

---

**Report to Housing Scrutiny Commission**  
**Housing Revenue Account**  
**Spending Review – Phase 4**  
**(Housing Transformation Programme)**

Lead Assistant Mayor: Cllr Connelly

Assistant Mayor Briefing: 6<sup>th</sup> November 2017

Housing Scrutiny Commission: 20<sup>th</sup> November 2017

Lead director: Chris Burgin

---



**City Mayor**

## Useful information

- Ward(s) affected: All
- Report author: Director of Housing, Chris Burgin
- Author contact details: 37 5143
- Report version number: 1.1

### 1. Summary

- 1.1 The purpose of this report is for the Housing Scrutiny Commission to receive an update on savings delivered to date for the Housing Transformation Programme and to consider, at an early stage, the proposals set out in the Housing Revenue Account (HRA) budget for the 3 years from 2018/19 to 2020/21, which will be presented in detail to Scrutiny on 18<sup>th</sup> December 2017.
- 1.2 The HRA operates in a self-financing environment. Spending priorities are made in the context of needing to achieve the right balance between investing in, maintaining and improving the housing stock, providing landlord services to tenants, building new homes and supporting and repaying housing debt of £216m.
- 1.3 Appendix A sets out the overall budget for the Housing Revenue Account for 2017/18. With income of £80.6m and expenditure of £29.3m against repairs and maintenance, £25.5m against Management and Landlord Services and £25.8m against Interest and Capital Financing. Included in expenditure is a charge by the corporate centre of £5.6m for support services across both Repairs and Maintenance and Landlord Services, including customer services, IT, Legal, HR etc; and £5.5m for contributions to the general fund for a range of direct front line services. These are set out in more detail in Appendix B.
- 1.4 The government's decision to implement a 1% rent reduction over a four year period, together with unavoidable cost increases including staff pay and pensions and anticipated higher levels of bad debts, has placed the HRA under significant pressure to be able to deliver a balanced budget. A number of other external pressures and changes also brought about by Central government place the HRA at further risk including the introduction of Universal Credit, Local Housing Allowance Cap, Pay to Stay Scheme, High Value Vacant Homes Levy and the impact of increasing Right to Buy Sales. All of these changes create a significant period of uncertainty and constraint in setting the budget for the Housing Revenue Account.
- 1.5 Unavoidable additional costs for the next 3 years are set out in more detail in table 1 below. The third and fourth years of the 1% rent reduction will reduce income from rent by £1.456m. An assumed rent increase of CPI+1% from 2020/21 onwards offsets this pressure (although this will be a decision for Council in 2020). A review of the current rate of sales through Right to Buy has resulted in revised assumptions about the loss of council houses going forward. Employee costs are forecast to rise by £1.923m by 2020/21 reflecting annual pay awards and increases in employer pension contributions. Materials and non-pay inflation is expected to cost an additional £885k. There continue to be significant challenges to collect income as direct payments to tenants are made as part of Universal Credit, as detailed above. The experience of other authorities where the roll-out is at a more advanced stage is that the number of tenants in arrears increases significantly, as does the average debt per tenant.

<b>Table 1: Unavoidable Cost Pressures</b>	<b>2018/19 £000</b>	<b>2019/20 £000</b>	<b>2020/21 £000</b>
Rent Changes	740	1,456	(627)
RTB Stock Loss	1,522	2,852	4,005
High Value Vacant Homes Levy (if implemented nationally)	185	548	902
Employee Costs	680	1,319	1,923
Material Costs	298	593	885
Income Collection Costs	140	140	140
Increased Bad Debt	400	600	800
	<b>3,965</b>	<b>7,508</b>	<b>8,028</b>

- 1.6 The Housing Transformation Programme began a programme of efficiency savings in 2013 and has so far reduced expenditure by £9m a year. Spending Review Phases 1, 2 and 3 achieved revenue savings of £5.9m and capital savings of £3.1m. Whilst phases 1 and 2 were focused on service improvement and efficiencies, the phases 3 and the proposed phase 4 are required to enable savings to be achieved to address a budget pressure of £3,965k in 2018/19 rising to £8,028k in 2020/21 in response to the challenges set out in 1.4.

## 2. Recommendations

It is recommended that Housing Scrutiny Commission consider this report and make any comments to the Assistant City Mayor (Housing), for consideration by the Executive.

## 3. Details of Proposals for savings within the Housing Revenue Account

### 3.1 Proposals for Revenue Savings

3.1.1 The following sets out the proposed areas for savings and additional income for 18/19 to 20/21. These generate potential ongoing savings of £5.5m from the Housing Revenue Account. Executive considered these proposals on 9<sup>th</sup> November.

