

**Summary Report (Stage Two Draft 2.1 August 2008)**

**Annex 2: Opportunities for efficiencies and increased effectiveness**

**East Kent and Ashford: Landlord Services  
Joint Working**

**AUGUST 2008**

# East Kent and Ashford: Landlord Services Joint Working Summary Report (Stage Two Draft 2.1 August 2008) Annex 2: Opportunities for efficiencies and increased effectiveness

## Introduction

This annex forms part of the overall Stage Two Draft Report on landlord services joint working for the four East Kent authorities and Ashford.

This annex provides a more detailed analysis of the work comparing staffing and financial costs for the five authorities and between them all as a total with

- High performing ALMOs of similar size.
- Other benchmark cost patterns as identified in HouseMark and other industry standard benchmarking within the housing sector.

This analysis serves to highlight the potential scope for efficiencies compared to 'best in class' and therefore the opportunities for reinvestment of resources in improved service delivery and in the stock and communities.

## 1 Note on data collection

This report follows a detailed collection, collation and analysis exercise at each authority begun at the workshop review days in June and continued through joint meetings held on 25<sup>th</sup> June and 30<sup>th</sup> July when the format and content was shared with the partner authorities.

This annex summarises the total general costs and total current staffing arrangements for the provision of each authorities landlord function identified and financed from individual Housing Revenue Accounts (HRAs). The work presented below remains *work in progress* as authorities have been refining inputs up to the point of drafting.

There are no judgements to be made about the differential costs and income levels between the authorities and HRAs and therefore we have focused on presenting the overall position of the five authorities compared to benchmarks and 'best in class' performers. The exercise has identified the total staffing and other financial resources currently utilised in providing landlord services across the five authorities and to highlight the key issues affecting the levels of staffing and costs in preparation for any new vehicle which might emerge from the joint working initiative.

The key outputs have been to:

- Identify the number of staff that could be affected by joint working arrangements if they applied across the board for landlord services.

- Identify the number of staff engaged on front line service delivery but which work for non-landlord or other corporate service units.
- Identify the number of staff (and more particularly the FTE) involved in providing support services to HRA funded services and which are therefore paid for from the HRA.
- Identify the number of staff (and FTE) engaged in both HRA and GF activities.

We have also made some initial comparisons between current average staffing costs for similar posts in order to highlight the potential differentials in current terms and conditions which prevail.

## 2 Analysis of stock and overall costs

### 2.1 Breakdown of the Stock

The following table (1) shows the current stock levels at 1/4/2008 analysed into various categories. It should be noted that all figures in red/italics throughout this report remain to be confirmed.

*Table 1: Analyses of stock*

	<b>Ashford*</b>	<b>Canterbury</b>	<b>Dover</b>	<b>Shepway</b>	<b>Thanet</b>
Total Stock	4,709	5,288	4,644	3,460	3,117
General Needs	4,246	4,694	4,191	2,843	3,117
Sheltered	463	594	453	617	0
Leaseholders	251	334	643	201	360

\* Excludes 479 PFI properties

The total property base is therefore 21,218 tenanted properties with 1,789 leaseholders. This makes the overall landlord service across the five authorities the same scale of undertaking as a large ALMO and would be larger than many metropolitan authority and London Borough housing services, as well as comfortably larger than the undertaking of the major RSLs in Kent.

### 2.2 HRA: analysis of costs and income per unit

Table 2 demonstrates income and expenditure on a per unit basis. Where the costs of maintenance administration were originally accounted for in the maintenance budget, these have been allocated to management costs for a like-for-like comparison. The same applies for procurement costs that have been provisionally allocated within capital budgets.

*Table 2: Average income and costs per unit 2008/09*

	Total all 5
Net Rent	-£3,525
Non-Dwelling Inc	-£96
Net Management	£875
Net Maintenance	£826
Other Exp	£35
Cap Financing	£70
MRA (Depr)	£700
Subsidy	£906
One-Off Exp	£18
Pension Adj	£32
RCCO	£233
	£0
<b>(Surplus)/Deficit</b>	<b>£73</b>
Net Management:	
General Needs	£930
Sheltered	£327

The tables show the per unit HRA income and expenditure for all five authorities together. All cost data is presented on the basis of the 2008/09 HRA budget.

