/07.

Information and Analysis

2. The HRA revenue budget for 2006/07 is shown at **Appendix 1**. The principal factors and key elements taken into account in the draft budget are: -
 - (a) The impact of the Government's Rent Restructuring Policy
 - (b) The HRA Subsidy determination
 - (c) A review of garage rents and service charges
 - (d) The programme of repairs and maintenance detailed in the Housing Business Plan.

Rent Restructuring

3. The main objective of the Government's policy on rent restructuring is that rents should be fair and affordable for tenants in the social rented sector. The policy sets out a common basis on which all rents in the social sector should be set. This means that the rent for a house or flat (known as the formula rent) is linked to its capital value, size, location, condition and local earnings so that tenants can make a proper choice between how much they pay and the size and quality of the property they live in.
4. Following on from the recent consultation on rent restructuring it is proposed to introduce new bedroom weightings, which will enable target rents to increase for larger properties. National average property values and average rents, which have always been part of the rent calculation formula, have also increased to be in line with the Registered Social Landlord sector which means larger rent increases than in previous years. Rents and service charges have traditionally been considerably lower for local authority housing than for housing associations and these proposals are intended to create greater standardisation of charges throughout the social housing sector.

5. The impact on tenants of the continuing implementation of the rent restructuring policy and increases to existing service charges have been assessed for all properties to ensure that the impact on individual property rent levels is limited. The increase in weekly rents is notified to local authorities by the Government through the Housing Subsidy determination and the effect of the proposed increase for 2006/07 is that average weekly rents increase by 4.78 % (or £2.20) from £46.03 in 2005/06 to £48.23 in 2006/07. The financial impact of the proposed increase in charges is included in the draft budget shown at **Appendix 1**. Examples of the proposed weekly rent increases for 2006/07 are shown at **Appendix 2**.

Housing Subsidy

6. A number of changes were made to the Housing Subsidy system for 2004/05. Though there are no changes to the system for 2006/07, changes to the values attached to individual subsidy elements do have an effect on the subsidy calculation. Darlington has gained significantly from increases in Management and Maintenance allowances. The per-property allowances for these two elements have increased by £28.41 (6.7%) and £109.39 (13.7%) respectively. These changes are detailed in Table 1.

Table 1: Housing Subsidy 2006-07

Subsidy Element	2005/06	2006/07	Change	
	£M	£M	£M	%
Management	2.495	2.584	+0.089	+3.5
Maintenance	4.668	5.153	+0.485	+10.4
Major Repairs Allowance	3.414	3.453	+0.039	+1.1
Admissible Allowance	0.006	0.003	-0.003	-50.0
Capital Financing	1.653	1.661	+0.008	+0.5
Notional Income	-12.501	-13.298	+0.797	+6.4
Total Subsidy	-0.265	-0.444	-0.179	+67.4
Less MRA - Capital	-3.414	-3.453	-0.039	-1.1
Total Subsidy in Revenue Account	-3.679	-3.897	-0.218	+5.9

Review of Service Charges

7. Members agreed as part of the Housing Revenue Budget 2004/05 to amend the arrangements for services charges in Sheltered Housing, Extra Care Housing and blocks of flats to allow for full recovery of costs over a five year period. The increases proposed for 2006/07 will be the third year of this process and are similar to those implemented in the last two years. Previously Warden, Building Services and Grounds Maintenance Services were considerably subsidised, with the balance of costs being met by other tenants through rent pooling arrangements. Table 2 below shows that these arrangements continue to be subsidised but to a lesser extent than in previous years.

Table 2: Service Charges 2006/07

Service Charge	Total Cost £	Total Income £	Net Cost 2006/07 £	Net Cost 2005/06 £
Warden Services	738,890	(665,605)	73,285	96,793
Building Cleaning – Comprehensive Sheltered Schemes	79,766	(42,174)	37,592	48,581
Building Cleaning – Flats	39,417	(35,410)	4,007	19,798
Grounds Maintenance – All	362,546	(350,963)	11,583	15,803
Total	1,220,619	1,094,152	126,467	180,975

8. Details of the proposed service charges for individual Extra Care and Sheltered Housing Schemes based on the actual costs of the work undertaken in individual schemes are shown in Table 3 below.

