
HOUSING REVENUE ACCOUNT – REVENUE BUDGET 2011/12

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

Responsible Director – Murray Rose, Director of People

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 2011/12.

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 6.46% (£3.60) be implemented in line with the Government rent restructuring model.
 - (b) Garage rents and service charges be increased as shown in Tables 2 and 3.
 - (c) The budget at Appendix 1 be approved.
 - (d) 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.

**Murray Rose
Director of People**

Background Papers

HRA Subsidy Draft Determination for 2011/12 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
Carbon Impact	There are no carbon impact implications in this report
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 3rd March 2011.
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 2011/12 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 2011/12 Draft Determination is currently estimated to be 2016/17.
8. 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 2011/12 is that average weekly rents increase by 6.46% (or £3.60) from £56.00 in 2010/11 to £59.60 in 2011/12. 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 2011/12 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 £31.09 per property, maintenance has been frozen while MRA has decreased by £13.59 per property. These changes are detailed in Table 1. It should be noted that the increase in Capital Financing is expected due to rising interest rates for borrowing. There will be a corresponding increase in the interest charged to the HRA to compensate for this additional 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 2011-12

Subsidy Element	2010/11	2011/12	Change	
	£M	£M	£M	%
Management	3.049	3.228	+0.179	+5.9%
Maintenance	5.894	5.912	+0.018	+0.3%
Major Repairs Allowance	3.835	3.774	-0.061	-1.59%
Capital Financing	1.122	1.400	+0.278	+24.8%
Notional Income	-15.234	-16.316	-1.082	-7.1%
Total Subsidy	-1.334	-2.002	-0.668	-50.1%

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. The only significant change from previous years is that the overall cost of the Lifeline Service has increased by an additional £56K to reflect a recent service review. The service increasingly supports frailer older and disabled people who are less dependent and call on the Lifeline Response Team to a much greater level than previously. In particular, through time this has meant that the rota system used for evening and weekend cover was no longer appropriate and the service now operates on a shift basis. The increased costs are therefore reflected in a slightly larger increase than normal in the service charge

Table 2: Garage Rents and Service Charges

Description	Current Weekly Charge	Proposed Weekly Charge
	£	£
Garage Rents	5.85	6.04
Building Cleaning – Flats	1.50	1.54
Grounds Maintenance – General Housing	1.37	1.40
Grounds Maintenance – Blocks of Flats	1.37	1.40
Heating	10.57	10.91
Administration - Leaseholders	71.00	73.27
Furnishings and Fittings – Comprehensive Schemes	1.46	1.51
Furnishings and Fittings – Good Neighbour Schemes	0.66	0.68
Lifeline Response	4.64	4.99
Lifeline Premier Response (Sheltered Housing)	10.82	11.28
Pavement Crossings and Hardstandings	3.14	3.24
Mid-day Meal – Extra Care (Residents only)	27.65	28.56
Mid-day Meal – Extra Care (Non-Residents only)	30.80	31.78
Furnished Tenancies - Flat	25.07	25.87
Furnished Tenancies - 2 Bed House	40.42	41.71
Furnished Tenancies - 3 Bed House	42.30	43.65
Furnished Tenancies - White Goods	5.50	5.68
Guest Rooms in Sheltered Schemes	70.00	72.24
Door Entry Systems	0.50	0.52
TV Aerials	0.14	0.15

12. Details of the service charges for individual Extra Care and Sheltered Housing Schemes have previously been based on the actual costs of the work undertaken in individual schemes. However through time the standard of service has become relatively similar and the cost differentials tend to reflect the size and type of scheme. For example, some schemes are more time consuming to clean whilst a large scheme such as Branksome Hall benefits from economies of scale. The proposed increases shown in Table 3 below therefore are based on average costs for our Extra Care or Sheltered Housing Schemes. This means some schemes will have their charges reduced next year but this is considered to be more equitable. If residents of a particular scheme did decide in the future that they wanted a higher standard of service and were willing to pay for it this could still be accommodated but there does not appear to be any demand for this at present.

