
HOUSING REVENUE ACCOUNT – REVENUE BUDGET 2008/09

**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 review the revenue budget, rent levels and service charges for the Council's Housing Revenue Account (HRA) for the financial year 2008/09. Also to review the Lifeline Service as detailed in **Appendix 1**.

Information and Analysis

2. The proposed HRA revenue budget for 2008/09 is shown at **Appendix 2**. 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. Originally rent convergence for both sectors should have been by 2011/12 but the Government is now proposing to delay this until 2016/17. This will have the effect of keeping rent increases lower than had originally been planned.
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 2008/09 is that average weekly rents increase by 5.29% (or £2.68) from £50.66 in 2007/08 to £53.34 in 2008/09. The financial impact of the

proposed increase in charges is included in the draft budget shown at **Appendix 2**.
Examples of the proposed weekly rent increases for 2008/09 are shown at **Appendix 3**.

Housing Subsidy

6. Though there are no changes to the subsidy system for 2008/09, changes to the values attached to individual subsidy elements have an effect on the subsidy calculation. Darlington is projecting to gain from increases in Management, Maintenance and MRA allowances. The per-property allowances for these three elements have increased by £30.01, £116.86 and £93.25 respectively. These changes are detailed in Table 1. Please note that the Final Determination for HRA Subsidy has been delayed by the Government so that the figures given below are based on the Draft Determination and may be liable to change.

Table 1: Housing Subsidy 2008-09

Subsidy Element	2007/08	2008/09	Change	
	£M	£M	£M	%
Management	2.653	2.782	+0.129	+4.9
Maintenance	5.294	5.866	+0.572	+10.8
Major Repairs Allowance	3.508	3.859	+0.351	+10.0
Capital Financing	1.700	1.603	-0.096	-5.7
Notional Income	-14.091	-14.679	-0.588	-4.2
Total Subsidy	-0.936	-0.569	+0.368	+39.2

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 2008/09 will be the fifth year of this process. 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 Grounds Maintenance and Building Cleaning – Flats now have full costs recovered by 2008/09 while Warden Services and Building Cleaning – Sheltered Schemes continue to be subsidised but to a lesser extent than in previous years.

Table 2: Service Charges 2008/09

Service Charge	Total Cost £	Total Income £	Net Cost 2008/09 £	Net Cost 2007/08 £
Warden Services	820,742	797,496	23,246	73,492
Building Cleaning – Comprehensive Sheltered Schemes	84,362	73,258	11,104	12,978
Building Cleaning – Flats	57,180	57,180	nil	10,423
Grounds Maintenance – All	362,710	362,710	nil	6,605
Total	1,324,994	1,290,644	34,350	103,498

8. 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 2008/09

Scheme	Ground Maintenance £	Building Cleaning £	Warden Service (1) £	Total Charge (2) £	Total Increase £
Extra Care Housing					
Dalkeith House	1.64	8.01	9.52	19.17	2.61
Oban Court	1.32	7.54	9.52	18.38	2.71
Rosemary Court	1.80	9.28	9.52	20.60	5.51
Sheltered Housing					
Branksome Hall	2.07	1.58	9.52	13.17	1.47
Dinsdale Court	2.85	3.08	9.52	15.45	1.82
Windsor Court	1.32	2.24	9.52	13.08	1.45
Rockwell House	1.32	2.75	9.52	13.59	1.68
Ted Fletcher Court	1.32	2.07	9.52	12.91	1.38
Roxby Court	1.32	5.19	9.52	16.03	2.27

9. Almost 70% of tenants claim Housing Benefit, which will cover the additional cleaning and grounds maintenance charges and 30% of the cost of the Warden charges. The other 70% of Warden costs are covered by Supporting People Grant.

Garage Rents and Service Charges

10. 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 2008/09 being the fifth year of a five-year transition.

