



Doncaster Council

Date: 4th March, 2019

To the Chair and Members of
COUNCIL

Housing Revenue Account Budget 2019/20

EXECUTIVE SUMMARY

1. This report sets out the Mayor's proposals for the 2019/20 Housing Revenue Account (HRA) Budget. The report focuses on the following key areas:-
 - the level of the Council's housing rents for 2019/20; the current average rent is £70.10 per week which is the lowest within South Yorkshire, rents will decrease by 1% for 2019/20;
 - the Housing Revenue Account (HRA) budget proposals for 2019/20;
 - the medium term financial forecast for the HRA which includes estimated budgets for 2020/21, 2021/22 and 2022/23; the HRA budget follows the budget strategy as set out in previous years and maintains a reserve of £4.0m within the HRA, the budget for 2019/20 is a balanced budget (income equals expenditure); and
 - the level of fees and charges for 2019/20 as detailed in paragraph 13.

EXEMPT REPORT

2. Not applicable.

RECOMMENDATIONS

3. Council is asked to approve the Housing Revenue Account budget proposals as set out in this report and including:-
 - i. Rents are reduced from 1st April 2019, by 1.0% as detailed in paragraphs 7 to 10 in line with Government policy. This will result in an average weekly rent decrease of £0.70, resulting in an average rent of approximately £69.40 per week. Rents will be charged every week of the year.
 - ii. The budget proposals for the HRA for 2019/20, which are contained in Appendix A. These proposals set a balanced budget for the HRA and maintain a reserve of £4.0m;
 - iii. Fees and charges set out in paragraph 13.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

4. The Council provides housing to over 20,000 residents through the housing stock within the HRA. The majority of these properties are let at social rents which are currently the lowest within South Yorkshire and they will continue to be after this decrease. The proposals within this report mean that the existing tenants of these properties will pay lower rents in 2019/20. Reducing the rents does not prevent the Council from continuing to provide quality social housing maintained to the Doncaster decency standard but significantly reduces the number of new properties which will be built in the future in order to provide additional accommodation for those in need of social housing.

BACKGROUND

5. The Housing Revenue Account budget for 2018/19 was approved on 5th March 2018. Since then the regular financial management reports to Cabinet have provided the latest projections of the 2018/19 financial position.

The underlying principles for HRA budgets had been agreed in previous years,

- that rents would remain at affordable levels;
- where properties are relet it is at target rent; and
- that surplus resources within the HRA would be used to provide additional council housing, either new build or acquisitions.

This would have continued if it had not been for the announcements in the Government's Summer Budget, 8th July, 2015. The major change which was implemented in 2016/17 was a 1% rent reduction for four years, from 2016/17 to 2019/20.

BUDGET PROPOSALS 2019/20

6. The Budget proposals for 2019/20 are shown in detail at Appendix A. The key features are as follows:-
 - a) A reduction in rents of 1.0% with effect from 1st April, 2019 (see paragraphs 7 to 10 for more details);
 - b) Dwelling rent income is expected to be £0.536m lower at £71.778m due to the effect of the rent reduction and the projected number of Right to Buy sales, new build properties, acquisitions and void (empty) properties;
 - c) As and when properties become empty they will be advertised and relet at target rent (see paragraph 11 for definitions of rent) minus 1.0% (2016/17 reduction) minus a further 1% (2017/18 reduction), minus a further 1% (2018/19 reduction) and a further 1% (2019/20 reduction) based on target rent calculations as at July 2015.
 - d) The majority of HRA services are provided by St. Leger Homes of Doncaster (SLHD). The management fee paid to SLHD is increased by £1.563m to reflect increases in salaries (pay award), increased employer pension costs, inflationary increases, legislation and technology changes. Efficiency savings have been made from within SLHD to fund the additional costs of services required to collect rent and sustain tenancies following the rollout of full service

for universal credit on 11 October 2017. It is estimated that when universal credit is fully rolled out in 2021 7,500 tenants will be affected and an additional £24.0m of rent income will need to be collected which was previously paid directly to the HRA from housing benefit. The details of the SLHD management fee calculations are shown at Appendix B. The management fee paid from the HRA for 2019/20 is £30.801m;

- e) It is estimated that the cost of the additional resources required to collect the rent and sustain tenancies following the full rollout of universal credit is £0.5m, SLHD are required to find efficiencies and savings to fund these additional costs over the three year period 2018/19 to 2020/21. In 2019/20 £0.480m of further efficiencies and savings have been identified and reinvested into the tenancy sustainment team, improving customer services and the delivery of a new IT system;
- f) There is a budget of £0.411m within the HRA to assist tenants to deal with changes as a result of welfare benefit reform. The sustainable tenancy policy was reviewed in August 2017 and both the usage and the policy are being kept under review as further changes to welfare benefits are rolled out;
- g) The number of Right to Buy sales continues to be monitored and total sales to the 31st December 2018 were 87 giving an average of 2.18 sales per week (compared to 3.23 per week as of December 2017). A projected level of 175 sales, 102 new build and/or acquisitions and a void rent loss percentage of 1.25% have been used for calculating the rental income budget for 2019/20;
- h) Housing Subsidy (the historic Government grant system for the HRA) was abolished with effect from 1 April 2012 and the HRA became self-financing. A self-financing HRA needs to fund both its revenue services and deliver the investment/capital programme from rent income;
- i) Following the introduction of self-financing for the HRA a longer term view (30 years) is taken on HRA budgets to ensure that there is sufficient funding available in future years to maintain the properties at the Doncaster decency standard, deliver other investment needs and day to day services;
- j) A prudent level of balances for the HRA is considered to be £4.0m. Any surplus funds in excess of this, £2.212m, has been transferred to the housing public sector capital programme to fund investment in the housing stock and the programme for building more council houses.

