

OVERVIEW AND SCRUTINY COMMITTEE

6th September 2018

HOUSING/HOUSING REVENUE ACCOUNT - OVERVIEW & IMPROVEMENT PLAN

Relevant Portfolio Holder(s)	Cllr Craig Warhurst; Cllr Tom Baker-Price and Cllr Gareth Prosser
Portfolio Holders Consulted	Yes
Relevant Officer: Head of Paid Service	Kevin Dicks, Chief Executive
Wards Affected	All Wards
Ward Councillors Consulted	All Member Briefing
Key Decisions: <ul style="list-style-type: none">• Consideration of the Strategic Improvement/Action Plan;• Support the actions undertaken on the Housing Revenue Account to address the financial pressures;• Agree the leadership arrangements with support to further staffing service reviews;• Endorse governance arrangements for reporting progress including Executive Committee;• Build in capital staffing costs for a Housing Capital/ Property and Compliance team;• Consider financial support (capital) for a replacement IT management system and project team to implement.	
This report contains exempt information as defined in Paragraph(s) 3 of Part I of Schedule 12A to the Local Government Act 1972, as amended	

1. SUMMARY OF REPORT PROPOSALS

- 1.1 This report provides the background and an overview and summary of presenting and ongoing issues within Housing Services at both strategic and operational levels.
- 1.2 To provide the necessary detail to support Members and Officers understanding of the issues that emerged following Audit Reports and subsequent investigations into the Housing Capital Service. To propose future governance and management arrangements to ensure compliance with our statutory duties and corporate policies in the future and provide assurance to Council and our communities in this regard.
- 1.3 The report defines the purpose and strategic direction for Housing and other services, with a strategic action plan for consideration.

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1.4 To provide specifically an overview of the current financial position in respect of the Housing Revenue Account (HRA) with recommendations to address the Medium Term Financial Plan and longer term HRA business plan.

1.5 Propose the procurement of a housing management IT system to support future service delivery and the business.

2. RECOMMENDATIONS/RESOLUTIONS

The Overview and Scrutiny Committee is asked to note that the Executive committee will be asked to approve the following:

The Executive Committee are asked to RESOLVE the following:-

2.1 Executive consider the content of the report, and endorse the strategic action plan detailed at Appendix A.

2.2 Support the financial actions undertaken in respect of the Housing Revenue Account and note the proposed actions subject to formal budget and rent setting processes as detailed in the strategic improvement/action plan.

2.3 Support the Director/HoS service remits and authorise the Chief Executive/CMT Officers to proceed to recruit to the proposed senior managers for the service (subject to service review) with support for phased service reviews for the whole of the services detailed, over the following 12 – 18 months.

2.4 Endorse that the governance and reporting of progress on the strategic action plan be through Executive Committee.

and that the Executive Committee RECOMMENDS to Council:-

2.5 Recommend that a sum of £350,000 (capital staffing costs) be built into the capital budget (HRA) for 2018/19 to resource the immediate review of Housing Capital/Property and Compliance team(s).

A further recommendation (2.6) is detailed in the exempt part of the report.

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3. KEY ISSUES

3.1 Financial Implications

There are a range of financial implications and a full financial overview is provided in respect of the Housing Revenue Account as detailed in Section 3.9.1 onwards of this report. This is supported by Appendices B, C, D and E.

3.2 Legal Implications

3.2.1 The Council has a number of statutory duties to fulfil as a social landlord. Officers are also required to comply with a number of corporate policies including financial regulations and contract procedure rules.

3.2.2 As a result of non-compliance on a range of legal requirements and local council policies within the Housing capital team, originally identified by Audit Reports, and subsequently involving disciplinary action in respect of a number of officers within that service, a review of the Council's Housing Services has been undertaken by senior officers. An action plan has been drafted to secure future compliance with legal and corporate requirements and deliver improved services to all our tenants.

3.2.3 The employment processes undertaken by the Council in respect of officers in Housing Capital are not yet completed and are confidential.

3.3 Background Information

3.3.1 During late 2016/early 2017 the Senior Management team were alerted to a number of procurement and contractual issues arising from internal audit reports.

3.3.2 A number of immediate actions were taken by the Section 151 Officer to prevent further issues arising and mitigate financial and procedural risk to the authority. This included placing a 'stop' on all external contract work other than essential, health and safety and works to maintain compliance with landlord requirements.

3.3.3 A temporary Senior Contracts Manager reporting directly to the Deputy Chief Executive Officer was appointed in February 2017 to overview contractual arrangements within the Housing Capital team and to provide specialist advice and support to address the issues identified within the preceding audit reports.

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- 3.3.4 As a result of identifying serious failures in compliance with contracts, contract management and procurement processes resulting in escalation to the Section 151 Officer, eight Officers were suspended from their positions by the Chief Executive Officer. These included senior managers and operational staff.
- 3.3.5 Disciplinary investigations were initiated, with Anthony Collins Solicitors commissioned to undertake the investigatory work and, as a result of these investigations, it was determined that all eight Officers be the subject of disciplinary hearings.
- 3.3.6 Some Officers chose to resign during the disciplinary process, and it was completed in respect of others. As these latter cases are still within the timeframe for external employment processes to take place, the final outcomes have not yet been determined and are confidential.
- 3.3.7 Whilst the investigation did not identify any criminal activity by officers and or contractors a range of failures throughout the service were identified by officers at every level of the service, where a disregard for compliance with the legal frameworks and council policies appears to have been endemic in the service. Officers who have provided interim management within the services since August 2017 have endorsed this finding.
- 3.3.8 Since the immediate preventative actions were taken, the following measures/arrangements have been actioned since September 2017.
- Review of all Contracts and Procurement – Revised arrangements now in place, including:
 - Centralised corporate contracts register
 - Relocation to Legal Services of the Council’s Procurement Officer
 - Establishment of a Contracts / Commercial team within Legal Services
 - Appointment of specialists to rectify identified weaknesses (electrical/asbestos/fire risk) - Officers in post/contract arrangements in place.
 - Review of all procedures and operating instructions – Revised arrangements in place.
 - Review of delegations (financial limits & authorities) – Revised schedules in place.
 - Compulsory training on procurement (contract management training in progress) – Named schedule of officers attending maintained.
 - Secured finance to undertake a comprehensive stock condition - Survey commencing September/October 2018.
 - Review of financial arrangements (approval of works/ invoices) – Revised arrangements in place.
 - Legal remedies being considered for overcharging – Ongoing.

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3.3.9 All of these financial, contractual and procurement issues identified during the audits, investigations and subsequent reports to the S151 Officer, will be the subject of a separate detailed report presented to the Audit, Governance & Standards Committee during the next cycle. This report will cover comprehensively all audit actions identified to provide assurance and detail that all the matters have been actioned and addressed to the satisfaction of Council.

[ACTION PLAN REFERENCE] CORPORATE 1.1

3.4 Strategic Overview

3.4.1 Whilst immediate and longer term actions have been, and are being, taken to ensure probity and compliance within the housing service, there is a need to understand the nature and extent of the non-compliance issues that have been identified. By necessity, this is wider than the contractual and procurement matters identified in the Audits and subsequent investigation into that section of the Housing Service. Everything we do in the future must be linked and undertaken as system improvement.

3.4.2 Rather than simply fixing separate services or parts of the system, this report is intended as a review of all aspects of the housing service and the Council's role as a social landlord. As a housing provider, the Council needs to demonstrate clarity of purpose given the complexity and range of issues to be dealt with.

3.4.3 The Deputy Chief Executive and senior officers assisting with the interim management of Housing Services found a number of issues and factors present across the services which need to be addressed. Many of these matters are "cultural" in nature and further expanded upon later in the report.

3.4.4 It is critical that Members and staff consider and understand the 'causes and effects', having both the opportunity to consider and debate the issues to provide a firm foundation in moving forward.

3.4.5 We need to be able to measure and be judged by our tenants and communities as to how we perform, in an holistic way.

3.4.6 The next 3 sections of the report cover in outline:-

- (i) National housing challenges and issues;
- (ii) Redditch Borough Council – Council Plan and Strategic Purpose and direction;
- (iii) Financial issues – Housing Revenue Account.

