

ABERDEEN CITY COUNCIL

COMMITTEE	Housing & Environment
DATE	10 th May 2011
DIRECTOR	Pete Leonard
TITLE OF REPORT	Housing Revenue Account Budget Savings
REPORT NUMBER:	H&E/11/053

1. PURPOSE OF REPORT

This report is in response to a decision made at the Council meeting on 10 February 2011 for the Director to identify 1% efficiency savings within the management and administration budget for the housing revenue account 2011/2012. The Director is also required to identify the implications for making these savings.

2. RECOMMENDATION(S)

- i) Note that meeting the £600k budget saving solely from the management and administration budget would require a staff reduction in the region of 25% and that this would have a major impact on service delivery.
- ii) Agree to the savings identified in the paper which can be delivered without compromising service delivery
- iii) Agree to await the outcome of the work on the HRA 30 year business plan which is being reported to H&E committee on 25th August and which will indicate a number of options where significant savings can be made.
- iv) Refer this paper to Finance and Resources Committee as the budget monitoring committee of Council.

3. FINANCIAL IMPLICATIONS

There are no direct costs arising from this report, however it has an impact on the costs of delivery of the Housing Service

4. OTHER IMPLICATIONS

There are no other implications

5. BACKGROUND/MAIN ISSUES

At the Council Budget Setting Meeting on 10 February 2011 the administration proposed an HRA budget based on a rent increase of

4.7% for 2011/2012. This rent increase is 1% less than would have been applied had the City Council followed its rent setting policy agreed previously with tenant representatives. In acknowledging that tenants are operating in a difficult economic climate the Convener proposed this reduction in the rent increase with the proviso that the Director indicates how this 1% reduction could be identified through efficiency savings within the management and administration budget and the implications for doing so.

This 1% of the rental income equates to approximately £650k per annum.

Prior to the budget proposals being presented to the Council at its meeting the Director of Housing & Environment has already identified significant savings that could be achieved as follows.

Closure of Logie and Cornhill Offices	£ 50k
Reducing cleaning payments to internal contractors	£ 13k
Reducing legal expenses	£ 100k
Reducing Tenant Participation costs	£ 50k
Integrated Housing System	£ 50k
Void Rent Loss (Houses and Garages)	£ 100k
ASBIT (anti-social behaviour investigation team)	£ 50k

Total **£ 413k**

Within this £413k the sums totaling £200k for legal expenses and void rent loss are efficiencies that will be delivered as a direct consequence of modernising the housing service programme currently under way.

In the case of reduction proposed in legal expense costs this will require an increased emphasis and resource being directed towards rent management and tenancy sustainment, and similarly the improvement in voids performance will be as a result of greater involvement by local staff in void processes and change to operating procedures. It is important to understand that the availability of front line staff and improvements in their performance is critical to improving income generation for the City Council Housing Revenue Account and care requires to be taken to ensure that any reduction in supervision and management costs does not prejudice any improvement in the delivery of housing management services and improved income generation.

