

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Housing Portfolio Holder 7th August 2008
Scrutiny and Overview Committee 25th June 2009
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COUNCIL HOUSING RETENTION REPORT (WITH NOTES ADDED 12/6/09)

Purpose

1. This report sets out the implications of the Council retaining its housing stock for the years 2009/10 to 2012/13. If tenants do not support the Council's offer of a transfer to a new local housing association when balloted in early 2009 the Council will retain all the stock and associated landlord services. It will also remain subject to the financial restrictions it faces as a result of current Government policy.
2. This report is for information purposes and is, therefore, not a key decision but has implications for a key area of Council work and will inform decisions that will need to be made as part of the service planning and budget setting processes for 2009/10.

Executive Summary

3. The report is based upon an analysis of the HRA Business Plan 2008/09 to 2012/13, the Five Year Housing Maintenance Plan 2008/09 to 2012/13 and a report from Savills, 'Report on the potential impacts of funding reductions on services to Council tenants', July 2008'. The key findings of the Savills report are as follows:
 - (a) Staying with the Council will not mean services remaining as they are now. There is no 'no change' option.
 - (b) The Council currently operates its housing service efficiently. There are some areas where greater efficiencies can be achieved but these do not bring in sufficient funds to alter the overall financial shortfall faced by the Council over the next four years.
 - (c) Mid 2011 has been identified as the 'tipping point' at which the cuts required in service delivery to balance the books will mean that the service will be in serious danger of collapsing and there will be a risk of the Council not being able to discharge all of its legal obligations. *[A subsequent alteration to the subsidy determination may have shifted this back by 24 months - detailed work is now underway to determine the scale and timing of job losses required]*
4. It is important to understand that 'staying with the Council' means that services will not remain as they are now. There is no 'no change' option. Tenants are largely satisfied with the level of service they currently receive and may assume that this will be the level of provision in future years. The financial projections clearly show that the current level of service the Council provides cannot be sustained even in the short term.