A balanced budget will be set for 2019/20. This will maintain an estimated reserve within the HRA of £4.0m by 31 March 2020.

RENT LEVELS

7. On 8th July, 2015 the Government held a Summer Budget and announced in that Budget that all social housing rents would reduce by 1% a year for the next four years from 2016/17 to 2019/20. This announcement is being forced upon Local Authorities through the Welfare Reform and Work Act 2016. Over the four year period 2016/17 to 2019/20 there will be £25.9m less resources available compared to the previously budgeted figures and over the 30 year business plan there will be £310m less resources available.

8. Previous assumptions in the 30 year business plan were that any resources in excess of the minimum level of balances required would be invested into the capital programme, these excess resources were estimated at £310m and the majority of these resources would have been invested in new build council houses and these houses would have generated additional rent income. Therefore the total estimated reduction in resources available over a 30 year period is £457m.
9. Rents in Doncaster are the lowest of all South Yorkshire Councils based on the 2015/16 financial year (according to the latest published figures from CIPFA, Chartered Institute of Public Finance and Accountancy).
10. There are five different ways in which rents will change during 2019/20, (different types of rents are defined in paragraph 11);

Existing tenants (social rent) – rent will be reduced by 1%;

New tenants into existing (social rent) housing stock – if the tenancy changes during 2019/20 the property will be relet at the 2015/16 target rent for that property minus 1% (2016/17 reduction), minus a further 1% (2017/18 reduction), minus a further 1% (2018/19 reduction) and minus a further 1% (2019/20 reduction);

New council housing, either new build or acquisitions (funded wholly from Council resources, social rent) – when new properties are completed the target rent will be calculated for each property and then adjusted for minus 1% (2016/17 reduction), a further 1% (2017/18 reduction), a further 1% (2018/19 reduction) and a further 1% (2019/20 reduction);

New council housing, either new build or acquisitions (funded with an element of Government grant, affordable rent) – when new properties are handed over both the target rent and affordable rent will be calculated for these properties, the rent charged will be the higher of the two figures (this is a condition of the grant funding) and

Existing affordable rent properties – the rent will be reduced by 1% for existing tenants. If there is a change of tenancy a new affordable rent calculation will be carried out and the new rent will be the affordable rent (1% reductions are not required).

RENT DEFINITIONS

11. Target rent (sometimes referred to as formula rent) for each property is calculated using the following formula;
 - 70% of the national average rent (April 2000) multiplied by relative county earnings (1999 levels) multiplied by a bedroom weighting (higher weighting for larger properties) plus 30% of the national average rent (April 2000) multiplied by relative property value (January 1999).

This calculation gives a target rent figure for the financial year 2000/01. It has then been updated each year by retail price index (RPI) inflation plus 0.5% up until 2014/15. In 2015/16 the target rent was increased by consumer price index (CPI) plus 1% (2.2%), the average target rent in Doncaster for 2015/16 was £75.26 per week. The target rent figure for 2015/16 is the base figure used for calculating target rent in future years. The 2016/17 target rent figure (£74.65 per week) is 2015/16

minus 1%, the 2017/18 figure (£73.91 per week) is reduced by a further 1%, the 2018/19 figure (£73.17 per week) is reduced by a further 1% and the 2019/20 figure is reduced by a further 1% (£72.44 per week).

12. Affordable rents – Affordable rent is defined as 80% of open market rent. These figures are calculated on an individual basis for each property by a qualified surveyor. A number of properties which are now in the HRA have either been built or acquired with the assistance of some grant funding from the Homes and Communities Agency (HCA). One of the grant conditions for these properties is that they are let at affordable rents (or target rent if that is higher). The current average rent for these tenancies is £92.61 per week and this will reduce to £91.68 per week in 2019/20.

FEES AND CHARGES

13. The following recommendations are proposed in respect of fees and charges for 2019/20:-

- a) That the charges for garages and garage sites are increased by 3.0%.
- b) The bio mass district heating boiler at Ennerdale provides heating and hot water to the bungalows at Ennerdale and the properties in Jubilee Court. The current charge for heating at this scheme is 5.8p per unit (plus VAT). The charges for heating should ensure that the scheme breaks even, it is therefore recommended that the charges are increased to 6.0p per unit (plus VAT) a 3.4% increase. The average annual charge for these properties is £311.
- c) The district heating charge for properties on the Balby Bridge estate will increase to 6.3p per unit (inclusive of VAT) which is equivalent to 6.0p per unit plus VAT. The average annual charge for these properties is £201.
- d) 40 properties at Milton Court do not have individual meters, the current charge is either £6.40 (bedsits) or £6.50 (one bedroom) per property per week and will also increase by 3.4% to £6.62 and £6.72 per week.
- e) The current enclosed garden charge is between £2.51 and £4.16 (inclusive of VAT) per week dependent on the size of the garden and will increase by 3.0%, the new charges will be between £2.59 and £4.28. This is available as a whole year service (charged every week) or as a part year service (charged for 34 weeks). This service is an optional service, it is not eligible for housing benefit and it is available to all tenants.
- f) That the service charges to leaseholders are calculated based on the actual costs of providing the services and repairs and maintenance to the property.

