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**HOUSING REVENUE ACCOUNT – REVENUE BUDGET 2007/08**

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

**Responsible Director - Cliff Brown, Director of Community Services**

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**Purpose of Report**

1. To review the revenue budget, rent levels and service charges for the Council's Housing Revenue Account (HRA) for the financial year 2007/08.

**Information and Analysis**

2. The proposed HRA revenue budget for 2007/08 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. 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 and arrive at rent convergence by 2011.
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 2007/08 is that average weekly rents increase by 5% (or £2.43) from £48.23 in 2006/07 to £50.66 in 2007/08. 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 2007/08 are shown at **Appendix 2**.

## Housing Subsidy

6. Though there are no changes to the subsidy system for 2007/08, changes to the values attached to individual subsidy elements have an effect on the subsidy calculation. Darlington has gained from increases in Management and Maintenance allowances. The per-property allowances for these two elements have increased by £18.83 and £38.27 (respectively). These changes are detailed in Table 1.

**Table 1: Housing Subsidy 2007-08**

Subsidy Element	2006/07	2007/08	Change	
	£M	£M	£M	%
Management	2.584	2.651	+0.067	+2.6
Maintenance	5.153	5.292	+0.139	+2.7
Major Repairs Allowance	3.453	3.506	+0.053	+1.5
Admissible Allowance	0.003	0.000	-0.003	-100.0
Capital Financing	1.661	1.700	+0.039	+2.3
Notional Income	-13.298	-14.090	-0.792	-6.0
<b>Total Subsidy</b>	<b>-0.444</b>	<b>-0.941</b>	<b>-0.497</b>	<b>-112.1</b>

## 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 2007/08 will be the fourth year of this process and with the exception of the Resident Warden charge are similar to those implemented in the last three years. Prior to commencing this process, Warden, Building Cleaning 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 with the exception of the Resident Warden Charge.

**Table 2: Service Charges 2007/08**

Service Charge	Total Cost £	Total Income £	Net Cost 2007/08 £	Net Cost 2006/07 £
Warden Services	835,725	762,233	73,492	73,285
Building Cleaning – Comprehensive Sheltered Schemes	60,596	47,618	12,978	23,740
Building Cleaning – Flats	54,862	44,439	10,423	17,860
Grounds Maintenance – All	358,502	351,897	6,605	11,583
<b>Total</b>	<b>1,309,685</b>	<b>1,206,187</b>	<b>103,498</b>	<b>126,468</b>

8. For 2007/08 the cost of the Resident Warden Service is projected to increase above normal inflation by £60K due to salary increases of £15k to reflect job evaluation and £45k to reflect increased electricity charges. Within the original concept of full recovery of costs as described in paragraph 7, there are four potential options for recovering these increased costs as follows:-
- (i) Implement the increased charges in full in 2007/08 – This would cause financial hardship to residents not in receipt of Housing Benefit/Supporting People Grant. There are also Supporting People implications as the grant is cost limited. This would mean that compared to the weekly charge for 2006/07 of £7.46, the charge for 2007/08 would increase to £8.94 (19.8% increase). This compares to the previously planned increase to £8.37 (12.2% increase).
  - (ii) Introduce budget cuts – As part of the Service Reviews undertaken by Supporting People there is to be a comprehensive review of all Warden Service provision throughout Darlington next year. Whilst we are currently identifying any potential opportunities for efficiency savings any significant savings would only be possible by a reconfiguration of the overall service and this will take around a year to complete.
  - (iii) Implement the originally planned increase and charge £8.37 for 2007/08 leaving a deficit of £25k.
  - (iv) Extending the phasing in process to protect residents from relatively significant increases. It is proposed that this takes place over a four year period but that this is reviewed in a year's time to reflect the outcome of the service review referred to in Option (ii). This would mean the charge for 2007/08 would be £8.51, leaving a deficit of £19k, which could be more easily managed.
9. 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 2007/08**

<b>Scheme</b>	<b>Ground Maintenance £</b>	<b>Building Cleaning £</b>	<b>Warden Service (1) £</b>	<b>Total Charge (2) £</b>	<b>Total Increase £</b>
<b>Extra Care Housing</b>					
Dalkeith House	1.52	6.53	8.37-8.51	16.56	2.59
Oban Court	1.29	5.87	8.37-8.51	15.67	2.71
Rosemary Court	1.58	5.00	8.37-8.51	15.09	4.32
<b>Sheltered Housing</b>					
Branksome Hall	1.83	1.36	8.37-8.51	11.70	1.43
Dinsdale Court	2.40	2.72	8.37-8.51	13.63	1.70
Windsor Court	1.29	1.83	8.37-8.51	11.63	1.42
Rockwell House	1.29	2.11	8.31-8.51	11.91	1.64
Ted Fletcher Court	1.29	1.73	8.31-8.51	11.53	1.37
Roxby Court	1.29	3.96	8.37-8.51	13.76	2.00

- Note (1): The proposed weekly charge for the Warden Service will depend upon which option is chosen in paragraph 8 (i to iv).
- Note (2) The Total Charge assumes option 8 iv.

