
HOUSING REVENUE ACCOUNT – REVENUE BUDGET 2010/11

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

Responsible Director - Cliff Brown, Director of Community Services

SUMMARY REPORT

Purpose of the Report

1. To consider proposals for the revenue budget, rent levels and service charges for the Council's Housing Revenue Account (HRA) for the financial year 2010/11.

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. It is recommended that :-
 - (a) An average weekly rent increase of 2.00% (£1.10) be implemented in line with the Government rent restructuring model.
 - (b) Service charges are introduced for TV aerials and door entry systems.
 - (c) Garage rents and service charges be increased as shown in Tables 2 and 3.
 - (d) The budget at Appendix 1 be approved.
 - (e) The report be referred to Council for approval.

Reasons

4. The recommendations are supported to enable the Council to deliver an appropriate level of service to tenants.

Cliff Brown
Director of Community Services

Background Papers

HRA Subsidy Draft Determination for 2010/11 received from CLG

Pauline Mitchell : Extension 2505
bs

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	Investing in Council owned housing is helping to create vibrant and sustainable communities
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 the report will be presented to Council on 18th March 2010.
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	For the purpose of the 'Call-in' procedure this does represent an urgent matter as four weeks notice is required for the increased level of charges.
One Darlington: Perfectly Placed	The report has no particular implications for the Sustainable Community Strategy.
Efficiency	As the HRA is a ring fenced budget every effort is made to maximise income and identify savings in order to maintain a high quality service.

MAIN REPORT

Information and Analysis

5. The proposed Housing Revenue Account budget for 2010/11 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 decided to limit increases for 2009/10 and 2010/11, 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. The convergence date in 2010/11 Draft Determination is currently estimated to be 2013/14.
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 2010/11 is that average weekly rents increase by 2.00% (or £1.10) from £54.90 in 2009/10 to £56.00 in 2010/11. 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 2010/11 are shown at **Appendix 2**.

Housing Subsidy

9. There are no major changes to the way that the HRA Subsidy is calculated. Management has increased by £16.40 per property, maintenance has increased by £20.74 per property while MRA has risen by £14.75 per property. These changes are detailed in Table 1. It should be noted that the substantial fall in Capital Financing is expected due to falling interest rates for borrowing. There will be a corresponding fall in the interest charged to the HRA to compensate for this loss of income. Only the Draft Determination has been received to date so the figures in Table 1 may be liable to change when the Final Determination is released.

Table 1: Housing Subsidy 2010-11

Subsidy Element	2009/10	2010/11	Change	
	£M	£M	£M	%
Management	2.965	3.048	+0.084	+2.8%
Maintenance	5.789	5.891	+0.102	+1.8%
Major Repairs Allowance	3.763	3.836	+0.073	+1.9%
Capital Financing	1.614	1.122	-0.492	-30.5%
Notional Income	-14.818	-15.234	-0.416	-2.8%
Total Subsidy	-0.687	-1.337	-0.649	-94.3%

Garage Rents and Service Charges

10. The budget at **Appendix 1** includes the financial effect of the proposed increases. The proposed service charges for the Lifeline Service, Building Cleaning (flats) and Grounds Maintenance provide for achieving full recovery of costs from tenants of the schemes concerned. Details are shown at Table 2 below.
11. In line with best practice concerning ensuring tenants specifically receiving services are charged for them, rather than costs being met by all tenants, new service charges are being proposed for next year in respect of TV aerials and door entry systems in blocks of flats following a recent review. Whilst ideally the charges should reflect the actual cost of provision at each individual scheme this would penalise tenants living in small blocks of flats where the costs are higher. It is therefore proposed that a standard charge is implemented for both door entry systems and TV aerials for tenants who have these services. It is also proposed that the guest room charges for sheltered housing schemes be increased from £8.50 per night to £10 per night to reflect the much higher standards of the facilities now being provided and to cover the costs of heating, electricity, building and furnishings. This is a valued service for friends and family of residents in sheltered housing schemes and therefore the costs should be reasonable but fair. It is considered that the revised charge is still very reasonable.