The table below summarises the fees and charges that are included within the HRA budget assumptions.

Fee	Current Charge 2018/19	Proposed Charge 2019/20	Budget Implication
Garages	£5.34 per week (charged every week)	£5.50 per week (charged every week)	£3,799
Garage charges to non tenants	£6.41 per week (charged every week)	£6.60 per week (charged every week)	£4,365
Garage Sites	£0.91 per week	£0.94 per week	£48
Garage site charges to non tenants	£1.09 per week	£1.13 per week	£302
District Heating – Balby Bridge	5.8p per unit (excluding VAT) 6.09p per unit (inclusive of VAT)	6.0p per unit (excluding VAT) 6.3p per unit (inclusive of VAT)	Income dependant on usage
District Heating – Milton Court			£238
Bedsits	£6.40 per week	£6.62 per week	
One bedroom	£6.50 per week	£6.72 per week	
District Heating – Ennerdale	5.8p per unit 6.09p per unit (inclusive of VAT)	6.0p per unit 6.3p per unit (inclusive of VAT)	Income dependant on usage
Enclosed Garden Service (inclusive of VAT)	£2.51 £3.16 £3.42 £3.89 £4.16 (charged every week or 34 weeks)	£2.59 £3.25 £3.52 £4.01 £4.28 (charged every week or 34 weeks)	£1,539

14. Other changes which impact on the HRA are;

Welfare Benefit Changes and Potential financial impact

Changes to Welfare benefits have a direct impact on individual tenants which usually results in them having less income. This can impact on their ability to pay their rent, this can also lead to an increase in rent arrears and then eventually increased property turnover and associated costs.

A number of welfare benefit changes have already been made;

Under occupation or “bedroom tax” – this was introduced on 1st April, 2013. This policy means that if working age tenants (pensioners were excluded from this change) are deemed to be under occupying their property then their housing benefit is reduced by 14% if they have one under occupied bedroom, or 25% if they have two or more under occupied bedrooms. This change currently affects 2,039 of tenants and their housing benefit has been reduced by £1.249m, which needs to be collected. Bedroom tax still applies to tenants that claim Universal Credit (UC) however as DWP do not share information with us, we are unable to obtain accurate information as to how many of our tenants are affected that are claiming UC.

Benefit Cap – this is the maximum amount of benefit that an individual or household can receive. This was set at £26k in July 2013 and has been further reduced to

£20k for families and £13,400 for single claimants with effect from 9th January, 2017. This currently affects 91 Council tenancies.

Further rollout of universal credit (UC) – Tenants claiming universal credit receive their housing costs (the equivalent of Housing benefit) paid direct to themselves rather than paid to the landlord, with the tenant then responsible for paying their own rent.

Universal credit was rolled out in Doncaster in September 2015 and applied to single people with no dependents, in October 2017 full service for UC started (all new and changes to tenancies will claim UC) there are currently 2,826 UC claimants in the Council's housing stock. At some point between 2019 and 2021, when UC is fully rolled out, it is expected that all working age tenants will be paid their benefits via UC. This will apply to approximately 7,500 Council tenancies and will require approximately £24.0m of rent to be collected from tenants which has previously been paid directly to the HRA via housing benefit. By March 2020 it is anticipated that 5,100 tenants in Doncaster will have moved over to UC and the value of the rent which will need to be collected from these tenants during the 2019/20 financial year (which was previously paid direct via housing benefit) will be £14.6m.

53 Mondays – during the financial year 2019/20 there will be 53 Mondays, for tenants receiving UC this will not be taken into account when calculating their entitlement, the impact of this is that approximately £0.350m of universal credit will not be paid to tenants for them to pay their rent, it is highly likely that this will result in an increase in current tenants arrears. This is a direct contradiction of the principles of UC where no one was supposed to be any worse off and housing benefit payments take account of 53 Mondays.

No automatic entitlement to housing costs for 18 to 21 year olds – This policy was scrapped 31st December, 2018 following a change by the Government.

The changes to welfare benefits will have a significant impact on housing services within Doncaster. Tenants are informed of the changes on a regular basis via Houseproud (the tenants' newsletter) and both the Council and St Leger Homes' website. Members are kept up to date of these changes through Members Briefings.

OPTIONS CONSIDERED

15. The Welfare Reform and Work Act 2016 defines how Local Authority rents will be set over the period 2016/17 to 2019/20. No other options were considered.