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3.5 National Context - Challenges & Issues in Housing

- 3.5.1 In recent years, the national housing market has changed considerably, which in turn poses significant challenges for local authorities, who undertake a wide range of statutory housing functions in their area.
- 3.5.2 The latest Ministry of Housing, Communities and Local Government (MHCLG) English Housing Survey 2016-17 reports the key trends. Home ownership remains central to the market, but with prices rising, home ownership is becoming increasingly difficult for young families. In the meantime, 4.7 million households are now renting privately in England, a figure which has doubled since the mid-1990's. Finally, 3.9 million households are living in the social sector, making it a smaller provider than the private rented sector.
- 3.5.3 Nationally it is widely recognised that there is an acute shortage of housing particularly social and affordable housing and the government itself has described the market as 'broken.' As private rents and house prices continue to increase many households are facing severe affordability issues, with young people and families on low to middle incomes especially affected by the difficulty of affording to buy or rent a decent home.
- 3.5.4 The government's response to these changing dynamics in the English housing market has been to try to boost the number of new homes being built nationwide, and to speed up the rate at which these units are delivered. To encourage development there have been changes introduced to streamline planning, new building funds launched, and a suite of options designed for households wishing to get on the housing ladder. A Social Housing Green Paper has now been issued on the 14th August 2018.
- 3.5.5 Nevertheless, despite these efforts at a national level, housing development is still falling short of demand. According to current projections an average of 210,000 new households will form in England each year between 2014 and 2039. In 2016/17 the total housing stock in England increased by around 217,000 dwellings: 15% higher than the previous year's increase but short of the 240-250,000 new homes needed to keep pace with household formation.
- 3.5.6 With home ownership increasingly out of reach for many, and the private sector becoming more and more competitive, so the pressure has risen on local authorities to provide help to local residents in housing need.

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- 3.5.7 There has also been considerable debate about the impact of changes made to the welfare benefit system in the last five years, and how these are leading to increased pressure on all housing providers. Broadly speaking the welfare changes introduced have decreased and capped the level of benefits available to low-income households at a time when the overall cost of living has risen. In particular housing costs are not always fully covered by benefits.
- 3.5.8 The pressure this has generated is certainly being felt by housing providers with tenants on Universal Credit, which is currently being phased in across the country. In February 2018, the BBC reported that 70% of 13,650 council tenants in London receiving Universal Credit were in rent arrears.
- 3.5.9 Local councils are expected to play an increasingly important role in regulating standards and conditions in their private rented sector, while the implementation of the Homelessness Reduction Act in 2018 places new statutory responsibilities on councils to prevent and relieve homelessness in their areas. Homelessness and temporary accommodation placements have risen nationally in recent years, with MHCLG reporting that rough sleeping is up 169% in the last seven years.
- 3.5.10 For councils who have retained their housing stock, the pressure doesn't stop there. The changes implemented by government to the Housing Revenue Account in 2012 have made further borrowing difficult for most councils at the same time as rental income is falling as a result of the 1% per year reduction introduced in 2016-17. Right to buy continues to be popular amongst social housing tenants, but its impact is being felt by councils struggling to replace a depleted stock base at the pace and scale required to meet incoming demand for housing from aspiring tenants.
- 3.5.11 From a health and safety perspective, the tragic events at Grenfell Tower in June 2017 have brought the role of housing providers as guardians of wellbeing and place-making sharply to the forefront, and it is very likely that further actions will be required in due course to protect tenants in light of the ongoing public enquiry.
- 3.5.12 All these national challenges and issues have combined to impact on councils on two fronts. As local landlords, councils need to be able to respond to the needs of communities efficiently and effectively which proves increasingly difficult with reduced finances and fewer homes to rent out. Operationally councils are also responding to an increase in demand for help through its housing options service – this is hard to resolve when stock levels and turnover are low, and private rents are

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high, especially in comparison with limited help available via the Local Housing Allowance.

3.5.13 In the current housing market, most councils are dealing with significant housing-related pressures at the moment, both in terms of a rising demand for help with housing options, and as a result of the mounting financial pressures that have been building up for some years, for councils and residents alike.

3.6 The local perspective

3.6.1 From a Redditch perspective, a number of these national trajectories and challenges ring true, but there are some local nuances that offer opportunities for the council to make a significant impact in the borough.

3.6.2 There are 23,000 privately-owned properties in Redditch. House prices are rising in the borough, but mortgage brokers report the market is still buoyant with purchases continuing at a healthy level. The private rental market mirrors the national picture – it is competitive and expensive.

3.6.3 However, despite the fact that nationally, the private sector now houses more people than the social sector, this is not the case in Redditch, where the council owns approximately 5,800 properties, whilst the private rented sector provides accommodation to 4,000 households. In this sense the council is the second largest player in the local housing market, and therefore has the potential to use its influence and capacity to the advantage of low income households living here. The other affordable housing providers in Redditch supply 1,600 homes locally.

3.6.4 Homelessness has risen in Redditch in the last five years, as it has nationally, and the council has 1,800 households on its current waiting list. Each year, the council offers approximately 450 lets of its existing stock with less than 100 new units of affordable accommodation becoming available on-line via housing developments. The pressure is very clear to see in terms of supply versus demand. The timely turn-around of stock becomes increasingly important in this context as bottlenecks in voids can have a big impact on already squeezed property availability figures.

3.6.5 Given the housing-related pressures facing councils, a number of themes surface as a result.

- Facilitating an increased supply of affordable new homes is key to addressing ongoing local housing need in the borough. This also provides the council with opportunities to replenish its stock base,

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with a focus on providing safe, good quality accommodation, whilst returning voids into use in a timely way. These factors are crucial to stability within the RBC Housing Revenue Account.

- Affordability is critical and supporting tenants, especially those on low incomes, is another important element of the landlord function, maximising rental income and minimising evictions. This includes having the right systems in place to manage this work across 5,800 tenancies.
- Providing advice and assistance at the right time is also essential, so the council needs to ensure that it offers high quality housing options and homelessness assistance locally too.

3.6.6 Delivering good housing management can often be viewed to be simple in delivery terms however it is set within a complex environment and to try to deliver change and not recognise this complexity could lead to a replication of previous failings.

3.6.7 'People' issues are at the heart of our local authority strategic role. The need to tackle complex issues through a strategic approach delivered with strong performance and supported by partnership working is essential.

3.7 Council Plan/Strategic Purpose & Direction

3.7.1 Redditch Borough Council Plan (2017-2020) details how we will achieve delivery to the strategic purpose of "Help me find somewhere to live in my locality".

3.7.2 We will achieve this by:-

- Supporting the development and delivery of appropriate housing in the borough.
 - Understand community housing needs.
- Raising housing standards and the quality of the local environment across the Borough.
 - Use the capital programme to raise housing standards.
 - Provide support and advice to landlords and the private sector and take appropriate action where needed.
 - Work in partnership with other housing providers to increase and improve the quantity and quality of housing stock.
- Greater involvement and empowerment of tenants and residents in service delivery and reform.

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- Develop and implement a strategic plan for tenant involvement.
- Create opportunities for tenants and residents to be involved in decision making around their homes and communities.

3.7.3 Whilst there is a comprehensive plan to deliver each of these objectives, we will continue to support synergy across the other strategic purposes of the Council, including:-

- Help me live my life independently
- Help me to be financially independent

3.7.4 These themes will be clearly communicated internally, alongside the partner themes which have emerged over a significant period of time, including:-

- Preventing Vulnerability
- Delivering appropriate, affordable and quality homes
- Building Sustainable Communities
- Resident Involvement

3.7.5 It has become clear that we need to improve and get better at supporting all the people and families who live in the homes we provide and manage.

3.7.6 At its most basic level we need to translate our strategic purpose into relevant models of activity which will help to identify the key actions we need to take for housing and other services:-

- Get better at understanding and supporting our tenants as residents of Redditch.
- Ensure we spend money in the way that best supports our tenants.
- Make sure we have sufficient income to fund the services and support we must provide.

3.7.7 Whilst undoubtedly many staff are fully committed to doing the very best for our tenants, there are significant improvements required in delivery and this will necessitate a huge step change across all housing/ other services to address the following issues:-

- We are currently focusing attention and support to some tenants at the potential detriment to others.
- We have limited understanding of the needs of all of our tenants.
- We often wait for our tenants to approach us rather than us be proactive.
- Both our staff and tenant expectations are too low.

