
HOUSING REVENUE ACCOUNT – REVENUE BUDGET 2009/10

**Responsible Cabinet Member - Councillor Bill Dixon,
Neighbourhood Services and Community Safety Portfolio**

Responsible Director – Cliff Brown, Director of Community Services

Purpose of Report

1. To consider Cabinet's proposals for the revenue budget, rent levels and service charges for the Council's Housing Revenue Account (HRA) for the financial year 2009/10.

Summary

2. The report considers in particular the impact of the Government's Rent Restructuring Policy, the HRA Subsidy determination and the proposed increase in rent and service charges.

Recommendation

3. Cabinet have considered these proposals and recommended to Council that:-
 - (a) An average weekly rent increase of 6.02% (£3.21) be implemented in line with the Government rent restructuring model.
 - (b) Service charges for Extra Care and Sheltered Housing Scheme be increased as shown in Table 3.
 - (c) All other service charges be increased as detailed in Table 4.
 - (d) The budget at **Appendix 1** be approved.
 - (e) Council approve the contents of the report.

Reason for Recommendation

4. The recommendations are supported by the following reason:-
 - (a) To enable the Council to deliver an appropriate level of service to tenants.

Cliff Brown
Director of Community Services

Background Papers

The Government's Rent Restructuring Policy and HRA Subsidy Determination.

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S17 Crime and Disorder	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.
Health and Well Being	There are no issues relating to health and well-being which this report needs to address
Sustainability	There are no sustainability issues
Diversity	There are no diversity issues
Wards Affected	This will have an effect on the majority of the Wards in the Borough.
Groups Affected	All Council Tenants and Lifeline Service Users
Budget and Policy Framework	The issues contained within this report require Council approval and therefore is being submitted to this meeting accordingly.
Key Decision	This is a key decision because agreement to the recommendations will result in the Local Authority incurring expenditure which is significant. There will also be a significant effect on the communities living or working in an area comprising two or more wards within the area of the local authority.
Urgent Decision	The issues contained within this report require Council approval and therefore is being submitted to this meeting accordingly.
One Darlington: Perfectly Placed	The report has no particular implications for the Sustainable Community Strategy.

MAIN REPORT

Information and Analysis

5. The proposed Housing Revenue Account budget for 2009/10 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

6. 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.
7. 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. Originally rent convergence for both sectors should have been by 2011/12 but the Government intend to use fixed increases for 2009/10 and 2010/11. This is to protect tenants from both high and variable increases due to inflation, while continuing to deliver their rent convergence policy. Therefore the rent convergence date will become fluid depending on the inflation rate.
8. The impact on tenants of the continuing implementation of the rent restructuring policy, fixed increases for 2009/10 and 2010/11 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 2009/10 is that average weekly rents increase by 6.02% (or £3.21) from £53.34 in 2008/09 to £56.55 in 2009/10. 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 2009/10 are shown at **Appendix 2**.

Housing Subsidy

9. There were some slight changes to the subsidy system for 2009/10 to try and remove some volatility in allowances between years. These changes were to the way that the individual elements of subsidy are calculated. This has resulted in some gains and some losses. Management has increased by £39.48 per property, maintenance has remained the same while MRA has fallen by £8.39 per property. These changes are detailed in Table 1. It should be noted that we received substantial increases in maintenance and Major Repairs Allowance last year.

Table 1: Housing Subsidy 2009-10

Subsidy Element	2008/09	2009/10	Change	
	£M	£M	£M	%
Management	2.782	2.96	+0.178	+6.4%
Maintenance	5.866	5.789	-0.077	-1.3%
Major Repairs Allowance	3.859	3.763	-0.096	-2.5%
Capital Financing	1.603	1.614	+0.011	+0.7%
Notional Income	-14.678	-15.265	-0.587	-4.0%
Total Subsidy	-0.569	-1.14	-0.571	-100.5%

Review of Service Charges

10. 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. 2008/09 was the fifth year of this process. Prior to commencing this process, Lifeline Services, 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 Grounds Maintenance and Building Cleaning – Flats now have full costs recovered while Lifeline Services and Building Cleaning – Sheltered Schemes continue to be subsidised but to a lesser extent than in previous years. This is due to additional facilities in the Extra Care Schemes and an increase in staffing and utility costs in 2008/09 following job evaluation and the overall increase in energy charges.