REASONS FOR RECOMMENDED OPTION

16. The Authority is required to approve the Housing Revenue Account budget for each financial year and monitor spending throughout the year. HRA budget information is reported quarterly to Cabinet. The HRA must make a provision for depreciation on Council dwellings as specified by the Government (as a minimum). It must also pay the necessary charges due on all its loans (loan charges - interest), any expenditure over and above this is discretionary but all expenditure must be funded from rent income. The recommended rent decrease of 1.0% allows the Council to fulfill its financial obligations in relation to the HRA.

IMPACT ON THE COUNCIL'S KEY OUTCOMES

17.

	Outcomes	Implications
	<p>Doncaster Working: Our vision is for more people to be able to pursue their ambitions through work that gives them and Doncaster a brighter and prosperous future;</p> <ul style="list-style-type: none"> • Better access to good fulfilling work • Doncaster businesses are supported to flourish • Inward Investment 	<p>All staff employed by SLHD are paid at or above the Living Wage. SLHD has an established apprenticeship programme and all entry level roles are reviewed to see if they can be converted to an apprenticeship role.</p>
	<p>Doncaster Living: Our vision is for Doncaster's people to live in a borough that is vibrant and full of opportunity, where people enjoy spending time;</p> <ul style="list-style-type: none"> • The town centres are the beating heart of Doncaster • More people can live in a good quality, affordable home • Healthy and Vibrant Communities through Physical Activity and Sport • Everyone takes responsibility for keeping Doncaster Clean • Building on our cultural, artistic and sporting heritage 	<p>All Council homes are improved and maintained to the Doncaster Decency standard. Resources have been identified to build new Council houses and to improve the energy efficiency of the existing ones.</p>
	<p>Doncaster Learning: Our vision is for learning that prepares all children, young people and adults for a life that is fulfilling;</p> <ul style="list-style-type: none"> • Every child has life-changing learning experiences within and beyond school • Many more great teachers work in Doncaster Schools that are good or better • Learning in Doncaster prepares young people for the world of work 	<p>A safe and warm living environment is an excellent foundation from which children, young people and adults can prosper.</p>
	<p>Doncaster Caring: Our vision is for a borough that cares together for its most vulnerable residents;</p> <ul style="list-style-type: none"> • Children have the best start in life • Vulnerable families and individuals have support from someone they trust • Older people can live well and independently in their own homes 	<p>SLHD works closely with the Council's stronger families team. A tenancy sustainment team has recently been established. A significant amount of investment is made each year in aids and adaptations to people's homes to enable them to live there in a safe and comfortable environment.</p>
	<p>Connected Council:</p>	<p>Housing services in Doncaster</p>

	<ul style="list-style-type: none"> • A modern, efficient and flexible workforce • Modern, accessible customer interactions • Operating within our resources and delivering value for money • A co-ordinated, whole person, whole life focus on the needs and aspirations of residents • Building community resilience and self-reliance by connecting community assets and strengths • Working with our partners and residents to provide effective leadership and governance 	<p>are excellent value for money with 92.8% of tenants saying that they are satisfied that their rent provides value for money. St Leger Homes is a key partner in Team Doncaster and in delivering Doncaster Growing Together.</p>
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RISKS AND ASSUMPTIONS

18. The table below identifies the main quantifiable risks, which might result in the actual income and expenditure in 2019/20 being significantly different from the estimates and proposed actions to manage/mitigate them;

Risk/Assumption	Probability	Impact	Proposed Action
Increase in rent arrears as a result of welfare benefit reform (under occupation criteria)	Medium	£1.25m of direct housing benefit payments will be lost by tenants during 2019/20.	Increased focus on rent collection and financial advice. Bad debt provision of £1.701m and £0.411m assistance fund.
Increase in rent arrears as a result of the introduction of universal credit.	Medium	Estimated that 2,000 new tenants will receive universal credit in 2019/20 (£7.5m), instead of housing benefit paid direct to the landlord.	Increased focus on rent collection and financial advice. Bad debt provision of £1.701m and £0.411m assistance fund
Interest rates increase by 0.5%	Medium	Increased costs of £1.3m	A prudent estimate has been assumed for interest rates, a large proportion of loans are at fixed rates of interest.
Dwelling rent voids exceed the assumed level of 1.25% of the rent debit (£0.909m income reduction for the year) by 0.25% of rent debit.	Medium	Income reduction £0.182m	Regular monitoring of voids, reduce re-let periods, review strategy for long term voids. Demand for most properties remains high.

Dwelling rent voids exceed the assumed level of 1.25% of the rent debit (£0.909m income reduction for the year) by 1.0% of rent debit	Low	Income reduction £0.727m	Regular monitoring of voids, reduce re-let periods, review strategy for long term voids. Demand for most properties remains high.
Inflation in future years is higher than anticipated. An additional 1% on CPI would create cost pressures at a time when income is reducing.	Medium	£0.056m of potential inflationary costs.	Inflationary projections for future years are expected to remain low, the figures will be monitored on a regular basis.

