

CYNGOR SIR POWYS COUNTY COUNCIL.

FULL COUNCIL
May 18th, 2023

REPORT AUTHOR: County Councillor Matthew Dorrance
Deputy Leader and Portfolio Holder for a Fairer Powys

REPORT TITLE: Budget Virement to Support the Housing Services
'Creating Area Focused Teams' Project

REPORT FOR: Decision

1. Purpose

- 1.1 The purpose of this report is to request approval for virements within the Housing Revenue Account (HRA) Business Plan 2023-2024 to support the Housing Services 'Creating Area Focused Teams' Project.
- 1.2 This report has been made necessary by the unexpected success of Housing Service's April generic recruitment drive for operatives and tradespeople to join the Council. The recruitment exercise attracted 72 applicants to work for the Council. This is considerably more than had been expected in the light of experiences during previous recruitment exercises, in which the number of applicants was extremely limited.
- 1.3 Twenty-eight tradespeople and operatives are needed to provide a localised Housing Repairs and Maintenance Team for each housing management area. Housing Services had expected recruitment to take place over the spring and summer, with multiple recruitment campaigns to fill the available posts, with virements taking place as and when people were recruited.
- 1.4 The virement requested in this report will allow the Council to take full advantage of the unforeseen but welcome success of the April recruitment exercise progress. There is a very real risk that if the Council is not able to offer positions quickly (before the next Full Council meeting on July 23rd, 2023) that the applicants will withdraw their applications and may no longer want to work for Powys. That may in turn lead to reputational damage to the Council and adversely affect the impact of future recruitment campaigns.
- 1.5 Approval of the request virement at this time will allow the Council to not only demonstrate its ability to respond positively and in a timely way to the interest shown by the people of Powys to work for Housing Services, but also to quickly begin to realise the efficiency and quality gains to be made by progressing the direct provision of services using our own directly managed and supported teams.

2. Background

- 2.1 Housing Services was restructured in 2022-2023 to improve the quality of service to the people of Powys. The restructure was made up of two projects – 'Moving on Up' and 'Bringing It Back Home'.

- 2.2 'Moving on Up' covered both Housing Revenue Account (HRA) and Housing General Fund (HGF) funded services, with a clear focus on the way people experience finding, keeping and enjoying a home and a drive for localised services.
- 2.3 Three sections of Housing Services were created by 'Moving on Up':
- Housing Communities – helping and supporting people who are looking for a home, regardless of tenure, and managing the tenancies of tenants of the Council.
 - Housing Quality – developing, maintaining and improving Council-owned homes.
 - Housing Resources – securing, managing and understanding the resources, market intelligence and customer experiences needed to provide all housing services offered by the Council, again regardless of tenure.
- 2.4 'Moving on Up' was implemented on March 1st, 2022.
- 2.5 'Bringing It Back Home' was the introduction of direct provision of repairs and maintenance services for tenants of the Council, replacing the previous outsourced approach to this area of activity, the lead section within Housing Services being Housing Quality.
- 2.6 'Bringing It Back Home' involved the transfer to the Council, as provided for the by 'Transfer of Undertakings - Protection of Employment' (TUPE) regulations, of the workforce employed by the outsourced contractor 'Heart of Wales Property Services' (HoWPS). The transfer of both staff and work took place on July 4th, 2022.
- 2.7 During Quarter Three of 2022-2023, it became clear that the workforce and management structure inherited from HoWPS was not able to deliver repairs and maintenance services in a way that was locally sensitive, offered maximum flexibility to match resources to service demands and provided sufficient levels of quality and value for money. While improvements have been made since July 2022 in the time taken complete void works further progress is needed to reduce rent loss through voids to an acceptable level.
- 2.8 The HoWPS structure inherited by the Council, even if fully staffed, does not provide the necessary capacity or capability. The capacity deficit was further exacerbated by a number of posts being vacant at the time of transfer.

3. Advice

- 3.1 A review in Quarter Four of 2022-2023 of the contribution 'Bringing It Back Home' was making towards the ethos of 'Moving on Up' showed shortfalls in the capacity of the Housing Repairs and Maintenance teams:
- Day-to-day management and delivery of repairs and maintenance work has not been as localised as necessary to be able to beneficially use local knowledge of tenants, neighbourhoods, the geography of each part of Powys, properties and material and component suppliers to achieve efficient and customer friendly operations.