Benchmarking Service Costs

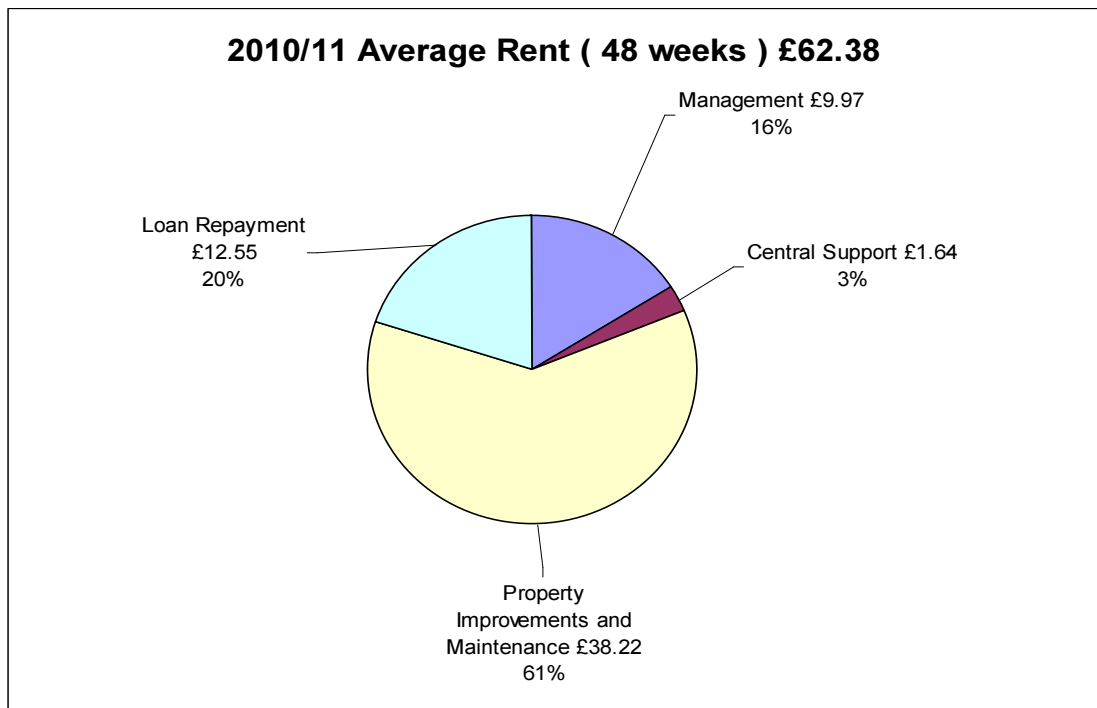
The City Council Housing Service regularly benchmarks both the costs and quality of its services against other local authorities in Scotland. The national statistics published by Scottish Government for 2009/2010 (2010/2011 figures yet to be published) show that for supervision and management expenditure per house per year, Aberdeen is the 8th

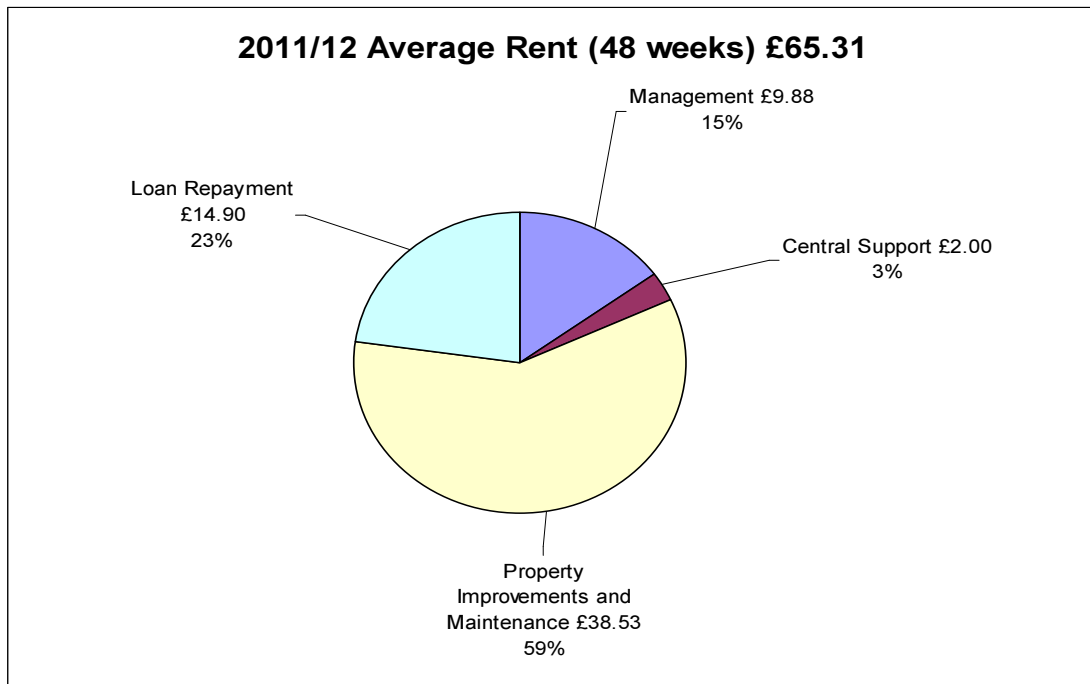
lowest cost authority out of 26 local authorities who retain housing stock and this function. In addition over the past 12 years or so the city council has been consistently lower than the other three major cities (when Glasgow retained this function) in the country.

Figure 1 below shows the breakdown for 2010/2011 compared to the planned expenditure profile for 2011/12. These pie charts indicate the relative percentages for loan repayments, management expenditure, central support and property improvements and maintenance.