LEGAL IMPLICATIONS [Officer Initials: SRF

Date: 28.01.19]

19. The Council is required by s74 of the Local Government and Housing Act 1989 to keep a Housing Revenue Account (HRA), which records all revenue expenditure and income relating to the provision of council dwellings and related services. This includes formulating proposals relating to income from rent and charges, expenditure on repairs, maintenance, supervision and management, capital expenditure and any other prescribed matters in respect of the HRA. In formulating these proposals using best estimates and assumptions, the Authority must set a balanced account. In its role as landlord, the Council has statutory and contractual obligations to maintain the structure of, and installations in, its housing stock. The HRA Budget will assist the council in fulfilling those obligations

20. Referring to paragraph 7 above, the Welfare Reform and Work Act 2016 requires registered providers of social housing to secure that the amount of rent payable in respect of that relevant year by a tenant of their social housing in England is at least 1% less than the amount of rent that was payable by the tenant in respect of the preceding 12 months. The relevant year in relation to a registered provider is a year beginning on 1 April 2016, 1 April 2017, 1 April 2018 or 1 April 2019. The Secretary of State may issue a direction in relation to the amount of rent payable in respect of a local authority if he considers that the local authority would be unable to avoid serious financial difficulties if it were to comply with the reduction in rent.

21. The decision maker must be aware of their obligations under section 149 Equality Act 2010, the Public Sector Equality Duty (PSED). It obliges public authorities, when exercising their functions, to have 'due regard' to the need to:
 - a. Eliminate discrimination, harassment and victimisation and other conduct which the Act prohibits;
 - b. Advance equality of opportunity; and
 - c. Foster good relations between people who share relevant protected characteristics and those who do not.

The relevant protected characteristics under the Equality Act are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation. The duty also covers marriage and civil partnerships, but only in respect of eliminating unlawful discrimination.

The decision maker must ensure that they have seen the due regard statement. The duty must be exercised in substance, with rigour, and with an open mind and is not a question of ticking boxes. It is for the decision-maker to decide how much weight

should be given to the various factors informing the decision, including how much weight should be given to the PSED itself. The duty is a continuing one and there should be a record/audit trail of how due regard has been shown. It is not sufficient for due regard to be a “rear-guard action” following a concluded decision. The decision maker must also pay regard to any countervailing factors and decide the weight to be given to these, which it is proper and reasonable to consider; budgetary pressures, economics and practical factors will often be important.

FINANCIAL IMPLICATIONS [Officer Initials: AW Date: 24.01.19]

22. These are contained within the body of the report.

HUMAN RESOURCES IMPLICATIONS [Officer Initials: AC Date: 25.01.19]

23. There are no HR implications specific to this recommendation. The savings which need to be made by SLHD as detailed in Appendix B do not impact on the workforce. Any future changes as a result of the efficiencies that impact on the workforce will require HR engagement and would involve separate approval as appropriate.

TECHNOLOGY IMPLICATIONS [Officer Initials: PW Date: 25.01.19]

24. There are no direct technology implications as a result of this report. SLHD are represented on the Council & Partners Technology Governance Board (TGB) and submit any technology requirements to be considered to ensure wise investment, maximisation of existing systems across partners and rationalisation where possible & appropriate. As outlined above, the delivery of a new Integrated Housing Management IT system is currently underway. Following contract signing, a technical kick off meeting will take place with SLHD, DMBC Digital & ICT and the 3rd party provider and an implementation plan will be finalised and agreed.

HEALTH IMPLICATIONS [Officer Initials: RS Date: 24.01.19]

25. This report sets out the Mayor’s proposals for the 2019/20 Housing Revenue Account (HRA) Budget and outlines rent reductions and proposed fees. The choices the council makes in both raising and allocating budgets will impact on the health of the population. In general 20% of what contributes to health is due to clinical care, 30% due to behavioural factors, 40% due to socio-economic factors and 10% due to the built environment (including housing). The decisions within this budget report have mixed implications for health. On a positive note the proposed rent reduction, maintenance of the Doncaster decency standard, and work to ensure access to warm homes will benefit current tenants. However, continued changes to benefits will impact on the most vulnerable tenants. Overall the reduction in dwelling rent will reduce the ability to build new housing stock. Where further cabinet reports are required report authors should consider the need for formal health impact assessments or early involvement of the public health team to minimise unintended impacts on health. Health impacts should also be addressed in the due regard statements that are developed alongside these further reports. Consideration could also be given to further utilising the considerable guidance on Housing for Health (<https://www.gov.uk/government/collections/housing-for-health>).

EQUALITY IMPLICATIONS [Officer Initials: JC Date: 23.01.19]

26. A Public Sector Equality Duty assessment is attached at Appendix C. There will be implications for individuals as a result of reducing rents but fundamentally rents are set based on the type and location of the property not with regard to the tenant.

CONSULTATION

27. Full Council were informed of the key points on 24th January, 2019.

28. Members have been consulted at meetings between November 2018 and February 2019; this included Labour Group and representatives from other parties.

29. The proposed HRA budget and changes to rent and service charges have been the subject of formal consultation with members of the Tenants and Residents Involvement Panel (TRIP) and representatives from Tenants and Residents Associations (TARAs) on 17th January, 2019.

30. Tenants think that Council rents in Doncaster are excellent value for money (and this is reflected in Tenant surveys 92.8% are satisfied that their rent provides value for money). They thought that the increases in fees and charges were reasonable and that the increases were very small weekly changes and they also responded to say that many tenants were seeing decreases in their fuel bills following investment in energy efficiency improvements.