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- 3.7.8 Whilst staff have been operating with integrity, they may not always have been doing the right things. There is no doubt of the need to support tenants who have highly complex needs in order for them to become more self-sufficient. This must continue to be done in partnership with other agencies with our staff seeking expert and professional support where needed.
- 3.7.9 Tenants' views must be at the heart and centre of our landlord decision making to fully embrace our social purpose and fulfil our obligations. Not to pay full attention and regard to this will waste and divert our attention in delivering to our true purpose. The quality of future resident engagement is paramount and not just in terms of the numbers of residents involved.
- 3.7.10 As a public service and a social landlord we have clear duties and responsibilities to fulfil and this needs to be reinforced by the strategic leadership of the Council.
- 3.8 Supporting our tenants
- 3.8.1 There are some primary and basic tasks and functions we must deliver on in housing management:-
- We need to make sure our tenants are safe (Compliance).
 - We need to reduce the time any of our properties remain empty so we can allocate them to provide homes (Voids).
 - We need to get repairs and maintenance done quickly, to a good standard, first time, to provide good homes (Repairs & Maintenance).
 - We need to ensure that tenants are housed in appropriate properties (Allocations).
 - We need to deliver excellence in managing and supporting tenants (Locality).
- 3.8.2 Whilst the purpose and objectives are clear and unambiguous, they must form the drive for everything we do and be translated into action with no deviation from purpose.
- We need to re-engage with our tenants in building our communities and our investment in tenant and customer engagement must be heightened. We have to recognise that relationships have changed, delivering landlord/housing services because it is a regulatory requirement is critical, however not the whole picture.

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– Review of tenant engagement – Action Plan Reference 6.3

- We need housing management and technical skill sets – professional housing management qualifications alongside adaptability and an outstanding tenant and customer focus to deliver on our social purpose and business objectives.
- Leadership and management development programme – Action Plan Reference 1.2
- We need to engage and listen to our tenants because if they value their home and value where they live, this will be a priority to them.
- We need to rebalance the landlord tenant relationship and need to do this in a number of ways.
 - (i) Right balance and understanding of independence, rights and responsibilities (landlords/tenants). An independent tenant knows where to go for help. Action Plan Reference 6.2

3.8.3 Attitudes of all of our front line, support staff and managers are critical to delivering our ambitions of excellent housing and community services and giving tenants the best possible service is at the heart of what RBC should do as a great landlord.

3.8.4 We do provide support and advice on finances and continued interaction with partner organisations and a recognition of interdependence between us as providers and our tenants should be considered with collective responsibility.

3.8.5 Leadership of the necessary change and maintained focus will require unwavering commitment and indeed continued challenge in all aspects of the service and delivery. Fixing parts of the service and not remaining true to purpose could result in future failures significantly undermining what we need to achieve, for our tenants.

3.8.6 Whilst there is no one singular action or plan that will achieve delivery to purpose, it must feature and be embedded in each 'plan', both corporate and operational if we are to effect change.

[ACTION PLAN REFERENCE] CORPORATE 1.2

3.9 Financial Issues – Housing Revenue Account (HRA)

3.9.1 The outturn figures for 2017/18, as shown at Appendix B, resulted in a £953k deficit against budget. There are a number of reasons for this deficit as detailed below.

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3.9.2 For 2018/19 due to the financial pressures on the HRA, for the first time since RBC endorsed the 30 year business plan in April 2012, it was only possible to set a one year budget. When the budget was initially set, reserves were anticipated to be utilised to balance the budget with projections of reducing the reserves balance to a minimum approved level of £600k. The revised position for the HRA for 2018/19, as detailed at Appendix C, reflects a reduced strain on the balances position from £876k to £485k following a full review of all costs and income generated.

3.9.3 Fundamentally the financial difficulties arise predominantly due to the impact of government policy on rents, which imposed a minus 1% rent cut for four years, beginning in 2016/17. Costs to deliver the services have increased but income has reduced. A paper to Executive Committee in 2016 detailed:-

“The rent increase that would have applied in 2016/17, if it were not for the Welfare Reform and Work Bill, would have been 0.9%, the September CPI being -0.1%. In 2016/17 there is a loss of rent income of £0.451 million compared with the HRA Business Plan model (rents going down by 1% rather than increased by 0.9%). For 2017/18 to 2020/21 it was anticipated that the rent increase would have been 2.5% so a 1% rent reduction equates to a 3.5% loss of rent income. Over a 30 year period the loss of rent income is estimated at £120.873 million. This will have a significant negative impact on the HRA Business Plan. The rent income lost is almost the same as the £122.158 million debt.”

3.9.4 The report went on to explain how the impact of Right to Buy (RTB) was compounding the problems of the HRA, i.e. the loss of rent income without necessarily reducing equivalent running costs. Three outline solutions were detailed, however, only one of which has been partially addressed by the use of RTB receipts to replace lost stock:

1. *“By 2019/20 the HRA will need to find savings or additional income of £0.610m to balance the account”*
2. *“New housing stock through the right to buy one for one replacement scheme will help balance the account and work is currently being undertaken to explore the extent that this can be maximised.*
3. *The introduction/extension of service charges may also provide an opportunity to increase income to the HRA. If this is an existing service current tenants would be protected until there is a change in tenancy.”*

3.9.5 To date there have been no steps taken to reduce expenditure or consider the introduction or expansion of service charges. Investment in new replacement housing has produced 41 additional units (25 one

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for one replacements, 7 buy backs, 5 mortgage rescue and 4 Section 106 units) up to August 2018. A further 6 properties (4 Section 106 and 2 off plan) are due for completion the start of September 2018 bringing the total of 47 replacement units. Milestone dates occur every 3 months with spend based on RTB receipts retained in the equivalent quarter 3 years prior. Remaining total spend we are committed to by 31st March 2019 is £1.9m. (Grand commitment total by 30th June 2021 is £10.2m). Retained RTB receipts can only fund 30% of this spend with the remaining 70% funded from borrowing and/or ongoing rental income streams from the properties. This is required to ensure retained RTB receipts are not required to be returned to the Government. Returned receipts are subject to penalty interest at 4% above base rate compounded every 3 months.

3.9.6 During 2017/18 the charges/costs during the year included:-

- Rent income down by £143,000 as a result of higher void losses and increased RTB sales (56 properties sold – 41 houses and 15 flats).
- Supervision and management costs increased by £867,000 reflecting additional costs of interim management and essential specialist staff following the suspension of eight members of staff.
- The corporate charge to the HRA was corrected upwards during 2017/18 with an additional charge to the HRA of £59k.
- Capital expenditure was suspended (other than essential and urgent works to ensure health and safety and landlord service compliance) which resulted in a reduced level of Revenue Contribution to Capital Outlay.

3.9.7 A significant amount of work has been undertaken in review of the current budget (2018/19) and projections over the next five years (2019 to 2024).

3.9.8 A further review of budgets and specifically supervision and management costs as a result of the proposed management and staffing reviews will be reported at budget/rent setting next year.

3.9.9 With regard to the Council's growth programme from a rents perspective, the Council has various options it can pursue. The Council can develop 'Open Market Rent' properties but it's important to note that these properties would have to be provided through a Council owned housing company, as the Council cannot charge Open Market Rent for its properties held within the HRA where instead it must consider whether to use Social Rent or Affordable Rent.

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3.9.10 Affordable Rent is up to 80% of open market value but can be set lower in line with local housing allowance rates. There is a demand for affordable rent with the Council’s Strategic Housing Market Assessment showing that 56% of new forming households are unable to purchase or rent in the open market. It also shows however that 55% of new forming households are able to afford ‘Affordable Rents’ meaning that there is demand in Redditch that can be met by both traditional ‘Social Rent’ and ‘Affordable Rent’. The Office of National Statistics shows the lower quartile house price for Redditch is £145,000 and the annual residence-based earnings as £18,339 giving an affordability ratio of 7.91 (2017) for purchasing in the open market showing that those on lower incomes have little chance of accessing home ownership.

3.9.11 At this time the Council does not require income details from applicants to the waiting list and it is therefore difficult to ascertain suitable rent levels for those in the current priority bands. The table below is extracted from the CORE data returns and shows that the percentage of those being housed whose income comes from benefits in Social Rent is similar to those housed in Affordable Rent showing the higher cost of Affordable Rent is not prohibiting people on benefits accessing suitable affordable housing.

