



London Borough of Southwark

Review of the Recharging Arrangements between the General Fund and
Housing Revenue Account

October 2011

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1 Executive Summary

Introduction

- 1.1 The London Borough of Southwark ("the Council") is the largest social landlord in London, manages 53,695 properties (including 14,633 properties where the leasehold interest has been bought by the tenant under the Right-to-Buy).
- 1.2 The Council is required to keep a "ring-fenced" Housing Revenue Account (HRA) which accounts for costs and income in relation to its landlord function separately from its other functions and services which are charged to the General Fund (GF). In Southwark the HRA accounts for annual expenditure of £265million out of a total gross revenue expenditure by the Council of £1,276million
- 1.3 The Council apports costs for corporate services, support services and other overheads to the HRA. There are also some direct services which are undertaken by other departments and then charged to the HRA. The guidance on what costs can be charged and how they are to be apportioned is contained primarily in DoE Circular 8/95, which reflects the statutory framework, and accounting guidance from the Chartered Institute of Public Finance and Accounting (CIPFA). No further substantive guidance has been issued and it is up to local authorities to take their own decisions within this statutory and accounting framework, rooted in the principle of "who benefits, pays".

Scope of this study

- 1.4 The Council has commissioned Grant Thornton UK LLP to review the allocation of costs to the Housing Revenue Account (HRA). In undertaking this project, we have agreed our brief with the Council's HRA Working Party which comprises tenant and leaseholder representatives as well as Council officers.
- 1.5 We have split the service areas under consideration into the following areas:
 - Corporate and Democratic Core;
 - Central Service Support Cost Recharges;
 - Services delivered by the Environment and Leisure Department; and
 - Other service areas.

Within each area there are a number of charging areas, some of which may comprise a range of cost heads.

- 1.6 Our analysis considers the following for each charge to the HRA:
 - is it in accordance with the current legal and accounting framework?
 - is the allocation of the charge between the GF and HRA made on a reasonable basis, in terms of its methodology and in some cases applying a test of whether a charge for the service would be made if the Council offered it to another social landlord?

- is the charge likely to be accurate – does the Council have systems in place to accurately collect cost data and reflect the actual cost of the service? We have not tested individual charges to validate the source data or confirm that the calculations are arithmetically correct; and
- is a consistent approach applied to comparable service areas and in respect of third parties?

Key Findings

Corporate and Democratic Core

- 1.7 It is legitimate to apportion Corporate and Democratic Core (CDC) charges to the HRA. These reflect the costs of Democratic Representation (the role of elected Members), the Chief Executive's office and Corporate Management. However the recharge is based on a historic budget allocation and does not reflect the actual cost of the service.

Central Service Support Cost Recharges

- 1.8 It is legitimate to apportion Central Service Support Cost Recharges (SCRs) to the HRA. These reflect the cost of central support services and overheads including legal support, human resources, communications, customer services, the Deputy Chief Executive, IT support, procurement, finance, insurance and accommodation at 160 Tooley Street. The methodology used in making these apportionments is largely reasonable but we would make these observations:

- the cost for Customer Services (£7.1m) is almost 50% of the total SCR (£15.8m); the charge is apportioned on the basis of which department is seen as the primary subject of each enquiry. Given the amount of the recharge, it is important that this data is robust and we understand the Housing Services Department is undertaking work this year to review the quality of data provided and to ensure it is aligned with the recent restructuring;
- the Improvement and Development cost centre appears to include capital charges which should not be accounted for within the SCRs;
- insurance costs are based on budgeted sums and so do not accurately reflect actual costs;
- in some cases the final stated recharge could not be reconciled to the detailed breakdown provided by the Council which reflected an earlier position statement.

Environment

- 1.9 The Environment and Leisure Department delivers a number of services to the Housing Services Department.
- 1.10 The charges for **estate cleaning, grounds maintenance and pest control** are direct costs attributable to the HRA for services on housing estates and reflect the cost of the service. There remain concerns from residents on the standard of service delivery and we note that the system of rectification notices on the Integrated Cleaning Contract recommended in our earlier report on leasehold charges has been developed but has not yet been implemented.
- 1.11 The charges for **refuse storage and collection** reflect the cost of additional services to housing estates over and above the standard collection service. These include the provision and maintenance of refuse containers, the delivery of black refuse sacks, multi-level collections and additional collections requested by estate managers. This is a legitimate HRA charge and reflects contract costs
- 1.12 The **Community Warden, Enviro-enforcement, Southwark Anti-Social Behaviour Team and CCTV** services are legitimate costs to the HRA as they support the Council's landlord function. However the costs are based on historic budgets and do not reflect the actual cost of the service.

- 1.13 The **Noise Reduction** service offers the same level of service to residents regardless of tenure. Although there is a high volume of calls from HRA properties this does not differentiate the service from that offered to other residents and therefore we do not view this as a legitimate charge to the HRA. It is also a historic budget and so the cost charged do not reflect the actual cost of the service
- 1.14 The **Tree Maintenance** service provides for the maintenance of trees on HRA land under an SLA with Parks and Open Spaces and is a legitimate charge to the HRA based on actual costs.
- 1.15 The **Estate Parking** service provides parking control on HRA estates delivered through an external contractor and is managed within the Environment Department. It is a legitimate charge to the HRA and the costs for 2011/12 have been significantly reduced following a recent contract review.
- 1.16 The **Abandoned Vehicles** service removes untaxed cars from HRA estates under an SLA with the Environment Department. Environment also removes cars from the public highway but not from other social landlords' estates. Therefore this is a service specific to the HRA and is a legitimate charge. However, whilst the charge reflects the agreed cost of the service the low volume of cars actually removed (5 in the first quarter of 2011/12) suggests the Value for Money of this service should be reviewed.
- 1.17 The charge for **Energy Management** covers the provision of Energy Management Certificates (EPCs) for HRA properties on re-let or sale. It is a statutory requirement and is a legitimate charge to the HRA, based on a contracted cost per EPC. This budget also covers the administration of energy accounts for the HRA by staff within the Environment Department.
- 1.18 **Garden Maintenance** is a charge for assistance to elderly or disabled residents in maintaining their gardens. The service is provided by the Walworth Garden Farm under a contract with the Housing Services Department which is managed by the Environment Department. This is a direct charge to the HRA and supports the Council's landlord function.

Other Service Area Recharges

- 1.19 There are a number of other service areas which are charged to the HRA which the Working Party has asked to us to review.
- 1.20 **Temporary Accommodation** reflects the cost of staff salaries in the management, placement, monitoring and moving on of people in temporary accommodation in HRA properties. **Tenancy Support** provides advice and support to tenants on rent arrears, financial hardship and ASB issues. The **Disabled Adaptations** budget covers minor repairs and minor disabled adaptations (defined as costing less than £1,000) to HRA properties. As these are all in support of the landlord function they are legitimate charges to the HRA.
- 1.21 **Property Services** provides professional services in relation to Right-to-Buy disposals and managing the commercial portfolio within the HRA. As these costs are incurred in relation to HRA assets they are a legitimate charge to the HRA.
- 1.22 The costs of **Regeneration** schemes at Elephant and Castle (including Heygate estate) and Aylesbury Estate reflect the costs of preparing for the disposal of HRA assets. These are legitimate landlord costs. In the case of Elephant and Castle the charge reflects a budget allocation rather than actual costs.

