

London Borough of Southwark

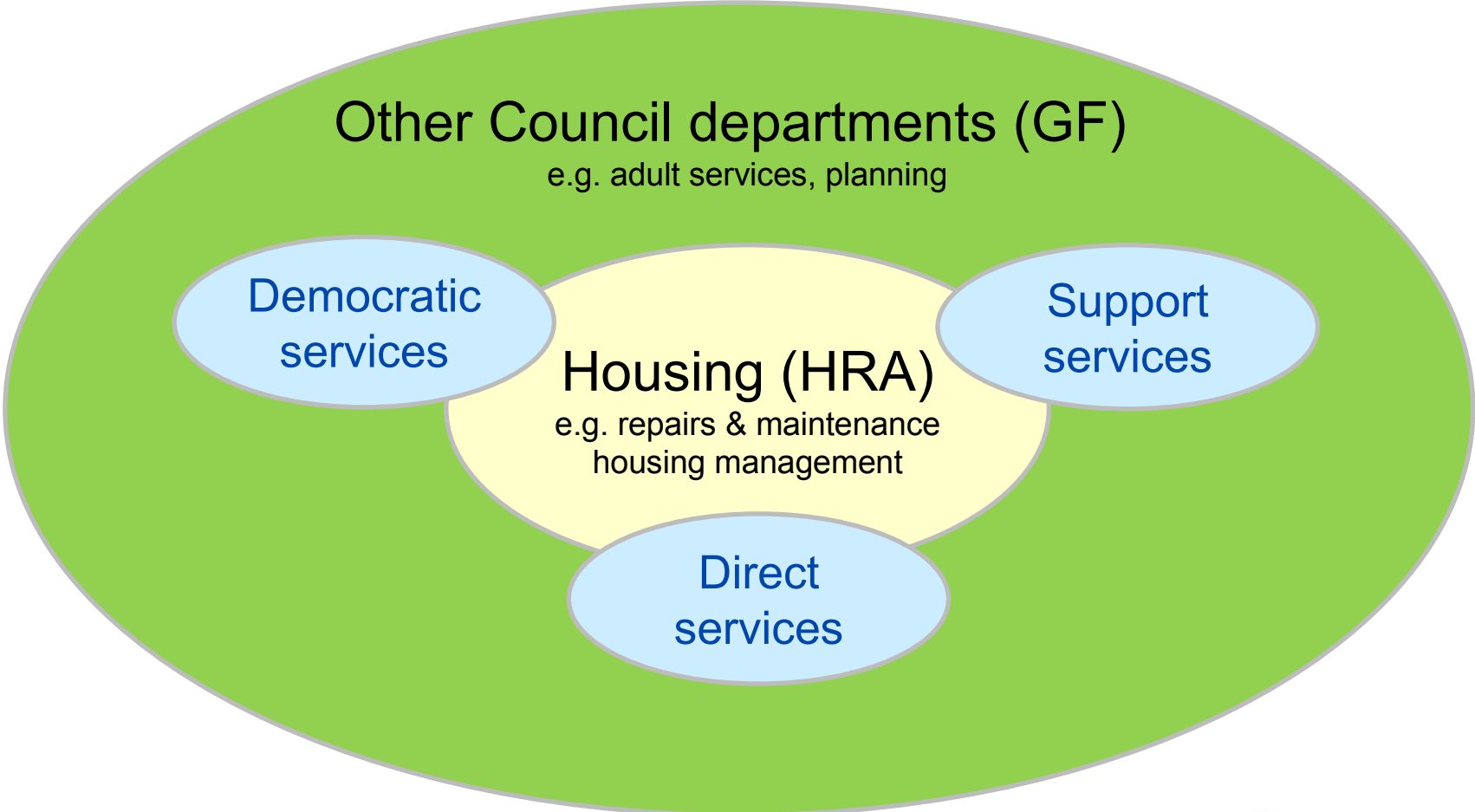
Review of General Fund Charges to the
Housing Revenue Account

