**Hexagon Housing Association**

**Board of Management**

**28 July 2015**

**Agenda item 4**

**Strategic matters arising from Housing Services Annual Review 2015**

**LBM: Ian Mansell**

**Report by the Operations Director**

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| ***1.*** | ***Summary***  |
|  | The report provides a progress report on how the 6 strategic matters in Housing Services identified last year have progressed and sets out the five strategic matters for the coming year. Three 2014/15 matters are being carried forward to 2015/16 as still strategic – welfare changes, and improving void relet times and estate services. Two matters – dealing with anti-social behaviour and fire safety compliance - can now be treated as operational issues and the sixth b14/15 matter - digital communications with residents - is now being progressed corporately with a commitment to report progress on the Board agreed strategy separately from this report. .Two new issues – responding to the proposed Right to Buy legislation and the management of service costs have been added for 2015/16.  |
| ***2.***2.12.22.32.42.5 | ***Recommendations***The Board is asked to endorse what we have done so far in our planning for welfare reform and cuts.The Board is asked to approve the preparations being made to administer the RTB. The Board is asked to approve the work being done to improve service charges and costs. The Board is asked to approve the continuing work to improve the relet time for voids.  The Board is asked to approve the work to improve the quality of our estate services. |
| ***3.***  | ***Progress with the strategic issues identified for 2014/15***  |
| 3.1 | There were six strategic issues identified this time last year: 1. Responding to the challenge of welfare reforms
2. Improving Hexagon’s response to anti-social behaviour
3. Production of performance information on fire risk compliance
4. Reducing the relet time for voids
5. Improving the upkeep of our estates
6. Improving digital communications with residents