Average management costs are budgeted to be £875 per unit and maintenance costs £826 per unit in 2008/09. These compare to benchmarks as follows:

- Budgeted average maintenance costs in England of £916 per unit and in the South East region of £877. The average for larger authorities is well above this level reflecting the stock base of many large urban authorities and which would not be shared by the Kent authorities.
- Budgeted average management costs in England are £892 per unit but the equivalent figure for the South East region is £716.

Taken together, these comparisons suggest that the potential for efficiencies in repairs might be limited to the management of the service – see below. Subject to the usual difficulties in comparing different types of management cost between authorities, it is possible to infer that, on average, management costs within the five Kent authorities have scope for efficiencies compared to like-for-like average comparators.

Whilst the overall unit cost comparators do not highlight great differences in average costs, the pattern of expenditure within service costs does differ considerably between the five authorities and benchmarks as set out below.

### 3 Staffing Analysis

#### 3.1 Overall staffing within the HRA

The table below (3) identifies the number of Full-Time Equivalents (FTEs) that are charged to the HRA; these are summarised into the main headings shown and are broken down into further analyses within the remainder of this report.

*Table 3: Overall staffing (FTE) charged to HRA 2008/09 by main heading*

Overall Analysis	TOTAL	%age	%age exc sheltered/mgmt
Directorate	7.2	3%	-
Management	74.7	28%	42%
Rent Arrears	26.1	10%	15%
Support Services	7.8	3%	4%
Caretakers	7.1	3%	4%
Supported Housing	83.3	31%	-
Maintenance	57.8	22%	32%
Exceptional	4.6	2%	3%
	<b>268.6</b>	<b>100%</b>	
Alarm Call/CCTV	14.4		
Strategy	11.5		
Options	20.1		
	<b>46.0</b>		
Total	<b>314.6</b>		

We have identified generic job descriptions that fall within the above main headings. Each authority has identified for each employee which two generic job descriptions are best suited for the role they provide. It should be noted that the totals within individual tables below may differ from the above overall summary due to rounding,

We have excluded from the detailed analysis of landlord functions below the 'non-landlord' functions of Alarm Call/CCTV, Housing Strategy and Housing Options as the consensus of the group at this stage is that these functions would continue to be managed by the Council's Strategic Housing teams (funded by the General Fund) and not any landlord services body. The Councils' strategic teams are part-funded by HRAs.

The total engaged in direct service provision is therefore 268.6 FTE, representing staffing levels of around 12-13 per thousand properties.

Although it is difficult to make precise comparisons (given the differential approaches to repairs services), our feeling is that this is on the low side for high performing ALMOs of similar stock size – the average is 15-16 in the two northern ALMO comparators (Kirklees and Gateshead). However, the pattern is interesting with a far higher focus on certain management areas across the five Kent authorities compared to others. The equivalent benchmark figures derived from the latest HouseMark reports (2006/07) identify that as a %age of core management pay costs, the benchmarks for districts in the South East are 40% for tenancy and estate management including lettings and voids management

(compared to 42% in the five Kent authorities), 23% on repairs management (compared to 32% in the five) and 15% for rent arrears collection (compared to 15% in the five authorities).

This suggests that there may be scope for efficiencies in the management of maintenance with some scope for inquiry into general tenancy and estate management. Notwithstanding the comparisons with benchmarks, our feeling is also that there may also be scope for efficiencies within the rent arrears function when the record of arrears collection is taken into account (see below).

### 3.2 Directorate staffing

The table below (4) details the staff charged to the HRA for Directorate functions.

*Table 4: Analysis of staffing (FTE) identified to the 'Directorate' heading*

Directorate	TOTAL
Director of Housing	2.0
Assistant Director	2.8
Director Support	2.4

It should be noted that this represents many more posts than 7.2 FTE as there is extensive split charging between HRA and General Fund and we have commented below on the scope for benefit to GF if these posts transferred into a new vehicle. We would also add that a directorate staffing of 7-7.5 does not appear out of kilter with an organisation managing 21,000 units.

### 3.3 Housing Management

The general needs housing management service has been broken down as shown in table 5.

*Table 5: Analysis of staffing (FTE) identified to the 'Housing Management' heading*

Management	TOTAL
Head of Housing	6.1
Housing Officer	31.1
Housing Assistant	21.0
ASB	1.5
RTB	1.2
Leasehold	5.6
Tenant Participation	5.4
Garages/Non Dwellings	0.6
Monitoring/Stats/Fin Officer	1.3
Hostels	1.0

Note that the leasehold management and support functions for Canterbury are currently carried out by the central/corporate finance function of the council and that these services would either be covered by an SLA or by transferring the staff to the housing service within any new joint working arrangements.