31. Tenants are happy with the condition of their homes and the services that they receive, they could not identify any service improvements or investment needs which were not being met by the proposed budgets. They were particularly pleased to see the resources to be invested in fire safety work and felt that the Council had acted quickly to address fire safety issues.

32. SLHD consult with their staff and unions on the proposals within the HRA budget which directly affect them.

This report has significant implications in terms of the following:

Procurement	N/A	Crime & Disorder	N/A
Human Resources	N/A	Human Rights & Equalities	N/A
Buildings, Land and Occupiers	N/A	Environment & Sustainability	N/A
ICT	N/A	Capital Programme	Yes

BACKGROUND PAPERS

- Welfare Reform and Work Act 2016
- Housing and Planning Act 2016
- Cabinet report 20th November, 2018 – Finance and Improvement Report 2018/19 Quarter 2

REPORT AUTHOR & CONTRIBUTORS

Julie Crook, Director of Corporate Services, St Leger Homes (SLHD)
Tel: 01302 862710, E-mail: Julie.Crook@stlegerhomes.co.uk

Steve Mawson
Chief Financial Officer
& Assistant Director – Finance

Description	Annual Budget OE 2019/20 £000s	Annual Budget OE 2020/21 £000s	Annual Budget OE 2021/22 £000s	Annual Budget OE 2022/23 £000s
Expenditure				
Management and Maintenance				
Insurances	766	780	800	820
General Management	3,785	3,485	3,485	3,485
Special Services	240	240	240	240
Management Fee to St Leger Homes	30,801	31,628	32,305	33,232
Tenancy Sustainment Fund	411	411	111	111
Debt Management Expenses	20	20	20	20
Rent, Rates, Taxes & Other Charges	135	135	135	135
Capital Charges				
Depreciation on Council Dwellings	17,265	17,265	17,265	17,265
Depreciation on non dwellings	938	938	938	938
Provision For Bad or Doubtful Debts	1,701	1,500	1,700	1,700
Total Expenditure	56,062	56,402	56,999	57,946
Income				
Rent Income				
Dwelling Rents	-71,778	-73,414	-74,951	-76,515
Non-dwelling Rents	-815	-775	-750	-725
Charges For Services and Facilities	-124	-124	-124	-124
Contributions Towards Expenditure	-286	-286	-286	-286
Income from Solar Panels	-204	-208	-212	-216
Total Income	-73,207	-74,807	-76,323	-77,866
Net Income from Services	-17,145	-18,405	-19,324	-19,920
Capital Charges				
Loan Charges - Interest	12,581	12,543	12,379	12,340
Interest Receivable	-52	-25	-25	-25
Net Operating Income	-4,616	-5,887	-6,970	-7,605
Appropriations				
Revenue Contribution To Capital Outlay	6,828	5,887	6,970	7,605
Transfer to / from Reserves	-2,212	0	0	0
Surplus (-) / Deficit for Year	0	0	0	0
HRA A/C BALANCE BF	6,212	4,000	4,000	4,000
Transfer to/from balances	-2,212	0	0	0
HRA A/C BALANCE CF	4,000	4,000	4,000	4,000

SLHD Management Fee

	Note	2019/20 £000s	2020/21 £000s	2021/22 £000s	2022/23 £000s
Management fee		29,238	30,801	31,628	32,305
Budget Pressures					
Legislation changes					
H&S and Compliance post following Hackitt review	1	52			
Inflationary increases					
Pay award	2	542	500	500	500
Superannuation	3	282	137	137	137
Increments	4	59	40	40	40
Inflation	5	301	250	250	250
Service Level Agreements	6	321			
Office 365	7	66			
Removal of 5 year temporary funding	8	-60	-100		
Efficiencies delivered	9	-480		-250	
Reinvestment in services		480			
Future efficiency target	10	-200	-100		
Future investment in services		200	100		
Total Management Fee		30,801	31,628	32,305	33,232

Details of the growth bids are;

1. Legislation Changes - Following the tragic fire at Grenfell Tower in London during June 2017 and the subsequent publication of the Hackitt report, the requirements for management of high rise blocks have changed and a new post has been created to deliver the necessary changes.

2. Pay award - 2% pay award with effect from 1 April 2019 and implementation of new pay scales.

3. Superannuation - The pension fund was revalued in 2016. Employers contribution increases from 12.4% in 2017/18 to 12.9% in 2018/19 and 13.9% in 2019/20. It has been assumed that this will increase by 0.5% each year in the following 3 years.

4. Increments - the overall net increase paid to staff.

5. Inflation - the increase costs for contracted goods and services. Inflation is calculated on individual budget lines and the vast majority of budgets have not been inflated, examples of some of the inflationary increases are fuel at 9% (£50k), rents at 5% (£47k), materials at 2% (£108k), insurance premiums 9% (£11k), SLAs 2% (£39k) and utilities 3% (£16k).

6. Service Level Agreements (SLAs) - there are significant cost increases on a number of SLAs following a full review of services and revised costs agreed, this figure comprises the following increases - Grounds Maintenance £240k, Payroll Services £64k and increases to other services including ICT, legal and call centre.

