Cambridge City Council **Item 7**

To:	Executive Councillor for Housing: Councillor Kevin Price
Report by:	Liz Bisset , Strategic Adviser (Housing & Welfare Reform)
Relevant scrutiny committee:	Housing Scrutiny Committee 21/6/2016
Wards affected:	Abbey Arbury Castle Cherry Hinton Coleridge East Chesterton King's Hedges Market Newnham Petersfield Queen Edith's Romsey Trumpington West Chesterton

HOUSING TRANSFORMATION PROGRAMME

Key Decision

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1. Executive summary

1.1 National changes in housing and welfare reform are having a major impact on the Council's housing services in Cambridge, requiring us to reshape services in order to achieve the substantial savings that are required to balance the Housing Revenue Account. This report sets out a strategy for achieving savings, mindful of the need to continue to deliver decent services, and which recognise that housing supports some of the most vulnerable and disadvantaged within our community.

2. Recommendations

The Executive Councillor is recommended:

1. Agree the programme of reviews for Revenue funded services listed in paragraphs 5.
2. Agree the programme of reviews for Capital funded services listed in paragraph 6.

3. Background

3.1. Major Government housing and welfare reforms are driving a fast paced change agenda for housing. The reduction in rents of 1%, announced in the July 2015 Budget took £15 million out of the Housing Revenue Account (HRA) income stream over 4 years, and changes contained in the Housing and Planning Act 2016 mean that substantial savings are required in the Housing Revenue Account.

3.2. The first round of savings of £1.5m, identified as part of the 2016/17 budget setting report, has largely been implemented. This begins to address the funding gap but it is not sufficient to balance the budget in the long term. It is difficult to predict the exact level of savings we will need until we have seen the detailed regulations which will flow from the recently enacted Housing and Planning Act 2016. On our current assumptions we need to make at a minimum another £2m to balance the budget until year 21 of our 30 year business plan. Because of this uncertainty the strategy is to develop proposals to be finally agreed alongside the January 2017 budget setting report.

3.3. The HRA pays for the day to day management and maintenance of council housing, major planned works, and building new affordable housing. At a time when we are facing such large reductions in the budget we need to be clear about prioritising core services and protecting the vulnerable and disadvantaged. This does not mean that no savings will be sought from frontline services. It would be impossible to make savings at this level without looking at all parts of the service. But it does mean thinking hard about the impact of proposals and where there are better and more efficient ways of delivering services that maximise savings but still provide an acceptable level of service.

3.4. In addition to providing services the HRA must service a £213.5 million debt which we took out to pay to the Treasury when the HRA was set up as a self-financing budget. We currently make provision in the budget to pay the interest on the loan and to set aside an additional sum to pay off a proportion of the debt when the loans mature, and will want to reconsider this as part of our overall strategy to achieving the savings target whilst managing long-term risk.

4. Achieving the next tranche of savings

4.1. The savings target of £2m needed to make the budget balance until year 21 is based on current assumptions including the compulsory sale of high value assets estimated at around 120 properties a year. At the time of writing this report although Housing and Planning Act has been passed we are still waiting for detailed regulations. These will be very important in determining the level of savings needed, especially the magnitude of the sale of high value assets. For example if we need to sell half of the number of high value properties we have predicted then (i.e 60 rather than 120 a year) £2m would make us viable for 30 years. In line with the current assumptions, with no further savings we will cease to be viable after 15 years.

4.2. Other changes on the horizon could add pressures on the budget. Welfare reform and the introduction of Pay to Stay could potentially increase our arrears levels, affecting viability projections. National pilots found an increase of 5% in arrears with the introduction of Universal Credit. The compulsory introduction of Pay to Stay and fixed term tenancies contained in the Housing and Planning Act also has the potential bring extra administrative costs.

4.3. The requirement to make savings needs to be considered with an understanding of which areas we can take savings from. The operating budget from which we can take savings is £13m of which £2.8m is recharges, £6.3m is day to day revenue repairs, voids and cyclical maintenance, £3.5m is general housing management and £0.4m is other spending.

4,4. Outside of the £13m direct operating budget, £2.6m is spent in the delivery of special housing services, although this is broadly met with service charges paid by residents and therefore not an area which will provide net savings to the HRA.

4.5. From 2017/18, we make no revenue contributions to capital and therefore savings in capital budgets will not contribute to the revenue savings target, but would instead release funding for new build which contributes to the overall income stream.

4.6. We pay £7.5m each year in loan interest. In addition from this year we begin to set aside funding to accumulate to the ability to pay up to 25% of the principal of the debt from 20 years onwards when the loans begin to need repaying or refinancing. With the budget approved in January 2016, there was not the ability to set-aside the full 25% in line with our previous policy, with only 12.3% anticipated to be available. The amount we set aside varies each year from 2017/18 between £5.7m and £1.3m.

4.7. Working up options to achieve the £2m savings target will be a challenge. It will mean doing things differently in the future with fewer resources. The Council's objective of targeting services and protecting the vulnerable will be important to keep in mind. The following areas have been identified for review. The reviews will look at reshaping services to deliver the best possible services with reduced budgets. At this stage I have not set savings targets for individual review areas, but this will be necessary at a later stage in order to achieve the overall savings requirement. Until we have begun the detailed work it is not possible to predict whether there will be options to choose between or whether we will need to identify further areas for review. These are the reviews currently in the frame.

5. Revenue

i) Housing Management.

