

## The HRA Budget-Setting Process

### Determinations and Statute

1. The council has a statutory obligation not to set a HRA budget in deficit (s.76 Local Government and Housing Act 1989). This is normally taken to mean that the HRA budget must be 'balanced' i.e. expenditure must be matched by income for a given year.
2. The main factors affecting the amount of income available to the council are the rent level, and the amount of housing subsidy provided by central government. Both these elements are heavily dependent on annual determinations issued by the Secretary of State for Communities and Local Government.
3. Communities and Local Government (CLG) normally issue an annual Determination in draft form in early November for the following financial year. This is the subject of a six-week consultation period, where local authorities can verify various data inputs provided, and lobby for any changes to underlying assumptions that the government may have made in generating the figures. A final Determination is usually issued immediately prior to Christmas, though in 2010 this did not happen until 10 January 2011.
4. Whilst the Determination contains the statistical information upon which CLG has based its calculation of the total amount of housing subsidy that the council will receive in the forthcoming year (or, if the council is a "negative subsidy" authority, the total amount which they will be required to pay to CLG); it also sets out assumptions regarding the "guideline" rent figure, which CLG assumes the council will be levying for the next year. This notional figure feeds directly into the subsidy calculation, giving central government a powerful tool in influencing the rent increase to be set by councils. These assumptions form the ongoing rent restructuring of local authority rents, with the policy objectives of making LA rents more directly comparable to those in the RSL sector, and also to harmonise their derivation within the LA sector.

## **Consultation**

5. In the past, the need to set a balanced budget, coupled with a gradual reduction over time of the level of support provided by housing subsidy has meant that the HRA budget-process has been driven by the need to “balance the books” by means of increasing other sources of income or by expenditure reductions (once unavoidable demands and other commitments have been factored in). The council has consulted on the rent increase implied by central government assumptions within the determination process, and on other related charges, but has not, in the main, consulted on the individual expenditure implications of providing services within this particular financial envelope.
6. For practical purposes, this has meant taking a draft version of the Cabinet rent-setting report to Tenant Council in early January for them to discuss and refer on to Area Housing Forums, meeting for this purpose during the month. Tenant Council reconvenes (usually the evening before the Cabinet meeting) to collate Forum responses and determine their own collective response. This is then relayed to Cabinet by officers from Finance and Resident Involvement the following day, to inform their decisions.
7. It should be noted that Area Housing Forums are open to both tenants and leaseholders.
8. The draft Cabinet report was also considered by Home Owners Council in mid-January, which although not able to make recommendations regarding tenant-specific issues such as the proposed rent rise or tenants service charges, can do so on any proposed non-dwellings increase.
9. For 2011, this process has changed, as the following section explores.

## **Cabinet**

10. Previously, Cabinet (or Executive prior to 2011) only received one report on HRA rent-setting and budget matters, normally at the end of January each year. However, in order to facilitate greater transparency in the process and to enable consultation to begin before the Christmas break, an early or ‘Indicative’ report was considered by Cabinet on 14 December 2010, which set out such financial information as was confirmed to the council by the draft HRA Determination. A likely average rent increase and early thoughts on associated charges, such as tenants service charges, heating and hot water charges (also known as ‘District Heating’ charges) and non-dwellings charges were also included, along with known commitments and unavoidable additional demands on the HRA for the forthcoming financial year. This enabled Cabinet to have an early indication of the level of savings that might be required in order to set a balanced HRA budget.

11. This report formed the basis of formal consultation with Tenant Council, Area Housing Forums and Home Owners Council during January (see above).
12. A second report, formally asking for rent-setting approvals from Cabinet was considered on 25 January, which contained updated financial information (such as the final HRA Determination from CLG). Feedback from Tenant Council and Home Owners Council would be reported to Cabinet as part of a verbal update (since the Tenant Council usually meets the evening prior to the Cabinet meeting).
13. Given the exceptional circumstances in which local government and the entire public sector find themselves in for 2011 and onward, Cabinet asked for a third report in February 2011, to consider the consultation outcomes noted below, and to allow Members to consider specific savings proposals informed by that process.

