
HOUSING REVENUE ACCOUNT – MTFP 2018/19 TO 2021/22

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 2018/19 in the context of the HRA Medium Term Financial Plan to 2021/22 and the 30 year Business Plan.

Summary

2. The key decision regarding the HRA is the balance between rent and service charge levels and investment in the housing stock. For four years, from 2016/17 the Government are implementing a compulsory 1% reduction in Social and Affordable rents through the Welfare Reform and Work Bill 2015. There is no discretion in making this change and all Council tenants will therefore have an average 61p reduction in weekly rent (Average Rent 2017/18 (£71.49 – Average Rent 2018/19 £70.88). Where appropriate some service charges have however had an inflationary increase. It is worth noting that 70% of tenants will have their rent and most service charges covered by benefit payments.

Recommendations

3. It is proposed that the following be approved for consultation:-
 - (a) An average weekly social rent reduction of 1% for 2018/19 be implemented giving an average social rent of £70.88 and affordable rent of £81.72.
 - (b) Garage rents and service charges are increased as shown in Table 3.
 - (c) The budget at **Appendix 1** is approved.
 - (d) The Housing Business Plan **Appendix 2** is agreed.

Reason

4. To enable consultation on the recommendations which enable the Council to deliver an appropriate level of service to tenants to meet housing need and to support the economic growth of the Borough through housing development.

Paul Wildsmith
Director of Neighbourhood Services and Resources

Background Papers

CLG Rent Restructuring Guidance

Pauline Mitchell: Ext 5832

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 in February 2017.
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	This is not an urgent decision for Cabinet, as the approval of Council on February 2017 will be required.
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.
Impact on Looked After Children and Care Leavers	This report has no impact on Looked After Children or Care Leavers

MAIN REPORT

Setting the MTFP for the HRA

5. Councils no longer have the previous levels of flexibility to decide the balance between the levels of service provided to tenants and the levels of rent charged. For a four year period commencing in 2016/17 all social and affordable rents must be reduced by 1%. The MTFP as described in the following sections reflects this requirement whilst striving to ensure the standard of service offered remains high.

6. Analysis of Expenditure within the HRA

(a) Management £5.760m

This includes all staffing costs associated with the provision of a housing management service, central support service and ground maintenance recharges and other associated support costs such as ICT and insurance. These costs have been benchmarked and show our 2016/17 (latest available CIPFA stats) cost of £557 per property compare very favourably with our Comparator Group average of £1,192 per property.

(b) Maintenance - Revenue Repairs - £3.917m

This covers the on-going general repairs to the Councils 5,292 properties at a rate of approximately £718 per property per year (2016/17 latest available CIPFA stats). This level represents an average spend and reflects the overall good condition of the stock due to sustained capital investment. Benchmarks indicate we provide good value for money when compared to the overall average of £1,074 per property. The continued investment in a good repairs service is essential to maintaining our stock at a good level for current and future tenants.

(c) Capital Financing Costs – 3.525m

This is the cost of paying for previous borrowing undertaken to fund capital expenditure.

(d) Bad Debts Provision - £350k

A provision to cover rents that are deemed unrecoverable.

(e) Revenue Contributions to Capital Programme - £14.681m

The Council cannot borrow to finance major refurbishments due to the current restriction on HRA borrowing, although we have successfully bid for some grant funding from the Homes and Communities Agency (HCA) for the building of new houses during 2015/18. Grant is preferable to the other options of applying to CLG to increase our borrowing capacity. Most capital expenditure needs to be funded from revenue. The budget acknowledges this and allows for revenue contributions each year. In addition over recent years contributions have been set aside to fund significant investment such as Red Hall Estate regeneration and new house building.

7. Members will appreciate that expenditure items (a) to (d) are relatively fixed and the main variable is the type and location of capital investment. The proposed Business Plan is discussed in the following section and this explains where future capital investment is planned.

Housing Business Plan

8. The purpose of the Housing Business Plan 2017 is to ensure that the Housing Service has a financial plan which is sustainable and focuses investment towards strategic priorities. During the development of the Business Plan it has become clear that there were a number of strategic investment priorities that are particularly pressing and have significant financial implications for both the Housing Revenue Account and the Council's General Fund.
9. The following proposals will outline these strategic priorities, the resources available to deliver on these priorities (subject to final decisions on rent levels) and how resources will be aligned against the priorities.

