

## SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

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**REPORT TO:** Leader and Cabinet 12 November 2009  
**AUTHOR/S:** Executive Director / Corporate Manager, Affordable Homes

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### HOUSING SERVICES REVIEW

#### Purpose

1. The purpose of this report is to
  - (a) seek Cabinet approval for the restructuring proposals for Affordable Homes, the responsive repairs contract and grounds maintenance contract (having regard to the recommendation of the Housing Portfolio Holder) and to provide Cabinet with a summary of progress on the related actions taken to refocus the service delivery of Affordable Homes following the Housing Futures ballot result, and
  - (b) recommend to Council, that Council authorises the Chief Executive, in consultation with the Leader of the Council and Finance and Staffing Portfolio Holder, to approve expenditure, outside budgetary provision, to meet the costs of any redundancies and early retirements brought about as a consequence of any proposals agreed.
2. This is a key decision because:
  - i. It is likely to result in the Council incurring expenditure which is, or the making of savings which are, significant having regard to the Council's budget for the service or function to which the decision relates.
  - ii. It is likely to be significant in terms of its effects on communities living or working in an area of the District comprising two or more wards,

and it was first published in the September 2009 Forward Plan.

#### Executive Summary

3. The required reduction in the Housing Revenue Account (HRA) expenditure by 2011/12 is £500,000. The need to account for a net reduction in income associated with the Supporting People regime is likely to require further savings of up to £300,000. The savings required therefore total £800,000. This will enable the working balance of the HRA to be sustained at £2M, which is considered to be the minimum prudent level.
4. The report sets out proposals to delete 52 current posts and create 33 new posts. There is therefore a net loss of 19 posts. This represents around 23% of all posts providing landlord services excluding the DLO.
5. The overall number of staff employed will reduce and there will be a number of staff at risk of redundancy. It is anticipated that there will be around 12 redundancies.
6. The financial savings arising from the proposed changes are as follows:

<b>Proposed HRA Savings</b>	<b>2011/12 £000</b>
Sheltered Housing (Appendix B)	360
Property Services (Appendix C)	150
Housing Management (Appendix D)	30
Grounds Maintenance (Appendix E)	90
Anticipated additional income (Para 33)	170
<b>Total</b>	<b>800</b>

7. In addition to the savings for the HRA there will be consequential savings of £110,000 for the General Fund and £40,000 for the capital programme.
8. The proposed changes will lead to a net HRA saving of around £100,000 in 2010/11 once anticipated redundancy and early retirement costs have been taken into account.

### **Background**

9. The Housing Futures project identified that the option to retain council homes under the ownership of South Cambridgeshire District Council would require current service levels to be reviewed and cuts to be made. This was made clear in the formal Offer Document issued to tenants prior to the ballot and examples of likely reductions in services, improvements, repairs and staffing were listed to enable tenants to make an informed choice.
10. A reduction in capital expenditure is required by 2010/11 and has already been agreed by Council. The budget for major repairs and improvements has been reduced from its 2008/9 level of £6.8M to the £2.9M from April 2010.
11. The capital investment requirement identified by the most recent stock condition survey is at least £10M per year. By 2013/14 there will therefore be a cumulative net shortfall in investment since 2009/10 of at least £33M. The detailed cuts are identified in the Five Year Housing Maintenance Plan 2009/10 - 2013/14 and will be reviewed as part of the annual budget setting cycle.
12. The reduction in HRA revenue expenditure is £500,000 required by 2011/12. The need to account for an anticipated net reduction in income associated with the Supporting People regime will require further savings of up to £300,000. The total savings required are therefore likely to total £800,000. This will enable the working balance of the HRA to be sustained at £2M, which is considered to be the minimum prudent level. The detail of the HRA Business Plan will be developed as part of the Council's annual service planning cycle.
13. In addition to the cuts required to balance the HRA there are also external considerations that need to be taken into account in the review of Affordable Homes. The most significant issues are as follows:
14. Supporting People. The sheltered housing service is dependent upon around £700K of income from Supporting People (SP). The SP budget is funded by central government and administered by the County Council but now forms part of the wider Local Area Agreement (LAA) funding pot.
15. Anticipated cuts in the County Council's SP budget are required by 2012/13 to avoid a projected overspend and this Council will be expected to make a contribution of up

to £180,000 towards this. There will also be a consequential net reduction in income from the sheltered service charge of £120,000. In addition the SP team have indicated that the sheltered housing contracts for the County will be competitively tendered in the near future with a new focus on providing services with a 'floating support' model.