Proportion of Income from Benefits 2016/17						
	Social Rent Number of Lettings	% of Lettings	National % 2016/17 Final Data	Affordable Rent Number of Lettings	% of Lettings	National % 2016/17 Final Data
All	116	31.44%	37.69%	13	29.55%	32.14%
Some	46	12.47%	15.73%	4	9.09%	21.7%
None	98	26.56%	24.34%	26	59.09%	27.28%
Don't Know	109	29.54%	22.25%	1	2.27%	18.88%

CORE data

3.9.12 When the Council accepts a duty to an applicant under our homelessness legislation we are required to consider affordability as part of our consideration as to the suitability of the property and if reasonable to accept. This requirement is part of the Homelessness Suitability of Accommodation Order (SI 1996 No. 3204). The Council will need to ensure any property that it offers, is affordable for the prospective tenant, to ensure that the tenancy will not fail. Should the

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Council house someone in a property they cannot afford we will then have a duty under homelessness legislation if it fails for this reason. All income and benefits are considered and we have affordability sheets which provide what we consider as 'necessities of life' costs for different household types which are reviewed and agreed with Citizens Advice Bureau annually. So affordability checks would need to be undertaken with applicants prior to them moving into properties at affordable rent levels so the Council could be satisfied the option was affordable for the household concerned.

- 3.9.13 In light of the potential rental that can be achieved as referred to above, officers have developed a financial model to show the impact on the HRA over the next 5 years. Appendices C and D attached, detail two scenarios that reflect potential financial budget positions for the HRA.
- 3.9.14 Appendix C – Within this model the rent levels are increased by CPI + 1% from 2020/21 as per current guidance and all rental values, including new stock and voids are charged at social rent. Garage rents are also increased by base CPI + 1%. This assumes that all new build/purchases are funded from capital receipts. This shows a total deficit of £993k to the HRA from 2019/20 – 2023/24.
- 3.9.15 Appendix D – This model reflects rental levels increasing by CPI + 1% from 2020/21. Officers have advised that garage rental levels could be increased by 5% as this is a more reasonable increase in consideration of the current charge made. In light of the points raised above, this forecast also shows the additional income that could be achieved should new build properties be charged at affordable rent levels rather than social rent. Whilst the income increases in comparison to Appendix C, the interest cost is higher due to the associated borrowing that would have to be secured. This assumes that capital receipts would be protected to ensure they are available for future investment and financing. In addition this model assumes the borrowing cap would be lifted, subject to an application from the Council being approved.
- 3.9.16 Officers would submit that it should be noted that this is purely a financial model developed by officers to demonstrate how the HRA can further reduce its deficit, and the affordable rent levels do not reflect current policy. This model shows a total deficit of £800k to the HRA from 2019/20 – 2023/24.

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3.10 HRA Financial Performance Comparators

3.10.1 Whilst readily obtained comparators for cost and performance data of the HRA are not readily available, there are some underlying financial and performance issues which can be used/considered.

3.10.2 The Government ceased collecting data on performance many years ago and unless organisations have maintained involvement in a benchmarking club, such as Housemark as an example, national and regional comparator data is limited. Even within such clubs, how data is presented and interpreted can differ markedly. Government have been working on cross sector measures focusing primarily on Housing Associations using their published and audited final accounts and last year the Sector Scorecard was published. This consists of 15 measures, some of which would be applicable to Local Authorities and, in particular, the measures used for unit costs. This takes the global cost of; maintenance (i.e. routine/void/cyclical repairs), major repairs, supervision and management, service charges and other costs and divides these with the stock numbers. From the 315 returns (24 from the West Midlands) this is then divided into 3 quartiles (the lowest, the median and the upper).

	LQ £	Median £	UQ £		Redditch £
Management	719	948	1151		1443
Maintenance	763	923	1113		855
Major Works	438	693	962		860/1247
Other	287	514	1089		153

3.10.3 The maintenance figures seem to suggest expenditure is below the median, but major works (the lower figure represents this year's reduced expenditure, whilst the higher figure previous years) and management costs are very much in the higher quartile. Overall our costs are above the median, however further work is required in understanding and allocating the true costs.

3.11 Housing Management Costs

3.11.1 Management costs for direct housing staff in localities, the performance and data team and the costs of St. David's House represent less than £3 million of the total £8.7 million. The overwhelming balance is the cost of corporate overheads, including grounds maintenance £780,000; Community Services £410,000; rent rates and taxes £150,000 and the costs of interim management following the team suspensions. It is clear that with the HRA under such pressure, the level of overheads and costs cannot be sustained both in the short and longer term however reducing these overhead

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recharges will have a significant impact on the General Fund. These significant matters will all be considered during the major review of revenue spend.

- 3.11.2 During 2017/18 the direct costs of locality teams actually had a significant underspend on staffing last year of over £320,000 (the housing options team charged to the general fund had a similar underspend of £200,000) because in both cases the base budget that was being used was that of a proposed, but never approved, limited restructure of some housing services. This will allow us to reduce the base costs in the budget, although the staffing arrangements and IT requirements (covered later in the report) also need to be accommodated. The revisions in the budget are reflected in the previous appendices (B, C and D) as the new forecasts have removed these posts.
- 3.11.3 The locality staffing still includes sheltered housing/home support staff (15 staff/12.3 FTE's), some of whom still provide a service to a limited number (around 100) of sheltered tenants with others being utilised to provide support to non-elderly vulnerable tenants. In previous years, this service was partially funded by Supporting People (SP) funding from Worcestershire County Council, which ceased in totality in 2014.
- 3.11.4 The Council operates an "extra-care" scheme at St. David's House for 54 residents. Reductions in County Council support have increased the net scheme costs to over £100,000. It is a well-regarded scheme however a review of the scheme's viability is required, alongside a review of elderly/ sheltered accommodation in the borough. St. David's and other elderly designated properties are likely to require significant investment to modernise facilities.
- 3.11.5 As overviewed in this financial section of the report, there are a vast range of actions which are required covering reviews of corporate management and staffing costs, financial business planning, revenue spending and housing growth.
- 3.11.6 These actions are covered in various elements of the strategic improvement/action plan.

**[ACTION PLAN REFERENCE] CORPORATE 1.5
CORPORATE 1.6
CORPORATE 1.7
FINANCE 2.1
FINANCE 2.2
FINANCE 2.3
FINANCE 2.4
FINANCE 2.5**

OVERVIEW AND SCRUTINY COMMITTEE

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FINANCE 2.6
STAFFING/SERVICE REVIEWS 3.1
STAFFING/SERVICE REVIEWS 3.2
STAFFING/SERVICE REVIEWS 3.3
STAFFING/SERVICE REVIEWS 3.4
STAFFING/SERVICE REVIEWS 3.5
STAFFING/SERVICE REVIEWS 3.6

'Lessons Learned' – Capital/Contracts/Procurement

3.12 Contract Management/Procurement

The findings in the Audit reports and observations of the Senior Contracts Manager when appointed, identified that there was very poor contract management by officers at all levels within the Housing Capital Team, with little or no pre scheduling or post inspection review of contractor performance. There was inadequate strategic planning of future capital requirements and a significant number of sub-standard practices and failures, with the following issues highlighted:-

- Contractors overcharging for work unchallenged.
- Use of contractors outside formal procurement and tender processes.
- Inappropriate extensions to existing contracts.

3.13 Management within Housing Capital

There has been poor performance management at all levels. There has been inadequate financial management, both budgeting and controls and poor co-ordination across and within services.

3.14 Operational Failures

3.14.1 Poor quality of work, in both routine maintenance and major works, and concerns in relation to internal and external performance. There has been poor record keeping, use of outdated rates and schedules and a disregard for tenants and quality of service delivery.

3.14.2 Once these contract management, contractual and procurement issues were known, there was a programmed suspension of all works to the external contractors identified, other than ongoing essential and urgent works. A report to Audit, Governance & Standards Committee will also follow this report.

[ACTION PLAN REFERENCE]

CORPORATE 1.1

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3.15 Cultural Issues – Housing

- 3.15.1 One of the most difficult and perhaps contentious areas of understanding and thereafter change is that of culture, which in simplistic terms is “How things are done here” and how the previous prevailing culture has contributed to poor performance within the Housing Capital service.
- 3.15.2 Whilst acknowledging that it is a very broad statement, it is fair to say that the experience of the Deputy Chief Executive, the interim Heads of Service and service managers is that there is very little sense of cohesion existing across the services.
- 3.15.3 There is little recognition of a ‘one housing landlord service’ with a lack of shared purpose(s) in place which are clearly understood by all officers and teams.
- 3.15.4 There has been clear evidence of ‘silo working’ across the various sections/units and a lack of ownership and/or a willingness to take responsibility for issues. This has been exacerbated by a tendency of officers to blame others, display a “that’s not my job” attitude and for the silo’s to be used for this purpose resulting in a lack of inter co-operation and support.
- 3.15.5 In consideration of these cultural issues that were prevalent within the housing capital team and indeed complex cultural issues across the whole of the housing service, there needs to be a clarity, understanding and learning of not just the events (what happened) and what steps have been taken to rectify the position (actions taken), but also what patterns and trends of behaviours were present which created an environment where these issues could occur.
- 3.15.6 A number of sources have been drawn upon in providing this overview including the cultural work undertaken organisationally, views of members and staff (including staff survey results), open and detailed discussion with the Trade Unions, the Corporate Management Team views, and at this stage, a limited number of tenants and partner views and input.
- 3.15.7 Views and evidence has also been gleaned from the Anthony Collins’ Investigation and the subsequent employment process, together with the findings of the Senior Contracts Manager and Senior Housing Manager (fixed term post from February 2018), both of whom have been spending time in the business with the teams.
- 3.15.8 There have now been two major events in housing. Firstly, the failure to deliver effective and compliant gas servicing arrangements

OVERVIEW AND SCRUTINY COMMITTEE

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and secondly the contract and procurement failures. Many other issues have become known over the last year which are identified and detailed later in this report.