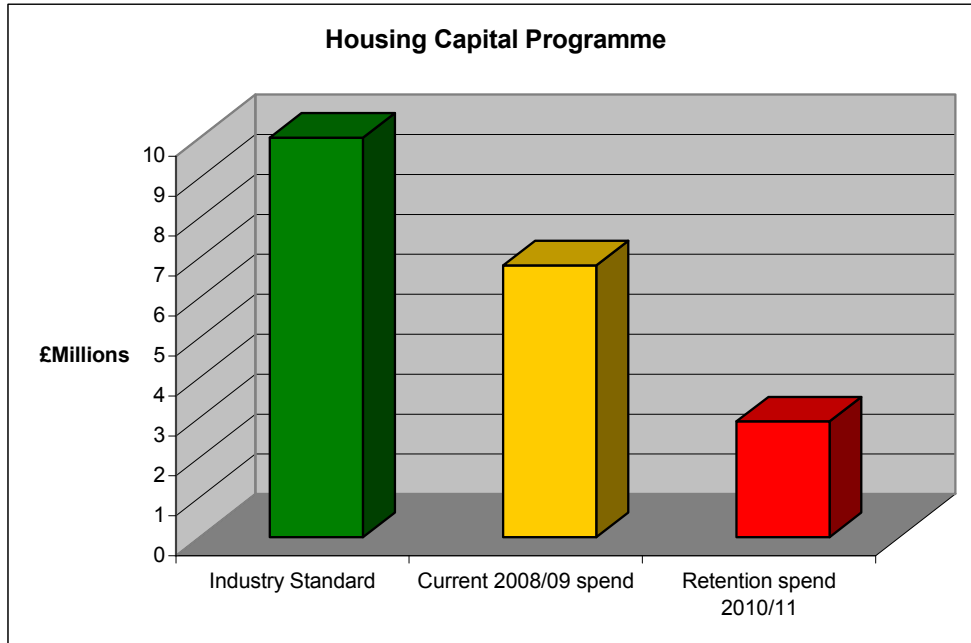
Background

5. The retention of the housing stock by the Council faces two financial pressures, capital and revenue. The Council's Medium Term Financial Strategy shows that £900,000 of savings are needed on the Housing Revenue Account by 2012/13 and that £3.9 million needs to be cut from the housing capital programme by 2010/11. *[The revised MTFS shows that a revenue cut of over £500,000 is required by 2013/14]*
6. There is a drop in the capital resources available to the Council from the current £6.8m capital programme to £2.9m by 2010/11. This is a significant drop in spending (57%) and falls well short of the £10m per year investment requirement that represents the industry standard.
7. The detailed implications of these capital cuts have already been agreed by the Council and are located in the Five Year Housing Maintenance Plan 2008/09 to 2011/12.
8. The revenue budget is also under pressure as a result of the Housing Revenue Account subsidy system. This currently means that 50 pence in the pound of collected rents is returned to central Government representing around £10m per year. This figure is projected to rise over the next four years not only in terms of the level of payment but as a proportion of rental income. *[In 2008/09 the actual figure was £11.5M, 56p (55.67%), the revised estimate for 2009/10 is £12.2M, 56p (56.19%)]*
9. Even with potential efficiency savings taken into account service cuts will be required in 2011/12 of £470,000 rising to £815,000 by 2012/13. *[Work is now underway to determine the precise scale and timing of the cuts. It will be prudent to seek to achieve £500,000 of savings in 2011/12 as there are a number of variables such as the subsidy determination and equity share buy backs, which are outside the control of the Council and which may require an increase in expenditure of several hundred thousand pounds. Together with the £500,000 of cuts needed a total reduction in spending of close to £1M will be required by 2013/14].*

Considerations

10. **PRESENT SERVICE AND RESOURCE LEVELS**
11. To date the Council has provided a housing service which has achieved good levels of tenant satisfaction. Savills assessment of the quality of the housing service using the Audit Commission's 'three Star' criteria has suggested that it is currently at a 'one Star' level which means a reasonable level of service is being provided.
12. **The housing capital programme**
13. The historic and current level of capital investment means that the fabric of the housing is in good condition and the Council is still on target to meet the 2010 target for the achievement of the Decent Homes Standard, although this is a low standard. The minimum recommended investment in homes is based around an 'industry standard' which, based on the stock condition survey completed in 2007, requires a level of resource above that of current capital expenditure.
14. However, the bank of Right to Buy (RTB) receipts which has helped to fund this historic investment will be exhausted in 2009/10 and is not being replenished due to the overall drop in RTB sales and the national pooling of 75% of any receipts from RTB sales.

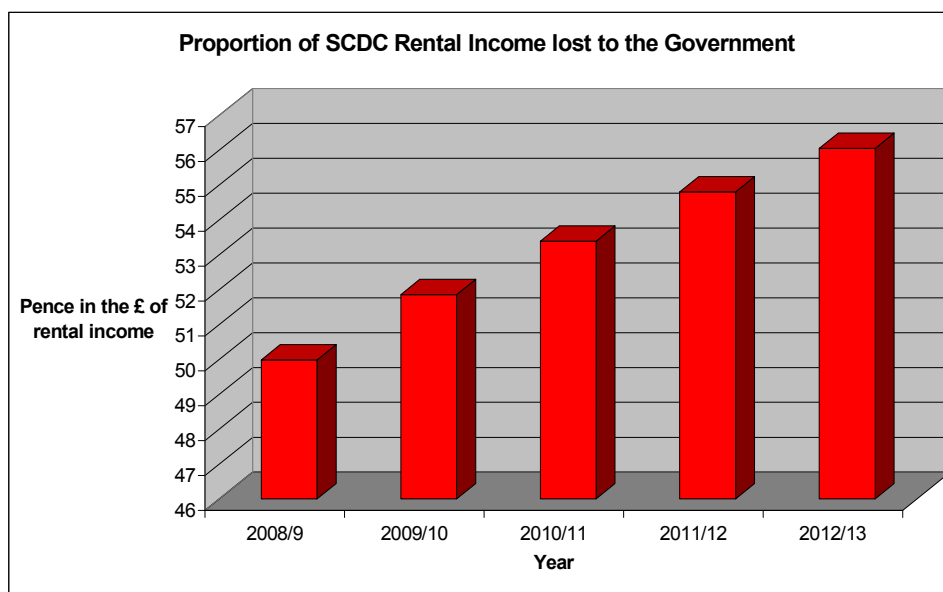
15. The Council currently spends £6.8m per year on its capital programme to improve council housing. The spending required to maintain and improve council homes to the 'industry standard' is estimated at around £10m per year (a £3.2m increase over current levels). However the Council's housing capital budget will fall by 2010/11 to £2.9m (a £3.9m reduction from present levels). This £2.9 million comes entirely from the Major Repairs Allowance. It is clear therefore that the Council will not be able to provide a service that maintains the existing standards. The implications of these capital cuts are outlined in this report.



