

**Report of:** Strategic Director Housing, Health & Community

**To:** Council 26<sup>th</sup> Jun 06 (for decision)  
 Executive Board 19<sup>th</sup> Jun 06 (for decision)  
 Housing Scrutiny 8<sup>th</sup> Jun 06 (for comment)  
 Housing Advisory Board 14<sup>th</sup> Jun 06 (for comment)

**Item No:**




**Title of Report:** The Creation of a Single Housing Revenue Account Service



**Summary and Recommendations**



**Purpose of report:**

 agree the necessary constitutional and financial changes to facilitate the creation of a single Housing Revenue Account (HRA) Business Unit, to be effective from 1<sup>st</sup> July 2006.

This change does not prejudice any other decisions to be made following a wider review of service delivery options within all the Directorates by the Strategic Management Board.

**Key decision:** Yes




**Portfolio Holder:** Councillor Murray

**Scrutiny Responsibility:** Housing


**Ward(s) affected:** All

**Report Approved by:**

 Portfolio Holder (Councillor Murray)

Legal & Democratic Services Business Manager (Jeremy Thomas)

 Finance & Asset Management Business Manager (Penny Gardner)

 **Policy Framework:** This report reflects the Council's vision in that it strives to ensure better, more efficient services and help towards more and better housing for all.

 **Recommendation(s):**

Executive Board and Council are asked to approve:



1. That the Oxford Building Solutions (OBS) Business Unit will no longer exist and that the name of the new HRA Business Unit should be Oxford City Homes.
2. That the Housing Services Business Unit will be renamed the Community Housing Business Unit.
3. That the current delegated powers for the OBS and Housing Services Business Managers shown in the constitution are deleted and replaced with the list of responsibilities and delegated powers for the Business Manager of Oxford City Homes and the Business Manager of Community Housing detailed in appendix 1.
4. The virement of budgets from the current Housing Services Business Unit to Oxford City Homes Business Unit as detailed in appendix 2c and summarised in paragraph 14.. This includes the transfer of posts from the HRA to the General Fund (GF) resulting in an additional cost to the GF of £107,000 and a saving to the HRA of £107,000 in 2006/07.

### **Background.**

1. The Finance Overview and Scrutiny Committee agreed in Apr 05 that Housing Services and Oxford Building Solutions (OBS) should be subject of a "Best Value" review in 05/6. It was agreed that the Strategic Director Housing Health and Community would carry out the review. It was agreed the Review would aim to provide direction on the future shape of Housing Services and Oxford Building Solutions following the stock option decision and Housing Inspection report. There is a clear need to shape the HRA service to deliver tenant expectations following the decision to retain our housing stock. The detailed feedback from the Housing Inspection emphasised the need to build on the positive work that is going on and address the issues that are holding us back from a 2 or 3 star rating.

2. The scope and project plan for the review was agreed by Housing Scrutiny in Aug 05. Housing Scrutiny considered an options report in Apr 06. Within the report were some recommended organisational changes, the key one being:

Create two distinct Housing Business Units, one focused on HRA functions and one on strategic and enabling functions (using the CPA sub blocks as a guide to the responsibilities of each unit)

The Committee agreed:

- (a) To note and endorse the report;
- (b) That any organisational structure changes should be presented to the Housing Scrutiny Committee for comment prior to these being submitted to Council;

- (c) That the Housing Advisory Board and the Oxford Tenant's Panel should be included in the consultation as part of the process.

3. The Audit Commission inspection report on our Landlord Services function was published in Dec 05 and rated the function as 'one star' with 'promising prospects for improvement'. The report provides recommendations in four key areas;

- Improving customer focus
- Improving value for money
- Improving tenant involvement
- Improving the quality of our plans

4. A Landlord Services Improvement Plan has been developed to deliver the recommendations. Housing Scrutiny reviewed the draft in Jan 06 and along with Housing Advisory Board approved the plan in Apr 06.

### **External Advice**

5. Advice was sought informally, from our Audit Commission Housing Inspector on the proposal to create two distinct Housing Business Units as part of the Landlord Services Improvement Plan. Whilst the Audit Commission Inspector does not normally comment on organisational issues he was able to confirm that splitting the Strategic and Housing Management functions is generally considered to be good practice because it helps to prevent day-to-day issues dominating thinking and helps Councillors and Officers develop a strong strategic arm with focus on all areas of housing policy (not just housing need & development). A recent article in the trade journal 'Inside Housing' describes how Kettering Borough Council have reshaped their housing organisation as part of an improvement plan post stock retention. It is copied at appendix 4 for information.

### **Improvement Opportunities**

6. The recommended changes to the HRA organisation are anticipated to provide better value for money and improved services through a 'one team' approach to meeting the needs of our tenants. These recommended changes are as follows:

- Dedicated one-service, one-customer, one-team focus i.e. to our tenants & leaseholders
- Synergy of front-line HRA teams e.g. estate & void management & consequent improvements in process & performance
- Enhanced services from the Housing Customer Contact Centre to include generic housing queries as well as repair requests
- Focused Tenant Participation Team co-located with Tenant Resource Centre
- Increased capacity for customer contact at local service outlets
- Efficiencies and reduced overheads from combining administrative teams

- Efficiencies and reduced overheads from combining performance management & benchmarking teams
- More transparency and accountability in costs of services
- Improved working links
- Improvements in customer satisfaction
- Consolidation of service plans makes management of the service simpler

7. Details of the anticipated improvements in the housing strategic and enabling unit will be the subject of a future report.

