

HOUSING MANAGEMENT ADVISORY BOARD

Report of the Head of Landlord Services

Item BUDGET CONSULTATION 2020-2021

Purpose of the report

To enable members of the Board to consider the following issues before the draft budget report goes to Cabinet in December 2019.

- Priorities
- Budget pressures
- Rent and service charge setting
- Proposals for planned investment

Action requested

The Board is asked to:

- Advise on any initiatives / priorities it wishes to see budgeted for in 2020/21.
- Comment on the budget pressures submitted for Year 2 - Mobyssoft RentSense Predictive Analytics and extension of the Universal Credit Officer.
- Comment on proposed rents and service charges for 2020/21.
- Comment on the proposals for planned investment for 2020/21.

Background

Annual budget setting process

Each year the Council sets budgets for the following year. An indication of the process and the timescales for the key events that drive the process are set out in the below table:

Event	Description
Cabinet Meeting December 2019	A report is taken to Cabinet to: <ul style="list-style-type: none">• Advise members of the projected base budget position for 2020/2021.• Review the savings and growth proposals put forward for the year 2020/2021, and to begin a period of consultation.

<p>Cabinet</p> <p>February 2020</p>	<p>This report sets out the proposed General Fund and Housing Revenue Account (HRA) Revenue Budgets for 2020/21, which together represent the financial spending plans for all services of the Council.</p> <p>The report also presents the proposals to increase rent and service charges within the Housing Revenue Account.</p>
<p>Council</p> <p>February 2020</p>	<p>The report sets out the recommendations of the Cabinet regarding the proposed General Fund and HRA Revenue Budgets for 2020/21. These budgets represent the financial spending plans for all services of the Council and it is a legal requirement to set a balanced budget each financial year. The report also includes the original budget for the Housing Revenue Account together with changes to rent and service charges.</p>

The exact amount of available money for the HRA in 2020/21 is not yet known as this is identified after December 2019.

Budget pressures submitted for Extension of Universal Credit Officer and Mobysoft RentSense Predictive Analytics

In order to arrive at a draft budget position that can be presented to Cabinet in December 2019 Heads of Service submit any pressures and savings they are aware of for the forthcoming year. Pressures and savings over £10,000 require the production of a business case.

The budget pressure business cases for *Year 2 Mobysoft RentSense Predictive Analytics* and *Extension of Universal Credit Officer* and can be found at Appendix 1.

The pressures, savings and business cases will be reviewed by Directors and Heads of Service to determine whether they can be covered within the overall HRA budget and whether the business cases appear reasonable. The finalised pressures and savings, along with the business cases and supplementary information, are then reviewed by the Senior Leadership Team, and the draft budget is produced.

Rents and service charges for 2020/21

- Housing Rents

Around £12.6 million is currently held in housing revenue account balances and reserves, of which, around £8 million is available to spend, leaving a suitable working balance.

The Council is a self-financing local authority and owes £79 million in loans in its debt settlement payment to the government, repayable from 2024 to 2061.

2019/20 is the fourth year of 1% rent reductions from a frozen 2015/16 baseline as set out though the Welfare Reform and Work Act 2016. Through these 1% reductions there is a projected net total cash reduction in the rent charged of around 4%. This has a substantial adverse impact on rental income. Inflation has been positive over same four-year period so there has been an even greater “real terms” decrease in rental income levels.

Government has now clarified rent policy for 2020 onwards, and a CPI* (1.7%) + 1% increase is now possible. It is proposed to the Board that the Council applies an increase at this level.

If rent is not increased at the maximum allowable amount the potential income to the HRA will be lost forever, as has happened already with the 4% reduction.

The proposed increase will support the resourcing of the following activities:

- a) improvements to sheltered accommodation for the elderly and vulnerable tenants.
- b) acquisition / development of new social homes.
- c) maintenance of the Charnwood standard in tenants’ homes (an enhanced decent home standard)
- d) improvements to communal areas and estates

* CPI is an inflationary indicator that measures change in the price of goods and services.

- Charges for garages and shops

The District Valuer is undertaking a valuation and will make a recommendation to the Council on levels to be set. It is likely that charges will follow this recommendation.

A review around the best use of garage sites is currently underway. Some sites are in poor condition. The review will inform future investment decisions.

- Leasehold management and administration

It is proposed that charges are subject to a 2.7% increase in line with that proposed for housing tenants. This approach will reduce the amount of cross subsidy from the Council’s tenants as currently management and administration charges are under recovered i.e. the cost of providing management and administration services is less than the service charge levied. Actual charges around communal area improvements and other services will remain at full cost recovery.

- Lifeline and warden support

It is proposed that charges are subject to the same 2.7% increase.

Overall, charges are currently under recovered i.e. the cost of providing services is less than the service charge levied.

If charges are increased too much vulnerable people may stop using the service, which would have a negative effect on the amount of income recovered.

Table 1 (below) shows how the proposed increases will affect individual charges:

Charge Description	Average weekly charge at 2019/20	Average weekly charge with a 2.7% increase	Increase
Housing rent	£87.00	£89.34	£2.34 / week (eligible for Universal Credit)
Leasehold management and administration charges	£113.06	£116.11	£3.05 / annual
Lifeline charge	£4.37	£4.48	9p / week
Warden support charge	£1.72	£1.77	5p / week (eligible for Universal Credit)

Capital Budgets

Works will continue to be delivered in line with the Charnwood standard.

An amount will be included in the 2020/2021 budget for replacing composite fire doors which do not meet the standards set out in new guidance.