Table 2: Garage Rents and Service Charges

Description	Current	Proposed
	Weekly Charge	Weekly Charge
	£	£
Garage Rents	5.76	5.85
Building Cleaning – Flats	1.49	1.50
Grounds Maintenance – General Housing	1.35	1.37
Grounds Maintenance – Blocks of Flats	1.35	1.37
Heating	10.57	10.57
Furnishings and Fittings – Comprehensive Schemes	1.43	1.46
Furnishings and Fittings – Good Neighbour Schemes	0.65	0.66
Lifeline Response	4.57	4.64
Lifeline Premier Response (Sheltered Housing)	10.24	10.82
Pavement Crossings and Hardstandings	3.10	3.14
Mid-day Meal – Extra Care (Residents only)	26.25	27.65
Mid-day Meal – Extra Care (Non-Residents only)	29.40	30.80
Furnished Tenancies - Flat	24.70	25.07
Furnished Tenancies - 2 Bed House	39.83	40.42
Furnished Tenancies - 3 Bed House	41.67	42.30

Furnished Tenancies - White Goods	5.25	5.50
Guest Rooms in Sheltered Schemes	59.50	70.00
Door Entry Systems	N/A	0.50
TV Aerials	N/A	0.14

12. 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 2010/11

Scheme	Ground Maintenance	Building Cleaning	Lifeline Service	Total Charge	Total Increase
	£	£	£	£	£
Extra Care Housing					
Dalkeith House	1.72	8.26	10.82	20.80	0.66
Oban Court	1.37	9.31	10.82	21.50	0.64
Rosemary Court	1.88	12.55	10.82	25.25	2.11
Sheltered Housing					
Branksome Hall	2.17	1.68	10.82	14.67	0.63
Dinsdale Court	3.98	4.46	10.82	19.26	0.66
Windsor Court	1.37	3.07	10.82	15.26	1.38
Rockwell House	1.37	2.86	10.82	15.05	0.62
Ted Fletcher Court	1.37	2.13	10.82	14.32	0.61
Roxby Court	1.37	5.35	10.82	17.54	0.63
Linden Court	1.37	4.91	10.82	17.10	0.63

13. 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 will be covered by Supporting People Grant.

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 maintained the resources for 2010/11 as was originally anticipated and 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.

Consultation

16. The Tenants Board are very proactive and have had a significant workload during the year in terms of reviewing and improving service delivery within the Housing Revenue Account. The Board oversees a range of Task and Finish Groups, for example:-
- (a) The Repairs and Maintenance Group have reviewed the decoration policy following major works resulting in significant savings, in addition to reviewing the specifications for major works.
 - (b) The Grounds Maintenance Group has developed a revised and improved specification with Streetscene Officers and they received regular monitoring reports for feedback.
 - (c) The Reward and Recognition Scheme 2nd phase commenced with the introduction of the Youth Awards and the Good Neighbour Awards first to be announced at the next AGM in March 2010.
 - (d) The Leaseholder Group have been particularly active in challenging specifications and charges in respect of building cleaning, grounds maintenance and repairs.
 - (e) Board members have received extensive training to further support and develop them and a particular focus has been in respect of mystery shopping. The first mystery shopping exercise was in the Customer Service Centre and a programme of mystery shopping across other key areas is now being taken forward.
 - (f) Strong links have been made to the Youth Service and opportunities sought for intergenerational projects, for example, a Youth Award has been developed as part of the Reward and Recognition Scheme.
17. This report has been considered by the Tenant's Board 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 2010/11, 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 2010 (£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.