Notes: Source of current spend and retention fund spend Five Year Housing Maintenance Plan 2008/09 – 2012/13
 Industry Standard based on Savills Stock Condition Survey 2006. This figure is derived from the average spend required for the period 2008/09 – 2012/13 based on unadjusted 2007 prices.

16. **Housing Revenue Account**

17. On the revenue side the Government continues to take a substantial portion of the rental income away from the Council to give to other local authorities in the country through the housing subsidy system. At present, for every pound of income the Council receives through rents, just over half is taken by central government. This '50 pence in the pound' negative subsidy figure is the highest in percentage terms of any local authority in Eastern England.
18. The chart below shows the loss of rental income to the Government is predicted to increase in future years. *[The upward trend illustrated by this chart remains valid but the figures need to be reworked to reflect the latest subsidy determination figures]*



Source Medium Term Financial Strategy 2008/09 – 2012/13

19. The housing subsidy system is calculated using formulas and notional figures and does not take into account real local costs. It is not lawful for the Housing Revenue Account to be in deficit and in order to balance the books the Council must save £900,000 in annual running costs by 2012/13 *[This is now at least £500,000 by 2013/14]*. The implications of this for staffing and service levels are also detailed in this report.
20. The Council has been able to offer a good standard of housing service to its' tenants to date. To improve that standard to an Audit Commission 'two star' level and place it amongst the best in the country would require an investment of around an extra £350,000 per year (Savills July 2008). However, in the retention scenario the resources available will be reduced and the quality of the service is most likely to fall to a zero star level. This would place the service in the lowest performing 20% in the country.
- “The Housing Service currently provides a standard of service that the Audit Commission would likely judge as being 1 Star with Promising prospects for improvement. With some relatively modest investment the service could move into the 2 Star bracket...We consider that with no additional investment to address current service issues then the Housing Service would be scored 0 Stars in 2011.”
(Savills July 2008)
21. **SCOPE FOR SAVINGS AND EFFICIENCIES**
22. As a responsible landlord the Council wishes to ensure that it is operating efficiently and that the opportunities for achieving efficiencies are explored before any service reductions are made. The Council therefore commissioned the report from Savills to look at the way in which it operates and manages its housing service.
23. This report has concluded that the staffing levels of the housing service are in line with similar sized organisations and are already being managed efficiently.