Table 3: Proposed Service Charges for Extra Care and Sheltered Schemes 2011/12

Scheme	Ground Maintenance	Building Cleaning	Lifeline Service	Total Charge	Total Increase / (Decrease)
	£	£	£	£	£
Extra Care Housing					
Dalkeith House	1.40	9.39	11.28	22.07	1.27
Oban Court	1.40	9.39	11.28	22.07	0.57
Rosemary Court	1.40	9.39	11.28	22.07	(3.18)
Sheltered Housing					
Branksome Hall	1.40	2.99	11.28	15.67	1.00
Dinsdale Court	1.40	2.99	11.28	15.67	(3.59)
Windsor Court	1.40	2.99	11.28	15.67	0.41
Rockwell House	1.40	2.99	11.28	15.67	0.62
Ted Fletcher Court	1.40	2.99	11.28	15.67	1.35
Roxby Court	1.40	2.99	11.28	15.67	(1.87)
Linden Court	1.40	2.99	11.28	15.67	(1.43)

13. The additional costs will be covered by Housing Benefits and Supporting People grant for the 70% of tenants who are eligible.

Value for Money

14. We continue to perform well on a number of value for money related indicators, for example we sustained our rent collection performance this year at 97%. We have also focussed our efforts on increasing value for money through efficiency. A number of improvements have been made to services which have resulted in reduced costs, for example the specification for Internal Planned Maintenance work has been altered to ensure that complete rewires are only carried out where essential saving £150,000 per year. Motion sensitive lighting has been installed in sheltered accommodation resulting in further cost savings. A further example is the energy saving features of our new build properties which will provide better value for money for tenants by reducing utility bills.

Budget Pressures

15. The Housing Revenue Account subsidy determination maintained the resources for 2011/12 as was originally anticipated and there are no un-resourced pressures on the account. There is however constant demands on the HRA as it is a ring fenced budget which will need to be carefully managed. The HRA is currently being radically reviewed by central government with the intention of Councils becoming self-financing from 2011/12. The future is therefore very uncertain at a time when other funding opportunities for regeneration activity have been significantly curtailed

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. One major piece of work has been the Board's involvement in writing the Annual Report for Tenants and the Local Offers which set out the service standards tenants can expect from the services provided by the Council.
17. The Board oversees a range of Task and Finish Groups, for example:-
 - (a) The Repairs and Maintenance Group have now have a list of volunteers who will promote the importance of the annual gas servicing by visiting tenants to encourage them to arrange appointments for their servicing to take place.
 - (b) The Grounds Maintenance Group have once again agreed the grounds maintenance specification with Streetscene Officers and this year they organised a category in the Darlington in Bloom competition for the Best Council Garden, the winner being awarded a £50 voucher and a shield. By doing this they hope to encourage more tenants to have a pride in the appearance of their gardens.
 - (c) Tenants' Board members are reviewing and updating the Tenant Empowerment Strategy and this will be launched at their Annual General Meeting in March 2011.
 - (d) The Leaseholder Group have assisted in the updating and rewording of their information on the Council website and in 2011 will be contributing to the production of a handbook for leaseholders.
 - (e) The Readers Panel has been involved in reviewing and agreeing letters, leaflets and policies making sure that they are written in plain English and easily understood by tenants. They have been heavily involved in producing the new Tenants Handbook and they have also developed their own logo which appears on all documents that they have reviewed.
 - (f) Strong links have been made to the Youth Service and opportunities sought for intergenerational projects, for example, members of the Board have been involved with the Member of the Youth Parliament and the Council of School Councils to find out the type of housing information that young people are interested in receiving and how this information can be presented on the 'click to do' youth website .

18. This report has been considered by the Tenant's Board and obtained their support.

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 2011/12, 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 2011 (£0.582 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

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