

**CABINET
8 DECEMBER 2020**

HOUSING REVENUE ACCOUNT – MTFP 2021/22 TO 2024/25

**Responsible Cabinet Member - Councillor Kevin Nicholson,
Health and Housing Portfolio**

**Responsible Director – Ian Williams
Director of Economic Growth and Neighbourhood 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 2021/22 in the context of the HRA Medium Term Financial Plan to 2024/25 and the 30-year Investment Plan.

Summary

2. The key decision regarding the HRA is the balance between rent and service charge levels and investment in the housing stock. Local Authorities have discretion to inflate rents by CPI plus 1%, which means an average £1.46 increase in weekly rents. Similarly, it is recommended that where appropriate service charges also have an inflationary increase. However, members may opt for a rent reduction or a rent increase of a lesser amount than CPI plus 1% if they wish. Clearly the less income we receive the less we can invest in the management and maintenance of our tenant's homes and the number of new properties we are able to provide would also be reduced. It is worth noting that 73% of tenants will have their rent and most service charges covered by benefit payments. Our rent and service charges also tend to be much lower than other Social Landlords operating in Darlington due to historical differences in government guidance on what Housing Associations and Local Authorities could charge.
3. Since Central Government lifted the borrowing cap on the HRA we have been using this additional capacity to invest in building much needed new homes. In 2021/22 we plan to borrow an extra £8m to fund our new build programme. This can be supplemented with Homes England grant and we plan to build 100 affordable homes per annum over the next 10 years. We also have over 50% of households with one or more person with a disability and we are therefore committed to providing good quality homes with generous space standards and lifetime homes principles to support people to live independently and have a good quality of life. All properties are designed to meet a good standard of thermal efficiency. Over 237 households have already benefitted from our current new build programme which has taken place at various locations around the town and

demand continues to be exceptionally high.

Recommendations

4. It is proposed that the following recommendations are agreed for wider consultation: -
 - (a) An average weekly rent increase of 1.7% for 2021/22 be implemented giving an average social rent of £73.11 and affordable rent of £83.62.
 - (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.
 - (e) That the Director of Economic Growth and Neighbourhood Services be given delegated powers to proceed with new build schemes for affordable rent using the funding as identified at paragraph 16.
 - (f) That the Director of Economic Growth and Neighbourhood Services be given delegated powers to acquire dwellings in the private sector as opportunities arise, particularly as part of regeneration initiatives as discussed at paragraph 17 of this report.

Reason

5. To 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.

Ian Williams
Director of Economic Growth and Neighbourhood Services

Background Papers
MHCLG Rent Guidance

Pauline Mitchell: Ext 5831

| | |
|--------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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 | By ensuring our housing stock is in good condition we are making a positive contribution to the Health and well- being of our Council tenants |
| Carbon Impact | There are a range of energy efficiency measures included in the investment plan which will have a positive carbon impact |
| Diversity | There are no diversity issues |
| Wards Affected | This will have an effect on all Wards in the Borough with Council owned Housing. |
| 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 2021. |
| 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 2021 will be required. |
| One Darlington: Perfectly Placed | Improving the existing housing stock and external environment, as well as, the new build programme will all contribute towards the sustainability agenda. |
| 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 | No impact |

MAIN REPORT

Setting the MTFP for the HRA

6. Councils have the flexibility to decide the balance between the levels of service provided to tenants and the levels of rent charged provided they are no higher than the maximum level determined by the DWP. This is known as the limit rent. In Darlington for 2021/22 the maximum average increase allowed will be 1.7%. It is recommended therefore that we increase all rents to the maximum allowed. Similarly, it is recommended that where appropriate service charges also have an inflationary increase. However, members may opt for a rent reduction or a rent increase of a lesser amount than the government guidance of CPI plus 1% if they wish. Clearly the less income we receive the less we can invest in the management and maintenance of our tenant's homes and the number of new properties we can provide would also be reduced. It is worth noting that 73% of tenants will have their rent and most service charges covered by benefit payments. Our rent and service charges also tend to be much lower than other Social Landlords operating in Darlington due to historical differences in government guidance on what Housing Associations and Local Authorities could charge.
7. Since Central Government lifted the borrowing cap on the HRA we have been using this additional capacity to invest in building much needed new homes. In 2021/22 we plan borrow an extra £8m to fund our housing capital programme. This can be supplemented with Homes England grant to provide more than 1000 much needed new Council homes at affordable rents over the next 10 years. Around 237 households have already benefitted from our current new build programme which has taken place across the Borough with sites at Branksome, Red Hall, Skerne Park, Lingfield and Lascelles Park. Overall demand has been exceptionally high.
8. **Analysis of Expenditure within the HRA**
 - (a) **Management £2.948m**