“The current overall staffing levels are close to the average for similar types and sizes of organisations. The Housing Function is not overstaffed and by a

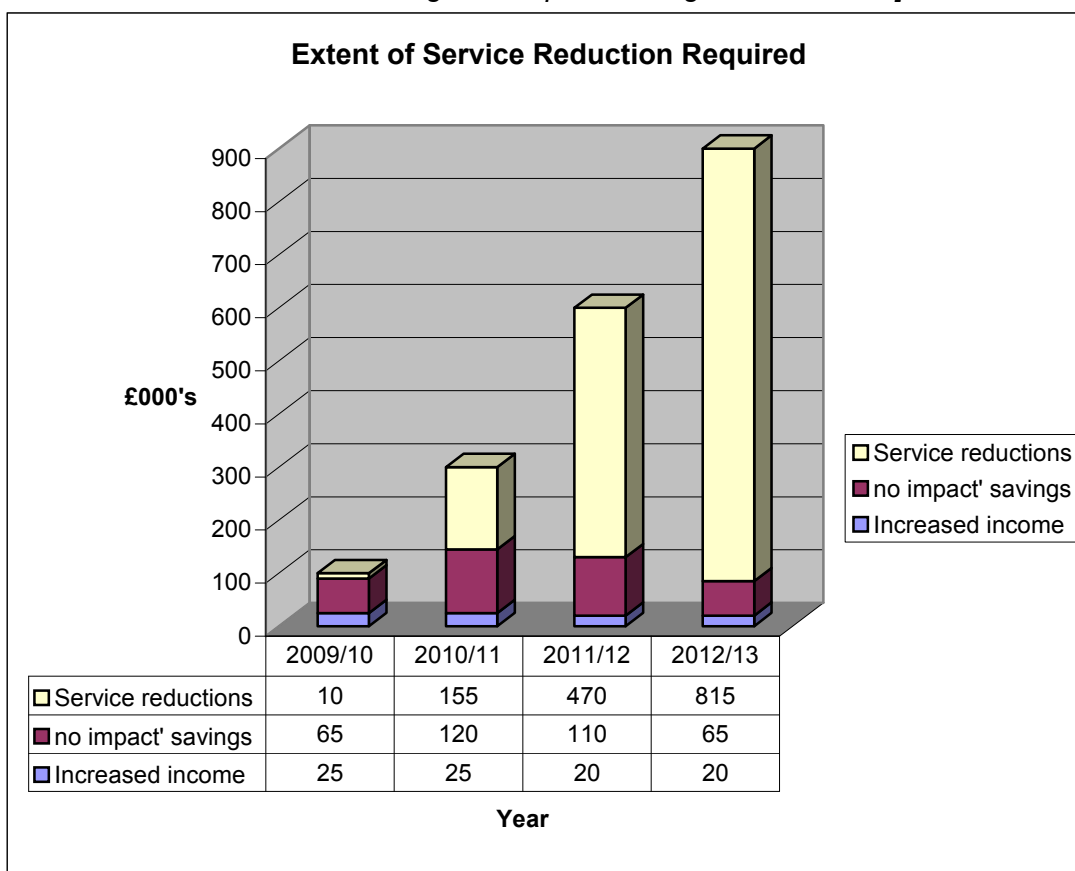
[property per employee] comparison would be considered to be relatively efficient. A consequence of that 'efficiency' is that there is little space for adding activities or developing the different ways of working.”
(Savills July 2008)

24. The report does however identify a number of areas for further potential revenue efficiencies and also suggests increasing income by for example increasing service charges and charging for those repairs that tenants are liable for under their tenancy agreements. Combined these can contribute the following:

- around £90,000 in 2009/10 rising to
- £145,000 in 2010/11 before falling to
- £85,000 in 2012/13.

25. However, these potential efficiencies do not contribute to the shortfall in capital resources and still leave a shortfall in the revenue account of £815,000 by 2012/13 which will require service cuts in order to balance the books. *[This needs to be recalibrated in line with other notes made on this report. Some of the efficiencies referred to have already been achieved and have contributed to the reduction in cuts required to around £500,000]*

26. The chart below shows the proportions of revenue savings to come from increased income, 'no impact' efficiencies and service cuts over the next five years. All figures shown are £000's. *[This chart needs to be recalibrated but the point being illustrated, that service reductions outweigh 'no impact' savings remains valid]*



Source Medium Term Financial Strategy 2008/09 – 2012/13

27. The 2009/10 housing service plans will therefore need to provide for significant cost saving activities. The level of savings required means that the areas for savings/cuts

need to be identified from 2009/10 as they need to take effect from 2010/11 and cannot be put off until 2012/13 by which time they need to have been achieved. The current economic conditions and inflationary pressures in the market will need to be factored in as they are likely to result in the need for even greater operational savings than those already envisaged.

