

Webinar questions and answers

Please give details on target rents

Bed size for average rent	2020-21 Average weekly Target rent £	2021-22 Average weekly Target rent £	Increase £
0	82.36	83.59	1.23
1	96.11	97.55	1.44
2	108.81	110.44	1.63
3	124.76	126.63	1.87
4	141.15	143.27	2.12
5	163.11	165.55	2.44
6+	174.33	176.94	2.61
Total	110.23	111.88	1.65

From **AJ**

What part of the HRA needs income and expenditure to match?

The HRA reflects a statutory obligation under section 75 of the Housing and Local Government Act 1989 to account separately for local authority housing provision. It identifies the major elements of housing revenue expenditure – maintenance, administration, and contributions to capital costs – and how these are funded by rents, service charges and other income.

Section 76 of the 1989 Act states that budgets must be set for an HRA on an annual basis in January or February before the start of the financial year. A local authority may not budget for an overall deficit on the HRA (i.e. it must be balanced), and all reasonable steps must be taken to avoid a deficit.

From **Belinda Blanchard**

Are these figures per person per month?

Rents and charges quoted in the HRA budget and rent-setting report are normally per property per week. The garage charges quoted are by client per week. Budget figures are for the whole financial year.

Is it true that government has cut grants entirely?

Central government provides no direct support for local authority HRA's, and has not done so since April 2012. The council is expected to fund all revenue expenditure from within its own resources. However, funding for capital infrastructure projects are made available from time to time, either directly or via the Mayor of London/Greater London Authority for specific purposes such as new house building. This is normally a fixed contribution and still requires the council to fund the greater proportion of the costs.

From **Biljana Stajic**

What is Investment?

The council's investment programme covers all its planned capital expenditure for the foreseeable future, which includes spend on new council stock and the maintenance and enhancement of existing stock. The programme has a variety of funding sources, including capital receipts, section 106 contributions from developers, major works charges from liable homeowners, and depreciation and revenue contributions from the HRA. The council may also undertake additional borrowing on a prudent basis for this purpose.

What is Corporate Support Costs?

In line with national accounting policies, the HRA must make a proportionate contribution towards the costs of the council's administration and management and for the provision of specific support services that are consumed in the course of providing landlord services. Such services would include the cost of office accommodation for HRA staff, HR, IT, legal and finance support.

What is Capital costs?

In the table used in the presentation, "**Capital costs**" includes both "**Depreciation**" and "**Financing costs**", which are the subjects of separate questions below.

What is Depreciation?

The formal definition of depreciation is "*The measure of the value of a fixed asset consumed during an accounting period.*" In essence it is the estimated cost to the HRA of maintaining the housing stock in a lettable condition.

What is Financing?

Financing is the revenue cost of servicing the HRA's debt incurred in creating and maintaining the council's dwelling stock and comprises predominantly principal, interest, and premia payments and debt management expenses. The section of the budget report titled "**HRA Financing**" also addresses this area.

Why has repairs and maintenance gone up so much?

Paragraph 16 of the budget report sets this out. It is reproduced below for convenience:

16. One of the most pressing budget pressures is repairs and maintenance, which already consumes the greatest proportion of operational resources. Control of high value/high volume budgets is important and the successful implementation of the housing repairs improvement plan is critical to improving the performance and financial viability of the housing repairs service going forward. For 2021-22, additional resources of £4.85m are being committed to the repair and maintenance of the housing stock.

Why is there a discrepancy regarding repairs and maintenance?

The table in slide 13 is a condensed version of Appendix B in the budget report, and in the table "**Repairs and maintenance**" also contains the figure from the line "**Estate cleaning and grounds maintenance**" in the report. This is to ensure that the table was able to fit on a single slide.

What is the contribution to the Lambeth Careline service?

Southwark has entered into a five-year contract to provide Careline services to vulnerable Lambeth residents in addition to their own. The additional income generated is the annual payment for this service by the London Borough of Lambeth and forms a new income stream to the HRA.

What is Provision for Bad Debts?

The council must make an allowance for the likelihood that a proportion of rents and service charges will be irrecoverable and will need to be written-off, following extensive recovery measures. This provision is assessed annually according to the size and age of arrears owing, the stage of recovery action and the likelihood of eventual recovery.

What is the Debt Financing Budget?

This has been addressed in the earlier answer regarding financing costs.

How is the £5.4m increase made up?

Appendix B to the budget report sets out the composition of expenditure and income for both 2020-21 and 2021-22. As the budget has to balance, both of these have increased by £5.4m between the years. As the appendix does not show the change between individual items, an expanded version is set out below for reference:

	2020-21 Revised budget £m	2021-22 Indicative budget £m	Change £m
Employees	38.5	38.3	(0.2)
Operational running costs	35.0	35.7	0.7
Estate cleaning and grounds maintenance	17.2	17.7	0.5
Repairs and maintenance	46.3	53.7	7.4
Contribution to investment programme	27.1	27.1	–
Corporate support costs	11.1	11.1	–
Depreciation	53.0	53.0	–
Financing costs	33.6	30.6	(3.0)
Tenant management organisations (TMOs)	7.0	7.0	–
HRA Expenditure	268.8	274.2	5.4
Dwelling rents	(193.4)	(196.7)	(3.3)
Non-dwelling rents	(5.8)	(5.8)	–
Heating and hot water charges	(8.8)	(8.8)	–
Tenant service charges	(15.3)	(15.7)	(0.4)
Homeowners - major works	(11.0)	(11.0)	–
Homeowners - service charges	(19.8)	(21.3)	(1.5)
Interest on balances	(0.7)	(0.7)	–
Commercial property rents	(8.3)	(8.3)	–
Fees, charges and third party income	(2.4)	(2.6)	(0.2)
Recharges	(3.3)	(3.3)	–
HRA Income	(268.8)	(274.2)	(5.4)
HRA Total	0.0	0.0	0.0

From **Karen S**

Why are there no reductions in employees?

Some of the proposed efficiency savings listed for the HRA in 2021-22 do have employee implications, and this is why the cabinet report includes a specific recommendation covering this issue “***Cabinet reaffirms its commitment to ensure that savings proposals are primarily based on efficiencies, and where staffing reductions form part of any savings proposal, that due consultation and process is followed with trade unions.***”

In 2021-22 the implications for the staffing establishment of the council are relatively minor, unlike for example a major restructuring of part of the HRA service provision, which has formed part of savings in previous years, and so the report does not need to focus on this particular aspect of the savings proposed.