Additional parking spaces are requested on a regular basis. In recent months, there have been requests for the creation of parking spaces at locations including Ling Road (where a road would need to be created to enable access), and at Beacon Road in Loughborough. There are limited budgets available for this type of work. It is not recommended that this work is progressed. Rather, that the Estate and External Works Budget (the draft amount is £205,000) is focussed on improving existing pedestrian areas, footpaths and car park surfaces, to reduce the likelihood of trips and falls resulting in harm, and on improving bin stores, which have been the target of arson and drug misuse.

Officer to contact:

Peter Oliver
Head of Landlord Services

Peter.oliver@charnwood.gov.uk

01509 634 952

Appendix 1 - Summary of Budget Pressures and Savings

Year 2 - Mobyssoft RentSense Analytics

What we propose to do and how we will do it

On 21st October 2019 the Council entered in to a 1+1+1 years contract with Mobyssoft Limited for the cloud based RentSense system. Using historical rent payment data and predictive modelling, the system creates a prioritised list of rent accounts for action and produces related performance data. The Year 1 cost has been met. Subject to continued business case validation it is expected that year 2 of the contract will commence on 21st October 2020. The cost of year 2 is £45,148. This amount has been placed in a ring fenced 19/20 expenditure code. Under current financial procedures this Option for Change form is necessary to create the budget for 20/21.

Why this option is being put forward?

The number of tenants currently receiving UC is around 820. It is expected that from January 2020, the DWP will implement the managed migration to UC of all claimants on legacy benefits, including tax credits, ESA, JSA and income support. The number of tenants moving on to Universal Credit is therefore expected to increase, with full migration of around 2600 Council tenant claimants being completed by 2023. Housing benefit is paid directly to the landlord. UC is paid to the tenant, who must pay the rent to the landlord. This increases the cohort of tenants that officers must "chase" to pay the rent. Workload for the income management team is estimated to increase by around 41% as a result.

The projected year 1 financial benefits of Rentsense are as follows:

- Immediate income collection capacity gains, equivalent to at least 1.50 FTE officer time saved;
- Benchmarked arrears reduction of 13.05% in year one (Over £58k arrears reduction);
- Freeing up of additional capacity to deal with the resource intensive impact of universal credit equivalent to at least 1.12 FTE officer time.

The total estimated year 1 benefits are £137,000

RentSense is used by around 145 other housing providers. The system currently processes the payment data relating to 1.5m of tenants. This makes up around 29% of all public sector tenancies.

Two site reference visits have been undertaken to organisations using QL (the Council's housing management system) and Mobyssoft. Both organisations reported the introduction of RentSense as positive, noting that it had assisted in delivering better overall performance on arrears and income collection.

What is the impact on service users and communities?

- Tenants in arrears are contacted quickly and accounts are monitored more frequently;
- More officer time available to support tenants with more complex cases; Tenant debt is minimised supporting tenant wellbeing (debt contributes to poor physical and mental health);
- Early intervention and prevention of arrears as no tenants are 'missed' receiving contact;
- Interactions are of a higher quality and customers are more satisfied with service;
- Court action and eviction outcomes are reduced, again supporting both tenant wellbeing and objectives around tenancy and community sustainability, and void loss.

Is there a disproportionate impact on people with protected characteristics?

None identified.

What is the 2020/2021 cost?

£45,148

Risks and mitigating actions

The main risk is that the projected benefits are not realised leading to financial loss. A detailed mobilisation plan has been produced and a Project Team established to implement the system. Performance data will be monitored. A business case validation meeting is timetabled to take place in March 2020. Should the expected benefits not be realised, a break clause is present in the contract which can be exercised at month 10, limiting the length of the contract to 1 year.

Extension of Universal Credit Officer

What we propose to do and how we will do it

It is proposed that the Universal Credit Officer post M360 is funded for a further period of 2 years. The post will support tenants moving on to Universal Credit, and will protect rental income and prevent evictions through the following activities: manage cases on the Department for Work & Pensions (DWP) landlord portal, assist claimants with UC applications and sustainment, request managed payments, assist vulnerable tenants to maintain their claim, and manage and maintain accurate records of claimants to support the targeting of resources.

Why this option is being put forward?

The number of tenants currently receiving UC is 820. It is expected that from January 2020, the DWP will implement the managed migration to UC of all claimants on legacy

benefits, including tax credits, ESA, JSA and income support. This migration is taking place later than expected. The number of tenants moving on to Universal Credit is therefore expected to increase, with full migration of around 2600 Council tenant claimants being completed by 2023. The Universal Credit Officer resource is required for this period to protect rental income and prevent evictions. The 2019/20 income protected through the activity undertaken by the officer is estimated at £650,000. UC officer activity data can be found at Appendix A.

What is the impact on service users and communities?

Tenants will be supported through changes to welfare benefits, financial stress will be reduced, and evictions prevented. Tenancy turnover will be reduced and this will have a positive impact on community stability and sustainability.

Is there a disproportionate impact on people with protected characteristics?

None identified.

What is the 2020/2021 cost?

£ 37,375

Risks and mitigating actions

There are no significant risks identified with this proposal.

Appendix A - UC Officer Activity Data

Activity	Activity Total	Activity Total
UC Sustain*	806	1232
Sign-up / Application	161	
Managed payment application	47	
Verification on Landlord Portal	208	
Other	10	

***UC Sustain Activities:**

- Home visits
- Contact with UC service centre
- Contact with Loughborough Job centre
- Managed payment
- PIP claims & Limited capability for work assessment
- Referrals to other teams
- Referrals to agencies
- Supporting tenants with IT
- Supporting tenants with bills
- Supporting tenants with letters

Writing journal messages to UC on behalf of tenants

Visiting tenants with limited computer skills on a weekly basis leading to first payment date to ensure to-do list is complete

Council tax support

Advice to maximise income

Informing tenants that if an advance is taken out – half of this must be paid towards housing costs

Number of vulnerable tenants supported to apply for and maintain UC
153