- 1.23 The cost of maintaining **play areas** on HRA estates are relatively small (a HRA budget of £87,283 in 2011/12). There does not appear to be a strong argument for apportioning these costs between the HRA and GF as play areas are typically provided and maintained in connection with accommodation provided under Part II of the Housing Act 1985 and therefore come under the HRA. The same applies to **Estate Lighting**.
- 1.24 However there are some **public realm areas** of estates which have remained within the HRA due to the historic boundary of the original estate development but which now could be argued to form part of the general streetscape and assignable to the GF. An example of this is a pedestrian area on the edge of the Castlemead Estate which allows the general public access to a parade of shops. Its cost is borne by the HRA but there is an argument that it should be assigned to the GF. We would regard these cases as exceptional historic anomalies to be considered by the Council on a case by case basis.
- 1.25 The Council provides **sheltered accommodation** for elderly people within the HRA. Currently the HRA is charged with the cost of the buildings' maintenance and repairs and this reflects relevant costs incurred on HRA stock. The provision of wardens, caretakers, senior Support Managers and a floating support service are met through the Supporting People Grant. Subject to the exclusions within Circular 8/95 of "essential care services" these costs may fall to the HRA if Supporting People Grant were not available.

Recommendations

- 1.26 Our review has identified some charges which should be reviewed and one which should be excluded from the HRA. Where we recommend a cost area to be reviewed this is principally to reflect actual costs rather than budgeted costs; for this reason it is not possible to say at this stage whether post-review the actual charge will be higher or lower than the current one.
- 1.27 This is summarised in the table below. A full breakdown is attached at Appendix A.

HRA charges summary (£)

Service area	HRA charge	Accept	Review	Exclude
Corporate and Democratic Core	1,106,000	-	1,106,000	-
Central Service Support Cost Recharges				
- Legal Services	633,426	633,426	-	-
- Deputy Chief Executive's Dept	8,985,408	7,744,543	1,240,865	-
- Finance and Resources Dept	3,435,894	3,435,894	-	-
- Insurance	1,109,270	-	1,109,270	-
- Accommodation at 160 Tooley Street	1,592,133	1,592,133	-	-
SCR total	15,756,131	13,405,996	2,350,135	-
Environment	18,240,097	15,655,006	1,842,808	742,283
Other Service Areas' Recharges	6,427,575	4,887,919	1,539,656	-
TOTAL	41,529,803	33,948,921	6,838,599	742,283

- 1.28 The items which we have included in the "Exclude" category are:

- the cost for Noise Reduction of £211,988;
- the charges from the Environment Department for Senior Management recharges (£121,575), the Director's office (£222,945) and procurement (£185,775) which will be

excluded in 2011/12 following the restructuring of the Environment and Housing Departments.

1.29 Individual recommendations are set out below.

Corporate and Democratic Core

1.30 The CDC allocation does not meet the CIPFA criteria of "transparency" and "reality". It should be reviewed to define actual costs and how the apportionment is applied to these costs. The apportionment method may be reasonable but should be checked on a marginal basis (i.e. the extent to which the charge would reduce if the authority transferred all of its housing stock and closed its HRA) to see if a reasonable apportionment of housing related costs is being made.

Central Service Support Cost Recharges

1.31 The way in which data is collected for the apportionment of Customer Service costs should be reviewed to ensure it is robust and accurately reflects the number of housing related enquiries.

1.32 The Improvement and Development cost centre should be reviewed to ensure capital charges are not included within the SCR calculation.

1.33 The method of calculating Insurance costs should be reviewed so that it accounts for actual costs rather than budgeted sums.

1.34 Generally, SCRs should be reviewed regularly during the year to ensure that actual costs are being captured and budget forecast are amended and current. We understand that the Council is already putting processes in place to do this.

Environment

1.35 The system of rectification notices and penalties (which has already been developed) should be implemented on the Integrated Cleaning Contract.

1.36 The charges for the Community Warden, Enviro-enforcement, Southwark Anti-Social Behaviour Team and CCTV services should be reviewed to reflect actual costs for services to HRA estates based on agreed SLAs with Housing Services.

1.37 The charge for Noise Reduction should not be applied to the HRA.

1.38 The value for money of the Abandoned Vehicles SLA should be reviewed in light of the low number of vehicles removed.

Other services

1.39 The cost of Regeneration schemes on HRA land should be reviewed to ensure actual costs are charged to the HRA rather than budgeted amounts.

1.40 The case for appropriating the pedestrian square on the edge of the Castlemead Estate from the HRA to the GF should be considered. Other similar areas should be considered on an exceptional case by case basis.

2 Introduction

Background

- 2.1 Local authorities with retained housing stock are required to keep a "ring-fenced" Housing Revenue Account (HRA) which accounts for income and expenditure arising from its functions as a housing landlord.
- 2.2 The London Borough of Southwark ("the Council") is the largest social landlord in London, manages 53,695 properties (including 14,633 properties where the leasehold interest has been bought by the tenant under the Right-to-Buy). Its HRA accounts for annual expenditure of £265million out of a total gross revenue expenditure for all Council services of £1,276million.
- 2.3 Whilst the majority of this expenditure is incurred directly by the HRA, there are also charges from other Council departments for support services and for direct services such as cleaning and grounds maintenance.
- 2.4 The principle of a "ring-fenced" HRA means that the Council must be able to account for income and expenditure related to its role as a housing landlord separately to its other functions and services. There has been some guidance issued by government and professional bodies such as the Chartered Institute of Public Finance and Accountancy (CIPFA) on what costs can and cannot be charged to the HRA. However this is not a prescriptive framework and, as recent government guidance states, local authorities are expected "to take their own decisions, rooted in the principle that 'who benefits pays'"¹.
- 2.5 Whilst this was the subject of a previous external review in 2005², following concerns expressed by tenants and leaseholders, the Council has commissioned Grant Thornton UK LLP to undertake an up-to-date independent review of its current approach.

Our brief and approach

- 2.6 The Council commissioned Grant Thornton UK LLP in June 2011 to undertake a review of the allocation of costs between the Council's GF and HRA to assess the legality, reasonableness and accuracy of its approach.
- 2.7 This review tests the validity and methodology of the allocations, whether they are reasonable and in accordance with accounting practice, and, where relevant, highlight where an alternative methodology may be more appropriate.
- 2.8 We report to the HRA Working Party, a joint steering of Council officers and tenant and leaseholder representatives. Following two meetings with the Working Party in June 2011 to discuss and agree the scope of our brief we agreed that we would include the following costs to the HRA in this study:

- Corporate and Democratic Core (CDC)

¹ Implementing Self-Financing for Council Housing, CLG, Feb 2011

² Southwark Housing Recharges, Local Government Futures, 2005

- Central Service Support Cost Recharges:
 - Corporate Finance
 - Insurance
 - Human Resources
 - Legal Services
 - Corporate IT
 - Performance
 - Procurement

- Other services:
 - Community Wardens
 - Southwark Anti-Social Behaviour Unit (SASBU)
 - Abandoned Vehicles
 - Noise Reduction
 - CCTV
 - Sheltered Housing
 - Tenancy Support
 - Estate Cleaning
 - Grounds Maintenance
 - Office Cleaning
 - Play Areas
 - Property Services
 - Regeneration
 - Refuse Storage
 - Estate lighting
 - Fly-tipping
 - Disabled adaptations
 - Costs associated with regeneration schemes
 - Homelessness
 - Call centre services
 - The use of non-housing office accommodation including Tooley Street and "One-Stop" shops.

2.9 We have adopted a standardised approach across these charging areas and identified for each:

- the basis on which the total charge is derived;
- the basis on which it is allocated between the GF and HRA;
- the means by which it is monitored and reviewed internally by the Council; and
- the means by which it is aggregated into the overall HRA each year.