- 3.15.9 In patterns of behaviour, senior officers and teams in housing have operated with no real degree of scrutiny or challenge. There were huge attempts to justify positions, a lack of ownership and an inadequate level of understanding of legislative/technical and legal requirements for and within housing services.
- 3.15.10 There is a lack of robust data, measures and monitoring with inadequate risk management at all levels.
- 3.15.11 Whilst not the case everywhere, there is a significant underlying attitude which still remains, that services to tenants are secondary to the organisational needs and aims, and that health, safety and welfare play nowhere near the significance that they should and must.
- 3.15.12 In the last staff survey undertaken in November 2017, whilst only 60 Housing employees responded (38% of those invited), the outcomes/ themes need to be recognised.
- 3.15.13 Three major themes emerged regarding the organisational and employee contributions i.e. the parts of the 'employment deal' most important to Housing employees:
- The importance of trust in the Line Manager: flexible working practices and having access to adequate tools and resources;
 - Recognition of the pressures that staff face;
 - A challenge between expectations and the reality of what can be delivered within available resources.
- 3.15.14 Those in Housing who responded considered that they, as employees, contribute more in the 'balance of the employment deal' between employer and employees and this is a less favourable perception than the organisation as a whole. On a free text basis, staff described the personality of Housing on a positive basis as being 'supportive', however negatively described as 'disappointing, hierarchical, illogical, incompetent, mis-managed, short sighted and slow'.
- 3.15.15 Members of all political parties regard housing and housing services as pivotal in our landlord and community service as a local authority provider. Members have articulated a wide range of views, including many positives, however also that traditionally housing officers have hidden behind policy and procedures, including data protection,

OVERVIEW AND SCRUTINY COMMITTEE

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displayed frequently a 'we know best attitude' and consistently demonstrated a lack of tenant involvement and engagement. There has previously been reports of difficulties in officers responding to Members and tenants in a timely manner, although recently improvements have been recognised.

3.15.16 There are some strengths within the services, including:

The Locality team(s) undertook 'early adopter' transformation work which progressed to the delivery of the Connecting Families work.

Other than recent staffing matters, there has largely been a stable workforce with a breadth of service and experience.

There has been some innovative partnership work undertaken in providing local initiatives. Front line officers are often dealing with many of the most vulnerable in our homes and communities, many tenants and residents with challenging and complex issues.

3.16 Culture Themes – Priority Issues

3.16.1 In recognition of the major themes from a year's cultural work and engagement throughout the whole organisation, the initial focus will be to seek to deliver on the following areas:-

- (i) Clarity of strategic direction (Purpose).
- (ii) Managers to spend time with their teams and other teams. Improve performance focussed conversations with Line Managers.
- (iii) Empowering staff, particularly by coaching and mentoring (allowing people to speak openly about factors affecting performance).

3.16.2 In developing a programme to support a cultural shift, and building on the areas of strength, specifically across housing, and services to the community, but not exclusively, we need to operate from a principles based perspective which is set out with the Council Plan however needs embedding in the "way we do business". This will require continuing with shared, open and honest conversations using facts, data, business intelligence and a shared understanding of the scale and scope of the improvement plan.

3.16.3 How we will work:-

- Provide excellent customer care at all times.

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6th September 2018

- Listen to our residents to understand their needs.
- Deliver our core services efficiently and effectively.
- Make the best use of our resources, with residents at the heart of all we do.
- As a community leader, work with partners in the public, voluntary and private sectors to ensure residents of Redditch Borough get the services and support they need.
- As a good employer, support our employees to provide services that meet the needs of our residents.

3.16.4 Key themes/actions also include:-

- A shared awareness of the scale and complexity of the issues to be addressed.
- Strategic leadership (Member/Officer) focus on purpose and improvements.
- Continue developing the strategic intervention work streams to deliver the strategic intervention themes.
- Undertake service restructure/redesign to deliver to purpose.
- Challenge attitudes and behaviours which are contrary to purpose.
- Review of relationships and inter co-operability.
- Tenants and residents at the heart of everything, including tenant involvement in service reform.

3.16.5 In recognition of the staff and community journey, specifically within the service there needs to be:-

- Revised leadership/management structure and resources for an integrated housing service (Corporate/Leadership section).
- Team building/opportunities to discuss/explore the challenges (People/Staff).
- Service redesign/review (Restructure).
- Robust performance management (Team and individual).
- Agreed governance and reporting arrangements (Governance/Performance).
- Coaching support and personal development (People/Staff).

3.16.6 Team and individual plans will be drawn up which will deliver both the corporate priorities alongside the 'people' development and support.

[ACTION PLAN REFERENCE] CORPORATE 1.3

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3.17 Leadership/Management Arrangements - Housing

- 3.17.1 There are a number of criticisms and issues which have been identified in relation to the previous leadership and management of the housing service.
- Poor use of data and evidence to design and deliver the service.
 - A lack of recorded appraisals/supervision from top to bottom.
 - A lack of challenge in housing service areas which will require development, training and support to effect change.
 - A failure by officers to fulfil their contractual obligations to the Council as their employer
 - The need for more transparency between services and the Senior Management team.
- 3.17.2 Previously Senior management can be considered as being too passive and trusting and the Chief Executive Officer needs to be more open, challenging and probing of issues with Service Heads.
- 3.17.3 Line management weaknesses throughout were described as being not adequately compensated by the current matrix management arrangements (Director leads for strategic purposes).
- 3.17.4 Appraisals, revised supervision and performance management arrangements are now being put in place throughout the organisation. These include Chief Executive appraisal via the respective Leaders and appraisals/performance management being rolled out throughout the whole organisation.

[ACTION PLAN REFERENCE] CORPORATE 1.4

3.18 Current/Future Arrangements – Housing

- 3.18.1 Since September 2017 interim management arrangements have been in place. The Chief Executive delegated authority to the Deputy Chief Executive (and Executive Director) and for the Head of Environmental Services (Repairs & Maintenance/Property work) and to the Head of Community Services (Housing Management/Tenancy/ Housing Options/ support services) to act and provide leadership and management for the housing service.
- 3.18.2 Other temporary staffing arrangements currently in place include:-
- Environmental Services Manager managing the Repairs & Maintenance functions
 - Temporary Senior Contracts Manager

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6th September 2018

- Temporary Surveyors (3) – Two in place with ongoing recruitment
- Temporary Senior Housing Manager
- Senior Electrical Officer
- Children & Families Service Manager and Parenting Operations Manager covering St. David's House

3.18.3 In order to move forward, there is a need to formalise the leadership/management arrangements to provide a greater stability for the team(s) and services, and to ensure that the strategic action plan can deliver major improvements for our tenants and service users.

3.18.4 This also provides an immense opportunity to integrate services at both strategic and operational levels and provide strength and support.

3.18.5 The importance of recruiting a revised management team to lead and deliver a service review is viewed as a priority.