In the proposed budget for 2011/12 the percentage of the budget being spent on management and supervision (management and central support costs) has reduced from 19% of the budget to 18%. The most significant change is reflected in projected loan repayments for 2011/12 which indicate the change from £12.50 average per house to £14.90 average per house. The percentage changes from 20% to 23%. This change in loan repayments is significant and reflects the Housing Capital Programme changes over the years. These issues will be essential to discussions around the housing revenue account 30 year business plan to be presented to Committee in August 2011.

FIGURE 1





Modernising the Housing Service

As members are aware a significant programme is currently underway reflecting the need to modernise the housing service. The objectives of this exercise are three fold. Firstly we require to bring about significant improvements to both our service delivery and the perception of the quality of our service. Secondly we require to target significant improvements in income generation through better performance including write-offs, loss of rents through voids etc and thirdly respond to external pressures including regulatory requirements as well as internal changes elsewhere within the City Council.

Any reduction in supervision and management costs will require to take cognisance of the risk of failing to deliver these objectives and recognise that the numbers, and quality of staff employed is not mutually exclusive from the delivery of high quality services.

In recent years the profile of our tenants has changed significantly with single tenants replacing families or couples applying for council housing. This is not surprising given the growth in new tenants who were homeless, unemployed or with very low incomes. Within that profile, single tenants include pensioners as well as growth in single adult households under retirement age and lone parents. This shift in tenant profile has resulted in an increase in the number of client groups that can be classed as “potentially at risk” or of being unable to sustain a tenancy without support. The care and support of the more vulnerable members of our community is a key responsibility of Aberdeen City Council and a growing challenge as the need for services grows at a time where available finances are under severe pressure. Recognising this increasing challenge has been at the heart

of the considerations by the modernising housing programme with the intention of increasing targeted support at tenants who require it in order to support a tenancy, prevent homelessness etc. As such the primary objective of the project is to maximise the number of staff dealing directly with tenants and minimise the amount of “back room” activity which takes place in either the area offices or centrally.

At its meeting of 11th January 2010 the Housing & Environment Committee considered a paper from the Director of the Housing and Environment that examined the potential for the creation of a generic housing officer whilst at the same time seeking to reduce the number of tenancies within the housing officers “patch”. No additional resources were identified to achieve this objective. The current modernising the housing service programme is seeking to address this in a number of ways as follows.

One significant project where an improvement in our professional approach, seeking an increase in our income, together with a reduction of costs overall is the current rent management project which is scheduled to report to full council in June 2011.

Work is now at an advanced stage with this project and should not only produce a net reduction of staff but will bring about an increased management performance. The key to this will be increasing the degree of face to face contact with individual tenants through increasing the number of housing assistants, substantially increasing the time they spend on the housing estates through a “hot-desking” approach and through improving their access to information as well as training.

Currently within the rent management team in Corporate Finance, there are presently nine vacancies being held some of which we intend to use to increase the number of Housing Assistants, improve technology for remote working whilst producing a net saving and reduction on overall of staff levels. At the same time workforce planning will address rebalancing staff allocation to take account of the size of areas and type and complexity of housing stock and tenant profile. Similarly the involvement in front line staff in other key procedures such as voids, lettings, etc will result in improved voids performances and increased income. An arbitrary cut to front line staff at this stage would place these planned proposals in jeopardy. It is necessary therefore to target any required reductions in staff at “back office” functions and staff groups unless they are critical to increasing the efficiency of front line staff.

Back Office Staff

There are now relatively few back office staff under the direct control of the Head of Housing & Community Safety. The table below gives an indication of the number of staff charged to the Housing Revenue Account in each location as well as an indication of the vacancies presently being held.

Office/ Function	No of staff	No of SHA/HA	No of Houses	House/H.A	Back Office/ Clerical	Vacancies
Tillydrone Area Office	41.28	3/15.98	10326	646	5	4.3
Mastrick Area Office	23.94	2/11	6950	632	2	0.69
St. Nicholas Hs Area Office	18.5	3/8.5	5441	640	5.0	0
Lettings Team	26				26	5
HRA Policy	2.5				2.5	0
Performance and iWorld	9 3				9 3	4

Within the Mastrick area office in addition there are presently 4 Customer Service Advisers and 1 Team Leader, who staff the Customer Access Point, which forms part of the Mastrick area building. These members of staff are currently charged to the Housing Revenue Account. In other Customer Access Points staff costs are not met out of the Housing Revenue Account but the general fund, although a recharge is applied where the CAP has delivered services for the Housing revenue Account such as rent collection. In the case of Mastrick CAP it would be reasonable for the Housing Revenue Account to meet 50% of their costs when dealing with rent queries, repairs requests, lettings enquiries, etc. The balance of the cost should be met out of the general fund, however this may be difficult given the current budgetary positions. This allocation of staff time to the Housing Revenue Account would bring the Mastrick office in-line with the workload/staff numbers in-line with Tillydrone and St. Nicholas House.

