

	<h2>Housing Committee</h2> <h3>29<sup>th</sup> June 2015</h3>
<p style="text-align: right;"><b>Title</b></p>	<p><b>Barnet Homes Housing Revenue Account (HRA) Efficiency Savings</b></p>
<p style="text-align: right;"><b>Report of</b></p>	<p>Cath Shaw, Commissioning Director, Growth and Development</p>
<p style="text-align: right;"><b>Wards</b></p>	<p>All</p>
<p style="text-align: right;"><b>Status</b></p>	<p>Public</p>
<p style="text-align: right;"><b>Enclosures</b></p>	<p>None</p>
<p style="text-align: right;"><b>Officer Contact Details</b></p>	<p>Jo Williams, Interim Housing Adviser, Commissioning Group  <a href="mailto:Jo.williams@barnet.gov.uk">Jo.williams@barnet.gov.uk</a>                  Telephone 0208 359 3165</p>

<h2>Summary</h2>
<p>To appraise the Housing Committee of savings options considered from the Housing Revenue Account (HRA) and to be delivered by Barnet Homes</p>

<h2>Recommendations</h2>
<p><b>1. The Housing Committee approve a package of efficiency savings from the Housing Revenue Account (HRA) of £2.85m, as opposed to £4.2m, to be delivered through Barnet Homes</b></p>

**1. WHY THIS REPORT IS NEEDED**

In December 2014 the Policy and Resources Committee set a savings target from the Housing Revenue Account (HRA), through Barnet Homes, of £4.2m. This was part of the process for agreeing the Medium Term Financial Strategy

(MTFS) for the Council. Following the review of Barnet Homes, council officers are recommending a reduced efficiency savings package of £2.85m.

## 2. REASONS FOR RECOMMENDATIONS

2.1 The recently concluded review of Barnet Homes, reported in a separate paper to this Committee, included analysing how the delivery of the savings through efficiencies could be accomplished and the remodelling of the HRA financial plan.

The challenge sessions dedicated to housing management activities and finances focused, in particular, on efficiencies and Barnet Homes were requested to illustrate the likely impact of a range of savings options.

The original HRA savings, approved by Policy and Resource Committee, were proposed as follows:

Opportunity Area	Broad Examples of Savings	Savings
Service Reviews	Review of support services, direct services and reductions through regeneration and management review	£1.965m
Efficiency	Review of contracts, service level agreements, use of graduates and 'all systems go' business case	£1.024m
Growth and Income	Income from new build, new business, higher external fees and PRS management	£0.839m
Reducing Demand, Promoting Independence	Review of landlord and tenant contract and implementation of portals reducing demand on services	£0.371m
<b>TOTAL</b>		<b>£4.199m</b>

2.2 Three options were presented at the challenge sessions that were held as part of the review process for delivery over a four year period; including a £0.24million saving already delivered in 2015/16:

- Option 1: £2.85 million efficiencies with limited impact on services
- Option 2: £4.2 million efficiencies with substantial impact to services
- Option 3: £6.5 million efficiencies with severe impact to services

- 2.3 Option 3 was immediately ruled out as the impact on customer facing services could not be tolerated and would result in a significant reduction in tenant satisfaction and weakening of service provision that would not be sustainable.

Option 2 was then considered in some detail, but again it was deemed that the level of service reduction would have too great an impact on what is currently a high quality service, would not be in line with Council objectives and would impact on customer satisfaction.

Option 1 was considered to be an achievable savings and efficiencies package that could be delivered without compromising the service substantially, noting that this still represents more than a 10% saving on the current budget.

- 2.4 The efficiencies were also considered in the context of the reapportionment of costs through recharges to the business delivery units, as agreed through the Council's new commissioning model. This has resulted in approximately 10% of Barnet Homes' budget ring-fenced to costs through a range of Service Level Agreements (SLAs) and thus a lower level of variable income against which to make savings.

- 2.5 The proposed savings can be summarised against the original savings target as follows:

<b>Opportunity Area</b>	<b>Original Savings</b>	<b>Proposed Savings</b>
Service Reviews	£1.965m	£1.839m
Efficiency	£1.024m	£0.937m
Growth and Income	£0.839m	£0
Reducing Demand, Promoting Independence	£0.371m	£0.077m
<b>TOTAL</b>	<b>£4.199m</b>	<b>£2.853m</b>

- 2.6 Service Reviews

The original proposed savings from service reviews were from the community engagement, income collection and estate and caretaking services. However, it was felt the full range of reductions in these areas would have a severe impact on service standards and customer satisfaction, particularly income collection which is becoming increasingly difficult due to welfare reforms and the impending implementation of Universal Credit.