- Qualitative and quantitative feedback from colleagues and service users shows that the Housing Quality service is overwhelmed and lacking in resources to deliver all that is expected of it by tenants and Members.
- Insufficient capacity and capability within the transferred workforce have caused excessive reliance on external contractors.
- The quality of work by external contractors has been variable, resulting in remedial work having to be undertaken by in-house teams.
- The availability of contractors to undertake work as and when it is needed, especially with regard to void properties, has not been positive, resulting in excess times for void works and for tenants awaiting repairs to their homes.
- For improvement works, such as kitchen and bathroom replacements, the Council did not receive sufficient tender submissions for the next round of framework contracts. The lack of any in-house capability to be able to undertake this work meant that negotiations had to take place with those firms that did submit bids to take on work for which they had not originally expressed an interest. This resulted in improvement works being delayed by up to a year.
- A comparative study of works has shown that the cost of using external contractors is higher than the cost of similar works being undertaken by the in-house teams.
- Costs, a reduction in service quality and an increase in time to complete works to make void properties fit to let are being incurred by the administration of tendering for a high number of jobs and the time taken to obtain quotes compliant with the Council's procurement standing orders.
- Housing Communities has four area teams (Brecon and Ystradgynlais; Machynlleth and Welshpool; Newtown and Llanidloes and Wye Valley) whereas Housing Quality has two (South Powys; North Powys). Not having coterminous teams across both Housing Quality and Housing Communities means that the benefits of localism are diluted.

3.2 These shortfalls are a result of not having in Housing Services sufficient in-house capacity and capability, locally based and managed, to provide a full repairs and maintenance service. The 'Creating Area Focused Teams' project is designed to address and resolve these challenges.

3.3 'Creating Area Focused Teams' is being taken forward using, a two-phase approach has been adopted:

- Phase One: Call handling and Front-line Management
- Phase Two: Full Operational Capacity and Capability

3.4 The Call Handling element of Phase one has been completed, through the 'Realignment of Repairs Co-ordinators and Heating Schedulers' Management of Change. Repairs Co-ordinators and Heating Schedulers have been combined into a single job role, able to handle repairs, maintenance and heating and other compliance related service requests. They no longer will be county wide but will instead be assigned to area-based teams.

3.5 The Front-line Management element of Phase One is currently undergoing implementation through the Council's Management of Change process It will create four Housing Repairs and Maintenance teams, one each for 'Brecon &

Ystradgynlais', 'Machynlleth and Welshpool', 'Newtown and Llanidloes' and 'Wye Valley', coterminous with the Housing Communities area-based teams.

- 3.6 Phase Two will include the recruitment of 28 Full Time Equivalent (FTE) trades people and operatives. This will make sure that each of the four localised Housing Repairs and Maintenance Teams has the capacity and capability to provide all repairs and maintenance in-house, other than in cases where specialist skills are needed (for example asbestos removal) and should there be unforeseen peaks in demand (for example a spike in tenancy terminations).
- 3.7 'Creating Area Focused Teams – Phase Two: Full Operational Capacity and Capability' is designed to positively address the shortfalls and concerns noted in paragraph 3.1, and will:
- Enhance local working across both Housing Quality and Housing Communities, by having four Housing Repairs and Maintenance teams in the same way that Housing Communities has four area teams for tenancy and estate management. The teams covering each area will be better able to work collaboratively, sharing knowledge, experience and understanding of local communities to work together more efficiently and effectively – for example by co-ordinating void works with pre-allocation of tenancies and undertaking joint visits to address housing and property management matters. The foundation for four localised Housing Repairs and Maintenance Team is being prepared through Phase One of 'Creating Area Focused Teams'.
 - Reduce travelling and associated financial, time and environmental cost, by introducing 'Area Days', in which a task force of tradespeople and operatives spend the day dealing with all repairs raised for a specific area.
 - Reduce the need to use external contractors, and so achieve greater value for money, improve the quality of work, enhance the flexibility of the way resources can be used and reduce void times (and so void rent loss).
 - Provide greater resilience in the face of market fluctuations in the contracting sector.
 - Build the necessary technical foundation to reduce the use of contractors for improvement works, beginning with replacement kitchens and bathrooms, when the current frameworks end in March 2024, put in place the in-house workforce with the ability to directly deliver these works.