### **Organisational changes proposed**

8. The primary focus of the proposed changes is to create a single team responsible for all aspects of the HRA service. This is accomplished by combining the Tenancy Services team (currently in Housing Services Business Unit) and the Repairs service (the whole of OBS Business Unit).

All of the HRA income (primarily rent) and expenditure (primarily repairs and staffing costs) will be managed within the new Oxford City Homes Business Unit.

9. The new unit will continue to generate external income where this is compatible with the priorities of the HRA (eg: SOHA repairs contract, internal work for Built Environment). The new unit will remain within the Housing Health and Community Directorate.

### **Delegated Powers**

10. The recommended change of responsibilities and delegated powers are detailed at appendix 1. In summary, the Oxford City Homes Business Unit would have responsibility for the following areas:

- Tenancy Services including Tenant Participation
- Responsive Repairs
- Decent Homes Standard & Planned Maintenance
- Void Management & Repairs
- Rent Collection & Arrears Management
- Housing Customer Contact Centre
- Estate Shops

The detail of the responsibilities of the Community Housing Unit are being finalised and will be the subject of a future report.

### **Staff & Tenant Consultation**

11. A formal consultation exercise with all the HRA staff affected by the proposed changes was completed on 25 April 2006. Feedback has been positive and constructive.

12. The Oxford Tenant's Panel have been consulted on the proposed changes and have supported them. This report will also be considered by the Panel and any further comment they make will be reported as required.

13. The Oxford City Homes and Community Housing Business Units will continue to use central support services, such as Finance, HR, Business Systems, Legal, in the same way that OBS and Housing Services use them today.

### Finance

14. In order for the new Business Unit to be solely HRA focused and accountable it is recommended that the virement of HRA budgets detailed in appendix 2c are approved.

The total virement of budget for 2006/07 to 2008/09 from Housing Services to the New HRA Business unit is summarised in £000's as follows: -

	2006/07	2007/08	2008/09
Income from Tenant's, Leaseholders and other HRA assets less subsidy	(16,491)	(17,827)	(17,567)
Interest	1,403	1,302	1,300
Discretionary Services	365	395	433
Housing Services Staff and expenditure	3,852	3,906	3,966
Other Business Unit Recharges	761	752	753
Capital Charges	38,075	38,075	38,075
AMRA Adjustment	(38,075)	(38,075)	(38,075)
<b>Total Virement</b>	<b>(10,110)</b>	<b>(11,472)</b>	<b>(11,115)</b>
HRA Budgeted Surplus	(35)	(1,250)	(1,023)
HRA Surplus after Virement	(142)	(1,266)	(942)
General Fund – Additional cost	107	16	(81)

In order to help clarify the before and after picture of this structure change, budget responsibilities are shown in the appendices as follows:-

Appendix 2 – Shows the HRA as the Budget was prepared and clearly shows the apportioned responsibility of services between the existing two Business units.

Appendix 2a – Shows the New HRA (Oxford City Homes) budget as a single Business unit.

Appendix 2b – Shows the New Community Homes budget as a single Business unit funded by the General Fund.

As can be seen, the revised structure adds clarity to the HRA and helps to demonstrate the activities and scale of budget responsibility.

15. The additional cost in 2006/07 to the General Fund, shown in the table above, mainly arises from the transfer of 1.5 FTE posts being Strategy and Review and Policy Officer from HRA plus 50% of Business Manager. These roles are intended to focus on strategic housing issues in the City aimed at reducing homelessness, increasing the quantity of affordable housing, improving equality of access and improving generally the quality of housing in the City. The posts will also monitor and respond to new policy, regulatory and legislative requirements. These are General Fund activities. The posts were

budgeted at £68k and it is proposed to pay for these posts from additional income from external elderly services clients and saving in homelessness expenditure.

These additional posts and costs for General Fund remain throughout the budget period but are compensated for by additional income in Elderly Services. At budget stage it was recognised that the HRA had a net cost for these services and it was planned that this would reduce to cost neutral over the three year period. This additional income is General Fund and therefore reduces overall costs in subsequent years.

16. Movement of staff and other changes of responsibility reflected in the above virement are as follows: -

- a. All Housing Service internal recharges have been eliminated, leaving actual cost of services.
- b. All homelessness staff are employed directly by Housing Services, General Fund rather than through the HRA.
- c. The Furnished Tenancy Service and staff remain with the HRA.
- d. Elderly Services staff from Control Centre and Mobile Wardens are employed directly by Housing Services, General Fund. Leaving HRA with cleaning staff and Building maintenance and running costs.
- e. All other Housing services staff are directly employed by HRA with the exception of 3 FTE posts from Administration and 1.5 FTE posts from management being Housing Services Business manager and 50% of a Policy Officer post.
- f. Customer Services currently recharge staff and system costs to the HRA. One of these posts is required by Housing Services for Allocation work.
- g. FRS 17 Pension adjustment and provision is allocated on an employee basis.
- h. Officers have agreed that housing services should continue to provide services to the HRA for Allocation and security at Sheltered accommodation and cleaning and minor repairs to Hostels. A recharge of £132k, £40k and £25k respectively has been agreed for 2006/07. These will be reviewed over the coming year.
- i. The Strategy and Review post, which is currently vacant and paid by HRA is relinquished and transferred to Housing Services.