3.18.6 All subject to the wider Senior Management Team review (Directors and Heads of Service) to be undertaken by the Chief Executive Officer, the Deputy Chief Executive will be the responsible strategic lead and line manager for the Heads of Service responsible for housing services for the period of the strategic improvement/action plan. This will be alongside, and a continuation of lead responsibility and delivery to strategic purposes:-

- Help me find somewhere to live in my locality
- Help me live my life independently
- Keep my place safe and looking good

3.18.7 At Head of Service levels, the following arrangements are proposed:-

The current Head of Community Services to be responsible for all housing tenancy (locality) and community services including the following teams:-

- Housing Strategy & Private Sector
- Locality/Home Support
- Homelessness & Housing Advisory
- St. David's House
- Housing Performance & Database Team
- Community Safety
- CCTV & Telecare Services
- Dial-A-Ride & Shopmobility

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- Children & Families
- 3.18.8 Led by the Head of Community Services, a review of the management team delivering across all these community and housing services will be undertaken. In doing so, this will facilitate integration of the housing strategic function (for Redditch and Bromsgrove) and operations (Redditch). Prioritised reviews for the services will be undertaken thereafter, to ensure delivery to our tenants and communities.
- 3.18.9 The current Head of Environmental Services will be formally responsible for the Repairs, Property and Compliance elements of housing services, alongside existing environmental services (no changes proposed). This will include the following teams and functions in housing services:-
- Capital Team
 - Repairs & Maintenance (including Voids, Aids & Adaptations)
 - Procurement
 - Compliance (landlord functions)
 - Business Support/Administration
- 3.18.10 Led by the Head of Environmental Services, there will be an immediate review of the management and teams responsible for delivery of the housing, property, capital and compliance functions.
- 3.18.11 The management/teams responsible for these housing (HRA) services will remain distinct and separate from the management of Environmental Services. There will be a later review of all the repairs services (Repairs & Maintenance, Voids, Aids & Adaptations and Business Support), and the Environmental Services Manager currently placed as interim lead/manager will continue to provide the 4th tier management support.
- 3.18.12 The singular post of Head of Housing Services (Chief Officer level) will not be recruited to. Whilst these senior management arrangements are not the only option(s), it is considered at least within the short to medium term to provide the leadership and resilience to deliver the improvements required.
- 3.18.13 These leadership proposals at Director/Heads of Service level do not require a service review and are within the discretion of the Chief Executive to implement following a short period of consultation and discussion with the Corporate Management team/Officers affected.
- 3.18.14 Once the relevant Heads of Service ensure revised senior management teams are put in place within the next 4-6 months,

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there will follow wholesale service reviews across all of the housing and where required community services teams, however planned and undertaken on a phased basis in accordance with Human Resource service review and change policy arrangements.

- 3.18.15 Based on a risk based approach the phasing of staff and service reviews will be undertaken and prioritised as below:-
- (a) Heads of Service – formalised arrangements in place
 - (b) Housing and Community Services management team (Review of 4th Tier Managers);
 - (c) Property, Capital, Asset & Compliance Management and team (Review of 4th and 5th Tier Managers and full contract/asset and compliance teams);
 - (d) Homelessness and Housing Advisory Team;
 - (e) Housing Older Peoples Accommodation Review.
- 3.18.16 Once the respective management team(s) are in place, all services within housing and community services and property maintenance and asset will be subject to service review (detailed later in the report).

[ACTION PLAN REFERENCE]

CORPORATE 1.6

CORPORATE 1.7

STAFFING/SERVICE REVIEWS 3.1

STAFFING/SERVICE REVIEWS 3.2

Note: Public building management and assets on return of services from PPL are currently being considered separately.

3.19 Service & Operational Implications

Performance Measures/Data – Arrears & Void Properties

- 3.19.1 In addition to the financial comparators there are performance measures/ data which need to be detailed:-
- **Arrears:** Current arrears are around 3.1% of debit/total collectable sum. This is average and the trend is not alarming. Improvements can and should be made but must be viewed within the difficult economic situation facing our tenants with continued welfare cuts and the roll out of Universal Credit.
 - **Voids:** Performance in the time taken to re-let our empty homes is exceptionally poor at over 70 days. Top performing housing organisations should be achieving an average of between 15-20

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days as demand is quite high (apart from some smaller sheltered homes). Evidence suggests the void numbers became worse last year after the team/staff suspensions and contractor terminations (the total number of voids empty at one time exceeded 120 and are now down to under 60) however void performance has been very poor for some years. Last year we lost £378,000 in rental income because of void rent loss, equating to 1.6% of debit. As comparators, Local Registered Providers recorded a void loss of 0.65% (around 19 days on average).

- 3.19.2 This problem has not just occurred and has been problematic for many years in Redditch however not flagged at any level with senior management or Members.
- 3.19.3 Void loss in 2013/4 = £302,000; 2014/5 = £382,000; 2015/6 = £358,000; and 2016/7 = £301,000. Improving the void turnaround time will assist the income deficit issue for the HRA and is therefore a critical priority. As with all the remedial actions required, this is a complex system and requires team work from property and housing management staff supported by good systems. Major long term improvements will not be immediate as the service and the organisation needs to achieve something it hasn't got near to, good performance, for many previous years.
- 3.19.4 Given the priority of void improvements and actions required, a separate action plan has been created to meet purpose and achieve increased income to the HRA.

[ACTION PLAN REFERENCES]

- VOIDS 4.1**
- VOIDS 4.2**
- VOIDS 4.3**
- VOIDS 4.4**
- VOIDS 4.5**
- VOIDS 4.6**
- VOIDS 4.7**

3.20 Health & Safety Compliance

- 3.20.1 Since the interim management team has been in place, there have been a vast range of work programmes scheduled and undertaken to place the organisation in a position of compliance.
- 3.20.2 Whilst there is still a great deal to do, the following overview can be provided:-

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- Gas servicing is now operating correctly but regular audits are required to verify this to provide continued assurance, alongside delivery of a Gas Business Case.
 - Electrical testing is behind on the recommended 5 year cycle and other compliance issues have become very apparent.
 - Asbestos – void surveys are now standard practice, but additional work is required in relation to the data base. Contract arrangements in place until March 2019.
 - Fire Safety – significantly more work is needed on this being a critical area for the authority however all Fire Risk Assessments are completed and currently in place working with relevant agencies, including H&W Fire & Rescue Service. Longer term inspection plans and programme of works are required as a matter of urgency.
- 3.20.3 Overall in the revised structure, a senior experienced and qualified manager will be required to oversee the specialist surveyors/teams covering each of the disciplines with appropriate IT and administrative resources.
- 3.20.4 Due to the importance of the essential compliance and capital programme improvements required, a separate action plan has been developed.

[ACTION PLAN REFERENCE]

CORPORATE 1.7
STAFFING/SERVICE REVIEWS 3.3
COMPLIANCE/CAPITAL WORKS 5.1
COMPLIANCE/CAPITAL WORKS 5.2
COMPLIANCE/CAPITAL WORKS 5.3
COMPLIANCE/CAPITAL WORKS 5.4
COMPLIANCE/CAPITAL WORKS 5.5
COMPLIANCE/CAPITAL WORKS 5.6

- 3.21 Housing Options/Housing Advisory Team
- 3.21.1 The other team requiring an immediate review is the Housing Options and Advisory Service. Consideration will be given to the roles and function of the Housing Strategy team (Community Services) and the synergies/leadership of strategy/policy, alongside front line delivery (Housing).

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- 3.21.2 This pressurised Options/Advisory service is currently only open and accessible to the public part time (and has been for over a year) as a result of staffing shortages and service demands on the team. There has been a high turnover of staff and a reliance on agency staff however the team have worked hard to deal with the varied requirements. This position is not uncommon at present in the sector as the Homelessness Reduction Act (2018) with increased homeless prevention duties/ requirements have created a premium in this particular expertise/ discipline, both locally and nationally.
- 3.21.3 A review of existing housing applications is behind schedule with new housing applications being dealt with initially in a desktop exercise rather than being seen by options staff, and a one/two month backlog has developed. The team recently went live on a new IT product acquired to meet the new homeless prevention duties however there may be a requirement for a small capital budget allocation to ensure compliance with GDPR if cannot be undertaken quickly in the wider Housing Management IT system.
- 3.21.4 A major review of the Allocations Policy is underway, however the existing software for allocations and the housing register is inadequate and doesn't meet new data protection guidelines. The team is not well placed or equipped to address the policy review work required and address implementation of a new IT system, however are represented and fully participating in the development of the requirements for a Housing Management System.
- 3.21.5 There is a requirement for both service review alongside policy development.

[ACTION PLAN REFERENCES]

STAFFING/SERVICE REVIEWS 3.1 POLICY & PROCEDURES 6.1

- 3.22 Housing Management/Locality Services
- 3.22.1 Whilst undertaken with the very best of intention and purpose, transformation of the Housing Locality teams hasn't developed as was originally intended and limited resources have been concentrated on a limited number of our tenants.
- 3.22.2 We need to do much more in focusing our housing management services to all tenants and particularly helping residents to become more independent (Strategic and Operational Purposes).
- 3.22.3 As part of the wider strategic intervention work, we are working to address this by helping support communities to help themselves and

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6th September 2018

working with partners and other agencies in the review of place based support, including locality, place teams, wider community services and family support.