7. Office 365 - there are significant increased costs as a result of the implementation of Office 365 and new microsoft enterprise licences.

8. Removal of 5 year temporary funding - on 18 June 2014 Cabinet agreed a five year increase of £160k per annum in resources to fund the refurbishment costs of St Leger House (formerly Concorde House). This funding has been removed from the management fee as the refurbishment costs are written off.

9. Efficiencies Delivered

14 posts have been deleted from across all areas of the business (4 from repairs due to efficiencies in void processes, 4 from housing management (st leger lettings, gardening service and tenant involvement) and 6 from back office services (finance and HR)) other posts have been created to deliver the needs of the service (new posts in the tenancy sustainment team, customer services, H&S and compliance and temporary posts to deliver the new integrated housing management system). Other savings have been made from delivering contracts in-house which were previously outsourced and by reducing postage costs.

During 2019/20 all the efficiencies made have been reinvested into other service improvements, following the full implementation of the new IT system it is anticipated that further savings will be delivered and £250k has been taken out of the 2021/22 budget to reflect this.

10. Future Efficiency Target

It was estimated that over the 3 year period 2018/19 to 2020/21 there would be additional costs of £500k to deal with the rollout of Universal Credit across Doncaster (with an estimated £24.0m of rent income needed to be collected which had previously been paid directly to the Council via housing benefit). These estimated costs were split, £200k for 2018/19 (not shown in the table above), £200k in 2019/20 and £100k in 2020/21. SLHD was not given additional management fee to fund these changes but was required to find efficiencies to deliver the service changes required.

HRA Budget Report

1	<p>Name of the ‘policy’ and briefly describe the activity being considered including aims and expected outcomes. This will help to determine how relevant the ‘policy’ is to equality.</p>	<p>HOUSING REVENUE ACCOUNT BUDGET 2019/20 The Impact of Decreasing Dwelling Rents for the Council’s Housing Stock.</p> <p>Doncaster Council is landlord to 20,406 properties of which 20,138 are socially rented and 268 are leasehold. The Housing Management responsibility for the stock has been delegated to St Leger Homes of Doncaster (SLHD) under a management agreement. On 8th July, 2015 the Government held a summer budget and announced in that budget that all social housing rents would reduce by 1% a year for the next four years from 2016/17 to 2019/20. This announcement is being forced upon local authorities through the Welfare Reform and Work Act 2016. For 2019/20 the rent reduction will be 1.0% for all tenants meaning that the average rent will be £69.40 per week.</p> <p>This due regard statement seeks to identify those groups noted in the protected characteristics (section 3) that may be affected positively or negatively by the reducing of rents and sets out the measures to mitigate the impact on those groups. The rent decrease of 1.0% will be applied to all tenancies irrespective of the tenant.</p>
2	<p>Service area responsible for completing this statement.</p>	<p>St Leger Homes of Doncaster.</p>
3	<p>Summary of the information considered across the protected groups.</p> <p>Service users/residents</p> <p>Doncaster Workforce</p>	<p>Age The rent decrease of 1.0% will apply to all tenancies, regardless of the resident’s age. However, other specific welfare reform measures may have an impact as a result of the age of the tenant , these are as follows;</p> <p>Social Sector Size Criteria (bedroom tax); Introduced 1st April, 2013, this welfare reform only applies to working age households and currently affects 2,039 tenants who are claiming Housing Benefit*. 1,607 tenants have to make up a 14% shortfall for their rent and 432 have a shortfall of 25% to make up. The average age of tenants affected by under occupation charge is 46. We are not aware of the number of households who</p>