16. **Tenant Services Authority (TSA).** The TSA will take over responsibility for the regulation of council housing services from April 2010. The TSA are currently the regulatory body for housing associations having taken over from the Housing Corporation in that role in 2009. New service standards are still being devised by the TSA but it is anticipated that they will provide a more direct and challenging regulation function to that which the council sector currently experiences from the CLG. This will place fresh demands upon the Council to ensure that service standards are maintained. The TSA has the power to order an Audit Commission inspection at short notice. This regime is in addition to scrutiny under the Comprehensive Area Assessment (CAA) process.
17. **HRA Finance Review.** The CLG published its consultation on HRA reform in August 2009. The intention is to remove the HRA subsidy system and replace it with a self-funding system. To enable this to happen there will need to be a redistribution of the national notional housing debt. South Cambridgeshire District Council is named in the consultation documents as the council that may receive the highest level of debt per property in the country. This would equate to a debt in excess of £164 million. The detail of how this will impact upon the Council is not yet available. Senior officers are in dialogue with the CLG to and it is hoped that a draft settlement may be made available by March 2010. Any changes proposed by the draft settlement would not take effect until 2011/12 at the earliest.

### **Considerations**

18. The key objectives of the Affordable Housing review are to:
  - a. bring expenditure in line with available income and ensure that the HRA can remain balanced for the foreseeable future with a prudent level of working balance.
  - b. redesign the housing service to achieve maximum efficiency and value for money
  - c. identify new ways of working that will seek to meet the aims and objectives of the Council, the regulatory requirements of the TSA (from April 2010) and the aspirations of the tenants whilst acknowledging the limited funds available
  - d. identify the potential impact on the General Fund and ensure that both the HRA and GF budgets are sustainable.
19. The work has been divided into a number of linked themes as follows:

- Responsive repairs contract
- Sheltered Housing
- Property Services
- Housing Management reorganisation
- Asset management
- Rents & Income maximisation
- Tenant engagement
- IT review

### **Responsive repairs contract**

20. The responsive repairs work is currently undertaken by the Council's own Direct Labour Organisation (DLO) for 2/3 of the district with Cambridge City Council's City Services providing the service to the other 1/3.
21. The current contracts now need to be renewed. The Housing Futures offer document advised that if the tenant's voted to stay with the Council, "The in-house repairs service is likely to be put out to tender to private contractors...[and] Risk losing the DLO by putting the work out to tender to private contractors."
22. The procurement process will ensure that the Council obtains value for money for its expenditure on responsive repairs and it is anticipated that the process will provide reduced unit costs. Work has been undertaken to explore the options available to the Council and these are reported below with details in **Appendix A**.

### **Sheltered Housing**

23. In the 2008/09 revised estimates there was 'cross subsidy' from the HRA to the sheltered housing service of around £650K. As a result of holding posts vacant pending the outcome of the Housing Futures ballot the final 2008/09 cross subsidy figure was £450K. In order to achieve the overall savings required within the HRA this subsidy needs to be reduced significantly. The Housing Futures offer document stated that a vote to stay with the Council would result in "Further reductions in the sheltered housing service such as reduced on site presence."
24. The anticipated re tendering of the SP sheltered housing contract will also require the service to be structured in a way that will be able to satisfy the requirements of the tender conditions. This will mean reducing overall costs and building in flexibility to offer a 'floating support' model of service that is able to be targeted at those individuals in most need across tenure and not just those living in designated sheltered schemes.
25. An important consideration is the need to pursue the development of a programme of extra care schemes in partnership with housing associations, NHS Cambridgeshire, Cambridgeshire County Council and Supporting People. These will meet the needs of those people in South Cambridgeshire with higher levels of need, many of whom will be currently living in sheltered housing schemes. The Council is currently participating in the development of a countywide strategy and the results of this will be reported to the Portfolio Holder.
26. Work has been undertaken to explore the options available to the Council and these are reported below with details in **Appendix B**.