Conclusion

21. The key issues for consideration are the proposed weekly rent and service charges.

	2009/10		2010/11
	Budget	Projection	Budget
	£000	£000	£000
<u>INCOME</u>			
Rent of HRA Dwellings (Gross)	(15,150)	(15,210)	(15,413)
Sundry Rents (including Garages & Shops)	(370)	(366)	(370)
Charges for Services & Facilities	(1,710)	(1,707)	(1,767)
Contribution towards Expenditure	(417)	(452)	(474)
Interest Receivable	(42)	(32)	(36)
Total Income	(17,689)	(17,767)	(18,060)
<u>EXPENDITURE</u>			
Management	5,128	5,050	5,174
Maintenance - Revenue Repairs	3,509	3,584	3,619
Revenue Contribution to Capital	2,208	2,949	2,109
Housing Subsidy	4,454	4,456	5,174
Capital Financing Costs	2,255	1,855	1,834
Increase in Bad Debt Provision	150	150	150
Contribution to/(from) balance	(15)	(277)	0
Total Expenditure	17,689	17,767	18,060
(Surplus) / Deficit	0	0	0
Opening Balance	500	777	500
Contribution to / (from) balance	(15)	(277)	0
Closing Balance	485	500	500
Estimated Closing Dwelling Numbers	5,386	5,416	5,381
Closing Balance per Dwelling	90.04	92.32	92.92

Examples of Weekly Rent Increases for 2010/11					
Area	Property Type	Rent 2009/10	Proposed Rent 2010/11	Increase between 09/10 & 10/11	Increase between 09/10 & 10/11
		£	£	£	%
<u>Middleston St</u>					
<u>George</u>	1 Bedroom Bungalow	55.41	56.10	0.69	1.25%
	2 Bedroom House	59.68	60.69	1.01	1.69%
	3 Bedroom House	65.86	67.77	1.91	2.90%
<u>Cockerton</u>	1 Bedroom Flat	50.28	50.78	0.50	0.99%
	2 Bedroom House	58.05	58.92	0.87	1.50%
	3 Bedroom House	60.58	62.03	1.45	2.39%
<u>Haughton</u>	1 Bedroom Flat	50.50	51.07	0.57	1.13%
	2 Bedroom Flat	56.43	57.34	0.91	1.61%
	1 Bedroom Bungalow	55.58	56.23	0.65	1.17%
	2 Bedroom House	59.98	60.73	0.75	1.25%
	3 Bedroom House	63.80	65.23	1.43	2.24%
<u>Branksome</u>	1 Bedroom Flat	50.28	50.81	0.53	1.05%
	1 Bedroom Bungalow	55.47	56.10	0.63	1.14%
	2 Bedroom House	57.79	58.35	0.56	0.97%
	3 Bedroom House	63.22	64.65	1.43	2.26%
	4 Bedroom House	66.03	67.44	1.41	2.14%
<u>Lascelles</u>	1 Bedroom Flat	50.20	51.75	1.55	3.09%
	2 Bedroom Flat	52.28	53.81	1.53	2.93%
	2 Bedroom House	54.33	55.80	1.47	2.71%
	3 Bedroom House	58.65	60.12	1.47	2.51%
<u>Bank Top</u>	1 Bedroom Flat	50.52	51.08	0.56	1.11%
	3 Bedroom House	63.18	64.42	1.24	1.96%
<u>Redhall</u>	1 Bedroom Flat	47.13	48.12	0.99	2.10%
	2 Bedroom Flat	51.31	52.57	1.26	2.46%
	1 Bedroom Bungalow	49.88	50.96	1.08	2.17%
	2 Bedroom House	53.93	54.71	0.78	1.45%
	3 Bedroom House	57.58	58.94	1.36	2.36%
<u>Eastbourne</u>	1 Bedroom Flat	45.61	46.81	1.20	2.63%
	2 Bedroom Flat	51.04	52.30	1.26	2.47%
	2 Bedroom House	53.08	54.41	1.33	2.51%
	3 Bedroom House	55.82	57.32	1.50	2.69%
<u>Skerne Park</u>	2 Bed House	52.55	54.08	1.53	2.90%
	3 Bed House	56.15	57.64	1.49	2.70%
<u>Parkside</u>	1 Bedroom Flat	47.92	49.38	1.46	3.0%
	2 Bedroom House	55.71	57.13	1.42	2.5%
	3 Bedroom House	60.95	62.40	1.45	2.4%