

## ABERDEEN CITY COUNCIL

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COMMITTEE	Finance and Resources
DATE	29 <sup>th</sup> September 2011
DIRECTOR	Pete Leonard
TITLE OF REPORT	Housing Revenue Account Budget Savings
REPORT NUMBER:	

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### 1. PURPOSE OF REPORT

The Finance and Resources Committee of Friday 17<sup>th</sup> June considered report H&E/11/053, which was referred from the Housing and Environment Committee of 10<sup>th</sup> May.

The report was in response to the decision made at the Council Budget Meeting for the Director to identify a one percent efficiency saving from the management and administration budget for the Housing Revenue Account (HRA) for 2011/12. The Director was to identify any implications that could potentially arise as a result of making these savings.

Both the Housing and Environment Committee and the Finance and Resources Committee agreed to the report's recommendations which were to:

- 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.
- Agree to the savings identified in the paper which can be delivered without compromising service delivery
- Agree to await the outcome of the work on the HRA 30 year business plan which is being reported to H&E committee on 25<sup>th</sup> August and which will indicate a number of options where significant savings can be made.

This report provides information on progress made with the agreed savings for 2011/12. It also presents the key financial implications of the review of the 30 year HRA business plan, which were reported to the Housing and Environment Committee of 25<sup>th</sup> August 2011.

This report includes a summary of potential financial implications that may arise as a result of the changes to the welfare reform system.

## 2. RECOMMENDATION(S)

It is recommended that the committee notes the content of this report.

## 3. FINANCIAL IMPLICATIONS

Progress is being made against the £413k of identified 2011/12 budget savings. The projected year end out-turn for that part of the HRA which pertains to administration and salaries as at period 4 is £10,508k. This compares to the budget of £11,402k, equating to an indicated underspend of £894k, or eight percent.

The review of the HRA 30 year business plan demonstrates that the HRA is sustainable over the 30 year period of the plan. This is subject to a rental policy of RPIX plus one percent being maintained and that identified efficiencies are delivered over the lifetime of the plan.

## 4. OTHER IMPLICATIONS

None.

## 5. BACKGROUND/MAIN ISSUES

### **HRA efficiencies**

The Council decision of 10<sup>th</sup> February 2011 to raise rents in line with RPIX rather than the previous policy of RPIX plus 1% effectively placed a cost pressure of around £679k per annum onto the HRA account.

Officers were tasked with finding ways to offset this cost pressure.

Progress is being made against the £413k of identified 2011/12 budget savings and the projected year end out-turn for the administration costs budget line indicates a favourable year end position as indicated above.

Officers were tasked with finding an additional £600k of savings from the management and administration budget and to report to committee on the implications of such savings.

The H&E Committee of 10<sup>th</sup> May 2011 considered a paper which identified 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. This would be at a time when the adopted strategy is to maximise the numbers of front line operational staff in order to provide an increased focus on intervention and prevention activities as well as providing improved customer service. This strategy is critical in helping

the Council to mitigate the potential impact of changes to the welfare system. The Committee agreed not to take these savings and to await the outcome of the review of the HRA 30 year business plan, which was expected to identify considerable savings over the life of the plan. The report was referred to the Finance and Resources Committee of 17<sup>th</sup> June 2011, where the recommendations were again accepted.

The Housing and Environment Committee of 25<sup>th</sup> August 2011 considered report H&E/11/200 entitled HRA Business Plan. The financial implications section of this report indicated that the review has demonstrated that the HRA is sustainable over the 30 year period of the plan. This is subject to a rental policy of RPIX plus one percent being maintained and that identified efficiencies are delivered over the lifetime of the plan.

A number of proposed efficiencies were identified over the 30 year period as follows:

- £150m from capital and revenue budgets whilst delivering the housing assets to regulatory housing standards
- Approximately £50m whilst streamlining rent structures to be more efficient and understandable for tenants
- In excess of £50m potentially through other workstreams and by applying an asset management approach to investment planning.

The Committee agreed to:

- a) Note the work that has been already undertaken and the assumptions made to validate the review process
- b) Note the efficiencies projected for this year and for the life of the 30 year plan
- c) Approve the principle areas requiring review within the programme, and
- d) Note the requirement for inter-Council collaboration.

### **Changes to welfare benefits.**

The final position regarding changes to the welfare system remains fluid and little definitive information has yet come from Westminster. Some minor concessions have been given, for example persons leaving prison, however the main thrust is unaltered.

The key proposals involve moving towards a universal benefits system, the removal of the Housing Benefits system, an underlying principle of housing allowances reducing and being available for only the accommodation a person or their family requires. This will have implications for rent collection and arrears as well as potentially our housing transfer system. Changes to rent allowances for young persons will also probably have implications for our Homeless applications.

The financial risks posed by the changes in the welfare system were a key consideration in the review of the HRA. The proposals create a level of contingency within the plan to enable it to sustain adverse cost pressures arising from these changes or any other unforeseen event or circumstances.

In anticipation of the changes to the welfare system the City Council has taken a number of steps as follows:-

- i) Rent management has transferred to Housing from Finance. This will facilitate early identification of problems arising with individual accounts and promote an early intervention approach. The culture within housing is one of supporting people to sustain a tenancy and prevent homelessness. All business processes are being rewritten to ensure that firstly all new tenants are clear about their responsibilities for rent and that they are encouraged and helped to maximise their entitlement to any benefits available.
- ii) Plans have been developed to increase the number of Housing officers to carry out home and other visits at an early stage as problems are identified. These staff will replace previous posts (currently vacant) who were office based backroom staff arranging letters etc to be issued. The new approach is in line with best practice for rent management. Importantly tenants will be encouraged to seek help early in their difficulties with an approach and culture from the Council designed to be supportive.
- iii) Work is presently underway, lead by Social Care and Wellbeing to examine the various ways in which the City contributes towards financial inclusion through welfare and benefits advice.
- iv) The increase in homeless flats available is going a considerable way to reducing the need for bed and breakfast accommodation.
- v) The development of our private sector leasing scheme is a key component in increasing supply of housing for homeless persons. For young persons who are required to share accommodation this could become significant.

## 6. IMPACT

This paper is linked to  
“Vibrant, Dynamic and Forward Looking”,  
The Aberdeen City Council Five Year Business Plan  
The Housing and Environment Five Year Business Plan  
The Aberdeen City Single Outcome Agreement

The paper will be of interest to the Council’s housing tenants.

7. BACKGROUND PAPERS

H&E/11/053 - Housing Revenue Account Budget Savings  
H&E/11/200 - HRA Business Plan

8. REPORT AUTHOR DETAILS

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