Although considerable work has been done in the last 12 months to address all these issues, three of them will need to remain strategic priorities for the Housing Services team for the current year.   |
| 3.2  | **Responding to the challenge of welfare reforms** |
| 3.2.1 | 2014/15 did not see the introduction of any new welfare reform measures, but the effects of the bedroom tax and the benefit cap are still being experienced by affected residents, making it harder for them to pay their rent. These measures in combination with other non-housing changes in the welfare regime[[1]](#footnote-1) are putting pressure on our residents’ household budgets. We have continued to offer support to affected residents in managing their money, including in some cases getting benefits back-dated or applying for discretionary housing payments to mitigate the bedroom tax or benefit cap, and support to move where this would assist. However, the demand for rehousing from bedroom tax affected residents remains low. The numbers of those listed as affected by the bedroom tax increased to 241 (from 226) during the year but the figures are only as good as the sporadic information supplied by the local authorities and residents themselves; bedroom tax and benefit cap (with 14 cases currently) are just two of the reasons for a tenant receiving only partial Housing Benefit. The Board can be assured that although no residents were evicted solely or even largely on the basis of arrears accrued as a result of welfare reforms, normal arrears action is being taken on all cases where arrears are accruing regardless of the cause.  |
| 3.2.2 | The Welfare reform group is responsible for implementing the welfare reform response plan, the latest version of which was approved by the Board in January. This issue remains a strategic priority as there are many more welfare reforms to come.  |
| 3.3  | **Improving Hexagon’s response to anti-social behaviour**  |
| 3.3.1 | The priority for this arose from an audit in 13/14 and some difficult complaint cases. Considerable staff training has been carried out and the Senior Housing Officers are more systematically involved in reviewing casework standards now. The policy and procedure were updated mostly to reflect the changes in the ASB, Crime and Policing Act 2014 and staff training on the changes has been done. The number and seriousness of complaints about our handling of ASB cases has reduced and while the work goes on, there is no need for this to be a continuing strategic priority.  |
| 3.4 | **Production of performance information on fire risk compliance**  |
|  | Although fire risk compliance was a routine activity for Housing Services and the property services teams, we had no visibility about the level of compliance with our policies, other than through the spot checks in the compliance reviews carried out by the internal auditors three times a year. We have now set up performance measures for both the completion of the fire risk assessment reviews and the actions recommended in the reviews and these are reported to Directors and the Board in the quarterly PIs report. As this system is now in place and is a routine task, this no longer needs to be a strategic priority.  |
| 3.5  | **Reducing the relet time for voids**  |
|  | The average relet time (40 days) and void loss (0.76%) were both static last year with no significant change compared with the previous year, so this will remain a strategic priority. Work was done to improve the way we monitor each process within a void’s journey from the end of one tenancy to the start of the next. There is increased performance monitoring via supervision sessions with staff and team PIs are more visible; in addition, some processes within Housing Services have been changed to try and minimise blockages in the system. It is expected that these measures should start to bear down on relet times in 2015. In terms of void losses, a recent analysis has shown that half of this in Quarter 1 is due to the time it takes for properties to be considered for disposal so there needs to be an increased focus on minimising these times in the teams across the organisation which have some involvement with this process.  |
| 3.6  | **Improving the upkeep of our estates**  |
|  | A service improvement action plan was agreed in 2014 following a review of the service and resident satisfaction with it. Work on the action plan has progressed well although there is still work to be done, and much of the work is ongoing.A major recommendation of the action plan was to re-tender the contracts covering all the estates. This is a major exercise as the sums involved are large at around £375k pa and so requires the full OJEU tendering process. It also covers around 130 different sites that require individual description, plus mapping and tailored specifications for some. The timetable for this has slipped but we still hope to have new contracts in place by the end of 15/16.Another key action plan item was the recruitment on a trial basis of a dedicated part-time contract monitoring officer. This has anecdotally been very successful so far with much more engagement with the contractors and clearer and higher expectations of them and a proper review of the trial will be carried out over the summer. The issue of improving the upkeep of estates needs to remain on the strategic issues list for the year ahead.  |
| 3.7 | **Improving digital communication with residents**  |
|  | One of the main tasks set for last year was to establish via a survey the baseline of how our residents were using digital communications. This was done and fed into the Customer Contact Strategy approved by the Board at the May meeting. The strategy set out the priorities for gearing up the organisation to be able to use digital forms of communication more easily with residents. It has its own action plan and a full progress report will be produced early next year. Some consultation with residents has already been done. This issue has already been identified as a corporate priority and does not need to be covered as part of the Housing Services annual review.  |
| ***4.***  | ***Strategic issues for 2015***  |
| 4.1 | The strategic issues for Housing Services to focus on in 2015/16 are:1. Welfare reform and future welfare budget cuts and the drive to maintain Hexagon’s income as far as possible
2. The preparations required for the operation of the Right to Buy (RTB) and consideration of the longer-term impacts in greater leasehold management
3. The management of service charges and costs to reduce the likelihood of significant shortfalls in the budget
4. Continuing the priority being given to the reduction in relet times
5. Continuing the effort to improve the estate management service.
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| 4.2  | **Welfare changes and the impact on rent collection and relationships with our residents**  |
| 4.2.1  | **Introduction of Universal Credit**We have been planning for the introduction of Universal Credit for some time and expect to see this year a few of our residents in Southwark and Croydon potentially going onto the new benefit. This is because some trials of the digital service (as opposed to the main national roll-out) are being introduced in three post-codes in these boroughs where we have about 150 homes. The digital service covers all household types and may affect some of our residents if they become unemployed or otherwise change their circumstances. Once they go onto Universal Credit (UC), the housing cost element of UC will be paid in the same monthly payment as the rest of their living costs; they will be responsible for paying the rent to us rather than it coming from housing benefit. The main national roll-out will start to affect single people newly going onto benefits across our boroughs from Quarter 4 – January- March 2016 – onwards. The impact is expected to be small in the next year or so as the vast majority of people who are currently on benefits will not be transferred across to UC until at least 2017 and then it is expected to take three years. We are aware of the timescales for making a claim and how as a landlord we can apply for an “alternative payment arrangement” for those residents who are in 2 months arrears or who we believe could not cope with the normal monthly payment. Other landlords report that the administration of Universal Credit is slow and even chaotic; however, the position is changing all the time and the slow roll-out should mean that the impact won’t be too severe in terms of our income collection for at least the next two years. We have started to communicate with residents in a general way about preparing for UC and we will step up our communications with residents about the details shortly before they are likely to be affected as evidence shows that earlier information is ignored.  |