Presentation to Tenants Council/Home
Owners Council - 7 Dec 2011

Our brief

- Review allocation of costs to the HRA
- Includes central support costs and services delivered by other departments
- Excludes "mainstream" HRA costs e.g. repairs delivered directly by the Housing Dept.
- List of cost areas agreed with Steering Group

HRA Ring Fence



Scope

Service Area	HRA charge (£millions)
Corporate and Democratic Core	1.1
Central Service Support Cost Recharges	15.8
Environment	18.2
Other Service Areas	6.4
TOTAL	41.5

By comparison:

- HRA annual expenditure £265million
- Total Council gross revenue expenditure £1,276million

Approach

- Review c. 40 cost areas
- In each case, assess whether charges are:
 - in accordance with current legal and accounting practice;
 - calculated on a reasonable basis;
 - likely to be an accurate reflection of actual costs; and
 - applied in a consistent way e.g. is the service charged to other social landlords?
- Set out our conclusions as either
 - Accept
 - Review
 - Exclude

Issues

- Some Govt guidance but significant discretion left to local authorities
- Self-financing will not change this
- General principle that HRA accounts for costs associated with council housing including land acquired for these purposes
- Some dispute over costs of public realm areas on estates
- Accounting guidance provides general principles on allocating support costs and overheads

Corporate and Democratic Core

Total cost (£m)	HRA charge (£m)
11.4	1.1

- Covers costs of:
 - Chief Executive's Department
 - Corporate Management Charges
 - Democratic Representation
- Basis of charge is historic and unclear - therefore, review

Central Service Support Cost Recharges

Description	Total cost (£m)	HRA charge (£m)
Accept:		
Legal	2.3	0.6
HR	3.4	0.3
Mktg & communications	1.6	0.4
Customer Services*	14.9	7.1
IT	10.6	1.5
Shared Professional	9.3	1.9
Tooley St	11.2	1.6
Sub-total	53.3	13.4
Review:		
Improvement & development	3.5	1.2
Insurance	4.5	1.1
Sub-total	8.0	2.3

* subject to a review of data quality

Central Support Services (contd)

Plus:

- the way in which data is collected for the Customer Services costs should be reviewed;
- generally, SCRs should be reviewed regularly through the year.

Environment recharges

Description	Total cost (£m)	HRA charge (£m)
Accept:		
Grounds maintenance	2.0	2.0
Pest control	1.1	1.1
Estate cleaning	10.2	10.2
Refuse collection	1.1	1.1
Tree maintenance	0.4	0.4
Estate parking	0.5	0.5
Energy management	0.3	0.3
Garden maintenance	0.1	0.1
Sub-total	15.7	15.7

Environment recharges (contd)

Description	Total cost (£m)	HRA charge (£m)
Review:		
Community wardens	3.6	0.4
Enviro - enforcement	1.2	0.5
Anti-social behaviour	1.0	0.8
CCTV	0.8	0.1
Abandoned Vehicles	0.1	0.1
Sub-total	6.7	1.9
Exclude:		
Noise reduction	1.2	0.2
Snr Management Team	n/a	0.1
Directors office	n/a	0.2
Procurement	n/a	0.2
Sub-total	n/a	0.7

Environment (contd)

Plus:

- the system of rectification notices for the ICC should be implemented

Other services' recharges

Description	Total cost (£m)	HRA charge (£m)
Accept:		
Temp. accommodation	1.3	0.6
Tenancy support	0.3	0.3
Disabled adaptations	0.1	0.1
Property services	0.7	0.7
Play areas	0.1	0.1
Estate lighting	2.7	2.7
Sheltered housing	1.2	0.4
Sub-total	6.4	4.9
Review:		
Regeneration	3.2	1.5

Other services (contd)

Plus:

- The case for appropriating the pedestrian area on the edge of Castlemead Estate from the HRA to the GF should be considered

Summary

Service Area	HRA charge	Accept	Review	Exclude
Corporate and Democratic Core	1.1		1.1	
Central Service SCR	15.8	13.4	2.4	
Environment	18.2	15.7	1.8	0.7
Other Service Areas	6.4	4.9	1.5	
TOTAL	41.5	34.0	6.8	0.7

All figures in £m