The savings will be achieved, primarily, through management and repairs savings due to forecasted stock losses through estate regeneration and right to buy sales, along with a number of carefully planned on going value for money service reviews.

## 2.7 Efficiency

The reduced saving of £0.087m is due to a lower level of anticipated savings for service level agreements. It will be predominately delivered through procurement and enhancing the value of existing contract arrangements; reduced accommodation costs due to less floor space at Barnet House and new ways of working through more effective use of IT.

## 2.9 Growth and Income

The review of Barnet Homes considered whether there was scope to increase their income in respect of:

- Fee income for development agent work for new build properties
- Additional income from new businesses, including the Private Rented Sector (PRS Management)
- Higher fees and charges
- Reduction in emergency and temporary accommodation costs as a result of new build homes

2.10 Whilst the Council's review team felt there may be some future opportunities in these areas, agreeing savings at this point in time was considered to be too high risk, as the additional income relating to the these activities cannot be relied upon.

Given the current climate it was also felt prudent not to increase external fees in the short-term as this would include increasing parking fees on estates and introducing parking fees on new build schemes.

Growth and income activities will be kept under review as part of the performance monitoring regime to maximise possible future efficiency prospects.

## 2.11 Reducing Demand, Promoting Independence

A reduction of £0.294m is proposed against the original savings target as a number of efficiency drivers were considered but ruled out because of the detrimental impact to service standards, particularly on repairs and maintenance. The reductions originally proposed included reducing service standards through customer access channels and increasing repairs times.

The savings will now be delivered, in the main, through stopping some of the 'non-essential' works provided by Barnet Homes, such as re-glazing and discretionary decoration vouchers, as well as the re-prioritisation of certain types of non-urgent repairs. These efficiencies can be delivered without a significant reduction in customer satisfaction or impact on service standards.

## 2.12 Potential Impact to the HRA Business Plan

The difference between the proposed saving of £4.2m and the recommended saving of £2.85m is £1.35m. Whilst this will have a minor negative impact, the HRA Business Plan currently has £29.5m of borrowing headroom, with forecasted reserves in five years (after allowing for a £3m minimum balance and taking into account the reducing savings package) of c£60m. The HRA is, therefore, in a healthy financial position and there are no long-term viability issues.

## 3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 An increased savings package of £6.5m (option 3) and the original proposed savings package of £4.2m (option 2) were considered and rejected as set out in section 2 of the report.

## 4. POST DECISION IMPLEMENTATION

- 4.1 The delivery of the efficiency savings will be monitored through both the Council's performance management framework and through Barnet Homes' annual business and financial plan.

## 5. IMPLICATIONS OF DECISION

### 5.1 Corporate Priorities and Performance

- 5.1.1 The savings are aligned to corporate saving priorities.

### 5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

- 5.2.1 The recommended package of savings is considered to provide the greatest value for money for the Council.
- 5.2.2 The savings represent a reduction in the management fee that is currently charged to the HRA. The HRA is a ring fenced account and is not part of the MTFs savings for the Council.

### 5.3 Legal and Constitutional References

- 5.3.1 The Constitution, Annexe A, Responsibility for Functions – Membership and Terms of Reference of Committees and Partnership Boards - sets out the responsibilities of the Housing Committee. It includes responsibility for Housing Strategy (incorporating homelessness strategy), work with Barnet Homes, Registered Providers and other social housing providers to ensure the optimum provisions of housing and associated facilities for those who require social housing and to approve any non-statutory plan or strategy within the remit of the Committee that is not reserved to Full Council or Policy and Resources Committee.

## 5.4 Risk Management

An efficiency savings package of £2.85m presents little risk to the Council, whereas options 2 and 3, described in section of this report, will provide a much greater risk to the Council in terms of achievability, customer satisfaction and reputation.

## 5.5 Equalities and Diversity

5.5.1 There are no equalities and diversity considerations for the recommended savings package. However, options 2 and 3 would have equality and diversity impacts and individual equality impact assessments would need to be carried out in relation to each significant service change.

## 5.6 Consultation and Engagement

5.6.1 None applicable

## 6. BACKGROUND PAPERS

- Housing Committee, 2 February 2015: The commissioning and delivery of housing services and the management of the Barnet housing stock:
- <https://barnet.moderngov.co.uk/documents/s20709/Management%20Agreement.pdf>
- Cabinet Resources Committee February 2014: Management Agreement with The Barnet Group:
- Housing Committee 27th October 2014: Draft Housing Strategy