Whilst there do not appear to be any major differences in comparators between overall management costs, there are some differences in the pattern of management staffing between the five authorities and others. The key examples are leasehold management and tenants participation.

For leasehold management, the total staffing per thousand leaseholders is 3.15 which compares to figures as high as 12 in urban and London authorities and an average of around 4-5 in other districts. This suggests that there is scope for investment in the leasehold function.

For tenant participation (TP), the number of staff is 5.4 for nearly 22,000 properties. By contrast, specialist TP units in high performing ALMOs with over 20,000 properties might typically carry 10 or more officers, although some of these might also be engaged in leaseholder consultation. This suggests that there may be scope for investment in TP.

Take together therefore, if certain specialist areas appear to be under-invested compared to the highest performers, this would suggest that the mainstream tenancy and estate management functions carry some scope for efficiencies, perhaps at the management and supervisory levels given that patch sizes are comparative to the average.

### 3.4 Rent arrears

The rent arrears function has been separated from the housing management analysis above on the basis that the housing officers are specialised (ie not generic) and that each authority has a specific team that deals with arrears. For Dover and Thanet, this function is currently carried out by the central/corporate finance function of the council and that services would either be covered by an SLA or by transferring the staff to the housing service within any joint working arrangements. For information, the following is a table of arrears information as at July 2008.

*Table 6: Analysis of staffing (FTE) identified to the 'Rent Arrears' heading*

<b>Rent Arrears</b>	<b>TOTAL</b>
Rent Manager	3.2
Rent Officers	17.7
Rent Accounts Officer	2.3
Rent Assistant	2.9

*Table 7: Current and former arrears July 2008*

<b>Rent Arrears</b>	<b>Total all 5</b>
Current *	1,708,584
Cases	5,271
Former	990,944
Cases	1,294

\* Note current arrears approx 2.2% of rent debit across all authorities

The total number engaged in rent arrears collection is 26.1 FTE which represents around 15 for every £1m of current arrears. Whilst comparisons are necessarily difficult given differential approaches to caseloads and collection and whilst in overall terms as a share of management staffing, the amount engaged in this function appears in line with the

average, the level of staffing given the workload does appear higher than comparators. For the best performing ALMOs with 20,000+ properties, specialist recovery officers are 12 for more than £2m arrears (the average for the two comparators).

Our feeling is that there is scope for efficiency in rent arrears, perhaps in the supervisory roles inherent with five current supervisory structures.

### **3.5 Support Services**

This analysis identifies the levels of staffing within housing services engaged in performing a support function rather than a direct landlord function. These are disparate between the authorities.

*Table 8: Analysis of staffing (FTE) identified to the 'Support' heading*

<b>Support Services</b>	<b>TOTAL</b>
Manager	3.3
Officer	1.8
IT Champion	1.9
Assistant	0.8

### **3.6 Caretakers**

This analysis shows the caretaking staff that are directly employed/financed from the HRA. It is recognised that the duties and responsibilities vary between authorities.

*Table 9: Analysis of staffing (FTE) identified to the 'Caretaking' heading*

<b>Caretakers</b>	<b>TOTAL</b>
Resident/Estates	7.1

This number of caretakers (or estate services/officers equivalent) appears very low compared to the very best performers across the country. Emphasis on community safety and cleanliness, caretaking services and localised estate-based services has increased rapidly in recent times, and would now be seen as essential in achieving three stars.

### **3.7 Supported Housing**

This analysis details the Sheltered and other Supported Housing staff employed/financed through the HRA.



*Table 10: Analysis of staffing (FTE) identified to the 'Supported Housing' heading*

<b>Supported Housing</b>	<b>TOTAL</b>
Manager	5.7
Floating Officer	24.6
Scheme Officer	17.8
Extra-Care Scheme Officer	4.0
Assistant	26.3
Cleaner	4.9
Total Sheltered Units	2127
Staff Per Unit (Ave)	0.04

These staffing levels appear in line with the number of properties covered by support services.