Of the vacancies within the Lettings Team 4 of these will not be replaced on a like for like basis but will form the planned housing assessment team which will have a direct impact on housing allocations and void reductions. Also agreement has been reached with regard to the reduction of one post within the performance and iWorld Team.

Future Significant Issues

Over the coming months significant changes are likely to impact on the operations of the housing team within Housing and Environment. During 2011 it is intended that a Limited Liability Partnership will be established that will perform many of the functions currently carried out by the Head of Regeneration and Asset Management. One significant area that requires clarity will be how the "client function" will be delivered within the Housing Service. In the event that the client function remains within the direct control of the City Council a resource transfer will require to take place between asset management and the Housing Service. The establishment of the limited liability partnership will provide clarity in the cost base of staff that requires to be met within the Housing Revenue Account, currently dealt with as a recharge to the account. Any reduction in this head count will be a matter for the Limited Liability Partnership and will reflect the requirements of the City and will have a direct implication for costs to the Housing Revenue Account. Similarly there is a significant amount of work underway as part of the 5 Year Business Plan exercise to move away from the system of recharges which will facilitate better budgetary control by Heads of Service.

Changes to the welfare benefits system will have a profound impact on how we deliver our housing service. Of greatest concern is the intention to move away from a system of housing benefits to a universal benefit credit system with funds being paid directly to the benefit recipient. In the event that this comes to pass there are considerable risks for Aberdeen City Council and other housing agencies with their rent management policies and rent arrears controls.

The critical importance of maximising the performance of our front line area office staff in supporting our tenants to sustain a tenancy including rent arrears management will be essential if a major problem is not to be created. Even so this will be particularly challenging.

Housing Revenue Account 30 Year Business Plan

We are presently working to develop a new 30 year housing revenue account business plan.

The outputs from this exercise will be presented to the Housing & Environment Committee at its meeting in August 2011. Once this exercise has been completed and its findings accepted by Housing & Environment Committee the forward position for the Housing Revenue Account will become clearer and the necessity for any major operational changes to be made will also become apparent.

In view of the uncertainties with the 30 Year Housing Revenue Account Business Plan, the external political and social changes taking place including the welfare benefits system, together with the work presently underway with the modernising the Housing Service programme the

Committee may wish to consider the wisdom of making cuts in staffing and supervision costs at this stage.

Owner Occupiers

A major piece of work within the Modernising the Housing Service Programme is presently being scoped regarding how we interact with owner occupiers and private sector. Of particular relevance to the Housing Revenue Account concerns our relationships with owner occupiers, particular those occupying former council houses. In excess of 50% of Aberdeen City Council's council house stock has now been sold. Whilst the property may no longer be under the management of the City Council's Housing Department, our staff, in particular area housing staff, have an ongoing relationship with these owners, particularly around common repairs, modernisation works, open space maintenance, cleaning in multi storey flats etc. Whilst the Housing Revenue Account does not receive any management fee from owners unless related to a particular issue such as common repairs etc. we retain an obligation to consult and communicate with owners regarding a number of operational matters. In addition there are a number of areas where the Housing Revenue Account is currently meeting 100% of the costs of carrying out work such as open space maintenance where a re-charge system either has not been established or may not be possible. It is a truism that in many cases where our area office staff has previously little reason to have direct involvement with some of our tenants they now require to communicate with them as owner occupiers and deal with enquiries etc. The issue regarding how and what manner we deal with owner occupiers will be addressed as part of this work, however it needs to be acknowledged that area office and other housing revenue funded staff and services are involved at present.

6. IMPACT

This paper is linked to Vibrant Dynamic and Forward Looking and the Councils 30 Year Business Plan. It will also be of interest to members of the public in particular owner occupiers.

7. BACKGROUND PAPERS None

8. REPORT AUTHOR DETAILS

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