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**HOUSING REVENUE ACCOUNT – REVENUE BUDGET 2005/06**

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**Responsible Cabinet Member(s) - Councillor Bill Dixon,  
Community and Public Protection Portfolio &  
Councillor Eleanor Lister, Adult Services Portfolio**

**Responsible Director(s) – Cliff Brown, Director of Community Services**

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**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 2005/06.

**Information and Analysis**

2. The draft HRA revenue budget for 2005/06 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. Rents and service charges have traditionally been considerably lower for local authority housing than for housing associations and these proposals are intended through time to create greater standardisation of charges throughout the social housing sector.
4. 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 2005/06 is that average weekly rents increase by 3.51 % (or £1.34) from £44.69 in 2004/05 to £46.03 in 2005/06. The financial impact of the proposed increase in charges is included in the draft budget shown at **Appendix 1**.

## Housing Subsidy

5. A number of changes were made to the Housing Subsidy system in 2004/05. Though there are no changes to the system for 2005/06, 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 £84.92 (25%) and £122.76 (18%) respectively. These changes are detailed in Table 1.

**Table 1: Housing Subsidy 2005/06**

Subsidy element	2004-05	2005-06	Change	
	£M	£M	£M	%
Management	2.102	2.495	+0.394	+18.7
Maintenance	4.154	4.668	+0.514	+12.4
Major Repairs Allowance	3.355	3.414	+0.058	+1.8
Capital Financing	1.620	1.652	+0.033	-2.0
Income	-12.508	-12.501	+0.006	-0.1
Total Subsidy	-1.267	-0.265	+1.002	+79.1
Less MRA - Capital	-3.355	-3.414	-0.058	-1.8
Total Subsidy in Revenue Account	-4.622	-3.678	+0.944	+20.4

## Review of Service Charges

6. A copy of the report on the Housing Revenue Budget 2004/05 is provided at **Appendix 2**. Members agreed at that time 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. Previously 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.

**Table 2: Service Charges 2005/06**

	Total Cost	Total Income	Net Cost	Net Cost for 2004/05
	£	£	£	£
Warden Services	723,215	(626,422)	96,793	154,728
Building Cleaning – Comprehensive Sheltered Schemes	79,583	(31,002)	48,581	62,200
Building Cleaning – Flats	44,291	(24,493)	19,798	11,300
Grounds Maintenance – All	348,933	(333,130)	15,803	27,900
<b>Total</b>	<b>1,196,022</b>	<b>1,022,551</b>	<b>173,471</b>	<b>256,128</b>

7. For 2004/05 it was agreed that the charges would be based on the average cost of similar schemes but that a review should take place during the year to establish the impact of basing charges for 2005/06 onwards on the actual cost of individual sheltered schemes and blocks of flats. This review is now completed and details of the proposed service charges for individual Extra Care and Sheltered Housing Schemes are shown in Table 3.

**Table 3: Total Weekly Service Charges for Extra Care and Sheltered Schemes**

<b>Scheme</b>	<b>Ground Maintenance £</b>	<b>Building Cleaning £</b>	<b>Warden Service £</b>	<b>Total Charge £</b>	<b>Total Increase £</b>
<b>Extra Care</b>					
Dalkeith House	1.26	3.77	6.58	11.61	2.77
Oban Court	1.15	2.06	6.58	9.79	2.19
<b>Sheltered</b>					
Branksome Hall	1.36	1.06	6.58	9.00	1.40
Dinsdale Court	1.54	1.73	6.58	9.85	2.25
Windsor Court	1.15	1.19	6.58	8.92	1.32
Linden Court	1.15	1.28	6.58	9.01	1.41
Rockwell House	1.15	1.24	6.58	8.97	1.37
Rosemary Court	1.15	1.48	6.58	9.21	1.61
Ted Fletcher Court	1.15	1.17	6.58	8.90	1.30
Roxby Court	1.15	2.07	6.58	9.80	2.20

8. 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. Whilst it is difficult to make an exact comparison with housing associations, the service charges for a typical inclusive housing association Extra Care Scheme is over £43 per week compared to weekly charges of between £8.90 and £11.61 for Grounds Maintenance, Building Cleaning and Warden Services for the Council's schemes. Where the costs for Sheltered Housing Schemes are above average discussions will take place with tenants during 2005/06 to establish whether they wish to revise the standard of service they currently receive.
9. Housing Benefits, which 70% of tenants are eligible for, 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 the Council received for 2005/06 has been reduced by 7.5%. The Commissioning Body for Supporting People has therefore decided not to cover any inflationary increases and tenants will need to pay 76p of the proposed weekly increase of £1.12.
10. 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 four years.

## Garage Rents and Service Charges

11. Proposals for garage rents and service charges are set out in Table 4 below. The draft 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 2005/06 being the second year of a five-year transition.

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

Description	Current Weekly Charge	Proposed Weekly Charge
	£	£
Garage Rents	4.15	4.29
Building Cleaning – Flats	0.32	0.58
Grounds Maintenance – General Housing	1.06	1.15
Grounds Maintenance – Blocks of Flats	1.13	1.15
Heating	4.73	4.89
Furnishings and Fittings – Comprehensive Schemes	1.23	1.27
Furnishings and Fittings – Good Neighbour Schemes	0.55	0.57
Mobile Warden	3.55	3.68
Resident Warden	5.65	6.58
Pavement Crossings and Hardstandings	2.62	2.72
Mid-day Meal – Extra Care (1)	19.25	19.81

Note (1) After deducting Housing Benefit where applicable this leaves tenants with £13.25 to pay.

## Repairs and Maintenance Programme

12. The budget for revenue repairs needs to be managed alongside capital expenditure on modernisation and refurbishment. In July Council considered stock ownership options and approved retention of stock ownership and management. The business case for stock retention includes planned reductions in repairs and cyclical maintenance over the medium term and increased capital investment funded by prudential borrowing. The proposed repairs budget for 2005-06 takes account of those long-term plans.

## Financial Implications

13. 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.

14. 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 2005/06, 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.
15. He is also satisfied that the level of revenue balances in the Housing Revenue Account projected at 31 March 2006 (£1.309 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. In light of the long-term commitment to improve stock to the Darlington Standard, it is appropriate to plan for a higher level of balance at 31 March 2006 than has been carried forward in previous years.

### **Outcome of Consultation**

16. Consultation has taken place with tenants of Extra Care Sheltered Housing Schemes with respect to the individual level of services provided in their schemes.

### **Legal Implications**

17. 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**

18. 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**

19. The issues contained within this report do not represent change to Council policy or the Council's Policy Framework.

### **Recommendation**

20. Council are requested to agree:-
  - (a) the proposed Housing Revenue Account Budget for 2005/06;
  - (b) that the implementation of Rent Restructuring and formula rents be continued, as detailed in paragraphs 3 and 4;

- (c) that the outcome of the review of service charges for individual sheltered housing schemes, extra care sheltered housing schemes and blocks of flats be implemented as detailed in paragraphs 7 and 10;
- (d) the weekly service charges for extra care and sheltered schemes, garage rents and other service charges, as detailed in tables 3 and 4;

### **Reasons**

- 21. The recommendation is supported to enable the Council to deliver an appropriate level of service to Housing tenants.

**Cliff Brown**  
**Director of Community Services**

### **Background Papers**

- (i) 17 December 2004 – HRA draft Subsidy Determination for 2005/06 received from the ODPM.

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