New Build

10. The Strategic Housing Market Assessment completed for Darlington in 2015 identified that there is a need for 160 affordable dwellings for rent across the Borough of Darlington each year.
11. Not only is there a need to build affordable dwellings to meet local need, it is also a business need for the Housing Service. The Business Plan is underpinned by the rents received from Council properties and the loss of rents as a result of regeneration works and right to buy sales would significantly reduce income for the Housing Service if these properties were not replaced. Similarly the impact for New Homes Bonus of overall reductions in property numbers needs to be taken into account.
12. The implementation of the Government's Self-Financing Initiative introduced from April 2012 enabled the creation of an Investment Fund which has been prioritised on the regeneration of Red Hall and a New Build programme. A total of £20m is available for the development of new Council homes for rent and Cabinet agreed in July 2017 to give delegated powers to the Director of Neighbourhood Services to proceed with additional new build housing schemes using this fund. However this will increase when combined with any successful grant applications to the Homes and Communities Agency (HCA) Affordable Housing Programme. It is difficult to predict grant funding levels as funding is now available on the basis of a rolling programme but we have received around 40% of the overall costs for two recent schemes.
13. Two new build schemes are already underway for completion in 2018/19 at:
 - (a) Jedburgh Drive, Branksome – 8 two bedroomed apartments, due for completion in October 2018.
 - (b) Whitby Way, Branksome – 8 two bedroomed houses, due for completion in August 2018.

Other sites have been identified and are currently being worked up in more detail to enable planning permission to be sought.

Housing for Vulnerable People

14. Each year Housing Services complete a range of minor and major adaptations to individual Council properties where a need has been identified by an Occupational Therapist. Works range from the provision of lever taps and grab rails to semi-permanent ramps, stair lifts, hoists and ground floor extensions. The spend profile of the adaptations budget has changed in recent years with an increasing number of major projects being commissioned including:
 - (a) the installation of through floor lifts
 - (b) completion of major structural alterations to provide wheelchair friendly accommodation
 - (c) the construction of extensions providing ground floor bathing and bedrooms.
15. The increasing number of larger projects funded through the HRA adaptations budget reflects the fundamental role adaptations play in supporting households to continue to live independently, reduce the need for expensive care packages and prevent a premature move into a more supported form of accommodation. These high levels of need have therefore been taken into account in developing our new build housing programme. Properties provided as part of our current new build programme of 160 homes have been built in accordance with Life time Homes principles. Inexpensive features include flush door entrances at front and rear for wheelchair access, and raised sockets, as well as, low level window sills and openings. Increased space standards have however increased costs, including hallways wide enough for 360% wheelchair turning circle, wider doors, ground floor toilets in all properties including a knock out panel between the bedroom and bathroom in the ground floor flats to make it easy to provide a ceiling track hoist in the future and additional space/electric sockets provided in the hall of houses to facilitate a platform lift. Occupational Therapists and Housing Officers also work closely with individuals to meet their particular needs where appropriate, providing bespoke lowered kitchens for wheelchair users, specific bathing requirements etc. before they move in wherever possible.
16. This approach has significantly reduced the demands on the adaptations budget.

Existing Stock Investment and Responsive Repairs

17. In accordance with good practice, the housing stock has recently been surveyed by an independent specialist organisation. Overall our properties have been assessed as being in good condition, reflecting our significant annual investment as part of a structured programme for both on-going capital improvements and maintenance resulting in:
 - (a) All stock meeting the Decent Homes Standard by 2006.

- (b) A proactive approach to capital improvement work ensuring all stock is maintained to a standard above the Decent Homes Standard, locally known as the Darlington Standard.
 - (c) An average SAP rating of over 70 across the Council housing stock indicating an above average level of thermal comfort. This can be largely attributed to a central heating programme providing A-rated combi-boilers and a planned maintenance programme which ensures all properties suitable benefit from cavity wall insulation and 300mm of loft insulation. A significant number of properties with previously poor SAP ratings have also been targeted in recent years for a more comprehensive package of energy efficiency measures including double glazed UPVC windows, composite doors and in some cases external cladding.
18. The Business Plan identifies a capital works budget of £32m over the next five years and £233m budget for capital works over the next 30 years. This budget will ensure all works identified within the stock condition survey can be completed alongside additional works to maintain properties to the Darlington Standard and complete regeneration works where appropriate.
19. The Business Plan anticipates responsive repairs will remain at historical levels and so allocates a budget of £20.4m for responsive and cyclical repairs within the five year investment plan and £122m within the 30 year investment plan.