2.10 Our analysis then seeks to reach a conclusion for each as to:

- is the charge in accordance with the current legal and accounting framework?
- is the allocation of the charge between the GF and HRA made on a reasonable basis, in terms of its methodology and in some cases applying a test of whether a charge for the service would be made if the Council offered it to another social landlord?
- is the charge likely to be accurate – does the Council have systems in place to accurately collect cost data and reflect the actual cost of the service? We have not tested individual charges to validate the source data or confirm that the calculations are arithmetically correct; and
- is a consistent approach applied to comparable service areas and in respect of third parties?

2.11 In undertaking this study we have:

- reviewed previous Council reports, cost data and GF/HRA split calculations for each service area;
- undertaken one-to-one interviews with the relevant officers with responsibility for cost allocation and calculation (a list of consultees is attached at Appendix C);
- considered how third parties such as social landlords who receive similar services are dealt with; and
- reviewed the processes within the council for signing off the GF/HRA split calculation annually.

Structure of this report

2.12 The HRA charges which are the subject of this report amount to £40million. We have used 2010/11 figures, and have indicated in our report where these may change in 2011/12. A summary is set out below and full breakdown enclosed at Appendix A, which also reflects our recommendations on which should be accepted, reviewed or excluded

HRA charges which are the subject of this report (£)

Service area	HRA charge
Corporate and Democratic Core	1,106,000
Central Service Support Cost Recharges	
- Legal Services	633,426
- Deputy Chief Executive's Dept	8,985,408
- Finance and Resources Dept	3,435,894
- Insurance	1,109,270
- Accommodation at 160 Tooley Street	1,592,133
SCR total	15,756,131
Environment	18,240,097
Other Service Areas' Recharges	6,427,575
TOTAL	41,529,803

2.13 Section 3 gives an overview of the current statutory and accounting framework; sections 4 – 7 summarise our findings in each charging category whilst our detailed findings are recorded in templates for each individual cost area in Appendix B.

3 Statutory framework and accounting guidance

Introduction

3.1 This section describes the statutory framework for the HRA and the current accounting guidance in relation to ring-fencing.

Statutory Framework

3.2 Part II of the Housing Act 1985 ("HA1985") describes local authorities' powers to provide housing and other accommodation including:

- Housing;
- Other buildings associated with the housing provision (e.g. garages, laundry facilities);
- Shops and recreation grounds which serves beneficial purpose for the authority's housing tenants where there is a connection with housing provided under the HRA;
- Land acquired for these purposes, including estate roads and pathways;
- Council offices; and
- Hostels provided under Part II of the HA1985 – dependent on the nature of the services being provided to the tenants (welfare services).

3.3 The Local Government and Housing Act 1989 ("LGHA1989") Section 74 requires local authorities to keep a ring-fenced landlord account – the HRA – separate from the Council General Fund (GF) account. The HRA should account for income and expenditure related to the provision of housing and other accommodation provided under Part II of HA1985.

3.4 The HRA will reflect major items of expenditure – maintenance, administration, contributions to capital costs – and how these are funded by rents and other income. Ring-fencing the HRA established the principle that rents cannot be subsidised by transfers from the GF, and similarly Council Tax (which funds about 18% of the GF) cannot be subsidised by rents.

3.5 However there have been differing views and practices over the years on how charging items are separated between the HRA and the wider Council functions. Some of this has been tested in court e.g. Regina v the London Borough of Ealing, ex parte Lewis (1992) concluded that not all costs associated with homelessness administration and housing advisory services can be charged to the HRA, and excluded "social services" outside the specified description of management and other property. This was further clarified by subsequent legislation (Leasehold Reform, Housing and Urban Development Act 1993 (s126 and 127) which stated that housing authorities have the powers to provide housing welfare services to their tenants but "essential care services" are required to be charged to the GF

3.6 Guidance was issued by The Department of the Environment in May 1995 in "Circular 8/95: the Housing Revenue Account" but this still left significant discretion to the local authority. For example, in the treatment of the costs of amenities (play and other recreational areas, grassed area and gardens and community centres) the guidance states

that it is for the authority to form their own judgement about the extent to which costs should be charged to the HRA taking into account "the purpose of the provision" and "the use made of facilities by tenants and other people". This is considered in more detail in our section on play areas.

- 3.7 In 2012 the Government will introduce significant changes to the way in which the HRA is financed with the abolition of the subsidy system and the implementation of self-financing. However this will not change the requirement on local authorities to maintain a statutory, ring-fenced HRA. The Government has not issued any new guidance on the operation of the ring-fence and note that they "expect local authorities to take their own decisions, rooted in the principle that 'who benefits pays'".³
- 3.8 The HRA Working Party have also highlighted the case of *Gulliksen v Pembrokeshire County Council 2002* to us. This determined that an estate road was a highway maintainable at the public expense for the purposes of the Highways Act 1980, and so enabled the claimant to claim compensation for injury arising from the authority's failure to maintain the highway. Members of the HRA Working Party are of the view that this also means that where an estate road is so designated its maintenance costs should not be charged to the HRA but to the GF. The Council's view is that the sole issue considered by the court was in relation to designation of the road for the purposes of compensation under the Highways Act 1980 and that the budgetary issues were not relevant to, or addressed by, the decision. We understand that the Council did obtain counsel's opinion on this although we have not seen a copy.
- 3.9 The HRA should account for costs provided under Part II of the Housing Act 1985 and, as noted above, this includes housing and other buildings associated with the housing provision and "land acquired for these purposes, including estate roads and pathways". This must be the default position for accounting purposes and we are not aware of any legal advice which contradicts this⁴. We have concluded therefore that the cost of estate roads are chargeable to the HRA.
- 3.10 However there are some public realm areas of estates which have remained within the HRA due to the historic boundary of the original estate development but which now could be argued to form part of the general streetscape, and therefore chargeable to the GF. An example of this is the Castlemead Estate where a parade of shops on the edge of the estate faces onto a public square. The square remains part of the HRA and the costs for its upkeep are charged to the HRA; however, it is difficult to differentiate the square from the adjacent public street and the general public cross it to access the shops. The argument here would be that the square should be assigned to the GF from the HRA. We would regard these cases as exceptional historic anomalies to be considered by the Council on a case by case basis.

Accounting Guidance

- 3.11 The Housing Revenue Account Manual (DCLG, 2007) notes that "CIPFA's BVACOP (Best Value Accounting Code of Practice) provides a standard classification of income and expenditure for housing services generally. It is for each authority to consider the allocation of their overheads between the HRA and the General Fund. In deciding what

³ Implementing Self-Financing for Council Housing, CLG, Feb 2011

⁴ We have located a Leasehold Valuation Tribunal (LVT) case which dismisses the argument that an estate road should be designated a public highway due to the *Gulliksen* decision in assessing leasehold charges to estate maintenance (*LB of Camden v Mr P Palley*, Nov 2010, LON/00G/LSC/2010/0370). Whilst LVT cases do not form Case Law it does indicate there is no general assumption that *Gulliksen* applies.

costs should be allocated and how the amounts should be calculated, authorities should be guided by proper accounting practices, including the provisions of the BVACOP".

3.12 The Chartered Institute of Public Finance and Accountancy ("CIPFA") has now published the Service Reporting Code of Practice for Local Authorities ("SeRCOP") to replace BVACOP. In relation to total costs within the HRA, SeRCOP states that "an apportionment of all support service costs and some overheads are to be included within the total cost".

