

APPENDIX F – RESULTS OF CONSULTATION

Section 1 – Questions raised during the Webinar (15 December 2020)

<p><i>Please give details on target rents</i></p>	<table border="1"> <thead> <tr> <th style="text-align: center;">Bed size for average rent</th> <th style="text-align: center;">2020-21 Average target rent £ per week</th> <th style="text-align: center;">2021-22 Average target rent £ per week</th> <th style="text-align: center;">Increase £ per week</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">0</td> <td style="text-align: center;">82.36</td> <td style="text-align: center;">83.59</td> <td style="text-align: center;">1.23</td> </tr> <tr> <td style="text-align: center;">1</td> <td style="text-align: center;">96.11</td> <td style="text-align: center;">97.55</td> <td style="text-align: center;">1.44</td> </tr> <tr> <td style="text-align: center;">2</td> <td style="text-align: center;">108.81</td> <td style="text-align: center;">110.44</td> <td style="text-align: center;">1.63</td> </tr> <tr> <td style="text-align: center;">3</td> <td style="text-align: center;">124.76</td> <td style="text-align: center;">126.63</td> <td style="text-align: center;">1.87</td> </tr> <tr> <td style="text-align: center;">4</td> <td style="text-align: center;">141.15</td> <td style="text-align: center;">143.27</td> <td style="text-align: center;">2.12</td> </tr> <tr> <td style="text-align: center;">5</td> <td style="text-align: center;">163.11</td> <td style="text-align: center;">165.55</td> <td style="text-align: center;">2.44</td> </tr> <tr> <td style="text-align: center;">6+</td> <td style="text-align: center;">174.33</td> <td style="text-align: center;">176.94</td> <td style="text-align: center;">2.61</td> </tr> <tr> <td style="text-align: center;">Total</td> <td style="text-align: center;">110.23</td> <td style="text-align: center;">111.88</td> <td style="text-align: center;">1.65</td> </tr> </tbody> </table>	Bed size for average rent	2020-21 Average target rent £ per week	2021-22 Average target rent £ per week	Increase £ per week	0	82.36	83.59	1.23	1	96.11	97.55	1.44	2	108.81	110.44	1.63	3	124.76	126.63	1.87	4	141.15	143.27	2.12	5	163.11	165.55	2.44	6+	174.33	176.94	2.61	Total	110.23	111.88	1.65
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<p><i>What part of the HRA needs income and expenditure to match?</i></p>	<p>The HRA reflects a statutory obligation under section 75 of the Housing and Local Government Act 1989 to account separately for local authority housing provision. It identifies the major elements of housing revenue expenditure – maintenance, administration, and contributions to capital costs – and how these are funded by rents, service charges and other income.</p> <p>Section 76 of the 1989 Act states that budgets must be set for an HRA on an annual basis in January or February before the start of the financial year. A local authority may not budget for an overall deficit on the HRA (i.e. it must be balanced), and all reasonable steps must be taken to avoid a deficit.</p>																																				
<p><i>Are these figures per person per month?</i></p>	<p>Rents and charges quoted in the HRA budget and rent-setting report are normally per property per week. The garage charges quoted are by client per week. Budget figures are for the whole financial year.</p>																																				
<p><i>Is it true that government has cut grants entirely?</i></p>	<p>Central government provides no direct support for local authority HRA's, and has not done so since April 2012. The council is expected to fund all revenue expenditure from within its own resources. However, funding for capital infrastructure projects are made available from time to time, either directly or via the Mayor of London/Greater London Authority for specific purposes such as new house building. This is normally a fixed contribution and still requires the council to fund the greater proportion of the costs.</p>																																				