28. The assumptions in the current version of the HRA Business Plan and Medium Term Financial Strategy do not reflect the recent economic downturn or the resulting inflationary pressures which will impact both on the ability to achieve savings in the short term and the required level of savings.
29. **WHAT DOES THIS MEAN IN PRACTICE?**
30. The cuts to services will result in a reduction in service standards in some areas while others may have to be cut completely. A detailed exploration of the potential areas where cuts can be made is provided in the Appendix A.
31. The Council is legally obliged to provide some services and these will have to be maintained at the expense of others. For example legislation relating to Health and Safety requires the Council to maintain core services in respect of gas and electrical safety and there are legal requirements to provide basic repairs under the Right to Repair (see Appendix A for details). However, this is a limited list of requirements and other discretionary services which the Council has no legal requirement to offer will be the most likely to be reduced or withdrawn. Unfortunately, these are often those most valued by tenants such as grass cutting and landscape maintenance. The Council may also have to start charging for repairs that tenants have previously enjoyed free of charge even though these are the tenants' responsibility under the terms of their tenancy agreement.
32. The cuts to revenue funded services will need to be worked out in detail and agreed by the Council as soon as possible so they can take effect in time to balance the budget. The substantial cuts to the capital programme for home improvements has already been agreed by the Council in March 2008 and is detailed in the Five Year Housing Maintenance Plan 2008/09 – 2012/13. **[Now updated HMP 2009/10 - 2013/14]**
33. The nature and extent of the proposed cuts would probably impact upon the most vulnerable of our tenants particularly elderly tenants. The service cuts may also make it difficult for some people to maintain their tenancies such as those reliant upon disabled adaptations to be able to stay in their home.
34. Once the initial cuts have been made, serious consideration may need to be given to the outsourcing of the landlord services. It will be important to ensure that the most cost effective service delivery options are being used by the Council and this may require them to be tested through exposure of those services to the market. For example a local housing association or a private contractor may be able to offer a more cost effective service. Thus while the retention option would leave the ownership and control of homes with the Council, there is a possibility that the work of the DLO and the other landlord services could be outsourced. This may mean that service delivery is provided by a variety of housing associations and private companies with the Council reduced to a contract management role.
35. The potential loss of the DLO and other housing staff would also have corporate financial implications, as this would reduce significantly the HRA contribution currently being made to the corporate overheads including office accommodation and central

services such as ICT and HR. *[For example the contribution to Corporate overheads by the DLO is £350,000 per annum]*

36. Some Areas identified for possible service cuts

Improvements to properties will be reduced and planned replacements of kitchens and bathrooms will be scaled back from 2009/10. These budget cuts will result in a 57% reduction in capital improvement works, with some of the individual programmes affected as highlighted below:

- Kitchen and bathroom refurbishments cut by 50%
- Full refurbishments cut by 56%
- New heating installations cut by 44%
- Disabled adaptations cut by 66%
- Re-roofing programme cut by 56%
- Rewiring programme cut by 60%

The responsive repairs contract to be tendered in 2009 and re-specified to focus on providing emergency repairs and Right to Repair items, and lengthening of other responsive repair times in order to focus on reducing costs. There is a high risk that the Council's DLO may lose its core responsive repairs work and would no longer be viable.

The assisted gardening and decoration schemes to be withdrawn or scaled down.

Significant reductions to be implemented for grass cutting, external decoration and grounds maintenance e.g. fewer grass cuts and longer times between painting cycles.