3.13 SeRCOP sets out seven principles governing the charging of support services and other overheads to service expenditure areas:

Principles Governing the Charging of Overheads

1. Complete Recharging of Overheads	All overheads not defined as Non Distributed Costs or Corporate and Democratic Core should be fully recharged to the service expenditure headings as defined in the Service Expenditure Analysis Section of SeRCOP. Note that Corporate and Democratic Core costs should receive an appropriate allocation of overheads.
2. Correct Recipients	The system used must correctly identify who should receive overhead charges.
3. Transparency	Recipients must be clear what each recharge covers and be provided with sufficient information to enable them to challenge the approach being followed.
4. Flexibility	The recharging arrangements must be sufficiently flexible to allow recharges to be made regularly enough and to the level of detail appropriate to meeting both users' and providers' needs.
5. Reality	Recharging arrangements should result in the distribution of actual costs which has the basis of fact. Even if the link cannot be direct, reality should be the main aim.
6. Predictability/Stability	Recharges should be as predictable as possible, although there will be practical limitations to this.
7. Materiality	It is unlikely that a simple system will be adequate to meet all other requirements noted above. However, due regard should be made to materiality to minimise the costs involved in running the system.

Charging Overheads, Corporate and Democratic Core and Non Distributed Costs to the Housing Revenue Account

3.14 In relation to total costs of the HRA SeRCOP states the following:

"2.15.82 Although the direct costs which may be charged to the HRA are defined, there is no statutory definition about how overheads can or cannot be apportioned to it. *Authorities should therefore apply the same bases when recharging overheads to the HRA as they do for other services, in accordance with the 'reality' principle.*

2.15.83 Core and Democratic Core costs ("CDC") and Non Distributed Costs ("NDC") are not overheads and are therefore not allocated or apportioned to services. However, the HRA will benefit from the overall democratic process and corporate management reflected in CDC. In addition, some of the costs in NDC may have arisen from previous HRA activities.

2.15.84 For these reasons, the HRA is permitted to make contributions to CDC and NDC provided these comply with the statutory framework for the HRA.

2.15.85 This contribution by the HRA, which is outside its total cost, should be determined by each authority according to principles that it can explain and justify. For example, one possibility would be to consider the extent to which CDC and NDC would reduce if the authority transferred all its housing stock and closed its HRA. If this was the amount of the HRA contribution it would lead to comparable costs being carried by the General Fund by authorities with and without HRAs. Alternatively, it could be done on an average rather than on a marginal basis, assessing a reasonable HRA contribution towards each CDC/NDC heading."

3.15 The Central Services Expenditure Analysis ("SEA") requires Authorities to ensure that they satisfy the appropriate legislative requirements and statutory provisions when accounting for the HRA. *Authorities wishing to make a contribution to the General Fund for CDC would calculate such contributions depending on local and organisational circumstance. Local discretion will need to be exercised to make an appropriate and realistic estimate of the relevant contribution.*

3.16 Finally the Housing Services SEA states in relation to the HRA contribution to CDC and NDC costs:

"Authorities should ensure that they satisfy the appropriate legislative requirements and statutory provisions when accounting for the HRA. Authorities wishing to make a contribution to the GF for CDC would calculate such contributions depending on local and organisational circumstances. To do this, an authority will need to calculate the resources used by officers and members and other corporate management costs to estimate accurately the proportion of its CDC costs that relate to its own housing stock. Similarly, authorities may consider it necessary to make a contribution to NDC from the Housing Revenue Account."

4 Corporate and Democratic Core Recharges

Introduction

4.1 Corporate and Democratic Core (CDC) costs represent the costs of the Chief Executive's Department, Corporate Management and Democratic Representation. Democratic Representation is the total cost of Members Services.

4.2 CIPFA guidance notes that:

"Core and Democratic Core costs ("CDC") and Non Distributed Costs ("NDC") are not overheads and are therefore not allocated or apportioned to services. However, the HRA will benefit from the overall democratic process and corporate management reflected in CDC. In addition, some of the costs in NDC may have arisen from previous HRA activities.

For these reasons, the HRA is permitted to make contributions to CDC and NDC provided these comply with the statutory framework for the HRA.

This contribution by the HRA, which is outside its total cost, should be determined by each authority according to principles that it can explain and justify."

Calculation of the CDC charge

4.3 The Council applies a formula to the total budgeted sums for these costs designed to exclude the amount funded through Council Tax (17.71%), leaving 82.29% of the total cost to be charged. Once this is done:

- Chief Executive's Office and Corporate Management costs are then apportioned on the basis of the budgeted HRA as a proportion of the Council's gross revenue expenditure (20.8%); and
- Democratic Representation costs are apportioned on the basis of the amount of time assumed to be spent by Cabinet Members on HRA business. This is calculated on the basis of there being ten full-time Cabinet Members, of which one is a full-time Housing Member, and four (the Leader, Resources, Community Safety, and Equalities and Community Engagement) spend part of their time on HRA business. This results in a 15.25 % charge.

4.4 This results in a HRA recharge of £1.1million when calculated from the base budgets for these areas totalling £11,371,817.

Analysis

4.5 It is unclear where responsibility for this recharge rests within the Council, mainly it would appear due to the restructuring of teams and changes in personnel. Consequently we have been unable to reconcile actual costs for these headings against the recharge, which instead is applied as a budget allowance within the HRA for the CDC.

4.6 Therefore we recommend that the CDC charge is reviewed to define actual costs and restate how the apportionment is applied to them.

4.7 Once the actual costs are established we would also suggest testing the formula approach by calculating the HRA charge on a "marginal basis" i.e. "to consider the extent to which CDC would reduce if the authority transferred all its housing stock and closed its HRA. If this was the amount of the HRA contribution it would lead to comparable costs being carried by the General Fund by authorities with and without HRAs" (CIPFA guidance in SeRCOP) so that the reasonableness of the approach can be established.

Summary

4.8 The table below summarises our findings:

Corporate and Democratic Core charges (£)

Service area	HRA charge	Accept	Review	Exclude
Corporate and Democratic Core (CDC)	1,106,000	-	1,106,000	-

5 Central Service Cost Recharges

Introduction

- 5.1 SeRCOP states that "an apportionment of all support service costs and some overheads are to be included within the total cost" of the HRA.
- 5.2 Central Service Support Cost Recharges (SCRs) represent recharges from three Council Departments: Communities, Law and Governance; the Deputy Chief Executives Department; and Finance and Resources.
- 5.3 The total SCR to the HRA is £15.8million, out of a total SCR to all Council departments of £63million.

Communities, Law and Governance (CLG)

- 5.4 This reflects charges for legal advice from CLG to the Housing Services Department. The HRA is charged £0.63million out of a total cost SCR of £2.3million.
- 5.5 The main element of this charge - £522,508 - is calculated on an analysis of client data for the previous year by the Legal Department and attribution of cases to Housing Services. On this basis the recharge appears reasonable.

Deputy Chief Executive's Office (DCE)

- 5.6 DCE recharges are summarised in the table below:

DCE SCRs (£m)

Description	Total cost	HRA charge	Basis of recharge
Human Resources (HR)	3.4	0.3	Number of employees (FTE)
Marketing and communications	1.6	0.4	Gross Expenditure
Customer Services	14.9	7.1	Enquiries relating to housing
Improvement & Development; DCE office; transfers into DCE	3.5	1.2	Pro rata to total expenditure
TOTAL	23.4	9.0	

- 5.7 The basis of these apportionments seem appropriate given the nature of the services. For example, HR is a people related cost and so is charged against the number of FTEs in the Housing Services Department as a proportion of the whole Council's FTEs. Marketing and Communications costs are calculated on relative Gross Expenditure which is used as an indicator of the relative size of the service departments and their communications needs. This could be tested further by trying to identify actual housing

activity dealt with by this team but given the practical difficulties of collating and managing this data may not be cost effective.

