

Item No.	Classification: Open	Date:	Scrutiny Committee
Report title:		Briefing note on HRA Working Party	
Ward(s) or groups affected:		All	
From:		Strategic Director of Housing Services	

1. Background

- 1.1 In September 2011, both Home Owners Council and Tenant Council were asked to consider how best residents could influence the budget agenda given the increasingly apparent need to make significant reductions in funding to housing services. Tenant Council asked that a working party be convened to consider the savings agenda. The first meeting in December was called once the draft HRA budget position had been announced and the reality of the savings process had been confirmed. At this point Home Owner representatives were invited to join the Savings Working Party.
- 1.2 At the first meeting on 22 December 2010, a draft terms of reference was agreed, and then amended in January 2011 when home owner representatives were present.

2 Membership

- 2.2 Currently, the HRA Savings working party's membership consists of eight tenants and two home owners. The chairs of both tenant and home owner councils are members.
- 2.3 Until recently it has been led by Margaret O'Brien (Head of Housing Management) and more recently Simon Godfrey (Resident Involvement Manager). Gerri Scott (Strategic Director of Housing) has been attending since joining the council in January, and Ian Young (Head of Housing Finance), Shaun Regan (Finance & Performance Manager) and Sam Davidson (Divisional Accountant) contribute to meetings. To date, these have been held fortnightly.

3 Remit

- 3.2 The Council defined its reason for calling the Working Party as follows:

“(We are) facing difficult financial and budget choices over the next three year term. Resident feedback should inform the level of charges and management decisions on savings. These choices are limited due to the financial and statutory framework, and the Council wishes to engage and brief a much wider group of residents than previously. Feedback on how to consult and engage effectively is also very important.”

- 3.3 The working party was set up initially to examine and comment upon the developing HRA budget for 2011/12.
- 3.4 The terms of reference of the working party include the residents' view that it should:
- Help contribute to the setting of the HRA budget, rent levels and service charges.
 - Brief tenants on the background to the Government determined rent increase
 - To continue with post budget setting consultation on a range of finance related issues including the overarching housing savings proposal.
- 3.5 The first point of agreement however was that the role of the Working Party should be expanded to cover a longer term engagement with the Council over the management of the Housing Revenue Account, and the ongoing efficiency programme required to deliver excellent services in the face of continued reductions in funding. The Working Party was renamed the Housing Revenue Account Working Party to reflect this wider remit. Residents defined the following areas as part of the early work programme:
- Proposed resident consultation strategy
 - Rent Levels – briefing only
 - Service Charge Levels
 - Budget Options
 - Income generation options
 - HRA/General Fund Review
- 3.6 To date, it has considered:
- Options for service charges
 - The design of and results of wider consultation on savings with area housing forums which included, for the first time, a graphical and quite detailed breakdown of the HRA and information on what might be considered statutory duties
 - Strategy and Regeneration savings proposals
 - Housing management savings proposals (including staffing)
 - Non residential income
 - Leaseholder savings

4 Feedback on the budget proposals

- 4.1 Discussions in January and early February 2011 centred on the development of the HRA savings proposals for the financial year 2011/2012. Residents' feedback on the budget proposals were highly persuasive. The group provided a strong counterpoint and sounding board for the radical draft proposals, and various resident suggestions were adopted as part of the final savings proposal. These were:
- Deletion of the proposal to delegate complaints handling to repairs contractors
 - Deletion of the proposal to reduce compensation payments for missed appointments

- Removal of the Housing Advice proposal – with a commitment to improve direct access to housing officers and to use existing telephony arrangements to enhance the income collection function
- 4.2 Residents have expressed clearly that they do not support staffing reductions in the housing service. They were also clear that they expected efficiency savings to be taken in equal measure from Council contractors such as Vangent, and from corporate costs. The Council committed to involving residents in future reviews of all these services.

5 Continuing role

- 5.2 Now that the 2011/12 budget has been agreed by the Council, the group has been retained in order to have an input into the 2012/13 budget from an early stage. This will include the selection of financial areas the group wishes to explore in particular, and also the co-ordination of wider resident consultation in time for the results to be fed into the budget setting process.
- 5.3 The group welcomed the Council providing residents' representatives with information on the HRA and the opportunity to make comments, but felt that with more time a more meaningful resident input will be possible for the 2012/13 budget.
- 5.4 To avoid duplication, the group will not be looking at areas being considered elsewhere, such as issues arising from the Overview & Scrutiny report on the repairs service.

6 Housing Revenue Account/General Fund Split

- 6.2 Residents have on several occasions expressed the opinion that they are being charged twice for various aspects of service provision, on the basis that the HRA contributes to the cost of such services in conjunction with the council's General Fund, and that this is a breach of the statutory 'ring-fence' between the two accounts. The council has taken regular advice on this, from the relevant professional body, CIPFA, from the external auditors, from the government (CLG) and has commissioned independent assessment of its charging policies from suitably qualified external consultancy services. In each case, the council's financial policies and assessment of the operation of the ring-fence has been found to be valid.
- 6.3 Notwithstanding this, it is right and proper that the allocation of costs between the HRA and the General Fund is subject to particular scrutiny, not least because the relevant central government advice dates from 1995 ("**DoE Circular 8-95**"), and the world has moved on somewhat since then. As part of consultation for the self-financing of the HRA, the previous government issued draft guidance which updated the 1995 position. In our submission to the consultation on this guidance (letter to CLG, 6 July 2010) the council said:
- "We welcome further certainty around the HRA ring-fence, and renew our call for Annex D to the Prospectus [the guidance] to be formally issued...for local authorities in this regard."***
- 6.4 However, with regard to this, in February 2011 the Coalition Government decided not to issue the revised guidance:

"In line with our emphasis on localism we do not intend to issue new guidance on the operation of the ring-fence. We expect local authorities to take their own decisions, rooted in the principle that 'who benefits pays'." ('Implementing Self-Financing for Council Housing' paragraph 5.2, CLG)

- 6.5 During 2010 a thorough internal review of all corporate support charges within the council's accounts has been undertaken, and this wider-based work partly encompasses the issues raised by tenants and leaseholders. As this work-stream is now virtually complete the Finance Director intends to expand upon it with regard to the HRA by engaging suitable outside professional expertise to provide an independent view of updated circumstances and financial relationships between the HRA and the General Fund. It is the intention that this review is completed by late summer 2011, so that any financial impact can be assessed and discussed as part of the HRA budget-setting for 2012/13.