## **Property Services**

27. As a consequence of the reduced capital programme there is a corresponding need to reduce the staffing levels supported by the capital programme. This means a reduction in the numbers of staff within the Property Services team and a restructuring of that team.
28. Work has been undertaken to explore the options available to the Council and these are reported below with details in **Appendix C**.

## **Housing Management reorganisation**

29. As reported during the Housing Futures project, following the review by an independent consultant, the staffing levels within housing management are already very close to the minimum level that would support a full service. Non staffing cuts have therefore been considered including a reduction in the grounds maintenance budget which has been considered by the Housing Portfolio Holder on 21 October 2009. The Portfolio Holder recommended a number of service reductions, details of which are set out in **Appendix E** for the decision of Cabinet.
30. The focus for housing management is on restructuring this part of the service to ensure that the needs of tenants and the requirements of the TSA can best be met. This requires the deletion of some existing posts and the creation of some new posts. This is addressed in **Appendix D**.

## **Asset management**

31. The reduction in money available to the capital programme requires a fresh approach to asset management. Particular attention needs to be given to the sale and buy back of equity share for the elderly properties. Legal advice is currently being obtained on the options open to the Council. In the interim period the Corporate Manager (Affordable Homes) will bring forward requests to dispose of individual properties as they arise. A separate paper will be presented to the Portfolio Holder and Cabinet in the near future and the options are not dealt with further in this report.

## **Rents & Income maximisation**

32. The Council needs to explore how it might maximise rental income and there are a number of projects under this heading. There is a review of service charges underway and a review of Council garages has also been started to identify if there are any options for increasing the income stream from their rents. Any proposed changes to rents or service charges will be brought to Council as part of the financial planning cycle and are not considered further in this report.
33. It will be necessary to increase income by around £170,000 per year to make up the shortfall left after making the service reductions proposed in this report.
34. Any proposed changes to rents or service charges will be brought to Council as part of the financial planning cycle and are not considered further in this report.

## **Tenant engagement**

35. The Tenant Participation Advisory Service (TPAS) has been commissioned to carry out a tenant participation 'health check'. The action plan that emerges from this would enable the Council to achieve TPAS accreditation if resources allow and will be an

important step towards meeting the TSA requirement for tenant participation. The results of the health check will be reported to the Housing Portfolio Holder in the near future and are not dealt with further in this report other than a proposal to establish a Tenant Participation team leader post.

### **IT Review**

36. A report by independent consultants in 2008 identified a number of weaknesses in the current IT set up for housing. To improve the efficiency of the service operation and to minimise the risk of data errors a complete refresh of the IT system is required. This work has now begun and will be a significant IT project for the Council over the next 12 - 15 months.

### **Options**

#### **Responsive repairs contract**

37. The Council has to consider whether or not to proceed to a competitive tendering of the responsive repairs contract or to retain the work in house with the DLO. **Appendix A** explores these options. Whichever route is chosen it will provide the Council with options to invest the anticipated savings or efficiencies in the housing service.

#### **Sheltered housing**

38. A proposal for the restructuring of the sheltered housing service has been prepared which contains a number of elements including the establishment of two floating support teams. These teams will provide housing support to those elderly and vulnerable people in most need and the carrying out of a full needs assessment of each sheltered housing resident to inform the final shape of the service restructures. Please see **Appendix B** for details.

#### **Property Services**

39. It is proposed that the Property Services team is restructured to take account of the reduced resources now available to support this team. The restructure is designed to reduce the operational costs whilst maximising the efficiency and effectiveness of this team. Please see **Appendix C** for details.

#### **Housing Management**

40. It is proposed that the Housing Services team is restructured to reduce the operational costs whilst maximising the efficiency and effectiveness of this team. Please see **Appendix D** for details.
41. The options for reducing expenditure on grounds maintenance are detailed in **Appendix E**.