Table 2: Service Charges 2009/10

Service Charge	Total Cost £	Total Income £	Net Cost 2009/10 £	Net Cost 2008/09 £
Lifeline Services	864,861	849,290	15,571	23,246
Building Cleaning – Comprehensive Sheltered Schemes	86,040	76,924	9,116	11,104
Building Cleaning – Flats	58,730	58,730	nil	nil
Grounds Maintenance – All	374,160	374,160	nil	nil
Total	1,383,791	1,359,104	24,687	34,350

11. 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. The additional costs for Building Cleaning in Extra Care Schemes reflects the additional facilities available

Table 3: Proposed Service Charges for Extra Care and Sheltered Schemes 2009/10

Scheme	Ground Maintenance £	Building Cleaning £	Lifeline Service (1) £	Total Charge (2) £	Total Increase £
Extra Care Housing					
Dalkeith House	1.69	8.21	10.24	20.14	0.97
Oban Court	1.35	9.27	10.24	20.86	2.48
Rosemary Court	1.85	11.05	10.24	23.14	2.54
Sheltered Housing					
Branksome Hall	2.13	1.67	10.24	14.04	0.87
Dinsdale Court	2.94	3.17	10.24	16.35	0.90
Windsor Court	1.35	2.29	10.24	13.88	0.80
Rockwell House	1.35	2.84	10.24	14.43	0.84
Ted Fletcher Court	1.35	2.12	10.24	13.71	0.80
Roxby Court	1.35	5.32	10.24	16.91	0.88
Linden Court	1.35	4.88	10.24	16.47	0.67

12. Almost 70% of tenants claim Housing Benefit, which will cover the additional cleaning and grounds maintenance charges and 61% of the cost of the Lifeline charges. The other Lifeline costs have traditionally been covered by Supporting People Grant. However all Older Persons services funded by Supporting People Grant are currently being reviewed and the outcome will not be known until March 2009.

Garage Rents and Service Charges

13. 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 Lifeline Response, Building Cleaning (flats) and Grounds Maintenance provide for achieving full recovery of costs from tenants of the schemes concerned. For the Lifeline Response Service there is a similar issue regarding Supporting People funding as for the residents of sheltered housing schemes. The amounts involved however are very small for both services, ranging from between three and eleven pence per week depending on the level of service provided.

Table 4: Garage Rents and Service Charges

Description	Current Weekly Charge	Proposed Weekly Charge
	£	£
Garage Rents	5.59	5.76
Building Cleaning – Flats	1.45	1.49
Grounds Maintenance – General Housing	1.32	1.35
Grounds Maintenance – Blocks of Flats	1.32	1.35
Heating	9.28	10.57
Furnishings and Fittings – Comprehensive Schemes	1.39	1.43
Furnishings and Fittings – Good Neighbour Schemes	0.63	0.65
Lifeline Response	4.37	4.57
Lifeline Premier Response (Sheltered Housing)	9.52	10.24
Lifeline Response Plus	10.50	11.17
Pavement Crossings and Hardstandings	3.00	3.10
Mid-day Meal – Extra Care (Residents only)	24.50	26.25
Mid-day Meal – Extra Care (Non-Residents only)	27.44	29.40
Furnished Tenancies - Flat	23.98	24.70
Furnished Tenancies - 2 Bed House	38.67	39.83
Furnished Tenancies - 3 Bed House	40.46	41.67
Furnished Tenancies - White Goods	5.10	5.25

Value for Money

14. Providing value for money is an essential element of departmental management. An assessment has been made of the Housing Performance Indicators for 2007/08 and this shows that the service is once again in the upper threshold for 13 out of 17 indicators. These include key value for money indicators such as the percentage of rent collected and the average relet times. The remaining 4 indicators are in the lower threshold with none in the bottom threshold. This means that the Housing Service will retain its previous score of 4 out of 4 in the CPA Service block.

Budget Pressures

15. The Housing Revenue Account subsidy determination decreased the resources for 2009/10 by £200,000 more than was originally anticipated but there are no un-resourced pressures on the account. There are however constant demands on the HRA as it is self-financing which will need to be managed.

Outcome of Consultation

16. Throughout the year the Tenants Board and Housing Executive Committee have met regularly and reviewed various service areas within the HRA. Details of some of the key areas covered are set out below:
- (a) Performance and Work Programme in respect of Grounds Maintenance and Tree work. This led to the establishment of a Task and Finish group which will report in the next few months. The remit of the group is to review the specification of the work, making best use of the resources available.
 - (b) Reviewed the job description of the Tenant Empowerment Manager and involved in the recruitment and selection process.
 - (c) Monitored progress and challenged performance on the procurement partnerships for Painting, Environmental Improvements and Internal Planned Maintenance works.
 - (d) A Task and Finish Group is currently reviewing the specification for materials and the scope of work in respect of the capital programme.
 - (e) Involved in the implementation of the Choice Based Lettings Scheme.
 - (f) Reviewed the providers for the Home Contents Insurance Scheme.
 - (g) Reviewed the new Reward and Recognition Scheme and currently developing phase 2.
 - (h) Continued Mystery Shopping of the Customer Services Centre, which has led to feedback on areas for improvement
 - (i) Detailed consultation has been held with residents in sheltered housing schemes affected by major works to enable them to give feedback on the scheme designs as well as the furnishings and fittings.
17. This report was considered by the Tenant's Board on 21 January 2009 and obtained their support.