Table 3: Proposed Service Charges for Extra Care and Sheltered Schemes, 2006/07

Scheme	Ground Maintenance £	Building Cleaning £	Warden Service £	Total Charge £	Total Increase £
Extra Care Housing					
Dalkeith House	1.40	5.11	7.46	13.97	2.36
Oban Court	1.25	4.25	7.46	12.96	3.17
Sheltered Housing					
Branksome Hall	1.61	1.20	7.46	10.27	1.27
Dinsdale Court	1.98	2.49	7.46	11.93	2.08
Windsor Court	1.25	1.50	7.46	10.21	1.29
Linden Court	1.25	1.65	7.46	10.36	1.35
Rockwell House	1.25	1.56	7.46	10.27	1.30
Rosemary Court	1.25	2.06	7.46	10.77	1.56
Ted Fletcher Court	1.25	1.45	7.46	10.16	1.26
Roxby Court	1.25	3.05	7.46	11.76	1.96

9. It is clear from Table 3 that in most Sheltered Housing Schemes the level of services provided are relatively similar. For the Extra Care Schemes any additional work undertaken reflects the close consultation with tenants throughout the development of the new arrangements.
10. Almost 70% of tenants are eligible for Housing Benefit, which will cover the additional cleaning and grounds maintenance charges and 20% of the cost of the Warden charges. However the other 80% of Warden costs are covered by Supporting People Grant, which is cash limited and the amount we receive is subject to the decision of the Supporting People Commissioning Body. This year it has been agreed to increase the grant to cover the full costs of the increased charge.

11. For blocks of flats it has been established that a similar level of service is received and therefore it is proposed that a flat rate increase is applied as detailed at Table 4 for both Grounds Maintenance and Building Cleaning which reflects the previous decision to recover the shortfall in income over the next three years.

Garage Rents and Service Charges

12. Proposals for garage rents and service charges are set out in Table 4 overleaf. The increase in the heating charge reflects the increase in fuel costs during the year that have always been passed on in full to the tenants. The budget at **Appendix 1** includes the financial effect of the proposed increases. The proposed service charges for Warden, Building Cleaning and Grounds Maintenance provide for achieving full recovery of costs from tenants of the schemes concerned by 2008-09, with 2006/07 being the third year of a five-year transition.

Table 4: Garage Rents and Service Charges

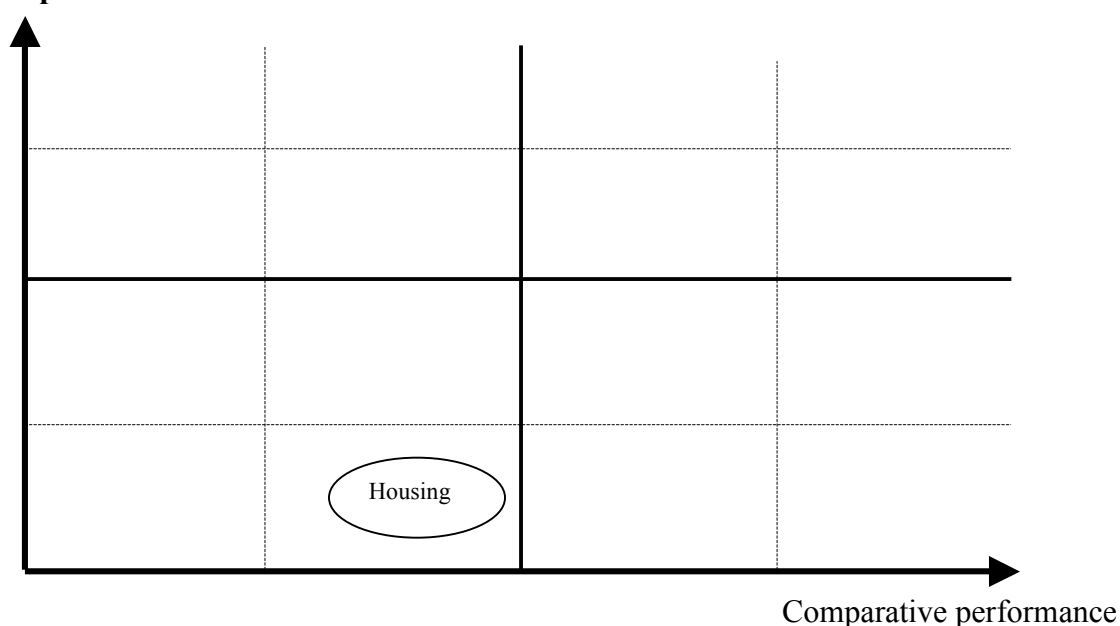
Description	Current Weekly Charge	Proposed Weekly Charge
	£	£
Garage Rents	4.29	4.43
Building Cleaning – Flats	0.58	0.86
Grounds Maintenance – General Housing	1.15	1.25
Grounds Maintenance – Blocks of Flats	1.15	1.25
Heating	4.89	7.26
Furnishings and Fittings – Comprehensive Schemes	1.27	1.31
Furnishings and Fittings – Good Neighbour Schemes	0.57	0.59
Mobile Warden	3.68	4.00
Resident Warden	6.58	7.46
Pavement Crossings and Hardstandings	2.72	2.81
Mid-day Meal – Extra Care	19.81	20.44
Furnished Tenancies - Flat	21.90	22.56
Furnished Tenancies - 2 Bed House	35.32	36.38
Furnished Tenancies - 3 Bed House	36.95	38.06