- 5.8 By far the largest cost within the DCE recharge is Customer Services and at £7.1m this is also almost 50% of the overall SCR to Housing Services. This represents the costs of managing the complaints service within the Council; and the Customer Service Centre run by Vangent for the Council both through the One Stop Shops and the telephone enquiry line. The majority of this charge is calculated on the proportion of enquiries logged as "housing related" out of the total number of enquiries. The only exception to this is for complaints where "Gross Expenditure" is used as we understand no data is kept on allocating complaints to departments. We would suggest that this is reviewed to align this with the rest of Customer Services on the basis of the primary complaint issue.
- 5.9 The methodology for allocating Vangent's costs appears reasonable as the cost of the service will broadly reflect the volume of enquiries. Given the amount of the recharge, it is important that this data is robust and the Housing Services Department is undertaking work with Vangent this year to review the quality of data provided and to ensure it is aligned with the recent restructuring.
- 5.10 The **Improvement and Development** cost centre is wrongly named and we understand that it includes capital charges which are calculated centrally at the end of each year. Although it may be a legitimate HRA charge these should not form part of the SCR and this cost centre is under review by the Council.
- 5.11 Transfers into DCE represent DCE overheads and can be charged out as part of the SCR. This is done on the basis of the proportion of DCE expenditure already chargeable to Housing Services which appears reasonable, and the cost of the DCE and the DCE's office are charged in the same way.

Finance and Resources (F&R)

- 5.12 F&R recharges are summarised in the table below:

F&R SCR's (£m)			
Description	Total cost	HRA charge	Basis of recharge
IT Services	10.6	1.5	Number of IT users
Shared Professional Services includes:	9.3	1.9	
Corporate Procurement	Incl. above	Incl. above	Number of employees (FTE)
Corporate Facilities Management	Incl. above	Incl. above	Number of employees (FTE)
Corporate Finance Services	Incl. above	Incl. above	Gross Expenditure (for 80% of the charge)
Housing Finance	Incl. above	Incl. above	100% HRA costs
Transfers into F&R	Incl. above	Incl. above	Pro rata to total expenditure
TOTAL	19.9	3.4	

- 5.13 IT services are provided through the Council's contract with Serco and the apportionment is based on the number of IT users with a current user log-on. This appears reasonable as a measure of IT support requirements. For example, the use of FTEs as an alternative would include employees who have no access to IT services, or

trying to measure the comparative IT usage of individual users would be overly complex and may not give a significantly different answer given the number of core IT systems which are common across the Council.

- 5.14 Corporate Procurement and Corporate Facilities Management are relatively small sums; however the Council could consider Gross Expenditure as a more relevant apportionment.
- 5.15 Corporate Finance Services includes all corporate finance functions such as budgets and financial planning, financial governance, audit and risk, debt management and payments control, and senior management. The majority of these costs (80%) are attributed on the basis of Gross Expenditure which is reasonable as the largest spending department would require the most financial management. The remainder use apportionments which are consistent with the approach for management and facilities costs used elsewhere.
- 5.16 Housing Finance costs are charged 100% to the HRA as would be expected. The remaining costs for transfers into F&R are calculated on the basis of the proportion of F&R expenditure already chargeable to Housing Services which is reasonable.

Insurance

- 5.17 Insurance costs are a separate SCR and are set out in the table below.

Insurance SCRs (£m)

Description	Total cost	HRA charge	Basis of recharge
Liability insurance	3.1	0.8	75% Liability insurance claims; 25% FTEs
Property insurance: HRA charge	0.2	0.2	100% HRA
All risks, general, admin	0.5	0.1	Other insurance
Property insurance other	0.3	0	Property insurance claims
Motor insurance (Fleet and leased)	0.4	0	100% DSO
TOTAL	4.5	1.1	

- 5.18 The principal charge here to the HRA is for liability insurance. This is apportioned on the basis of the number of claims made (75%) and the number of full-time employees (25%). This approach ensures that each department makes some contribution to cover their potential risk (25% FTEs) and some contribution in relation to their actual claims history (75% claims). There is a cap of £50k on the amount of any one claim which can be included in the calculation to ensure that the recharge calculation is not skewed by a one-off large claim against a small department.
- 5.19 However the total costs for each category are calculated against budget figures set at the beginning of the year rather than actuals costs. In 2010/11 there was an overspend which was funded by the Council's reserves.
- 5.20 We understand the charging methodology for insurance will be reviewed by the Council this year, in particular to address how insurance charges are recorded on SAP so that accurate forecasts can be made and the SCR reflects the actual requirement for service departments.

Charges for 160 Tooley Street

5.21 The HRA charge for Tooley Street in 2010/11 was £1.6m. This represents the cost of accommodating housing staff in the building. The total cost for Tooley Street is about £11.2m and the apportionment is based on the number of workstations allocated to housing staff as a proportion of all staff workstations.

5.22 The basis of this apportionment is reasonable.

Summary

5.23 The table below summarises our findings.

Central Service Support Cost Recharges (SCRs) (£)

Service area	HRA charge	Accept	Review	Exclude
Legal Services	633,426	633,426		
Deputy Chief Executive's Dept:				
- Human Resources	307,745	307,745		
- Communications	378,017	378,017		
- Customer Services including One Stop Shops	7,058,781	7,058,781		
- Improvement and Development	1,240,865		1,240,865	
Total DCE	8,985,408	7,744,543	1,240,865	0
Finance and Resources Dept				
IT services	1,492,086	1,492,086		
Shared Professional Services	1,943,808	1,943,808		
Total F&R	3,435,894	3,435,894	-	-
Insurance	1,109,270		1,109,270	
Accommodation at 160 Tooley Street	1,592,133	1,592,133		
SCR total	15,756,131	13,405,996	2,350,135	0

5.24 In some cases the final stated recharge could not be reconciled to the detailed breakdown provided by the Council which reflected an earlier position statement. These cost areas are shown as (TBC) in the detailed breakdown in Appendix B.

6 Environment recharges

Introduction

- 6.1 In this section we summarise our findings on the recharges from the Environment and Leisure Department. These are charges for direct services which are mostly provided by Environment and Leisure to Housing Services or which are managed financially and/or operationally by Environment and Leisure on behalf of Housing Services.
- 6.2 A summary of the charges is set out below.

Environment Recharges (£m)

Description	Total cost	HRA charge	Basis of recharge
Estate cleaning	10.2	10.2	Direct costs and overheads
Grounds Maintenance	2.0	2.0	Direct costs and overheads
Pest Control	1.1	1.1	Direct costs and overheads
Refuse storage and collection	1.1	1.1	Direct costs and overheads
Community wardens	3.6	0.4	Historic budget
Enviro-enforcement	1.2	0.5	Historic budget
Noise Reduction	1.2	0.2	Historic budget
Southwark Anti-Social Behaviour Unit (SASBU)	1.0	0.8	Historic budget
CCTV	0.8	0.1	Historic budget
Tree Maintenance	0.4	0.4	Direct costs and overheads
Estate Parking	0.5	0.5	Direct costs and overheads
Abandoned Vehicles	0.1	0.1	Direct costs and overheads
Energy Management	0.3	0.3	Direct costs and overheads
Garden Maintenance	0.1	0.1	Direct costs and overheads
Snr. Management Team, Directors Office and Procurement	n/a	0.5	Will be excluded from 2011/12 following restructure
TOTAL	23.6	18.3	

Estate cleaning, grounds maintenance and pest control

- 6.3 Southwark Cleaning Services (SCS) delivers these services under the Integrated Cleaning Contract (ICC). SCS is an in-house service within the Environment Department, but the ICC is managed as if it was an arms-length contract, so the ICC acts as a Service Level Agreement (SLA) with the Housing Services Department.