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 2009/10, 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 2009 (£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.

	2008/09		2009/10
	Budget	Projection	Budget
	£000	£000	£000
<u>INCOME</u>			
Rent of HRA Dwellings (Gross)	(14,550)	(15,106)	(15,599)
Sundry Rents (including Garages & Shops)	(365)	(367)	(370)
Charges for Services & Facilities	(1,589)	(1,617)	(1,629)
Contribution towards Expenditure	(434)	(419)	(413)
Interest Receivable	(62)	(42)	(42)
Total Income	(17,000)	(17,551)	(18,053)
<u>EXPENDITURE</u>			
Management	5,128	5,018	5,028
Maintenance - Revenue Repairs	3,379	3,394	3,509
Revenue Contribution to Capital	1,871	2,940	2,208
Housing Subsidy	4,428	4,428	4,903
Capital Financing Costs	2,074	1,773	2,255
Increase in Bad Debt Provision	120	150	150
Contribution to/(from) balance	0	(152)	0
Total Expenditure	17,000	17,551	18,053
(Surplus) / Deficit	0	0	0
Opening Balance	500	652	500
Contribution to / (from) balance	0	(152)	0
Closing Balance	500	500	500
Estimated Closing Dwelling Numbers	5,338	5,446	5,386
Closing Balance per Dwelling	93.67	91.82	92.85

Examples of Weekly Rent Increases for 2009/10					
Area	Property Type	Rent 2008/09	Proposed Rent 2009/10	Increase between 08/09 & 09/10	Increase between 08/09 & 09/10
		£		£	%
<u>Middleston St George</u>	1 Bedroom Bungalow	53.97	57.08	3.11	5.8%
	2 Bedroom House	58.08	61.48	3.40	5.9%
	3 Bedroom House	63.93	67.85	3.92	6.1%
<u>Cockerton</u>	1 Bedroom Flat	49.00	51.80	2.80	5.7%
	2 Bedroom House	56.51	59.80	3.29	5.8%
	3 Bedroom House	58.84	62.41	3.57	6.1%
<u>Haughton</u>	1 Bedroom Flat	49.21	52.03	2.82	5.7%
	2 Bedroom Flat	54.92	58.13	3.21	5.8%
	1 Bedroom Bungalow	54.15	57.26	3.11	5.7%
	2 Bedroom House	58.43	61.79	3.36	5.8%
	3 Bedroom House	61.90	65.71	3.81	6.2%
<u>Branksome</u>	1 Bedroom Flat	49.00	51.80	2.80	5.7%
	1 Bedroom Bungalow	54.04	57.14	3.10	5.7%
	2 Bedroom House	56.33	59.54	3.21	5.7%
	3 Bedroom House	61.44	65.13	3.69	6.0%
	4 Bedroom House	64.11	68.02	3.91	6.1%
<u>Lascelles</u>	1 Bedroom Flat	48.44	51.70	3.26	6.7%
	2 Bedroom Flat	50.72	53.85	3.13	6.2%
	2 Bedroom House	52.75	55.96	3.21	6.1%
	3 Bedroom House	56.84	60.42	3.58	6.3%
<u>Bank Top</u>	1 Bedroom Flat	49.23	52.05	2.82	5.7%
	3 Bedroom House	61.45	65.09	3.64	5.9%
<u>Redhall</u>	1 Bedroom Flat	45.83	48.55	2.72	5.9%
	2 Bedroom Flat	49.85	52.85	3.00	6.0%
	1 Bedroom Bungalow	48.50	51.39	2.89	6.0%
	2 Bedroom House	52.51	55.56	3.05	5.8%
	3 Bedroom House	55.96	59.32	3.36	6.0%
<u>Eastbourne</u>	1 Bedroom Flat	44.30	46.99	2.69	6.1%
	2 Bedroom Flat	49.59	52.58	2.99	6.0%
	2 Bedroom House	51.56	54.68	3.12	6.1%
	3 Bedroom House	54.10	57.50	3.40	6.3%
<u>Skerne Park</u>	2 Bed House	50.97	54.13	3.16	6.2%
	3 Bed House	54.40	57.83	3.43	6.3%