### **3.8 Maintenance**

For maintenance, we have analysed staffing levels into three general sub-headings in line with budget setting. These are:

- Day to Day – for day to day repairs management
- Capital – to manage the HRA Capital programme
- Planned – contract monitoring around cyclical programmes and other contracts.

All staffing engaged in supporting, delivering or administering capital programmes (or the proportion of staffing engaged in capital programmes) are excluded.

*Table 11: Analysis of staffing (FTE) identified to the 'Maintenance' heading*

<b>Maintenance</b>	<b>TOTAL</b>
Service Manager	4.1
Day to Day Manager	1.8
Day to Day Inspector	10.2
Day to Day Assistant	1.8
Day to Day Repairs Report	5.6
Capital Manager	1.2
Capital Surveyor	18.4
Capital Assistant	1.6
Planned (Rev) Manager	
Repair Contracts	5.0
Non-Repair Contracts	3.9
Planned Assistants	4.2

It should be noted that:

#### Day to Day Repair Reporting

Canterbury, Shepway and Thanet currently have their repair contractors taking repair calls direct from their tenants. An administration fee is payable to the contractor to cover this

service, separate to the cost of repairs. Ashford takes calls directly to council staff.

At Dover, all the staffing identified in respect of maintenance for Dover is in a corporate Property Services team, outside of the direct housing service. These services could either be covered by an initial SLA or by transferring the staff to the housing service within any joint working arrangements from day one. There would however be an expectation that this function would be provided directly by any joint working organisation as part of any delegated management agreement after a set transitional period if an SLA was established.

The total of 57.8 appears to be high compared to benchmarks.

### **3.9 Exceptional**

This analysis identifies staffing that appears to be carrying out services over and above the 'core' landlord function at a cost to the HRA.

*Table 12: Analysis of staffing (FTE) identified to the 'Exceptional' heading*

<b>Exceptional</b>	<b>TOTAL</b>
PFI Monitoring	1.0
Regeneration	1.0
Other Management	2.6

These numbers are immaterial overall but service to illustrate the diversity of services being provided within landlord services.

### **3.10 Summary**

There appears to be some evidence therefore of scope for efficiencies in mainstream management and management of maintenance with the potential for reinvestment in community and estate based services, tenant participation and a more robust leaseholder service.

Although very illustrative at this stage, achieving benchmark patterns of expenditure for high performing housing providers of similar overall size would imply staffing reductions of around 10 (increasing average caseloads for the average staffing complement) within management and up to 15 in the management of maintenance (reducing the %age of management costs to around 25%) with the potential for reinvestment in community safety and direct estate services. Whilst we would not want these numbers to form part of any target setting without further detailed work and certainly are not in a position to highlight specific posts, we do feel able to state that there is scope for this kind of efficiency and reinvestment if a full shared services vehicle were to be the adopted approach.

At average direct salaries of £25k, efficiencies of up to 25 posts for could represent reinvestment potential of around £700k per year including overheads and other costs.

## 4 Costs of Recharged Services

Each HRA is recharged for central and other costs allocated on varying bases from the General Fund. We have analysed these costs into three categories: direct, support and central costs.

1. Direct costs (for example front line services) which are provided from functions outside of housing services total £2.34m, and are incurred mainly at Dover.
2. Support and central costs are not easily disaggregated from HRA recharges nor are the number of FTEs and proportion which are staffing costs. However, we estimate that there may be around 50-55 FTE involved in the provision of support and central services to the 5 HRAs, an estimated average of 10 per authority but all within posts where non-HRA activities are undertaken.

### 4.1 Support and central costs

These have been identified as potential costs, by their nature, that any new joint working venture could be charged via Service Level Agreements with each individual authority but with a commitment to fundamental/Value for Money review in a set time frame following commencement of the arrangements.

*Table 13: Support and central services costs funded by the HRA*

SLAs	Total
Accommodation	£312,177
Finance	£669,812
Income	£649,099
Personnel	£160,085
IT	£468,364
Legal	£445,289
Estate Cleaning	£45,688
Grounds Maintenance	£59,880
Out of Hours	£10,000
Contact / Services Centre	£670,573
Property Services	£164,551
<b>DIRECT</b>	
Accommodation	£52,878
Estate Cleaning	£122,180
Grounds Maintenance	£65,250
CCTV	£67,620
Alarm Call	£208,150
Communications	£118,994
Community Safety	£84,020
<b>CENTRAL</b>	
Accommodation	£15,600
Finance	£183,409
Income	£38,310
Insurance	£81,468
Democratic Charges	£373,810
Corporate Charges	£1,032,831
Property Services	£56,100
<b>TOTAL</b>	<b>£6,156,138</b>

Support charges are a mixture of directly funded and recharged services and total £6.15million over the 5 authorities. This represents around £290 per unit across all authorities and is in line with benchmarks and comparators in line with comparators where the total for support costs of this nature might be expected to be less than £300/unit. Within this average, we note however there are variations; in particular the charges at Ashford are around 20% above this average cost.