#### 3.1.2 Savings Already Identified - £2.71m

The 2017/18 budget contains a number of items for which budget is no longer required.

- The budget assumed the introduction of the High Value Vacant Homes Levy, which the Government has not yet implemented. Some £528k was set aside for one-off costs and the rental income budget was reduced by £250k. These sums are no longer required and future years' budgets will be re-adjusted accordingly
- The ending of pay protection for staff affected by previous years' staffing reviews releases budgets of £399k in 18/19, rising to £684k the following year.

Other decisions have been taken in year resulting in savings to the HRA:

- Changes to the length of the Apprenticeship scheme to fit with the demands of the service will save £452k in 17/18 rising to £928k from 19/20.
- Reductions in the level of admin support has delivered £120k of savings.
- A review of the Training Centre of Excellence has delivered a more effective structure whilst delivering savings of £66k in 18/19, rising to £86k from 19/20.

- A number of other, smaller changes have resulted in savings of £55k in 18/19 rising to £83k in 19/20 and £111k in 20/21.

In total these deliver savings of £1.87m in 18/19, rising to £2.68m in 19/20 and £2.71m in 20/21.

### 3.1.3 Proposed additional Savings Options - £2.83m

### 3.1.4 Housing Transformation - £138,000

The proposed savings would be generated from a range of potential options including £113k from operational efficiencies in 18/19 (rising to £138k from 19/20) including an organisational review within the Housing Transformation Team.

### 3.1.5 Fleet and Transport - £250,000

The proposed savings would be generated from 2018/19 from operational efficiencies including a further reduction in fleet of 20 vehicles across Housing and an associated reduction in fuel.

### 3.1.6 Repairs - £909,000

£688k of the proposed savings will be generated from a combination of reduced jobs due to a fall in dwelling stock levels and improved productivity including a reduction in materials, reduction in operatives and associated reduction in line management. £200k can be achieved by utilising internal staff to undertake capital works. In total £411k of savings will arise in 18/19, rising to £851k in 19/20, and £909k in 20/21.

### 3.1.7 Gas, Heating and Hot Water - £149,000

The proposed savings would be generated from operational efficiencies related to a reduction in materials used and increased productivity reducing staffing.

### 3.1.8 Landlord Supplies- £141,000

The proposed savings would be generated from operational efficiencies through invest to save. By investing in energy efficient improvements, such as solar panels and improved LED lighting we will generate savings on electrical costs. The saving rises from £116k in 18/19 to £141k from 19/20.

### 3.1.9 Rents - £1,000,000

The proposed additional income relates to rents being set on the basis of formula rent when a property comes up for re-let rather than current practice which is for rents to remain the same from one tenancy to the next. Current tenants will not see a rise in their rents as this would only be applied to new tenancies. This would deliver additional income of £200k in 17/18, rising to £600k in 18/19 and £1m in 19/20.

### 3.1.10 Grounds Maintenance - £100,000

A further £100,000 relating to savings from the grounds maintenance budget.

### 3.1.11 ABSO review - £150,000

The proposed savings would be generated from operational efficiencies created through rationalisation of ABSO resource with reduced requirement following the TNS programme and increased channel shift of customer service.

### 3.2 Proposals for Capital Savings

3.2.1 The capital expenditure requirement in 2017/18 is £16.28m. The capital expenditure requirement for 2018/19 before any savings or additional pressures has been identified as £15.3m. This reduction of £980k is due to four time-limited projects requiring no additional funding.

3.2.2 A reduction of £340k in the re-wiring programme is proposed. The impact of electrical upgrades to date has been positive enabling future savings to be made. Offsetting this is a £300k growth towards the replacement of CCTV cameras across the estates and a £365k growth in the budget for new affordable housing.

### 3.3 Next steps

3.3.1 The HRA Budget Setting report (incorporating the savings proposals identified in this update report, subject to comments of this Scrutiny Commission) will be considered by the Tenants and Leaseholder Forum on 7<sup>th</sup> December and by this Commission on 18 December. Comments from both the Housing Scrutiny Commission and Tenants and Leaseholder Forum will be considered by the Executive in January before the report is taken to Full Council on February 21<sup>st</sup>.

## 4. Financial, legal and other implications

### 4.1 Financial implications

This report deals exclusively with financial matters.

Stuart McAvoy – Principal Accountant (37 4004)

## 5. Summary of appendices:

Appendix A – 2017/18 Budget Summary

Appendix B – HRA Contributions to General Fund Activities

## 6. Is this a private report (If so, please indicated the reasons and state why it is not in the public interest to be dealt with publicly)?

