

**HOUSING REVENUE ACCOUNT – MTFP 2019/20 TO 2022/23**

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**Responsible Cabinet Member - Councillor Andy Scott,  
Housing, Health and Partnerships Portfolio**

**Responsible Director - Paul Wildsmith, Managing Director**

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**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 2019/20 in the context of the HRA Medium Term Financial Plan to 2022/23 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 2018/19 (£70.88 – Average Rent 2019/20 £70.53). Where appropriate some service charges have however had an inflationary increase. Whilst the rent reductions have meant less income for the HRA, Council tenants have benefitted enormously with an overall reduction in payments equalling £2.5m per annum.
3. For many years now we have been lobbying Central Government to lift the borrowing cap on the HRA so that our tenants could benefit from the same flexible borrowing arrangements as other Council services. This cap has now been lifted and in 2019/20 alone will enable us to increase our housing capital programme by around £12m. 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. Over 180 households have already benefitted from our current new build programme which has taken place at various locations around the town and demand has been exceptionally high.

## Recommendations

4. It is proposed that the following be approved for consultation:-
  - (a) An average weekly social rent reduction of 1% for 2019/20 be implemented giving an average social rent of £70.53 and affordable rent of £77.92
  - (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

5. 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**  
**Managing Director**

## Background Papers

CLG Rent Restructuring 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	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 2019.

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 2019 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	No impact

## MAIN REPORT

### Setting the MTFP for the HRA

6. 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 ensuring the standard of service offered remains high. Central Government have indicated this requirement will end after 2019/20 and from 2020/21 therefore it has been assumed a return to the previous rent of CPI plus 1% will apply
7. For many years now we have been lobbying Central Government to lift the borrowing cap on the HRA so that our tenants could benefit from the same flexible borrowing arrangements as other Council services. This cap has now been lifted and in 2019/20 alone will enable us to increase our housing capital programme by around £12m. 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 180 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 £5.724m**  
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.
  - (b) **Maintenance - Revenue Repairs - £3.995m**  
This covers the on-going general repairs to the Councils 5,334 properties at a rate of approximately £590 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.

(c) **Capital Financing Costs - £4.078m**

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

(d) **Bad Debts Provision - £0.350m**

A provision to cover rents that are deemed unrecoverable.

(e) **Revenue Contributions to Capital Programme - £10.634m**

This represents the amount the HRA is able to 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 houses.

## **Borrowing**

9. The HRA borrowing cap has now been abolished. We are now able to prudentially borrow and have included additional borrowing of £11.7m in 2019/20 to build new affordable houses or address any emerging regeneration opportunities.
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 Business Plan is discussed in the following section and this explains where future capital investment is planned.

## **Housing Business Plan**

11. All Housing Capital schemes are funded fully from the Housing Revenue Account. The key difference for next year is the proposal to spend £16.48m on new build and emerging regeneration initiatives. The other priorities identified through the Housing Business Plan to be funded from the estimated capital resources for 2019/20 include:-
  - (a) Adaptations and lifts – £0.150m 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 and to complete any major works to passenger lifts within sheltered and extra care schemes.
  - (b) Heating Replacement - £0.950m to fund new condensing boiler and central heating upgrades. This work will predominantly be completed in the Park Place and Dodds Street areas. There will also be some miscellaneous properties which will be included in the programme and we will be running a "just in time" programme of replacement for those boilers that fail before their due replacement date within the financial year.
  - (c) Structural Repairs - £0.500m has been set aside to address any structural issues that may be identified within the year.
  - (d) Lifeline Services - £0.050m is set aside to continue to provide upgrades to Lifeline equipment.