However, considerable care is required in ensuring that like for like comparisons are being made. It is clear is that there could be scope for reducing many of the costs set out in the table above, subject to ensuring no impact on the remainder of the council's finances.

Conversely, the movement of many of the above costs into formal Service Level Agreement with any new joint working organisation might provide the scope for streamlining via joint working for support and back officer services across the authorities. We are clear that these costs do not need to be affected in the early period if the shared service vehicle approach is adopted. As has been the case with all other new housing providers created in the last 10-15 years, there is a bedding-in period in which current charges are protected whilst the opportunity to realign costs with resources and service delivery is taken.

We note that no authority's finances have been undermined by the creation of similar types of housing organisation (be that outsourced as at Westminster, ALMO or stock transfer) and many authorities report a positive impact on the providers of back office and support services through an increased sense of value for money in the provision of those services.

#### **4.2 Possible impact on authority General Funds**

There would be potential impacts for each General Fund if there are any changes made to the charges currently recharged to the HRA. The foregoing analysis demonstrates that these levels should not necessarily change if an initial commitment to establish SLAs with existing support and other service providers is made. The SLAs would be charged direct and paid by the HRA via a management fee if the shared services vehicle were adopted. All other charges could be maintained in their existing format and charged to the HRA.

This approach would provide service providers with the opportunity to ensure that their staffing and service standards are organised according to the needs of the housing service so that when the initial period is over, they are strongly placed to retain the SLA. The key benefit of such an approach is that time is afforded to service providers to align staffing and costs so that the impact of any future change of arrangement can be minimised.

A key exception could be with staff currently providing front line services, where appropriate, within central finance functions and within Dover's Property Services function, could be transferred to any new arrangements, replacing the current charge to the HRA with retrospective adjustments to support costs such as Human Resources, for example, to ensure there is no loss to the General Funds.

### **4.3 Staff charged to both HRA and General Fund**

Our review has identified though that some staff are charged to both the HRA and the General Fund. A detailed review would be needed on a post by post basis but there would be both an option for staff to TUPE to the SSV with a reverse charge made back to each Council, if appropriate, and for staff to remain with the council and charge their time into any new organisation.

If no future charge were made to the General Fund, then there is potential for savings, though at the expense of the HRA.

Where the costs are significant, the nature of the posts tends to be senior or managerial. The issues arising from the treatment of these posts would need to be evaluated given precedents within stock transfers and ALMOs. The total salary costs tied up in posts affected in this way are £1.5m in 2008/09.

## **5 Summary**

The above analyses remain work in progress pending ongoing and further review by each authority. However, some general conclusions about the scale of the undertaking of the whole landlord service and the extent of resources bound up in the provision of services to the HRA, front-line and support, directly provided and recharged can be seen.

In the context of the objectives at this stage, we can draw out the following main points.

The number of FTE that are directly involved in providing landlord services is 238.8. The headcount would be higher, estimated at over 260.

The number of FTE engaged on front line service delivery but which work for non-landlord service units (Thanet and Dover rent arrears and Dover property services) is estimated at 30.

The total of front-line and direct housing staffing FTE is therefore estimated at 290.

Whilst there are some difficulties making direct comparisons with others, we are able to infer the following key conclusions at this stage:

- There appears to be scope in general management and in the management of repairs services to seek efficiencies for reinvestment in community based, neighbourhood and estate based services, specialist functions such as tenant participation and leasehold management and in stock investment if desired.
- An illustrative estimate of efficiencies could be up to 25 posts carrying a cost (with overheads) of £700k per year.

The total cost of support services incurred within the overall five HRAs is £6.15m and above average benchmarks within other similar sized housing organisations.

The cost of staff charged to the HRA where staff are engaged in both HRA and GF activities is estimated at around £1.5m offering some scope for savings in either or both upon adoption of any new arrangements.

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