Lead – Tom Bremner

The two area housing teams have been brought together geographically into the North Office. The next phase of work is to restructure the two teams into a single team, looking at workloads, focus, priorities, working methods and areas for efficiencies. The working relationship between housing officers and the various specialist support functions will also need to be looked at as part of this review.

ii) Central recharges

Lead – Julia Hovells/ John Harvey

Central recharges are determined corporately with housing picking up a proportion of corporate costs and some, like dedicated management, that are service specific. The Council has been reducing central recharges overall through the corporate transformation programme. Nonetheless for housing central recharges represent 22% of operating costs and we need to examine the basis for this cost.

iii) Anti Social Behaviour (ASB)

Lead – Tom Bremner

We currently have housing officers dealing with lower level ASB and a team of more specialist enforcement officers in the Safer Communities team which is part of Community Services. The totality of our spend in this area was upper quartile last year. If we are to reduce costs we need to look at the whole package of services, where there are efficiencies, duplications and "nice to haves", and consider what is an acceptable level of service given the impact of ASB on neighbours and neighbourhoods.

iv) Day to day repairs voids and cyclical maintenance.

Lead – Trevor Burdon

This budget accounts for around half of all operational expenditure. Whilst repairs are a very important aspect of the service we provide to tenants we need to be getting good value for money from the service.

This review will examine how our service compares with others, productivity and working methods. We will need to review what repairs we do and don't do and how clear this is now and in the future to tenants. This is an area where communication and consultation with tenants will be crucial during the review and in the implementation of any changes. I would expect a significant savings from this budget.

v) Garages

Lead - Housing Management/Asset Management

We have around 1800 garages many of which are too small for modern cars and under-utilised. We need to look at them in terms of managing them as an asset and considering whether they could they generate more income, or be used for future housing development sites.

vi) Stores

Lead – Trevor Burdon

This review is well under way. The review has highlighted level of change required to introduce modern working practices and is a good indication of the level of change we will want to recommend for other services. The savings generated will be a mixture of Capital and Revenue depending on the use of products. Savings in stores will contribute to bringing the cost of repairs down.

6. Capital

vii) Debt

Lead – Julia Hovells/Caroline Ryba

Cambridge as a stock retained authority took on one of the largest debts of any local authority when self-financing was introduced and we were required to buy ourselves out of the subsidy system. Our existing strategy of servicing the debt was agreed at a time when the HRA was generating a surplus and we were building new homes. The context has changed and this strategy needs to be re-examined and specialist financial advice sought. Considerations include managing future risk and our ability to generate future rental income and reduce the debt, which is linked to the future formula for the disposal of high value assets .

viii) Adaptations

Lead – Trevor Burdon
A review of this budget is long overdue. At the moment this budget is demand led and at £878 pa represents a significant investment in disabled adaptations. The review will deliver a clear framework for future assessment of use, alignment with the grant funding provided through the Home Improvement Agency, and consider value for money aspects such as the recycling of adaptations, and where there are alternative options to meeting needs.

ix) Review of Section 20

Lead Tom Bremner/Trevor Burdon
Section 20 notices are the mechanism by which leaseholders are recharged for capital works relating to their property. The rules around recharging leaseholders are underpinned by statutory requirements which we must adhere to. This review will look at how we can improve our processes to maximise the legitimate Capital expenditure we recover.

7. Other potential areas

7.2. So far this year reviews are limited to those described above. Other areas we may want to look at in the future include the high maintenance costs of some properties; and management on-costs for care and support service

8. Consultation/Engagement

8.1. I have given a commitment that we will involve tenants, staff, councillors, and trade unions in the review process, being clear that a programme of transformation and the need to identify savings is not optional. We are consulting/engaging people on how we do this. Thought needs to be given by project leads as to how to most effectively engage and this will be built into the project plans. We will produce a communications plan setting out a timetable for consultation and engagement

8.2. Where changes will impact on all tenants and/or leaseholders we will need to take on board the need not just to fulfil our statutory obligations to consult, but also how we will inform residents about changes in service levels and their expectation about what will be provided.

8.3. We will produce a detailed communications plan once we have a more detailed forward plan for the reviews. This will reflect the range of stakeholders who need to be informed, consulted with or engaged in other ways.

9. Project planning

9.1. The reviews will be managed using a project management framework which will enable tracking of progress and reporting back on this. It is my intention bring a progress report to Housing scrutiny Committee in the autumn by which time the precise requirements of Housing and Planning Act should be clearer. A full set of proposals will be brought to the January Housing Scrutiny Committee for final decisions to be made.

10. Implications

(a) **Financial Implications**

The rationale for headline saving target of £2m is set out in this report. The detail of how this will be achieved will be the subject of further reports.

(b) **Staffing Implications** (if not covered in Consultations Section)

Meetings will take place as part of individual reviews to inform and involve staff. Staff will also be briefed on the overall strategy.

It is likely that reviews will result in redundancies, but it is too early to be more specific. As before we will seek to minimise redundancies where we can.

(c) **Equality and Poverty Implications**

EQIAs will be carried out for the individual service areas as part of the review process.

(d) **Environmental Implications**

Nil

(e) **Procurement**

None at this stage

(f) **Consultation and communication**

Covered in the main report

(g) **Community Safety**

The management of ASB will be the focus of a review

5. Background papers

The Welfare Reform and Work Act 2016 to be found at - http://www.legislation.gov.uk/ukpga/2016/7/contents/enacted

The Housing and Planning Act 2016 to be found at - http://services.parliament.uk/bills/2015-16/housingandplanning.html

6. Appendices

None

7. Inspection of papers

To inspect the background papers or if you have a query on the report please contact:

Author's Name: Liz Bisset
Author's Phone Number: 01223 - 457801
Author's Email: liz.bisset@cambridge.gov.uk