Value for Money

13. Providing value for money is an essential element of departmental management. For the first time this year we are trying to show value for money graphically showing performance against cost and then comparing ourselves to other local authorities. The cost data used relates to the 2005/06 budget estimates and the performance data relates to 2003/04, being the latest available at this point in time.
14. The Housing Revenue Account graph in particular needs to evolve and the performance data used extended to identify individual areas of VFM to contribute to the total. The graph shows the service to be low cost, which can be confirmed by recent BVPI cost comparators.

15. The graph also shows the service to be in the lower than average performance quadrant. This does not represent the overall housing position as the service is listed by the Housing Quality Network as being in the top quartile of authorities. The HQN results are taken from a basket of key performance indicators and the results shown against other local authorities. The service also scores 3 out of 4 in the CPA service block contributing to the Council's overall excellent rating.
16. The performance showing on the following graph is lower due to the inspection result from the Repairs and Maintenance Inspection of October 2004 being included. The inspection noted the service was fair with some weaknesses identified around value for money and the responsive repairs service. A project group has been working on an action plan to address all the issues, a number of which have already been completed and implemented, the remainder of which will all be fully implemented during 2006/07.

Comparative Costs



Budget Pressures

17. The Housing Revenue Account subsidy determination increased the resources for 2006/07 by £300,000 so there are no unresourced pressures on the account. There are however constant demands on the HRA as it is self-financing and does not benefit from corporate funding in areas such as pension or insurance increases. There is also pressure on the repairs and maintenance budget, which will need to be managed and reduced over the next couple of years. It is anticipated the Repairs and Maintenance review being undertaken will increase the efficiency of the repairs service and contribute to the reduction in expenditure.

Outcome of Consultation

18. The arrangements for the full recovery of costs for services over a five year period was supported by tenants groups at the time of introduction in 2004/05. Any subsequent significant changes in services which result in increased charges are only implemented after consultation with the residents of that particular scheme.

Financial Implications

19. Under Part 2 of the Local Government Act 2003 the Director of Corporate Services as the Council's Responsible Financial Officer is required to inform Members of the robustness of the proposed estimates and the appropriateness of the level of projected Housing Revenue Account balances.
20. The Director of Corporate Services has confirmed that the estimates have been prepared on the most up to date information available and within the guidance he has set out. For 2006/07, he is satisfied that these represent a fair view of the Council's ongoing plans and commitments, although Members will need to appreciate that some budgets more than others are subject to volatility and will, therefore, continue to be monitored closely and remedial action taken when appropriate.
21. He is also satisfied that the level of revenue balances in the Housing Revenue Account projected at 31 March 2007 (£0.5 M) are adequate particularly given the Council's track record in budget management and taking remedial action when necessary to correct variances from approved financial plans.

Legal Implications

22. This report has been considered by the Borough Solicitor for legal implications in accordance with the Council's approved procedures. There are no issues which the Borough Solicitor considers need to be brought to the specific attention of Members, other than those highlighted in the report.

Section 17 of the Crime and Disorder Act 1998

23. The contents of this report have been considered in the context of the requirements placed on the Council by Section 17 of the Crime and Disorder Act 1998, namely, the duty on the Council to exercise its functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent, crime and disorder in its area. It is not considered that the contents of this report have any such effect.

Council Policy Framework

24. The issues contained within this report are required to be considered by Council.

Recommendation

25. That it be recommended to Council that:
 - (a) the implementation of rent restructuring and formal rents be continued;
 - (b) an average weekly rent increase of 4.78% (£2.20) be implemented in line with the Government rent re-structuring model;
 - (c) service charges for Extra Care and Sheltered Housing Schemes be increased as shown in Table 3; and

(d) garage rents and service charges be increased as detailed in Table 4.

Reasons

26. The recommendations are supported by the following reasons:-

- (a) To enable the Council to deliver an appropriate level of service to Housing tenants.
- (b) To reflect changing circumstances and conditions in the housing market.

Cliff Brown
Director of Community Services

Background Papers

- (i) 20 December, 2005 - HRA Subsidy Determination for 2006/07 received from the ODPM.

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