Further reductions in the sheltered housing service could be achieved by increasing the number of properties managed by staff, scheme managers not being on site as much as at present and therefore less able to support social activities.

Tenancy support and Anti Social Behaviour casework would be dealt with on a reactive basis. Estate inspections to be reduced in frequency. The dedicated staff to support tenant participation to be withdrawn and resources to support tenant participation activities significantly reduced. *[Options to retain some ASB & TP capacity are being considered but can only be funded by reducing the number of housing officers]*

The Council would not have the money to spend on high cost improvements to individual homes such as those required by the Airey properties. A programme of disposals would need to be considered to transfer these individual homes to a housing association. There are currently around 19 properties in this category. *[Some Airey homes have been improved during 2008/09 but there are other non traditional homes or which this issue is relevant]*

Further cuts in both front line housing services and the housing management team would need to be considered in addition to those listed above and this would significantly impact upon the quality of service delivery across all areas of the housing service.

37. **CONCLUSION**

38. If the tenants do not support a housing transfer there will be significant cuts in services and staffing levels that would have to be implemented from the financial year 2009/10 onwards. These would need to be fully in place by 2012/13. There is some scope for efficiency savings but the report by Savills has shown these to be limited as the Council already operates at an efficient level. Any efficiency savings that can be achieved do nothing to address the shortfall in capital resources and do not prevent cuts in services.
39. The retention scenario is therefore not a 'stay as we are' option but an option that will result in cuts to housing services and the quality of the Council's service delivery to its tenants. The extent of these cuts on the quality of the service that can be delivered will be significant.

"The further ...savings required for the ...year 2012/13 would require further... jobs to be deleted over the previous year. We do not see where those posts could come from without the service collapsing.

This evidence points to mid 2011 as the 'tipping point' when the (potential) loss of the DLO and by that point around 7 front line posts would bring the service to a point where its failure to be able to discharge its obligations was inevitable."
(Savills July 2008).

[Whilst the figures that this analysis were based upon have subsequently altered, (as indicated in the notes added to this report) the threat to service delivery over the next four years remains significant].

Options.

40. The service planning cycle which commences in September 2008 will ensure that a detailed action plan is put together to map out the steps needed to increase efficiency and implement the service cuts needed from 2009/10 onwards.
41. If tenants vote in favour of a housing transfer proposal this service plan would not need to be implemented.

Implications

42. Financial	The financial shortfall in the HRA faced by the Council in the next five years will require significant service cuts. These service cuts may have knock on effects on the General Fund, as the staffing base to support corporate overheads is likely to reduce. The assumptions included in the current version of the HRA Business Plan and the Medium Term Financial Strategy do not reflect the recent economic downturn or the resulting inflationary pressures which will impact both on the ability to achieve savings in the short term and the required level of savings.
Legal	The ability of the Council's housing service to meet its statutory obligations will be at risk once the cuts have been made.

Staffing	Service cuts will be mainly achieved by reducing staffing levels. There is also the risk of losing the DLO as a result of any competitive tendering for a re-specified responsive repairs contract in 2009.
Risk Management	A separate risk log will need to be drawn up alongside the service plan that will need to take effect from 2009/10
Equal Opportunities	None

Consultations

43. Internal discussion with staff from the Landlord Implementation Team and with tenants from the Transfer Advisory Group.

Effect on Corporate Objectives and Service Priorities

44. **Work in partnership to manage growth to benefit everyone in South Cambridgeshire now and in the future**
Partnership working will become increasingly important to help deliver efficiency and other savings, though difficult to resource.
- Deliver high quality services that represent best value and are accessible to all our community**
The level of cuts required to the housing service will seriously impact upon the quality of the service that can be offered from 2009/10 onwards.
- Enhance quality of life and build a sustainable South Cambridgeshire where everyone is proud to live and work**
The service cuts required will make it difficult for the housing service to contribute to wider community focused activities

Recommendations

45. The content of this report is noted and used to inform the Housing Futures process including dissemination to members and tenants.
46. That the service planning process for housing commencing in September 2008 will set out a clear action plan to address the risks posed to the housing service if tenants vote to stay with the Council in 2009.

