SCRUTINY REPORT

MEETING:	**Overview and Scrutiny Committee**
DATE:	**24TH November 2026**
SUBJECT:	**HRA Savings**
REPORT FROM:	**Sian Grant, Director of Housing** **Darrell Campbell, Finance Business Partner (Interim)**
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1. BACKGROUND

1.1. As part of improving housing services following the insourcing of the management of housing stock from the ALMO, last year saw the production of the first full 30-year HRA Business Plan , which was part of the suite of background papers to the Council's 2026/27 budget report.

1.2. The production of a 30-year HRA Business Plan required a lot of work to update and develop more informative strategies to underpin assumptions within the plan. This included the refresh of Asset Management data held within the Lifespan system, as well as significant additional resources being added to the plan following a major restructure of the service. It was acknowledged at the time the budget was set that although significant progress was made in the development of the plan to inform the budget last year, that there was still much more work to be done to get the plan where it needs to be, and aligned with the right allocation of resources.

1.3. Following the initial refresh of data for the 30-year plan it quickly became apparent that due to a lack of historic investment in the stock, allied with the day-to-day needs of the service, that the resources available were not sufficient to meet those needs over the long-term. As per the 2026-27 agreed budget and 30-year HRA Business Plan, currently the HRA Business Plan would go into overall deficit in Year 21, with a deficit which would grow to an estimated £54.7m by the end of the 30-year period. Hence, the need for the introduction starting in 2026-27 of efficiency savings targets to try and start closing the gap between spend and available resources over the long-term. The earlier that we can start to drive efficiency savings through the plan, the greater the impact they will have in the long-term.

1.4. An initial target of £0.500m of savings per annum was identified to be achieved in each of the first 4 years of the plan, resulting in a total £2.000m reduction in the base budget at the end of that time. Again, it was acknowledged that this would not fully achieve the savings required to bring the 30-year Business Plan into balance, but it was a start in getting the service used to taking on greater accountability and responsibility for driving improvements through the service.

1.5. This report seeks to give an update on where the service is against the targets set for 2026-27, along with potential additional savings identified, and the need to allow flexibility

in the approach to achieving annual savings in order to achieve the ultimate goal which is to produce a balanced 30-year HRA Business Plan, whilst providing the right resources to deliver the best possible housing services, matching both the aspirations of Cabinet and our tenants.

2. HRA Savings Progress 2026-27

2.1. As outlined above for 2026-27 an initial efficiency savings target of £0.500m was set. It was decided after some initial discussions that given the amount of controllable spend that that existed within the various elements of the budget that the savings would be allocated as follows:

- Repairs Budget - £0.350m
- Management Budget - £0.150m
- Total Efficiency Savings Target 2026-27 - £0.500m.

2.2. For the first year no element of the savings target was allocated to the Capital Plan, mainly because Capital savings tend to be one-off in nature, unless a revenue budget saving in terms of reduced revenue contributions to capital can be achieved. This does not mean that this is discounted for future years, particularly where a revenue contribution exists. This is explained below.

3. Repairs Budget

3.1. At the point the budget was set for 2026-27 savings still had to be identified in order to meet the targets set out above. Areas that were identified for potential efficiency savings in the repairs budget included:

- Increasing operative productivity and reducing reliance on subcontractors and therefore reducing costs. A target to increase operative productivity by 0.4 jobs a day was put in place. This equates to 2640 additional jobs a year and a potential saving in subcontractor spend of c£500k.
- Reprocuring the repairs subcontractors and enabling increased cost control and subcontractor management. This is estimated to provide a saving of £100k per annum based on a 10- 15% reduction in subcontractor spend.
- Moving long term agency staff to permanent operative posts. There were 23 agency operatives in 2025/26. The estimated saving from moving them to permanent staff was c£200k.

3.2. A number of factors have made the delivery of these savings more challenging than originally anticipated. These include increasing demand for repairs services, growing complexity of repair requests, difficulties recruiting suitably qualified operatives, and the operational impact of addressing the historic repairs backlog.

3.3. The productivity of directly employed repairs operatives has improved significantly, increasing from 2.6 jobs per operative per day in 2025/26 to 3.31 jobs per operative per day in 2026/27 year-to-date, representing an increase of 0.71 jobs per day. However, there have experienced ongoing difficulties in recruiting both permanent and agency operatives to achieve full operational capacity.

3.4. In addition, a number of long-term sickness cases have reduced workforce availability during the year. While these cases are being actively managed, the combined impact of vacancies and sickness absence has reduced our ability to fully realise the benefits of improved productivity. As a result, we have continued to rely on subcontractors to maintain service delivery and meet customer demand. The additional subcontractor expenditure has offset much of the financial benefit generated through improved operative productivity.

3.5. We have successfully transferred all long-term agency operatives who wished to remain with Bury Council onto permanent contracts. Those who did not wish to accept permanent

employment have left the service. This has generated an in-year saving of £269k in staffing costs and reduced the Council's ongoing reliance on agency labour.