- 3.22.4 Whilst structural change will bring about some of the necessary change, bringing together services within a single housing and community services unit will help support the change process in breaking down silo service delivery, with all working to common aims and purpose.
- 3.22.5 Nationally housing has been described as having to respond to the 'perfect storm' of rent reductions/capping, continuing welfare reform, extended Right to Buy and diminishing resources, which has been covered earlier in the report.
- 3.22.6 There is a continual need to review budgets, and particularly supervision and management costs are under particular scrutiny.
- 3.22.7 Our plans to take the service forward must include plans to transform both management and maintenance and the way we deliver our services.
- 3.22.8 Longer term, the ambition is to develop services which can increase revenue however the primary need is to ensure our own 'house is in order' to provide the basis on which to build. The following are required.
- Treating tenants well.
 - Manage our stock well.
 - Delivering value for money.
 - Having effective systems to support the business – channel shift to digital engagement and positive face to face (Housing Management System).
 - Greater clarity around landlord and tenant responsibilities (Review of Tenancy Agreement).
 - Maintain a social landlord focus however develop a property portfolio focus.
 - Prepare and support staff to develop and enhance the skills needed for housing officers in a mix of management/technical and community environments (Team and people development).
 - Deliver locality services in a more efficient way in consolidating teams and units and restructuring staff teams.
 - Corporate measures and clear performance management, supervision and support.
 - Revised and reviewed management arrangements.
 - Setting clearly defined budgets and future spend.

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- Reducing supervision and management costs.
- Increased focus on procurement and contract efficiency and cost reductions.

3.22.9 We all need to understand our clear and challenging purpose and aims, and articulate how we as a housing provider and teams are going to achieve these alongside:-

- Need a range of 'reality checks' from a range of data and evidence alongside robust performance measures.
- Visual inspections and visits to estates and properties on a planned and regular basis with supporting records.

3.22.10 We need to build on the strengths within the current locality teams and a wholesale review of locality/housing management services will be undertaken over the next 12-15 months when the Senior Managers are in place across all housing services.

[ACTION PLAN REFERENCE]

CORPORATE 1.6

STAFFING/SERVICE REVIEW 3.4

3.23 Housing Maintenance

3.23.1 There are currently 60 operatives (excluding administrative/supervisory staff) working within the repairs and maintenance service, including agency staff. As a broad measure, a contractor in routine and cyclical maintenance would expect his operatives to generate at the very least £70,000 per annum per person through a schedule of rates however aiming for £90,000 as top performance. Although the Repairs & Maintenance budgets are around £5 million, over £2 million is allocated to external contractors. Some aids and adaptations work is also undertaken in house (last year around £200,000). Assuming an internal spend of £3.2 million, this equates to approximately £53,000 per person suggesting either a serious performance issue and/or the incorrect number of trades operatives. This requires urgent review.

3.23.2 Previous practice has been to charge 100% of the staffing costs for major capital works and aids and adaptations (this equates to 18 staff and a budget of £600,000) work directly to capital costs and whilst some charges to capital are justified, the previous levels were high. Correcting this practice with a recommendation to include £350,000 capital staffing costs for 2018/19 is proposed.

3.23.3 At over £1200 per property we were above the highest quartile for major works spend on properties but we are reducing spend this

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year to £3 million (around £500 per property) pending a full stock condition survey later this year, which Members have agreed. If we do not meet decent homes standards, higher levels of capital spend can be expected in future years.

- 3.23.4 Aids and Adaptations to Council properties are undertaken in house with a budget of around £700,000 allocated annually. Alongside an efficiency issue, this budget is frequently underspent and yet at the same time there is a backlog of unmet need for Council tenants. How this work is charged via capital/revenue also requires review. A similar service to private tenants and owner occupiers under the Disabled Facilities Grant (DFG) process is undertaken by the Council using private contractors. A full review of the service is warranted using the DFG process as a comparator.
- 3.23.5 A separate action plan for repairs and maintenance is included in the strategic improvement/action plan.

[ACTION PLAN REFERENCE]

STAFFING/SERVICE REVIEW 3.5

REPAIRS & MAINTENANCE 7.1

REPAIRS & MAINTENANCE 7.2

REPAIRS & MAINTENANCE 7.3

REPAIRS & MAINTENANCE 7.4

- 3.24 Governance & Performance/Performance Management Team
- 3.24.1 Current governance and reporting to senior managers and Members needs to be significantly strengthened and needs to become embedded throughout 'how we do business'.
- 3.24.2 There is currently a Performance Management team which is independent of the various arms of the housing service. This is positive because we have found that some of the teams producing their own performance data have produced data which in some areas has been limited and in other areas simply false.
- 3.24.3 Not enough time is spent in sharing data/measures, supported by robust individual and team performance management. Strategic and operational measures are held within the service and go on to the dashboard, however there are inherent weaknesses and have been rarely challenged. Housing system and IT weaknesses limit the accuracy, speed and depth of performance management (evidenced by inter-sectional arguments over void lists and numbers/data when performance management team, locality and Crossgate teams unable to agree empty property numbers). Whilst known areas have

OVERVIEW AND SCRUTINY COMMITTEE

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been rectified, it is critical that there is prompt, accurate performance data shared effectively and the service is regularly and effectively scrutinised.

- 3.24.4 Best Value Performance Indicators and targets are known to be outdated and 'drive in' certain behaviours in service. We do however need a current and robust set of measures and data on which to assess performance in order to challenge. These measures will include the following, however not exclusively:-

% rent collected
Rent loss through voids
Void relet times – end to end work and section specific
Time to complete repairs

- 3.24.5 A full 'measures suite' is being developed and will form part of the performance monitoring arrangements and reports to senior officers and Members.

- 3.24.6 It is proposed that alongside the revised Portfolio Holder briefing arrangements that are currently in place, that in the first year of the strategic improvement/ action plan a report is provided to Executive Committee to detail progress on the action plan with any reported exceptions to plan advised.

- 3.24.7 It is considered that this degree of reporting is required to give Members/Council the assurance and confidence that improvements and delivery is being achieved.

[ACTION PLAN REFERENCE]

**STAFFING/SERVICE REVIEW 3.5
GOVERNANCE/PERFORMANCE 8.1
GOVERNANCE/PERFORMANCE 8.2
GOVERNANCE/PERFORMANCE 8.3
GOVERNANCE/PERFORMANCE 8.4
GOVERNANCE/PERFORMANCE 8.5**

- 3.25 Housing Management IT System

- 3.25.1 The current Saffron system is no longer fit for purpose and this report includes proposals for a new software system to support the breath of housing services going forward.

- 3.25.2 The previous provision made in the HRA capital programme which was originally intended for a replacement system some years ago has been utilised to develop the Professional Data Management Services (PDMS) data capture system which went live in April 2018.

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It is likely to be a year or so before a proper evaluation of the effectiveness of this system can be properly made, however it is known that it cannot address the current weaknesses and the need for a robust system for managing repairs, asset management, rents, indeed most of the housing services.

- 3.25.3 Currently there is no budget provision to address the IT needs, so a full business case has been prepared. To deliver such a system will require a full time dedicated resource alongside the required capital resource to procure a system.
- 3.25.4 Attached to this report is the full business case to enable Members to consider the funding and resource request to progress this as soon as possible. Subject to agreement, a separate action plan has been prepared. Estimated costs of the hardware, costs of internal project management and introduction costs are detailed within the full business case, all of which will be subject to procurement.
- 3.25.5 All revenue costs will be met from existing budgets or from service review and efficiency savings.
- 3.25.6 Appendix F: Full Business Case Housing Management IT System

[ACTION PLAN REFERENCE]

- HOUSING MANAGEMENT IT SYSTEM 9.1**
- HOUSING MANAGEMENT IT SYSTEM 9.2**
- HOUSING MANAGEMENT IT SYSTEM 9.3**
- HOUSING MANAGEMENT IT SYSTEM 9.4**
- HOUSING MANAGEMENT IT SYSTEM 9.5**

3.26 Human Resources and Staffing Implications

- 3.26.1 There are a number of human resource and staffing implications affecting a significant number of staff as a result of this report.
- 3.26.2 The proposed leadership arrangements at Deputy Chief Executive and Head of Service levels will be subject to a short consultation exercise with those affected (Corporate Management Team). The proposed management and staffing reviews to be undertaken thereafter will be undertaken in full accordance with agreed human resource service review and change management policies, in full consultation with the Trade Unions and affected staff.
- 3.26.3 Where there are any financial impacts (increases) as a result of any staffing review proposals, decisions will be sought of Executive Committee and Council if required.