Background Papers: the following background papers were used in the preparation of this report:

The Housing Revenue Account Business Plan 2008/09 to 2012/13
The Five Year Housing Maintenance Plan 2008/09 to 2012/13
Report on the potential impacts of funding reductions on services to Council tenants, Savills, July 2008

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APPENDIX A

POTENTIAL SERVICE CUTS IN DETAIL

CUTS IN CAPITAL PROGRAMME

The £3.9 million cut in the capital programme has already been agreed by Council and is detailed in the Five Year Housing Maintenance Plan 2008/09 to 2012/13. Some significant features include the following:

Capital Works

The Council currently...		In the retention scenario...
Replaces items such as Kitchens, bathrooms and heating systems etc. through its planned Capital Works programme		The Council cannot afford to continue the programme with reduced funding and far fewer properties will receive replacement improvements. As a result the condition of the housing stock will deteriorate and this will put further pressure on the responsive repairs budget.
	Current budget / numbers [2008/09]	2010/11 financial year
Kitchens and Bathrooms	£2.4million at approx £4,000 per kitchen = 600 new kitchens	£1.2million at approx £4,000 per kitchen = 300 kitchens
Full refurbishments	£450,000 13 homes	£200,000 7 homes
Heating systems	£900,000 per annum (180 systems)	£ 500,000 per annum (100 systems)
Re roofing	44 new roofs £180,000	18 new roofs £80,000
Rewiring	£250,000 166 homes	£100,000 66 homes
Parking (creating new parking spaces and areas)	£70,000	£ 15,000
Properties of non traditional construction (structural improvement and cladding)	£900,000	NIL
Fencing	£50,000	£15,000

Disabled adaptations

The Council currently...	In the retention scenario...
Is experiencing ever-increasing demands for adaptations such as level access showers, ramps, grab rails etc. In 2007/08 the Council completed 50 major and 374 minor works. Demand is already exceeding supply with a current average backlog of at least 30 applications.	This service will experience budget cuts of £525,000 per annum (a 66% reduction) within 2 years. Significantly fewer adaptations could be provided and then only to the most urgent and severe of cases.

The Decent Homes Standard

The Council currently...	In the retention scenario...
Is on target to meet the 2010 target	Will struggle to maintain this standard in the short term and is unlikely to be able to maintain the standard in the medium to long term

POTENTIAL REDUCTION IN REVENUE FUNDED SERVICES

The £900,000 revenue saving needed by 2012/13 will need to be achieved across a range of housing services. There will also be the need to consider increasing service charges and other forms of income generation.

The following section is therefore grouped under the headings of:

Rents & Charges
Property Services
Sheltered Housing
Housing Services

RENTS AND CHARGES

The Council currently...	In the retention scenario...
Follows Government guidance on rent increases and seeks to minimise the level of service charges to residents	Would still need to follow Government guidance but would need to consider increasing service charges (such as charges for servicing communal areas or the provision of a sheltered housing service) even though the level of service may be reduced.

PROPERTY SERVICES

Direct Labour Organisation (DLO)

The Council currently...	In the retention scenario...
Provides a repairs and maintenance service (DLO) for the majority of council properties	<p>The Council is currently scheduled to put the responsive repairs contract out to competitive tender in 2009. There is a risk that the DLO would not win this contract.</p> <p>The repairs/maintenance service may therefore be provided by an external contractor from 2009.</p>

Discretionary works

The Council currently...	In the retention scenario...
Carries out a range of repairs to property, which under the strict terms of the tenancy agreement should be undertaken by the tenant. This often allows tenants to maintain their tenancy	<p>This may have to cease and much closer monitoring of works orders would mean this work would be left for the tenants to complete themselves or they would be charged for the work.</p> <p>This would include:</p> <ul style="list-style-type: none">• Internal decorations• Loose or damaged fittings & fixtures• Repair of chipped sinks or baths• Clearing blocked drains• Repairs caused by tenant's misuse