	<p>under occupy but do not claim housing benefit.</p> <p>*Bedroom tax still applies to tenants that claim Universal Credit however we are unable to obtain accurate information as to how many are affected so the figures quoted above do not provide the full picture of the impact.</p> <p>Benefits Cap: A cap on the total amount of benefits a household can receive was introduced in July 2013, which affected 20 DMBC tenants. A further, lower cap was fully implemented on 9th January, 2017 (£20k for families and £13,400 for single claimants). The lower cap currently affects 91 families in Council accommodation. For DMBC tenants, the reduced cap will largely apply to single parent households with 4 or more children or couples with 3 or more children.</p> <p>No automatic entitlement to Housing costs for 18-21 year olds: From 31st December, 2018 this welfare reform was scrapped.</p> <p>Full Service roll out of Universal Credit from October 2017 Universal Credit '<i>Full Service</i>' was implemented in Doncaster on 11th October, 2017 and replaced the Universal Credit <i>Live Service</i> which had been operational since September 2015. From this point <u>all</u> new claims from working age tenants for any of the 6 former benefits (Job Seeker's Allowance, Employment and Support Allowance, Income Support, Child Tax Credit, Working Tax Credit and Housing Benefit) will automatically go onto Universal Credit and these former benefits will be closed to new claims. In January 2018 the total number of cases claiming UC was 755. By January 2019 the number of tenants claiming UC now stands at 2,826 cases, an increase of 2,071. From 1st February, 2019 the rate of transfer on to Universal Credit is likely to increase as claimants with 3 or more children will then be able to claim Universal credit.</p> <p>As at January 2019, there are approximately 34% pension age tenants and 66% working age. Of these, 4,912 pension age tenants and 5,341 working age tenants are in receipt of Housing Benefit or the equivalent Housing Element of Universal Credit. Currently there are 2,826 tenants claiming Universal Credit, all of which are working age.</p>
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	<p>Disability Out of the main tenants on our Universal Housing system, 6,777 have identified as disabled – which equates to 33.75%. This compares to a national figure of 8.3% across the whole population in England (2011 Census data). It is not anticipated that the decrease in rents will adversely affect individuals based on their disability. The Housing Revenue Account also has a specific budget of £1.9m for adaptations to the homes of tenants that need adaptations.</p> <p>Ethnicity 16,684 of our tenants identify as White British – which equates to 83.08%. 1,299 (6.47%) identify as belonging to black, Asian or minority ethnic groups. A report by Department for Work and Pensions in June 2012 also tells us that working age adults living in households headed by someone from an ethnic minority were more likely to live in low-income households. This was particularly the case for households headed by someone of Pakistani or Bangladeshi ethnic origin. Translation services are offered in exceptional cases, but every effort is made to ensure that tenants understand their tenancy agreements and any other legal documents.</p> <p>Gender It is not anticipated that the decrease in rents or under occupation charge will adversely affect individuals based on their gender. Male and Female residents will be equally affected. 12,736 of our tenants have identified as Female (63.42%) and 7,282 (36.26%) as Male.</p> <p>Sexual Orientation It is not anticipated that the decrease in rents will adversely affect individuals based on their sexual orientation.</p> <p>Religion and Belief It is not anticipated that the decrease in rents will adversely affect individuals as a result of any specific religion or belief they may have.</p>
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4	<p>Summary of the consultation/engagement activities</p>	<p>Full Council were informed of the key points on 24th January, 2019.</p> <p>Members have been consulted at meetings between November 2018 and February 2019; this included Labour Group and representatives from other parties.</p> <p>The proposed HRA budget and changes to rent and service charges have been the subject of formal consultation with members of the Tenants and Residents Involvement Panel (TRIP) and representatives from Tenants and Residents Associations (TARAs) on 17th January, 2019.</p> <p>Tenants think that Council rents in Doncaster are excellent value for money (this is reflected in Tenant surveys, 92.8% are satisfied that their rent provides value for money). They thought that the increases in fees and charges were reasonable and that the increases were very small weekly changes. They also responded to say that many tenants were seeing decreases in their fuel bills following investment in energy efficiency improvements.</p> <p>Tenants are happy with the condition of their homes and the services that they receive, they could not identify any service improvements or investment needs which were not being met by the proposed budgets. They were particularly pleased to see the resources to be invested in fire safety work and felt that the Council had acted quickly to address fire safety issues.</p>

		<p>SLHD consult with their staff and unions on the proposals within the HRA budget which directly affect them.</p> <p>Once a decision has been made by Council on 4th March 2019, a letter will be sent to all Council tenants which will give details of the rent change with effect from 1st April, 2019.</p>
5	<p>Real Consideration:</p> <p>Summary of what the evidence shows and how has it been used</p>	<p>All Council tenants will benefit from the rent reduction. But some tenants will continue to be impacted by the under occupation charge and/or benefit cap, however it is likely that some groups will be affected to a greater extent because of their lower income.</p> <p>The changes to welfare reform currently only impact on tenants that are deemed to be of “working age”.</p> <p>SLHD have a tenancy sustainment team to help assist tenants in financial difficulties and to help to sustain tenancies. This team was reconfigured and significantly strengthened to 19 staff members during 2018/19 to help the increasing numbers of tenants in rent arrears as a result of welfare reform changes. SLHD staff and staff from the Council’s benefit team work together with tenants to assist them to claim discretionary housing benefit (DHP) where this is appropriate. The Council has identified a budget of up to £0.411m to assist tenants impacted by welfare reform, a revised policy was approved which detailed how this money could be spent in August 2017, as further welfare benefit reform changes are made this policy may need to be updated again.</p> <p>The rent reduction is the same percentage reduction for all tenancies, the rent is calculated based on the characteristics of the property and not with regard to the tenant.</p>
6	Decision Making	<p>This due regard statement has been made available to Members in advance of making any decisions on rent decreases. The HRA Budget 2019/20 report to Council on 4th March, 2019 asks the Council to agree the rent reduction for the 2019/20 financial year with effect from 1st April, 2019.</p>
7	Monitoring and Review	<p>The HRA budget is monitored on a quarterly basis by Cabinet, performance information for SLHD is monitored every 3 months by Cabinet and includes information on rent arrears. SLHD management team and Board monitor performance on a regular basis and there is a focus on rent arrears as a result of the recent welfare reform changes. Financial assistance is offered to all tenants who are in rent arrears, the number of evictions due to rent arrears is also monitored in detail to identify if any trends are emerging. Payments</p>

		made from the welfare benefit reform fund are monitored and these details include the protected characteristics of the tenants.
8	Sign off and approval for publication	Julie Crook, Director of Corporate Services, St Leger Homes of Doncaster.