<i>What is Investment?</i>	The council's investment programme covers all its planned capital expenditure for the foreseeable future, which includes spend on new council stock and the maintenance and enhancement of existing stock. The programme has a variety of funding sources, including capital receipts, section 106 contributions from developers, major works charges from liable homeowners, and depreciation and revenue contributions from the HRA. The council may also undertake additional borrowing on a prudent basis for this purpose.
<i>What is Corporate Support Costs?</i>	In line with national accounting policies, the HRA must make a proportionate contribution towards the costs of the council's administration and management and for the provision of specific support services that are consumed in the course of providing landlord services. Such services would include the cost of office accommodation for HRA staff, HR, IT, legal and finance support.
<i>What is Capital costs?</i>	In the table used in the presentation, " Capital costs " includes both " Depreciation " and " Financing costs ", which are the subjects of separate questions below.
<i>What is Depreciation?</i>	The formal definition of depreciation is " <i>The measure of the value of a fixed asset consumed during an accounting period.</i> " In essence it is the estimated cost to the HRA of maintaining the housing stock in a lettable condition.
<i>What is Financing?</i>	Financing is the revenue cost of servicing the HRA's debt incurred in creating and maintaining the council's dwelling stock and comprises predominantly principal, interest, and premia payments and debt management expenses. The section of the budget report titled " HRA Financing " also addresses this area.
<i>Why has repairs and maintenance gone up so much?</i>	<p>Paragraph 16 of the budget report sets this out. It is reproduced below for convenience:</p> <p>16. <i>One of the most pressing budget pressures is repairs and maintenance, which already consumes the greatest proportion of operational resources. Control of high value/high volume budgets is important and the successful implementation of the housing repairs improvement plan is critical to improving the performance and financial viability of the housing repairs service going forward. For 2021-22, additional resources of £4.85m are being committed to the repair and maintenance of the housing stock.</i></p>

<p><i>Why is there a discrepancy regarding repairs and maintenance?</i></p>	<p>The table in slide 13 is a condensed version of Appendix B in the budget report, and in the table “Repairs and maintenance” also contains the figure from the line “Estate cleaning and grounds maintenance” in the report. This is to ensure that the table was able to fit on a single slide.</p>
<p><i>What is the contribution to the Lambeth Careline service?</i></p>	<p>Southwark has entered into a five-year contract to provide Careline services to vulnerable Lambeth residents in addition to their own. The additional income generated is the annual payment for this service by the London Borough of Lambeth and forms a new income stream to the HRA.</p>
<p><i>What is Provision for Bad Debts?</i></p>	<p>The council must make an allowance for the likelihood that a proportion of rents and service charges will be irrecoverable and will need to be written-off, following extensive recovery measures. This provision is assessed annually according to the size and age of arrears owing, the stage of recovery action and the likelihood of eventual recovery.</p>
<p><i>What is the Debt Financing Budget?</i></p>	<p>This has been addressed in the earlier answer regarding financing costs.</p>

How is the £5.4m increase made up?

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

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

<p><i>Why are there no reductions in employees?</i></p>	<p>Some of the proposed efficiency savings listed for the HRA in 2021-22 do have employee implications, and this is why the cabinet report includes a specific recommendation covering this issue “Cabinet reaffirms its commitment to ensure that savings proposals are primarily based on efficiencies, and where staffing reductions form part of any savings proposal, that due consultation and process is followed with trade unions.”</p> <p>In 2021-22 the implications for the staffing establishment of the council are relatively minor, unlike for example a major restructuring of part of the HRA service provision, which has formed part of savings in previous years, and so the report does not need to focus on this particular aspect of the savings proposed.</p>
<p><i>How much will you increase [homeowner] service charges?</i></p>	<p>Variable service charges are not set, they are constructed from the actual costs incurred in providing communal services to the blocks and estates, and under the terms of their lease or transfer agreement homeowners are required to pay a fair and reasonable proportion of those costs. Because the HRA has to balance, each year Homeownership Services is asked what the anticipated figure is for variable service charge income (both revenue and major works). At the stage that the budget is being put together the estimated revenue service charges for the following year have not been constructed, so any budgeted income figure has to be based on the following:</p> <ul style="list-style-type: none"> • Previous year actual income (the last known year is 2019-20). • Additional sales for the current year. • Future part year sales. • Budgeted movement in expenditure (this can be up or down). <p>In 2018-19 and 2019-20 the budgeted income figure from variable service charges was £19.85m. In both years the actual income was in excess of the budget due to cost increases in a number of areas (more specifically, fuel price volatility and greater repairs and maintenance to communal heating systems). On that basis it was necessary to re-base the budget figure in the HRA to reflect the increased income. In addition under the terms of the insurance contract there will be an increase in buildings insurance premiums in 2021-22, and this has been reflected in the budget on both income and expenditure. There are also some accrued costs from 2019-20 which we are aware will be charged as part of the 2020-21 actual service charges, and these have also been included in the budget figures.</p>