4. Resource Implications

- 4.1 A cost analysis exercise quantified and confirmed the savings and efficiency gains can be made by using in-house teams for day-to-day repairs, works to void properties to make them fit to let and fixed electrical testing as opposed to relying on external contractors. Using an invest-to-save approach, the annual efficiency gains will, in a full year equate, to circa £500,000 per annum, which include cashable savings and cost avoidance. Appendix A to this report sets out the detail of the efficiencies gains to be made from taking forward 'Creating Area Focused Teams'.
- 4.2 A generic recruitment campaign in quarter four of 2022-2023 has resulted in 72 applications being received for the roles and apprenticeships within the Council's Housing Repairs and Maintenance teams, to implement 'Creating Area Focused Teams'. The success of the recruitment campaign, the first undertaken by Housing Services, was unexpected and means that, to take

advantage of the interest received in working for the Council and start make the efficiency gains set out in this report, approval is requested for virements within the Housing Revenue Account (HRA) Business Plan 2023-2024.

- 4.3 The realignment of budgets to support the revised structure is required urgently to comply with Section 16 – Financial Procedure Rules of the Councils Constitution.
- 4.4 The scheme of virement enables Heads of Service and their staff to manage budgets with flexibility within the overall policy framework determined by the Full Council, and therefore to optimise the use of resources. Any income or expenditure at variance from the approved budget and without virement authorisation shall be regarded as over or under spending for which the Head of Service of the service is responsible. Where virements are greater than £500,000 approval is required by Full Council.
- 4.5 The virements noted below will not result in any increase or decrease in the overall HRA budget for 2023-2024 and doesn't increase the overall cost of the HRA and therefore affordability modelling. The HRA is closely monitored throughout the year to make sure that costs remain within the revised budgets.

Table 4.5: Virements within the HRA Business Plan 2023-2024 to Deliver 'Creating Area Focused Teams'

From	Virement Amount	Current Budget for 2023-2024	Revised Budget for 2023-2024
Day to Day Repairs & Maintenance (Private Contractors)	-£759,800	£2,533,260	£1,773,460
Voids Repairs & Maintenance (Private Contractors)	-£577,250	£2,758,000	£2,180,750
Compliance Repairs & Maintenance (Private Contractors)	-£56,740	£1,449,350	£1,392,610
To	Virement Amount	Current Budget for 2023-2024	Revised Budget for 2023-2024
Staffing Revenue	£778,240	£7,718,630	£8,496,870
Fleet and Associated Costs	£102,310	£361,430	£463,740
Materials	£441,540	£0	£441,540
Vehicle Replacement	£71,700	£215,120	£286,820
Total Virement	£1,393,790		

- 4.6 For 2024-2025 onwards, the annual Housing Revenue Business Plan, which is presented to Cabinet in the fourth quarter of each year, will reflect the changes in service delivery being taken forward in the 'Creating Area Focused team' project.
- 4.7 Initial start-up costs for 'Creating Area Focused teams', to cover the purchase of vans, tools and Personal Protective Equipment (PPE) total £788,000. This sum can be made available from HRA Reserves, which currently stand at

£3,970,000, without reducing the reserves below the recommended prudent level of £1,100,000.

- 4.8 The Head of Finance (Section 151 Officer) notes the report. The virement will re-align the budgets to the revised structure. As stated in paragraph 4.5 this will not result in any increase or decrease in the overall HRA budget for 2023-2024 and doesn't increase the overall cost of the HRA and so maintains the viability of the Business Plan. On that basis the recommendation can be supported.

5. Legal implications

- 5.1 The Principal Housing Solicitor has commented as follows: "Area focused Housing Repairs and Maintenance Teams will assist Housing Services in supporting the Powys Corporate and Strategic Equality Plan 'Stronger, Fairer, Greener', in particular by assisting the development of a vibrant economy if more local tradesman can be utilised rather than companies outside Powys or indeed Wales. Furthermore, the Council will also be improving the skills and employability of residents of Powys and Wales through underpinning the Housing Services apprenticeship programme. I can therefore recommend approval of this report".
- 5.2 The Head of Legal Services and the Monitoring Officer has commented as follows: "I note the legal comment and have nothing to add to the report".

6. Data Protection

- 6.1 The proposals and recommendations contained in this report do not involve the processing of personal data.

7. Comment from local member(s)

- 7.1 This matter has equal effect across the Council.

8. Integrated Impact Assessment

- 8.1 An Impact Assessment was completed for the HRA Thirty Year Business Plan 2023-2024, approved by Cabinet in March 2023. No substantive changes to the Impact Assessment will arise from the virements requested in this report.

9. Recommendation

- 9.1 Council is recommended to approve the virements, within the HRA Business Plan 2023-2024 as set out below in table 9.1.