This includes all staffing costs associated with the provision of a housing management service, central support service and other associated support costs such as ICT and insurance.
 - (b) **Service Charges and other contributions to expenditure £3.285m**

This covers services charges to tenants such as grounds maintenance and Lifeline Services charges to a range of clients. All service charges are fully recoverable. It also includes recharges that will be recovered through additional income including court costs and recharges to the General Fund for grounds maintenance.
 - (c) **Maintenance - Revenue Repairs - £4.157m**

This covers the on-going general repairs to the Council's 5,293 properties at a rate of approximately £606 per property per year. This level represents an average spend and reflects the overall good condition of the stock due to sustained capital investment. The continued investment in a good repairs service is essential to maintaining our stock at a good level for current and future tenants.

(d) **Capital Financing Costs - £3.623m**

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

(e) **Bad Debts Provision - £0.350m**

This is a provision to cover rents that are deemed unrecoverable.

(f) **Revenue Contributions to Capital Programme - £11.743m**

This represents the amount by which the HRA can fund major capital works. In addition to this the Council continues to be successful in bidding for grant funding from Homes England towards the building of new homes.

Borrowing

9. Since the abolition of the HRA borrowing cap we have been able to prudentially borrow and have included additional borrowing of £8m in 2021/22 to build new affordable houses.
10. 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 Investment Plan is discussed in the following section and this explains where future capital investment is planned.

Housing Investment Plan

11. All Housing Capital schemes are funded fully from the Housing Revenue Account. The priorities identified through the Housing Investment Plan to be funded from the estimated capital resources for 2021/22 include:-
 - (a) Adaptations and lifts – £0.200m budget is to deliver adaptations within the Council's housing stock to enable tenants with a disability to remain in their own home and live independently across the Borough. This work is based on individual assessments by our in-house Occupational Therapy Team. Passenger lifts within sheltered and extra care schemes are regularly services and any unplanned major works identified will be funded from this budget also.
 - (b) Heating Replacement - £1.015m to fund new condensing boiler and central heating upgrades in approximately 290 properties. This work will predominantly be completed in Haughton and Bank Top where boilers are around 15 years old and starting to fail, in addition to some miscellaneous properties as part of a "just in time" programme of replacement for those boilers that fail before their due replacement date.
 - (c) Structural Works - £0.400m has been set aside to address structural issues predominantly in the Hundens area. This work was highlighted in the five yearly stock condition survey and a recent comprehensive survey has identified the full extent of the works required
 - (d) Lifeline Services - £0.050m is set aside to continue to provide upgrades to Lifeline equipment.
 - (e) Repairs before Painting - £0.060m will be invested in joinery repair works in anticipation of the five yearly cyclical external painting programme. This will predominantly be in the Branksome, Cockerton, Bank Top and Red Hall areas.