- 6.4 The service budget is based on the pricing of a specification in 2003 which has been annually indexed with one adjustment for service changes in 2004. Actual costs represent direct staff time attributed by time sheets to housing estates, direct supervision costs and management overheads based on a split of FTE posts. The estate cleaning SLA includes clearance of fly-tipping and graffiti removal on estates within the contract sum.
- 6.5 As these costs represent discrete teams serving housing estates there is no split calculated between housing and GF costs aside from the management overheads. The basis of the charge therefore appears reasonable.
- 6.6 The ICC has over recent years moved to allocating costs on direct staff time allocated to estates from simply using a borough wide total budget, and this now enables a more accurate reflection of costs at an estate level.
- 6.7 A separate issue which has been raised by the HRA Working Party is the standard of service delivery. We have addressed this in our previous reports on leasehold charges and recommended that housing introduce a system of issuing rectification notices and financial penalties for non-performance against the Service Level Agreement with SCS. This system has been developed by the Housing Services Department but we understand that it has not yet been implemented. Therefore we would recommend that this is progressed so that a more robust and transparent system of performance management is introduced.

Refuse Storage and collection

- 6.8 SCS acts as the client for this service which delivered by Veolia under the borough's Waste contract.
- 6.9 Costs incurred to the HRA represent costs in excess of the standard service delivered to households in the borough by Veolia for services specific to housing estates. These include the provision and maintenance of refuse containers, the delivery of black refuse sacks (2 per week to 11,655 properties), multi-level collections on larger blocks and additional collections requested by estate managers.
- 6.10 These costs are specific to HRA properties and therefore appear reasonable.
- 6.11 We understand that unit rates were set in 2001 and have been annually indexed. Costs are broken down by estate and by service and so can be adjusted as services are added/discontinued or if estates/blocks were to be vacated/transferred out of the HRA.

Community Wardens, Enviro-enforcement, Noise Reduction, Soutwark Anti-Social Behaviour Unit and CCTV

- 6.12 All of these services are delivered by the Community Safety and Enforcement Team.
- 6.13 The **Community Wardens** provide patrols on housing estates, a response team and a team which will focus activity on particular estates to deal with anti-social behaviour. This supports the Council's landlord role and so it is reasonable to charge the HRA for these services.
- 6.14 This is part of wider service provided to the borough focussed on the town centre areas and so the cost to the HRA should reflect time spent on activities related to HRA properties. We understand the current budget is actually a historic allocation. Officers in the Community Safety Team carried out an exercise last year to re-assess the budget based on a breakdown of time required for delivering the HRA service which resulted in

an increased estimate of the required budget of £580,000 compared to the current £357,434. However this has not been reviewed by Housing Services and has not been implemented.

- 6.15 The **Enviro-enforcement** team respond to "enviro-crime" on estates such as investigating large scale fly-tipping, patrolling and undertaking operations on specific estates in response to issues raised by the Housing Services Department and picking up and re-homing stray dogs. This supports the Council's landlord role and so it is reasonable to charge the HRA for these services.
- 6.16 The cost of £470,667 within the 2010/11 budget is to be reduced to £370,000 in 2011/12. The re-assessment of HRA costs for this service undertaken last year resulted in a lower figure based on estimated time on HRA activities of £175,000, but this has not been reviewed by Housing Services and has not been implemented.
- 6.17 The **Noise Reduction** Team respond to complaints of noise nuisance in the borough. Its current budget of £211,988 is also based on a historic allocation. Officers re-assessed this last year based on the typical annual call-outs from Council properties and concluded that based on officer time and management overheads, the actual annual cost would be £465,000. This has not been reviewed by Housing Services and has not been implemented.
- 6.18 This service responds to call-outs by individuals to incidents located around the borough. In respect of the HRA, whilst this role can be seen as supporting the landlord function and a significant number of calls are related to HRA properties, it is difficult to differentiate this element of the service from that offered throughout the borough to all residents. Whilst the majority of calls are to HRA property, the same level of service is offered to residents regardless of tenure or landlord, and no other landlords are charged, and so it does not seem reasonable for this to be a separate charge to the HRA.
- 6.19 The **Southwark Anti-Social Behaviour Unit (SASBU)** actions requests from Housing Services on Anti-Social Behaviour (ASB) including legal enforcement, provides a referral service, support and rehousing on domestic violence cases, provides risk assessment for victims and witnesses, support on dangerous dogs enforcement, and dealing with rough sleeping in estates. These services support the Council's landlord role and so it is reasonable to charge the HRA.
- 6.20 The current budget of £770,136 represents a historic budget and the recent re-assessment by officers based on time spent on HRA activities suggested a revised budget of £849,000. This has not been reviewed by Housing Services and has not been implemented.
- 6.21 The **CCTV team** provides monitoring of 120 out of a total of 300 CCTV cameras on Southwark housing estates. It also project manages repairs and has recently undertaken an audit of 50% of the network. This is a function specific to HRA estates and so it is reasonable that a charge is made to the HRA.
- 6.22 The current budget of £107,162 is also historic, and the recent re-assessment by officers on time spent on HRA activity suggested a revised budget of £150,000. This has not been reviewed by Housing Services and has not been implemented. An upgrade to the CCTV systems on housing estates is due to be completed in 2012 and this should be taken into account in any future budget review.

- 6.23 **Overall** it appears reasonable to apply charges to the HRA for Community Wardens, Enviro-enforcement, the Southwark Anti-Social Behaviour Unit and the CCTV team as these support the Council's landlord function.
- 6.24 The charge for Noise Reduction services should be re-considered as it provides a responsive service to call-outs by individual residents and as such it not differentiated from the service provided to all residents in the borough regardless of tenure or landlord.
- 6.25 The current charges are based on historic budgets and so do not necessarily reflect the actual cost of the service provided to housing. The estimates which were undertaken last year by the Community Safety Team represent an improved methodology in terms of framing a budget based on time spent on HRA activities but we are not able to comment on the reasonableness of any proposed budget revisions. This will require Housing Services as the "client" department to agree how services are defined and quantified; there should also be consideration of how to identify and record actual time spent on HRA activities and relate this to outcomes. This is important to ensure transparency on the actual level of service and outcomes being delivered for the costs incurred to the HRA.
- 6.26 Therefore we would recommend a review of current budgets for these services to reflect actual costs for services to HRA estate based on agreed SLAs between the Community Safety Team and Housing Services.

Tree Maintenance, Estate Parking and Abandoned Vehicles

- 6.27 These budgets are managed by the Public Realm team within Environment and Leisure.
- 6.28 **Tree Maintenance** provides for the maintenance of trees on HRA land by Parks and Open Spaces.
- 6.29 The 2010/11 charge is £360,680. The draft SLA for 2011/12 is still subject to approval but includes a reduced budget of £317,087 which includes a full survey of the housing stock in 2011/12, and the management of the tree-stock on a three year routine maintenance cycle.
- 6.30 As this is a charge for services to maintain HRA assets it is reasonable to recharge; and, as a direct charge with no apportionment applied, it reflects the cost of the service,
- 6.31 The **Estate Parking** service has undergone a significant service review in 2011/12. The revised budget for 2011/12, subject to approval of the final Business Case, is £150,000 compared to £522,446 for 2010/11.
- 6.32 The service provides parking control on HRA estates, delivered through an external contractor. The budget for 2011/12 reflects a revised contract arrangement which takes into account the income generated by charges for clamping/towing away to balance the clamping/removal contractor's cost; other costs are Environment staff salaries and overheads for contract management.
- 6.33 As this is a charge for services to HRA estates it is reasonable. The reduction in the budget in 2011/12 indicates a much more effective approach to contract management.
- 6.34 The **Abandoned Vehicles** service removes untaxed vehicles from housing estates, undertakes a DVLA search and unclaimed cars are scrapped within 28 days. The service is delivered by the Environment and Leisure Department under an SLA with Housing

Services. The total cost is £137,409 in 2010/11: £82,125 of this reflects the cost of 50 reserved spaces in the car pound; the remaining £55,000 represents staff costs.