Energy Efficiency

20. The Standard Assessment Procedure (SAP) is an industry standard used to evaluate the energy efficiency of a property. While the average SAP rating of the Council's housing stock is over 70 and well in line with the national average. Housing stock with poor levels of thermal comfort has now benefitted from additional measures as indicated above.
21. The five year investment plan directs £6.8m towards investment in A rated combination boilers and £49m over 30 Year Business Plan period.
22. Attached at Appendix 2 is the 30 Year Investment Plan and at **Appendix 3** the detailed 5 Year investment plan.

Rent Level Options

23. 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.
24. On 8 July 2015 the new government's first budget introduced a requirement for all social landlords to reduce their rents by 1% every year for the next four years (2016/17 – 2019/20) rather than increasing them by CPI + 1% as previously indicated. The reduction is described by Government as social landlords' contribution to

reducing the Housing Benefit Bill. The impact on the Council's HRA is that by year 4 we will be losing rental income of approximately £2.5m every year. Example rents for 2018/19 based on this new information are attached at **Appendix 4**.

Garage Rents and Service Charges

25. The budget at Appendix 1 includes the financial effect of the proposed increases. The proposed service charges provide for achieving full recovery of costs from those tenants who directly benefit from the services provided. In most instances this means a small inflationary increase is necessary but in some instances no increase is needed to maintain current levels of service.
26. Any additional costs will be covered by Housing Benefits for the 70% of tenants who are eligible. The HRA funds a Money Advice Service and Income Management Team to address the financial challenges facing a number of Council tenants and referrals are also made to CAB for independent financial advice as well as to food banks and the and the Credit Union. Those tenants, particularly first time tenants who require more sustained intensive support will be referred to the Housing Plus Team.

Table 3: Garage Rents and Service Charges

Description	Current Weekly Charge (17/18)	Proposed Weekly Charge (18/19)
	£	£
Garage Rents	7.47	7.69
Building Cleaning – Flats	1.76	1.79
Building Cleaning – Sheltered Schemes	3.61	3.68
Building Cleaning – Extra Care	11.33	11.55
Grounds Maintenance – General Housing	1.70	1.71
Grounds Maintenance – Blocks of Flats	1.70	1.71
Heating – Comprehensive schemes	11.46	11.46
Heating - Blocks of flats	1.34	1.41
Administration – Leaseholders	84.50	84.50
Furnishings and Fittings – Comprehensive Schemes	1.87	1.93
Furnishings and Fittings – Good Neighbour Schemes	0.85	0.87
Lifeline Response	5.28	5.50
Lifeline - Sheltered and Extra Care Housing	17.03	17.64
Pavement Crossings and Hard standings	4.00	4.13
Mid-day Meal – Extra Care (Residents only)	32.27	32.90
Mid-day Meal – Extra Care (Non-Residents only)	38.78	39.48
Furnished Tenancies - 1 bed flat	28.51	28.51
Furnished Tenancies - 2 bed flat	29.65	29.65
Furnished Tenancies - 2 Bed House	45.97	45.97
Furnished Tenancies - 3 Bed House	48.10	48.10

Description	Current Weekly Charge (17/18)	Proposed Weekly Charge (18/19)
Furnished Tenancies - White Goods	6.10	6.10
Guest Rooms in Sheltered Schemes	80.50	82.04
Door Entry Systems	0.66	0.68
TV Aerials	0.19	0.19
Housing Plus Service	17.89	18.07

Consultation

27. The Annual Review of the HRA Business Plan is developed in consultation with Council tenants through their Customer Panel and associated sub-groups supplemented with surveys, focus groups, bespoke meetings and marketing tools such as mystery shopping.

Financial Implications

28. The estimates included in this report represent a fair view of ongoing plans and commitments although Members will appreciate some budget are subject to volatility and will continue to be monitored closely.

29. The level of revenue balances projected in this report represent an adequate level given the level of risk.