- (f) Roofing & Repointing work – £1m for the replacement of flat and pitched roofs and the replacement of fascia's, soffits and rainwater goods together with the top-up of loft insulation where appropriate. The programme will primarily be in the Haughton area. This work was highlighted in the five yearly stock condition survey and a recent comprehensive survey has identified the full extent of the works required.
- (g) Garages - £0.075m will be invested predominantly in the demolition and making good of stand-alone garages at Lascelles Park where they are beyond economical repair. Further details are provided at paragraph 23
- (h) External Works - £0.200m will be used to provide new rear dividing fences and new footpaths to Council properties across areas in the Haughton area. This work was highlighted in the five yearly stock condition survey and a recent comprehensive survey has identified the full extent of the works required.
- (i) Smoke Detectors - £0.025m is required to replace existing hard-wired smoke and heat detectors where systems are now 10 years old and reaching the end of their recommended lifespan.
- (j) Pavement Crossings - £0.032m has been identified to fund pavement crossings across the Borough based on tenant's requests and where practicable.
- (k) Replacement Door Programme - £0.450m will be used to replace external doors in the Lascelles Park and Firthmoor. This work was highlighted in the five yearly stock condition survey and a recent comprehensive survey has identified the full extent of the works required.
- (l) Window Replacement - £0.500m will be used to replace windows across at Lascelles Park. This work was highlighted in the five yearly stock condition survey and a recent comprehensive survey has identified the full extent of the works required.
- (m) Internal planned maintenance – £1.690m to fund around 220 kitchen and bathroom replacements predominantly at Lascelles Park in accordance with our 20 year replacement programme and miscellaneous properties as necessary.
- (n) Communal Works - £0.100m is required to replace communal doors in poor condition in the Town Centre and North Road area.
- (o) Energy Efficiency Improvements - £1.000m has been set aside to support Energy Efficiency improvements and contribute towards any match funding required as part of future potential Energy Grant bids.
- (p) New Build - £13.385m will be spent completing the current new build programme.

12. The purpose of the Housing Investment Plan 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 Investment Plan it has become clear that there are several strategic investment priorities that are particularly pressing and have significant financial implications for both the Housing Revenue Account and the Council's General Fund.
13. 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

14. 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 and housing associations provide relatively low numbers of affordable housing units on average.
15. 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 Investment Plan is underpinned by the rents received from Council owned properties and the loss of rents as a result of previous regeneration works and ongoing 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 considered.
16. Now that the HRA borrowing cap has been abolished we are able to prudentially borrow an additional £8m in the current year to build new affordable houses. This is in addition to £5m available from revenue contributions to capital giving us a total of £13m available for the development of new affordable homes for rent or other property acquisitions. We have also assumed that we will be successful in grant applications to the Homes England's Affordable Housing Programme. It is difficult to predict grant funding levels as funding is now available based on a rolling programme, but we have received up to 40% of the overall costs for previous schemes. Several new build sites have been identified and are currently being worked up in more detail to enable planning permission to be sought. Meanwhile delegated powers are being requested for the Director of Economic Growth and Neighbourhood Services to enable new build schemes to be progressed in a timely manner subject to planning permission. **Appendix 3** shows we are anticipating spending around £74m on new build in total going forward and with projected Homes England grant of £23m.
17. There may also be a strategic need in the future to acquire a small number of properties in the private sector to either address a specific housing need or as part of the regeneration of an area of older housing. Included in the Council's refreshed Corporate Plan there is a commitment to addressing poor quality private housing and bringing empty homes back into use. This will include buying up empty properties where appropriate. Delegated powers are therefore being requested for the Director of Economic Growth and Neighbourhood Services to purchase private sector properties where appropriate.

Housing for Vulnerable People

18. 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.
19. 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 considered in developing our new build housing programme. The properties provided as part of our ongoing new build programme have been built in accordance with Lifetime Homes standards. Inexpensive features include flush door entrances at front and rear for wheelchair access, and raised sockets, as well as, low level windowsills and openings. Increased space standards allow for hallways wide enough for 360° wheelchair turning circles, wider doors, and ground floor toilets. Occupational Therapists and Housing Officers also work closely with individuals to meet their needs where appropriate, providing bespoke lowered kitchens, specific bathing requirements etc. before they move in wherever possible.
20. This approach has significantly reduced the demands on the adaptations budget. However, going forward we will need to balance the additional costs of providing properties to this standard with anticipated future increased Building Regulation requirements in response to the Climate Change agenda.