## Implications

42.	Financial	The key financial implications are set out in the main body of the report. If Cabinet approves the overall savings package, the resulting reductions to the Staffing Establishment will incur redundancy and early retirement costs which will initially offset the gross savings target. It is not possible to be precise about the amount required until individual posts and employees have been identified for this purpose.
	Legal	The power to carry out duties relating to the employment and terms and conditions of staff is a non-executive function under the terms of the Local Authorities (Functions and Responsibilities) (England) Regulations 2001 which cannot be exercised by the Cabinet. The Chief Executive has full delegated power within the Constitution for all matters relating to the Staffing Establishment, subject to budget. Cabinet is requested to recommend to Council that funding be made available to meet the costs of redundancies and early retirements arising from the savings proposals.
	Staffing	The implementation of savings proposals of the magnitude identified in this report has significant staffing implications. It is proposed to delete 52 current posts and create 33 new posts within the housing service. If implemented in full, this will entail a net loss of 19 posts. Proposals in respect of staffing redundancies will be subject to statutory notification and consultation periods which will be adhered to.
	Risk Management	There is a serious risk to the Council if the financial savings required are not achieved. These include: Further reductions in services to tenants beyond those already identified Adverse judgements from auditors if GF/HRA disciplines are not complied with Intervention by regulatory authorities.
	Equal Opportunities	Staffing changes need to have regard to equal opportunity issues as do any proposed changes to service delivery

## Consultations

43. Tenants and residents were consulted throughout the Housing Futures process on the implications of a vote to retain the ownership of council homes with the Council. Further consultation exercises have been held with residents in the Tenant Participation Group, the Leaseholder Forum and the Sheltered Housing Forums with regard to the proposed changes in sheltered housing.
44. A significant number of sheltered housing tenants (437/1500) have signed a petition "Informing South Cambridgeshire District Council that they will be putting the welfare of their tenants at risk if we lose our Sheltered Housing Officer". These concerns are addressed in the report by the recommendation that a needs assessment is carried

out with all sheltered housing residents. This will allow a member and officer task and finish group to be created to consider the impacts of the proposed service changes.

45. There have been a number of staff workshops and briefing sessions exploring the issues contained within this report. Recognised Trade Unions have been notified in broad terms of the savings proposals and have been invited to engage with SMT as relevant matters are taken forward in light of Cabinet's decisions.

### Effect on Strategic Aims

46.	<p><b>Commitment to being a listening council, providing first class services accessible to all.</b></p> <p>The proposed changes are designed to maximise efficiency and limit the negative impacts of any cuts. However, it is inescapable that the budget available to run the housing service is being reduced and this may have an impact on the Council's ability to offer the highest quality service.</p>
	<p><b>Commitment to ensuring that South Cambridgeshire continues to be a safe and healthy place for all.</b></p> <p>Health &amp; safety issue will not be compromised by any of the proposed changes</p>
	<p><b>Commitment to making South Cambridgeshire a place in which residents can feel proud to live.</b></p> <p>N/A</p>
	<p><b>Commitment to assisting provision for local jobs for all.</b></p> <p>N/A</p>
	<p><b>Commitment to providing a voice for rural life.</b></p> <p>N/A</p>

### Conclusions/Summary

47. The review of Affordable Homes is a complex project with a number of related strands. This report summarises some of the key work undertaken so far and details those key elements requiring a Cabinet decision at this stage.
48. It is proposed to delete 52 current posts and create 33 new posts within the housing service. There is therefore a net loss of 19 posts.
49. The overall number of staff employed will reduce and there will be a number of staff at risk of redundancy. It is anticipated that there will be around 12 redundancies.
50. Separate reports will be brought forward during 2009/10 to take forward issues such as the new Asset Management policy. Further work will be embedded within the Affordable Homes Service Plan for 2010/11 and the budget setting process for 2010/11.

## Recommendations

51. It is recommended to Cabinet,
- (a) that the proposals set out in this report including that:
    - (i) the district responsive repairs contract be exposed to competitive tendering,
    - (ii) the sheltered housing service be restructured to move from a site based to a floating support model,
    - (iii) to agree that the grounds maintenance budget be reduced to £164,500 for 2010/11, incorporating the service reductions recommended by the Housing Portfolio Holder at his meeting held on 21 October 2009, detailed in Appendix E attached, and
  - (b) to recommend to Council, that Council authorises the Chief Executive, in consultation with the Leader of the Council and Finance and Staffing Portfolio Holder, to approve expenditure, outside budgetary provision, to meet the costs of any redundancies and early retirements brought about as a consequence of the proposals agreed in (a) above.

**Background Papers:** the following background papers were used in the preparation of this report: Procurement advice from Trowers & Hamlins, LLP (October 2009) and Echelon report (2005)

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