3.6. We are currently undertaking a full re-procurement of repairs contractor arrangements. Stage 1 of the procurement process has been completed and Stage 2 is now underway. It is anticipated that the new contractual arrangements will be implemented from the start of the 2027/28 financial year, enabling improved cost control, contract management and value for money.

3.7. Whilst we have made progress in delivering operational efficiencies, we have also experienced increasing demand and cost pressures. In particular, there has been a significant rise in the number and complexity of housing disrepair claims. These claims create financial pressures through legal costs, settlement payments and compensation awards. To mitigate this risk, a dedicated team has been established to proactively manage disrepair cases, address underlying issues at an earlier stage and robustly defend claims where appropriate.

3.8. Work is also ongoing with the Council's Legal Services team to strengthen the Council's overall approach to disrepair management and reduce the number of cases progressing to litigation.

3.9. Taking account of the factors outlined above, the Repairs Service is forecasting an overspend of approximately £0.760 million in 2026/27. To support the delivery of a balanced budget and identify further efficiencies for 2027/28 onwards, the following areas will be subject to review:

- Review of the out-of-hours repairs service, including tightening eligibility criteria and reducing contractor call-out costs.
- Review of the voids service, including the void standard and identifying the optimum balance between repair investment, void turnaround times and rental income loss.
- Review of stores and materials management arrangements.
- Review of vehicle utilisation and fleet management costs.
- Further opportunities to reduce subcontractor dependency through increased workforce capacity and productivity improvements.

3.10. Despite the current budget pressures, the service has delivered measurable improvements in productivity, reduced reliance on agency labour and continues to implement structural changes designed to improve efficiency and value for money. The full financial benefits of these initiatives are expected to be realised over the medium term as recruitment stabilises, procurement savings are delivered and demand pressures are brought under greater control.

4. Management Savings

4.1. In terms of the management savings target of £0.150m for 2026-27 a decision was taken not to seek savings in these areas due to the need to ensure we have strong management in place and the staffing capability and capacity to continue to improve the housing service. We did generate some in-year savings were due to delays in recruiting following a restructure of the neighbourhood service.

4.2. Areas that we will be exploring for savings in the management budget include:

- Reviewing our service charges and ensuring we are charging for all service chargeable services as we are currently undercharging for some services and not charging at all for others. Any changes made in this area will be subject to full tenant consultation and will be phased in to recognise cost of living pressures.
- Review how we can reduce tipping and waste disposal costs.
- Delivering savings as a result of the QL upgrade including removal of software that is no longer required, staff efficiencies from greater automation and efficiencies.

5. Other Savings

5.1. Two issues have arisen that have helped address the savings targets for 2026-7. Firstly, following a detailed Zero-Based Budgeting exercise during 2025-26, and the re-alignment of the repairs budget following a major staffing re-structure, it was possible to earmark £0.280m of those budgets, to create a contingency pot against unforeseen repair events. Ideally, it would be prudent to retain such a contingency pot moving forward. However, that will not prove possible this year, as the £0.280m will be needed to be offset against the £0.350m efficiency savings target agreed for the repairs budget for 2026-27, which would leave a potential £0.070m shortfall in the target to be achieved.

5.2. Following a major exercise in 2025-26 to review and revise Central Support Recharges, and further work during 2026-27 to review all HRA internal recharges which had not been fully revised since the ALMO returned to the Council in 2024, a potential significant saving in the management costs budget has been identified. Allowing for budget re-alignments to correct some of the Central Recharge budgets this will produce a saving sufficient to cover the overspend in the repairs budget in-year, as well as covering the under-achievement in the management and repairs savings targets for 2026-27.

5.3. The benefit from this is that there is a potential permanent saving to next year's budget from this amounting to circa £0.750m. Although this is positive, it will need to be considered as part of a full refresh of the HRA 30-year Business Plan, and future potential additional resource pressures from increasing costs and legislative changes e.g. Awaab's Law and additional capacity need to address some of the issues identified by the Regulator. Hence, at this stage it is being recommended that the £0.500m of additional savings originally set for 2027-28 remains in place. However, it is also recommended that the Capital Plan is brought into the equation, and that the savings targets for 2027-28 are split as follows:

- Revenue repairs - £0.175m
- Management Budgets - £0.075m
- HRA Capital Plan - £0.250m (reduced revenue contribution)

5.4. Moving forward beyond 2027-28 it is recommended that the allocation of savings targets is kept under review. Certainly, the original £2.000m savings target should remain, but there may be a need to extend the deadline to achieve these. This will depend on the wider picture across the whole 30-year HRA Business Plan, and what pressures have to be met as well what steps will need to be taken to eventually bring the plan into balance, which ultimately must be achieved.

6. Summary

6.1. Management of the HRA has now improved and the work outlined above now sets a balanced annual budget with a balanced 30-year Business Plan moving forward. This has been achieved through establishing a new culture within Housing Services to address the need for efficiencies and to look for improved, more productive ways of working, against the standards required for regulatory compliance.

6.2. Due to a fortuitous set of circumstances following a review of recharges this has eased some of the initial year's issues, however, the service still needs to remain focussed on driving out savings in future years to help keep the annual budgets balanced, and close the gap between available resources and the cost base over the long-term.

List of Background Papers:-
None

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