- 6.35 This is a specific service to HRA housing estates and is therefore reasonable: Environment and Leisure also remove abandoned cars from the public highway but not to other non-Council estates – if this service was offered to other social landlords it would be charged for.
- 6.36 Whilst costs currently reflect the terms of the service agreed with Housing Services, the first quarter return for 2011/12 shows that only five cars were removed from Council estates. This suggests that the service cost is high and, in particular, the number of reserved car pound spaces appears excessive. Therefore the Council should review the value for money of this service.

Energy Management

- 6.37 This cost of £258,409 covers the provision of Energy Performance Certificates (EPCs) and the costs for the administration and processing of energy accounts and bills totalling c. £14million for HRA properties.
- 6.38 The provision of EPCs is a statutory requirement when a property is let or sold, although in the latter case it can be recovered from the buyer. A budget of £140k per year is set aside for this based on historic volumes. It is a direct HRA charge which, for historic reasons, is administered by Environment
- 6.39 The administration of energy accounts is undertaken by staff who were located in Environment and have since been transferred to Finance and Resources. However, the budget for £118k for their salaries and on-costs remains with Environment and is paid by them with no administrative overhead.

Garden Maintenance

- 6.40 This service provides assistance to elderly or disabled tenants who are unable to maintain their gardens themselves and is delivered by Walworth Garden Farm under a contract with the Housing Services Department. Environment act as the budget-holder and process payments on their behalf. Costs are charge directly to the HRA with a budget of £108, 920 per year.

Senior Management Team, Directors' office and Procurement

- 6.41 The cost for the Senior Management Team (£121,575), Director's office (£222,945) and Procurement support (£185,775) reflect the costs of overheads and support services when Housing was part of the Environment and Housing Department. Following the restructure and separation of Housing from Environment in 2011, these will no longer apply in 2011/12.

Summary

6.42 The table below summarises our findings.

Environment charges (£)

Service area	HRA charge	Accept	Review	Exclude
Grounds Maintenance	1,953,611	1,953,611		
Pest Control	1,107,471	1,107,471		
Estate Cleaning (incl. fly-tipping/hsg offices)	10,244,371	10,244,371		
Refuse storage & collection	1,099,098	1,099,098		
Community Wardens	357,434		357,434	
Enforcement	470,667		470,667	
Noise Reduction	211,988			211,988
Southwark Anti-Social Behaviour Unit (SASBU)	770,136		770,136	
CCTV	107,162		107,162	
Tree maintenance	360,680	360,680		
Estate Parking	522,446	522,446		
Abandoned Vehicles	137,409		137,409	
Energy Management	258,409	258,409		
Garden Maintenance	108,920	108,920		
Snr Management Team	121,575			121,575
Directors office	222,945			222,945
Procurement	185,775			185,775
Environment total	18,240,097	15,655,006	1,842,808	742,283

7 Other services' charges into the HRA

Introduction

- 7.1 In this section we consider the charges to the HRA for services excluding CDCs, SCRs and the Environment Department.
- 7.2 A summary of the charges is set out below.

Other services' charges (£m)

Description	Total cost	HRA charge	Basis of recharge
Temporary Accommodation	1.3	0.6	No. of TA units within HRA
Tenancy Support	0.3	0.3	Direct costs and overheads
Disabled Adaptations	0.1	0.1	Direct costs and overheads
Property Services	0.7	0.7	Time charge
Regeneration	3.2	1.5	Historic budget
Play Areas	0.1	0.1	Direct costs and overheads
Estate Lighting	2.7	2.7	Direct costs and overheads
Sheltered Housing	1.2	0.4	Direct costs and overheads
TOTAL	9.6	6.4	

Temporary Accommodation

- 7.3 This budget of £556,183 reflects the cost of the management, placement, monitoring and moving on of people placed in temporary accommodation in HRA properties. This is a recharge from Community Housing Services to the HRA.
- 7.4 The costs are calculated on the basis of the number of units within the HRA used for this purpose (c. 200 void properties plus 722 bed spaces in 21 hostels) as a proportion of the overall placements – i.e. it excludes the placements in bed and breakfast accommodation and Private Sector Leasing which are paid through the GF.
- 7.5 Circular 8/95 notes that a hostel provided under Part II of the Housing Act 1985 must be accounted for within the HRA.
- 7.6 These costs relate to the Council's landlord function in managing and supporting tenancies for properties within the HRA and therefore it is reasonable to charge them to the HRA.

- 7.7 The cost reflects staff salaries and associated costs and so is an accurate reflection of the actual cost of the service (though we have not checked the actual derivation of the units' numbers for the HRA/GF apportionment but assume these to be correct).

Tenancy Support

- 7.8 The SUSTAIN team provides advice and support to Council tenants who may be at risk of losing their tenancy. Its 7.5 FTE staff work full-time on HRA cases and so their costs (£348,657) are charged directly to the HRA.
- 7.9 Referrals are made to the Sustain Service primarily by Housing Officers. The reasons for these referrals include rent arrears, breaches of tenancy conditions, anti-social behaviour, inability to manage their tenancy on a day-to-day basis, health and safety concerns for the tenant, or their neighbours or environmental health issues. These tenancy support services are essentially an extension of the housing management role and therefore a landlord function and eligible to be charged to the HRA. The costs reflect the actual salary costs of the team.

Disabled Adaptations

- 7.10 There is a small budget of £82,423 within the HRA for minor disabled adaptations to Council homes following referral from Social Care Services or a hospital Occupational Therapist. This covers adaptations which cost less than £1,000 such as lever taps, external grab rails and altering door thresholds.
- 7.11 This is a landlord function and eligible to be charged to the HRA. Costs are charged directly to the cost code.

Property Services

- 7.12 The Council's in-house Property Team charge on a time-charge basis for work such as Right-to-Buy (RTB) valuations, commercial lettings and disposals; they also charge a 5% management fee on all HRA commercial property accounts.
- 7.13 The total HRA charge for this service in 2010/11 was £0.7m.
- 7.14 As these costs are incurred in managing HRA assets they are a reasonable charge to the HRA and indeed enable income to be generated to the HRA from its commercial portfolio.

Regeneration

- 7.15 The Council incurs costs on two regeneration schemes – Elephant & Castle (E&C) and Aylesbury Estate some of which are charged to the HRA. E&C includes the Heygate Estate, an HRA asset, as well as large areas on non-HRA land. The HRA charge in 2010/11 was £1.5m; out of a total spend of £3.2m.
- 7.16 Historically the Council has set a budget for the HRA contribution on the E&C of £250,000 (although this originally included the Aylesbury as well). In 2010/11 the cost charged to the HRA was actually £331,000 which allowed for additional sums to contribute to the cost of maintaining security of the vacant Heygate site prior to demolition. The actual cost for the Heygate in 2010/11 was £468,205; of this around £350,000 was for security and the remainder for power supplies, hoardings and other costs.
- 7.17 As the Heygate is an HRA asset it is reasonable to charge costs in relation to its disposal to the HRA. These should reflect actual costs rather than the budgeted amount.

- 7.18 The total cost for the Aylesbury Estate in 2010/11 was £1.9m of which £1.2m was charged to the HRA. The apportionment appears to be based on a historic arrangement including the Aylesbury New Deal for Communities (NDC) Project funding 40% of the masterplanning costs and some staff costs.
- 7.19 The Aylesbury regeneration project will entail the disposal of the Aylesbury Estate, which is an HRA asset. Therefore it is reasonable to charge costs to the HRA, aside from any contribution that may be available from residual NDC grant (as the NDC has now ended).