Responsive Repairs

The Council currently...	In the retention scenario...
Undertakes all repairs it is required to complete categorising them by urgency. Service targets are met and there are high levels of satisfaction.	Reductions in funding may mean that only urgent health and safety works and "right to repair" works could be guaranteed.
Right to repair items include: <ul style="list-style-type: none">• Unsafe power, lighting, sockets or electrical fittings• Blocked flue to open fire or boiler• Leaking roof• Toilets which don't flush• Blocked sink, bath or basin• Leaking from a water or heating pipe, tank or cistern• Loose or broken banisters or hand rails	

Empty homes

The Council currently...	In the retention scenario...
Lets empty property as quickly as possible with essential works being carried out while the property is empty and other improvement work is carried out within 90 days of occupation.	Works may have to be limited to health and safety areas only. Some property, which is harder to let such as older persons, flats and some bungalows may have to be reclassified as accommodation for younger people or redeveloped.

SHELTERED HOUSING

The Council currently...	In the retention scenario...
Chooses to support sheltered housing by a cross subsidy from general needs housing as the sheltered housing charges do not currently reflect the full cost of the service.	This level of cross subsidy will be difficult to justify and cannot be sustained resulting in possible increases to service charges as well as potential cuts to services.

Sheltered Housing Officers (SHO's)

The Council currently...	In the retention scenario...
Employs full time SHO's who are each responsible for approximately 34 tenancies. They also assist with maintaining the social side of their schemes	This number of tenancies per officer may have to increase to 50. This would mean that officers would have to restrict their services to the minimum required for Health and Safety such as regular contact with tenants, support plans and assisting with emergencies during working hours. Overall it would mean less on site presence and less time to organise social events.

Communal Areas

The Council currently...	In the retention scenario...
Maintains communal rooms and laundries to beyond Disability Discrimination Act (DDA) standards.	SCDC would have to comply with minimum DDA requirements but would not be able to invest as much in decoration of communal rooms nor the replacement or re-covering of soft furnishings. Communal laundries may be removed in some schemes or the numbers of machines reduced in order to save maintenance and repair costs.

HOUSING SERVICES

Antisocial behaviour (ASB)

The Council currently...	In the retention scenario...
Takes a proactive approach to antisocial behaviour by exploring ways in which it can be reduced or avoided and working with tenants and external agencies to this end.	Much of this work would cease and there would simply be a policy of reacting to incidents of ASB.

Grounds maintenance

The Council currently...	In the retention scenario...
Cuts grassed communal spaces regularly during the growing season and undertakes 2 shrubs and tree cuts per year. Carries out extra non essential works to trees.	Grass cutting could be reduced in frequency and hedge and shrub cutting reduced to once a year. Only works to trees will be where there is a risk to health and safety.
The grounds maintenance budget is currently £200,000 per year.	The budget may be halved to £100,000 per year.

Estate inspections

The Council currently...	In the retention scenario...
Carries out a programme of regular estate inspections dealing with any identified issues	These may reduce in frequency and in some locations may stop altogether

Assisted Decorating and Gardening Schemes

The Council currently...	In the retention scenario...
Provides these services to older tenants and those with disabilities	These services may be withdrawn completely saving £20,000 per year.

Garages

The Council currently...	In the retention scenario...
Provides and maintains garages in various locations around the District	Many garages will be too expensive to maintain and could be secured and left empty instead. Sites may also be sold to raise money or transferred to a housing association where this is an option.

Tenant participation

The Council currently...	In the retention scenario...
Has a strong commitment to tenant participation with 2 staff dedicated to this role.	Tenant participation would continue although the cost of full time dedicated tenant participation staff could not be justified. The current level of activity would be scaled down accordingly