Table 9.1: Virements within the HRA Business Plan 2023-2024 to Deliver 'Creating Area Focused Teams'.

From	Virement Amount	Current Budget for 2023-2024	Revised Budget for 2023-2024
Day to Day Repairs & Maintenance (Private Contractors)	-£759,800	£2,533,260	£1,773,460

Voids Repairs & Maintenance (Private Contractors)	-£577,250	£2,758,000	£2,180,750
Compliance Repairs & Maintenance (Private Contractors)	-£56,740	£1,449,350	£1,392,610
		Current	Revised
To	Virement	Budget for	Budget for
	Amount	2023-2024	2023-2024
Staffing Revenue	£778,240	£7,718,630	£8,496,870
Fleet and Associated Costs	£102,310	£361,430	£463,740
Materials	£441,540	£0	£441,540
Vehicle Replacement	£71,700	£215,120	£286,820
Total Virement	£1,393,790		

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Appendix A: Financial Analysis of 'Creating Area Focused Teams

Table A1: Current Repairs and Maintenance Budgets for the Housing Revenue Account Business Plan 2023-2024

HRA Business Plan 2023-2024 Investment	2023-2024	2024-2025	2025-2026
Day to Day Repairs & Maintenance	£2,828,870	£2,673,870	£2,673,870
Voids Repairs & Maintenance	£2,888,000	£2,860,000	£2,860,000
Compliance Repairs & Maintenance	£1,449,350	£1,388,550	£1,388,550
Kitchen Replacement (WHQS)	£420,000	£400,000	£600,000
Bathroom Replacement (WHQS)	£200,000	£200,000	£0

Table A2: Efficiency Gains to be Achieved from 'Creating Area Focused Teams'

Gross Savings through Direct Provision					
Item	2023-2024	2024-2024	2025-2026	Data	Notes
Day-to-day Repairs & Maintenance	£209,085	£296,443	£296,443	33.26	Seven months for 2023-2024, full year for 2024-2025 and thereafter, calculated on savings of 33.26% on 33% of day-to-day currently outsourced (by value).
Void Works (excluding bathroom and kitchen replacements, decoration)	£416,238	£713,427	£713,427	33.26	Eight months for 2023-2024, full year for 2024-2025 and thereafter, calculated on savings of 33.26% on 70% of voids currently outsourced

Void Works - Kitchens	£441,667	£662,500	£662,500	Start WHQS 2024-2025 when current contract ends.
Void Works - Bathrooms	£159,000	£238,500	£238,500	Start WHQS 2024-2025 when current contract ends.
Kitchen Replacement (WHQS)	£0	£188,679	£283,600	Start 2024-2025 when current contract ends.
Bathroom Replacement (WHQS)	£0	£78,261	£0	Start 2024-2025 when current contract ends.
Compliance - Fixed Electrical Testing (FET)	£73,333	£110,000	£110,000	Eight months for 2023-2024, full year for 2024-2025 and thereafter - internalise all FET work
Void Rent Loss Reduction - Administration	£107,484	£161,226	£161,226	Eight months for 2023-2024, full year for 2024-2025 and thereafter
Void Rent Loss Reduction - Undertaking Multiple Works in One Property	£53,742	£80,613	£80,613	Eight months for 2023-2024, full year for 2024-2025 and thereafter
Total	£1,460,549	£2,529,649	£2,546,309	

Table A3: Invest to Save Investment for 'Creating Area Focused Teams'

Item	2023-2024	2024-2024	2025-2026	Notes
Personnel	£749,021	£1,123,532	£1,123,532	Eight months for 2023-2024, full year for 2024-2025 and
Material Costs	£282,887	£401,081	£401,081	
Material Costs - Decorating	£158,647	£237,970	£237,970	

Vehicle Running Costs	£102,312	£153,468	£153,468	thereafter
Vehicle Replacement Costs	£71,699	£107,548	£107,548	
Tools	£9,333	£14,000	£14,000	
Total	£1,373,899	£2,037,599	£2,037,599	

Table A4: Net Gains from 'Creating Area Focused Teams'

Item	2023-2024	2024-2024	2025-2026	Notes
Net Gains from 'Creating Area Focused Teams'	£86,650	£492,051	£508,711	Seven months for 2023-2024, full year for 2024-2025 and thereafter

Table A5: Startup Costs for 'Creating Area Focused Teams'

Item	Amount
Vehicles	£732,000
Tools and PPE	£56,000
	£788,000