Play Areas

- 7.20 Circular 8/95 includes play areas in its definition of amenities as "play and other recreational areas, grassed areas and gardens and community centres". The guidance states that:

"in each case it is for the authority to form their own judgement about whether provision is proper under Part II of the 1985 Act and the extent to which the costs should be charged to the HRA. Much of this will depend on local circumstances. Among the issues to be considered are the provision and the use of the facilities by tenants and other people. There can only be a charge to the HRA where the amenities are provided and maintained in connection with Part II accommodation.

Where an amenity is shared by the community as a whole, the authority must have regard to paragraph 3 of Part III of Schedule 4 of the 1989 Act. This requires a contribution to be made from the General Fund to the HRA reflecting the general community's share of the amenity."

- 7.21 However there is little other general advice on this subject and the guidance allows local authorities discretion depending on local circumstances.
- 7.22 The current repairs and maintenance budget for plays areas within the HRA is £87,163 which is used for repairs to play-ground equipment and for any resurfacing required. Given this relatively small allocation the issue of recharges to the GF will not make a material impact on the HRA. However we have considered the arguments below.
- 7.23 We would assume that typically play areas on estates are provided as part of the original development or as an improvement to an estate – as such they are "provided and maintained in connection with Part II accommodation" and are chargeable to the HRA.
- 7.24 The second question would be whether they are for the principle use of the tenants. Our assumption would be that having been built as part of the estate they were intended for the principle use of the tenants - in most cases actual use will be impossible to ascertain and unless a play area was part of a gated community could not practically be reserved for estate residents. In this sense play areas on HRA estates would appear to be no different to play areas provided on, for example, an estate owned and managed by a housing association which would be open to use by others - the housing association as the landlord still bears the cost of providing and maintaining the play area.
- 7.25 Overall there does not appear to be a strong argument for apportioning costs of play areas between the HRA and GF or sufficient evidence to support a methodology. The sums involved are relatively small and the impact, in any event, would not be material.

Estate Lighting

7.26 The electricity budget for estate lighting is £2.7million in 2011/12; repairs and maintenance costs have not been separately identified. Estate lighting serves HRA property and so its associated costs should be charged to the HRA.

Sheltered Housing

7.27 The Council provides 20 blocks of sheltered accommodation within the HRA comprising 850 units for elderly people.

7.28 Circular 8/95 specifies that authorities have the powers to provide housing welfare services to their tenants but "essential care services" are required to be charged to the GF i.e.:

- assistance with personal mobility;
- assistance at meal times;
- assistance with personal appearance or hygiene;
- administration of medication; and
- nursing care.

7.29 Other welfare services (e.g. general counselling support, emergency alarm systems and other services most commonly associated with wardens in sheltered housing schemes) can be charged to the HRA. However since 2003 these services have been covered by the Supporting People Grant.

7.30 Currently the HRA is charged with the actual cost of the buildings' maintenance and repairs which is about £380,000 per year. The remaining costs of £850,000 are paid through the GF and this element of expenditure is 100% funded by Supporting People Grant. Support functions associated with Sheltered Accommodation include the provision of a warden, caretakers, senior Support Managers and a floating support service.

7.31 The current charge to the HRA is therefore reasonable and reflects relevant costs incurred to HRA stock.

Summary

7.32 The table below summarises our findings.

Other Services' charges (£)

Service area	HRA charge	Accept	Review	Exclude
Temporary Accommodation	556,183	556,183		
Tenancy Support	348,657	348,657		
Disabled Adaptations	82,423	82,423		
Property Services	733,493	733,493		
Regeneration	1,539,656		1,539,656	
Play Areas	87,163	87,163		
Estate Lighting	2,700,000	2,700,000		
Sheltered Housing	380,000	380,000		
Other Services' charges total	6,427,575	4,887,919	1,539,656	0

A HRA Charges

Service area	HRA charge	Accept	Review	Exclude
Corporate and Democratic Core (CDC)	1,106,000		1,106,000	
Central Service Support Cost Recharges (SCRs)				
Legal Services	633,426	633,426		
Deputy Chief Executive's Dept:				
Human Resources	307,745	307,745		
Communications	378,017	378,017		
Customer Services including One Stop Shops	7,058,781	7,058,781		
Improvement and Development	1,240,865		1,240,865	
Total DCE	8,985,408	7,744,543	1,240,865	0
Finance and Resources Dept				
IT services	1,492,086	1,492,086		
Shared Professional Services	1,943,808	1,943,808		
Total F&R	3,435,894	3,435,894	-	-
Insurance	1,109,270		1,109,270	
Accommodation at 160 Tooley Street	1,592,133	1,592,133		
SCR total	15,756,131	13,405,996	2,350,135	0
Environment				
Grounds Maintenance	1,953,611	1,953,611		
Pest Control	1,107,471	1,107,471		
Estate Cleaning (includes fly-tipping & housing office cleaning)	10,244,371	10,244,371		
Refuse storage & collection	1,099,098	1,099,098		
Community Wardens	357,434		357,434	
Enforcement	470,667		470,667	
Noise Reduction	211,988			211,988
Southwark Anti-Social Behaviour Unit (SASBU)	770,136		770,136	
CCTV	107,162		107,162	
Tree maintenance	360,680	360,680		
Estate Parking	522,446	522,446		
Abandoned Vehicles	137,409		137,409	
Energy Management	258,409	258,409		
Garden Maintenance	108,920	108,920		
Snr Management Team Recharges	121,575			121,575
Directors office	222,945			222,945
Procurement	185,775			185,775
Environment total	18,240,097	15,655,006	1,842,808	742,283
Other Service Areas' charges				
Temporary Accommodation	556,183	556,183		
Tenancy Support	348,657	348,657		
Disabled Adaptations	82,423	82,423		
Property Services	733,493	733,493		
Regeneration	1,539,656		1,539,656	
Play Areas	87,163	87,163		
Estate Lighting	2,700,000	2,700,000		
Sheltered Housing	380,000	380,000		
Other Service Area charges total	6,427,575	4,887,919	1,539,656	0
TOTAL	41,529,803	33,948,921	6,838,599	742,283

B Service Area Templates

see separate file

C Consultees

We would like to thank the following officers for their contributions to this review.

Name	Role	Department
Ian Young	Finance Manager (HRA)	Finance and Resources
Shaun Regan	Finance and Performance Manager (HRA)	Finance and Resources
Mark Dean	Finance Manager	Corporate Services
Edwin Thomas	Snr Finance Manager	Environment
Daniel Brew-Riverson	Finance Manager	Sustainable Services
Danae Kiely	Finance Manager	Community Housing Services
Richard Bennett	Principal Investment Officer	Regeneration and Neighbourhoods
Nick Ridgment	Finance Manager	Regeneration and Neighbourhoods
Shane Cunningham	Finance Manager	Regeneration and Neighbourhoods
Chris O'Brien	Senior Accountant	Finance and Resources
John Braggins	Snr Strategy Accountant	Finance and Resources
Ian Smith	Hygiene Services Manager	Southwark Cleaning Services
Jonathan Toy	Head of Community Safety	Community Safety
Sandra Robb	Divisional Accountant	Community Safety and Enforcement
Martin Green	Assistant Director	Housing Services
John Ziolkowski	Divisional Accountant	Finance and Resources
Jamshed Manzoor	Divisional Accountant	Environment & Leisure
David Sole	Planning and Operations Manager (Abandoned Vehicles)	Environment and Leisure
Sean Bonner	Divisional Accountant, Housing Management	Finance and Resources