Existing Stock Investment and Responsive Repairs

21. In accordance with good practice, the housing stock is surveyed by an independent specialist organisation every five years and detailed analysis of the data takes place to help inform our priorities. 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. All properties reached the government's Decent Homes standard in 2006. Average SAP rating are over 70 across the Council's 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
22. Various grant funding opportunities are emerging to enable social landlords to improve the thermal efficiency of their stock and a provisional one off sum has been included of £1m in 2021/22 to enable match funding where appropriate. An additional £250k has also been included each year throughout the 30 year Investment Plan. Appendix 2 shows that in total over the next 10 years we are anticipating spending £12,659m on energy efficiency measures including double glazed UPVC windows, composite doors and in some cases insulation such as external cladding. This is in addition to £11,417m to upgrade heating systems and provide energy efficient 'A' rated boilers.

23. A particular issue has been identified with the structural condition of 47 individual garages in the gardens of properties at Lascelles Park. These concrete garages with integral sheds are around 50 years old and have become too brittle to continue to repair. It is not possible to obtain replacement parts and they now need to be demolished. In total 39 garages are currently occupied and only 19 are rented by tenants who live in the adjoining properties. Due to an over-supply of garages in this area there are 39 alternative vacant garages at various locations throughout the estate. Full consultation will take place with all affected tenants but the proposed works include the provision of a timber shed, as well as side and rear fencing to allow off street parking.
24. The Investment Plan identifies a capital works budget of around £110m over the next five years and £255m budget for capital works over the next 30 years, including the New Build Programme. This budget will ensure all works identified within the stock condition survey can be completed alongside additional works to maintain properties to the appropriate standard.
25. The Investment Plan anticipates responsive repairs will remain at historical levels and so allocates a budget of £28m for responsive and cyclical repairs within the five-year investment plan and £186m within the 30-year investment plan.

Rent Level Options

26. 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. As set out in paragraph 6 of this report Councils now have the flexibility to decide the balance between the levels of rent charged provided, they are no higher than the maximum level determined by the DWP.

Garage Rents and Service Charges

27. The budget at Appendix 1 includes the financial effect of the proposed increases. The proposed service charges shown below at Table 3 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.
28. Any additional costs will be covered by Housing Benefit or Universal Credit for the 73% of tenants who are eligible. The HRA funds a Money Advice Service and Income Management Team to address the financial challenges facing a significant number of Council tenants and referrals are also made to CAB for independent financial advice as well as to food banks and furniture recycling schemes. 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 (20/21) | Proposed Weekly Charge (21/22) |
|---------------------------------------------------|-------------------------------|--------------------------------|
| | £ | £ |
| Garage Rents | 8.01 | 8.07 |
| Building Cleaning – Flats | 1.85 | 1.88 |
| Building Cleaning – Sheltered Schemes | 3.81 | 3.84 |
| Building Cleaning – Extra Care | 12.02 | 12.25 |
| Grounds Maintenance – General Housing | 1.76 | 1.80 |
| Grounds Maintenance – Blocks of Flats | 1.76 | 1.80 |
| Heating – Comprehensive schemes | 11.46 | 11.46 |
| Heating – Blocks of flats | 1.50 | 1.53 |
| Administration – Leaseholders | 1.74 | 1.75 |
| Furnishings and Fittings – Comprehensive Schemes | 2.01 | 2.03 |
| Furnishings and Fittings – Good Neighbour Schemes | 0.92 | 0.93 |
| Lifeline Response | 5.78 | 5.98 |
| Lifeline – Sheltered and Extra Care Housing | 17.92 | 18.35 |
| Pavement Crossings and Hard standings | 4.32 | 4.35 |
| Mid-day Meal – Extra Care (Residents only) | 34.21 | 35.24 |
| Mid-day Meal – Extra Care (Non-Residents only) | 41.11 | 42.34 |
| Guest Rooms in Sheltered Schemes | 85.60 | 87.31 |
| Door Entry Systems | 0.72 | 0.72 |
| TV Aerials | 0.19 | 0.19 |
| Housing Plus Service | 19.01 | 19.39 |

Consultation

29. The Annual Review of the HRA Investment Plan is developed in consultation with Council tenants through their Customer Panel and associated sub-groups, supplemented with surveys and focus groups. The specific proposals have not yet been considered by the Customer Panel.

Financial Implications

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

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