- (e) Repairs before Painting - £0.100m will be invested in joinery repair works in anticipation of the cyclical external painting programme. This will predominantly be in the Haughton, Springfield and Firthmoor.
  - (f) Roofing – £0.700m for the replacement of roofs, fascia's, soffits and rainwater goods together with the top-up of loft insulation where appropriate. The programme will primarily be in the Geneva Road Area.
  - (g) Garages - £0.050m will be invested in improvements to the Council's garage blocks which will include Nightingale Avenue and demolition of low demand garages in poor condition at Rise Carr.
  - (h) External Works - £0.300m will be used to provide new rear dividing fences and new footpaths to Council properties in various locations based on condition.
  - (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 and hard-standings across the Borough.
  - (k) Replacement Door Programme - £0.350m will be used to replace external doors with energy efficient composite doors in the Springfield Area.
  - (l) Window Replacement - £0.500m has been identified to replace windows across the Borough with double glazed UPVC. These areas will be determined based on those in the poorest condition.
  - (m) Internal planned maintenance – £1.980m for the replacement of kitchens and bathrooms, rewiring of electrical systems and heating system upgrades where required. This work will predominantly be completed in Branksome. There will also be some miscellaneous properties which will be included in the programme.
  - (n) Communal Works - £0.100m is required to replace communal doors in the North Road area.
  - (o) Investment Fund- New Build/Regeneration - £16.480m will be spent on the new build programme and any emerging regeneration initiatives.
12. The purpose of the Housing Business 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 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.

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.
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 Business Plan is underpinned by the rents received from Council 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 taken into account.
16. Now that the HRA borrowing cap has been abolished we are able to prudentially borrow an additional £11.7m in the current year to build new affordable houses. This is in addition to £4.78m available from revenue contributions to capital giving us a total of £16.48m available for the development of new Council homes for rent or regeneration initiatives. However this will increase when combined with any successful grant applications to the Homes England's 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 up to 40% of the overall costs for recent schemes. Appendix 3 shows we are anticipating spending around £60m of our own money on new build in total going forward and with Homes England grant this could be topped up to around £100m.
17. A number of new build sites have been identified and are currently being worked up in more detail to enable planning permission to be sought.

## **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 taken into account 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 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 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 particular 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.

### **Existing Stock Investment and Responsive Repairs**

21. In accordance with good practice, the housing stock was surveyed by an independent specialist organisation last year and detailed analysis of the data has been taking place since then. 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.

22. The Business Plan identifies a capital works budget of around £90m over the next five years and £280m 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 Darlington Standard.

23. The Business Plan anticipates responsive repairs will remain at historical levels and so allocates a budget of £20.8m for responsive and cyclical repairs within the five year investment plan and £122m within the 30 year investment plan.

### **Rent Level Options**

24. 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.

25. In 2015 the government 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 was 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 2019/20 based on this are attached at **Appendix 4**.

### **Garage Rents and Service Charges**

26. 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.
27. 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 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**

<b>Description</b>	<b>Current Weekly Charge (18/19)</b>	<b>Proposed Weekly Charge (19/20)</b>
	<b>£</b>	<b>£</b>
Garage Rents	7.69	7.88
Building Cleaning – Flats	1.79	1.82
Building Cleaning – Sheltered Schemes	3.68	3.70
Building Cleaning – Extra Care	11.55	11.78
Grounds Maintenance – General Housing	1.71	1.74
Grounds Maintenance – Blocks of Flats	1.71	1.74
Heating – Comprehensive schemes	11.46	11.46
Heating - Blocks of flats	1.41	1.48
Administration – Leaseholders	1.67	1.71
Furnishings and Fittings – Comprehensive Schemes	1.93	1.98
Furnishings and Fittings – Good Neighbour Schemes	0.87	0.89
Lifeline Response	5.50	5.52
Lifeline - Sheltered and Extra Care Housing	17.64	17.77
Pavement Crossings and Hard standings	4.13	4.25
Mid-day Meal – Extra Care (Residents only)	32.90	34.21
Mid-day Meal – Extra Care (Non-Residents only)	39.48	41.11
Furnished Tenancies	6.10	15.13
Guest Rooms in Sheltered Schemes	82.04	84.17
Door Entry Systems	0.68	0.68
TV Aerials	0.19	0.19
Housing Plus Service	18.07	18.43



## **Consultation**

28. 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**

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