<p><i>Change the building insurance company!</i></p>	<p>The Council was unable to re-tender the insurance contract this year due to the restrictions on procurement in the early part of the year during the first lockdown. It takes several months to procure an insurance contract due to the size of the contract, and there was insufficient time in the remainder of the year. The Council was able to negotiate a reduction to the increase with the current provider and is considering whether it would be efficacious to procure a new contract for 2022, or whether to enter the final extension on the current contract.</p>
<p><i>Can service charges for leaseholders be increased by 7.5% without a summary of relevant costs?</i></p>	<p>In essence there is no 7.5% increase to individual service charges – although the increased buildings insurance premiums will affect all leaseholders. Individual service charges will continue to reflect costs incurred – which will include inflationary increases to service provision, but will also include any reduced expenditure for any reduction in service provision. The budget figure in the HRA is what we believe we will be billing in 2021-22 based on current knowledge – it is not what we will actually be billing as that will ultimately depend on expenditure.</p> <p>Service charges are charged in accordance with the lease or transfer agreement – there is no requirement to consult in general, although statutory consultation is required (and carried out) on qualifying long-term agreements for works, goods and services, where the service charge is £100 per annum or more, and for qualifying works (repairs) where the service charge will be over £250. The basis for any cost increase from any long-term contractor would be written into the contract. Where the council provides a service directly (e.g. care and upkeep, grounds maintenance etc.) cost increases are mainly due to inflationary pay rises to staff.</p> <p>Homeowners receive a summary breakdown of both their estimate and actual service charge with the invoice and notification. Further itemised breakdowns of each service charge heading are available on request when the actual service charges are issued. The surveys, feasibilities and priced documents for major works schemes are available on request when the statutory consultation is carried out. The budgeted increase to the revenue service charge does not include any major works schemes – the anticipated income from these is reflected in the major works service charge budget figure. The budgeted figure for variable service charge income for major works is based on the budget estimates and timescales in the capital programme. CPI is irrelevant as the variable service charge is constructed from expenditure, and not set like the rents or tenants service charges.</p>

<p><i>Can you promise that [homeowner] heating charges will not increase?</i></p>	<p>In relation to the weekly heating charge to secure tenants there is no proposed increase. At this stage it is unknown if there will be an increase to the variable service charge of any individual homeowner on a communal heating system, as this will depend on the cost of fuel used, and the repairs required to the system throughout the course of the 2021-22 financial year. These costs will not be known in total until April 2022, and will then be reflected in the actual service charges for the year which are due to be issued in September 2022.</p>
<p><i>Are you saying that you DO overcharge [homeowners] to make a profit from us?</i></p>	<p>Homeowners only pay their fair and reasonable proportion of the costs incurred. They are not charged for non-communal costs, nor for the proportion of the communal costs that relate to the percentage of secure tenants. Where homeowners aren't, or cannot be, charged for a communal cost for any reason then the cost is borne by the secure tenants through the weekly rent paid.</p>
<p><i>About 7 years ago, you sent us a letter with the proposal to combine the service charge and major works charge in one sum...is this proposal dormant?</i></p>	<p>An initiative to offer leaseholders the opportunity to surrender their current right to buy lease and enter into a new lease containing fixed service charges was consulted on several years ago, following a scrutiny of homeowner charging. There was very little interest in the scheme, and the annual fixed costs were very high (they included an annual amount for major works over a thirty-year period, which varied depending on the size and condition of the block). The scheme was not developed, but the initiative still sits with the Sales and Acquisitions team in the MySouthwark Homeowners Service where it can be revisited if necessary.</p>

Section 2 – Responses via the Consultation Hub (15 – 31 December 2020)

The consultation hub received 37 responses over the weeks between the Webinar and New Year’s Eve. The responses consisted of agreement (or otherwise) with each of the recommendations of the report, plus space to provide further commentary if so desired. Equalities information was also picked up by the Hub where provided.