### **Consultation Exercise and Savings Panel**

14. In a parallel exercise to one involving Community Councils, the General Fund and the council tax level; Area Housing Forums have been asked during January to take part in a HRA savings exercise, in order to enable officers to gauge resident reaction to the difficult financial decisions which the council must take in order to continue to provide services in a post-Spending Review world. Attendees have been asked to consider the make-up of the HRA in terms of service provision, and to indicate their priorities both in terms of savings decisions, and also with regard to protecting services.
15. The budget consultation exercise noted above is of necessity rather "broad-brush" in its approach in order to be as inclusive as possible within time constraints, and so Tenant Council, in consultation with officers, has established a working party to consider the implications of proposed savings in greater details than might be afforded to the Area Housing Forums. The Chairman of Home Owners Council has also been co-opted on to this Panel, which is meeting on a regular basis from late December through to mid-March. Where practically possible, feedback from this process is intended to be incorporated into, and inform the HRA Savings report to Cabinet in February; but it is also intended that the work of the Panel continue and play a key part in framing HRA budget decisions for 2012/13 and onward.

## **Rent Letters**

16. Once the rent has been set by Cabinet, then statutory notices of variation ('rent letters') can be generated and dispatched to tenants and occupiers of the various forms of temporary accommodation that the council utilises. Under the terms of the standard tenancy agreement, tenants must receive 28 days notice of any variation in their rents or charges, which as the rent year commences on the first Monday in April, means that the letters must have been received by the beginning of March. Letters have been signed by the Head of Housing Management or Head of Housing Strategy and Options as appropriate in the past, but the appointment of a Director of Housing Services in January 2011 means that letters will be signed-off by her in future. A standard rent letter from 2010/11 is appended.
17. The rent letter is accompanied by a leaflet setting out the various means of payment, and also by a set of translation tags, giving in a variety of commonly-used languages within Southwark details regarding translation services.
18. In the normal course of events, there are usually one or two items which cannot be confirmed by the time that the letters need to be dispatched, and how the council deals with this is set out below.

## **Thames Water**

19. The council acts as billing agent for Thames Water – except where properties have a metering arrangement – and collects water rates as part of the same process as rents and other charges. We receive a commission from Thames Water, which covers our billing and administrative costs in this regard. Unfortunately, due to the requirement that water companies have to secure the formal approval of the Water Industry Regulator (Ofwat) to their own increases, notification to us almost always arrives during February, which is too late to be included in individual rent letters. The standard text of the rent letter explains that there will in all probability be an increase in the charge from Thames Water, but that the specific new amount will be included in rent cards, which are sent to tenants during mid-late March.

## **Benefits**

20. Updating of the council's housing IT system 'iWorld' for changes to rents takes place immediately on rent-setting. However, consequent changes to the benefits position of individual tenants, and any other changes to benefit regulations require further input from the Benefits team and the council's Information Services Division, meaning that an annual benefits update is normally only able to be undertaken across an entire weekend, normally in late February or early March. Once again, it is not logistically possible to include updated benefits information on the rent letters, but this is processed in time for the rent card to be run.

## **Rent Cards**

21. Tenants receive two notices from the council regarding their new rent and associated charges – the statutory notification or rent letter towards the end of February, and also a rent card – so called because it was historically used for cash receipting purposes. The physical generation of the rent cards is not subject to any statutory requirements beyond the obvious practical one of being received before the new rent year commences, and so may be delayed until all the updated information to be contained therein is available. Thus the rent card contains an indication of all the rent and charges that an individual tenancy is liable for in the forthcoming year expressed on a per week basis, their benefits position – which may offset some or all of these charges, and the net amount which the tenant is required to pay each week.
22. Rent cards are also varied in colour each year to assist tenants in not confusing their liability, particularly during March and April, and they normally contain information regarding the various methods of payment available. Finally, the rent card also contains an indication as to the maximum number of persons permitted within the specific tenancy, the notification of which is a requirement of s.332 of the Housing Act 1985. A standard rent card from 2010/11 is appended.