| 4.2.2 | **Arrears monitoring tools**We know from other landlords who have residents on Universal Credit that the amount of effort required to support residents through the process and to try to ensure the rent is paid is much greater than under the current housing benefit arrangements. Freeing up officer time is therefore crucial and to this end, we are planning to bring in some software to help with prioritising arrears work. We have already seen one product which is being used and recommended by many landlords and plan on reviewing a Civica arrears escalation product in order to compare the costs and benefits of the two. The plan is to have whichever new system we chose by the end of the year.  |
| 4.2.3  | **Welfare benefit cuts** The Government has announced its intention to make £12bn of cuts to the welfare budget each year for the next few years. At the time of writing (3 July), we are awaiting announcements in the budget statement of 8 July. The cuts are to come from benefits to people of working age, not pensioner benefits. A number of cuts have been announced already – a reduction in the benefit cap to £23k, a withdrawal of automatic entitlement to HB for 18-21 years olds and a freeze on working age benefits such as tax credits and child benefit for 2 years from 2016/17; it is not yet known if this freeze will include housing benefit. It has been estimated that these announced measures would save £1.5bn of the £12bn which is to be saved. The rest of the £12bn will be met in some form from the £125bn of unprotected benefits such as tax credits (which cost £30bn), housing benefit (£26bn), disability benefits etc. The Institute for Fiscal Studies has estimated that for example making all HB claimants pay 10% of their rent would save £0.96bn. However the cuts are made, it is clear that most of our residents will be seriously impacted and will find it more difficult than now to pay their rent. We will have to work out through our Welfare Reform response group our response to this as the details are announced, but it is already clear that more resources will be required to support residents to manage their household budget and we will also need to consider strengthening our drive to support people into work or into better paid work.  |
| 4.2.4 | The timescale for the implementation of these cuts is not yet known and we are assuming no major changes before April 2016. There may be only limited preparation we can do in this financial year but we will be considering our response as details emerge. The Board is asked to endorse what we have done so far in our planning for welfare reform and cuts.  |
| 4.3  | **Preparing for the Right to Buy (RTB)**  |
| 4.3.1 | The Government has announced its intention to give housing association tenants the RTB, with discounts up to £104k in London – funded by the sale of the most valuable local authority housing stock. At the time of writing, no details have been announced and we now understand that a bill will be introduced into Parliament in the autumn. In the meantime, there is considerable lobbying going on within the sector and in the wider business world to try to persuade the Government to change the policy which is widely considered to be very damaging. However, it is considered unlikely that the Government will back down and so we have started to prepare for administering the new right.  |
| 4.3.2 | It is important that we are ready to process the applications once the scheme is started. The RTB for local authority tenants has timescales built in for responding to the applications for the RTB, similar to those for the Right to Acquire (which housing association homes built post 1997 already have with a maximum discount of £16k) but there are also penalties for failing to comply with the timescales on RTB . We have set up a working group to plan the implementation and have decided that in order to deal with the expected large number of applications when the scheme is announced, we will have a temporary post dealing with all aspects of the process for the customer including the tenancy management aspects, the expected future property costs and the historic costs. We would expect, based on the experience of other landlords, that there will be many applications initially, many of which will be abortive. We are also contacting local landlords who currently administer the RTB in order to learn some good practices from them in terms of minimising the risk of tenants being exploited by relatives or even unscrupulous property companies.  |
| 4.3.3 | The wider impact of the RTB on our business will be estimated once the details of how the scheme will work are known. Even if only a small proportion of our residents choose to and are able to exercise the right, the impact is likely to be very considerable in some parts of our operation. The challenge of managing a lot more scattered leasehold properties in rehabilitated street properties will increase with many more service charge accounts and complications when planning major works. The co-ops could well be disproportionately affected. The link to the need to dispose of local authority housing stock will also put at risk our good relationships with local authorities. More work will need to be done on this corporately when the rules are known and at that point, a further report will come to the Board. **The Board is asked to approve the preparations being made to administer the RTB.**  |
| 4.4 | **Management of service charges and costs** |
|  | In 2014/15 we had a £353k overspend on the service cost budget in general needs. There are a number of reasons for this relating to under-accruals of certain types of expenditure from the previous year especially utility bills where payment is made by direct debit, higher expenditure on repairs service contracts which previously were charged to maintenance as well as some one-off catch-up charges. This year, Housing Services are working with the Finance team to try to ensure that such a large mismatch does not happen again, and that as far as our policy allows, service costs are covered by service charge income. We also have made provision in the budget to allow for a part-time additional post to improve the administration and accountability of service costs. **The Board is asked to approve the work being done to improve service charges and costs.**  |
| 4.5 | **Improving void relet times**  |
|  | The work to improve the monitoring of the voids process and to more easily identify where targets are not being met for each stage in the process is being continued in this year. The mechanisms are set out in section 3.5 and the ultimate outcome can be monitored through the performance indicators which are reported quarterly to the Board. **The Board is asked to approve the continuing work to improve the relet time for voids.**  |
| 4.6  | **Estate services**  |
|  | The work on the service improvement plan for estate services needs to continue into this year. The new post will be reviewed and we hope to have up to date resident satisfaction data in the autumn to assess what impact the work done so far on the plan has had. The new contracts with more scheme specific requirements should also be in place by the year end. **The Board is asked to approve the work to improve the quality of our estate services.**  |

1. e.g. the requirement on working age householders on benefits to pay part of their council tax and for those on Job Seekers Allowance to comply rigorously with the job search requirements of Job Centre Plus or face sanctions with the withdrawal of benefits. [↑](#footnote-ref-1)