In terms of the five main recommendations on rent and charging levels (N.B. questions 1 – 4 on the Consultation Hub relate to the personal details of individual responders and are not included):

Rent increase (Q5)				
	Tenant	Leaseholder/ Freeholder	Undisclosed	TOTAL
Yes	7	7	0	14
No	12	2	0	14
Unsure	2	6	0	8
No reply	0	0	1	1
TOTAL	21	15	1	37

Tenant	Leaseholder/ Freeholder	Undisclosed	TOTAL
33.3%	46.7%	0.0%	37.8%
57.1%	13.3%	0.0%	37.8%
9.6%	40.0%	0.0%	21.7%
0.0%	0.0%	100.0%	2.7%
100.0%	100.0%	100.0%	100.0%

Officer comments:

Residents were equally divided with regard to the proposed rent increase, with tenants being fairly strongly against. However, without the rent increase, HRA expenditure on service provision would have to be further reduced in order to maintain a balanced budget, as required by law. As the budget report outlines, rents are the primary source of income to fund landlord services and this needs to be seen in the context of the rent reductions over 2016 – 2020 which had a profound effect on the resources available to the HRA.

Tenant service charge increases (Q6)				
	Tenant	Leaseholder/ Freeholder	Undisclosed	TOTAL
Yes	1	5	0	6
No	12	4	0	16
Unsure	7	6	0	13
No reply	1	0	1	2
TOTAL	21	15	1	37

	Tenant	Leaseholder/ Freeholder	Undisclosed	TOTAL
	4.8%	33.3%	0.0%	16.2%
	57.1%	26.7%	0.0%	43.2%
	33.3%	40.0%	0.0%	35.2%
	4.8%	0.0%	100.0%	5.4%
	100.0%	100.0%	100.0%	100.0%

Officer comments:

Tenant responses were very negative to the proposal. However, in line with government guidance, charges for these services were separated from the base rent in 2003-04, and are intended to recover the full costs of provision as these services are subject to particular contractual inflationary pressures. Homeowners and freeholders were more mixed in views, perhaps reflecting the fact their equivalent charge is actualised each year – giving a more direct link between block consumption and charge.

Sheltered Housing service charge phased increase (Q7)				
	Tenant	Leaseholder/ Freeholder	Undisclosed	TOTAL
Yes	4	6	0	10
No	9	3	0	12
Unsure	8	6	0	14
No reply	0	0	1	1
TOTAL	21	15	1	37

	Tenant	Leaseholder/ Freeholder	Undisclosed	TOTAL
	19.1%	40.0%	0.0%	27.0%
	42.9%	20.0%	0.0%	32.4%
	38.1%	40.0%	0.0%	37.9%
	0.0%	0.0%	100.0%	2.7%
	100.0%	100.0%	100.0%	100.1%

Officer comments:

As noted in the report itself, this charge is levied on a small number of clients, and like the tenant service charge is intended to cover the full cost of providing this enhanced housing management service. However, in recognition of the impact that a full increase would have, it is proposed to phase this in over an extended period.

Garage increases (Q8)				
	Tenant	Leaseholder/ Freeholder	Undisclosed	TOTAL
Yes	10	10	0	20
No	9	3	0	12
Unsure	2	2	0	4
No reply	0	0	1	1
TOTAL	21	15	1	37

Tenant	Leaseholder/ Freeholder	Undisclosed	TOTAL
47.6%	66.7%	0.0%	54.1%
42.9%	20.0%	0.0%	32.4%
9.5%	13.3%	0.0%	10.8%
0.0%	0.0%	100.0%	2.7%
100.0%	100.0%	100.0%	100.0%

Officer comments:

There was majority support for the garages increase from both tenants and homeowners, particularly (in the comments section) for the differential rise in the private sector charge.

District Heating charges to remain unchanged (Q9)				
	Tenant	Leaseholder/ Freeholder	Undisclosed	TOTAL
Yes	19	7	0	26
No	2	4	0	6
Unsure	0	4	0	4
No reply	0	0	1	1
TOTAL	21	15	1	37

Tenant	Leaseholder/ Freeholder	Undisclosed	TOTAL
90.5%	46.6%	0.0%	70.3%
9.5%	26.7%	0.0%	16.2%
0.0%	26.7%	0.0%	10.8%
0.0%	0.0%	100.0%	2.7%
100.0%	100.0%	100.0%	100.0%

Officer comments:

The strong support for maintaining heating and hot water charges at current levels amongst tenants is perhaps to be expected.