Yes it is policy under development.

## Appendix A Housing Revenue Account - 2017/18 Budget Summary

Service Area	Budget £000	Notes
Rent	(73,601)	Includes core rent for current & former tenants, less the cost of bad debt written off and increases to the level of bad debt provision.
Service Charges & Other Income	(6,981)	Includes charges to tenants for services (including district heating, communal cleaning etc.) and rent for garages, allotments etc.
<b>Income</b>	<b>(80,582)</b>	
Repairs & Maintenance	8,465	This includes the main services under the 3 repairs managers, including associated admin.
Gas Services	3,455	This includes budgets for gas, heating and hot water repairs, along with maintenance for district heating, including associated admin.
Voids	3,358	This includes the staff and material costs in maintaining and repairing void properties, including associated admin.
External Contractors & Quality Control	3,828	This includes the repair projects for which external contractors are used.
Support & Operational Development	6,918	This includes fleet costs, general admin, training centre, apprentices, and stores.
Corporate Recharges	3,248	This include corporate overheads, including IT, Finance, HR, Payroll etc.
<b>Total Repairs &amp; Maintenance</b>	<b>29,272</b>	
Management, Administration and Transformation	4,186	This includes senior management team, property lettings team, admin support, graduate trainees, accounts administration, transformation team and Northgate costs.
Income Management	1,555	This is the cost of collecting rent through the income management team
Neighbourhood Services (NHO's)	3,013	This is the current budget for all NHO's, reflecting the part year effect of in-year changes.
Communal Services (Cleaning & Heating)	4,995	This includes district heating, Flat services, leaseholder costs & income, garden maintenance & landscape improvements.
Tenant Support	1,936	Includes STAR, Tenant satisfaction and tenant & resident involvement budgets.
Hostels	2,016	This includes the cost of running the Dawn Centre & Border House.
Corporate Recharges	2,335	This include corporate overheads, including IT, Finance, HR, Payroll etc.
Contributions to General Fund	5,499	See following table for a separate breakdown of these contributions.
<b>Management &amp; Landlord Services</b>	<b>25,534</b>	
Interest on Borrowing	9,495	This is the interest paid on the outstanding debt held by the HRA.
Capital Financing Requirement	16,281	This is the revenue contribution to capital to support the 17/18 capital programme.
<b>Interest &amp; Capital Financing</b>	<b>25,776</b>	

0

## Appendix B - HRA Contributions to General Fund Activities

	Description	17/18 Budget £000
Housing Register	This is a contribution towards maintaining the Housing Register, which can be considered to be a landlord cost relating to the allocation of properties.	£251,000
Anti-Social Behaviour	In addition to this contribution, the HRA incurs further costs of its own in dealing with ASB. The contribution was set to represent a third of LASBU's total budgeted expenditure, based on estimates of the proportion of the workload relating to HRA tenants.	£146,500
LeicesterCare Alarms	LeicesterCare provides an emergency alarm service for vulnerable adults, co-ordinated by Adult Social Care. This contribution funds the majority of the cost of providing alarms and responding to calls for all HRA tenants in receipt of Housing Benefit.	£319,000
Sheltered Housing	Adult Social Care provide additional support to tenants within 14 blocks to assist in managing their tenancy. The HRA contribution pays for the majority of the cost of this service for those tenants in receipt of Housing Benefit.	£220,000
Neighbourhood Services	This contribution is towards the cost of Council-run community centres and authority funding towards centres run by the voluntary sector located on HRA estates.	£880,000
Open Spaces	The HRA contribution towards the grounds maintenance costs of Parks and Open Spaces is for those areas within or very near to HRA estates maintained by the service. A proportion of these costs are funded by the HRA.	£1,814,200
Corporate & Democratic Core and City Mayor's Office	Corporate & Democratic Core costs are those associated with elected members and democratic representation, along with certain central management functions of the authority. This includes a contribution towards the City Mayor's Office.	£710,300
Paths & Road Maintenance	The HRA makes a contribution towards the cost of maintaining paths and roads within the HRA estate areas.	£194,600
CCTV	CCTV cameras on HRA estates form part of the wider network of cameras. The HRA contribution is for the share of cameras positioned in Housing locations.	£264,500
Estate Wardens	This contribution is towards the City Warden service dealing with a variety of environmental issues on the estates.	£698,600
<b>Total Contribution to General Fund Activities</b>		<b>£5,498,700</b>