10. 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. For Rosemary Court, which is due to re-open in September 2007 the costs have been estimated and will be subject to further review in 2008/09.
11. 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. Whilst a final decision will not be made by the Commissioning Body until the end of January 2007, it is anticipated that some but not all of the increased charges will be covered. For example, under Option (iv) in Paragraph 8, best estimates indicate a shortfall of 9p per week, which will need to be paid by individual tenants as a top-up to their Supporting People grant.
12. 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 two years.

### **Garage Rents and Service Charges**

13. Proposals for garage rents and service charges are set out in Table 4 overleaf. For garage rents it is possible to increase the weekly charge by more than inflation to better reflect the charges being made by neighbouring organisations. Garage rents in Darlington have previously been kept quite low in recognition of low demand issues. However around three years ago a comprehensive garage review was undertaken and this resulted in a programme of selective demolition and substantial improvement works. This programme has been successful in addressing the previous low demand issues and it is therefore appropriate to consider increasing the charges to reflect the significant amount of investment undertaken in the Council's garages in recent years. The financial implications of four possible options are shown below:
  - An increase for inflation only of £0.14 (3%) per week to £4.57 would generate additional income in 2007/08 of £8k.
  - An increase of 0.50 (11.2%) per week to £4.93 would generate additional income in 2007/08 of £29k.
  - An increase of £0.75 (16.9%) per week to £5.18 would generate additional income in 2007/08 of £43k.

- An increase of £1.00 (22.6%) per week to £5.43 would generate additional income in 2007/08 of £58k.

14. 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 the Mobile Wardens, Building Cleaning and Grounds Maintenance provide for achieving full recovery of costs from tenants of the schemes concerned by 2008-09, with 2007/08 being the fourth year of a five-year transition. It should be noted that Supporting People Grant may not cover the full cost of the increased charge for the Mobile Warden Service. The shortfall is currently anticipated to be around 6p per week. For the Residents Warden charge the proposed weekly charge and implications will vary depending on the options as described in paragraph 8.

**Table 4: Garage Rents and Service Charges**

Description	Current Weekly Charge	Proposed Weekly Charge (1)
	£	£
Garage Rents	4.43	4.57-5.43
Building Cleaning – Flats	0.86	1.15
Grounds Maintenance – General Housing	1.25	1.29
Grounds Maintenance – Blocks of Flats	1.25	1.29
Heating	7.26	9.28
Furnishings and Fittings – Comprehensive Schemes	1.31	1.35
Furnishings and Fittings – Good Neighbour Schemes	0.59	0.61
Mobile Warden	4.00	4.23
Resident Warden	7.46	8.37-8.51
Pavement Crossings and Hardstandings	2.80	2.90
Mid-day Meal – Extra Care (Residents only)	20.44	21.07
Mid-day Meal – Extra Care (Non-Residents only)	20.44	24.01
Furnished Tenancies - Flat	22.56	23.28
Furnished Tenancies - 2 Bed House	36.38	37.54
Furnished Tenancies - 3 Bed House	38.06	39.28

Note (1): The proposed weekly charge for Garage Rents and the Resident Warden will be subject to the option chosen in paragraph 8 and 13.

### Value for Money

15. Providing value for money is an essential element of departmental management. An assessment has been made of the Housing Performance Indicators for 2006/07 and this shows that the service is in the upper threshold for 13 out of 17 indicators. These include key value for money indicators such as the average management costs, percentage of rent collected and the average relet times. The remaining 4 indicators are in the middle threshold with none in the lower threshold. If this assessment is endorsed by the Audit Commission it will mean that the Housing Service will increase its previous score of 3 out of 4 to 4 out of 4 in the CPA Service block.

## **Budget Pressures**

16. The Housing Revenue Account subsidy determination increased the resources for 2006/07 by £300,000 so there are no un-resourced 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 salary increases from job evaluation and fuel increases. There is also continuing pressure on the repairs and maintenance budget, which will need to be managed. 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**

17. The report was considered by the Tenant's Board on 17 January 2007 and received their support subject to reassurances that there would be a continuation of the programme to improve the Council's garages and address security issues as appropriate.

## **Financial Implications**

18. 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.
19. 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 2007/08, 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.
20. He is also satisfied that the level of revenue balances in the Housing Revenue Account projected at 31 March 2008 (£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**

21. 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**

22. 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**

23. The issues contained within this report do not represent change to Council policy or the Council's policy framework.

## **Recommendation**

24. Cabinet have considered these proposals and recommended to Council that:
- (a) The implementation of rent restructuring and formula rents be continued.
  - (b) An average weekly rent increase of 5% (£2.43) be implemented in line with the Government rent re-structuring model.
  - (c) The Ground Maintenance and Building Cleaning service charges for Extra Care and Sheltered Housing Schemes be increased as shown in Table 3.
  - (d) All other service charges with the exception of resident warden charges and garage rents be increased as detailed in Table 4.
  - (e) Resident Warden Charges increase to £8.51 per week in accordance with Option iv at Paragraph 8.
  - (f) Garage rents increase to £5.43 per week in accordance with Option (iv) at Paragraph 13.
  - (g) The budget at **Appendix 1** be approved.

## **Reasons**

25. 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) December, 2006 - HRA Subsidy Determination for 2007/08 received from the ODPM.

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