

Audit, Governance and Standards Committee

Wednesday 13 November 2024

6.30 pm

Ground Floor Meeting Room G02A - 160 Tooley Street, London SE1
2QH

Supplemental Agenda No.1

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This is an outline briefing to be presented to the committee for noting.

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Date: 11 November 2024

Briefing on Savings

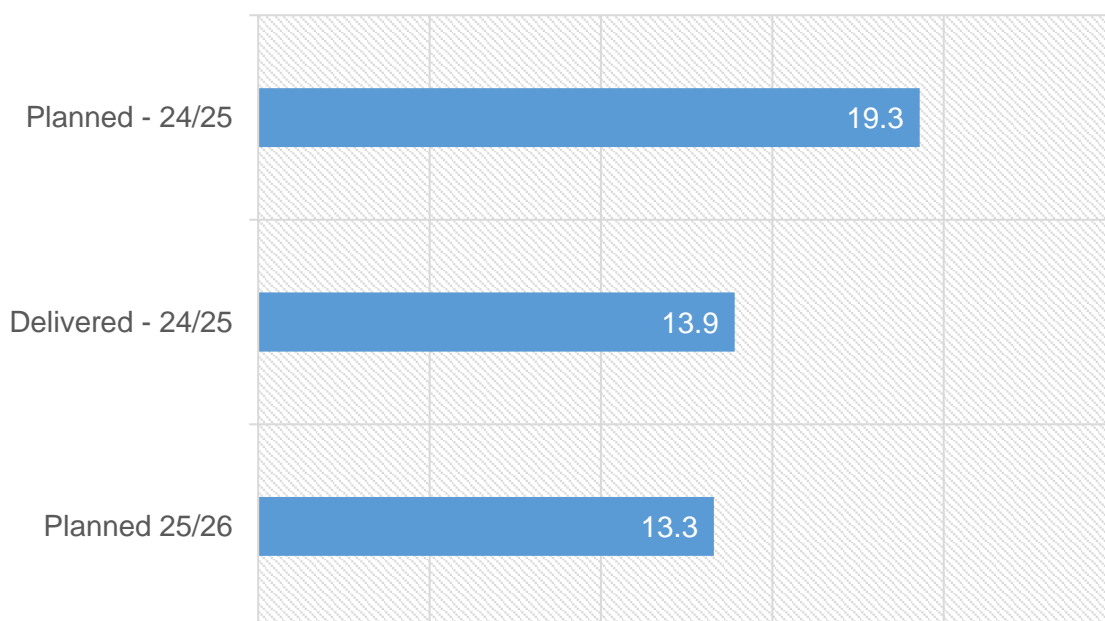
Background

1. The council is committed to becoming a good landlord, which means improving services for our tenants and homeowners. An action plan, setting out the hallmarks of a good landlord service and how we will get there, has been agreed. The action plan includes savings targets for the forthcoming financial year (2025-26). This briefing explains the savings in plain English for residents. The full list of savings is contained in the appendix.

Financial context

2. It is important to explain the context behind these savings. The council is legally required to maintain a separate budget for all income and expenditure related to our housing stock. This budget is known as the Housing Revenue Account, or HRA for short.
3. Southwark's HRA generates approx. £345 million a year, but there is considerable strain on this budget: it must pay for the maintenance of more than 53,000 homes, three quarters of which are now more than 40 years old. External factors – namely persistently high levels of inflation – resulted in a deficit of more than £16 million last year.
4. The council has covered this deficit and implemented a Budget Recovery Programme to prevent it from happening again, but it is necessary for the Housing department to make some savings. We will do this in a way which minimises the effect on residents.

Savings



5. We set an ambitious goal of saving £19.3 million during the current financial year, deducted from combined budgets of £180 million. We are on-course to deliver £13.9 million – or 72% – of these savings.
6. The existing savings plans will be extended into the next financial year, which is estimated to reduce costs by £13.3m.
7. The savings will be delivered by a combination of:
 - a. Working more efficiently
 - b. Maximising our income
8. The proposals include four areas where plans are still being developed and are subject to internal governance. (These are set out in detail in lines 17 – 20 of the table in the appendix.)
 - a. Alternative financing – which will reduce pressure on the HRA through temporary short-term borrowing – intended to save £1.3m.
 - b. A review of staffing structures – intended to save £2.5m against a staffing budget of £66m.
 - c. Transformation projects in IT and procurement – intended to save £1.1m

Working more efficiently

9. This means delivering our services in a smarter, less wasteful fashion, which improves value for money. It does NOT mean cutting services for residents, but it will mean focusing on fulfilling our key obligations as a landlord.

Examples

- Delivering our repairs service as efficiently as possible, increasing productivity, and getting work completed right on our first visit.
- Reducing reliance on agency staff and external sub-contractors, repairing rather than replacing items and better use of technology. Simply put, working smarter not harder. We will maximise every opportunity to deliver more repairs more quickly in our homes by our own workforce.
- Reducing the cost of services the council buys in, such as some cleaning services, energy, and waste management.

Maximising our income

10. This means increasing our income from new and existing sources. It does NOT mean increasing costs for residents already experiencing a cost-of-living crisis.