### **Governance & Monitoring**

17. There are no changes to the reporting and decision-making processes that are already in use. HRA matters will continue to be dealt with at HAB with key decisions being taken at EB or Council as prescribed by the Constitution.

18. The current OBS performance management system will be expanded to cover the wider remit of Oxford City Homes. Performance against key targets is reviewed monthly at a management team meeting along with other management reports on customer feedback, staffing, complaints, training, facilities and procurement. This meeting is chaired by the Business Manager with the Strategic Director in attendance and action points are minuted for

follow up by Operational Managers. Performance data is published in quarterly reports for EB/Scrutiny and specific areas of interest to members (eg: Voids, Decent Homes, Budgets) are also reported more frequently to HAB/Scrutiny.

19. In recent years the HRA has been managed well and the additional analysis completed as part of the stock option appraisal has enabled the team to create a clear view of the future financial outlook. The HRA Business Plan approved in 2005 is currently being updated and will be revised in Autumn 2006. The organisation changes and budget virements proposed will continue the process of improving the transparency of the HRA and improving the value for money. Budget setting later in the year will be another opportunity to assess the success of the changes in bringing about efficiencies and better value for money since the changes were introduced.

### **Context, Scope and Scale of Change**

20. In terms of total controllable cost, OBS and Housing Services are currently the Council's two largest Business Units, and together account for 42% of the combined General Fund and HRA expenditure. As shown in the table below, the largest 6 Business Units together control 75% of the Council's expenditure.

#### **2006-07 Budget**

<b>Business Unit</b>	<b>£'000</b>	<b>%</b>
Housing Services	24,441	24
Oxford Building Solutions	17,791	18
City Works	13,024	13
Leisure & Cultural Services	9,595	10
Neighbourhood Renewal	4,883	5
Transport & Parking	4,743	5
<i>Total of all Business Units</i>	<i>100,354</i>	<i>100</i>

21. The creation of Oxford City Homes as a single Business unit to carry out all HRA functions means that it is significantly the largest Business Unit with 35% of the Council's expenditure:

#### **2006-07 Budget – after proposed restructure**

<b>Business Unit</b>	<b>£'000</b>	<b>%</b>
Oxford City Homes	35,514	35
City Works	13,024	13
Leisure & Cultural Services	9,595	10
Community Housing	6,513	6
Neighbourhood Renewal	4,883	5
Transport & Parking	4,743	5
<i>Total of all Business Units</i>	<i>100,354</i>	<i>100</i>

22. The effect of the changes as they would affect the published budget book is shown in Appendices 3 to 3d for the 2006/07 budgets.

Appendix 3 shows the HRA OBS budget book page under the current structure.

Appendix 3a shows HRA Housing Services budget book page under the current structure.

Appendix 3b shows the new HRA Oxford City Homes budget book page, as it would appear as a combined Business unit.

Appendix 3c shows the GF Housing Services budget book page under the current structure.

Appendix 3d shows the new GF Community Housing budget book page, as it would appear in the budget book.

### **Business Unit Names**

23. The Chair of the Oxford Tenant's Panel was asked to consider 3 possible options for the name for the new HRA Business Unit and recommended Oxford City Homes.

24. Officers recommend that the Housing Services Business Unit be renamed the Community Housing Business Unit to better reflect the amended services it will provide following the removal of HRA functions. The name reflects CPA sub blocks.

### **Further Potential Changes**

25. The Review has also brought to light other potential organisational changes within the HHC Directorate that could help to meet the improvement areas identified in paragraph one.

26. The principal change would be the expansion of the Community Housing Business Unit to include a Strategic & Enabling brief and developing the scope of the Neighbourhood Renewal Business Unit. This would affect other Business Units and the Area Coordinators.

27. These proposed organisational changes will be considered as part of a wider review of service delivery options by the Strategic Management Board which includes all the Directorates. Any further changes would be also subject to staff consultation. A separate report will be prepared for Council recommending changes when the wider review is complete.

### **Summary and key points for members**

28. The proposed changes are expected to get the whole HRA team focus on meeting the expectations of our tenants.

29. The proposed changes will enable the HRA team to improve value for money and deliver the Improvement Plan developed from the recommendations of the Housing Inspector.



30. The new HRA organisation will remain an integral part of Oxford City Council and will continue to follow all corporate governance procedures.

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**Background papers:**

Landlord Services Inspection Report – Audit Commission Dec 05

Landlord Services Improvement Plan – Apr 06

sing Advisory Board 6<sup>th</sup> Apr 06 - Minutes

Housing Scrutiny 12<sup>th</sup> Apr 06 - Minutes