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3.26.4 At this stage it is not known if there will be any voluntary or compulsory redundancies as a result of future staffing and service reviews.

3.27 Customer / Equalities and Diversity Implications

3.27.1 There is an area wide range of people and groups of people who are impacted by this report, specifically our current and future tenants, leaseholders, residents of the borough and those seeking support and advice in all housing matters.

3.27.2 Current staff, managers and teams will be affected by the actions detailed within the Strategic Improvement/Action Plan in multiple ways, however, will be fully supported in the proposed changes and development areas.

3.27.3 Members will have greater opportunities to formally scrutinise and challenge services and to influence the future direction strategically.

3.27.4 Our tenants and customers come from a diverse range of equality groups including race, minority ethnic groups, disability, gender, transgender, marital, sexual orientation, religion, age, income groups and rural urban mix. There is no evidence that any particular group(s) or individuals will be treated unfairly either directly or indirectly as a result of the proposals or recommendations made. Tenants and service users will be involved in any future change to services and engagement with affected tenant groups(s) and individuals will be actively arranged to enable positive influence towards service reform and future provision. Tenant and customer feedback will be actively encouraged and 'what is best for them' will drive our strategies and decision making.

3.27.5 It is important that our staff work in an environment where they are valued, supported and receive equality of opportunity within an organisation striving towards a culture of positivity.

4. RISK MANAGEMENT

4.1 Whilst the risk log is traditionally prepared from a 'Council' perspective, the greatest risk throughout is failure to deliver to our tenants. This is the whole premise of our strategic improvement/action plan to ensure we serve and deliver the best we can.

4.2 The housing (service) risk register includes the following risks:-

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1. Fail to effectively manage and achieve efficiencies of Housing Service transformation.
2. Fail to effectively manage housing repairs and maintenance.
3. Fail to obtain the contract for Home Support Services commissioned by Worcestershire County Council.
4. Fail to manage the impact of welfare reform on customers.
5. Fail to manage liability for Council Tax on void properties.
6. Loss of data from housing system.
7. Fail to manage impact of increasing homelessness cases.
8. Inability to collect rent.
9. Fail to effectively management leaseholder properties.
10. Fail to effectively manage capital projects (also the right contracts are put in place, internal and external).
11. Potential for an increase in right to buys.
12. Fail to obtain payment from St. David's tenants.
13. Access to Holding System and data.
14. Failure to complete annual gas safety inspections.
15. Risk of legionella in housing with communal facilities.
16. Housing Revenue Account.
17. HCA Consumer Standard – Home.
18. HCA Consumer Standard – tenant involvement.
19. HCA Consumer Standard – Tenancy.
20. HCA Consumer Standard – Neighbourhood.
21. Non-compliance with asbestos regulations.
22. Non-compliance with Regulatory Reform (Fire Safety) Order 2005 – Blocks of flats and communal entrances.
23. Non-compliance with Regulatory Reform (Fire Safety) Order 2005 – Sheltered Schemes.
24. Failure of Saffron Housing IT System.
25. Failure to carry out day to day management of Saffron system.

4.3 The corporate risk register includes the following risks, all of which are relevant to this report, including the current mitigations and ongoing actions, all of which have been considered by Audit, Governance & Standards Committee:-

- Non-compliance with Health and Safety legislation.
- Decisions made to address financial pressures and implement new projects that are not informed by robust data and evidence.
- Managing the impact of National Changes – financial, social, economic or environmental – which may have a detrimental impact on service delivery or quality (e.g. Brexit/Universal Credit).
- IT systems and infrastructure has a major failure.
- Non-adherence with Statutory Inspection Policy.

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4.4 Due to the range of issues identified in this report, a further risk log is provided covering the major elements and specific risks identified:-

RISK	IMPACT H/M/L	LIKELIHOOD H/M/L	RISK RATING H/M/L	MITIGATION(S)
Lack of support for recommendations/ future actions - Members/ Council - Staff - Trade Unions	H	L	M	<ul style="list-style-type: none"> • Detailed action plan/ supported by data/evidence • Strategic buy in Members/ Officers • Member/Staff/TU Briefings – ongoing dialogue
Failure to deliver on compliance and health and safety	H	L	M	<ul style="list-style-type: none"> • Detailed plan/ resources in place • Specialist expertise and support in place
Inability to deliver improvements/ planned programme for tenants and properties	H	M	H	<ul style="list-style-type: none"> • Revised leadership/ management arrangements properly resourced – capacity/ skills/ knowledge • Robust governance & reporting arrangements
Reduced services to tenants	H	M	H	<ul style="list-style-type: none"> • All operational arrangements in place • Escalation arrangements in place (leadership) • Track record of delivery despite presenting issues/ challenges
Reputation of Council	H	L	M	<ul style="list-style-type: none"> • Managed communications/ press releases – communications plan • Track record of delivery • Formal recovery plan – properly resourced
Financial risks – HRA & General Fund	H	H	H	<ul style="list-style-type: none"> • Remodelled HRA/ business plan • Increased income streams

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				<ul style="list-style-type: none"> • Reduce supervision & management costs
Changes in legislation/ funding arrangements	M	M	M	<ul style="list-style-type: none"> • Longer term plans in place • Future plans to include integration strategic/ operational support to teams
Loss of staff/ experience due to change programme	M	M	M	<ul style="list-style-type: none"> • Staff and team development programme • Recruitment programme with service review(s) • Ongoing support (Senior Housing Manager)

5. SUMMARY/CONCLUSIONS

- 5.1 It is not intended to give a further precis and overview of the main content of the report (s) before Executive for consideration.
- 5.2 Whilst there have been a multitude of issues to consider and deal with, this position of service adversity and documented failures has provided an unprecedented opportunity to shape and deliver future services in a way that has previously never been achievable.
- 5.3 The report and recommendations focus on getting all the basics right in our management, staffing, finances, infrastructure, policies, systems, performance management and measures. Once we have these solid foundations in place, our focus will be on more sustainable personalised relationships with all of our tenants and communities, by staff who are supported and given every opportunity to develop.
- 5.4 Some of the overview and insights contained within the report may be considered quite difficult for those involved. Nevertheless change must happen and with the 'desire to make things better', positive future services can and will be delivered.
- 5.5 Whilst specifically referring to the concerns around variation in spend in the run up to the next Spring spending review, Abdool Kara a Senior National Audit Office Executive, has recently stated "Local Government needs to be more honest about poor performance. Instead of trying to explain away all poor performance, the sector needs to be more open and honest about the fact that it exists and it is unacceptable".

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- 5.6 This report recognises previous arrangements and outcomes have been unacceptable and has sought to provide an account of this with detailed plans for recovery and improvement for those we serve.

6. APPENDICES

- Appendix A – Strategic Improvement/Action Plan
- Appendix B – 2017/18 Outturn position
- Appendix C – HRA Remodel of financial position 2018/19 – 2023/24 (to include social rental charge for new build)
- Appendix D – HRA Remodel of financial position 2018/19 – 2023/24 (Option affordable rents for new build)
- Appendix E – Redditch Rental Figures
- Appendix F – Full Business Case - Housing Management IT System Business Case

7. BACKGROUND PAPERS

- Audit Reports
 - (i) Housing Capital Programme (2016/2017)
 - (ii) Post Contract Appraisal (2016/2017)
- MHCLG English Housing Survey
- Tackling National Housing Issues – Locally
- Inside Housing – “What will 2018 hold for UK Housing”
- “On the Cusp of Change” – National Housing Federation Papers
- HRA 30 Year Business Plan
- Redditch Borough Council – Council Plan 2017-2020
- Strategic Housing Market Assessment
- Office of National Statistics – House Prices, Redditch
- Staff Survey Results 2017
- Culture Reports to Staff Survey Board/Overview & Scrutiny
- Housing Risk Register (RBC)
- Corporate Risk Register (RBC)
- “Help me find somewhere to live in my locality” – Member workshop outcomes and work programme.

8. AUTHOR OF REPORT

Name: Sue Hanley
E Mail: s.hanley@bromsgroveandredditch.gov.uk
Tel: 3601

Report content contributions from:-

- (i) Corporate Management Team (ALL)
- (ii) Paul Calland

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- (iii) Chris Forrester
- (iv) Derek Allen

Housing Management IT System Business Case authors listed on Appendix F.