Examples

- Refining the way we charge for temporary accommodation, making it better value and more efficient.
- Ensuring that as many homes that we own are available for rent at any given time i.e. refurbishing our homes quicker when they become empty.
- Making sure that we maximise income from the commercial properties we own for providing a good service.

Summary

Gross budget	£180.2m
Planned savings for 24/25	£19.3m – or 10% of gross budget
Delivered (projected) for 24/25	£13.9m – or 72% of planned savings
Savings for 25/26	£13.3m

Appendix – Full table of savings

#	Savings theme	Service Area	Saving	Lead Officer	24-25 Gross Budget	Planned saving	Projected saving	Carried into 25/26	New savings 25/26
1.	Efficiencies - Staffing	Customer Services	Complaints, Contact Centre	Dominic Cain	£9,370,000	-850,000	-127,000	-723,000	0
2.	Efficiencies – Repairs & Maintenance	Exchequer	Garage repairs	Dominic Cain	£1,321,000	-500,000	-500,000	0	0
3.	Efficiencies - Staffing	Exchequer	Home Ownership (Service Charges), Rents Operations Team	Dominic Cain	£3,739,000	-739,000	-266,000	-473,000	0
4.	Efficiencies – Operational Costs	Southwark Construction	Recruitment costs, external consultants, audit costs, training costs	Stuart Davis	£103,000	-155,000	-155,000	0	0
5.	Efficiencies - Staffing	Housing Needs & Support	Handypersons	Perry Singh	£165,000	-40,000	0	-40,000	0
6.	Income Maximisation - Alternative Financing	Housing Needs & Support	Great Estates	Perry Singh	£335,000	-335,000	-335,000	0	0
7.	Income Maximisation - Alternative Financing	Landlord Services	Walworth Gardens	Director of LS	£81,000	-81,000	-75,000	-6,000	0
8.	Managed Volume Reductions	Landlord Services	Alternative accommodation, Hoarding	Director of LS	£2,070,000	-525,000	-525,000	0	-900,000
9.	Efficiencies – Operational Costs	Landlord Services	Council Tax, charges for services (cleaning, grounds, waste etc.), private service charges,	Director of LS	£35,366,000	-1,639,000	-2,107,000	0	0

			review electricity charges						
10.	Efficiencies - Staffing	Landlord Services	MSHO Service, concierge schemes	Director of LS	£717,000	-419,000	-363,000	-56,000	0
11.	Income Maximisation – Opportunities	Housing Needs & Support	Voids for TA use, restructuring charging policy	Perry Singh	-£18,937,000	-1,450,000	-1,209,000	-241,000	-4,000,000
12.	Efficiencies - Staffing	Repairs & Maintenance	Agency staff, estimator	Jerry Austin	£1,183,000	-132,000	-16,000	-116,000	0
13.	Efficiencies – Repairs & Maintenance Contracts	Repairs & Maintenance	Pause Planned Maintenance, Sub inflationary contract price rises, Stringent enforcement of guarantees, loft insulation - programmed works only, H&S Gutter Repairs only, Windows & Doors, Essential only - communal spaces, Void Properties lettable standard only, Communal Repairs, Voids - lettable standard, Contract Management, Reduce breaking breaches	Jerry Austin	£38,062,000	-5,936,000	-3,972,000	-1,964,000	-1,800,000
14.	Efficiencies – Maximising in-house services	Repairs & Maintenance	Video inspections, reduce agency staff reliance,	Jerry Austin	£30,084,000	-6,244,000	-2,844,000	-3,400,000	-3,000,000

			Lettable standard e.g. patch rather than replace, Equipment returned, Pause recruitment, Recruit Damp and Mould team, Clear Damp & Mould backlog, Reduce reliance on external sub-contractors, Essential Day to Day repairs, Review overtime requirements, Sub-contract rates, Software review, Materials pricing, Reduce reliance on external sub-contractors						
15.	Efficiencies - Staffing	Directorate	Staffing	Hakeem Osinaike	£500,000	-80,000	-80,000	0	0
16.	Income Maximisation - Opportunities	Commerical Properties Income	Increase in commercial rents	Stephen Platts	£10,098,000	-150,000	0	-150,000	0
17.	Income Maximisation – Alternative Financing	Repairs & Maintenance	Capitalise staff time, increased capitalisation of works	Jerry Austin	0	0	-1,300,000	0	0
18.	Efficiencies - Staffing	All services (not Southwark Repairs)	Review of staffing structures	Hakeem Osinaike	£66,000,000	0	0	0	-2,528,000

19.	Efficiencies – Operational Costs	Directorate	Transformation – IT	Hakeem Osinaike	0	0	0	0	-598,000
20.	Efficiencies – Repairs & Maintenance	Directorate	Transformation – Procurement	Hakeem Osinaike	0	0	0	0	-500,000
					£180,257,000	-19,274,000	-13,874,000	-7,169,000	-13,326,000

COMMITTEE: AUDIT, GOVERNANCE AND STANDARDS COMMITTEE (OPEN AGENDA)

NOTE: Original held in Constitutional Team; all amendments/queries to Virginia Wynn-Jones, Constitutional Team on 020 7525 7055 or virginia.wynn-jones@southwark.gov.uk

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