Table 4: Garage Rents and Service Charges

Description	Current Weekly Charge	Proposed Weekly Charge (1)
	£	£
Garage Rents	5.43	5.59
Building Cleaning – Flats	1.15	1.45
Grounds Maintenance – General Housing	1.29	1.32
Grounds Maintenance – Blocks of Flats	1.29	1.32
Heating	9.28	9.28
Furnishings and Fittings – Comprehensive Schemes	1.35	1.39
Furnishings and Fittings – Good Neighbour Schemes	0.61	0.63
Mobile Warden	4.23	4.37
Resident Warden	8.51	9.52
Pavement Crossings and Hardstandings	2.90	3.00
Mid-day Meal – Extra Care (Residents only)	21.07	24.50
Mid-day Meal – Extra Care (Non-Residents only)	24.01	27.44
Furnished Tenancies - Flat	23.28	23.98
Furnished Tenancies - 2 Bed House	37.54	38.67
Furnished Tenancies - 3 Bed House	39.28	40.46
Furnished Tenancies - White Goods	4.95	5.10

Lifeline Services Review

11. A review has been undertaken for the current Lifeline Service to reflect both the increasing number of older people and the trend for older more frail people to rely on the service to support them to live independently in the community. Details are included in **Appendix 1**, which proposes the creation of a third tier service to simplify current arrangements and provide a tenure neutral, new enhanced service for people who would like a daily telephone call or weekly visit. Under the current proposals the overall changes would be cost neutral.

Value for Money

12. 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 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 middle threshold with none in the lower threshold. This means that the Housing Service will retain its previous score of 4 out of 4 in the CPA Service block.

Budget Pressures

13. The Housing Revenue Account subsidy determination increased the resources for 2007/08 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. There is continuing pressure on the repairs and maintenance budget, which will need to be managed. The Repairs and Maintenance review resulted in the increased efficiency of the repairs service and contributed to the reduction in expenditure. By entering into long term partnering arrangements with three new partners savings were also made on capital programme costs.

Outcome of Consultation

14. 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 better co-ordination of the service, improved focus on tenants' priorities and more investment in tree work.
 - (b) Restructuring of the Housing Management Service, which included the creation of three new additional posts of Tenant Enforcement Officers, Welfare Rights Officer and Debt Recovery Officers.
 - (c) Centralisation of the Housing Service coupled with the introduction of locality-based drop in surgeries and a Home Visiting Service by appointments.
 - (d) Development of long-term partnering arrangements and the appointment and monitoring of the new partners. This included mystery shopping by tenants in respect of the Painting Contract and feedback on specification standards as well as the quality of the works, which led to service improvements.
 - (e) Mystery Shopping of the Customer Services Centre, which led to feedback on areas for improvement, such as better scripting.
15. Specific Task Groups have also been examining in more detail service areas such as repairs and maintenance and Sheltered Housing. The Repairs and Maintenance Task Group have been particularly involved in the procurement arrangements and mystery shopping including void inspections and the void specification. The Sheltered Housing Task Group have been particularly involved in the review of the Warden Service as well as building and window cleaning services.
16. This report is being considered by the Tenant's Board on 10th January 2008 to obtain their support.

Financial Implications

17. 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.
18. 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 2008/09, 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.
19. He is also satisfied that the level of revenue balances in the Housing Revenue Account projected at 31 March 2007 (£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

20. 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

21. 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

22. The issues contained in this report require Council approval and the report will be presented to Council on 28 February 2008.

Decision Deadline

23. For the purpose of the 'call-in' procedure this does not represent an urgent matter as it is recommended that it be referred to Council for approval.

Key Decision

24. 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.

Recommendation

25. It is recommended to Council that:-

- (a) The implementation of rent restructuring and formula rents be approved.
- (b) An average weekly rent increase of 5.29% (£2.68) be implemented in line with the Government rent restructuring model.
- (c) Service charges for Extra Care and Sheltered Housing Schemes be increased as shown in Table 3.
- (d) All other service charges be increased as detailed in Table 4.
- (e) The Lifeline Service be improved to provide a three tier service and the proposed weekly charges be adopted as outlined in **Appendix 1**.
- (f) The budget at **Appendix 2** be approved.

Reasons

26. 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 2007 - HRA Subsidy Draft Determination for 2008/09 received from the DCLG.

Pauline Mitchell : Ext 2505
SL