Section 3 – Consultation Comments

More discursive comments were also invited on each of the main rent and charging recommendations, and also on the recommendation regarding the HRA budget as a whole. General observations have been independently summarised by the Resident Participation team in the first table; whilst comments by question are grouped in the second table.

Observations/Themes	Examples in feedback
Level of feedback similar to previous resident consultation structure, in terms of numbers of individual comments (37).	n/a
Many of the comments foregrounded by Covid-19 pandemic and a sense that this is an extraordinary year requiring extraordinary measures.	<p><i>“Considering the year we have had, where things have been tough for many of us, where we have lost jobs and had increased bills, the council should freeze the rent for 2 years so we have a chance to recover.” (tenant on rents)</i></p> <p><i>“With the dreadful covid year we’ve had, I feel best to delay this [rent increase] by one year.” (tenant on rents)</i></p> <p><i>“At the moment its difficult to pay full pay due to COVID-19 Pandemic.” (tenant on rents)</i></p>
Broadly, a recognition that the council is in a very difficult position, but a greater level of concern regarding the ability of tenants to pay, especially those now unemployed. Strong sense that the council is, and should be, a source of help.	<p><i>“I agree with all the increases, but do all you can to avoid this for the next 12 months as many have faced unemployment/hardship due to covid.” (freeholder on HRA budget)</i></p> <p><i>“You should do something to help the poor man out, not put more pain on them.” (tenant on HRA budget)</i></p> <p><i>“This may be [delayed] for another year for tenants to recover from the impacts of the pandemic.” (tenant on sheltered)</i></p> <p><i>“I realise the problem isn’t necessarily council led, due to having less funds available, but the very real costs to tenants and residents...has the potential to force people into poverty.” (tenant on HRA budget)</i></p>

Comments on specific recommendations:

Rent (20 comments)	Comments from tenants were mostly pandemic-related (see above table); whilst homeowners felt that rents should rise by the maximum allowed.
Tenant service charges (16 comments)	Tenant comments were principally about the standard of service provided (notwithstanding restrictions imposed by the pandemic). Homeowner comments were almost all anti-their (variable) service charges.
Sheltered housing service charges (9 comments)	Most comments were linked to the effects of the pandemic and clients' ability to pay, in a similar fashion to the rents proposal above.
Garages (9 comments)	As with previous years strong support was expressed for the increase in the private sector garage charge.
Heating and hot water (15 comments)	Almost all the comments related to shortcomings in service provision and reliability. A leaseholder pointed to the fact that a flat (budget-related) fee contained no encouragement to reduce energy use.
HRA budget (12 comments)	Comments tended not to relate to specific items within the proposed HRA budget but covered more generic issues such as the level of central government support, the effect of the pandemic (see table above) and the council's regeneration policies. A tenant complained about the monies spent on the LTN (which does not form part of the HRA).

Section 4 – Equalities Analysis

The final questions on the Consultation Hub related to determining the equalities profile of the 37 responders, and outcomes are listed below.

Occupancy Type	Number
Tenants	21
Homeowners (Leaseholders)	12
Homeowners (Freeholders)	3
Not specified	1
Total	<u>37</u>

Ethnicity	Number
White British	5
White Irish	1
White English	3
White Other	3
European	2
Black British	8
Black Caribbean	1
Nigerian	1
Other African	1
Indian	1
Other Asian	1
Mixed White/Black Caribbean	1
Other Ethnic (not specified)	2
Not Answered	7
Total	<u>37</u>

Disability	Number
Yes	3
No	23
Prefer not to say	3
Not Answered	8
Total	<u>37</u>

Age	Number
25 - 34	1
35 - 44	8
45 - 54	10
55 - 64	6
65 - 74	3
Not Answered	9
Total	<u>37</u>

Birth Gender	Number
Male	13
Female	16
Prefer not to say	1
Not Answered	7
Total	<u>37</u>

Gender Change	Number
Yes	1
No	26
Prefer not to say	1
Not Answered	9
Total	<u>37</u>

Religion/ Belief	Number
Christian	16
Hindu	1
Muslim	1
No religion	7
Other (not specified)	4
Not Answered	8
Total	<u>37</u>

Sexual Orientation	Number
Heterosexual/Straight	22
Gay Man	3
Prefer not to say	2
Not Answered	10
Total	<u>37</u>